

**The Navigator Company, S.A.**  
Public Limited Company

**Share Capital**  
500 000 000 Eur

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

**Headquarters**  
Península  
de Mitrena,  
Freguesia  
do Sado  
- Setúbal



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**FIRST 9 MONTHS**  
REPORT  
2019

## DIRECTORS' REPORT

9 MONTHS 2019

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## 1. HIGHLIGHTS

### Highlights first 9 months 2019 (vs. first 9 months 2018):

- Turnover grows to € 1 274 million (up +1.8%), as volume rises for pulp and tissue sales
- EBITDA of € 300.2 million, down 11.8% on EBITDA for the first nine months of 2018; EBITDA / Sales margin of 23.6% due to lower pulp prices and rising production costs
- Capex totalled € 88.3 million (€ 148.4 million in 2018), with investment in maintenance and environmental performance
- Free cash flow generation strong at € 125.4 million, as compared to an adjusted figure of € 93.6 million in 2018 (excluding receipts from disposal of pellets business)
- Group remains focused on cutting operational costs (M2 programme), with a positive impact on EBITDA of around € 14.0 million in the first nine months, partly offsetting the rising costs that have hit the industry as a whole (energy, wood and chemicals, in particular).
- Net financial income improves by 31% to € -11.2 million
- Net interest-bearing borrowing of € 776 million, keeping the Net Debt / Ebitda ratio at a comfortable level of 1.87 X, after payment of € 200 million in dividends in April and investment in treasury shares of € 18.4 million since the start of the year

### Highlights 3<sup>rd</sup> Quarter 2019 (vs. Q2 2019)

- Turnover of € 420 million (down 2.8%)
- Increase in volume of pulp and tissue sales in quarter, but not enough to offset reduction in paper sales
- EBITDA of € 93.3 million (down 8.6 %), reflecting a reduction in volume and price in paper business and sharp price drop in pulp business
- Quarter marked by maintenance shutdown at Figueira da Foz pulp mill and paper machines
- In an announcement at annual Sustainability Forum, Navigator confirms commitment to achieving carbon neutrality in 2035, with planned investments of € 158 million

## 2. SUMMARY OF LEADING INDICATORS (unaudited figures)

in million euros	9M 2019	9M 2018	% Change <sup>(9)</sup> 9M 19/9M 18
<b>Total sales</b>	1 274.2	1 252.3	1.8%
<b>EBITDA <sup>(1)</sup></b>	<b>300.2</b>	<b>340.6</b>	<b>-11.8%</b>
<b>Recurring EBITDA <sup>(2)</sup></b>	<b>300.2</b>	<b>338.1</b>	<b>-11.2%</b>
<b>Operating profits</b>	199.8	244.6	-18.3%
<b>Financial results</b>	- 11.4	- 16.5	31.1%
<b>Net earnings</b>	<b>147.5</b>	<b>171.8</b>	<b>-14.1%</b>
<b>Cash flow</b>	248.0	267.8	-19.8
<b>Free Cash Flow <sup>(3)</sup></b>	125.4	161.1	-35.7
<b>Adjusted Free Cash Flow <sup>(4)</sup></b>	125.4	93.5	31.9
<b>Capex</b>	88.3	148.4	-60.1
<b>Net debt <sup>(5)</sup></b>	776.0	731.6	44.4
<b>EBITDA/Sales (%)</b>	<b>23.6%</b>	<b>27.2%</b>	-3.6 pp
<b>EBITDA without pellets/ sales</b>	<b>23.6%</b>	<b>27.0%</b>	-3.4 pp
<b>ROS</b>	11.6%	13.7%	-2.1 pp
<b>ROE <sup>(6)</sup></b>	17.1%	19.6%	-2.5 pp
<b>ROCE <sup>(7)</sup></b>	14.2%	17.3%	-3.2 pp
<b>Equity ratio</b>	43.7%	47.0%	-3.3 pp
<b>Net Debt/EBITDA <sup>(8)</sup></b>	1.87	1.65	0.22

in million euros	Q3 2019	Q2 2019	% Change <sup>(9)</sup> Q3 19/Q2 19	Q3 2018	% Change <sup>(9)</sup> Q3 19/Q3 18
<b>Total sales</b>	420.1	432.3	-2.8%	435.4	-3.5%
<b>EBITDA <sup>(1)</sup></b>	<b>93.3</b>	<b>102.1</b>	<b>-8.6%</b>	<b>114.6</b>	<b>-18.6%</b>
<b>Recurring EBITDA <sup>(2)</sup></b>	<b>93.3</b>	<b>102.1</b>	<b>-8.6%</b>	<b>123.2</b>	<b>-24.3%</b>
<b>Operating profits</b>	65.8	67.8	-3.1%	83.8	-21.5%
<b>Financial results</b>	- 1.7	- 5.8	-70.3%	- 5.2	-66.9%
<b>Net earnings</b>	<b>52.6</b>	<b>45.6</b>	<b>15.3%</b>	<b>52.3</b>	<b>0.6%</b>
<b>Cash flow</b>	80.2	79.9	0.3	83.2	-3.0
<b>Free Cash Flow <sup>(3)</sup></b>	24.6	90.8	-66.2	8.5	16.1
<b>Capex</b>	20.1	35.7	-15.6	71.2	-51.1
<b>Net debt <sup>(5)</sup></b>	776.0	796.4	-20.4	731.6	44.4
<b>EBITDA/Sales (%)</b>	<b>22.2%</b>	<b>23.6%</b>	<b>-1.4 pp</b>	<b>26.3%</b>	<b>-4.1 pp</b>
<b>Recurring EBITDA / sales</b>	<b>22.2%</b>	<b>23.6%</b>	<b>-1.4 pp</b>	<b>28.3%</b>	<b>-6.1 pp</b>
<b>ROS</b>	12.5%	10.6%	2.0 pp	12.0%	0.5 pp
<b>ROE <sup>(6)</sup></b>	18.3%	16.2%	2.1 pp	17.9%	0.4 pp
<b>ROCE <sup>(7)</sup></b>	14.0%	14.6%	-0.6 pp	18.5%	-4.5 pp
<b>Equity ratio</b>	43.7%	43.7%	0.0 pp	47.0%	-3.3 pp
<b>Net Debt/EBITDA <sup>(8)</sup></b>	1.87	1.87	0.00	1.65	0.22

1. Operating profits + depreciation + provisions;
2. Recurrent EBITDA excludes effect of sale of pellets business + anti-dumping duty
3. Variation net debt + dividends + purchase of own shares
4. Adjusted FCF excl. receipts from disposal of pellets business
5. Interest-bearing liabilities - liquid assets
6. ROE = Annualised net profit / Average Shareholders' Funds last 12 months
7. Annualised operating profit / Average Capital Employed last 12 months
8. (Interest-bearing liabilities - liquid assets) / EBITDA corresponding to last 12 months
9. Variation in figures not rounded up/down

### **3. ANALYSIS OF RESULTS**

#### **9 Months 2019 vs. 9 Months 2018**

The Navigator Company recorded turnover in the first nine months of 2019 of € 1 274 million, up by 1.8% on the same period in 2018. With sales of € 905 million, the paper segment accounted for 71% of turnover, energy and pulp for 10% (each with approximately € 122 million) and tissue business for around 8% (€ 102 million). Market conditions have deteriorated in 2019, with falling pulp prices and weaker demand for pulp and paper. In terms of sales, Navigator recorded rising sales volumes for pulp and tissue, allowing it to offset the lower figures for paper and energy.

#### **Pulp sales rise as market undergoes cyclical adjustment**

Navigator's pulp output in the first nine months of 2019 stood at 1 062 thousand tons (1.2% down on output in 2018), constrained by major maintenance shutdowns at the Setúbal and Cacia plants, in April and May, and in Figueira da Foz in September. Navigator also proceeded with a careful management of supply, in a market environment characterised by slowing economic activity and shrinking demand in the pulp and paper sector.

Even so, the quantity of pulp available for sale was greater than in the previous year, thanks to the capacity expansion completed in 2018 and the smaller volume of pulp incorporated into paper, making it possible to record an increase in pulp sales of 21.1% to 214 thousand tons.

Over the course of the period, the benchmark sale price for pulp - BHKP PIX - in USD tended to fall, dropping at the end of September to 750 USD/ton, down around 26.7% in relation to the price at year-end 2018 of 1,024 USD/ton. The average figure for the index in 2019 was 909 USD/ton, as compared to 1,036 USD in the first nine months of 2018, representing a reduction of 12.3%. However, evolution in the EUR/USD exchange cushioned the drop in pulp prices in euros, which were down by 6.9%, at an average of 808 €/ton. Despite the difficult price environment, the growing volume of pulp sales allowed Navigator to record an increase of 5% in the value of sales, which stood at € 121.4 million.

#### **Paper business shows resilience in adverse market environment**

Paper sales in the period totalled 1,082 thousand tons (down 4.8% on the first 9 months of 2018) and were hampered by deteriorating market conditions and by a drop in output. The demand for printing and writing paper has reflected not only a global economic slowdown, but also a sharp reduction in stocks across the supply chain, with falling pulp prices dragging down paper prices. However, the evolution of paper prices since the start of the year shows that they are highly resilient to the current market environment, and the benchmark index for UWF paper - A4 B-copy – recorded a price for the first nine months of 2019, around 5% higher than the average price in the same period last year.

In this context, the Group's performance reflects a sales strategy which has sought to protect margins in Europe and the US, regions where the Group records most of its sales, with active control over the total quantity supplied and some volumes being redirected out of these geographical regions. This management of sales resulted in a change in the product mix, with increased sales of reels, a reduction in premium products (for which the sales volume dropped in the current context of pressure on prices) and stability in own brands. Despite the mix evolution, the Group's average sales price remained 2.4% above the average price in 2018, and sales in value stood at € 905 million.

Total paper output by Navigator in the first nine months of 2019 totalled around 1,091 thousand tons, down from 2018, due to a series of factors, including the strikes in the first half at PM4 in Setúbal, and also production levels in view of current market conditions. The annual shutdown at the Figueira da Foz paper mill, originally planned for October, was accordingly brought forward to September, to coincide with the shutdown in the pulp mill so that the supply could be managed more efficiently.

Over the course of 2019, Navigator has optimised operations and quality for new products on its paper mill in Setúbal (PM3), in order to ensure it offers heavyweights products that meet the highest global quality standards. Notwithstanding, this process of optimisation required a series of planned trials and tests, which necessarily entailed reducing output from PM3.

### **Tissue sales grow 60% in value with start-up of new mill**

In tissue business, there was a significant increase of 64% in the volume of sales to 74 thousand tons, as a result of the start-up of the new tissue plant in Aveiro. The value of sales stood at € 102 million, up 58% in relation to the first nine months of 2018. This growth in volume reflected two distinct changes in the business. On the one hand, sales of finished product grew by around 25% to 56 thousand tons, and on the other hand the Groups' sales of reels, which had been negligible in the same period of 2018, increased twenty four times over to 18.5 thousand tons.

Both finished products and reels benefited from price rises in relation to the first nine months of 2018, that were vital to offset the increase in costs - especially in terms of chemicals, logistics and energy. However, the faster growth in reels business, typical of the early stages of production in a new tissue mill, altered the mix of products sold, which had an impact on the average sales price, although the Group made significant price increases.

## Energy Business hit by production shutdowns

In the first nine months of 2019, the group's electricity sales totalled around € 122.6 million, representing a reduction of 3.8% in relation to the figures for the same period in the previous year.

The reduction in electricity sales was due essentially to operational problems at the renewable cogeneration facilities at the industrial complexes in Setúbal and Figueira da Foz, leading to a lower level of output. Power output totalled approximately 1 563 GWh and fell 4% short of the figures recorded in the first nine months of 2018, due to the shutdowns referred to above.

## Production costs

In production costs, energy remained the principal inflationary factor, up to the end of September of over € 21 million YoY due to the increase in the purchase price for electricity and natural gas, in a context of larger quantities of energy acquisitions. The operational instability recorded over the year was reflected in a drop in energy output, resulting in a larger quantity purchased of electricity and natural gas at higher prices, when compared with the previous year. Attention should also be drawn to an increase in the cost of chemicals, with an impact of over € 7 million, due essentially to optical brighteners incorporated in paper production.

Unit costs for wood purchases were also higher than in 2018. This increase was due on the one hand to an increase in the percentage of certified woodchip on the international market, going from 41% to 52%, which is in line with the group carried efforts towards rewarding good forestry management practices. Moreover, the rise in price of the woodchips acquired abroad and the variation on the EUR/USD exchange rate on wood purchased outside the Iberian peninsula also had substantial impact in the unitary cost of wood. Finally, the rise in unit prices combined with growth in the volume of wood purchases had an impact of over € 11 million on production costs in the first nine months of the year.

In fixed costs, overall performance was positive, with personnel expenditure performing favourably, offsetting the negative performance in operating and maintenance costs.

The rise in costs was eased by systematic efforts to implement the M2 programme, geared to promoting operational excellence and cost optimisation in the Company, involving units across the entire Group. A total of one hundred projects were implemented during the first nine months, and 76 of these had a positive effect in reducing operational costs or improving the performance of our assets, yielding YoY gains around € 14.0 million. Special attention should be drawn to projects to optimise our products, as well as maritime and road logistics, and also for internal management of containers, integrated negotiations for acquisitions of chemicals and, in industrial operations, improved energy efficiency in the paper machines in Setúbal.

### **EBITDA for first 9 months of 2019 above average for past 5 years**

In this context, EBITDA stood at € 300.2 million, higher than the average for the past five years and compared to a figure of € 340.6 million recorded in 2018, the year in which the Group recorded record values for EBITDA. The EBITDA / Sales margin in 2019 was 23.6% (as compared with a margin of 27% in 2018).

### **Robust generation of free cash flow**

Operating cash flow generated in the period totalled € 248.0 million, as compared to € 267.8 million in the same period of the previous year. Free cash flow generation stood at € 125.4 million, as compared to the figure of € 93.6 million in 2018, adjusted to exclude the extraordinary effect of receipts relating to sale of the pellets business, which represented a cash inflow of € 67.6 million.

In relation to operating cash flow generated in 2019, free cash flow reflected capital expenditure of € 88.3 million (vs. € 148.4 million in 2018), and also an increase in inventories, up by € 15.6 million, due fundamentally to replenishment of wood stocks to levels regarded as adequate. In this context, the Group's operational performance enabled it once again to record the robust capacity to generate funds that it has displayed consistently over recent years.

At the end of September, Navigator's interest-bearing net debt totalled € 776.0 million, representing an increase of € 93.0 million over year-end 2018, after a period in which the Group paid out € 200 million in dividends and acquired treasury stock with a value of € 18.4 million. The Net Debt / Ebitda ratio remains at a conservative value of 1.87x.

At the end of the period, Navigator rescinded its ratings agreements with the Standard & Poor's and Moody's agencies, on the grounds that, following on from the process of restructuring its financial debt over the past few years and in view of the associated costs, there was no justification for maintaining the rating service.

### **Financial results improve by € 5.1 million**

Financial results improved by € 5.1 million, standing at a loss of € 11.4 million (vs. a loss of € 16.5 million), thanks to a positive impact of € 2.3 million from the variation in results from investments of surplus liquidity and € 3.5 million from the effects of interest on the sum of \$ 42.5 million still receivable for the sale of the pellets business in 2018. In the previous year, the same effect had been negative to the tune of € 2.1 million, due to calculation of the current value of the amount receivable, smaller than its nominal value. This receivable also resulted in a positive exchange rate variation of € 1.7 million over the period.

Negative factors included the result from financing operations, which increased by approximately € 1.0 million, due essentially to higher average debt over the period, and also implementation of IFRS 16, which had a negative impact of € 1.3 million.

Pre-tax profits totalled € 188.4 million (as compared to € 228 million), with an effective rate of return of 21.7%, down on the same period in 2018, when this had benefited from an over-estimate of taxes, through use of tax benefits (SIFIDE), and also reversal of provisions for tax proceedings.

As a result, the Group recorded net income in the first nine months of 2019 of € 147.5 million, as compared with € 171.8 million in 2018.

### **3<sup>RD</sup> QUARTER VS. 2<sup>ND</sup> QUARTER 2019**

Third quarter turnover totalled € 420 million, down by 2.8% on the second quarter, explained essentially by the reduction in the volume of paper sales, combined with a drop in the average paper and pulp price, not fully offset by the growth in pulp and tissue sales.

In a period of the year when paper industry operations are traditionally softer, the situation in the pulp and paper market in the third quarter of 2019 was particularly difficult, with a drop in UWF demand in Europe of 5.2%, well above the levels recorded in previous years (the average for the past five years was -1.8%), although it is estimated that this decrease was the result of a significant reduction in stocks across the supply chain in the last few months. In this context of intense pressure on prices, Navigator recorded a volume of paper sales, around 1% lower than in the previous quarter, which, combined with a sales prices similarly under pressure, resulted in sales in value of € 294 million.

Pulp business was also hit by a significant worsening of market conditions, reflected in a drop of almost 13% in the standard BHKP price index and sharp contraction in demand in the European market. Sales of pulp sales were therefore marked by a drop in the average sales price, which was nonetheless more than

offset by the substantial increase in the volume of sales, which stood at 91 thousand tons (up 48%). As a result, pulp sales totalled € 43.8 million (up 16% QoQ).

The volume of tissue sales also grew by 14%. Combined with an increase in the proportion of reels in the product mix, this resulted in a sales price 3% lower than in the previous quarter and a value of tissue sales of € 36 million (up 10% QoQ).

## IFRS 16

Navigator adopted IFRS 16 as from 1 January 2019. The 2018 results have not been restated in accordance with this accounting standard. The main Income Statement impacts of application of IFRS 16 were: reduction in the value of rentals in Third Party Supplies and Services by around € 5.3 million, increase in depreciation of approximately € 4.2 million and an increase in interest of € 1.3 million. On the Balance Sheet, a sum of € 45.5 million has been stated under Lease Assets, with the corresponding contra-entry in Non-current Lease Liabilities.

## 4. OPERATING INDICATORS

### Pulp and paper

(in 000 tons)	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019
BEKP Sales	63.1	76.3	62.1	61.5	90.8
UWF Sales	380.7	376	353	366.5	362.7
FOEX – BHKP Euros/ton	903	914	872	830	723
FOEX – BHKP USD/ton	1050	1043	991	933	804
FOEX – A4- BCopy Euros/ton	882	900	914	912	901

### Tissue

(in 000 tons)	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019
Sales of reels and goods	0.0	1.1	6.1	5.3	7.1
Sales of finished products	16.7	16.8	17.6	18.2	19.8
Total sales of tissue	16.7	17.9	23.7	23.6	26.9

### Energy

	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019
Sales (GWh)	428.5	452.7	442	392	406

## 5. CAPITAL EXPENDITURE

Navigator recorded total capex of € 88.3 million in the first nine months of 2019. This figure includes € 59.3 million in maintenance (current and non-current), € 12.3 million on completion of the new tissue plant in Aveiro, the PO3 project (increasing pulp capacity) and the final stage of investment in heavyweight products, as well as € 16.7 million in environmental capex. In the latter category, the main project currently under way is the construction of a new biomass boiler at the Figueira da Foz site, to replace the existing boiler and the natural gas combined cycle power plant, which will make it possible to cut fossil CO2 emissions from the complex.

### **Group confirms its commitment to achieving carbon neutrality in 2035**

These environmental capex projects are part of a wider programme of improvements to the environmental performance and sustainability of the Group's mills, and are in line with Navigator's commitment to achieving carbon neutrality in 2035. This makes The Navigator Company the first Portuguese corporation, and one of the first in the world, to make a commitment to attaining carbon neutrality 15 years early, which will enable all its industrial complexes to be carbon neutral by 2035. In order to support this mission, Navigator has announced total investment of € 158 million. The challenge of climate change is a priority, and Navigator has therefore drawn up its own roadmap to carbon neutrality, involving an ambitious series of capex projects in renewable energy and new technologies, which will allow it to cut CO2 emissions, as well as forest planting to offset residual emissions which cannot be eliminated.

The forests under The Navigator Company's management in Portugal represent a carbon stock equivalent to 5.4 million tons of CO2, excluding carbon retained in the soil. This is equivalent to the emissions generated by 1.5 million cars driving a distance equivalent to the circumference of the planet.

Significantly, in early 2019, Navigator was the only Portuguese company to be graded by the Carbon Disclosure Project (CDP) as a world leader in fighting climate change, achieving a high profile placement on the organisation's A-list. The Company was singled out for its success in 2018 in reducing emissions, cutting climate risks and developing a low-carbon impact economy.

## 6. OUTLOOK

The factors of uncertainty that affected the world economy during the first half of 2019 - geopolitical instability, severe tensions in global trade and fears of a hard Brexit - remained in place throughout the third quarter, culminating in September in publication of macroeconomic data that confirmed that the global economy is entering a significant downturn. However, the slowdown varies significantly depending on the geographical region considered. In China, this means a drop in growth of 6.6% in 2018 to 6.0% in

2019, and in the USA it involves a similar drop in growth, but from a lower starting point, from 2.9% to 2.2% in 2019, meaning that both countries continue to experience significant growth.

In Europe, the economic downturn is reflected in growth that is dropping from 1.9% in 2018 to 1.0% this year, although this is not far from the estimated medium term growth for the Euro zone. Expectations for 2019 accordingly reflect more moderate economic growth, with rates of growth differing in line with the specific features of each region, with a sharper recovery expected for 2020.

In the pulp sector, after a sharp reduction in demand from local purchasers and a significant increase in stocks at manufacturers, which then pushed pulp prices down, prices in China are currently at very low levels. Pulp prices in Europe are currently showing significant decreases, and prices are closer to those observed in China, which may suggest that a turning point will soon be reached. In the case of softwood pulp, there are signs that this might happen in the course of the fourth quarter. With a certain upturn in demand and the absence of any significant increases in supply until the second half of 2021, pulp prices can be expected to perform moderately well as from early 2020.

On the paper side, the third quarter also reflected worsening conditions in the global economy, as well as a significant reduction in stocks across the supply chain, which has held down paper prices. As the UWF market leader in Europe, the Navigator Group continues to present a resilient business model and a capacity to take market action that allows it to take current market conditions in its stride.

In tissue business, demand continues to grow at interesting levels, albeit against a backdrop of new production capacity coming on line in the Iberian peninsula. For Navigator, 2019 remains a year of consolidating recent investments, with a view to increasing total sales. The main aim is to achieve sizeable gains in sales of finished products, as the industrial operation matures and our share of the target markets grows. In addition, the Group is also seeking to improve its margin through the price increase implemented and economies of scale deriving from business growth.

After posting record results in 2018, the Group's performance over the first nine months of 2019 has been constrained by the market context and by a number of external factors, which have hampered global economic growth and had an impact on certain cost factors. Even so, Navigator has recorded results that compare favourably with those for the past five years, and is working actively on improving operational efficiency, by pressing ahead with its M2 programme for cost reduction and operational excellence. This was joined in April by the Zero Based Budget project, which sets out to design and implement a series of initiatives to cut fixed costs (running costs, overheads and personnel costs in non-industrial areas), the benefits of which may be expected in 2020.

Lisbon, 29 October 2019

## 7. FINANCIAL STATEMENTS

### CONSOLIDATED INCOME STATEMENT

For the nine month period ended 30 September 2019 and 2018

Amounts in Euro	Note	9 months 30-09-2019	9 months 30-09-2018	3rd Quarter 2019	3rd Quarter 2018
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	6				
Sales		1,270,238,681	1,248,540,736	418,095,962	434,216,968
Services Rendered		3,999,723	3,762,876	2,049,739	1,183,993
Other operating income	7			-	-
Gains on the sale of non-current assets		212,134	17,894,562	(49,826)	172,232
Other operating income		22,310,080	13,055,758	4,554,743	5,682,331
Changes in the fair value of biological assets	19	(2,262,018)	1,557,146	814,210	437,490
Operating Expenses	8			-	-
Cost of inventories sold and consumed		(540,716,096)	(522,223,248)	(174,681,947)	(177,548,695)
Variation in production		13,988,251	31,144,857	(6,565,679)	11,040,893
Cost of services and materials consumed		(339,861,736)	(304,731,817)	(114,947,224)	(109,362,715)
Payroll costs		(108,597,389)	(125,566,241)	(31,883,970)	(40,869,756)
Other expenses and losses		(19,069,354)	(22,831,644)	(4,095,344)	(10,312,367)
Net changes in provisions		2,280,599	1,741,217	4,195,967	440,996
Depreciation, amortisation and impairment losses	9	(102,760,542)	(97,764,203)	(31,728,247)	(31,319,290)
<b>Operating profit</b>		<b>199,762,331</b>	<b>244,579,999</b>	<b>65,758,383</b>	<b>83,762,082</b>
Financial income	10	5,705,576	1,262,336	2,781,018	(1,756,234)
Financial expenses	10	(17,104,280)	(17,799,544)	(4,491,934)	(3,410,234)
<b>Financial results</b>		<b>(11,398,704)</b>	<b>(16,537,208)</b>	<b>(1,710,915)</b>	<b>(5,166,468)</b>
Group share of (loss) / gains of associated companies and joint ventures		0	0	0	0
<b>Profit before tax</b>		<b>188,363,627</b>	<b>228,042,791</b>	<b>64,047,468</b>	<b>78,595,614</b>
Income Tax	11	(40,835,513)	(56,277,787)	(11,409,671)	(26,273,634)
<b>Net profit for the period</b>		<b>147,528,116</b>	<b>171,765,004</b>	<b>52,637,797</b>	<b>52,321,980</b>
<b>Attributable to:</b>					
The Navigator Company's Shareholders		147,521,948	171,766,977	52,621,781	52,322,970
Non-controlling interests		6,168	(1,973)	16,016	(992)
<b>Earnings per share</b>					
Basic earnings per share, Euro	12	0.207	0.240	0.074	0.073
Diluted earnings per share, Euro	12	0.207	0.240	0.074	0.073

The notes on pages 18 to 68 are an integral part of these Financial Statements.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of 30 September 2019 and 31 December 2018

Amounts in Euro	Notes	30-09-2019 (unaudited)	31-12-2018
<b>Asset</b>			
<b>Non-current assets</b>			
Goodwill	14	377,339,466	377,339,466
Other intangible assets	15	2,765,683	2,886,251
Property, plant and equipment	16	1,245,149,209	1,239,008,735
Lease Assets (IFRS 16)	17	45,530,070	-
Investment properties	18	96,293	97,527
Biological assets	19	117,352,549	119,614,567
Other financial assets	20	106,662,705	63,168,912
Deferred tax assets	25	37,387,963	71,006,775
		<b>1,932,283,939</b>	<b>1,873,122,233</b>
<b>Current assets</b>			
Inventories		237,931,945	222,376,871
Receivables and other current assets	21	230,222,623	307,750,689
State and other public entities	22	64,658,179	79,751,430
Cash and cash equivalents	28	71,228,192	80,859,784
		<b>604,040,938</b>	<b>690,738,774</b>
<b>Non-current assets held for sale</b>			
Non-current assets held for sale	23	2,522,026	-
		<b>2,522,026</b>	<b>-</b>
<b>Total Assets</b>		<b>2,538,846,903</b>	<b>2,563,861,007</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Share Capital	24	500,000,000	500,000,000
Treasury shares	24	(20,189,264)	(2,317,915)
Fair value reserves		(10,196,618)	(5,633,483)
Legal reserve		100,000,000	100,000,000
Free reserves		197,292,250	197,292,250
Currency translation reserve		(16,423,102)	(20,575,294)
Retained earnings		212,247,167	192,512,197
Net profit for the period		147,521,948	225,135,403
<b>Total Equity attributable to shareholders</b>		<b>1,110,252,381</b>	<b>1,186,413,158</b>
Non-controlling interests		342,998	204,263
<b>Total Equity</b>		<b>1,110,595,379</b>	<b>1,186,617,421</b>
<b>Non-current liabilities</b>			
Deferred tax asset liabilities	25	74,152,179	66,123,135
Pension liabilities	26	18,224,369	7,324,279
Provisions	27	16,817,819	43,065,470
Interest-bearing liabilities	28	833,993,729	652,025,122
Lease liabilities (IFRS 16)	29	41,755,680	-
Other liabilities	28	73,987,887	82,324,405
		<b>1,058,931,663</b>	<b>850,862,411</b>
<b>Current liabilities</b>			
Interest-bearing liabilities	28	13,194,444	111,805,556
Lease liabilities (IFRS 16)	29	4,447,236	-
Payables and other current liabilities	30	275,718,189	323,800,570
State and other public entities	22	75,959,991	90,775,049
		<b>369,319,861</b>	<b>526,381,175</b>
<b>Total Liabilities</b>		<b>1,428,251,524</b>	<b>1,377,243,586</b>
<b>Total Equity and Liabilities</b>		<b>2,538,846,903</b>	<b>2,563,861,007</b>

The notes on pages 18 to 68 are an integral part of these Financial Statements.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine month period ended 30 September 2019 and 2018

<b>Amounts in Euro</b>	<b>9 months 30-09-2019 (unaudited)</b>	<b>9 months 30-09-2018 (unaudited)</b>
<b>Net profit for the period</b>	<b>147,528,116</b>	<b>171,765,004</b>
<b>Items that can be reclassified subsequently to profit or loss</b>		
Fair value in derivative financial instruments	(6,293,979)	(2,465,925)
Currency translation differences	4,152,191	(2,737,445)
Tax on items above when applicable	1,730,844	66,849
Tax on conventional capital remuneration	1,001,000	-
	<b>590,056</b>	<b>(5,136,521)</b>
<b>Items that will not be reclassified subsequently to profit or loss</b>		
Other changes in shareholders' equity of subsidiaries	3,108,409	4,411,898
Post-employment benefits (actuarial deviations)	(9,802,011)	(4,902,319)
Tax on items above when applicable	428,175	12,822
	<b>(6,265,427)</b>	<b>(477,599)</b>
	<b>(5,675,370)</b>	<b>(5,614,120)</b>
<b>Total recognised income and expense for the period</b>	<b>141,852,745</b>	<b>166,150,885</b>
<b>Attributable to:</b>		
The Navigator Company's Shareholders	141,714,010	166,364,002
Non-controlling interests	138,735	(213,118)
	<b>141,852,745</b>	<b>166,150,884</b>

*The notes on pages 18 to 68 are an integral part of these Financial Statements.*

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine month period ended 30 September 2019 and 2018

Amounts in Euro	01 January 2019	Gains and losses recognised in the period	Dividends paid and reserves distributed (Note 13)	Treasury shares acquisition (Note 24)	Application of prior period's net profit (Note 13)	Bonus to employees (balance bonus)	30 September 2019
Share Capital	500,000,000	-	-	-	-	-	500,000,000
Treasury shares	(2,317,915)	-	-	(17,871,349)	-	-	(20,189,264)
Fair value reserves	(5,633,483)	(4,563,135)	-	-	-	-	(10,196,618)
Legal reserve	100,000,000	-	-	-	-	-	100,000,000
Free reserves	197,292,250	-	-	-	-	-	197,292,250
Currency translation reserve	(20,575,293)	4,152,191	-	-	-	-	(16,423,102)
Retained earnings	192,512,197	(5,396,994)	(200,003,439)	-	248,135,403	(23,000,000)	212,247,167
<b>Net profit for the period</b>	<b>225,135,403</b>	<b>147,521,948</b>	<b>-</b>	<b>-</b>	<b>(225,135,403)</b>	<b>-</b>	<b>147,521,948</b>
<b>Total</b>	<b>1,186,413,158</b>	<b>141,714,010</b>	<b>(200,003,439)</b>	<b>(17,871,349)</b>	<b>23,000,000</b>	<b>(23,000,000)</b>	<b>1,110,252,382</b>
Non-controlling interests	204,263	138,735	-	-	-	-	342,998
<b>Total</b>	<b>1,186,617,421</b>	<b>141,852,745</b>	<b>(200,003,439)</b>	<b>(17,871,349)</b>	<b>23,000,000</b>	<b>(23,000,000)</b>	<b>1,110,595,380</b>

Amounts in Euro	01 January 2018	Gains and losses recognised in the period	Dividends paid and reserves distributed (Note 13)	Treasury shares acquisition (Note 24)	Application of prior period's net profit (Note 13)	Bonus to employees (balance bonus)	30 September 2018
Share Capital	500,000,000	-	-	-	-	-	500,000,000
Treasury shares	(1,002,084)	-	-	-	-	-	(1,002,084)
Fair value reserves	(3,020,990)	(2,399,076)	-	-	-	-	(5,420,066)
Legal reserve	109,790,475	-	-	-	(9,790,475)	-	100,000,000
Free reserves	217,500,000	1,475	(29,999,700)	-	9,790,475	-	197,292,250
Currency translation reserve	(13,966,898)	(2,737,445)	-	-	-	-	(16,704,344)
Retained earnings	167,388,264	(267,929)	(170,003,077)	-	214,770,604	(7,000,000)	204,887,863
<b>Net profit for the period</b>	<b>207,770,604</b>	<b>171,766,977</b>	<b>-</b>	<b>-</b>	<b>(207,770,604)</b>	<b>-</b>	<b>171,766,977</b>
<b>Total</b>	<b>1,184,459,370</b>	<b>166,364,002</b>	<b>(200,002,777)</b>	<b>-</b>	<b>7,000,000</b>	<b>(7,000,000)</b>	<b>1,150,820,596</b>
Non-controlling interests	420,277	(213,118)	-	-	-	-	207,159
<b>Total</b>	<b>1,184,879,648</b>	<b>166,150,884</b>	<b>(200,002,777)</b>	<b>-</b>	<b>7,000,000</b>	<b>(7,000,000)</b>	<b>1,151,027,755</b>

The notes on pages 18 to 68 are an integral part of these Financial Statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine month period ended as at 30 September 2019 and 2018

Amounts in Euro	Notes	9 months 30-09-2019 (unaudited)	9 months 30-09-2018 (unaudited)	3rd Quarter 2019 (unaudited)	3rd Quarter 2018 (unaudited)
<b>OPERATING ACTIVITIES</b>					
Receipts from customers		1,314,075,815	1,203,421,625	442,437,160	372,050,470
Payments to suppliers		912,812,851	961,340,826	317,676,629	327,790,693
Payments to employees		98,769,985	98,214,725	23,547,429	30,386,336
Cash flow from operations		302,492,979	143,866,074	101,213,101	13,873,440
Income tax received / (paid)		(43,679,731)	(23,792,438)	(36,288,947)	(23,757,281)
Other receipts / (payments) relating to operating activities		11,243,771	134,333,751	28,426,985	97,787,025
<b>Cash flows from operating activities (1)</b>		<b>270,057,019</b>	<b>254,407,387</b>	<b>93,351,139</b>	<b>87,903,184</b>
<b>INVESTMENT ACTIVITIES</b>					
<b>Inflows:</b>					
Financial investments		380,470	69,026,158	1,416	-
Property, plant and equipment		316,577	-	59,312	-
Interest and similar income		3,881,821	-	3,881,821	-
Inflows from investment activities (A)		4,578,868	69,026,158	3,942,549	-
<b>Outflows:</b>					
Financial investments		-	-	-	-
Property, plant and equipment		132,047,544	155,644,200	65,335,338	75,589,618
Outflows from financing activities (B)		132,047,544	155,644,200	65,335,338	75,589,618
<b>Cash flows from investment activities (2 = A - B)</b>		<b>(127,468,676)</b>	<b>(86,618,042)</b>	<b>(61,392,789)</b>	<b>(75,589,618)</b>
<b>FINANCING ACTIVITIES</b>					
<b>Inflows:</b>					
Borrowings		84,791,667	123,046,352	(65,000,000)	(20,000,000)
Interest and similar income		-	-	-	-
Inflows generated by operations (C)		84,791,667	123,046,352	(65,000,000)	(20,000,000)
<b>Outflows:</b>					
Borrowings		-	111,262,788	-	595,900
Amortisation and interest on lease agreements		4,812,664	-	-	-
Interest and similar expense		14,217,818	12,314,658	6,064,065	4,090,803
Acquisition of Treasury shares*		17,871,349	-	4,211,820	-
Dividends paid and reserves distributed*		200,003,439	200,002,777	-	-
Outflows generated by operations (D)		236,905,270	323,580,222	10,275,885	4,686,704
<b>Cash flows from financing activities (3 = C - D)</b>		<b>(152,113,603)</b>	<b>(200,533,870)</b>	<b>(75,275,885)</b>	<b>(24,686,704)</b>
<b>CHANGES IN CASH AND CASH EQUIVALENTS (1)+(2)+(3)</b>		<b>(9,525,259)</b>	<b>(32,744,526)</b>	<b>(43,317,534)</b>	<b>(12,373,138)</b>
<b>CHANGES IN CASH AND CASH EQUIVALENTS FOR OTHER QUARTERS</b>		-	-	33,332,490	(20,188,591)
<b>EFFECT OF EXCHANGE RATE DIFFERENCES</b>		(106,333)	282,236	353,452	99,439
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>		80,859,784	125,331,036	80,859,784	125,331,036
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	28	<b>71,228,192</b>	<b>92,868,746</b>	<b>71,228,192</b>	<b>92,868,746</b>

\* See Consolidated statement of changes in equity

The notes on pages 18 to 68 are an integral part of these Financial Statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the periods ended at 30 September 2019 and 2018

(In these notes, unless indicated otherwise, all amounts are expressed in Euro.)

The Navigator group (“Group”) comprises The Navigator Company, S.A. (formerly designated as Portucel, S.A.) and its subsidiaries.

The Navigator group was created in the mid 1950’s, when a group of technicians from “Companhia Portuguesa de Celulose de Cacia” made this company the first in the world to produce bleached eucalyptus sulphate pulp.

In 1976 Portucel EP was created as a result of the nationalization of all of Portugal’s cellulose industry. As such, Portucel – Empresa de Celulose e Papel de Portugal, E.P. resulted from the merger with CPC – Companhia de Celulose, S.A.R.L. (Cacia), Socel – Sociedade Industrial de Celulose, S.A.R.L. (Setúbal), Celtejo – Celulose do Tejo, S.A.R.L. (Vila Velha de Ródão), Celnorte – Celulose do Norte, S.A.R.L. (Viana do Castelo) and Celuloses do Guadiana, S.A.R.L. (Mourão), being converted into a mainly public anonymous society by Decree-Law No. 405/90, of 21 December.

Years after, as a result of the restructuring of Portucel – Empresa de Celulose e Papel de Portugal, S.A., which was redenominated to Portucel, SGPS, S.A., towards to its privatization, Portucel S.A. was created, on 31 May 1993, through Decree-law No. 39/93, of 13 February, with the former assets of the two main companies, based in Aveiro and Setúbal.

In 1995, the company was reprivatized, and became a publicly traded company.

Aiming to restructure the paper industry in Portugal, Portucel, S.A. acquired Papéis Inapa, S.A. (Setúbal), in 2000, and Soporcel – Sociedade Portuguesa de Papel, S.A. (Figueira da Foz), in 2001. Those key strategic decisions resulted in the Portucel Soporcel Group (currently Navigator Group), which is currently the largest European and one of the world’s largest producers of bleached eucalyptus pulp and uncoated wood-free paper (UWF), with a capacity of 1.5 and 1.6 millions of tons, respectively, and it sells approximately 254 thousand tons of pulp, annually, integrating the remainder in the production of UWF paper and Tissue paper.

In June 2004, the Portuguese State sold a 30% stake of Portucel’s equity, which was acquired by Semapa Group. In September 2004, Semapa launched a public acquisition offer tending to assure the Group’s control, which was accomplished by guaranteeing a 67.1% stake of Portucel’s equity.

In November 2006, the Portuguese State concluded the third and final stage of the sale of Portucel, S.A., and Párpública, SGPS, S.A. (formerly Portucel SGPS, S.A.) sold the remaining 25.72% it still held.

From 2009 to June 2015, more than 75% of the company’s share capital was held directly and indirectly by Semapa – Sociedade de Investimento e Gestão SGPS, S.A. (excluding treasury shares) having the



percentage of voting rights been reduced to 70% following the conclusion of the offer for the acquisition, in the form of an exchange offer, of the ordinary shares of Semapa, SGPS, S.A., in July 2015.

In February 2015, the Group started its activity in the Tissue segment with the acquisition of AMS-BR Star Paper, S.A. (currently denominated Navigator Tissue Ródão, S.A.), a company that holds and explores a tissue paper mill, located in Vila Velha de Ródão. A new industrial facility was built in Aveiro, in August 2018, being operated by Navigator Tissue Aveiro, S.A., which is currently the largest Portuguese producer and the third in the Iberian Peninsula, with a production and transformation capacity of 130 thousand tons and 120 thousand tons, respectively.

In July 2016, the Navigator group expanded its activity to the pellets business with the construction of a plant in Greenwood, state of South Carolina, United States of America, which was sold in February 2018.

The Navigator group's main business is the production and sale of writing and printing thin paper (UWF) and domestic consumption paper (Tissue), and it is present in the whole value added chain, from research and development of forestry and agricultural production, to the purchase and sale of wood and the production and sale of bleached eucalyptus kraft pulp – BEKP and electric and thermal energy, as well as its commercialization.

On 6 February 2016, the Portucel Group changed its corporate brand to The Navigator Company. This new corporate identity represents the union of companies with a history of more than 60 years, aiming to give the Group a more appealing and modern image.

Following this event, and after approval in the General Shareholder's Meeting, held on 19 April 2016, Portucel S.A. changed its designation to The Navigator Company, S.A.

The Navigator Company, S.A. The Navigator Company, S.A. (hereafter referred to as The Navigator Company or Company) is a publicly traded company, listed in Euronext Lisbon, with its share capital represented by nominal shares.

**Head Office:** Mitrena, 2901-861 Setúbal

**Share Capital:** Euro 500,000,000

Registration No.: 503 025 798

These consolidated financial statements were approved by the Board of Directors on 29 October 2019.

The Navigator group's senior management, who are also the members of the Board of Directors that sign this report, declare that, to the best of their knowledge, the information contained herein was prepared in conformity with the applicable accounting standards, providing a true and fair view of the assets and liabilities, the financial position and results of the companies included in the Group's consolidation perimeter.

## 1. BASIS OF PREPARATION

The Interim consolidated financial statements for the 9-month period ended 30 September 2019 were prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting.

The notes to the financial statements were prepared on a going concern basis from the books and accounting records of the companies included in the consolidation (Note 5), and based on historical cost, except for available-for-sale financial assets, financial instruments derivatives and biological assets, which are recorded at fair value (Notes 19, 31.1 and 31.2).

The following Notes were selected in order to contribute to the understanding of the most significant changes in the Group's consolidated financial position and its performance in relation to the last annual reporting date as at 31 December 2018.

## 2. MAIN ACCOUNTING POLICIES

The accounting policies used in the preparation of these interim consolidated financial statements are consistent with those used in the preparation of the financial statements for the year ended 31 December 2018, and described in the respective following notes.

## 3. IFRS ADOPTED AND TO BE ADOPTED

### 3.1 New Standards, changes and interpretations to standards adopted by the Group

As at 1 January 2019, the Navigator Group adopted for the first time the following standards, changes and interpretations:

<b>Standards and amendments effective on or after 1 January 2019</b>	<b>Date of application *</b>
IFRS 16 - Leases	01 January 2019
IFRIC 23 – Uncertainty over Income Tax Treatments	01 January 2019
IFRS 9 (amended) – Financial Instruments	01 January 2019
IAS 28 (amended) - Investments in Associates and Joint Ventures	01 January 2019
Annual improvements in the 2015-2017 cycle	01 January 2019
IAS 19 (amended) - Cut-offs / changes to the plan and settlements	01 January 2019

\* Periods beginning on or after

The group changed its accounting policies as a result of the adoption of IFRS 16 and IFRIC 23 as follows. The other changes listed above had no impact on amounts recognised in prior periods and are not expected to significantly affect current or future periods.

#### **IFRS 16 - Leases**

IFRS 16 establishes a global model for the identification of lease agreements and their treatment in the financial statements of lessors and lessees. IFRS 16 replaced the standards in force until 31 December 2018, including IAS 17 - Leases and Interpretations, for periods beginning on or after 1 January 2019. The initial date of application of IFRS 16 for the Group was 1 January 2019.

The Group adopted IFRS 16 - Leases on 1 January 2019, having applied the simplified transition approach set forth in the paragraphs of IFRS 16: C3 (b), C7 and C8 and did not restate comparative figures for the period prior to the first adoption.

By contrast to the accounting for leases for lessees, IFRS 16 substantially maintains the principles of leases recognition for lessors as previously set out in IAS 17.

The Group assessed the practical expedient available in the transition to IFRS 16 of not re-evaluating whether a contract is or contains a lease, and made an overall assessment of the new definition and assessed all contracts signed or modified before 1 January 2019.

The change in the definition of leasing essentially concerns the concept of control. IFRS 16 distinguishes leasing services based on whether or not there is control over the use of an identifiable asset by the customer. Control is considered to exist if the customer has cumulatively:

- The right to obtain substantially all economic benefits from the use of a specific identified asset; and
- The right to control the use of that specific asset.

The Group applied the definition of lease set out in IFRS 16 and related application guidelines to all lease agreements entered into by it, either as lessor or as lessee, on or after 1 January 2019.

The Group's assessment on the application of IFRS 16 revealed that the new lease definition provided for in IFRS 16 did not significantly change the scope of contracts that meet the lease definition for the Group.

IFRS 16 has changed the way the Group accounts for leases previously classified as operating under IAS 17, which were not recorded in the consolidated statement of financial position, being disclosed in the accompanying notes as assumed commitments not included in the balance sheet.

In the initial application of IFRS 16, for all leases (except those mentioned below), the Group:

- recognised rights of use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of future lease payments;
- recognised depreciation of rights of use assets and financial expenses on lease liabilities in the consolidated income statement;
- separated the total amount paid between capital and interest (presented as financing activities) in the consolidated cash flow statement.

In accordance with IFRS 16, rights of use assets were tested for impairment in accordance with IAS 36 - Impairment of Assets. This treatment replaced the previous requirement to recognise a provision for onerous lease agreements.

In measuring lease liabilities, the Group discounted lease payments using the rate implied in the lease agreements and, where lease agreements do not have an implicit rate, the incremental financing rate on 1 January 2019 was used. The weighted average rate applied is in the range of 1% to 3%, taking into

account the characteristics of the contracts (underlying asset and term). In applying IFRS 16 for the first time, the Group used the following practical expedients permitted by the standard:

- i) the use of only one discount rate for a reasonably similar lease portfolio;
- ii) exemption from recognition of operating leases with a maturity of less than 12 months on the transition date and non-recognition of lease agreements where the underlying asset has low value;
- iii) exclusion of initial direct costs on measurement of assets under right of use, at initial application date.

The impact of the adoption of the new IFRS 16 standard, on opening balances on 1 January 2019, was as follows:

Amounts in Euro	Transition adjustments		
	31-12-2018	IFRS 16	01-01-2019
<b>Asset</b>			
<b>Non-current assets</b>			
Goodwill	377,339,466	-	377,339,466
Other intangible assets	2,886,251	-	2,886,251
Property, plant and equipment	1,239,008,735	-	1,239,008,735
Lease Assets (IFRS 16)	-	48,385,806	48,385,806
Investment properties	97,527	-	97,527
Biological assets	119,614,567	-	119,614,567
Other financial assets	63,168,912	-	63,168,912
Deferred tax assets	71,006,775	-	71,006,775
	<b>1,873,122,233</b>	<b>48,385,806</b>	<b>1,921,508,039</b>
<b>Current assets</b>			
Inventories	222,376,871	-	222,376,871
Receivables and other current assets	307,750,689	-	307,750,689
State and other public entities	79,751,430	-	79,751,430
Cash and cash equivalents	80,859,784	-	80,859,784
	<b>690,738,774</b>	<b>-</b>	<b>690,738,774</b>
<b>Non-current assets held for sale</b>			
Non-current assets held for sale	-	-	-
	-	-	-
<b>Total assets</b>	<b>2,563,861,007</b>	<b>48,385,806</b>	<b>2,612,246,813</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Share Capital	500,000,000	-	500,000,000
Treasury shares	(2,317,915)	-	(2,317,915)
Fair value reserves	(5,633,483)	-	(5,633,483)
Legal reserve	100,000,000	-	100,000,000
Free reserves	197,292,250	-	197,292,250
Currency translation reserve	(20,575,294)	-	(20,575,294)
Retained earnings	192,512,197	-	192,512,197
Net profit for the period	225,135,403	-	225,135,403
	<b>1,186,413,158</b>	<b>-</b>	<b>1,186,413,158</b>
Non-controlling interests	204,263	-	204,263
	<b>1,186,617,421</b>	<b>-</b>	<b>1,186,617,421</b>
<b>Non-current liabilities</b>			
Deferred tax asset liabilities	66,123,135	-	66,123,135
Pension liabilities	7,324,279	-	7,324,279
Provisions	43,065,470	-	43,065,470
Interest-bearing liabilities	652,025,122	-	652,025,122
Lease liabilities (IFRS 16)	-	41,679,772	41,679,772
Other liabilities	82,324,405	-	82,324,405
	<b>850,862,411</b>	<b>41,679,772</b>	<b>892,542,183</b>
<b>Current liabilities</b>			
Interest-bearing liabilities	111,805,556	-	111,805,556
Lease liabilities (IFRS 16)	-	6,706,034	6,706,034
Payables and other current liabilities	323,800,570	-	323,800,570
State and other public entities	90,775,049	-	90,775,049
	<b>526,381,175</b>	<b>6,706,034</b>	<b>533,087,209</b>
<b>Total liabilities</b>	<b>1,377,243,586</b>	<b>48,385,806</b>	<b>1,425,629,392</b>
<b>Total Equity and Liabilities</b>	<b>2,563,861,007</b>	<b>48,385,806</b>	<b>2,612,246,813</b>

The impact of the adoption of the new IFRS 16 standard on the interim consolidated statement of financial position, the interim consolidated income statement and other comprehensive income and the interim consolidated statement of cash flows as of 30 September 2019 is as follows:

#### BALANCE SHEET

Amounts in Euro	30-09-2019 (without IFRS 16)	IFRS 16	30-09-2019
<b>Asset</b>			
Lease Assets (IFRS 16)	-	45,530,070	45,530,070
<b>Liability</b>			
Lease liabilities (IFRS 16)	-	46,202,916	46,202,916
State and other public entities	76,004,089	(44,098)	75,959,991

#### INCOME STATEMENT

	30-09-2019 (without IFRS 16)	IFRS 16	30-09-2019
Cost of services and materials consumed	345,161,177	(5,299,441)	339,861,736
Depreciation, amortisation and impairment losses	98,587,563	4,172,979	102,760,542
Net financing cost	39,522,982	1,312,531	40,835,513
<b>Profit before tax</b>	<b>188,549,696</b>	<b>(186,068)</b>	<b>188,363,627</b>
Income Tax	40,879,611	(44,098)	40,835,513
<b>Net profit for the period</b>	<b>147,758,282</b>	<b>(230,166)</b>	<b>147,528,116</b>

#### STATEMENT OF CASH FLOWS

	30-09-2019 (without IFRS 16)	IFRS 16	30-09-2019
Cash flows from operating activities	264,979,990	5,077,029	270,057,019
Cash flows from investment activities	(127,468,676)	-	(127,468,676)
Cash flows from financing activities	(147,036,574)	(5,077,029)	(152,113,603)
<b>Changes in cash and cash equivalents</b>	<b>(9,525,259)</b>	<b>-</b>	<b>(9,525,259)</b>

The Group's activities as lessor are not material and, therefore, there were no significant impacts on its financial statements.

#### IFRIC 23 - Uncertainty over Income Tax Treatments

On 7 June 2017, the International Accounting Standards Board (IASB) issued Interpretation 23 Uncertainty over income tax treatments of the International Financial Reporting Interpretations Committee (IFRIC 23). IFRIC 23 clarifies the treatment of uncertainty in accounting for income taxes.

This Interpretation clarifies how recognition and measurement requirements of IAS 12 should be applied, when there is uncertainty over income tax treatments. Under such circumstances, an entity shall recognise and measure its current or deferred tax asset or liability by applying the requirements of IAS 12 based on taxable profit (tax loss), tax base, unused tax losses, unused tax credits and at the tax rates determined pursuant to this Interpretation.

On the transition, the Group chose to adopt this interpretation retrospectively, and the cumulative effect of the initial application is recognised at the initial application date. Thus, this approach to transition, does not require the restatement of comparative information. Rather, the entity shall recognise the cumulative effect of the initial application of this Interpretation as an adjustment to the opening balance of retained earnings.

Impact on the financial statements

Under the adoption of IFRIC 23, the Group did not identify any significant changes resulting from the adoption of this interpretation, except for the reclassification of the provisions for tax proceedings to the caption State and other public entities.

### 3.2 New Standards, changes and interpretations to standards not yet adopted by the Group

#### 3.2.1 New standards and interpretations without mandatory application in European Union

Standards, amendments and interpretations issued but not yet effective for the Group (regardless of the effective date of application, have not yet been endorsed by the European Union), can be analysed as follows:

<b>Standards and amendments effective after 1 January 2019, not yet endorsed by the EU</b>	<b>Date of application *</b>
Amendments to IAS 1 and IAS 8 - Definition of materiality	01 January 2020
IFRS 3 (amended) - Business Combinations	01 January 2020
Amendments to the Framework in IFRS	01 January 2020
IFRS 17 - Insurance Contracts	01 January 2021

\* Periods beginning on or after

## 4. MAIN ESTIMATES AND JUDGMENTS

The preparation of consolidated financial statements requires Management to use judgments and estimates that affect income, expenses, assets, liabilities and disclosures at the date of the statement of financial position. The actual effects may differ from these estimates and judgments.

These estimates are determined according to the Management's judgments, which are based on: (i) the best information and knowledge of current events and in some cases in reports of independent experts and (ii) in the actions that the Company considers to be able to develop in the future. However, at the date of completion of the operations, the results may differ from these estimates.

Considering that in many situations there are alternatives to the accounting treatment adopted by the Group, the reported results could be different if a different treatment had been chosen. The Board of Directors considers that the choices made are appropriate and that the financial statements present in an appropriate way the Group's operations in all materially relevant aspects.

## 5. COMPANIES INCLUDED IN THE CONSOLIDATION PERIMETER

### 5.1 Consolidation Perimeter

Company name	Head Office	Share equity owned			Business industry
		Directly	Indirectly	Total	
<b>Parent company:</b>					
The Navigator Company, S. A.	Setúbal	-	-	-	Sale of paper and cellulose chip
<b>Subsidiaries:</b>					
Navigator Brands , S.A.	Figueira da Foz	100,00	-	100,00	Acquisition, exploitation, lease or concession of the use and disposal of trademarks, patents and other industrial or intellectual property
Navigator Parques Industriais, S.A.	Setúbal	100,00	-	100,00	Management of Industrial real estate
Navigator Products & Tecnology, S.A.	Setúbal	100,00	-	100,00	Sale of products, technology and engineering services
P2EO – Portuguesa Premium Essential OILS, S.A.	Aveiro	45,00	55,00	100,00	Production, rectification and wholesale of essential oils
Navigator Paper Figueira, S.A.	Figueira da Foz	100,00	-	100,00	Paper production
Pulpchem Logistics, A.C.E.	Figueira da Foz	50,00	-	50,00	Purchases of materials, consumables and services used in pulp and paper production processes
Portucel Moçambique - Sociedade de Desenvolvimento Florestal e Industrial, Lda	Mozambique	90,02	0,00	90,02	Forest production
Raiz - Instituto de Investigação da Floresta e Papel	Aveiro	75,00	22,00	97,00	Research in the field of pulp and paper industry and forestry activity
Raiz Ventures , S.A.	Aveiro	-	97,00	97,00	Promotion of business units directly or indirectly related to research, development and innovation activities in the field of forest-based bioeconomy
Enerpulp – Cogeração Energética de Pasta, S.A.	Setúbal	100,00	-	100,00	Energy production
Navigator Pulp Figueira, S.A.	Figueira da Foz	100,00	-	100,00	Production of cellulose pulp
Navigator Pulp Setúbal, S.A.	Setúbal	100,00	-	100,00	Production of cellulose pulp
Navigator Pulp Aveiro, S.A.	Aveiro	100,00	-	100,00	Production of cellulose pulp
Navigator International GmbH	Germany	100,00	-	100,00	Sale of cellulose pulp
Navigator Tissue Aveiro, S.A.	Aveiro	100,00	-	100,00	Production of tissue paper
Navigator Tissue Ródão , S.A.	Vila Velha de Ródão	-	100,00	100,00	Production of tissue paper
Navigator Tissue Iberica , S.A.	Spain	-	100,00	100,00	Sale of tissue paper
Navigator Internacional Holding SGPS, S.A.	Setúbal	100,00	-	100,00	Management of shareholdings
Portucel Finance, Zoo	Poland	25,00	75,00	100,00	Financial services
Navigator Forest Portugal, S.A.	Setúbal	100,00	-	100,00	Forest production
Sociedade de Vinhos da Herdade de Espirra - Produção e Comercialização de Vinhos, S.A.	Setúbal	-	100,00	100,00	Wine production
Gavião - Sociedade de Caça e Turismo, S.A.	Setúbal	-	100,00	100,00	Management of hunting resources
Afocelca - Agrupamento complementar de empresas para protecção contra incêndios, ACE	Setúbal	-	64,80	64,80	Rendering of services to prevent and fight forest fires
Viveiros Aliança - Empresa Produtora de Plantas, S.A.	Palmela	-	100,00	100,00	Plant production in nurseries
Atlantic Forests, S.A.	Setúbal	-	100,00	100,00	Rendering of services within the forest activity and wood trade
Bosques do Atlantico, SL	Spain	-	100,00	100,00	Wood, biomass and forestry trade
Navigator Paper Setúbal , S.A.	Setúbal	100,00	-	100,00	Paper and energy production
Navigator Fine Paper , S.A.	Setúbal	-	100,00	100,00	Rendering of services related to the sale of paper and pulp
Navigator North America Inc.	USA	-	100,00	100,00	Sale of paper
Navigator Africa, SRL	Italy	25,00	75,00	100,00	Management of shareholdings
Navigator Participações Holding ,SGPS, S.A.	Setúbal	100,00	-	100,00	Management of shareholdings
EMA21 - Engenharia e Manutenção Industrial Século XXI, S.A.	Setúbal	-	100,00	100,00	Rendering of industrial maintenance, engineering, quality, environmental and safety services
Emacacia - Engenharia e Manutenção Industrial, ACE	Aveiro	-	92,82	92,82	Rendering of industrial maintenance services
Emacacia Setúbal - Engenharia e Manutenção Industrial, ACE	Setúbal	-	89,70	89,70	Provision of industrial maintenance services
Emacacia Figueira da Foz - Engenharia e Manutenção Industrial, ACE	Figueira da Foz	-	90,60	90,60	Provision of industrial maintenance services
Empremédia - Corretores de Seguros, S.A.	Lisbon	-	100,00	100,00	Insurance brokerage and advisory
EucaliptusLand, S.A.	Setúbal	-	100,00	100,00	Management of forest real estate
Navigator Added Value, S.A.	Lisbon	-	100,00	100,00	Rendering of administration, management and internal advisory services
Navigator Paper World, S.A.	Setúbal	-	100,00	100,00	Provision of administration and management services and management of shareholdings
Navigator Afrique du Nord	Morocco	-	100,00	100,00	Rendering of sales brokerage services
Navigator España, S.A.	Spain	-	100,00	100,00	Rendering of sales brokerage services
Navigator Netherlands, BV	The Netherlands	-	100,00	100,00	Rendering of sales brokerage services
Navigator France, EURL	France	-	100,00	100,00	Rendering of sales brokerage services
Navigator Paper Company UK, Ltd	United Kingdom	-	100,00	100,00	Rendering of sales brokerage services
Navigator Italia, SRL	Italy	-	100,00	100,00	Rendering of sales brokerage services
Navigator Deutschland, GmbH	Germany	-	100,00	100,00	Rendering of sales brokerage services
Navigator Paper Austria, GmbH	Austria	-	100,00	100,00	Rendering of sales brokerage services
Navigator Paper Poland SP Z o o	Poland	-	100,00	100,00	Rendering of sales brokerage services
Navigator Eurasia	Turkey	-	100,00	100,00	Rendering of sales brokerage services
Navigator Rus Company, LLC	Russia	-	100,00	100,00	Rendering of sales brokerage services
Navigator Paper Mexico	Mexico	-	100,00	100,00	Rendering of sales brokerage services
Navigator Middle East Trading DMCC	Dubai	-	100,00	100,00	Rendering of sales brokerage services
Navigator Abastecimento de Madeira, ACE	Setúbal	97,00	3,00	100,00	Sales of wood

## 5.2 Changes in the consolidation perimeter

During the 9-month period ended 30 September 2019, the consolidation perimeter was changed by the following merger operations:

- Merger by incorporation of Arboser, S.A. in Navigator Pulp Figueira, S.A.
- Demerger of Navigator Paper Figueira, S.A.'s paper production activity in Figueira da Foz. (subsequently renamed Navigator Brands, S.A.) and merger into Headbox (subsequently renamed Navigator Paper Figueira, S.A.), with effect from 1 March 2019.
- Incorporation of Raiz Ventures, S.A.

## 6. SEGMENT INFORMATION

In accordance to the approach defined in IFRS 8, operational segments should be identified based in the way internal financial information is organised and reported to the management. An operating segment is defined by IFRS 8 as a component of the Group:

- (i) that engages in business activities from which it may earn revenues and incur expenses;
- (ii) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and
- (iii) for which discrete financial information is available.

The Executive Committee is the ultimate operating decision maker, analysing periodic reports with operational information on segments, using them to monitor the operating performance of its businesses, as well as to decide on the best allocation of resources.

Segment information is presented for business segments identified by the Navigator group, namely;

- Market pulp;
- UWF paper;
- Tissue paper; and
- Other.

Revenues, assets and liabilities of each segment correspond to those directly allocated to them, as well as to those that can be reasonably attributed to those segments.

Financial data by operational segment for the nine-month periods ended 30 September 2019 and 2018 is presented as follows:

30-09-2019

	PULP MARKET	UWF PAPER	TISSUE PAPER	OTHERS	ELIMINATIONS / UNALLOCATED	TOTAL
<b>REVENUE</b>						
Sales and Services - external	134,414,024	998,120,087	101,187,793	40,516,501	-	1,274,238,404
Sales and Services - intersegment	138,794,278	-	-	778,818,744	(917,613,022)	-
<b>Total revenue</b>	<b>273,208,302</b>	<b>998,120,087</b>	<b>101,187,793</b>	<b>819,335,245</b>	<b>(917,613,022)</b>	<b>1,274,238,404</b>
<b>PROFIT / (LOSS)</b>						
<b>Segmental profit</b>	37,315,183	218,211,196	(4,629,678)	(51,134,370)	-	<b>199,762,331</b>
<b>Operating profit</b>	-	-	-	-	-	<b>199,762,331</b>
Financial results	-	-	-	-	(11,398,704)	(11,398,704)
Income tax	-	-	-	-	(40,835,513)	(40,835,513)
<b>Profit after income tax</b>	-	-	-	-	-	<b>147,528,114</b>
Non-controlling interests	-	-	-	-	(6,168)	(6,168)
<b>Net profit</b>	-	-	-	-	-	<b>147,521,947</b>
<b>OTHER INFORMATION</b>						
Capital expenditure	18,870,587	31,979,253	15,240,780	22,173,226	-	88,263,846
Depreciations and impairment	(8,810,026)	(64,873,630)	(13,124,551)	(15,952,335)	-	(102,760,542)
Provisions ((Increases) / reversal)	-	2,903,841	12,000	(635,242)	-	2,280,599
<b>OTHER INFORMATION</b>						
<b>SEGMENT ASSETS</b>						
Property, plant and equipment	138,159,582	699,592,926	170,426,557	236,970,144	-	1,245,149,209
Lease Assets (IFRS 16)	-	207,915	-	45,322,155	-	45,530,070
Biological assets	-	-	-	117,352,549	-	117,352,549
Other financial assets	41,664	31,687,223	42,235,258	32,698,559	-	106,662,705
Inventories	26,214,738	141,156,166	23,430,973	47,130,069	-	237,931,945
Trade receivables	20,982,316	131,682,708	34,648,436	1,388,001	-	188,701,461
Other amounts receivable	1,167,181	12,161,804	11,774,421	16,417,756	-	41,521,162
Other assets	279,470	381,656,212	2,090,203	171,971,917	-	555,997,802
<b>Total assets</b>	<b>186,844,951</b>	<b>1,398,144,954</b>	<b>284,605,848</b>	<b>669,251,150</b>	-	<b>2,538,846,903</b>
<b>SEGMENT LIABILITIES</b>						
Interest-bearing liabilities	-	-	-	847,188,174	-	847,188,174
Lease liabilities (IFRS 16)	-	209,225	-	45,993,691	-	46,202,916
Suppliers	25,655,396	73,430,792	6,157,065	53,419,734	-	158,662,987
Other amounts payable	22,096,959	24,422,946	2,623,394	68,868,954	-	118,012,253
Other liabilities	23,893,958	88,308,767	60,251,003	85,731,466	-	258,185,194
<b>Total liabilities</b>	<b>71,646,313</b>	<b>186,371,731</b>	<b>69,031,463</b>	<b>1,101,202,018</b>	-	<b>1,428,251,524</b>

The Group's energy sales are reported under different business segments. The amount corresponding to the total energy sales was Euro 122,692,794 in 2019 and Euro 127,425,378 in 2018. Energy sales originated in the cogeneration process, in the amount of Euro 106,433,754 (2018: Euro 110,783,001) are reported under the "Market Pulp" (2019: Euro 13,039,725; 2018: Euro 12,798,200) and "UWF Paper" (2019: Euro 93,394,030; 2018: Euro 97,984,801). Sales of electricity exclusively produced in units dedicated to the production of electricity from biomass are reported under the segment "Other", in the amount of Euro 16,259,040 (2018: Euro 16,642,377).

The global capital expenditure in the nine-month period ended the 30 September 2019 amounted to Euro 88,263,846. This amount includes maintenance investments (current and non-current) of Euro 59.3 million, Euro 12.3 million related to the completion of the new tissue factory in Aveiro, to the PO3 project (pulp capacity increase in Figueira da Foz mill) and to the remainder of the investment in heavier paper, as well as Euro 16.7 million on environment investments. The last ones are mainly intended for investments that improve the environmental performance and sustainability of the group's factories. The major investment relates to the construction of a new biomass boiler at the Figueira da Foz plant, which replaces the existing boiler and combined natural gas cycle plant. This biomass boiler is included in the Group's Carbon Neutrality Program and will allow to replace the use of a fossil fuel by a renewable fuel, Biomass, thus reducing fossil CO<sub>2</sub> emissions of that facility. It should also be noted the investments in bag filters in Biomass boilers of Setúbal and Aveiro, as well as the revamping and redesign of effluents treatment in Vila Velha de Ródão.

Property, plant and equipment reported under the segment "Other" include:

Amounts in Euro	30-09-2019	30-09-2018
Forestry lands	71,594,848	74,424,524
Real estate - manufacturing site of Setúbal	57,018,324	57,948,734
Real estate - manufacturing site of Aveiro	11,528,641	11,710,815
Real estate - manufacturing site of Figueira da Foz	43,687,513	47,240,997
Biomass thermoelectric plants	23,101,705	27,981,619
Other	30,039,112	13,122,378
	<b>236,970,144</b>	<b>232,429,067</b>

Forest land and industrial real estate in a total amount of Euro 183,829,327, consolidated amounts, are reported in the individual financial statements as investment properties. The real estate property of Vila Velha de Ródão, in the amount of Euro 15,329,047, is included in the segment "Tissue Paper".

The majority of the assets allocated to each of the individual segments, with the exception of receivables, is located in Portugal.

	30-09-2018					TOTAL
	PULP MARKET	UWF PAPER	TISSUE PAPER	OTHERS	ELIMINATIONS / UNALLOCATED	
<b>REVENUE</b>						
Sales and Services - external	128,248,631	1,023,707,727	63,676,168	36,671,085	-	1,252,303,611
Sales and Services - intersegment	145,654,295	-	-	474,273,565	(619,927,860)	-
<b>Total revenue</b>	<b>273,902,926</b>	<b>1,023,707,727</b>	<b>63,676,168</b>	<b>510,944,650</b>	<b>(619,927,860)</b>	<b>1,252,303,611</b>
<b>PROFIT / (LOSS)</b>						
<b>Segmental profit</b>	37,997,659	209,638,698	(10,259,085)	7,202,729	-	<b>244,580,000</b>
<b>Operating profit</b>	-	-	-	-	-	<b>244,580,000</b>
Financial results	-	-	-	-	(16,537,208)	(16,537,208)
Income tax	-	-	-	-	(56,277,787)	(56,277,787)
<b>Profit after income tax</b>	-	-	-	-	-	<b>171,765,005</b>
Non-controlling interests	-	-	-	-	1,973	1,973
<b>Net profit</b>	-	-	-	-	-	<b>171,766,977</b>
<b>OTHER INFORMATION</b>						
Capital expenditure	8,506,791	54,457,372	79,720,295	5,689,649	-	148,374,108
Depreciations and impairment	(8,221,681)	(69,203,956)	(9,783,008)	(10,555,557)	-	(97,764,203)
Provisions ((increases) / reversal)	-	847,470	546,717	347,030	-	1,741,217
<b>OTHER INFORMATION</b>						
<b>SEGMENT ASSETS</b>						
Property, plant and equipment	125,971,896	703,897,730	159,312,227	232,429,067	-	1,221,610,920
Biological assets	-	-	-	130,954,082	-	130,954,082
Financial investments	-	507,024	-	-	-	507,024
Inventories	21,152,667	120,697,309	21,717,521	62,723,840	-	226,291,337
Trade receivables	21,936,854	149,688,367	26,252,253	3,030,507	-	200,907,981
Other amounts receivable	1,484,466	52,103,222	160,879	13,209,195	-	66,957,762
Other assets	4,898,092	433,083,086	319,786	161,489,309	-	599,790,272
<b>Total assets</b>	<b>175,443,975</b>	<b>1,459,976,738</b>	<b>207,762,665</b>	<b>603,836,000</b>	-	<b>2,447,019,378</b>
<b>SEGMENT LIABILITIES</b>						
Interest-bearing liabilities	2,805,080	-	3,070,370	818,579,353	-	824,454,803
Suppliers	30,461,555	57,002,733	21,390,377	43,659,034	-	152,513,700
Other amounts payable	4,143,704	38,905,125	213,900	68,469,416	-	111,732,144
Other liabilities	27,388,569	92,313,211	7,189,604	80,399,591	-	207,290,975
<b>Total liabilities</b>	<b>64,798,908</b>	<b>188,221,069</b>	<b>31,864,252</b>	<b>1,011,107,394</b>	-	<b>1,295,991,622</b>

## 6.1 Sales and services rendered by region

Amounts in Euro	30-09-2019	30-09-2018
<b>PORTUGAL</b>		
UWF Paper (includes energy)	152,657,438	151,724,752
Pulp (includes energy)	19,647,932	19,647,021
Tissue	39,629,135	32,056,203
Others (includes energy)	40,516,501	35,953,485
	<b>252,451,005</b>	<b>239,381,462</b>
<b>REST OF EUROPE</b>		
UWF Paper	503,119,466	504,788,945
Pulp	81,653,026	99,965,214
Tissue	57,746,726	30,414,683
Pellets	-	717,599
	<b>642,519,218</b>	<b>635,886,441</b>
<b>NORTH AMERICA</b>		
UWF Paper	90,117,240	97,146,422
Tissue	196,553	-
	<b>90,313,793</b>	<b>97,146,422</b>
<b>OTHER MARKETS</b>		
UWF Paper	252,225,944	270,047,608
Pulp	33,113,066	8,636,396
Tissue	3,615,379	1,205,282
	<b>288,954,388</b>	<b>279,889,286</b>
	<b>1,274,238,404</b>	<b>1,252,303,611</b>

The geographical distribution of Sales and Services rendered is presented according with the reporting segments shown above.

Figures presented graphically:



## 7. OTHER OPERATING INCOME

Other operating income is detailed as follows for the nine-month period ended 30 September 2019 and 2018:

Amounts in Euro	9 months 30-09-2019	9 months 30-09-2018
Supplementary income	524,374	4,041,011
Grants - CO <sub>2</sub> emission licenses	8,242,928	2,402,192
Reversal of impairment in accounts receivable	3,116	157,399
Gains on disposals of non-current assets	428,297	17,894,562
Gains on inventories	456,070	341,755
Reversal of impairment in inventories	947,892	-
Government grants	1,750,431	1,229,347
Own work capitalised	176,264	592,336
Insurance compensation	5,143,277	189,881
Other operating income	4,849,564	4,101,837
	<b>22,522,213</b>	<b>30,950,320</b>

Gains with CO<sub>2</sub> licenses correspond to the recognition of the free allocation of licenses for 565,186 tons of CO<sub>2</sub>, at the average price of Euro 22.16 (287,688 tons in 30 September 2018, at the average price of Euro 8.35).

As at 30 September 2019, Gains on disposals of non-current assets includes the sale of forestlands. As at 30 September 2018, this caption included Euro 15,765,258 regarding the gain generated with the sale of the pellets business concluded in February 2018, as well as Euro 2,617,093 regarding the sale of forestlands with reduced suitability for forestry.

The "insurance compensation" in 2019 includes, essentially, the compensation associated with losses at the Figueira da Foz factory resulting from hurricane Leslie.

## 8. OPERATING EXPENSES

Operating expenses are detailed as follows for the periods ended 30 September 2019 and 2018:

Amounts in Euro	9 months 30-09-2019	9 months 30-09-2018
Cost of inventories sold and consumed	(540.716.096)	(522.223.248)
Variation in production	13.988.251	31.144.857
Cost of services and materials consumed	(339.861.736)	(304.731.817)
<b>Payroll costs</b>		
<b>Remunerations</b>		
Statutory bodies - fixed	(2.386.793)	(2.888.618)
Statutory bodies - variable	(1.474.367)	(2.921.075)
Other remunerations	(78.918.570)	(93.707.726)
	<u>(82.779.729)</u>	<u>(99.517.420)</u>
<b>Social charges and other payroll costs</b>		
Costs with defined benefit plans (Note 32)	(1.098.078)	(1.569.705)
Costs with defined contribution plans (Note 32)	(1.084.551)	(1.031.818)
Contributions to social security	(16.953.270)	(16.894.959)
Other payroll costs	(6.681.761)	(6.552.339)
	<u>(25.817.660)</u>	<u>(26.048.821)</u>
	<u>(108.597.389)</u>	<u>(125.566.241)</u>
<b>Other expenses and losses</b>		
Membership fees	(786.427)	(549.066)
Losses in inventories	(1.107.847)	(1.394.486)
Impairment losses in receivables	(19.276)	(536.463)
Impairment losses in inventories	2.346.576	(2.532.484)
Indirect taxes	(1.318.449)	(7.271.166)
Shipment costs	-	(500.567)
Water resources charges	(1.092.416)	(1.251.654)
Costs with CO <sub>2</sub> emissions	(12.465.104)	(4.689.037)
Other operating expenses	(4.626.409)	(4.106.722)
	<u>(19.069.354)</u>	<u>(22.831.644)</u>
Provisions (Note 33)	2.280.599	1.741.217
<b>Total</b>	<b><u>(991.975.724)</u></b>	<b><u>(942.466.876)</u></b>

The decrease in Payroll costs recorded in 2019 is mainly explained by the decrease in estimated bonuses to be paid to employees, in order to comply with the Budget.

Other Payroll costs are detailed as follows for the periods ended 30 September 2019 and 2018:

Amounts in Euro	9 months 30-09-2019	9 months 30-09-2018
Training	1,097,937	901,620
Social action	761,599	746,287
Insurance	2,282,201	2,460,391
Compensations	2,052,205	2,158,582
Other	487,819	285,459
	<b><u>6,681,761</u></b>	<b><u>6,552,339</u></b>

The impairment losses in inventories are related to adjustments in the stock of UWF and Tissue paper.

The costs with CO<sub>2</sub> emissions correspond to the emission of 565,186 tons of CO<sub>2</sub> (30 September 2018: 546,468 tons).

For the nine-month period ended 30 September 2019 and 2018 the costs of inventories sold and consumed are detailed by product as follows:

Amounts in Euro	9 months 30-09-2019	9 months 30-09-2018
Wood / Biomass	217,878,043	216,010,183
Natural Gas	45,777,379	38,147,515
Other fuels	9,635,953	10,417,472
Water	1,403,781	1,540,242
Chemicals	114,068,931	110,575,643
BEKP Pulp	19,838,719	13,217,031
Pine Pulp	44,286,003	38,792,275
Paper (heavyweight)	4,670,693	5,866,190
Tissue paper - subcontracts	958,913	459,802
Consumables / Warehouse material	28,698,333	30,970,528
Packaging material	52,209,802	54,919,322
Other materials	1,289,546	1,307,044
	<b>540,716,096</b>	<b>522,223,248</b>

The cost of wood / biomass only relates to wood purchases to entities outside the Group, either domestic or foreign.

For the nine-month periods ended 30 September 2019 and 2018, the cost of Services and Material Consumed was detailed as follows:

Amounts in Euro	9 months 30-09-2019	9 months 30-09-2018
Energy and fluids	107,231,186	89,902,368
Transportation of goods	88,993,732	84,455,025
Specialised services	72,113,789	55,144,398
Maintenance and repair	24,066,386	21,144,675
Advertising and marketing	11,923,467	11,371,436
Insurance	9,004,730	8,804,673
Rentals	6,870,309	12,672,823
Other	5,647,120	4,997,977
Travel and accommodation	4,085,864	4,730,537
Fees	3,458,947	4,961,346
Subcontracts	2,864,010	2,785,952
Materials	2,524,198	2,189,146
Communications	1,077,998	1,571,463

The increase in Services and Material Consumed in 2019 is related with the increase in costs with Energy and fluids (as a result of the increase in the acquisition price of electricity and natural gas), Transportation of goods and Specialised services. The latter are essentially due to the increase in costs with outsourcing and advisory services.

## 9. DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES

For the nine-month periods ended 30 September 2019 and 2018, depreciation, amortisation and impairment losses, net of the effect of investment grants recognised in the period were as follows:

Amounts in Euro	9 months 30-09-2019	9 months 30-09-2018
<b>Depreciation of property, plant and equipment</b>		
Land	-	-
Buildings	(8,978,243)	(8,285,487)
Equipments	(97,450,640)	(90,836,974)
Other tangible assets	(2,788,102)	(3,032,359)
	(109,216,985)	(102,154,821)
Investment grants	10,631,004	4,392,467
	(98,585,981)	(97,762,353)
<b>Depreciation of use rights (IFRS 16)</b>	(4,172,979)	-
<b>Impairment losses</b>		
Investment properties	(1,235)	(1,235)
Industrial property and other rights	(348)	(615)
	(1,582)	(1,850)
	<b>(102,760,542)</b>	<b>(97,764,203)</b>

## 10. NET FINANCIAL RESULTS

For the nine-month periods ended 30 September 2019 and 2018, net financial results are detailed as follows:

Amounts in Euro	9 months 30-09-2019	9 months 30-09-2018
<b>Financial income</b>		
Interest earned on financial investments	-	-
Favourable exchange rate differences	2,844,474	1,231,922
Gains on financial instruments - trading (Note 37)	-	-
Gains on compensatory interest	-	-
Other operating income	2,861,102	30,414
	5,705,576	1,262,336
<b>Financial expenses</b>		
Interest paid on borrowings	(7,834,342)	(5,728,155)
Losses on financial instruments - trading (Note 37)	(1,395,874)	(1,871,149)
Losses on financial instruments - hedging (Note 37)	(599,559)	(572,580)
Losses on financial instruments - interest rate hedging (Note 37)	(1,398,907)	(1,711,156)
Guarantees and bank charges	(2,638,830)	(2,570,415)
Premium options accruals (Note 37)	(1,702,517)	(1,307,306)
Losses on compensatory interest	(221,720)	(1,232,486)
Lease interest (IFRS 16)	(1,312,531)	-
Other expenses and financial losses	-	(2,806,298)
	(17,104,280)	(17,799,544)
<b>Financial results</b>	<b>(11,398,704)</b>	<b>(16,537,208)</b>

By an active risk approach, Losses on financial instruments – hedging, including premium options accruals, had an impact on financial expenses similar to the previous year, since in 2019 most of the hedging structures were already contracted. This caption covers the amounts settled in the financial instruments exchange rate hedges throughout 2019 (which are marginal, compared to 2018) and the amounts referring to interest rate swaps to cover interest.

Other expenses and financial losses included, in 2018, Euro 2,806,298 regarding the recognition of the difference between the nominal amount and the present amount to be received in respect of the sale of the pellets business (currently USD 42.5 million). The nominal receivable shall bear interest at the rate of 2.5%. Finally, it is worth mention the increase of Euro 1,312,531 regarding the adoption of IFRS 16.

## 11. INCOME TAX

Income tax is detailed as follows for the nine-month periods ended 30 September 2019 and 2018:

Amounts in Euro	9 months 30-09-2019	9 months 30-09-2018
Current tax (Note 26)	34,910,406	64,287,296
Provision/ (reversal) for current tax	(38,934,163)	8,035,975
Deferred tax (Note 31)	44,859,269	(16,045,484)
	<b>40,835,513</b>	<b>56,277,787</b>

As of 30 September 2019, current tax includes Euro 31,196,756 (30 September 2018: Euro 59,659,541) regarding the liability created under the aggregated income tax regime of The Navigator Company, S.A..

For the nine-month periods ended 30 September 2019 and 2018, the reconciliation of the effective income tax rate was as follows:

Amounts in Euro		9 months 30-09-2019		9 months 30-09-2018
<b>Profit before tax</b>		<b>188,363,627</b>		<b>228,042,791</b>
Expected tax	21.00%	39,556,362	21.00%	47,888,986
Municipal surcharge	1.27%	2,395,290	1.75%	3,987,078
State surcharge	3.32%	6,258,165	6.79%	15,476,622
Differences (a)	1.25%	2,353,905	2.74%	6,237,134
Excess of income tax estimate	(4.29%)	(8,078,209)	(4.31%)	(9,834,125)
Tax benefits	(0.88%)	(1,650,000)	(3.28%)	(7,477,908)
	<b>21.68%</b>	<b>40,835,513</b>	<b>24.68%</b>	<b>56,277,787</b>

(a) This amount concerns mainly :

	9 months 30-09-2019	9 months 30-09-2018
Gains / (losses) for tax purposes	(95,438)	38,308,839
Gains / (losses) for accounting purposes	2,392	(81,477,741)
Provisions	6,197,164	62,635,121
Tax benefits	(3,355,864)	(3,076,273)
Employee benefits	1,096,943	(429,472)
Other	4,714,459	6,720,012
	<b>8,559,656</b>	<b>22,680,487</b>
Tax effect (27,5%)	<b>2,353,905</b>	<b>6,237,134</b>

The amount regarding excess of corporate income tax is due to the final calculation of SIFIDE after the year-end in the amount of Euro 6,885,516 (2018: Euro 7,016,016).

## 12. EARNINGS PER SHARE

Earnings per share were determined as follows:

Amounts in Euro	9 months 30-09-2019	9 months 30-09-2018
Profit attributable to Company's shareholders	147,521,948	171,766,977
Total number of issued shares	717,500,000	717,500,000
Treasury shares - period average	<u>(3,728,138)</u>	<u>(489,973)</u>
	<b><u>713,771,862</u></b>	<b><u>717,010,027</u></b>
Basic earnings per share	0.207	0.240
Diluted earnings per share	0.207	0.240

Since there are no financial instruments convertible in the Group shares, its earnings are undiluted.

The changes in the average number of treasury shares were as follows:

	2019		2018	
	Quantity	Accumulated quantity	Quantity	Accumulated quantity
Treasury shares held in January		864,049		489,973
Acquisitions				
January	880,882	1,744,931	-	489,973
February	-	1,744,931	-	489,973
March	-	1,744,931	-	489,973
April	-	1,744,931	-	489,973
May	2,523,835	4,268,766	-	489,973
June	586,677	4,855,443	-	489,973
July	-	4,855,443	-	489,973
August	1,421,488	6,276,931	-	489,973
September	40,000	6,316,931	-	489,973
<b>Shares held on 30 September</b>		<b>6,316,931</b>		<b>489,973</b>
Remaining quarters			<b>374,076</b>	374,076
<b>Treasury shares held on 31 December</b>				<b>864,049</b>
<b>Average treasury shares held for the period</b>		<b>3,728,138</b>		<b>489,973</b>

## 13. APPROPRIATION OF PREVIOUS YEARS' PROFIT AND RETAINED EARNINGS

The application of the results for 2018 and 2017 is detailed as follows:

Amounts in Euro	2018	2017
Distribution of dividends regarding the previous year's profits (excluding existing treasury shares as at date of distribution)	200,003,439	170,003,077
Legal reserves	-	-
Bonus to employees (balance bonus)	23,000,000	7,000,000
Retained earnings	<u>2,131,964</u>	<u>30,767,527</u>
	<b>225,135,403</b>	<b>207,770,604</b>

The resolution for the appropriation of the net profit for the period ended 31 December 2018, approved at the Navigator Company's General Meeting held on 9 April 2019, was based on the net profit for the year as defined by the IFRS.

## 14. GOODWILL

### NAVIGATOR PAPER FIGUEIRA, S.A.

Following the acquisition of 100% of the former Soporcel – Sociedade Portuguesa de Papel, S.A. (now Navigator Paper Figueira, S.A.), for Euro 1,154,842,000, Goodwill amounting to Euro 428,132,254 was determined.

The goodwill generated on the acquisition of Navigator Paper Figueira was deemed to be allocable to the integrated paper production in Figueira da Foz Industrial Complex cash generating unit.

The book value of goodwill amounts to Euro 376,756,383 as it was amortised up to 31 December 2003 (date of transition to IFRS: 1 January 2004), and amortisation as from that date, the accumulated amount of which was Euro 51,375,871, has ceased. From that date on, depreciation ceased and was replaced by annual impairment tests. If this amortisation had not been interrupted, the net book value of the Goodwill as at 30 September 2019 would amount to Euro 102,751,733 (31 December 2018: Euro 119,877,025).

### NAVIGATOR TISSUE RÓDÃO, S.A.

On 6 February 2015, the procedures and agreements for the acquisition of AMS-BR Star Paper, S.A. (subsequently named Navigator *Tissue* Ródão, S.A.) were concluded, and the approval by the competition authorities for the acquisition was obtained on 17 April 2015.

To the initial acquisition difference, of Euro 21,337,916, was deducted the AICEP's investment subsidy and the fair value of the acquired tangible assets, with a goodwill amounting to Euro 583,083.

#### Goodwill Impairment Analysis

Every year, the Navigator Company Group calculates the recoverable amount of each business, based on value-in-use calculations, in accordance with the Discounted Cash Flow method. The calculations are based on past performance and business expectations with the actual production structure, using the budget for next year and projected cash flows for the following 4 years, based on a constant sales volume. As a result of the calculations, up to this date no Goodwill impairment losses have been identified.

The main assumptions for the above-mentioned calculation were as follows:

	2019	2018
Inflation rate	2.00%	2.00%
Discount rate (post-tax)	6.59%	6.59%
Production growth	0.00%	0.00%
Perpetuity growth rate	(1.00%)	(1.00%)

The discount rate presented above is a post-tax rate equivalent to a pre-tax discount rate of 9.09% (31 December 2018: 9.09%) and has been calculated in accordance with the WACC (Weighted Average Cost of Capital) methodology, based in the following assumptions:

	2019	2018
Risk free interest rate (includes spread)	2.55%	2.55%
Equity risk premium (market and Equity)	5.00%	5.00%
Tax rate	27.50%	27.50%
Debt risk premium	3.11%	3.11%

## 15. OTHER INTANGIBLE ASSETS

During 2019 and 2018 the movement occurred in other intangible assets is detailed as follows:

Amounts in Euro	Industrial property and other rights	CO <sub>2</sub> emission licenses	Total
<b>Acquisition cost</b>			
<b>Balance as of 1 January 2018</b>	<b>6,270</b>	<b>3,875,825</b>	<b>3,882,095</b>
Acquisitions	165	3,984,111	3,984,276
Disposals	-	-	-
Adjustments, transfers and write-offs	-	(4,975,303)	(4,975,303)
<b>Balance as of 30 September 2018</b>	<b>6,435</b>	<b>2,884,633</b>	<b>2,891,068</b>
Acquisitions	-	-	-
Disposals	-	-	-
Adjustments, transfers and write-offs	(3,300)	-	(3,300)
<b>Balance as of 31 December 2018</b>	<b>3,135</b>	<b>2,884,633</b>	<b>2,887,768</b>
Acquisitions	-	10,213,065	10,213,065
Disposals	-	-	-
Adjustments, transfers and write-offs	207	(10,333,492)	(10,333,285)
<b>Balance as of 30 September 2019</b>	<b>3,342</b>	<b>2,764,206</b>	<b>2,767,548</b>
<b>Accumulated amortisations and impairment losses</b>			
<b>Balance as of 1 January 2018</b>	<b>(3,850)</b>	-	<b>(3,850)</b>
Amortisations and impairment losses	(615)	-	(615)
Disposals	-	-	-
Adjustments, transfers and write-offs	-	-	-
<b>Balance as of 30 September 2018</b>	<b>(4,465)</b>	-	<b>(4,465)</b>
Amortisations and impairment losses	(150)	-	(150)
Disposals	-	-	-
Adjustments, transfers and write-offs	3,098	-	3,098
<b>Balance as of 31 December 2018</b>	<b>(1,517)</b>	-	<b>(1,517)</b>
Amortisations and impairment losses	(348)	-	(348)
Disposals	-	-	-
Adjustments, transfers and write-offs	-	-	-
<b>Balance as of 30 September 2019</b>	<b>(1,865)</b>	-	<b>(1,865)</b>
<b>Net book value as of 01 January 2018</b>	<b>2,420</b>	<b>3,875,825</b>	<b>3,878,245</b>
<b>Net book value as of 30 September 2018</b>	<b>1,970</b>	<b>2,884,633</b>	<b>2,886,603</b>
<b>Net book value as of 31 December 2018</b>	<b>1,618</b>	<b>2,884,633</b>	<b>2,886,251</b>
<b>Net book value as of 30 September 2019</b>	<b>1,477</b>	<b>2,764,206</b>	<b>2,765,684</b>

As at 30 September 2019, the Group held 195,722 CO<sub>2</sub> emission licenses with a market value as of that date of Euro 4,838,248 (31 December 2018: 442,145 licenses with a market value of Euro 10,496,522).

This amount includes forwards related to 100,000 emission licenses, acquired in 2017, amounting to Euro 550,000 as at 30 September 2019 (31 de December 2018: 250,000 emission licenses with an amount of Euro 1,397,500) (Note 31).

## 16. PROPERTY, PLANT AND EQUIPMENT

During 2019 and 2018, changes in Property, plant and equipment, as well as the respective depreciation and impairment losses, were as follows:

Amounts in Euro	Land	Buildings	Equipment and other assets	Assets under construction	Total
<b>Acquisition cost</b>					
<b>Balance as of 1 January 2018</b>	<b>116.037.739</b>	<b>506.988.256</b>	<b>3.199.209.772</b>	<b>104.136.754</b>	<b>3.926.372.520</b>
Acquisitions	-	-	-	148.374.108	148.374.108
Disposals	(2.359.565)	-	(4.416.637)	-	(6.776.202)
Adjustments, transfers and write-offs	-	1.754.881	116.389.940	(108.332.768)	9.812.053
<b>Balance as of 30 September 2018</b>	<b>113.678.174</b>	<b>508.743.137</b>	<b>3.311.183.075</b>	<b>144.178.094</b>	<b>4.077.782.479</b>
Acquisitions	-	-	11.616.791	56.468.464	68.085.255
Disposals	(822.880)	(7.359)	4.323.148	-	3.492.909
Adjustments, transfers and write-offs	1.190.712	25.188.625	101.520.273	(139.057.811)	(11.158.201)
<b>Balance as of 31 December 2018</b>	<b>114.046.006</b>	<b>533.924.403</b>	<b>3.428.643.287</b>	<b>61.588.747</b>	<b>4.138.202.442</b>
Acquisitions	-	-	30.653.032	88.263.846	118.916.878
Disposals	(216.788)	-	(64.572)	-	(281.360)
Adjustments, transfers and write-offs	(1.994.252)	1.880.842	29.702.339	(43.944.036)	(14.355.107)
<b>Balance as of 30 September 2019</b>	<b>111.834.965</b>	<b>535.805.245</b>	<b>3.488.934.085</b>	<b>105.908.556</b>	<b>4.242.482.852</b>
<b>Accumulated depreciations and impairment losses</b>					
<b>Balance as of 1 January 2018</b>	<b>(170.652)</b>	<b>(318.000.353)</b>	<b>(2.437.076.464)</b>	-	<b>(2.755.247.469)</b>
Depreciation and impairment losses	-	(8.286.722)	(93.869.333)	-	(102.156.055)
Disposals	-	-	1.231.964	-	1.231.964
Adjustments, transfers and write-offs	-	-	-	-	-
<b>Balance as of 30 September 2018</b>	<b>(170.652)</b>	<b>(326.287.075)</b>	<b>(2.529.713.833)</b>	-	<b>(2.856.171.560)</b>
Depreciation and impairment losses	-	(2.964.919)	(39.006.360)	-	(41.971.279)
Disposals	-	5.838	(1.227.359)	-	(1.221.521)
Adjustments, transfers and write-offs	170.652	-	-	-	170.652
<b>Balance as of 31 December 2018</b>	-	<b>(329.246.156)</b>	<b>(2.569.947.552)</b>	-	<b>(2.899.193.708)</b>
Depreciation and impairment losses	-	(8.978.243)	(100.238.742)	-	(109.216.985)
Disposals	-	-	63.583	-	63.583
Adjustments, transfers and write-offs	-	292.929	10.720.538	-	11.013.467
<b>Balance as of 30 September 2019</b>	-	<b>(337.931.470)</b>	<b>(2.659.402.173)</b>	-	<b>(2.997.333.643)</b>
<b>Net book value as of 01 January 2018</b>	<b>115.867.087</b>	<b>188.987.903</b>	<b>762.133.308</b>	<b>104.136.754</b>	<b>1.171.125.051</b>
<b>Net book value as of 30 September 2018</b>	<b>113.507.522</b>	<b>182.456.062</b>	<b>781.469.243</b>	<b>144.178.094</b>	<b>1.221.610.920</b>
<b>Net book value as of 31 December 2018</b>	<b>114.046.006</b>	<b>204.678.247</b>	<b>858.695.735</b>	<b>61.588.747</b>	<b>1.239.008.734</b>
<b>Net book value as of 30 September 2019</b>	<b>111.834.965</b>	<b>197.873.775</b>	<b>829.531.912</b>	<b>105.908.556</b>	<b>1.245.149.209</b>

As at 30 September 2019, "Assets under construction" includes investments in projects under development already announced, in particular related with the paper tissue business segment, in the amount of Euro 18,395,488.

In the pulp business segment, assets under construction amount to Euro 22,588,458, which include the acquisition of a new pulp washer (Euro 5,203,974), the environmental plans of Aveiro (Euro 2,881,164), the replacement of a debarking drum (Euro 1,028,087) as well as improvements in the productive process.

Assets under construction associated with the paper segment amount to Euro 59,085,042 and are mainly related with the construction of a new biomass boiler in Figueira da Foz (Euro 15,264,435), the PM3 reconversion project for heavier paper in Setúbal (Euro 18,896,065), as well as other investments in productive process improvements (Euro 24,924,542).

In "Others" segment are included investments under development in the amount of Euro 5,839,568 which are expected to be fulfilled until the end of the year.

Lands includes Euro 110,802,119 (31 December 2018: Euro 113,118,109) classified in the individual financial statements as investment properties, from which Euro 71,594,848 (2018: Euro 73,910,838)

relate to forest land and Euro 39,207,271 (2018: Euro 39,207,271) to land allocated to industrial sites leased to the Group.

## 17. LEASE ASSETS

During the first nine months of 2019, changes in Lease assets due to the application of IFRS 16, as well as depreciation and impairment losses associated, were as follows:

Amounts in Euro	Forestry lands	Buildings	Vehicles	Software licenses	Other lease assets	Total
<b>Acquisition cost</b>						
<b>Balance as of 01 January 2019</b>	-	-	-	-	-	-
Acquisitions - Adoption of the IFRS 16	38,817,386	4,547,372	4,285,373	4,304,783	189,517	52,144,430
Acquisitions during the year	1,922,871	-	75	-	-	1,922,946
Disposals	(422,468)	-	-	-	-	(422,468)
Adjustments, transfers and write-offs	-	-	-	(3,946,051)	-	(3,946,051)
<b>Balance as of 30 September 2019</b>	<b>40,317,788</b>	<b>4,547,372</b>	<b>4,285,448</b>	<b>358,732</b>	<b>189,517</b>	<b>49,698,857</b>
<b>Accumulated depreciations and impairment losses</b>						
<b>Balance as of 01 January 2019</b>	-	-	-	-	-	-
Depreciation and impairment losses	(2,241,384)	(526,726)	(1,234,294)	(121,842)	(48,733)	(4,172,979)
Disposals	4,192	-	-	-	-	4,192
Adjustments, transfers and write-offs	-	-	-	-	-	-
<b>Balance as of 30 September 2019</b>	<b>(2,237,192)</b>	<b>(526,726)</b>	<b>(1,234,294)</b>	<b>(121,842)</b>	<b>(48,733)</b>	<b>(4,168,787)</b>
<b>Net book value as of 01 January 2018</b>	-	-	-	-	-	-
<b>Net book value as of 30 September 2018</b>	-	-	-	-	-	-
<b>Net book value as of 31 December 2018</b>	-	-	-	-	-	-
<b>Net book value as of 30 September 2019</b>	<b>38,080,596</b>	<b>4,020,646</b>	<b>3,051,154</b>	<b>236,890</b>	<b>140,784</b>	<b>45,530,070</b>

The item "forest land" concerns, mainly, to rights of use of forest land to forest exploitation, whose agreements have a long-term lifetime due to the nature of these assets. These agreements have, usually, the duration of 24 years.

The item "Buildings" relates, mainly, to the agreements for the use of the headquarters for the performance of operations, as well as other facilities necessary to perform their respective businesses.

## 18. INVESTMENT PROPERTIES

As at 30 September 2019 and 31 December 2018, the Group had the following assets classified as investment properties:

Amounts in Euro	Land	Buildings	Total
<b>Acquisition cost</b>			
<b>Balance as of 1 January 2018</b>	<b>424,744</b>	<b>82,307</b>	<b>507,051</b>
Acquisitions	-	-	-
Disposals	-	-	-
<b>Balance as of 30 September 2018</b>	<b>424,744</b>	<b>82,307</b>	<b>507,051</b>
Acquisitions	-	-	-
Disposals	-	-	-
<b>Balance as of 31 December 2018</b>	<b>424,744</b>	<b>82,307</b>	<b>507,051</b>
Acquisitions	-	-	-
Disposals	-	-	-
<b>Balance as of 30 September 2019</b>	<b>424,744</b>	<b>82,307</b>	<b>507,051</b>
<b>Accumulated depreciations and impairment losses</b>			
<b>Balance as of 1 January 2018</b>	<b>(399,372)</b>	<b>(8,505)</b>	<b>(407,877)</b>
Depreciation and impairment losses	-	(1,235)	(1,235)
Disposals	-	-	-
<b>Balance as of 30 September 2018</b>	<b>(399,372)</b>	<b>(9,740)</b>	<b>(409,112)</b>
Depreciation and impairment losses	-	(412)	(412)
Disposals	-	-	-
<b>Amounts as of 31 December 2018</b>	<b>(399,372)</b>	<b>(10,151)</b>	<b>(409,524)</b>
Depreciation and impairment losses	-	(1,235)	(1,235)
Disposals	-	-	-
<b>Balance as of 30 September 2019</b>	<b>(399,372)</b>	<b>(11,386)</b>	<b>(410,758)</b>
<b>Net book value as of 01 January 2018</b>	<b>25,372</b>	<b>73,802</b>	<b>99,174</b>
<b>Net book value as of 30 September 2018</b>	<b>25,372</b>	<b>92,047</b>	<b>97,939</b>
<b>Net book value as of 31 December 2018</b>	<b>25,372</b>	<b>72,156</b>	<b>97,527</b>
<b>Net book value as of 30 September 2019</b>	<b>25,372</b>	<b>70,921</b>	<b>96,293</b>

These assets are not allocated to the Group's operating activity, nor do they have any future use determined.

## 19. BIOLOGICAL ASSETS

During 2019 and 2018, changes in biological assets were as follows:

Amounts in Euro	2019	2018
<b>Balance as of 1 January</b>	<b>119,614,567</b>	<b>129,396,936</b>
Logging in the period	(18,593,792)	(14,315,029)
Growth	3,141,639	4,522,924
New planted areas and replanting (at cost)	2,245,138	1,899,505
Other changes in fair value	10,944,997	9,449,746
	<b>(2,262,018)</b>	<b>1,557,146</b>
<b>Balance as of 30 September</b>	<b>117,352,549</b>	<b>130,954,082</b>
Remaining quarters	-	(11,339,515)
<b>Balance as of 31 December</b>		<b>119,614,567</b>

The amounts shown as "Other changes in fair value" correspond to actual costs of forest asset management foreseen and incurred in the period, changes in the general assessment assumptions (price of wood and cost of capital) and changes in expectations in relation to the annual model:

Amounts in Euro	30-09-2019	30-09-2018
<b>Costs of assets management</b>		
Forestry	2,811,429	2,357,565
Structure	4,392,569	4,363,286
Fixed and variable rents	7,176,131	8,870,339
	<b>14,380,129</b>	<b>15,591,190</b>
<b>Changes in expectations</b>		
Price of wood	-	-
Cost-of-capital rate	-	-
Contract withdrawal	(500,000)	-
Variations in other species	186,164	(1,018,839)
Impact of forest fires in 2017	-	(1,793,848)
Other changes in expectations (cost of structure, asset rationalisation)	(3,121,296)	(3,328,757)
	<b>(3,435,132)</b>	<b>(6,141,444)</b>
	<b>10,944,997</b>	<b>9,449,746</b>

As at 30 September 2019 and 31 December 2018, biological assets, by species, were detailed as follows:

Amounts in Euro	30-09-2019	31-12-2018
Eucalyptus (Portugal)	110,417,394	112,935,412
Pine (Portugal)	4,505,252	4,590,452
Cork oak (Portugal)	2,147,875	1,848,841
Other species (Portugal)	282,028	239,861
	<b>117,352,549</b>	<b>119,614,567</b>

These amounts, calculated based on the expected extraction of the respective productions, correspond to the following expectations of future production:

Amounts in Euro	30-09-2019	31-12-2018
Eucalyptus (Portugal) - Potential future of wood extractions k m <sup>3</sup> ssc	9,542	9,571
Pine (Portugal) - Potential future of wood extractions k ton	385	389
Pine (Portugal) - Potential future of pine extractions k ton	n/a	n/a
Cork Oak (Portugal) - Potential future of cork extractions k @	598	611

Concerning Eucalyptus in Portugal, the most relevant biological asset in the financial statements for the nine-month period ended the 30 September 2019 and 2019 and 31 December 2018, the Group extracted 493,065 m<sup>3</sup>ssc and 455,840 m<sup>3</sup>ssc of wood from its owned and explored forests, respectively.

In addition, as at 30 September 2019 and 2018 (i), there are no amounts of biological assets whose property is restricted and/or pledged as guarantee for liabilities, nor there are non-reversible commitments related to the acquisition of biological assets, and (ii) there are no government subsidies related to biological assets recognized in the Group's consolidated financial statements.

## 20. OTHER FINANCIAL ASSETS

As at 30 September 2019 and 31 December 2018, Other Financial Assets were as follows:

Amounts in Euro	30-09-2019	31-12-2018
Enviva Pellets Greenwood, LLC (USA)	33,924,548	33,448,788
Department of Commerce (USA)	26,504,631	25,597,410
Other amounts receivable	3,632,137	3,600,967
Other amounts receivable - AICEP grants	42,166,636	-
Other financial investments	434,753	521,747
	<b>106,662,705</b>	<b>63,168,912</b>

## 20.1 Financial assets at fair value through profit or loss

As at 31 December 2018, this caption, in the amount of 521,747, registered Euro 229,136 regarding the percentage held by the Group in Liaison Technologies, originally acquired in 2005, through the exchange of shares of Express Paper. Until 2012, the Group held 1.52% of the capital of this subsidiary and, in 2013, sold shares representing 0.85% of the share capital, generating a capital gain of Euro 182,911. In 2019, the remaining shareholding was sold, generating a gain of Euro 216,135.

The amount of this item in 2019 relates essentially to the Labour Compensation Fund.

## 20.2 Other non-current assets

Other non-current assets include:

- (i) The amount of Euro 33,924,548 relating to the current amount receivable for the sale of the pellets business (USD 42,5 million). The nominal amount receivable shall bear interest at the rate of 2.5%;
- (ii) The amount of Euro 26,504,631 relating to the amount receivable from the US Department of Commerce.

In 2015 the Group was subject to an investigation for alleged dumping practices on UWF exports to the United States of America and an anti-dumping tax rate of 1.75% was applied last October for the review period from August of 2015 to February 2017. The Group is entitled to a reimbursement in the amount of Euro 26,338,273, as a result of the higher rates (29.53% and 7.8%), applied over the same period.

Once the complainants took legal action over the settling of the 1.75% rate, it is expected that the reimbursement will occur more than 12 months after the balance sheet date, which is the reason why this amount was reclassified, to non-current assets.

- (iii) The amount of Euro 42,166,636 to be receive from AICEP – Agência para o Investimento e Comércio Externo de Portugal, within the scope of the investment contract signed with the subsidiary of the Group Navigator Tissue Cacia, S.A., to the construction of the new tissue factory in Aveiro. This agreement contains a financial refundable incentive, that includes a grace period of two years, without interest, with a maximum amount of Euro 42,166,636, corresponding to 35% of the amount of expenses considered as eligible, which were estimated in Euro 120,476 million.
- (iv) The amount of Euro 3,632,137, relating to other non-current financial assets

## 21. RECEIVABLES AND OTHER CURRENT ASSETS

As at 30 September 2019 and 31 December 2018, "Receivables and other current assets" are detailed as follows:

Amounts in Euro	30-09-2019	31-12-2018
Trade receivables	188.481.911	225.803.124
Trade receivables - Group companies (Note 32)	219.550	216.059
Other receivables	17.555.154	56.333.921
Derivative financial instruments (Note 31)	61.615	465.825
Accrued income	15.522.113	19.229.947
Deferred costs	8.382.280	5.701.812
	<b>230.222.623</b>	<b>307.750.689</b>

The amounts receivable presented are net of adjustments. The detail by business segment can be analysed in Note 5.

As at 30 September 2019 and 31 December 2018, Other receivables were detailed as follows:

Amounts in Euro	30-09-2019	31-12-2018
Advances to employees	572,116	565,027
Advances to suppliers	1,594,327	163,004
Financial incentives receivable	9,079,457	51,271,101
Other debtors	6,309,255	4,334,789
	<b>17,555,154</b>	<b>56,333,921</b>

The amount shown as "Advances to suppliers" refers to advanced payments made to wood suppliers. As a way of ensuring the sustainability of the forest value chain to the industry, the Group advances payments to its suppliers upon presentation of guarantees, for the wood to be bought throughout the year. Those advances are settled as supplies are delivered.

The evolution of financial incentives to be received is detailed as follows:

Amounts in Euro	30-09-2019	31-12-2018
Balance as of 1 January	51,271,101	42,105
Increase / (decrease)	(42,083,740)	700,010
Assignments	54,790	50,930,086
Received in the period	(162,694)	(401,100)
	<b>9,079,457</b>	<b>51,271,101</b>

As mentioned, on 13 December 2017, the subsidiary of the Group Navigator Tissue Cacia, S.A. signed an investment contract with AICEP - Agência para o Investimento e Comércio Externo de Portugal, for the construction of the new tissue factory in Aveiro. This agreement contains a financial incentive, under the form of a repayable incentive, includes a grace period of two years, without payment of interest and up to the maximum amount of Euro 42,166,636. In 2019, this amount was reclassified to non-current receivables.

This balance as at 30 September 2019 includes the assignment of financial incentives granted within several research and development projects, namely the Inpactus project (Euro 5,585,300) and others

(Euro 3,494,157), whose expectation of the Group is that all the conditions precedent to its receipt are guaranteed.

As at 30 September 2019 and 31 December 2018, Accrued income and deferred costs were detailed as follows:

Amounts in Euro	30-09-2019	31-12-2018
<b>Accrued income</b>		
Interest receivable	430,835	2,139,566
Energy sales	12,394,748	15,981,121
Other	2,696,530	1,109,260
	<b>15,522,113</b>	<b>19,229,947</b>
<b>Deferred costs</b>		
Rents	4,766,527	4,127,809
Insurance	3,357,459	1,396,919
Other	258,293	177,085
	<b>8,382,280</b>	<b>5,701,812</b>
	<b>23,904,392</b>	<b>24,931,759</b>

## 22. STATE AND OTHER PUBLIC ENTITIES

As at 30 September 2019 and 31 December 2018, there were no overdue debts to the State and other public entities.

The balances with these entities were as follows:

### Current assets

Amounts in Euro	30-09-2019	31-12-2018
<b>State and other public entities</b>		
Value added tax - reimbursement requests	48,861,556	49,093,762
Value added tax - to recover	2,081,417	14,119,222
Amounts pending repayment (tax proceedings decided in favour of the group)	13,715,206	16,538,446
	<b>64,658,179</b>	<b>79,751,430</b>

As at 30 September 2019, the amount of reimbursement requests comprised the following, by month and by company:

Amounts in Euro	Aug/19	Sep/19	Total
The Navigator Company, S.A.	23,825,063	22,367,766	46,192,829
Bosques do Atlântico, S.L.	-	2,168,727	2,168,727
Navigator Tissue Cacia, S.A.	500,000	-	500,000
	<b>24,325,063</b>	<b>24,536,492</b>	<b>48,861,556</b>

Up to the date of issuing this report, Euro 46 692 829 of the outstanding amounts as of 30 September 2019, had already been received.

As at 31 December 2018, the amount of reimbursement requests comprised the following, by month and by company:

Amounts in Euro	Nov/2018	Dec/2018	Total
The Navigator Company, S.A.	-	20,408,801	20,408,801
About The Future, S.A.	-	12,301,663	12,301,663
Enerpulp, S.A.	-	10,000,000	10,000,000
Bosques do Atlântico, S.L.	-	5,256,623	5,256,623
Navigator Forest Portugal, S.A.	400,000	-	400,000
Navigator Paper Setúbal, S.A.	-	200,000	200,000
Gavião - Sociedade de Caça e Turismo, S.A.	-	189,272	189,272
Eucaliptusland, S.A.	-	195,612	195,612
Sociedade de Vinhos da Herdade de Espirra, S.A.	-	77,718	77,718
Arboser, S.A.	-	64,073	64,073
	<b>400,000</b>	<b>48,693,762</b>	<b>49,093,762</b>

All these amounts were received during the first semester of 2019.

As at 30 September 2019 and 31 December 2018, the amounts pending repayment from tax proceedings decided in favour of the Group, were as follows:

Amounts in Euro	30-09-2019	31-12-2018
2013 Corporate Income Tax (RETGS)	6,753,732	8,715,786
2012 Corporate Income Tax - Case 727/2016-T	4,422,958	4,422,958
2003 VAT	2,281,342	2,281,342
Other	257,174	1,118,361
	<b>13,715,206</b>	<b>16,538,446</b>

Up to the date of issuing this report, Euro 5,301,705 of the outstanding amount regarding 2013 Corporate Income Tax had already been received.

## Current liabilities

Amounts in Euro	30-09-2019	31-12-2018
<b>State and other public entities</b>		
Corporate Income tax	14,740,596	31,939,851
Personal Income tax	1,767,564	2,332,455
Value added tax	30,703,223	41,832,900
Social security contributions	2,281,352	2,271,807
Additional tax liabilities	1,463,127	12,277,050
Income tax liabilities	24,059,596	-
Other	944,532	120,985
	<b>75,959,991</b>	<b>90,775,049</b>

As mentioned above, as from 01 July 2015 The Navigator Company and all the group companies resident in Portugal became part of the tax group led by The Navigator Company, S.A.. Thus, although they calculate and record income tax as if they were taxed on an individual basis, the Group companies record their liability as due to the leader of the tax group, which is responsible for the overall assessment and reverse charge of the tax (Note 11).

Corporate income tax is detailed as follows:

Amounts in Euro	30-09-2019	31-12-2018
Corporate income tax (Note 13)	34,910,406	72,039,659
Payments on account	(19,157,745)	(39,807,135)
Withholding tax	(670,922)	(22,886)
Other (receivables) / payables	(341,143)	(269,786)
<b>Closing balance</b>	<b>14,740,596</b>	<b>31,939,851</b>

The changes in additional tax liabilities as at 30 September 2019 and 31 December 2018 were as follows:

Amounts in Euro	2019	2018
<b>As of 1 January</b>	12,277,050	1,463,127
Increases	-	10,813,923
Decreases	(10,813,923)	-
<b>As of 31 December</b>	<b>1,463,127</b>	<b>12,277,050</b>

As at 30 September 2019 and 31 December 2018, the additional tax liabilities are detailed as follows:

Amounts in Euro	30-09-2019	31-12-2018
Bosques do Atântico	1,463,127	1,463,127
2013 Corporate Income Tax (RETGS)	-	10,813,923
	<b>1,463,127</b>	<b>12,277,050</b>

Income tax liabilities arise from the assessment of differences in tax treatment with the tax authorities and were transferred from provisions to State and other public entities, in accordance with IFRIC 23.

### 23. NON-CURRENT ASSETS HELD FOR SALE

In the Consolidated statement of financial position as of 30 September 2019, the non-current assets held for sale are forest lands without forestry activity potential. The sale will be made within the forest asset rationalization project.

### 24. SHARE CAPITAL AND TREASURY SHARES

The Navigator Company is a public company with its shares quoted on the Euronext Lisbon.

As at 30 September 2019, The Navigator Company's share capital of Euro 500,000,000 was fully subscribed and paid for being represented by 717,500,000 shares without nominal value.

At the General Meeting held on 22 September 2017, a reduction of the Company's share capital from Euro 717,500,000 to Euro 500,000,000 was approved, maintaining the number of shares representing the company's share capital and for the purpose of releasing excess capital, transferring to free reserves the amount of the capital released.

These shares were mainly acquired during 2008 and 2012 as well as in 2018 and 2019, and the changes in the period were as follows:

Amounts in Euro	2019		2018	
	Quantity	Amount	Quantity	Amount
<b>Treasury shares held in January</b>	<b>864,049</b>	<b>2,317,915</b>	<b>489,973</b>	<b>1,002,084</b>
Acquisitions				
January	880,882	3,311,967	-	-
February	-	-	-	-
March	-	-	-	-
April	-	-	-	-
May	2,523,835	8,460,107	-	-
June	586,677	1,887,455	-	-
July	-	-	-	-
August	1,421,488	4,090,543	-	-
September	40,000	121,277	-	-
	<b>5,452,882</b>	<b>17,871,349</b>	-	-
<b>Treasury shares held in September</b>	<b>6,316,931</b>	<b>20,189,264</b>	<b>489,973</b>	<b>1,002,084</b>
Remaining quarters			374,076	1,315,831
<b>Treasury shares held in December</b>			<b>864,049</b>	<b>2,317,915</b>

Treasury shares are stated at acquisition cost.

The market value of the treasury shares held on 30 September 2019 amounted to Euro 20,732,168 (31 December 2018: Euro 3,110,576), corresponding to a unit value of Euro 3.282 (31 December 2018: Euro 3.6) and the market capitalisation of the Company at this date amounted to Euro 2,354,835,000 (2018: Euro 2,583,000,000) compared to an equity, net of non-controlling interests, of Euro 1,110,252,381 (2018: 1,186,413,158).

As at 30 September 2019 and 31 December 2018, the shareholders with qualified shareholdings in the Company's capital were as follows:

Entity name	30-09-2019		31-12-2018	
	No. of shares	% of share capital	No. of shares	% of share capital
Seinpar Investments, BV	241,583,015	33.67%	241,583,015	33.67%
Semapa, SGPS, S.A.	256,034,284	35.68%	256,033,284	35.68%
Other entities Semapa Group	-	0.00%	1,000	0.00%
Treasury shares	6,316,931	0.88%	864,049	0.12%
Remaining shareholders	213,565,770	29.77%	219,018,652	30.53%
<b>Total shares</b>	<b>717,500,000</b>	<b>100.00%</b>	<b>717,500,000</b>	<b>100.00%</b>

## 25. DEFERRED TAXES

During 2019 e 2018, the changes in assets and liabilities as a result of deferred taxes were as follows:

Amounts in Euro	01 January 2019	Income Statement		Equity	30 September 2019
		Increases	Decreases		
<b>Temporary differences originating deferred tax assets</b>					
Conventional capital remuneration	9,240,000	-	-	3,640,000	12,880,000
Taxed provisions	1,439,796	1,284,197	-	-	2,723,993
Adjustment in tangible fixed assets	104,175,669	-	(27,920,487)	-	76,255,181
Financial instruments	7,489,391	-	-	6,293,979	13,783,370
Deferred accounting gains on inter-group transactions	39,285,900	-	(11,172,984)	-	28,112,916
Government grants	203,588	-	-	-	203,588
	<b>161,834,344</b>	<b>1,284,197</b>	<b>(39,093,471)</b>	<b>9,933,979</b>	<b>133,959,049</b>
<b>Temporary differences originating deferred tax liabilities</b>					
Pension fund	(16,445)	(2,271,643)	-	1,556,999	(731,089)
Derivative financial instruments at fair value	(144,728)	-	144,728	-	-
Valuation of biological assets	(13,969,979)	-	1,066,794	-	(12,903,186)
Extension of the useful life of property, plant and equipment	(208,882,941)	(30,720,935)	-	-	(239,603,876)
Deferred accounting losses on inter-group transactions	(9,994,509)	-	-	-	(9,994,509)
Government grants	(7,439,159)	-	840,643	186,889	(6,411,627)
	<b>(240,447,762)</b>	<b>(32,992,578)</b>	<b>2,052,165</b>	<b>1,743,888</b>	<b>(269,644,286)</b>
<b>Amounts recognised in the balance sheet</b>					
Deferred tax assets	44,504,445	353,154	(10,750,705)	2,731,844	36,838,739
Government grants	26,502,330	-	(25,953,106)	-	549,224
	<b>71,006,775</b>	<b>353,154</b>	<b>(36,703,811)</b>	<b>2,731,844</b>	<b>37,387,963</b>
Deferred tax asset liabilities	(66,123,135)	(9,072,959)	564,345	479,569	(74,152,179)
	<b>(66,123,135)</b>	<b>(9,072,959)</b>	<b>564,345</b>	<b>479,569</b>	<b>(74,152,179)</b>

Amounts in Euro	01 January 2018	Income Statement		Equity	Other liabilities	31 December 2018
		Increases	Decreases			
<b>Temporary differences originating deferred tax assets</b>						
Conventional capital remuneration	12,320,000	-	(3,080,000)	-	-	9,240,000
Taxed provisions	1,336,534	114,470	(11,208)	-	-	1,439,796
Adjustment of property, plant and equipment	100,829,491	21,310,027	(17,963,850)	-	-	104,175,669
Financial instruments	3,885,952	-	-	3,603,439	-	7,489,391
Deferred accounting gains on inter-group transactions	36,424,408	7,805,659	(4,944,168)	-	-	39,285,900
Government grants	7,849,328	-	(7,645,740)	-	-	203,588
	<b>162,645,714</b>	<b>29,230,156</b>	<b>(33,644,965)</b>	<b>3,603,439</b>	-	<b>161,834,345</b>
<b>Temporary differences originating liabilities</b>						
<b>deferred tax assets</b>						
Pension fund	(117,966)	319,261	-	(217,740)	-	(16,445)
Derivative financial instruments at fair value	(144,728)	-	-	-	-	(144,728)
Valuation of biological assets	(10,246,504)	(6,996,837)	3,273,362	-	-	(13,969,979)
Extension of the useful life of property, plant and equipment	(232,993,493)	(2,319,688)	26,430,239	-	-	(208,882,941)
Deferred accounting losses on inter-group transactions	(49,497,874)	(10,191,596)	49,694,961	-	-	(9,994,509)
Government grants	(8,903,132)	-	1,214,788	249,185	-	(7,439,159)
	<b>(301,903,697)</b>	<b>(19,188,860)</b>	<b>80,613,351</b>	<b>31,444</b>	-	<b>(240,447,761)</b>
<b>Amounts recognised in the balance sheet</b>						
Deferred tax assets	44,727,571	8,038,293	(9,252,365)	990,946	-	44,504,445
Government grants	-	-	-	-	26,502,330	26,502,330
	<b>44,727,571</b>	<b>8,038,293</b>	<b>(9,252,365)</b>	<b>990,946</b>	<b>26,502,330</b>	<b>71,006,775</b>
Deferred tax asset liabilities	(83,023,517)	(5,276,936)	22,168,671	8,647	-	(66,123,135)
	<b>(83,023,517)</b>	<b>(5,276,936)</b>	<b>22,168,671</b>	<b>8,647</b>	-	<b>(66,123,135)</b>

In the measurement of the deferred taxes as at 30 September 2019 and 31 December 2018, the corporate income tax rate used was 27.50%.

## 26. PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

### 26.1 Introduction

Some Group companies grant their employees post-retirement benefits, either in the form of defined benefit plans or in the form of defined contribution plans.

The plans are funded through a closed Pension Fund, managed by an external entity, which subcontracts the management of its assets to external asset management entities.

#### A . Pension Plan – Defined benefit

The Group has responsibilities with post-employment benefit plans for a reduced group of Employees who have chosen to maintain the defined benefit plan or who have chosen to maintain a safeguard clause, the latter following the conversion of their plan into a Defined Contribution Plan. In effect, the safeguard

clause gives the employee the option, at the time of retirement, to pay a pension in accordance with the provisions laid down on the Defined Benefit Plan. For those who choose to activate the Safeguard Clause, the accumulated balance in the Defined Contribution Plan (Conta 1) will be used to finance the liability of the Defined Benefit Plan.

## B . Pension Plan – Defined contribution

As at 30 September 2019, three Defined Contribution plans were in force, which covered 2,763 employees, excluding employees who chose to maintain a benefit safeguard clause.

### 26.2 Defined benefit plan

As at 30 September 2019 and 31 December 2018, the coverage of the companies' liabilities by the assets of the funds was as follows:

Amounts in Euro	No. of beneficiaries	30-09-2019	No. of beneficiaries	31-12-2018
Future service liabilities (Option A)				
Past service liabilities				
- Active employees, including individual accounts	482	72,543,202	506	57,373,503
- Former employees	133	22,327,672	125	21,042,206
- Retired employees	512	77,659,700	506	76,040,531
Market value of the pension funds		(154,306,206)		(147,131,961)
	1,127		1,137	<b>7,324,279</b>
<b>Insufficient funds / overfunding</b>		<b>18,224,369</b>		<b>7,324,279</b>

As at 30 September 2019, the amount of liabilities related to the post-employment benefit plans of one non-executive Director of the Navigator Group amounted to Euro 455,155 (31 December 2018: Euro 1,025,289).

#### 26.2.1 Assumptions used in the valuation of the liabilities

The actuarial studies developed by an independent entity to determine the accumulated liabilities were based on the following assumptions:

	30-09-2019	31-12-2018	Real outcome	
			30-09-2019	31-12-2018
Disability table	EKV 80	EKV 80	-	-
Mortality table	TV 88/90	TV 88/90	-	-
Wage growth rate	1.00%	1.00%	1.75%	1.65%
Technical interest rate	2.00%	2.00%	-	-
Return rate on plan assets	2.00%	2.00%	7.82%	-3.84%
Pensions growth rate	0.75%	0.75%	1.31%	1.24%

The discount rates used in this calculation were selected by reference to the yield rates of a set of high-quality corporate bonds. Bonds whose maturity and rating were considered appropriate were selected, considering the amount and the timing of the cash flows associated with the payment of benefits to Employees.

The following table presents the five-year historical information on the present value of liabilities, the market value of the funds, non-financed liabilities and net actuarial gains/(losses). This information from 2015 to 2019 is as follows:

Amounts in Euro	2015	2016	2017	2018	2019
Present value of liabilities	139,312,363	148,877,898	151,199,735	154,456,240	172,530,575
Fair value of plan assets	143,067,688	142,420,782	146,109,493	147,131,961	154,306,206
Surplus / (deficit)	3,755,326	(6,457,116)	(5,090,242)	(7,324,279)	(18,224,369)

### 26.2.2 Changes in liabilities

The movements in liabilities with retirement and pension plans in 2019 and 2018 were as follows:

Amounts in Euro	2019	2018
Liabilities in the beginning of the period	154,456,240	151,199,735
Re-measurement (actuarial deviations)	18,053,860	1,829,897
Accrued responsibility with planned withdrawals	-	637,577
Costs recognised in the Income Statement	2,457,217	2,395,283
Pensions paid	(2,436,741)	(2,335,933)
<b>As of 30 September</b>	<b>172,530,575</b>	<b>153,726,559</b>
Remaining quarters		729,681
<b>As of 31 December</b>		<b>154,456,240</b>

The actuarial deviation is mainly explained by the variations in the actuarial assumptions used in the valuation of liabilities, namely with regard to the expectation of benefit escalation over future periods.

The average maturity of the liabilities of the defined benefit plans is 16 years, the average maturity of the liabilities has increased due to changes in the actuarial assumptions used in the assessment of the liabilities, namely with regard to the expectation of the benefits being spread over future periods.

### 26.2.3 Changes in the Fund's assets

The funds set up to cover the above mentioned liabilities presented the following movements in 2019 e 2018:

Amounts in Euro	2019	2018
Opening balance	147,131,961	146,109,493
Appropriation for the year	-	2,000,000
Expected income for the year	1,359,139	1,463,154
Re-measurement (actuarial deviations)	8,251,847	(3,072,422)
Pensions paid	(2,436,741)	(2,335,933)
Other changes	-	247,601
<b>As of 30 September</b>	<b>154,306,206</b>	<b>144,411,893</b>
Remaining quarters		2,720,068
<b>As of 31 December</b>		<b>147,131,961</b>

The impact of Euro 8,251,847 is due to the higher profitability of assets when compared with the profitability rates considered in the assumptions.

The assets of the pension fund related to the defined benefit plan are under the management of Schroders, BlackRock and Credit Suisse, as detailed below:

Amounts in Euro	2019	2018
Defined benefit and <i>Conta 1</i> :		
Occidental - Pensions	135,522	10,279,422
Schroders	54,635,264	47,959,790
BlackRock	56,237,557	46,386,780
Account 1 - Credit Suisse	43,297,863	42,505,969
<b>Total defined contribution and <i>Conta 1</i></b>	<b>154,306,206</b>	<b>147,131,961</b>

The detail of the fund's assets as at 30 September 2019 and 31 December 2018 was as follows:

Amounts in Euro	30-09-2019	31-12-2018
Bonds	111,395,160	97,880,071
Shares	40,630,943	34,189,195
Liquidity	2,144,581	5,052,752
Other short-term investments	135,522	10,000,000
Property	-	9,943
	<b>154,306,206</b>	<b>147,131,961</b>

Of the assets that compose the fund, all the shares and bonds presented are quoted on the regulated market.

It should be noted that the amount of Euro 10,000,000 not invested as at 31 December 2018 in the "Occidental - Pensions" account relates to the contribution made by the Group at the end of the year, which was not yet invested as at 31 December 2018.

### 26.3 Defined Contribution Plan

As at 30 September 2019, two defined contribution plans were in force for a group of employees.

The assets of the pension fund that finance the defined contribution plans are under the management of the BMO, as detailed below:

Amounts in Euro	No. of beneficiaries	Profitability %	2019	No. of beneficiaries	Profitability %	2018
Defined contribution (BMO):						
Defensive sub-fund	129	8.81%	9,245,494	116	(1.81%)	8,983,980
Conventional sub-fund	400	10.05%	22,139,856	336	(2.51%)	20,884,122
Dynamic sub-fund	681	12.35%	14,301,562	480	(3.79%)	13,649,515
Aggressive sub-fund	1,553	15.28%	5,323,991	184	(5.51%)	4,416,753
<b>Total Defined Contribution</b>	<b>2,763</b>		<b>51,010,903</b>	<b>1,116</b>		<b>47,934,370</b>

### 26.4 Impact on the income statement for the period

The effect of these plans in the income statement for the periods ended 30 September 2019 and 2018 was as follows:

Amounts in Euro	9 months 30-09-2019	9 months 30-09-2018
<b>Defined benefit plans</b>		
Current services	921,127	979,273
Interest expenses	1,536,090	1,416,010
Expected of the plan assets	(1,359,139)	(1,463,154)
Accrued responsibility with planned withdrawals	-	637,577
	<b>1,098,078</b>	<b>1,569,706</b>
<b>Defined Contribution Plans</b>		
Contributions of the period	1,084,551	1,031,818
	<b>1,084,551</b>	<b>1,031,818</b>
<b>Costs for the period</b>	<b>2,182,629</b>	<b>2,601,524</b>

## 27. PROVISIONS

In 2019 e 2018, changes in provisions were as follows:

Amounts in Euro	Legal Proceedings	Tax Proceedings	Other	Total
<b>Balance as of 1 January 2018</b>	<b>4,159,157</b>	<b>13,830,188</b>	<b>1,547,301</b>	<b>19,536,646</b>
Increases (Note 8)	1,050,467	-	-	1,050,467
Reversals (Note 8)	(595,119)	(649,264)	(1,547,301)	(2,791,684)
Transfers/Adjustments	34,257	20,335,455	-	20,369,712
<b>Balance as of 30 September 2018</b>	<b>4,648,762</b>	<b>33,516,379</b>	<b>-</b>	<b>38,165,139</b>
Increases (Note 8)	61,079	-	15,109,286	15,170,365
Reversals (Note 8)	142,045	(24,245)	-	117,800
Transfers/Adjustments	(65,911)	(10,321,925)	-	(10,387,836)
<b>Balance as of 31 December 2018</b>	<b>4,785,975</b>	<b>23,170,209</b>	<b>15,109,286</b>	<b>43,065,471</b>
Increases (Note 8)	834,311	889,387	-	1,723,698
Reversals (Note 8)	(832,076)	-	(3,109,286)	(3,941,362)
Transfers/Adjustments	29,608	(24,059,596)	-	(24,029,988)
<b>Balance as of 30 September 2019</b>	<b>4,817,819</b>	<b>-</b>	<b>12,000,000</b>	<b>16,817,819</b>

The outcome of provisions for legal claims depends on the labour or civil court decisions.

The amounts included in the item Transfers / Adjustments include Euro 889,387 related to the establishment of provisions in 2019, which were recorded against income tax expense, as well as Euro 24,059,596 transferred to the State and other public entities in accordance with the interpretation of IFRIC 23 (Note 22).

In 2018, increases recorded under the caption "Other provisions" include Euro 12 million related to the Mozambique project. As communicated to the market on 9 July 2018, Portucel Moçambique and the Mozambican Government signed a Memorandum of Understanding (MoU) regarding the reformulation of the investment project that will start being developed in two phases. Num primeiro momento será criada uma base florestal de cerca de 40 000 hectares, que garantirá o abastecimento de uma unidade (a construir) de produção de estilha de madeira de eucalipto para exportação, de cerca de 1 milhão de toneladas por ano, num investimento global estimado de USD 140 milhões.

Although the Memorandum of Understanding (MoU) signed with the Mozambican Government in July 2018 provided for a "best effort" commitment to create the necessary conditions to carry out the investment until last 31 December, that was not possible, up to date, and both parties continued to work towards that goal. In this context and given the current conditions, Navigator prudently decided to record

an additional provision in its accounts, at the end of 2018, in the amount of Euro 12 million, in addition to impairments already recorded, in order to reflect the current development stage of the project.

## 28. INTEREST-BEARING LIABILITIES AND OTHER LIABILITIES

### 28.1 Interest-bearing liabilities

As at 30 September 2019 and 31 December 2018, interest-bearing liabilities comprised the following:

30-09-2019						
Amounts in Euro	Amount	Outstanding amount	Maturity	Interest rate	Current	Non-current
<b>Bond loans</b>						
Navigator 2015-2023	200.000.000	200.000.000	September 2023	Variable rate indexed to Euribor	-	200.000.000
Navigator 2016-2021	100.000.000	100.000.000	April 2021	Flat rate	-	100.000.000
Navigator 2016-2021	45.000.000	45.000.000	August 2021	Variable rate indexed to Euribor	-	45.000.000
Navigator 2019-2026	50.000.000	50.000.000	January 2026	Flat rate	-	50.000.000
Navigator 2019-2025	50.000.000	50.000.000	March 2025	Variable rate indexed to Euribor	-	50.000.000
Commissions		(3.436.826)				(3.436.826)
<b>European Investment Bank</b>						
Loan BEI Ambiente B	6.666.666	6.666.666	June 2021	Variable rate indexed to Euribor	3.333.333	3.333.333
Loan BEI Energia	38.958.333	38.958.333	December 2024	Variable rate indexed to Euribor	7.083.333	31.875.000
Loan BEI Aveiro	25.000.000	25.000.000	May 2028	Flat rate	2.777.778	22.222.222
Loan BEI Figueira	40.000.000	40.000.000	February 2029	-	-	40.000.000
<b>Commercial Paper Program</b>						
Commercial Paper Program 175M	175.000.000	175.000.000	February 2026	Flat rate	-	175.000.000
Commercial Paper Program 70M	70.000.000	70.000.000	April 2021	Flat rate	-	70.000.000
Commercial Paper Program 65M	65.000.000	50.000.000	February 2026	Variable rate indexed to Euribor	-	50.000.000
Commercial Paper Program 75M	75.000.000	-	July 2026	Variable rate indexed to Euribor	-	-
Commissions						
<b>Bank lines</b>						
Short-term line 20M	20.450.714	-				-
					<b>13.194.444</b>	<b>833.993.729</b>
<b>31-12-2018</b>						
Amounts in Euro	Amount	Outstanding amount	Maturity	Interest rate	Current	Non-current
<b>Bond loans</b>						
Navigator 2015-2023	200.000.000	200.000.000	September 2023	Variable rate indexed to Euribor	-	200.000.000
Navigator 2016-2021	100.000.000	100.000.000	April 2021	Flat rate	-	100.000.000
Navigator 2016-2021	45.000.000	45.000.000	August 2021	Variable rate indexed to Euribor	-	45.000.000
Fees		(1.495.701)				(1.495.701)
<b>European Investment Bank</b>						
Loan BEI Ambiente B	8.333.334	8.333.334	June 2021	Variable rate indexed to Euribor	3.333.334	5.000.000
Loan BEI Energia	42.500.000	42.500.000	December 2024	Variable rate indexed to Euribor	7.083.333	35.416.667
Loan BEI Aveiro	25.000.000	25.000.000	May 2028	Flat rate	1.388.889	23.611.111
Loan BEI Figueira	40.000.000	-	February 2029	-	-	-
<b>Commercial Paper Program</b>						
Commercial Paper Program 125M	125.000.000	125.000.000	May 2020	Variable rate indexed to Euribor	-	125.000.000
Commercial Paper Program 70M	70.000.000	70.000.000	April 2021	Flat rate	-	70.000.000
Commercial Paper Program 50M	50.000.000	50.000.000	July 2020	Variable rate indexed to Euribor	-	50.000.000
Commercial Paper Program 75M	75.000.000	-	July 2020	Variable rate indexed to Euribor	-	-
Commercial Paper Program 100M	100.000.000	-	March 2020	Variable rate indexed to Euribor	-	-
Commercial Paper Program 35M	35.000.000	35.000.000	January 2019	Variable rate indexed to Euribor	35.000.000	-
Commercial Paper Program 35M	35.000.000	35.000.000	January 2019	Variable rate indexed to Euribor	35.000.000	-
Commercial Paper Program 30M	30.000.000	30.000.000	January 2019	Variable rate indexed to Euribor	30.000.000	-
Fees		(506.955)				(506.955)
<b>Bank lines</b>						
Short-term line 20M	20.450.714	-			-	-
					<b>111.805.556</b>	<b>652.025.122</b>

Like 2018, in 2019 The Navigator Company has continued to place short-term commercial paper issues on an auction basis.

As at 30 September 2019, the average cost of debt, considering interest rate, the annual fees and hedging operations, was 1.7% (31 December 2018: 1.6%).

The repayment terms for the loans recorded as non-current are detailed as follows:

Amounts in Euro	30-09-2019	31-12-2018
Non-current		
1 to 2 years	228,194,445	188,194,445
2 to 3 years	47,718,254	226,527,778
3 to 4 years	288,075,397	9,861,111
4 to 5 years	88,075,397	209,861,111
More than 5 years	185,367,062	19,583,333
	<b>837,430,555</b>	<b>654,027,778</b>
Commissions	(3,436,826)	(2,002,656)
	<b>833,993,729</b>	<b>652,025,122</b>

As at 30 September 2019, the Group had Commercial Paper programs and credit lines available, but not used, in the amount of Euro 110,450,714 (31 December 2018: Euro 195,450,714).

As at 30 September 2019 and 31 December 2018, the Group's interest bearing net debt was as follows:

Amounts in Euro	30-09-2019	31-12-2018
<b>Interest-bearing liabilities</b>		
Non-current	833,993,729	652,025,122
Current	13,194,444	111,805,556
	<b>847,188,174</b>	<b>763,830,678</b>
<b>Cash and cash equivalents</b>		
Cash	45,784	49,393
Short-term bank deposits	30,159,548	38,273,375
Other short-term instruments	41,022,860	42,537,016
	<b>71,228,192</b>	<b>80,859,785</b>
<b>Interest-bearing net debt</b>	<b>775,959,981</b>	<b>682,970,893</b>
Lease liabilities IFRS16	46,165,272	-
<b>Interest-bearing net debt with lease liabilities</b>	<b>822,125,253</b>	<b>682,970,893</b>

The reconciliation of the interest-bearing gross debt to the statement of cash flows is as follows:

Amounts in Euro	30-09-2019	31-12-2018
<b>Balance as of 1 January</b>	763,830,678	818,057,471
Payment of loans received	(105,208,333)	(150,205,591)
Receipt of loans received	190,000,000	100,000,000
Reimbursable grants	-	(4,237,694)
Change in borrowing costs	(1,434,171)	216,493
<b>Movements in interest-bearing debt</b>	<b>83,357,496</b>	<b>(54,226,793)</b>
<b>Interest-bearing gross debt</b>	<b>847,188,174</b>	<b>763,830,678</b>

The Navigator Group adopts strict policies in approving its financial counterparties, limiting its exposure in accordance with an individual risk analysis and within previously approved limits. Beyond these limits, there is also a diversification policy applied to the number of the Navigator Company Group's counterparties. At 30 September 2019, "Other short-term investments" included an amount of Euro 41,022,860 related with short-term highly liquid investments with a proper rating.

The fair value of the bond loans, considering the date and respective contractual conditions, determined according to level 2 of the fair value hierarchy, does not differ substantially from its book value.

The evolution of the Group's interest bearing net debt for the nine-month period ended as at 30 September 2019 and 2018 was as follows:

Amounts in Euro	9 months 30-09-2019	9 months 30-09-2018
<i>As of 1 January</i>	682,970,893	692,726,435
Payments with debt issuance	3,436,825	2,105,171
Interest paid	14,217,818	13,038,152
Interest received	(3,881,821)	723,494
Dividend paid and reserves distributed	200,003,439	200,002,777
Acquisition of own shares	17,871,349	-
Receipts related to investment activities	(380,470)	(69,026,158)
Payments related to financial investments	-	-
Payments related to tangible fixed assets	132,047,544	155,644,200
Accumulated exchange rate effects	(268,577)	(9,220,628)
Net receipts from operating activities	(270,057,019)	(254,407,387)
Change in net debt	92,989,088	38,859,622
<b>As of 30 September</b>	<b>775,959,981</b>	<b>731,586,057</b>

Also, the movements in the Navigator Group's interest bearing net debt for the nine-month period ended as at 30 September 2019 and 2018 was as follows:

Amounts in Euro	30-09-2019	30-09-2018
Net profit for the period	147,528,116	171,765,004
Depreciation, amortisation and impairment losses	102,760,542	97,764,203
Net changes in provisions	(2,280,599)	(1,741,217)
	<b>248,008,059</b>	<b>267,787,990</b>
Changes in working capital	(14,168,804)	10,098,838
Net change in property, plant and equipment	(108,901,017)	(152,640,688)
Dividends paid and reserves distributed	(200,003,439)	(200,002,777)
Acquisition of own shares	(17,871,349)	-
Net changes in post-employment benefits	(10,900,090)	(4,224,423)
Other changes in equity	61,251	17,506,512
Expenses changes in non-current assets and liabilities	(1,434,171)	113,978
Other changes in non-current assets and liabilities	12,220,472	22,500,949
<b>Change in net debt (Free CashFlow)</b>	<b>(92,989,087)</b>	<b>(38,859,621)</b>

## 28.2 Other liabilities

As at 30 September 2019 and 31 December 2018, other non-current liabilities were as follows:

Amounts in Euro	30-09-2019	31-12-2018
<b>Non-current</b>		
Government grants	35,569,251	41,997,203
Repayable subsidies	38,418,636	40,327,202
	<b>73,987,887</b>	<b>82,324,405</b>

As at 30 September 2019 and 31 December 2018, non-current repayable subsidies mainly include the repayable subsidy granted by AICEP – Agency for Investment and Foreign Trade of Portugal, to support the construction of the new tissue pulp mill in Aveiro (see Note 20).

## 29. LEASE LIABILITIES

As at 30 September 2019 and 31 December 2018, the maturity of lease agreements' rents is detailed as follows:

Amounts in Euro	30-09-2019			31-12-2018		
	Maturing rents	Interest on liabilities	Total	Maturing rents	Interest on liabilities	Total
Less than 1 year	2,803,826	1,643,409	4,447,236	-	-	-
1 to 2 years	2,246,553	1,521,263	3,767,816	-	-	-
2 to 3 years	1,700,170	1,410,549	3,110,719	-	-	-
3 to 4 years	1,348,238	1,309,489	2,657,726	-	-	-
4 to 5 years	1,288,856	1,214,185	2,503,041	-	-	-
More than 5 years	21,238,069	8,478,309	29,716,378	-	-	-
<b>Present value of liabilities</b>	<b>30,625,713</b>	<b>15,577,203</b>	<b>46,202,916</b>	-	-	-

### 30. PAYABLES AND OTHER CURRENT LIABILITIES

As at 30 September 2019 and 31 December 2018, "Payables and other current liabilities" are detailed as follows:

Amounts in Euro	30-09-2019	31-12-2018
Suppliers	98.110.468	125.409.905
Suppliers invoices pending - Logistics	7.330.265	7.785.095
Suppliers invoices pending - Other	52.265.203	49.593.816
Fixed assets suppliers	3.581.019	6.185.960
Finance leases	-	14.125
Suppliers - Related parties (Note 32)	957.051	2.656.988
Derivative financial instruments (Note 31)	11.695.270	4.826.363
Other creditors - CO <sub>2</sub> emission allowances	11.449.011	11.283.965
Sales commissions	467.043	252.649
Tax consolidation (Semapa)	8.992.798	8.992.798
Other creditors	3.746.955	9.664.156
Accrued costs	55.253.020	71.398.905
Deferred income	21.870.086	25.735.845
	<b>275.718.189</b>	<b>323.800.571</b>

As at 30 September and 31 December 2018, accrued costs and deferred income are detailed as follows:

Amounts in Euro	30-09-2019	31-12-2018
<b>Accrued costs</b>		
Payroll expenses - Performance Bonus	6,933,353	22,670,195
Payroll expenses - Other costs	21,457,447	19,682,882
Interest payable	2,851,919	3,241,812
Wood suppliers bonus	8,099,805	8,340,388
Water resources rate	3,137,656	2,414,504
Rents liabilities	10,568,626	8,624,589
Other	2,204,213	6,424,535
	<b>55,253,020</b>	<b>71,398,905</b>
<b>Deferred income</b>		
Government grants	10,447,301	14,594,285
Grants - CO <sub>2</sub> emission licenses	2,117,757	-
Other grants	5,380,224	7,216,756
Other deferred income - ISP	3,924,803	3,924,802
	<b>21,870,086</b>	<b>25,735,845</b>

As at 30 September 2019 and 31 December 2018, deferred income on government grants, by company, was detailed as follows:

Amounts in Euro	30/09/2019	31/12/2018
<b>AICEP investment contracts</b>		
The Navigator Company, S.A.	-	-
Enerpulp, S.A.	8,248,322	11,609,639
Navigator Brands , S.A.	648,440	648,440
Navigator Pulp Cacia, S.A.	7,937,369	10,499,052
Navigator Pulp Setúbal, S.A.	378,484	513,978
Navigator Pulp Figueira, S.A.	12,400,680	15,182,598
Navigator Parques Industriais, S.A.	2,003,192	2,047,709
Navigator Paper Figueira, S.A.	5,860	14,620
Navigator Tissue Cacia, S.A.	13,673,343	15,263,870
	<u>45,295,689</u>	<u>55,779,906</u>
<b>Other</b>		
Raiz	532,693	527,776
Viveiros Aliança, SA	188,169	283,807
	<u>720,862</u>	<u>811,583</u>
	<b>46,016,551</b>	<b>56,591,488</b>

During 2019 and 2018, the movements in Grants - CO<sub>2</sub> emission licenses were as follows:

Amounts in Euro	2019	2018
<b>Grants - CO<sub>2</sub> emission licenses</b>		
Opening balance	-	-
Increase	9,274,001	3,984,110
Charge-off	(7,156,243)	(2,059,375)
<b>Balance as of 30 June</b>	<b>2,117,758</b>	<b>1,924,735</b>
Remaining quarters		(1,924,735)
<b>As of 31 December</b>		<b>-</b>

These increases correspond to the CO<sub>2</sub> emission allowances granted for free to several Group companies (2019: 467,540 and 2018: 477,139).

## 31. FINANCIAL ASSETS AND LIABILITIES

### 31.1 Derivative financial instruments held for trading

As at 30 September 2019 and 31 December 2018, the fair value of derivative financial instruments is as follows:

Amounts in Euro	Currency	Notional	30-09-2019			31-12-2018
			Positive	Negative	Net	Net
<b>Held for trading</b>						
Foreign exchange forwards	USD	59,900,000	-	(1,041,400)	(1,041,400)	113,278
Foreign exchange forwards	GBP	10,775,000	-	(212,614)	(212,614)	28,582
CO <sub>2</sub> emission licenses	EUR	550,000	-	-	-	-
		<b>71,225,000</b>	<b>-</b>	<b>(1,254,014)</b>	<b>(1,254,014)</b>	<b>141,860</b>

The Navigator Group has a currency exposure on sales invoiced in foreign currencies, namely US dollars (USD) and pounds sterling (GBP). As the Navigator Group's financial statements are translated into Euro, it runs an economic risk on the conversion of these currency flows to the Euro. The Navigator Group is also obliged, albeit to a lesser degree, to make certain payments in those same currencies which, for currency exposure purposes, act as a natural hedge. Thus, the hedge is aimed at safeguarding the net value of items in the statement of financial position denominated in foreign currencies against the respective currency fluctuations.

The hedging instruments used in this operation are foreign exchange forward contracts covering the net exposure to the foreign currencies at the time the invoices are issued and with due dates close to that exposure. The nature of the risk hedged is the change in the carrying amount on sales and purchases expressed in foreign currencies due to foreign currency fluctuations. At the end of each month, customer and suppliers' balances expressed in foreign currency are updated, with the gain or loss offset against the fair value change of the forwards negotiated.

The fair value of trading instruments – forwards – as at 30 September 2019 amounts to Euro 1,254,014 (31 December 2018: Euros 141,860).

During the third quarter of 2019, the Group acquired 66,000 CO<sub>2</sub> licenses.

### 31.2 Derivative financial instruments designated as hedging instruments

As at 30 September 2019 and 31 December 2018, the fair value of derivative financial instruments designated as hedging instruments was as follows:

Amounts in Euro	Currency	Notional	30-09-2019		Net	31-12-2018
			Positive	Negative		Net
<b>Hedging</b>						
Hedging for BHKP sales	USD	9,720,000	-	(21,710)	(21,710)	-
Hedging (future sales)	USD	108,166,667	14,462	(1,022,974)	(1,008,513)	(117,913)
Hedging (future sales)	GBP	39,000,000	47,153	(42,731)	4,422	323,965
Interest rate swap for commercial paper issued	EUR	-	-	-	-	(645,368)
Interest rate swap for bond loans	EUR	250,000,000	-	(9,353,841)	(9,353,841)	(4,063,084)
			<b>61,615</b>	<b>(10,441,256)</b>	<b>(10,379,642)</b>	<b>(4,502,399)</b>

#### Cash flow hedge – Exchange rate risk EUR/USD

The Navigator Company Group makes use of derivative financial instruments in order to limit the net exchange risk associated with sales and future purchases estimated at USD.

In this context, during the last quarter of 2018, the Group contracted several financial structures to cover a portion of the net foreign exchange exposure of estimated sales in USD for 2019. The derivative financial instruments in force at 1 January 2019 are Options and Zero Cost Collar, in a total amount of USD 346,000,000 and GBP 48,000,000, reaching maturity between 31 December 2019 and 31 January 2020, for USD and February 2020 for GBP. As early as 2019, the financial instruments were strengthened through the additional contracting of GBP 57,000,000 divided between Options and Zero Cost collar maturing in December 2019.

Already during the last quarter, the group placed the first hedging for 2020, which amounted to USD 36,000,000 and GBP 42,000,000, maturing on 31 December 2020.

#### Cash flow hedge – Interest rate risk

The Navigator Group hedges future interest payments associated with commercial paper issues by hiring an interest rate swap, which pays a fixed rate and receives a floating rate. This instrument is designated as hedges of cash flows from the commercial paper program and the bond loan. The credit risk is not part of the hedging relationship.

This hedge is designated for the entire life of the hedging instruments.

### 31.3 Loans and receivables

These amounts are initially recognised at fair value, and subsequently measured at amortised cost less any impairment losses identified during the course of the credit risk analysis of the credit portfolios held.

### 31.4 Other financial liabilities

These items are recognised at their amortised cost, corresponding to the value of the respective cash flows discounted at the effective interest rate associated with each of the liabilities.

### 31.5 Net gains on financial assets and liabilities

The effect in net profit for the period of the financial assets and liabilities held is detailed as follows:

Amounts in Euro	30-09-2019	30-09-2018
Foreign exchange gains/ (losses) on accounts receivable	2,844,474	1,231,922
Gains/ (losses) on financial instruments - hedging	(3,700,983)	(3,591,043)
Gains/ (losses) on financial instruments - trading	(1,395,874)	(1,871,149)
Interest income:		
From deposits and other receivables	2,173,090	(82,995)
Interest expense:		
Financial liabilities measured at amortised cost	(7,834,342)	(5,728,155)
Other	(3,485,069)	(6,495,789)
	<b>(11,398,704)</b>	<b>(16,537,208)</b>

The fair value of derivative financial instruments is included in "Receivables and other current assets" (Note 21) and "Payables and other current liabilities" (Note 30).

The movement in the balances recognised in the statement of financial position (Notes 21 and 30) related with financial instruments are detailed as follows:

	Change in fair value (Trading)	Change in fair value (Hedging)	Total
<b>Balance as of 1 January 2018</b>	<b>1,828,121</b>	<b>(1,440,218)</b>	<b>387,902</b>
Maturity (Note 12)	(1,871,149)	(3,591,043)	(5,462,192)
Increase/decrease in fair value	(702,568)	1,607,334	904,766
<b>Balance as of 30 September 2018</b>	<b>(745,596)</b>	<b>(3,423,927)</b>	<b>(4,169,524)</b>
Maturity (Note 12)	887,456	(2,935,142)	(2,047,686)
Increase/decrease in fair value	-	1,856,670	1,856,670
<b>Balance as of 31 December 2018</b>	<b>141,860</b>	<b>(4,502,399)</b>	<b>(4,360,539)</b>
Maturity (Note 12)	(1,395,874)	(3,700,983)	(5,096,857)
Increase/decrease in fair value	-	(2,176,259)	(2,167,461)
<b>Balance as of 30 September 2019</b>	<b>(1,254,014)</b>	<b>(10,379,642)</b>	<b>(11,624,858)</b>

As at 30 September 2019 and 31 December 2018, the derivative financial instruments had the following maturities:

		Nominal value	Maturity	Type	30-09-2019	31-12-2018
					Fair value	Fair value
Foreign exchange forwards	USD	59,900,000	9-Jan-20	Held for trading	(1,041,400)	113,278
	GBP	10,775,000	10-Feb-20	Held for trading	(212,614)	28,582
Future purchase of CO <sub>2</sub> licenses	EUR	550,000	16-Mar-20	Held for trading	-	-
					<b>(1,254,014)</b>	<b>141,860</b>
Hedging for BHKP sales	USD	9,720,000	31-Dec-20	Hedging	(21,710)	-
Hedging for future sales	USD	108,166,667	31-Jan-20	Hedging	(1,008,513)	(117,912)
Hedging for future sales	GBP	39,000,000	28-Feb-20	Hedging	4,422	323,965
Interest rate swap for commercial paper issued	EUR	-	-	Hedging	-	(645,368)
Interest rate swap for bond loans	EUR	250,000,000	28-Mar-25	Hedging	(9,353,841)	(4,063,084)
					<b>(10,379,642)</b>	<b>(4,502,399)</b>
					<b>(11,633,656)</b>	<b>(4,360,539)</b>

## 32. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

As at 30 September 2019 and 31 December 2018, the balances with group companies and associated companies is presented as follows:

	30-09-2019			31-12-2018		
	Asset	Liability		Asset	Liability	
Amounts in Euro	Trade receivables	Suppliers	Other creditors (tax consolidation)	Trade receivables	Suppliers	Other creditors (tax consolidation)
Semapa - Soc. de Investimento e Gestão, SGPS, S.A.	-	842,926	8,992,798	-	2,620,044	8,992,798
Secil - Companhia Geral Cal e Cimento, S.A.	171,381	5,178	-	150,582	231	-
Secil Britas, S.A.	-	11,753	-	-	4,005	-
Secil Prebetão, S.A.	-	314	-	-	846	-
CMP - Cimentos Maceira e Pataias, S.A.	-	5,544	-	-	575	-
Enermontijo, S.A.	48,170	57,045	-	65,477	20,430	-
Unibetão, S.A.	-	31,880	-	-	10,858	-
Refundos - Soc. Gestora de Fundos de Inv. Imobiliário, S.A.	-	2,412	-	-	-	-
	<b>219,550</b>	<b>957,051</b>	<b>8,992,798</b>	<b>216,059</b>	<b>2,656,988</b>	<b>8,992,798</b>

The transactions with group companies and associated companies for the nine-month period ended 30 September 2019 and 2018 were as follows:

	30-09-2019		30-09-2018	
	Sales and services rendered	Consumed materials and services	Sales and services rendered	Consumed materials and services
Amounts in Euro				
Semapa - Soc. de Investimento e Gestão, SGPS, S.A.	-	7,669,635	-	6,897,808
Secil - Companhia Geral Cal e Cimento, S.A.	263,361	5,613	162,973	954
Secil Britas, S.A.	-	121,410	-	24,644
Secil Prebetão, S.A.	-	33,013	-	-
CMP - Cimentos Maceira e Pataias, S.A.	-	25,969	-	-
Enermontijo, S.A.	307,117	314,378	292,269	416,031
Enerpar, SGPS, Lda.	-	-	-	17,401
Cimilonga - Imobiliária, S.A.	-	81,576	-	157,976
Hotel Ritz, S.A.	-	2,422	-	-
Unibetão, S.A.	-	173,020	-	-
Refundos - Soc. Gestora de Fundos de Inv. Imobiliário, S.A.	-	474,555	-	381,653
	<b>570,478</b>	<b>8,901,591</b>	<b>455,241</b>	<b>7,896,467</b>

On 1 February 2013, a contract to render administrative and management services was signed between Semapa - Sociedade de Investimentos e Gestão, SGPS, S.A. (currently owner of 69.4% of the Group's share capital) and Navigator Group, establishing a remuneration system based in equal criteria for both parties in the continuous cooperation and assistance relationships, that meets the rules applicable to commercial relationships between group companies.

It was also celebrated a lease agreement between Navigator Brands, S.A. (previously designated as Navigator Paper Figueira, S.A.) and Cimilonga – Imobiliária, S.A. under which an office was leased in Semapa SGPS, SA headquarters' building, in Lisbon, until 30 November 2020.

The Navigator Company, SA and Refundos - Sociedade Gestora de Investimentos Imobiliário, SA, also entered into a lease agreement beginning on 1 June 2017 and ending on 31 May 2027, automatically

renewable for a 5 year period, regarding the lease of an office building located in Lisbon, Avenida Fontes Pereira de Melo.

The operations performed with the Secil Group arise from normal market operations.

In the identification of the Navigator Company Group's related parties for the purpose of financial reporting, the members of the Navigator Company Group's Board of Directors and other statutory bodies were considered as related parties.

### **33. CONTINGENT ASSETS**

#### **33.1 Tax matters**

##### **33.1.1 Public Debt Settlement Fund**

According to Decree-Law No. 36/93 of 13 February, the tax debts of privatised companies relating to periods prior to the privatization date (in the case of The Navigator Company, 25 November 2006) are the responsibility of the Public Debt Settlement Fund. The Navigator Company submitted an application to the Public Debt Settlement Fund on 16 April 2008 requesting the payment by the State of the tax debts raised by the tax authorities for periods before that date. On 13 December 2010, The Navigator Company presented a new application requesting the payment of debts settled by the tax authorities regarding 2006 and 2003. This application was supplemented on 13 October 2011, with the amounts already paid and uncontested regarding these debts, as well as with expenses directly related to them, pursuant to court ruling dated 24 May 2011 (Case No. 0993A/02), which confirmed the company's position regarding the enforceability of such expenses.

On 13 December 2017, The Navigator Company, S.A. has made an extra-judicial agreement with Tax authorities, in which was recognised the FRDP's responsibility for reimbursing the amount of Euro 5,725,771 corresponding to the amount of Corporate Income Tax improperly paid, resulting from the alleged qualification / incorrect consideration, by the tax administration, of the tax loss calculated as a result of the operations performed by Soporcel, S.A. in 2003, as well as to promote restitution to Navigator of the mentioned amount.

In this context, the aforementioned Fund is liable for Euro 24,649,956, detailed as follows:

Amounts in Euro	Period	Requested amounts	1 <sup>st</sup> Refund	Decrease due to RERD	Proceedings decided in favour of the Group	Extrajudicial agreement of 13 December 2017	Outstanding amount
<b>Proceedings confirmed in court</b>							
VAT - Germany	1998-2004	5,850,000	(5,850,000)	-	-	-	-
Corporate income tax	2001	314,340	-	-	(314,340)	-	-
Corporate income tax	2002	625,033	(625,033)	-	-	-	-
Corporate income tax	2002	18,923	-	-	-	-	18,923
VAT	2002	2,697	(2,697)	-	-	-	-
Corporate income tax	2003	1,573,165	(1,573,165)	-	-	-	-
Corporate income tax	2003	182,230	(157,915)	-	(24,315)	-	-
Corporate income tax	2003	5,725,771	-	-	-	(5,725,771)	-
Corporate income tax (Withheld)	2004	3,324	-	-	-	-	3,324
Corporate income tax	2004	766,395	-	-	(139,023)	-	627,372
Stamp duty	2004	497,669	-	-	(497,669)	-	-
Corporate income tax (Withheld)	2005	1,736	(1,736)	-	-	-	-
Expenses		314,957	-	-	-	-	314,957
		<b>15,876,240</b>	<b>(8,210,546)</b>	-	<b>(975,347)</b>	<b>(5,725,771)</b>	<b>964,576</b>
<b>Proceedings not confirmed in court</b>							
VAT	2003	2,509,101	-	-	-	-	2,509,101
Corporate income tax	2005	11,754,680	-	(1,360,294)	-	-	10,394,386
Corporate income tax	2006	11,890,071	-	(1,108,178)	-	-	10,781,893
		<b>26,153,852</b>	-	<b>(2,468,472)</b>	-	-	<b>23,685,380</b>
		<b>42,030,092</b>	<b>(8,210,546)</b>	<b>(2,468,472)</b>	<b>(975,347)</b>	<b>(5,725,771)</b>	<b>24,649,956</b>

Regarding the aggregate corporate income tax proceedings of 2005 and 2006, if Courts come to a decision in favour of Navigator Group (Note 33.1.2), the Group will withdraw the request made to FRDP.

The Group assessed the degree of uncertainty in tax proceedings related to income tax in light of IFRIC 23. Taking into consideration the expected value and / or the most probable value, the Group concluded that these tax proceedings should maintain the classification as contingent assets.

### 33.1.2 Taxes paid in litigation

As at 30 September 2019 and 31 December 2018, the additional tax assessments that are paid and contested by the Navigator Group, not recognised in the company's assets, are summarised as follows:

Amounts in Euro	30-09-2019	31-12-2018
2005 Aggregate corporate income tax	10,394,386	10,394,386
2006 Aggregate corporate income tax	8,150,146	8,150,146
NVG Paper Figueira 2013 Unofficial review	6,804,909	8,621,705
2016 State Surtax	3,761,397	-
2017 State Surtax	8,462,724	-
2018 State Surtax	12,223,705	-
	<b>49,797,267</b>	<b>27,166,237</b>

## 33.2 Non-tax matters

### 33.2.1 Public Debt Settlement Fund

In addition to the tax matters described above, a second request to the Public Debt Settlement Fund was submitted on 2 June 2010, which called for the reimbursement of various amounts, amounting to Euro 136,243,939. These amounts regard adjustments in the financial statements of the Navigator Company Group after its privatization that had not been considered in formulating the price of its privatization, as they were not included in the documentation made available for consultation by the bidders.

On 24 May 2014 the Court denied the Navigator Company Group's proposal to present testimony evidence, alternatively proposing written submissions. On 30 June 2014 Navigator Company Group appealed against this decision, but continuously presented written evidence. The Court subsequently

confirmed the Navigator Company Group's views on this matter, both parts appointed experts and the partial expert report was issued on July 2017, being required either by The Navigator Company, S.A. either by the Ministério das Finanças, the attendance of both designated experts in court hearing, in order to provide oral explanations on the expert report. The judgment took place in May 2019, pending decision.

### 33.2.2 Infrastructure enhancement and maintenance fee

Under the licensing process No. 408/04 related to the new Setubal's paper mill project, the Setubal City Council issued a settlement note to The Navigator Company regarding an infrastructure enhancement and maintenance fee ("TMUE ") amounting to Euro 1,199,560, with which the company disagrees.

This situation regards the amount collected under this levy in the licensing process mentioned above, for the construction of a new paper mill in the industrial site of Mitrena, Setúbal. The Navigator Company disagrees with the amount charged and filled an administrative claim against it on 25 February 2008 (request 2485/08), followed by an appeal to Court against the rejection of the claim on 28 October 2008. At 3 October 2012 this claim had an adverse decision, and in 13 November 2012, The Navigator Company appealed. This lawsuit is awaiting the decision of TCA since 4 July 2013.

### 33.2.3 Pledges

Similarly to 2017, in the first quarter of 2019, the companies of the Navigator Group attempted an Administrative Action on Civil Liability against the Ministry of Finance which aims at the recognition of their right and in consequence, convict the Ministry of Finance to pay a compensation for the charges incurred by them, in 2018, related to the collaboration provided to the Portuguese Tax Authorities within the context of pledges in tax enforcement proceedings.

## 34. COMMITMENTS

### 34.1 Guarantees provided to third parties

As at 30 September 2019 and 31 December 2018, the guarantees provided by the Group are as follows:

<u>Amounts in Euro</u>	<u>30-09-2019</u>	<u>31-12-2018</u>
2013 corporate income tax	-	24,053,434
2015 corporate income tax	732,756	-
Spanish state tax agency	1,033,204	1,033,204
Customs clearance	1,250	1,835,250
IAPMEI	3,653,785	4,845,527
Simria	338,829	338,829
Other	1,027,696	892,440
	<b>6,787,520</b>	<b>32,998,684</b>

The guarantees provided by IAPMEI were provided under the investment contracts celebrated between the Portuguese State and Navigator Pulp Aveiro, S.A. (Euro 2,052,163) and Navigator Tissue Ródão, S.A. (Euro 1,601,622), in accordance with the terms and conditions defined in the Payment Standard applicable to projects approved under QREN Incentive Systems.

As part of the final tax authority inspection report to the 2013 period, the Navigator Company was notified on 4 September 2017 of the Final Tax Inspection Report which resulted in an additional tax payment of Euro 20,556,589.

Navigator did not agree with the correction identified, and therefore decided to contest it and to provide a bank guarantee in the amount of Euro 26,022,893 aiming to suspend the respective tax enforcement proceeding, following a series of litigation proceedings already filed on that matter since 2012.

Following a favourable decision on one of the most relevant proceedings presented and, as a result of Navigator's insistence throughout this litigation and in particular the litigation initiated at the end of 2017, regarding the change of the Portuguese Tax Authorities (AT) internal understanding on one of the key issues under discussion (i.e., the admissibility of the RFAI reporting), at the end of 2018, AT allowed the deduction of the entire RFAI recognised by Navigator during the periods between 2009 and 2013.

On this basis, as early as 2018 the value of the bank guarantee was reduced to Euro 24,053,434, being released in 2019 after the conclusion of the proceedings.

Regarding the financing agreements with EIB, the Navigator Group provided bank guarantees in the amount of Euro 75,7046 thousand.

### **34.2 Purchase commitments**

The purchase commitments assumed with suppliers at 30 September 2019 amounted to Euro 76,009,14 and referred to capital expenditure on Property, plant and equipment. At 31 December 2018 these commitments amounted to Euro 23,070,248. The variation towards 2018 mainly results from the beginning of construction of the new biomass boiler to the factory in Figueira da Foz.

As at 30 September 2019, the commitments assumed for 2019 regarding the purchase of wood amounted to Euro 59,336,00 (Iberian and non-Iberian markets). In addition to these commitments there are also long-term contracts for the acquisition of wood in the amount of Euro 106,100,000.

### **35. NUMBER OF EMPLOYEES**

As at 30 September 2019, the average number of employees working for the Navigator Group Companies was 3,293 (31 December 2018: 3,282) and were distributed by business segment as follows:

As of 30 September 2019	PULP MARKET	UWF PAPER	TISSUE PAPER	OTHERS	TOTAL
<b>Industrial / Forest site</b>					
Setúbal	-	947	-	248	1,195
Aveiro	261	-	140	97	498
Figueira da Foz	-	850	-	151	1,001
Vila Velha de Ródão	-	-	237	-	237
Lisbon	-	-	-	111	111
Mozambique	-	-	-	155	155
	<b>261</b>	<b>1,797</b>	<b>377</b>	<b>762</b>	<b>3,197</b>
<b>Commercial companies</b>					
Europe	8	68	8	-	84
America	-	7	-	-	7
Overseas	-	5	-	-	5
	<b>8</b>	<b>80</b>	<b>8</b>	<b>-</b>	<b>96</b>
	<b>269</b>	<b>1,877</b>	<b>385</b>	<b>762</b>	<b>3,293</b>

As of 31 December 2018	PULP MARKET	UWF PAPER	TISSUE PAPER	OTHERS	TOTAL
<b>Industrial / Forest site</b>					
Setúbal	-	941	-	247	1,188
Aveiro	268	-	147	93	508
Figueira da Foz	-	857	-	149	1,006
Vila Velha de Ródão	-	-	216	-	216
Lisbon	-	-	-	108	108
Greenwood	-	-	-	-	-
Mozambique	-	-	-	156	156
	<b>268</b>	<b>1,798</b>	<b>363</b>	<b>753</b>	<b>3,182</b>
<b>Commercial companies</b>					
Europe	9	68	9	-	86
America	-	9	-	-	9
Overseas	-	5	-	-	5
	<b>9</b>	<b>82</b>	<b>9</b>	<b>-</b>	<b>100</b>
	<b>277</b>	<b>1,880</b>	<b>372</b>	<b>753</b>	<b>3,282</b>

### 36. SUBSEQUENT EVENTS

- I. After the end of the quarter, Navigator was notified by the United States Department of Commerce that the definitive anti-dumping rate to be applied retroactively to paper sales to the United States for the period from March 2017 to February 2018 (the "second period of review") is 5.96%. This rate, equivalent to the provisional rate referred to above, has no material impact since it was already duly recorded in the financial statements of 2018.
- II. At the Board of Directors meeting held on November 22, 2019, it was decided to appoint, with effect from January 1, 2020, the Executive Director Mr. António Redondo as Chairman of the Executive Committee. Until that date, the actual Chairman of the Board of Directors, Mr. José Castello Branco will continue to perform these duties.

## BOARD OF DIRECTORS

João Nuno de Sottomayor Pinto de Castello Branco

Chairman

António José Pereira Redondo

Executive Board Member

João Paulo Araújo Oliveira

Executive Board Member

José Fernando Morais Carreira de Araújo

Executive Board Member

Nuno Miguel Moreira de Araújo Santos

Executive Board Member

Adriano Augusto da Silva Silveira

Member

José Miguel Pereira Gens Paredes

Member

Manuel Soares Ferreira Regalado

Member

Maria Teresa Aliu Presas

Member

Mariana Rita Antunes Marques dos Santos Belmar da Costa

Member

Ricardo Miguel dos Santos Pacheco Pires

Member

Sandra Maria Soares Santos

Member

Vítor Manuel Rocha Novais Gonçalves

Member