

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



213

1ST HALF
REPORT
2019

DIRECTORS' REPORT

1st HALF 2019

CONTENT

1. LEADING INDICATORS	3
2. ANALYSIS OF RESULTS	4
3. OPERATING INDICATORS	8
4. INVESTMENT	8
5. SHARE PRICE EVOLUTION	9
6. OUTLOOK	9
7. MANDATORY INFORMATION	11
8. CONSOLIDATED FINANCIAL STATEMENTS AND NOTES	18
9. LIMITED REVISION REPORT	102

1. SUMMARY OF LEADING INDICATORS

in million euros	H1 2019	H1 2018	% Change ⁽⁹⁾ H1 19/H1 18
Total sales	854.1	816.9	4.6%
EBITDA ⁽¹⁾	207.0	226.0	-8.4%
EBITDA Without pellets ⁽²⁾	207.0	213.0	-2.8%
Operating profits	134.0	160.8	-16.7%
Financial results	- 9.7	- 11.4	14.8%
Net earnings	94.9	119.4	-20.5%
Cash flow	167.8	184.6	-16.7
Free Cash Flow ⁽³⁾	100.3	152.6	-52.4
Free Cash Flow Without pellets⁽⁴⁾	100.3	85.1	15.2
Capex	68.2	77.2	-9.0
Net debt ⁽⁵⁾	796.4	740.1	56.3
EBITDA/Sales (%)	24.2%	27.7%	-3.43 pp
EBITDA without pellets/Sales	24.2%	26.1%	-1.84 pp
ROS	11.1%	14.6%	-3.51 pp
ROE ⁽⁶⁾	16.9%	21.0%	-4.14 pp
ROCE ⁽⁷⁾	14.4%	17.4%	-2.98 pp
Equity ratio	40.7%	44.8%	-4.14 pp
Net Debt/EBITDA ⁽⁸⁾	1.83	1.73	0.10

in million euros	Q2 2019	Q1 2019	% Change ⁽⁹⁾ Q2 19/Q1 19	Q2 2018	% Change ⁽⁹⁾ Q2 19/Q2 18
Total sales	432.3	421.8	2.5%	432.0	0.1%
EBITDA ⁽¹⁾	102.1	104.9	-2.7%	115.0	-11.3%
EBITDA Without pellets ⁽²⁾	102.1	104.9	-2.7%	112.0	-8.9%
Operating profits	67.8	66.2	2.5%	82.9	-18.1%
Financial results	- 5.8	- 3.9	46.3%	- 5.9	-1.7%
Net earnings	45.6	49.3	-7.4%	66.2	-31.1%
Cash flow	79.9	88.0	-8.1	98.4	-18.5
Free Cash Flow ⁽³⁾	90.8	9.4	81.4	18.6	72.2
Capex	35.7	32.5	3.2	48.6	-12.9
Net debt ⁽⁵⁾	796.4	676.9	119.5	740.1	56.3
EBITDA/Sales (%)	23.6%	24.9%	-1.25 pp	26.6%	-3.02 pp
EBITDA without pellets/ sales	23.6%	24.9%	-1.25 pp	25.9%	-2.32 pp
ROS	10.6%	11.7%	-1.13 pp	15.3%	-4.77 pp
ROE ⁽⁶⁾	16.2%	16.4%	-0.11 pp	23.3%	-7.07 pp
ROCE ⁽⁷⁾	14.6%	14.0%	0.52 pp	17.9%	-3.33 pp
Equity ratio	40.7%	44.4%	-3.67 pp	44.8%	-4.14 pp
Net Debt/EBITDA ⁽⁸⁾	1.83	1.51	0.32	1.73	0.10

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

2. ANALYSIS OF RESULTS

H12019 VSH12018

The Navigator Company recorded turnover in the first half of 2019 of € 854.1 million, up by 4.6% on the same period in 2018. With sales of € 611 million, the paper segment accounted for 72% of turnover, energy for 10% (€ 82.8 million), pulp for approximately 9% (€ 77.6 million), and tissue business for around 8% (€ 65.4 million). Market conditions in the pulp and paper sector were challenging, especially due to falling pulp prices. Navigator Group recorded higher paper prices and rising sales of pulp and tissue over the first half of 2019, which more than offset the decline in paper.

Pulp sales increase in a context of price pressure.

Pulp output in the first half of 2019 stood at 698 thousand tons, up by 2.4% on the previous year, benefiting from the additional capacity installed at the Figueira da Foz mill in 2018. Output was nonetheless constrained by significant maintenance shutdowns in Setúbal and Cacia, in April and May. Even so, the quantity of pulp available for sale was greater than in the previous year, making it possible to record an increase in pulp sales of 8.4% to 124 thousand tons.

Over the course of the first half, the benchmark sale price for pulp - BHKP PIX - in USD tended to fall, dropping at the end of June to 896 USD/ton, down around 12.5% in relation to the year-end price of 1,024 USD/ton. The average figure for the index in the first half was 962 USD/ton, as compared to 1,029 USD in the first half of 2018, representing a reduction of 6.6%. However, evolution in the EUR/USD exchange helped to support the pulp price in euros, which held steady at an average of 851 €/ton. The Group's average price for European sales rose in line with the index, and the value of pulp sales stood at approximately € 78 million.

Paper prices performed well over the period, with a slight reduction in volume.

Rising sale prices for paper permitted the Group to record turnover of € 611 million, up by 1.2% on the first half of 2018. In fact, the average benchmark price for UWF paper (A4 B-copy), was 7% higher in the first quarter than in the same period in 2018. The Group's average price outperformed the index, driven by implementation of price rises over the course of 2018 and also in early 2019 in Europe and in the USA, and also by the favourable evolution of the EUR/USD exchange rate.

UWF sales totalled 720 thousand tons, down by 37 thousand tons on the same period in 2018, due essentially to production deviations caused by planned and unplanned production stoppages over the course of the first half, including the strikes in January and April, which caused a shutdown of PM4 in Setúbal for a total of eight days. Continuing adjustments to the production of heavy weight products on paper machine 3 in Setúbal also held down the volume of paper available for sale.

Tissue sales grow 62% in value with start-up of new mill

In tissue business, there was a significant increase of 66% in the volume of sales to 47.2 thousand tons, as a result of the start-up of the new tissue plant in Aveiro. The value of sales stood at € 65.7 million, up 62% in relation to the first half of 2018. This growth in volume brought two distinct changes to the business. On the one hand, sales of finished product grew by around 29% to 35.8 thousand tons, and on the other hand the Groups' sales of reels, which had been negligible in the same period of 2018, grew sixteenfold to 11.4 thousand tons.

Both finished products and reels benefited from price rises in relation to the first half 2018, clearly necessary to offset the increase in costs - especially in terms of fibre/pulp, chemicals 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 Group's average sales price.

Energy Business impacted by benchmark price

In the first half of 2019, the group's electricity sales totalled around € 83 million, representing a reduction of 1.7% in relation to the figures for the same period in the previous year.

This was due to a decrease in the sales volume over the period and a reduction in the Brent price, the benchmark to which sale prices are indexed. Power output totalled approximately 834 GWh and fell short of the figures recorded in the first half of 2018 due to the various stoppages over the period.

In this context, EBITDA stood at € 207 million, as compared with recurrent EBITDA of € 213 million in the first half of 2018, excluding the positive impact of approximately € 13 million relating to sale of the pellets business in the US. The EBITDA / Sales margin in 2019 was 24.2% (as compared with a recurrent margin of 26.1% in 2018).

In terms of production costs, reference should be made to a YoY increase of around € 13.7 million in energy costs, due to rising purchase prices for electricity and natural gas. Attention should also be drawn to an increase in the cost of chemicals, with an impact of approximately € 4.8 million.

Unit costs for wood purchases were also higher when comparing with 2018. This was due to an increase in the proportion of certified wood in purchases of wood from Portuguese suppliers, rising from 37% to 51%, and also by rising woodchip prices on the international market and the variation in the EUR/USD exchange rate for wood purchased outside the Iberian peninsula (unfavourable evolution from the standpoint of wood supplies). The rise in unit prices combined with growth in the volume of wood purchases had a significant increase of € 6.1 million on production costs in the period.

In fixed costs, personnel costs performed favourably, although there was negative performance in operating and maintenance costs.

Systematic efforts continued 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 83 projects are currently being implemented, of which 63 have already had a positive effect by reducing the cost of operations. In the first half of 2019, these resulted in YoY gains of € 8.1million. The most significant of these projects include initiatives to optimise logistics (e.g. using rail freight to supply wood to the Aveiro Industrial Centre), integrated negotiation of chemicals purchases through an economic interest grouping and, in industrial operations, the initiative to increase speed on PM1 at the Figueira da Foz Industrial Centre.

Robust cash flow generation

Operating cash flow generated in the first half totalled € 167.8 million, as compared with € 184.6 million in the first half of the previous year. Free cash flow generation stood at € 100.3 million, as compared with € 85.1 million in 2018, adjusted to exclude 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 was brought down by capital expenditure of € 68.2 million (vs. € 77.2 million in 2018), and also by a significant increase in inventories, up by € 31.2 million, especially in wood, due to replenishment of stocks to levels regarded as adequate, as well as substantial growth in pulp stocks over the period. Despite this, 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.

As a result, at the end of June, Navigator's interest-bearing debt totalled € 796.4 million, up by € 113.4 million in relation to year-end 2018, period when the Group paid € 200 million in dividends and acquired € 13.7 million in its own shares. The Net Debt / Ebitda ratio remains at a conservative value of 1.8x.

Financial results improve by € 1.7 million

Financial results improved by € 1.7 million, standing at € 9.7 million (vs. a loss of € 11.4 million), thanks to a positive impact of € 2.2 million from the result of investments of surplus liquidity and € 3.5 from the FX and interest effects of the sum of \$ 45 million still receivable for the sale of the pellets business. In the previous year, the same effect had been negative, due to calculation of the current value of the amount receivable, smaller than its nominal value.

Negative factors in the first half of 2019 included the foreign exchange results from hedging programmes undertaken by the company, which worsened by € 2.7 million and implementation of IFRS 16, which had a negative impact of € 0.9 million.

Pre-tax profits totalled € 124.3 million (vs. € 149.5 million), with an effective higher rate of 23.7%, that benefited from a series of tax credit which did not occur in this period.

As a result, the Group recorded net income in the first half of 2019 of € 94.9 million, as compared with € 119.4 million in 2018.

2ND QUARTER VS. 1ST QUARTER 2019

Second quarter turnover totalled € 432 million, up 2.5% in relation to the 1st quarter, with growth in the value of paper sales (up 4%), which more than offset the reduction in pulp sales.

The volume of paper sales grew by approximately 4% over the quarter whilst prices held steady. This resulted in sales of 367 million euros in value, representing an increase of 4% in the value of sales in the 2nd quarter in relation to the 1st quarter.

Conditions in the pulp market worsened in the second quarter, pushing down the BHKP benchmark index in euros by almost 5%. Group sales were accordingly hit by a reduction of almost 4% in the average sales price and a slight reduction in volumes, totalling € 38 million in value.

Tissue sales were largely unchanged from the 1st quarter in both volume and prices.

During the second quarter, Navigator was notified by the United States Department of Commerce, that the temporary anti-dumping rate to be applied retrospectively in paper sales in the United States regarding the period between March 2017 and February 2018 (the "second period of review") was of 5.96%. This provisional rate does not have any material impact since it has already been fully registered in the 2018 accounts.

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 impacts of applying this standard to the Income Statement have been: reduction in the value of rentals in Third Party Supplies and Services by around € 3.5 million, increase in value of depreciation of approximately € 2.9 million and an increase in the value of interest of € 0.9 million. On the Balance Sheet, a sum of € 46.2 million has been stated under Lease

Assets, with the corresponding contra-entry in Non-current Lease Liabilities.

3. OPERATING INDICATORS

Pulp and paper

(in 000 tons)	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019
BEKP Output	346.1	335.4	392.7	377.4	369.8	328.3
BEKP Sales	53.1	60.9	63.1	76.3	62.1	61.5
UWF Output	385.8	392.9	393.9	362.7	363.9	362.9
UWF Sales	361.2	395.1	380.7	376.0	353.0	366.5
FOEX – BHKP Euros/ton	824	878	903	914	872	830
FOEX – BHKP USD/ton	1013	1046	1050	1043	991	933
FOEX – A4- BCopy Euros/ton	845	864	882	900	914	912

Tissue

(in 000 tons)	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019
Reels Output	14.1	14.4	17.8	25.3	26.4	25.3
Output of finished products	13.6	14.7	18.6	19.1	18.0	16.7
Sales of reels and goods	0.6	0.1	0.0	1.1	6.1	5.3
Sales of finished products	12.8	14.9	16.7	16.8	17.6	18.2
Total sales of tissue	13.4	15.0	16.7	17.9	23.7	23.6

Energy

	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019
Production (GWh)	553.5	536.1	536.2	565.1	550.8	498.4
Sales (GWh)	444.7	435.8	428.5	452.7	442.0	392.0

4. INVESTMENT

Navigator recorded total capex of € 68.2 million in the quarter. This amount includes investment in maintenance and current investments of approximately € 50.3 million, as well as € 6.2 million relating to completion of the new tissue mill in Aveiro and the remaining investment in heavy weights production, as well as € 8.6 million in environment.

These last investments are directed essentially at improving environmental and sustainability performance at Group plants. The main investment made this period was the construction work on a new biomass boiler at the Figueira da Foz mill, replacing the existing boiler and the natural gas Combined Cycle Power Station. This biomass boiler is part of the Group's wider Carbon Neutrality Programme and will make it possible to replace use of a fossil fuel by a renewable fuel (biomass), leading to a reduction in fossil CO₂ emissions at that site. Investments in this area also included sleeve filters on the biomass boilers in Setúbal and Aveiro, as well as the revamping and redesign of effluent treatment in Vila Velha de Ródão.

5. SHARE PRICE EVOLUTION

In spite of the strong turmoil registered in financial markets, global stock exchanges closed the first half with a positive performance. The Portuguese index PSI-20 was no exception and registered a 9% valuation since the beginning of the year.

The performance from pulp and paper companies was impacted by the global market turmoil, namely by the trade tensions between China and the US, and specifically by the correction registered by pulp prices. Share price evolution was different among industry companies, with more pronounced corrections among pulp producers.

Navigator shares evolved negatively, registering a 5% loss during the first half, a performance in line with the rest of the pulp and paper companies, with share price at the end of the first half standing at 3.358€. On April 24th the Navigator Company distributed € 200 million in dividends (ex-dividend April 18th), representing a gross dividend of 0.27943 € per share. During this period the Company proceeded with a share buyback program, acquiring a total 3.991 million shares, representing an investment of approximately € 13.7 million, in a clear sign of confidence to the market.

6. OUTLOOK

The financial year of 2019 has been dominated by severe geopolitical and significant trade tensions globally, with the Euro zone affected by fears of a possible hard Brexit. As a result, the first half of 2019 saw an economic slowdown, especially from the 1st to the 2nd quarters, as GDP growth in the Euro zone dropped by 1.1% to 0.9%, in the US from 3.1% to 1.3% and in China from 6.4% to 6.2%. Expectations for 2019 therefore reflect a more moderate economic growth, albeit more moderate, with a clearer recovery expected in 2020.

In our sector, the expected

upturn in market demand for pulp has been slow in materializing, held back by the performance of the global economy, especially in China. 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, which may indicate that we are close to a turning point. Reductions in supply in the months ahead, as a result of conversion of pulp grades and maintenance shutdowns, and increases in Tissue capacity over 2019 and 2020 will be the two main factors restoring balance in the pulp market, especially for short fibre. 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, for both fibres, in the latter part of 2019.

On the paper side, the second quarter also reflected worsening conditions in the global economy, and also a degree of reduction in stocks along the supply chain. Nonetheless, demand for uncoated woodfree paper, and cut-size in particular, remains extremely resilient in comparison to other types of paper and prices have been highly stable. Announcements by several manufacturers of UWF capacity closures and/or conversions planned for the second half of the year will help balance out the market and compensate further investment scheduled in uncoated production.

In tissue business, demand continues to present interesting growth rates: 3.3% in Portugal and 3.7% in Spain, even in a context of new production starting in the Iberian Peninsula to come to the markets. For Navigator, 2019 will be a year of consolidating recent investments, with a view to increasing total sales. The main aim will be to achieve sizeable gains in sales of finished products, as the industrial operation matures and our share of the target markets grows. Additionally, the Group has also the goal to improve the business margin thanks to the price increase implemented and by the economies of scale associated to the business growth.

The group's activity during the first half of 2019 has been impacted by several exogenous events, which affected global economic growth and the cost of some production factors.

Navigator has been paying special attention to its production and running costs in 2019. In particular, the Company has continued with its M2 programme for cost reduction and operational excellence, which was joined in April by the Zero Based Budget project, which sets out to design and implement a series of initiatives to capture cost savings in fixed costs (running costs, overheads and personnel costs in non-industrial areas), to be implemented in 2020.

Lisbon, 25 July 2019

7. MANDATORY INFORMATION

DECLARATION REFERRED TO IN ARTICLE 246.1 C) OF THE SECURITIES CODE

Article 246.1 c) of the Securities Code requires that each of the persons responsible for issuers should make a number of declarations as established in the Code. For this purpose, The Navigator Company has adopted a standard declaration, which reads as follows:

I hereby declare, under the terms and for the purposes of Article 246.1 c) of the Securities Code, that, to the best of my knowledge, the condensed financial statements of The Navigator Company, S.A., for the first half of 2019, were drawn up in accordance with the applicable accounting rules, and provide a true and fair view of the assets and liabilities and the state of affairs of the said company and the companies included in the consolidated accounts, and that the interim management report faithfully sets out the information required by Article 246.2 of the Securities Code.

As required by the same provision, we list below the persons subscribing the declaration and the office they hold:

<u>Name</u>	<u>Office</u>
João Nuno de Sottomayor P. de Castello Branco	Chairman of the Board of Directors and Chief Executive Officer
António José Pereira Redondo	Executive Director
João Paulo Oliveira	Executive Director
José Fernando Morais Carreira Araújo	Executive Director
Nuno Miguel Moreira de Araújo dos Santos	Executive Director
Adriano Augusto da Silva Silveira	Director
José Miguel Pereira Gens Paredes	Director
Manuel Soares Ferreira Regalado	Director
Maria Teresa Aliu Presas	Director
Mariana Rita A.Marques dos Santos Belmar da Costa	Director
Ricardo Miguel dos Santos Pacheco Pires	Director
Sandra Maria Soares Santos	Director
Vítor Manuel Galvão Rocha Novais Gonçalves	Director
José Manuel Oliveira Vitorino	Chairman of the Audit board
Gonçalo Nuno Palha Gaio Picão Caldeira	Audit board member
Maria da Graça da Cunha Gonçalves	Audit board member

**LIST OF HOLDERS OF QUALIFYING HOLDINGS
UNDER THE TERMS OF C) NUMBER 1 OF ARTICLE 9 OF THE CMVM REGULATION
5/2008**

Qualifying holdings calculated under the terms of Article 20 of Securities Code, as of June 30th2019				
Entity	Attributed	Number of shares	% capital	% of non-suspended voting rights
Semapa - Soc. de Investimento e Gestão, SGPS, S.A.	Directly	256.034.284	35,6842%	35,9273%
Seinpar Investments B.V.	Indirectly through shareholder Semapa	241.583.015	33,6701%	33,8995%
Total attributable to Semapa		497.617.299	69,3543%	69,8269%

INFORMATION ON TRANSACTIONS IN OWN SHARES

(under d) of number 5 of Article 66 from the Companies Code)

Under the terms of d) of number 5 of Article 66 from the Companies Code, The Navigator Company S.A. informs that during the first half of 2019 the Company acquired 3,991,394 own shares, at an average price of 3,4204 €/share, as information published on the CMVM website. On June 30th 2019, the Company held 4,855,443 own shares corresponding to 0.677% of its share capital.

8. CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

INTERIM CONSOLIDATED INCOME STATEMENT

for the six month period ended 30 June 2019

Amounts in Euro	Note	6 month period 30-06-2019	6 month period 30-06-2018	2° Quarter 2019 (unaudited)	2° Quarter 2018 (unaudited)
Revenue	5 e 6				
Sales		852,142,719	814,323,768	431,688,209	430,764,807
Services rendered		1,949,984	2,578,883	569,327	1,198,344
Other operating income	7			-	-
Gains on the sale of non-current assets		261,959	17,722,330	175,021	522,932
Other operating income		17,755,337	7,373,427	8,136,896	4,901,476
Changes in the fair value of biological assets	22	(3,076,228)	1,119,656	(1,777,543)	(96,197)
Operating expenses	8			-	-
Costs of inventories sold and consumed		(366,034,149)	(344,674,553)	(172,113,850)	(171,681,037)
Variation in production		20,553,930	20,103,964	(4,497,592)	(2,072,667)
Cost of materials and services consumed		(224,914,512)	(195,369,103)	(112,985,179)	(99,173,010)
Payroll costs		(76,713,419)	(84,696,485)	(38,236,788)	(43,857,108)
Other expenses and losses		(14,974,010)	(12,519,277)	(8,880,468)	(5,468,120)
Provisions		(1,915,368)	1,300,221	(626,363)	409,802
Depreciation, amortisation and impairment losses	10	(71,032,295)	(66,444,913)	(33,612,939)	(32,583,483)
Operating results		134,003,948	160,817,918	67,838,731	82,865,738
Financial income	12	2,924,558	3,018,570	443,651	1,007,621
Financial expenses	12	(12,612,346)	(14,389,310)	(6,197,589)	(6,862,072)
Net financial results		(9,687,788)	(11,370,740)	(5,753,938)	(5,854,451)
Share of net profit of associates and joint ventures		-	-	5,812	-
Profit before tax		124,316,160	149,447,178	62,084,793	77,011,287
Income tax	13	(29,425,842)	(30,004,152)	(16,472,231)	(10,816,652)
Net profit for the period		94,890,318	119,443,026	45,612,562	66,194,636
Attributable to:					
Navigator Company's Shareholders		94,900,166	119,444,005	45,619,461	66,196,542
Non-controlling interests	15	(9,848)	(979)	(6,899)	(1,907)
Earnings per share					
Basic earnings per share, Euro	14	0.133	0.167	0.064	0.092
Diluted earnings per share, Euro	14	0.133	0.167	0.064	0.092

The notes on pages 18 to 101 are an integral part of these Financial Statements.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

for the six month period ended 30 June 2019

Amounts in Euro	Notes	30-06-2019	31-12-2018
Assets			
Non-current assets			
Goodwill	17	377,339,466	377,339,466
Other intangible assets	18	1,140,260	2,886,251
Property, plant and equipment	19	1,230,272,809	1,239,008,735
Lease assets (IFRS 16)	20	45,739,063	-
Investment properties	21	96,704	97,527
Biological assets	22	116,538,339	119,614,567
Other financial assets	23	103,959,647	63,168,912
Deferred tax assets	31	39,637,760	71,006,775
		1,914,724,048	1,873,122,233
Current assets			
Inventories	24	253,614,112	222,376,871
Receivables and other current assets	25	256,663,065	307,750,689
State and other public entities	26	59,756,394	79,751,430
Cash and cash equivalents	31	115,920,606	80,859,784
		685,954,178	690,738,774
Non-current assets held for sale			
Non-current assets held for sale	28	2,522,026	-
		2,522,026	-
Total Assets		2,603,200,252	2,563,861,007
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	29	500,000,000	500,000,000
Treasury shares	29	(15,977,444)	(2,317,915)
Fair value reserves	30	(8,790,923)	(5,633,483)
Legal reserve	30	100,000,000	100,000,000
Free reserves	30	197,292,250	197,292,250
Currency translation reserves	30	(20,023,412)	(20,575,294)
Retained earnings	30	212,531,852	192,512,197
Net profit for the period		94,900,166	225,135,403
Total Equity attributable to shareholders		1,059,932,489	1,186,413,158
Non-controlling interests	15	206,983	204,263
Total Equity		1,060,139,472	1,186,617,421
Non-current liabilities			
Deferred tax liabilities	31	68,712,329	66,123,135
Pension liabilities	32	18,438,009	7,324,279
Provisions	33	21,363,736	43,065,470
Interest-bearing liabilities	34	869,105,313	652,025,122
Lease liabilities (IFRS 16)	35	41,544,870	-
Other liabilities	34	73,274,971	82,324,405
		1,092,439,228	850,862,411
Current liabilities			
Interest-bearing liabilities	34	43,194,444	111,805,556
Lease liabilities (IFRS 16)	35	4,620,403	-
Payables and other current liabilities	36	325,256,278	323,800,570
State and other public entities	26	77,550,427	90,775,049
		450,621,552	526,381,175
Total Liabilities		1,543,060,780	1,377,243,586
Total Equity and Liabilities		2,603,200,252	2,563,861,007

The notes on pages 18 to 101 are an integral part of these Financial Statements.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six month period ended 30 June 2019

Amounts in Euro	6 month period 30-06-2019	6 month period 30-06-2018	2° Quarter 2019 (unaudited)	2° Quarter 2018 (unaudited)
Net profit for the period	94,890,318	119,443,026	45,618,374	66,194,634
Items that can be reclassified subsequently to profit or loss				
Fair value in derivative financial instruments	(4,355,090)	(5,437,091)	(1,132,404)	(6,654,065)
Currency translation differences	551,881	(8,851,903)	(1,014,844)	4,372,625
Tax on items above when applicable	1,197,650	1,495,200	311,411	1,829,868
Tax on conventional capital remuneration	1,001,000	-	-	-
	(1,604,559)	(12,793,794)	(1,835,837)	(451,572)
Items that will not be reclassified subsequently to profit or loss				
Other changes in shareholders' equity of subsidiaries	3,486,735	7,042	1,081,807	198,708
Post-employment benefits (actuarial deviations)	(10,015,651)	(4,759,161)	3,038,886	(1,464,386)
Tax on items above when applicable	428,175	18,976	428,175	29,012
	(6,100,741)	(4,733,143)	4,548,868	(1,236,666)
	(7,705,300)	(17,526,937)	2,713,031	(1,688,238)
Total recognised income and expense for the period	87,185,018	101,916,089	48,331,405	64,506,396
Attributable to:				
The Navigator Company's shareholders	87,182,298	102,128,697	48,330,245	64,507,686
Non-controlling interests	2,720	(212,608)	1,161	(1,290)
	87,185,018	101,916,089	48,331,406	64,506,396

The notes on pages 18 to 101 are an integral part of these Financial Statements.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six month period ended 30 June 2019

Amounts in Euro	1 January 2019	Gains and losses recognised in the period	Dividends paid and reserves distributed (Note 16)	Acquisition of own shares (Note 29)	Application of prior period's net profit (Note 16)	Bonus to employees	30 June 2019
Share capital	500,000,000	-	-	-	-	-	500,000,000
Treasury shares	(2,317,915)	-	-	(13,659,529)	-	-	(15,977,444)
Fair value reserves	(5,633,483)	(3,157,440)	-	-	-	-	(8,790,923)
Legal reserve	100,000,000	-	-	-	-	-	100,000,000
Free reserves	197,292,250	-	-	-	-	-	197,292,250
Currency translation reserve	(20,575,293)	551,881	-	-	-	-	(20,023,412)
Retained earnings	192,512,197	(5,112,309)	(200,003,439)	-	248,135,403	(23,000,000)	212,531,852
Net profit for the period	225,135,403	94,900,166	-	-	(225,135,403)	-	94,900,166
Total	1,186,413,159	87,182,298	(200,003,439)	(13,659,529)	23,000,000	(23,000,000)	1,059,932,489
Non-controlling interests	204,263	2,720	-	-	-	-	206,983
Total	1,186,617,422	87,185,018	(200,003,439)	(13,659,529)	23,000,000	(23,000,000)	1,060,139,472

Amounts in Euro	1 January 2018	Gains and losses recognised in the period	Dividends paid and reserves distributed (Note 16)	Acquisition of own shares (Note 29)	Application of prior period's net profit (Note 16)	Bonus to employees	30 June 2018
Share capital	500,000,000	-	-	-	-	-	500,000,000
Treasury shares	(1,002,084)	-	-	-	-	-	(1,002,084)
Fair value reserves	(3,020,990)	(3,941,891)	-	-	-	-	(6,962,881)
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)	(8,851,903)	-	-	-	-	(22,818,802)
Retained earnings	167,388,264	(4,522,989)	(170,003,077)	-	214,770,604	(7,000,000)	200,632,802
Net profit for the period	207,770,604	119,444,005	-	-	(207,770,604)	-	119,444,005
Total	1,184,459,370	102,128,697	(200,002,777)	-	7,000,000	(7,000,000)	1,086,585,291
Non-controlling interests	420,277	(212,608)	-	-	-	-	207,669
Total	1,184,879,648	101,916,089	(200,002,777)	-	7,000,000	(7,000,000)	1,086,792,960

The notes on pages 18 to 101 are an integral part of these Financial Statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

for the six month period ended 30 June 2019

Amounts in Euro	Notes	6,month,period 30-06-2019	6,month,period 30-06-2018	2° Quarter 2019 (unaudited)	2° Quarter 2018 (unaudited)
OPERATING ACTIVITIES					
Receipts from customers		871.638.655	831.371.155	420.433.904	343.241.980
Payments to suppliers		595.136.222	633.550.133	229.451.223	312.649.309
Payments to employees		75.222.555	67.828.389	51.048.126	43.564.500
Cash flow from operations		201.279.879	129.992.633	139.934.555	(12.971.829)
Income tax received/ (paid)		(7.390.785)	(35.158)	(3.257.455)	-
Other receipts/ (payments) relating to operating activities		(17.183.214)	36.546.726	(6.875.634)	11.142.770
Cash flow from operating activities (1)		176.705.880	166.504.201	129.801.466	(1.829.059)
INVESTMENT ACTIVITIES					
Inflows:					
Other non current assets		229.410	69.026.158	1.416	69.026.158
Property, plant and equipment		257.265	-	123.969	-
Interest and similar income		800.885	-	800.885	-
Inflows from investment activities (A)		1.287.560	69.026.158	926.270	69.026.158
Outflows:					
Financial investments		-	-	-	-
Property, plant and equipment		66.712.206	80.054.582	33.937.618	47.556.472
Outflows from investment activities (B)		66.712.206	80.054.582	33.937.618	47.556.472
Cash flows from investment activities (2 = A - B)		(65.424.646)	(11.028.424)	(33.011.349)	21.469.686
FINANCING ACTIVITIES					
Inflows:					
Borrowings		149.791.667	143.046.352	59.791.667	143.046.352
Interest and similar income		-	-	-	-
Inflows from financing activities (C)		149.791.667	143.046.352	59.791.667	143.046.352
Outflows:					
Borrowings		-	110.666.887	-	60.666.887
Amortisation and interest on lease contracts		3.735.573	-	-	-
Interest and similar expense		8.153.753	8.223.854	1.593.370	3.285.239
Acquisition of own shares*		13.659.529	-	-	-
Dividends paid and reserves distributed*		200.003.439	200.002.777	200.003.439	200.002.777
Outflows from financing activities (D)		225.552.294	318.893.519	201.596.809	263.954.904
Cash flows from financing activities (3 = C - D)		(75.760.627)	(175.847.166)	(141.805.142)	(120.908.551)
CHANGES IN CASH AND CASH EQUIVALENTS (1)+(2)+(3)		35.520.607	(20.371.389)	(45.015.025)	(101.267.925)
CHANGES IN CASH AND CASH EQUIVALENTS FOR OTHER QUARTERS		-	-	80.599.379	80.896.536
EFFECT OF EXCHANGE RATE DIFFERENCES		(459.785)	99.439	(523.533)	99.439
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		80.859.784	125.331.036	80.859.784	125.331.036
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	34	115.920.606	105.059.086	115.920.606	105.059.086

* See Consolidated statement of changes in equity

The notes on pages 18 to 101 are an integral part of these Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the periods ended at 30 June 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 Papeis 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. (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 24 July 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. Summary of main accounting policies

The main accounting policies applied in the preparation of these consolidated financial statements are described below.

The policies related to brands, held-to-maturity financial instruments and investments in associates are currently not applicable to these financial statements, but are, however, included for reasons of policy standardization with the parent company - the Semapa Group.

The accounting policies applied in the presentation of these consolidated financial statements are consistent with the ones used in the preparation of the consolidated financial statements as of 31 december 2018, except for the changes arising from the adoption of new standards entered into force in 1 January 2019, which are mentioned in note 2. IFRS adopted and to be adopted.

1.1 Basis of preparation

The Group's interim consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards endorsed by the European Union (IFRS - formerly International Accounting Standards – IAS) issued by the International Accounting Standards Board (IASB) and Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC), in force at the date of preparation of these Financial Statements.

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 4), 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 37.2, 37.3 and 22).

Non-current assets held for sale and groups of assets held for sale are recorded at the lower of their book amount or fair value less their selling costs. The liability for defined benefit obligations is recognized at the present value of the net obligation of the value of the fund.

The preparation of the Financial Statements requires the use of relevant estimates and judgments in the application of the Group's accounting policies. The main assertions involving a higher level of judgment or complexity, or the most significant assumptions and estimates for the preparation of these Financial Statements, are disclosed in Note 3.

Under the terms of IFRS 3 - Business Combinations, if the initial acquisition price of assets, liabilities and contingent liabilities acquired ("purchase price allocations") is identified as provisional, the acquiring entity shall, in the 12 months period subsequent to a business combination, allocate the purchase price of the fair values of assets, liabilities and

contingent liabilities acquired. These adjustments with impact on goodwill previously recorded, determine the restatement of comparative information, and their effect is reflected in the financial position statement, with reference to the date of the merger of business activities.

1.2 Basis of consolidation

1.2.1. Subsidiaries

Subsidiaries are all entities over which the Group has control, which occurs when the Group is exposed or entitled to the variable returns resulting from its involvement with the entities and has the capacity to affect that return through the exercise of power over the entities, regardless of the percentage they hold over equity.

The existence and the effect of potential voting rights which are currently exercisable or convertible are considered when the Group assesses whether it has control over another entity.

Subsidiaries are consolidated using the full consolidation method with effect from the date on which control is transferred to the Group while they are excluded as from the date control ceases.

These companies' equity and net earnings corresponding to the third-party investment in such companies are presented under non-controlling interests in the consolidated statement of financial position (in a separate component of equity) and in the consolidated income statement. The companies included in the consolidated financial statements are detailed in Note 4.

The purchase method is used in recording the acquisition of subsidiaries. The cost of an acquisition is measured by the fair value of the assets transferred, the equity instruments issued and liabilities incurred or assumed on acquisition date, and the best estimate of any agreed contingent payment.

The identifiable assets and liabilities acquired and contingent liabilities assumed in a business combination are initially measured at fair value on the date of acquisition, irrespective of the existence of non-controlling interests. The excess of the acquisition cost relative to the fair value of the Group's share of the identifiable assets and liabilities acquired is recorded as goodwill, as described in Note 17.

If the acquisition cost is less than the fair value of the net assets of the acquired subsidiary (negative goodwill), the difference is recognized directly in the income statement in the period when it takes place.

Transaction costs directly attributable to the acquisition are immediately expensed.

Intercompany transactions, balances, unrealised gains on transactions and dividends distributed between group companies are eliminated. Unrealised losses are also eliminated, except where the transaction displays evidence of impairment of a transferred asset.

When, at the date of the acquisition of control, The Navigator Company already holds a previously acquired interest in the subsidiary, its fair value is considered in determining the goodwill or negative goodwill.

On a step acquisition process resulting in the acquisition of control the revaluation of any participation previously held is recognised against the income statement when Goodwill is calculated.

When subsequent transactions of disposal or acquisition of shares with non-controlling interests with no impact in control take place, no gain, loss or goodwill is determined, and the differences between the transaction cost and the book value of the share acquired are recognised in equity.

Negative results generated in each period by subsidiaries with non-controlling interests are allocated, in the percentage held, to non-controlling interests, regardless of whether they become negative.

In case of disposals resulting in a loss of control over a subsidiary, any remaining interest is revalued to its market value at the date of disposal. Gains or losses resulting from such revaluations as well as gains or losses resulting from the disposal are recorded in the income statement.

The subsidiaries' accounting policies have been adjusted whenever necessary so as to ensure consistency with the policies adopted by the Group.

1.2.2. Associates

Associates are all the entities in which the Group exercises significant influence but do not have control, which is generally the case with investments representing between 20% and 50% of the voting rights. Investments in associates are accounted under the equity method.

In accordance with the equity method, financial investments are recorded at their acquisition cost, adjusted by the amount corresponding to the Group's share of changes in the associates' shareholders' equity (including net income/loss) with a corresponding gain or loss recognised for the period on earnings or on changes in capital, and by dividends received.

Differences between the acquisition cost and the fair value of the assets and liabilities attributable to the affiliated company on the acquisition date is, if positive, recognised as Goodwill and recorded as investments in affiliated companies. If negative, goodwill is recorded as income for the period under the caption "Group share of (loss) / gains of associated companies and joint ventures".

Costs directly attributable to the transaction are immediately expensed.

In the event that impairment loss indicators arise on investments in associates, an evaluation of the potential impairment is made, and if deemed necessary, a loss is recognised in the consolidated income statement.

When the Group's share of losses in associate companies exceeds its investment in that associate, the Group ceases the recognition of additional losses, unless it has incurred in liabilities or has made payments on behalf of that associate.

Unrealised gains on transactions with associates are eliminated to the extent of the Navigator Company Group's investment in the associates. Unrealised losses are also eliminated, except where the transaction reveals evidence of impairments on the transferred assets.

The associates' accounting policies used in the preparation of the individual financial statements are adjusted, whenever necessary, so as to ensure consistency with the policies adopted by the Group.

1.3 Segmental reporting

An *operating segment* is a group of assets and operations of the Group whose financial information is used in the decision making process developed by the Group's management.

The operating segments are presented on these financial statements in the same way as internally used for the Group's performance evaluation.

Four operating segments have been identified by the Group: bleached eucalyptus kraft pulp – BEKP for sale, uncoated printing and writing paper (UWF), tissue paper, and others, including, forestry, energy and pellets business, until its disposal in February 2018.

The Group has four industrial plants. BEKP, energy and UWF paper are produced in two plants located in Figueira da Foz and Setúbal. BEKP energy and tissue paper are also produced in a plant located in Aveiro and the fourth plant, located in Vila Velha de Ródão, only produces tissue paper. The Group had a fifth site in Greenwood (USA) where, from July 2016 until February 2018, it produced Pellets.

Wood and cork are produced from woodlands owned or leased by the Group in Portugal and Spain, and also from granted lands in Mozambique. The production of cork and pinewood are sold to third parties while the eucalyptus wood is mainly consumed in the production of BEKP.

A significant portion of the Group's own BEKP production is consumed in the production of UWF and tissue paper in Aveiro. Sales of BEKP, UWF and tissue paper are made to more than 130 countries around the world.

Energy, heat and electricity are mainly produced from bio fuels in three cogeneration plants. Heat production is used for internal consumption while electricity is sold to the national energy grid, integrated in the production of pulp. The

Group also owns another two cogeneration units using natural gas, integrated in the production of paper in Figueira da Foz and in Setúbal, and two separate units using biofuel. The entire production of cogeneration and biofuel units is sold to the national power network.

The accounting policies used in segmental reporting are those consistently used in the Group. All inter-segmental sales and services rendered are made at market prices and eliminated on consolidation.

Segmental information is disclosed in Note 5.

1.4 Foreign Currency Translation

1.4.1. Functional and reporting currency

The items included in the financial statements of each one of the Group's entities are measured using the currency of the economic environment in which the entity operates (functional currency).

The consolidated financial statements are presented in Euro, which is the Group's functional and presentation currency.

1.4.2. Balances and transactions expressed in foreign currencies

All of the Group's assets and liabilities denominated in foreign currencies are translated into Euro using the exchange rates prevailing at the date of the statement of financial position.

Currency adjustments, favorable and unfavorable, arising from differences between the exchange rates prevailing at the date of the transaction and those at the date of collection, payment or statement of financial position, are recorded as income and costs in the consolidated income statement for the period.

1.4.3. Group companies

The results and the financial position of the Group's entities which have a different functional currency from the Group's reporting currency are translated into the reporting currency as follows:

- (i) The assets and liabilities of each Statement of financial position are translated at the exchange rates prevailing at the date of the Consolidated Statement of financial position;
- (ii) Equity balances are translated at the historical exchange rate;
- (iii) The income and expenses disclosed in the Income Statement are converted at the exchange rate prevailing at the dates of the transactions. When this is not possible or when benefits do not arise from the use of this procedure, income and expenses are translated at the average exchange rate of the period.

The exchange differences resulting from the topics i) and iii) are recognised in the consolidated comprehensive income under the equity caption "Currency translation reserves", being transferred to the income statement when the disposal of the investments occur.

1.4.4. Exchange rates used

Exchange rates used to translate the balances and financial statements to foreign currencies are as follows:

	30-06-2019	31-12-2018	Increase / (Decrease)
GBP (Pound sterling)			
Average exchange rate for the period	0.87	0.88	1.24%
Closing exchange rate for the period	0.90	0.89	-0.23%
USD (US dollar)			
Average exchange rate for the period	1.13	1.18	4.33%
Closing exchange rate for the period	1.14	1.15	0.61%
PLN (Polish zloty)			
Average exchange rate for the period	4.29	4.26	-0.71%
Closing exchange rate for the period	4.25	4.30	1.20%
SEK (Swedish krona)			
Average exchange rate for the period	10.52	10.26	-2.55%
Closing exchange rate for the period	10.56	10.25	-3.01%
CZK (Czech koruna)			
Average exchange rate for the period	25.68	25.65	-0.15%
Closing exchange rate for the period	25.45	25.72	1.08%
CHF (Swiss franc)			
Average exchange rate for the period	1.13	1.15	2.20%
Closing exchange rate for the period	1.11	1.13	1.46%
DKK (Danish krone)			
Average exchange rate for the period	7.47	7.45	-0.16%
Closing exchange rate for the period	7.46	7.47	0.05%
HUF (Hungarian forint)			
Average exchange rate for the period	320.43	318.89	-0.48%
Closing exchange rate for the period	323.39	320.98	-0.75%
AUD (Australian dollar)			
Average exchange rate for the period	1.60	1.58	-1.32%
Closing exchange rate for the period	1.62	1.62	-0.15%
MZM (Metical)			
Average exchange rate for the period	71.63	71.96	0.45%
Closing exchange rate for the period	71.41	70.95	-0.65%
MAD (Moroccan Dirham)			
Average exchange rate for the period	10.84	10.88	0.34%
Closing exchange rate for the period	10.90	11.05	1.40%
NOK (Norway Kroner)			
Average exchange rate for the period	9.72	9.60	-1.24%
Closing exchange rate for the period	9.69	9.95	2.56%
MXN (Mexican peso)			
Average exchange rate for the period	21.65	22.70	4.62%
Closing exchange rate for the period	21.82	22.49	2.99%
AED (United Arab Emirates Dirhams)			
Average exchange rate for the period	4.15	4.33	4.30%
Closing exchange rate for the period	4.18	4.21	0.61%
CAD (Canadian dollar)			
Average exchange rate for the period	1.51	1.53	1.46%
Closing exchange rate for the period	1.49	1.56	4.56%
ZAR (South African rand)			
Average exchange rate for the period	16.05	15.62	-2.74%
Closing exchange rate for the period	16.12	16.46	2.05%
RUB (Russian roubles)			
Average exchange rate for the period	73.74	74.04	0.41%
Closing exchange rate for the period	71.60	79.72	10.18%
BRL (Brazilian real)			
Average exchange rate for the period	4.34	4.31	-0.79%
Closing exchange rate for the period	4.35	4.44	2.09%
TRY (Turkish lira)			
Average exchange rate for the period	6.36	5.71	-11.44%
Closing exchange rate for the period	6.57	6.06	-8.36%

1.5 Intangible assets

Intangible assets are recorded at acquisition cost less depreciation and impairment losses.

The Group performs impairment tests whenever events or circumstances indicate that the book value exceeds the recoverable amount, and the difference, if any, is recognised in the income statement.

1.5.1. CO₂ Emission Rights

CO₂ emission rights attributed to the Group within the European Union Emissions Trading Scheme (EU ETS) for the assignment of CO₂ emission licenses at no cost, gives rise to an intangible asset for the allowances, a government grant and a liability for the obligation to deliver allowances equal to the emissions that have been made during the compliance period.

Emission allowances are only recorded as intangible assets when the Group is able to exercise control. In such circumstances these are initially measured at fair value (Level 1). When the market value of the emission allowances falls significantly below its carrying amount and such decrease is considered permanent, an impairment charge is booked for allowances which the group will not use internally.

The liability to deliver allowances is recognised based on actual emissions. This liability will be settled using allowances on hand, measured at the carrying amount of those allowances. Any additional emissions are valued at market value as at the reporting date.

In the Consolidated Income Statement, the Group expenses, under Other costs and losses, actual emissions at fair value at the grant date, except for acquired licenses, where the expense is measured at their purchase price.

Such costs will offset other operating income resulting from the recognition of the original government grant (also recognised at fair value at grant date) as well as any disposal of excess allowances.

The effect on the income statement will therefore be neutral regarding the consumption of granted allowances. Any net effect on the income statement will result from the purchase of additional licenses to cover excess emissions, from the sale of effective consumption or from impairment losses booked to licenses that are not used at operational level.

1.5.2. Brands

Whenever brands are identified in a business combination, the Group records them separately in the consolidated financial statements as an asset at historical cost, which represents their fair value on the acquisition date.

On subsequent valuation exercises, brands are recognised in the Navigator Company Group's consolidated financial statements at cost. They are not subject to amortisation, but instead tested for impairment at each reporting date.

Own brands are not recognised in the Group's financial statements, as they represent internally generated intangible assets.

1.5.3. Intangible assets developed internally

Development expenses are only recognised as intangible assets to the extent that the technical capacity to complete the development of the asset is demonstrated and that it is available for own use or commercialization. Expenses that do not meet these requirements, namely research expenses, are recorded as costs when incurred.

1.6 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Navigator Company Group's share of identifiable assets, liabilities and contingent liabilities of the acquired subsidiary/associate at the date of acquisition by the Group. Goodwill on acquisitions of associates is included in investments in associates.

Goodwill on acquisitions of subsidiaries and associates is not amortised and is tested annually for impairment and more frequently if events or changes in circumstances indicate a potential impairment. Impairment losses on goodwill cannot be reversed. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to that entity.

1.7 Investment properties

The Group classifies the assets held for the purpose of capital appreciation and/or the generation of rental income as investment properties in the consolidated financial statements.

An investment property is initially measured by its acquisition or production cost, including the transaction costs that are directly attributable to it. After initial recognition, investment properties are measured at cost less amortisation and impairment losses.

Subsequent expenditure is capitalised only when it is probable that it will result in future economic benefits to the entity comparing to those considered in initial recognition.

1.8 Property, plant and equipment

Property, plant and equipment that were acquired until January 2004 (transition date to IFRS), are recorded at their deemed cost, which is the book value under the accounting principles generally accepted in Portugal until 1 January 2004, including revaluations made in accordance with the prevailing legislation, deducted of depreciation and impairment losses.

Property, plant and equipment acquired after the transition date are shown at cost, less accumulated depreciation and impairment losses. The acquisition cost includes all expenditure directly attributable to the acquisition of the assets, their transport to the place where they are to be used and the costs incurred to put them in the desired operating conditions.

Subsequent costs are recognised as assets, as appropriate, only when it is probable that future economic benefits will flow to the Navigator Company Group and the respective cost can be reliably measured.

Planned maintenance costs are considered part of the assets' acquisition cost and are therefore entirely depreciated until the date of the next forecasted maintenance event or if they occur after the date of acquisition, capitalised if the useful life exceeds 12 months.

All other repairs and maintenance costs, other than the planned maintenance, are charged to the income statement in the financial period in which they are incurred.

Navigator recognises its spare parts according to IAS 16. The strategic parts, whose use is not intended for consumption within the productive process and whose use is expected to extend for more than two years and the maintenance parts considered as "critical replacement parts" are recognised in non-current assets as Property, plant and equipment.

Respecting this classification, spare parts are depreciated from the moment they become available for use and are assigned a useful life that follows the nature of the equipment where they are expected to be integrated, not exceeding the remaining useful life of these.

Maintenance parts whose values are considered immaterial and whose use is expected to be under 2 years are classified as inventory.

Depreciation is calculated with regard to the acquisition cost, mainly using the straight line method from the date the assets are ready to enter into service, at the depreciation rates that best reflect their estimated useful lives, as follows:

	Average useful life (in years)
Land (site of preparation for forestry)	50
Buildings and other constructions	12 - 30
Basic equipment	6 - 25
Transportation equipment	4 - 9
Tools	2 - 8
Administrative equipment	4 - 8
Other property, plant and equipment	4 - 10

The residual values of the assets and respective useful lives are reviewed and adjusted, when necessary at the date of the statement of financial position.

If the book value of the asset is higher than the asset's realisable value, then the estimated recoverable amount is written down by recognising an impairment loss (Note 1.10).

Gains or losses arising from write-downs or disposal are calculated as the difference between the proceeds received on the disposal and the asset's book value, and are recognised in the Income Statement as other operating income or costs.

1.9 Non-current assets held for sale

Non-current assets (and the set of assets and liabilities to sell related with these) are classified as held for sale if it is expected that their book value will be recovered through the sale and not through their continued use. This condition is only considered fulfilled when the sale is highly probable and the asset (and the set of assets and liabilities to sell related with these) is available for immediate sale under the current conditions. In addition, must be in progress the actions that allow concluding that it is expected that the sale will occur within 12 months after the date of classification in this caption.

Non-current assets held for sale could be a separate asset (e.g.: tangible assets or investments in subsidiaries with loss of control), or a group for disposal that includes assets and liabilities (e.g.: full business sale).

Non-current assets (and the group of assets and liabilities to sell related with these) classified as held for sale are measured at the lower of their book value or fair value less costs to sell. The assets with a finite useful life cease the amortisation since the date they are classified as held for sale, until the date of the sale transaction or the date that transaction will not be probable.

When, due to changes in Group circumstances, the non-current assets and/or disposal groups cease the conditions the be classified as held for sale, the assets or disposal groups will be reclassified according to the underlying nature and re-measured at the lower of: i) the net book value before the held for sale classification, adjusted from any depreciation/amortisation expenses, or revaluation values that were recognised if that assets had not been classified as held for sale; and ii) the recoverable amount at the date of they would be reclassified according to the underlying nature. These adjustments are recognised in the income statement.

1.10 Impairment of non-current assets

Non-current assets which do not have a defined useful life are not subject to depreciation, but are subject to annual impairment tests. Assets subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable.

An impairment loss is recognised as the amount of the excess of the asset's book value over its recoverable amount. The recoverable amount is the higher of the net sale price and its value in use. For the purpose of conducting impairment tests, the assets are grouped at the lowest level for which cash flows can be identified separately (cash generating units which belong to the asset), when it is not possible to do so individually for each asset.

The reversal of impairment losses recognised in previous periods is recorded when it can be concluded that the recognised impairment losses no longer exist or have decreased (with the exception of impairment losses relating to Goodwill – see Note 1.6). This analysis is made whenever there are indications that the impairment loss formerly recognised has been reversed or reduced.

The reversal of impairment losses is recognised in the income statement as other operating income, unless the asset has been revalued, in which case the reversal will represent a portion of the total of the revaluation reserve. However, an impairment loss is reversed only up to the limit of the amount that would be recognised (net of amortisation or depreciation) if it had not been recognised in prior periods.

1.11 Biological assets

Biological assets are measured at fair value, less estimated costs to sell at the time of harvesting. The Group's biological assets comprise the forests held for the production of timber, suitable for incorporating in the production of BEKP, but also include other species like pine or cork oak.

When calculating the fair value of the forests, the Navigator Company Group uses the discounted cash flows method, based on a model developed in house, regularly tested by independent external assessments, which considers assumptions about the nature of the assets being valued, namely, the expected yield of the forests, the timber selling price net of costs related with harvest and transportation, the rents of the woodlands and also plantation costs, maintenance costs and a discount rate.

The costs incurred with the site preparation before the first forestation are recognised as a tangible asset and depreciated in line with its expected useful lives corresponding to the concession period for assets deployed in concession areas.

The discount rate corresponds to a market rate without inflation and was determined on the basis of the Navigator Company Group's expected rate of return on its forests.

Changes in estimates of growth, growth period, price, cost and other assumptions are recognised in the income statement as fair value adjustments of biological assets.

At the time of harvest, wood is recognised at fair value less estimated costs at point of sale, which corresponds to the initial carrying amount of the inventory.

1.12 Other financial assets

As defined by IFRS 9 the Group classifies its financial assets based on the business model used in its management (business model test) and on the characteristics of the contractual cash flows (SPPI test).

1.12.1 Debt instruments

A financial asset is measured at amortised cost if (i) it is held for collection of contractual cash flows; and (ii) the underlying contractual cash flows represent solely payments of principal and interest (SPPI). Assets classified within this category are initially recognised at fair value and subsequently measured at amortised cost.

A financial asset is measured at fair value through other comprehensive income if (i) the inherent objective of the business model used is achieved either by collecting contractual cash flows or by selling financial assets; and (ii) the underlying contractual cash flows represent solely payments of principal and interest (SPPI). Assets classified within this category are initially and subsequently measured at fair value, and changes in their carrying amount shall be recorded against other comprehensive income, except for the recognition of impairment losses, interest and foreign exchange gains and losses, situations recorded against the income statement. When the financial asset is derecognised, the gain or loss accumulated in other comprehensive income is reclassified against the income statement.

For the assessment of the underlying business model, the Group may choose to classify a financial asset at fair value through profit or loss if inconsistencies are eliminated at its recognition and measurement (accounting mismatch).

1.12.2 Equity instruments at fair value

Equity instruments are always measured at fair value. Equity instruments held for trading are measured at fair value through profit or loss. For all other equity instruments, management may choose, on an individual basis and at initial recognition, to present all fair value changes under other comprehensive income.

In cases where this last option occurs, all changes in fair value, with the exception of dividends that comprise a return on investment, are recognised in other comprehensive income. In such case, when the asset is derecognised (for example, by its disposal), the accumulated gain or loss is not recognised as a profit or loss of the period and, at that time, is transferred to retained earnings.

1.12.3 Impairment of financial assets

In accordance with IFRS 9, the Group evaluates, on a prospective basis, the expected credit losses associated with its financial assets measured at amortized cost and at fair value through other comprehensive income.

Therefore, the Group recognizes the expected credit losses over the respective duration of the financial instruments that have significant increases in credit risk since the initial recognition, assessed on an individual or collective basis, considering all reasonable information, including available prospective information.

If, at the reporting date, the credit risk associated with a financial instrument has not increased significantly since the initial recognition, the Group measures the impairment of that financial instrument by an amount equivalent to the expected credit losses within a period of 12 months.

When measuring impairment, the Group applies the simplified method and recognises expected losses until maturity for all its accounts receivable. Expected losses were calculated based in the experience of historical real losses throughout the statistically relevant period, calculating rates for estimated losses by company and customer type.

Additionally, the Group recognizes impairment on a case-by-case basis, based on specific balances and specific past events, considering the historical information of the counterparties, their risk profile and other observable data in order to assess whether there are objective indicators of impairment for these financial assets.

1.13 Derivative financial instruments and hedge accounting

1.13.1 Derivative financial instruments

The Navigator Company Group uses derivative financial instruments aimed at managing the financial risks to which it is exposed.

Although the derivatives contracted by Navigator Company Group represent effective economic hedges of risks, not all of them qualify as hedging instruments in accounting terms to satisfy the rules and requirements of IAS 39. As permitted by IFRS 9, the Navigator Group has chosen to continue to apply the hedge accounting requirements of IAS 39, in order to avoid a partial application of the new standard's hedge accounting. Instruments that do not qualify as hedging instruments are recognised as trading instruments and are recorded on the statement of financial position at fair value and any changes in that value are recognised as financial income or expense in the income statement.

Whenever possible, the fair value of derivatives is estimated on the basis of quoted instruments. In the absence of market prices, the fair value of derivatives is estimated through the discounted cash-flow method and option valuation models, in accordance with prevailing market assumptions, which are compared to market quotations available on financial platforms, at each reporting date. The fair value of the derivative financial instruments is included in Receivables and other current assets and Payables and other current liabilities.

Derivative financial instruments used for hedging purposes may be recognised as hedging instruments if they meet the following characteristics:

- i) At acquisition date, there is formal designation and documentation of the hedging relationship, namely regarding the hedged item, the hedging instrument and the company's evaluation of the hedging effectiveness;
- ii) There is an expectation that the hedging relationship will be highly effective, at the beginning date of the operation and throughout its life;
- iii) The effectiveness of the hedge may be measured at the beginning of the operation and while it is running;
- iv) For cash flow hedges, the realization of the cash flows must be highly probable.

Whenever expectations of changes in interest or exchange rates so justify, the Navigator Company Group hedges these risks through derivative financial instruments, such as interest rate swaps (IRS), interest rate and foreign exchange collars or forwards.

In the selection of the hedging instruments, are essentially valued the characteristics, regarding the coverage of economic risks. Management also evaluates the impact of each additional derivative financial instrument to its portfolio, namely in the volatility of earnings.

1.13.2 Cash flow hedging (interest rate, price and exchange rate risk)

In order to manage its exposure to interest rate risk and exchange rate risk, the Group enters into cash flow hedges.

Those transactions are recorded in the consolidated statement of financial position at their fair value, if considered effective hedges. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Accumulated amounts in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within 'net financial results'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity is recycled to the income statement, unless the hedged item is a forecast transaction, in which case any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement.

1.13.3 Net investment hedging (Exchange rate risk)

In order to manage the exposure of its investments in foreign subsidiaries to fluctuations in the exchange rate (net investment), the Group enters into exchange rate forwards.

Those exchange rate forwards are recorded at their fair value in the consolidated statement of financial position.

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised in the income statement. Gains and losses accumulated in equity are included in the income statement when and if the foreign operation is sold.

1.14 Corporate Income Tax

1.14.1 Current and deferred tax

Corporate income tax includes current and deferred tax. Current income tax is calculated based on net income, adjusted in compliance with tax legislation in place at the date of the statement of financial position. For interim financial statements, the Navigator Company Group uses management's best expectation for the period end effective tax rate.

Deferred taxes are calculated using the liability method, based on the temporary differences between the book values of the assets and liabilities and their respective tax base. The income tax rate expected to be in force in the period in which the temporary differences are reversed using the tax rate approved or substantially approved at the date of preparation of the financial statements.

Deferred tax assets are recognised whenever there is a reasonable likelihood that future taxable profits will be generated against which they can be offset. Deferred tax assets are revised periodically and decreased whenever it is likely they will not be used.

Deferred taxes are recorded as gain or loss for the period, except when they result from amounts recorded directly under shareholders' equity, in which case deferred tax is also recorded under the same caption.

Tax benefits granted under contractual investment projects to be developed by the Navigator Company Group are treated as government grants using the "deferral method of accounting" instead of the "flow through method", according to which the tax credit is deducted to the tax amount recognised in the income statement. When there is a reasonable assurance that the Navigator Company Group will comply with all required conditions, it recognises (i) a deferred tax asset and (ii) a liability for the investment grant. In this recognition model, the deferred tax assets are realised whenever there are taxable profits against which they can be offset, while the liability will be recognised as an income over the estimated useful life of the asset, as a deduction to depreciation expenses.

The amounts to be included in the current tax and in the deferred tax, resulting from transactions and events recognised in reserves, are recorded directly in these same headings, not affecting the net profit for the period.

1.14.2 Taxation group

The Navigator Company is covered by the special tax regime for groups of companies, comprising all the companies located in Portugal in which the Group holds an interest or voting right of at least 75% and which are subject to Corporate Income Tax ("IRC"). In 2018, a tax group was also established in Spain, which includes the three subsidiaries of the group based in that country, held by more than 90%.

These companies calculate income taxes as if they were taxed independently. However, the determined liabilities are recognised as due to the leader of the taxation group (The Navigator Company, S.A., in Portugal and Bosques do Atlântico, S.L. in Spain), who will proceed with the overall computation and the settlement of the income tax.

1.15 Inventories

Inventories are valued in accordance with the following criteria:

i. Goods and raw materials

Goods and raw, subsidiary and consumable materials are valued at the lower of their purchase cost or their net realisable value. The purchase cost includes ancillary costs and it is determined using the weighted average cost as the valuation method.

ii. Finished and intermediate products and work in progress

Finished and intermediate products and work in progress are valued at the lower of their production cost (which includes incorporated raw materials, labour and general manufacturing costs, based on a normal production capacity level) or their net realisable value.

The net realisable value corresponds to the estimated selling price after deducting estimated completion and selling costs. The difference between production cost and net realisable value, if lower, are recorded as an operational cost.

1.16 Accounts receivable

In accordance with IFRS 9 the Group applies the simplified method, recording the expected losses for their accounts receivable up to maturity. Estimated expected losses are calculated based on the experience of actual losses over a period that, by product or type of customer, will be considered statistically significant and representative of the specific characteristics of the underlying credit risk.

1.17 Cash and cash equivalents

Cash and cash equivalents includes cash, bank accounts and other short-term investments with an initial maturity of up to 3 months which can be mobilized immediately without any significant risk of fluctuations in value.

1.18 Share capital and Treasury shares

Ordinary shares are classified in shareholders' equity.

Costs directly attributable to the issue of new shares or other equity instruments are reported as a deduction, net of taxes, from the proceeds of the issue.

Costs directly attributable to the issue of new shares or options for the acquisition of a new business are deducted from the amount issued.

When any Group company acquires shares of the parent company (treasury shares), the payment, which includes directly-attributable incremental costs, is deducted from the shareholders' equity attributable to the holders of the parent company's capital until such time the shares are cancelled, reissued or sold.

When such shares are subsequently disposed or reissued, any proceeds, net of the directly attributable transaction costs and taxes, is directly reflected in the shareholders' equity and not in profit and loss for the period.

1.19 Interest-bearing liabilities

Interest-bearing liabilities are initially recognised at fair value, net of the transaction costs incurred.

Interest-bearing liabilities are subsequently stated at their amortised cost. Any difference between the amounts received (net of transaction costs) and the amount to be repaid is recognised in the income statement over the term of the debt, using the effective interest rate method.

Interest-bearing debt is classified as a current liability, except when the Navigator Company Group has an unconditional right to defer the settlement of the liability for at least 12 months after the date of the statement of financial position.

1.20 Borrowing costs

Financial costs on loans (generic and specific) directly related to acquisition, construction or production of qualified assets (assets whose construction or production period exceeds one year), are capitalised as part of the asset's cost. Capitalisation of these charges begins once preparations are started for the construction or development of the asset and is suspended after its utilisation begins or when the respective project is suspended.

Other borrowing costs relating to loans are usually recognised as financial costs in income statement.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

1.21 Provisions

Provisions are recognised whenever the Group has a present legal or constructive obligation, as a result of past events, in which it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Provisions for future operating losses are not recognised. Provisions are reviewed on the date of the statement of financial position and are adjusted to reflect the best estimate at that date.

The Group incurs expenditure and assumes liabilities of an environmental nature. Accordingly, expenditures on equipment and operating techniques that ensure compliance with applicable legislation and regulations (as well as on the reduction of environmental impacts to levels that do not exceed those representing a viable application of the best available technologies, on those related to minimizing energy consumption, atmospheric emissions, the production of residues and noise), are capitalised when they are intended to serve the Group's business in a durable way, as well as those associated with future economic benefits and which serve to extend the useful lives, increase capacity or improve the safety or efficiency of other assets owned by the Group.

1.22 Pensions and other employments benefits

1.22.1 Defined contribution pension plans

Most of the Group subsidiaries assumed commitments regarding payments to a defined contribution plan in a percentage of the beneficiaries' salary, in order to provide retirement, disability, early retirement and survivors' pensions.

In order to capitalise those contributions, pension funds were set up, for which employees can make additional voluntary contributions.

Therefore, the responsibility with these plans corresponds to the contribution made to the funds based on the percentage of the employees' salaries defined in the respective agreements. These contributions are recognised as a cost in the income statement in the period to which they refer, regardless of the date of the settlement of the liability.

1.22.2 Defined benefits pension plans

Until 2013, the majority of the Group subsidiaries have assumed the commitment to make payments to their employees in the form of complementary retirement pensions, disability, early retirement and survivors' pensions, having constituted defined-benefit plans, as applicable.

As referred in Note 31, the Group set up autonomous Pension Funds as a means of funding most of the commitments for such payments.

As such, the total liability is estimated separately for each plan at least once every six months, on the date of closing of the interim and annual accounts, by a specialised and independent entity in accordance with the projected unit credit method.

The discount rate used in this calculation is determined based on market rates associated with bonds of high rating companies denominated in the currency in which the benefits will be paid and with maturity similar to the expiry date of the plan's obligations.

The liability thus determined is stated in the statement of financial position, less the market value of the funds set up, as a liability, under Post-employment benefit liabilities, when underfunded, and as an asset in situations of over-funding.

Re-measurements resulting from differences between the assumptions used for purposes of calculating the liabilities and what effectively occurred (as well as from changes made thereto and from the difference between the expected amount of the return on the funds' assets and the actual return) are recognised directly in shareholders' equity.

Gains and losses generated on a curtailment or settlement of a defined benefit pension plan are recognised in the income statement when the curtailment or settlement occurs.

A curtailment occurs when there is a material reduction in the number of employees or the plan is altered in such a way that the benefits awarded are reduced with a material impact.

1.22.3 Holiday pay, allowances and bonuses

In accordance with the collective labor agreement applicable to The Navigator Company, S.A. as well as under the agreement celebrated with the Labor Unions, most of the companies' employees are entitled to a 25 working days leave (except for Raíz and Viveiros Aliança employees with 22 days) as well as to a month's holiday allowance.

According to the current Performance Management System (*Sistema de Gestão de Desempenho*), employees and statutory bodies may become eligible for a bonus based on annually-defined objectives, subsequently approved in the annual general assembly held to approve the accounts.

Accordingly, these liabilities are recorded in the period in which all the employees, including the Board members, acquire the expectation of receiving the share in results, irrespective of the date of payment, whilst the balance payable at the date of the statement of financial position is shown under Payables and other current liabilities.

1.23 Payables and other current liabilities

Trade creditors and current accounts payable are initially recorded at their fair value and subsequently at amortised cost.

1.24 Government grants

Government grants are recognised only when there is a reasonable assurance that the grant will be received and the Group will comply with all required conditions, namely, the Navigator Company Group makes the eligible investments and grants will be received.

Government grants received to offset capital expenditure are reported under Property, plant and equipment, including those allocated as tax credits (Note 1.14.1) and are recognised under Current and non-current payables during the estimated period of recognition, and are recognised in the income statement, during the estimated useful life of the asset being financed, by deducting the value of its amortisation.

Government grants related to operating costs, including the attribution of CO2 emission rights allowances (Note 1.5.1.), are systematically recognised in the income statement over the period that matches the costs with the compensating grants, as well as the accumulated amounts prior to the initial recognition.

Grants related to biological assets carried at fair value, in accordance with IAS 41, are recognised in the income statement when the terms and conditions of the grant are met.

1.25 Leases

Until 2018, fixed assets acquired under leasing contracts and the corresponding liabilities, were recorded using the finance method.

According to this method, the asset's cost is recorded in property, plant and equipment and the corresponding liability is recorded under liabilities as loans, while the interest included in the instalments and the asset's depreciation, calculated as described in Note 1.8, are recorded as costs in the income statement of the period to which they relate.

Leases under which a significant part of the risks and rewards of the property is assumed by the lessor, with the Navigator Company Group being the lessee, are classified as operating leases. Payments made under operating leases, net of any grant received by the lessee, are recorded in the income statement during the period of the lease.

1.25.1 Leases included in contracts according to IFRIC 4

Until the entry into force of IFRS 16, the Group recognised an operating or financial lease whenever it entered into an agreement, encompassing a transaction or a series of related transactions which even if not in the legal form of a lease, transferred the right to use an asset in return for a payment or a series of payments.

On 1 January 2019, the Navigator Group adopted IFRS 16 - Leases (Note 2.1), which defines the basis for recognition, measurement and presentation of leases, replacing IAS 17 – Leases and IFRIC 4 - Determining Whether an Arrangement Contains a Lease. IFRS 16 defends a single lease accounting model in which the classification of operating or finance leases is abandoned. With the adoption of IFRS 16, the lessee recognises assets and liabilities for all leases, with interest and depreciation of leased assets being presented separately in the income statement.

1.26 Dividends distribution

The distribution of dividends to shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the shareholders at the General Meeting and up until the time of their payment or, in the case of anticipated distributions, when approved by the Board of Directors.

1.27 Accrual basis

The Group companies record their costs and income according to the accrual basis of accounting, so that costs and income are recognised as they are generated, irrespective of the time at which they are paid or received.

Differences between the amounts received and paid and its costs and income are recognised as Receivables and other current assets and Payables and other current liabilities (Notes 25 and 36, respectively).

1.28 Revenue

The Group recognises revenue in accordance with IFRS 15, which establishes that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, based on the 5-step model framework:

1. Identify the contract(s) with a customer;

2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognise revenue when (or as) the entity satisfies a performance obligation.

As at 30 June 2019, the Group's revenue is broken down into the following business lines: 10% sale of pulp, 79% sale of UWF; 8% sale of tissue and 3% sale of other products.

Revenue is recognised net of bonuses, taxes and discounts (e.g. trade and quantity discounts), and refers to consideration received or receivable from goods and services sold in line with the group business typologies identified above.

Trade agreements with customers essentially concern to the sale of goods and to an extent limited to the transportation underlying those goods, when applicable and according to the reported segments. Revenue is recognised by the amount of the satisfied performance obligation.

Regarding the transaction price, this is a fixed component depending on the quantities sold.

The control transfer occurs to the same extent that the associated risks are transferred, in accordance with the contractual conditions established. The transfer of control of the goods usually takes place when the goods are delivered at the customer's premises.

For variable consideration, the Group recognises revenue only to the extent that it is highly probable that there will be no significant reversal in the amount of recognised revenue when uncertainty about such consideration is resolved.

When analysing the terms of each contract with customers, the Group considers all facts and circumstances by applying the requirements that determine the recognition and measurement of revenue in a harmonised manner, when dealing with contracts with similar characteristics and circumstances.

1.29 Contingent assets and liabilities

Contingent liabilities in which the probability of an outflow of funds affecting future economic benefits is not likely are not recognised in the consolidated financial statements, and are disclosed in the notes to the financial statements, unless the probability of an outflow of funds affecting future economic benefits is remote, in which case these are not disclosed. Provisions are recognised for liabilities which meet the conditions described in Note 1.21.

Contingent assets are not recognised in the consolidated financial statements but are disclosed in the notes when it is probable that a future economic benefit will arise from them (Note 40).

1.30 Subsequent events

Events occurring after the date of the Statement of financial position which provide additional information on conditions prevailing at the date of the Statement of financial position are reflected in the consolidated financial statements.

Subsequent events which provide information about conditions which occur after the date of the statement of financial position are disclosed in the notes to the consolidated financial statements, if material.

2. IFRS adopted and to be adopted

2.1 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:

Standards and effective amendments, on or after 1 January 2019	Effective date *
IFRS 16 - Leases	1 January 2019
IFRIC 23 – Uncertainty over income tax treatments	1 January 2019
IFRS 9 (amended) – Financial instruments	1 January 2019
IAS 28 (amended) - Investments in associates and joint ventures	1 January 2019
2015-2017 life cycle improvements	1 January 2019
IAS 19 (alterada) - Plan amendment, curtailment and settlement	1 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 as of 1 January 2019 applying the simplified transition approach set forth in paragraphs 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 leases 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
Assets			
Non-current assets			
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
	1,873,122,233	48,385,806	1,921,508,039
Current assets			
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
	690,738,774		690,738,774
Non-current assets held for sale			
Non-current assets held for sale	-	-	-
	-	-	-
Total Assets	2,563,861,007	48,385,806	2,612,246,813
EQUITY AND LIABILITIES			
Capital and Reserves			
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 reserves	(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
	1,186,413,158	-	1,186,413,158
Non-controlling interests	204,263	-	204,263
	1,186,617,421	-	1,186,617,421
Non-current liabilities			
Deferred tax 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
	850,862,411	41,679,772	892,542,183
Current liabilities			
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
	526,381,175	6,706,034	533,087,209
Total Liabilities	1,377,243,586	48,385,806	1,425,629,392
Total Equity and Liabilities	2,563,861,007	48,385,806	2,612,246,813

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 June 2019 is as follows:

Amounts in Euro	30-06-2019 (without IFRS 16)	IFRS 16	30-06-2019
Assets			
Lease assets (IFRS 16)	-	45,739,063	45,739,063
Liabilities			
Lease liabilities (IFRS 16)	-	46,165,272	46,165,272
State and other public entities	77,598,120	(47,692)	77,550,427

	30/06/2019 (without IFRS 16)	IFRS 16	30/06/2019
Cost of materials and services consumed	228,448,852	(3,534,341)	224,914,512
Depreciation, amortisation and impairment losses	68,159,307	2,872,988	71,032,295
Net financial results	8,825,203	862,585	9,687,788
Profit before tax	124,517,392	(201,233)	124,316,160
Income tax	29,473,534	(47,692)	29,425,842
Net profit for the period	95,139,243	(248,925)	94,890,318

	30-06-2019 (without IFRS 16)	IFRS 16	30-06-2019
Cash flow from operating activities	172,970,307	3,735,573	176,705,880
Cash flows from investment activities	(65,424,646)	-	(65,424,646)
Cash flows from financing activities	(72,025,054)	(3,735,573)	(75,760,627)
Changes in cash and cash equivalents	35,520,607	-	35,520,607

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, with exception of the reclassification regarding provisions for tax claims to state accounts.

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

2.2.1 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:

Standards and effective amendments, after 1 January 2019, not yet endorsed by the EU	Effective date *
Amendments to the IAS 1 and IAS 8 - Materiality definition	1 January 2020
IFRS 3 (amended) - Business Combinations	1 January 2020
Amendments to the conceptual framework in IFRS	1 January 2020
IFRS 17 - Insurance contracts	1 January 2021

* Periods beginning on or after

3. 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.

Estimates and assumptions that present a risk of material adjustment in the book value of assets and liabilities in the following period are presented below.

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.

3.1 Recoverability of Goodwill

Goodwill is tested annually for impairment, registered in its Statement of Financial Position, in accordance with the accounting policy of Note 1.6. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

As at 30 June 2019, a possible increase of 0.5% in the discount rate used (6.59%) in the impairment test of this asset – Goodwill allocated to the cash-generating unit Figueira da Foz integrated Paper – would imply a decrease in the assessment in the amount of Euro 184,142,455 (30 June 2018: Euro 137,971,385), which is still substantially above the book value of this cash-generating unit.

3.2 Recoverability of Property, plant and equipment

The recoverability of property, plant and equipment requires Management to use estimates and assumptions, namely, whenever applicable, regarding the determination of the value in use for impairment tests to the Group's cash-generating units. Additionally, property, plant and equipment present the most significant component of the Group's total assets. These assets are subject to systematic depreciation for the period that is perceived as their economic useful life.

The determination of assets useful lives and the depreciation method to be applied is essential to determine the amount of depreciation to be recognised in the income statement of each period.

These two parameters are defined according to the best judgment of the Board of Directors for the assets and businesses concerned and also considering the practices adopted by the companies of the sector on an international level.

Since this estimate is so important, the Group regularly uses external and independent technicians to assess the adequacy of the estimates used, namely regarding the technical useful life of machines and the replacement value.

3.3 Taxes and tax matters

The Group recognises liabilities for additional settlements that may result from tax authorities' revisions. When the final result of these situations is different from the amounts initially recorded, the differences will have an impact on income tax and tax provisions in the period in which they occur.

There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Different interpretations and estimates would result in a different level of income taxes, current and deferred, recognised in the period.

In the event of uncertainty as to the position of the tax authorities on a specific transaction, the Group calculates its best estimate and records income tax assets or liabilities based on the expected value or the most probable value, in accordance with IFRIC 23.

In Portugal, annual income statements are subject to review and possible adjustment by the tax authorities for a period of 4 years. However, if tax losses are presented they may be subject to review by the tax authorities for a period of 6 years. In other countries in which the Group operates, these periods are different.

The Board of Directors considers that any corrections to those declarations as a result of reviews/inspections by the tax authorities will not have a significant impact in the consolidated financial statements as at 31 December 2018, although the years up to and including 2014 have already been reviewed. The 2015 revision is currently under way.

As at 30 June 2019, if the effective tax rate corresponded to the nominal rate of 27.5%, there would be an increase in expenses with income taxes in the amount of Euro 4,761,102 (31 December 2018: Euro 21,649,894). However, it should be noted that the effective rate for the period includes adjustments from previous periods.

3.4 Actuarial assumptions

Liabilities related to defined benefit pension plans are calculated based on certain actuarial assumptions, estimated rates of return on investments, discount rates and growth rates. Changes in these assumptions can have a significant impact on those liabilities.

As at 30 June 2019, a change in the discount rate used (2.0%) in the calculation of pension liabilities of 0.5% would result in an increase in liabilities of approximately Euro 13,995,972 (31 December 2018: Euro 11,248,165).

3.5 Fair value of biological assets

The fair value of biological assets is estimated through the present value of discounted cash flows, considering assumptions that correspond to the nature of the assets assessed (Note 1.11). Changes in these assumptions may imply the appreciation/depreciation of these assets.

As at 30 June 2019, a 0.5% increase in the discount rate used (5.01%, at nominal values) would imply a depreciation of the Portuguese forest assets of approximately Euro 4,677,000 (31 December 2018: Euro 4,545,000).

As at 30 June 2019, a 3% decrease in the forward price would imply a depreciation of the Portuguese forest assets of approximately Euro 8,185,500 (31 December 2018: Euro 8,885,000).

3.6 Provisions

The Group analyses eventual liabilities that may occur as a result from past events and that should be recognized or disclosed. The subjectivity in determining the probability and amount of internal resources needed for the settlement of those liabilities may lead to significant adjustments, either due to changes in assumptions or future recognition of provisions previously disclosed as contingent liabilities.

4. COMPANIES INCLUDED IN THE CONSOLIDATION PERIMETER

4.1 Consolidation Perimeter

Name	Head Office	Share equity owned			Main business activity
		Direct	Indirect	Total	
Parent-Company					
The Navigator Company, S. A.	Setúbal	-	-	-	Sale of paper and cellulose pulp
Subsidiaries:					
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 assets
Navigator Products & Tecnology, S.A.	Setúbal	100.00	-	100.00	Sale of products, technology and engineering services
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	Purchase of materials, consumables and services used in the pulp and paper production processes
Raiz - Instituto de Investigação da Floresta e Papel	Aveiro	97.00	-	97.00	Research in the field of pulp and paper and forestry activity
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 paper tissue
Navigator Tissue Ródão , S.A.	Vila Velha de Ródão	-	100.00	100.00	Production of paper tissue
Navigator Tissue Iberica , S.A.	Spain	-	100.00	100.00	Sale of paper tissue
Navigator Internacional Holding SGPS, S.A.	Setúbal	100.00	-	100.00	Management of shareholdings
Portucel Moçambique - Sociedade de Desenvolvimento Florestal e Industrial, Lda	Mozambique	90.02	0.00	90.02	Forest production
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	Portugal	-	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 forestry 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.	United States of America	-	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, environment and safety services
Emacacia - Engenharia e Manutenção Industrial, ACE	Aveiro	-	92.82	92.82	Rendering of industrial maintenance services
Emasetúbal - Engenharia e Manutenção Industrial, ACE	Setúbal	-	89.70	89.70	Rendering of industrial maintenance services
Emafigueira da Foz - Engenharia e Manutenção Industrial, ACE	Figueira da Foz	-	90.60	90.60	Rendering 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	Rendering of administration and management services and management of shareholdings
Navigator Afrique du Nord	Marrocos	-	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	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

4.2 Changes in the consolidation perimeter

During the 6-month period ended 30 June 2019, the consolidation perimeter was changed by the following merger operations:

- Merger by incorporation of Arbozer, S.A. in Navigator Pulp Figueira, S.A.
- Demerger of the paper production activity of Navigator Paper Figueira, S.A. (subsequently renamed to Navigator Brands, S.A.) and subsequent merger into Headbox (subsequently renamed to Navigator Paper Figueira, S.A.), with effects from 1 March 2019 onwards.

5. 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, analyzing 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 six-month periods ended 30 June 2019 and 2018 is presented as follows:

	30-06-2019					
	PULP MARKET	UWF PAPER	TISSUE PAPER	OTHERS	ELIMINATIONS/ UNALLOCATED	TOTAL
REVENUE						
Sales and services - external	85,951,210	675,042,404	65,703,145	27,395,945	-	854,092,703
Sales and services - intersegment	91,201,937	-	-	489,720,172	(580,922,109)	-
Total Revenue	177,153,146	675,042,404	65,703,145	517,116,117	(580,922,109)	854,092,703
PROFIT/ (LOSS)						
Segmental profit	21,666,779	134,468,850	(6,835,186)	(15,296,493)	-	134,003,949
Operating profit	-	-	-	-	-	134,003,949
Financial results	-	-	-	-	(9,687,788)	(9,687,789)
Income tax	-	-	-	-	(29,425,842)	(29,425,842)
Profit after income tax	-	-	-	-	-	94,890,317
Non-controlling interests	-	-	-	-	9,848	9,848
Net profit	-	-	-	-	-	94,900,166
OTHER INFORMATION						
Capital expenditure	16,108,642	28,070,238	10,896,070	13,137,477	-	68,212,426
Depreciation and impairment	(5,646,878)	(40,093,869)	(8,530,119)	(16,761,428)	-	(71,032,295)
Provisions ((increases) / reversal)	-	(2,153,526)	-	238,158	-	(1,915,368)
OTHER INFORMATION						
SEGMENT ASSETS						
Property, plant and equipment	138,996,417	690,739,237	170,981,180	229,555,974	-	1,230,272,809
Lease assets (IFRS 16)	-	259,195	-	45,479,868	-	45,739,063
Biological assets	-	-	-	116,538,339	-	116,538,339
Other financial assets	37,562	31,687,432	42,228,166	30,006,487	-	103,959,647
Inventories	32,153,378	137,846,288	25,818,236	57,796,210	-	253,614,112
Trade receivables	24,544,326	145,061,578	31,643,730	10,223,600	-	211,473,234
Other receivables	1,636,755	19,607,999	11,661,815	12,283,262	-	45,189,831
Other assets	396,707	403,678,629	4,496,663	187,841,219	-	596,413,217
Total assets	197,765,145	1,428,880,357	286,829,790	689,724,960	-	2,603,200,252
SEGMENT LIABILITIES						
Interest-bearing liabilities	-	-	-	912,299,757	-	912,299,757
Lease liabilities (IFRS 16)	-	260,093	-	45,905,179	-	46,165,272
Trade payables	8,544,040	113,286,145	8,171,568	76,078,072	-	206,079,825
Other payables	4,649,979	83,052,882	8,590,623	22,882,968	-	119,176,453
Other liabilities	20,740,405	94,715,600	57,062,149	86,821,318	-	259,339,472
Total liabilities	33,934,424	291,314,720	73,824,341	1,143,987,294	-	1,543,060,779

The Group's energy sales are reported under different business segments. The amount corresponding to the total energy sales was Euro 82,784,717 in 2019 and Euro 84,295,456 in 2018. Energy sales originated in the cogeneration process, in the amount of Euro 72,279,983 (2018: Euro 73,150,390) are reported under the "Market Pulp" (2019: Euro 8,365,279; 2018: Euro 8,500,022) and "UWF Paper" (2019: Euro 63,914,705; 2018: Euro 64,650,368) segments. 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 10,504,733 (2018: Euro 11,145,066).

The global capital expenditure in the first six months of 2019 amounted to Euro 68,212,426. This amount includes maintenance and current investments of approximately Euro 50.3 million, as well as 6.2 million related to the completion of the new tissue factory in Aveiro and to the remainder of the investment in heavier paper, as well as Euro 8.6 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 in the semester 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 CO2 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	30-06-2019	30-06-2018
Forestry lands	71,556,037	74,269,264
Real estate - manufacturing site of Setúbal	55,796,696	57,899,699
Real estate - manufacturing site of Aveiro	11,338,171	12,320,259
Real estate - manufacturing site of Figueira da Foz	44,594,279	48,205,295
Thermoelectric biomass plant	31,494,388	29,607,681
Others	14,776,403	12,261,071
	229,555,974	234,563,269

Forest land and industrial real estate in a total amount of Euro 183,285,184, 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 10,948,742, 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.

30-06-2018

	PULP MARKET	UWF PAPER	TISSUE PAPER	OTHERS	ELIMINATIONS/ UNALLOCATED	TOTAL
REVENUE						
Sales and services - external	81.117.167	668.449.381	40.526.383	26.809.720	-	816.902.651
Sales and services - intersegment	-	-	-	323.174.173	(323.174.173)	-
Total Revenue	81.117.167	668.449.381	40.526.383	349.983.893	(323.174.173)	816.902.651
PROFIT/ (LOSS)						
Segmental profit	23.713.860	131.941.268	(3.718.504)	8.881.294	-	160.817.918
Operating profit	-	-	-	-	-	160.817.918
Financial results	-	-	-	-	(11.370.740)	(11.370.740)
Income tax	-	-	-	-	(30.004.152)	(30.004.152)
Profit after income tax	-	-	-	-	-	119.443.026
Non-controlling interests	-	-	-	-	979	979
Net profit	-	-	-	-	-	119.444.005
OTHER INFORMATION						
Capital expenditure	5.595.650	28.012.726	40.375.994	3.237.184	-	77.221.554
Depreciation and impairment	(5.542.016)	(48.050.372)	(5.770.464)	(7.082.061)	-	(66.444.913)
Provisions ((increases) / reversal)	-	-	546.717	753.504	-	1.300.221
OTHER INFORMATION						
SEGMENT ASSETS						
Property, plant and equipment	126.315.305	699.107.270	128.600.994	234.563.269	-	1.188.586.838
Biological assets	-	-	-	130.516.592	-	130.516.592
Financial investments	-	478.032	-	-	-	478.032
Inventories	15.425.644	121.331.938	17.109.760	62.733.220	-	216.600.562
Trade receivables	26.198.691	158.987.138	22.437.315	200.119	-	207.823.263
Other receivables	1.861.052	44.182.695	511.899	30.116.086	-	76.671.733
Other assets	375.337	414.654.654	5.012.955	183.269.797	-	603.312.743
Total assets	170.176.029	1.438.741.727	173.672.923	641.399.083	-	2.423.989.762
SEGMENT LIABILITIES						
Interest-bearing liabilities	2.805.080	-	3.663.271	838.671.577	-	845.139.928
Trade payables	7.788.969	91.426.399	13.604.625	61.581.830	-	174.401.823
Other payables	4.155.525	40.559.384	4.955.295	67.245.930	-	116.916.134
Other liabilities	27.215.159	73.743.597	3.218.036	96.562.125	-	200.738.917
Total liabilities	41.964.733	205.729.380	25.441.227	1.064.061.461	-	1.337.196.802

6. REVENUE

6.1 Breakdown of customer contract revenue

Commercial contracts with customers refer essentially to the sale of goods and to an extent limited to the transportation inherent to these goods, when applicable, and according to the reported segments: Pulp market, UWF paper, Tissue paper and Others (Note 5), as follows:

	30-06-2019					
	PULP MARKET	UWF PAPER	TISSUE PAPER	OTHERS	ELIMINATIONS/ UNALLOCATED	TOTAL
REVENUE RECOGNITION						
Total Revenue	177,153,146	675,042,404	65,703,145	517,116,117	(580,922,109)	854,092,703
Intersegment Revenue	(91,201,937)	-	-	(489,720,172)	580,922,109	-
Revenue from external customers	85,951,210	675,042,404	65,703,145	27,395,945	-	854,092,703
Revenue recognition						
At a certain moment	85,951,210	675,042,404	65,703,145	27,395,945	-	854,092,703
During the period	-	-	-	-	-	-
	85,951,210	675,042,404	65,703,145	27,395,945	-	854,092,703

	30-06-2018					
	PULP MARKET	UWF PAPER	TISSUE PAPER	OTHERS	ELIMINATIONS/ UNALLOCATED	TOTAL
REVENUE RECOGNITION						
Total Revenue	81.117.167	668.449.381	40.526.383	349.983.893	(323.174.173)	816.902.651
Intersegment Revenue	-	-	-	(323.174.173)	323.174.173	-
Revenue from external customers	81.117.167	668.449.381	40.526.383	26.809.720	-	816.902.651
Revenue recognition						
At a certain moment	81.117.167	668.449.381	40.526.383	26.809.720	-	816.902.651
During the period	-	-	-	-	-	-
	81.117.167	668.449.381	40.526.383	26.809.720	-	816.902.651

The transfer of control occurs to the same extent that the associated risks are transferred, in accordance with the contractual conditions established. Transfer of control of the goods occurs in general when the goods are delivered at the customer's premises.

6.2 Sales and services rendered by region

Amounts in Euro	30-06-2019	30-06-2018
PORTUGAL		
UWF Paper (includes energy)	101,453,079	99,265,084
Pulp (includes energy)	13,624,780	13,881,257
Tissue	27,234,413	22,772,950
Others (includes energy)	27,395,946	26,092,120
	169,708,218	162,011,411
REST OF EUROPE		
UWF Paper	342,773,816	337,805,219
Pulp	56,183,620	64,791,747
Tissue	36,209,627	16,884,853
<i>Pellets</i>	-	717,600
	435,167,063	420,199,419
NORTH AMERICA		
UWF Paper	64,285,696	61,028,236
Tissue	137,045	-
	64,422,741	61,028,236
OTHER MARKETS		
UWF Paper	166,529,812	170,350,842
Pulp	16,142,810	2,444,163
Tissue	2,122,059	868,580
	184,794,681	173,663,585
	854,092,703	816,902,651

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 six-month period ended 30 June 2019 and 2018:

Amounts in Euro	6 month period 30-06-2019	6 month period 30-06-2018
Supplementary gains	307,902	1,843,298
Grants - CO2 Emission allowances	8,587,595	2,059,377
Reversal of impairment on receivables	3,216	83,860
Gains on disposals of non-current assets	478,114	17,722,330
Gains on inventories	348,066	181,380
Reversal of impairment in inventories	742,952	-
Government grants	186,511	1,168,637
Own work capitalised	118,547	255,885
Insurance compensation	2,637,967	156,279
Other operating income	4,606,425	1,624,711
	18,017,296	25,095,757

Gains with CO₂ licenses correspond to the recognition of the free allocation of licenses for 467,540 tons of CO₂, at the average price of Euro 22.16 (246,632 tons in 30 June 2018, at the average price of Euro 8.35).

As at 30 June 2019, Gains on disposals of non-current assets includes the sale of forest lands. As at 30 June 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 forest lands with reduced suitability for forestry.

The "insurance compensation" in 2019 includes the first transfer of 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 six-month period ended 30 June 2019 and 2018:

Amounts in Euro	6 month period 30-06-2019	6 month period 30-06-2018
Cost of inventories sold and consumed	(366,034,149)	(344,674,553)
Variation in production	20,553,930	20,103,964
Cost of services and materials consumed	(224,914,512)	(195,369,103)
Payroll costs		
Remunerations		
Statutory bodies - fixed	(1,649,305)	(2,375,072)
Statutory bodies - variable	(2,100,000)	(2,451,503)
Other remunerations	(54,592,859)	(61,007,190)
	<u>(58,342,164)</u>	<u>(65,833,765)</u>
Social charges and other payroll costs		
Costs with defined benefit plans (Note 32)	(1,098,078)	(1,569,706)
Costs with defined contribution plans (Note 32)	(766,470)	(663,540)
Contributions to social security	(11,575,827)	(11,577,759)
Other payroll costs	(4,930,880)	(5,051,715)
	<u>(18,371,255)</u>	<u>(18,862,720)</u>
	<u>(76,713,419)</u>	<u>(84,696,485)</u>
Other expenses and losses		
Membership fees	(685,440)	(381,680)
Losses in inventories	(720,292)	(1,107,859)
Impairment losses in receivables	(6,525)	(439,083)
Impairment losses in inventories	(1,229,513)	(515,959)
Indirect taxes	(899,453)	(2,114,376)
Shipment costs	-	(500,567)
Water resources charges	(706,772)	(1,159,708)
Costs with CO2 emissions	(9,919,862)	(3,626,539)
Other operating costs	(806,154)	(2,673,506)
	<u>(14,974,010)</u>	<u>(12,519,277)</u>
Provisions (Note 33)	(1,915,368)	1,300,221
Total	(663,997,526)	(615,855,233)

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 six-month period ended 30 June 2019 and 2018:

Amounts in Euro	6 month period 30-06-2019	6 month period 30-06-2018
Training	784,572	699,224
Social action	533,192	500,331
Insurance	1,942,642	1,686,014
Compensation	1,334,589	1,992,886
Others	335,885	173,260
	4,930,880	5,051,715

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

The costs with CO₂ emissions correspond to the emission of 387,527 tons of CO₂ (30 June 2018: 391,741 tons).

For the six-month period ended 30 June 2019 and 2018 the consumed and sold inventory was detailed as follows:

Amounts in Euro	6 month period 30-06-2019	6 month period 30-06-2018
Wood / Biomass	147,350,391	140,236,233
Natural gas	31,200,793	26,207,026
Other fuels	6,406,200	7,289,381
Water	861,311	1,011,438
Chemicals	75,809,783	77,405,389
BEKP pulp	14,058,576	8,495,493
Pine pulp	32,098,979	23,711,659
Paper (heavyweight)	3,477,787	4,049,701
Tissue paper - subcontracts	362,964	339,307
Consumables / warehouse material	18,952,630	22,096,972
Packaging material	34,673,795	32,687,285
Other materials	780,939	1,144,669
	366,034,149	344,674,553

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

For the six-month period ended 30 June 2019 and 2018, the cost of Services and Material Consumed was detailed as follows:

Amounts in Euro	6 months 30-06-2019	6 months 30-06-2018
Communications	716,864	1,206,012
Maintenance and repair	17,452,414	13,127,005
Travel and accommodation	2,810,117	3,154,502
Energy and fluids	72,114,504	58,494,101
Fees	2,343,089	2,891,005
Materials	1,687,923	1,279,653
Advertising and marketing	7,815,478	7,797,897
Rentals	3,775,308	8,163,022
Insurance	6,159,571	6,498,326
Specialised services	47,656,350	34,122,114
Subcontracts	724,875	413,958
Transportation of goods	58,007,708	55,411,188
Other	3,650,311	2,810,320
	224,914,512	195,369,103

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.

For the six-month period ended 30 June 2019 and 2018, the costs incurred with investigation and research activities amounted to Euro 3,054,736 and Euro 2,298,444, respectively.

9. REMUNERATION OF CORPORATE BODIES

Remuneration of corporate bodies is detailed as follows for the six-month period ended 30 June 2019 and 2018:

Amounts in Euro	6 month period 30-06-2019	6 month period 30-06-2018
Board of Directors	1,314,643	2,085,332
Certified Accountant	288,521	247,777
Audit Committee	23,142	24,713
General Meeting Board	4,000	4,000
Environmental Impact Committee	11,500	3,750
Remuneration Committee	6,000	7,000
Sustainability Committee	1,500	2,500
	1,649,305	2,375,072

For the six-month period ended 30 June 2019 and 2018, pension liabilities for past services of one non-executive Director was also recognised, as described in Note 32.

10. DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES

For the six-month period ended 30 June 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	6 month period 30-06-2019	6 month period 30-06-2018
Depreciation of property, plant and equipment		
Land	-	-
Buildings	(10,483,643)	(5,598,627)
Equipments	(61,470,755)	(61,634,830)
Other tangible assets	(1,881,784)	(2,099,037)
	(73,836,182)	(69,332,493)
Investment grants	5,677,176	2,888,868
	(68,159,006)	(66,443,625)
Depreciation of use rights (IFRS 16)	(2,872,988)	-
Impairment losses		
Investment properties	-	(823)
Industrial property and other rights	(301)	(465)
	(301)	(1,288)
	(71,032,295)	(66,444,913)

11. CHANGES IN GOVERNMENT GRANTS

The movement in Government grants liabilities was as follows:

Amounts in Euro	6 month period 30-06-2019			6 month period 30-06-2018		
	Financial	Tax	Total	Financial	Tax	Total
Government grants						
Opening balance	26,341,878	30,249,610	56,591,488	27,036,892	4,289,080	31,325,972
Charge-off / recognition	(2,119,240)	(3,557,936)	(5,677,176)	(2,617,968)	(270,900)	(2,888,868)
Assignments	-	-	-	671,095	2,977,820	3,648,915
Increase/ (decrease)	(1,547,787)	-	(1,547,787)	174,748	-	174,748
Balance at 30 June (Note 36)	22,674,851	26,691,674	49,366,525	25,264,766	6,996,000	32,260,767
Remaining quarters				1,077,112	23,253,610	24,330,721
Balance at 31 December (Note 36)				26,341,878	30,249,610	56,591,488

As at 30 June 2019, the Company holds non-current liabilities in the amount of Euro 34,856,334 (31 December 2018: Euro 41,997,203). The remaining amount of Euro 14,510,191 (31 December 2018: Euro 14,594,285) is presented as a current liability (Note 34).

The recognition in the income statement will occur as follows:

Amounts in Euro	Financial	Tax	Total
2019	3,699,344	3,557,936	7,257,280
2020	7,489,656	7,074,724	14,564,381
2021	3,142,314	7,033,577	10,175,890
2022	1,764,280	3,480,814	5,245,093
2023	1,753,134	2,398,771	4,151,904
Subsequent	4,826,123	3,145,852	7,971,975
	22,674,851	26,691,674	49,366,523

As duly disclosed to the Market on 18 June 2014, the Group's subsidiary, Pulp Aveiro, S.A. (formerly Navigator Pulp Cacia, SA.), signed two financial and tax incentive agreements with the AICEP - *Agência para o Investimento e Comércio Externo de Portugal* (Agency for Investment and Foreign Trade of Portugal) to support the investment to be promoted by that company in the capacity increase project of Cacia pulp mill, with a total amount of Euro 49.3 million. The grants approved amount to Euro 9,264 million (repayable) and Euro 5,644 million (tax incentive) to be used until 2024, being fully used since the end of 2016. The contract includes an achievement bonus, which corresponds to the conversion of the repayable grant in a non-repayable grant, up to a limit of 75% (Euro 6,947,450), subject to compliance with the objectives established in the contract. The recognition of these grants in the income statement (through the decrease of depreciation) was as follows:

Amounts in Euro	Financial incentives	Tax incentives	Total
2015	333,488	270,900	604,388
2016	1,780,516	541,800	2,322,316
2017	1,762,004	541,800	2,303,804
2018	1,757,747	541,800	2,299,547
2019 (1S)	872,876	270,900	1,143,776
	6,506,631	2,167,200	8,673,831

On 13 December 2017, the Group's subsidiary, Navigator Tissue Aveiro, S.A. (formerly Navigator Pulp Cacia, SA.) signed an investment agreement with AICEP - *Agência para o Investimento e Comércio Externo de Portugal* (Agency for Investment and Foreign Trade of Portugal), for the construction of the new tissue factory in Aveiro. This agreement comprises a financial incentive under the form of a refundable incentive, which includes a grace period of two years, without payment of interest, up to the maximum amount of Euro 42,166,636, corresponding to 35% on the amount of expenses considered eligible, which were estimated at Euro 120,476 million. On 20 April 2018, the same entity was also awarded with a tax incentive granted through the compliance of contractually defined requirements, whose maximum amount will be Euro 11,515,870, corresponding to 10% of the expenses associated with the project investment.

On 27 December 2018, the Group's subsidiary, Pulp Figueira, S.A. signed a tax investment agreement with AICEP - *Agência para o Investimento e Comércio Externo de Portugal* (Agency for Investment and Foreign Trade of Portugal), related to the investment associated with the increase of pulp production capacity in Figueira da Foz, which includes a tax incentive up to the maximum amount of Euro 17,278,657 (31 December 2018: Euro 14,986,460), corresponding to 19.5% of the investment made, through the fulfillment of the contractually defined objectives.

12. NET FINANCIAL RESULTS

For the six-month period ended 30 June 2019 and 2018, financial results are detailed as follows:

Amounts in Euro	6 month period 30-06-2019	6 month period 30-06-2018
Financial income		
Interest earned on financial investments	1,960,920	(731,042)
Favourable exchange rate differences	-	3,381,060
Gains on financial instruments - trading (Note 37)	489,257	-
Gains on compensatory interest	-	349,257
Other income and financial gains	474,381	19,296
	<u>2,924,558</u>	<u>3,018,570</u>
Financial expenses		
Interest paid on borrowings	(5,229,125)	(4,510,277)
Unfavourable exchange rate differences	(1,965,304)	-
Losses on financial instruments - trading (Note 37)	-	(2,409,585)
Losses on financial instruments - exchange rate hedging (Note 37)	(381,760)	-
Losses on financial instruments - interest rate hedging (Nota 37)	(983,824)	(1,135,887)
Guarantees and bank charges	(1,815,149)	(1,217,290)
Accrual for option premiums (Note 37)	(1,130,664)	(924,799)
Losses on compensatory interest	(221,720)	(474,298)
Lease interests (IFRS 16)	(862,585)	-
Other expenses and financial losses	(22,215)	(3,717,174)
	<u>(12,612,346)</u>	<u>(14,389,310)</u>
Financial results	<u>(9,687,788)</u>	<u>(11,370,740)</u>

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. This caption covers the amounts settled in the financial instruments exchange rate hedges throughout 2019 (net impact of Euro 381,760) and the amounts referring to interest rate swaps to cover interest.

Other expenses and financial losses included, in 2018, Euro 2,570,162 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 862,585 regarding the adoption of IFRS 16.

13. INCOME TAX

Income tax is detailed as follows for the six months periods ended 30 June 2019 and 2018:

Amounts in Euro	6 month period 30-06-2019	6 month period 30-06-2018
Current tax (Note 26)	25,537,907	39,202,774
Provision/ (reversal) for current tax	(32,731,361)	12,054,063
Deferred tax (Note 31)	36,619,296	(21,252,685)
	<u>29,425,842</u>	<u>30,004,152</u>

As of 30 June 2019, current tax includes Euro 24,254,420 (31 December 2018: Euro 67,611,049) regarding the liability created under the aggregated income tax regime of The Navigator Company, S.A. describe in Note 1.14.2.

For the six months periods ended 30 June 2019 and 2018, the reconciliation of the effective income tax rate was as follows:

Amounts in Euro		6 month period 30-06-2019		6 month period 30-06-2018
Profit before tax		124,316,160		149,447,178
Expected tax	21.00%	26,106,394	21.00%	31,383,907
Municipal surcharge	1.31%	1,631,105	1.74%	2,594,614
State surcharge	3.11%	3,869,387	4.97%	7,430,104
Differences (a)	0.67%	834,588	1.37%	2,040,131
Excess of income tax estimate	(2.43%)	(3,015,632)	(6.56%)	(9,797,732)
Tax benefits	0.00%	-	(2.44%)	(3,646,872)
	23.67%	29,425,842	20.08%	30,004,152

(a) This amount includes essentially:

	6 month period 30-06-2019	6 month period 30-06-2018
Gains/ (losses) for tax purposes	(140,678)	36,133,334
Gains/ (losses) for accounting purposes	(26,552)	(70,139,739)
Provisions	(5,262,941)	36,762,468
Tax benefits	(2,980,677)	(2,918,478)
Employee benefits	1,096,943	(429,644)
Other	10,348,769	8,010,718
	3,034,865	7,418,659
Tax effect (27,5%)	834,588	2,040,131

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).

14. EARNINGS PER SHARE

Earnings per share were determined as follows:

Amounts in Euro	6 month period 30-06-2019	6 month period 30-06-2018
Profit attributable to the Company's shareholders	94,900,166	119,444,005
Total number of issued shares	717,500,000	717,500,000
Treasury shares - period average	<u>(2,683,989)</u>	<u>(489,973)</u>
	714,816,011	717,010,027
Basic earnings per share	0.133	0.167
Diluted earnings per share	0.133	0.167

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 on 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
Treasury shares held on 30 June		4,855,443		489,973
Remaining quarters			374,076	374,076
Treasury shares held on 31 December				864,049
Average treasury shares held for the period		2,683,989		489,973

15. NON-CONTROLLING INTERESTS

The movement in Non-controlling interests for the 2019 and 2018 periods is as follows:

Amounts in Euro	2019	2018
Opening balance	204,263	420,277
Profit for the period	(9,848)	(979)
Other differences	12,568	(211,629)
Balance on 30 June	206,983	207,669
Remaining quarters	-	(3,406)
Balance on 31 December	206,983	204,263

As at 30 June 2019 and 31 December 2018, Non-controlling interests presented in the Consolidated Statement of financial position were as follows:

Amounts in Euro	Equity	
	30-06-2019	31-12-2018
Raiz - Instituto de Investigação da Floresta e Papel	206,983	204,263
Portucel Moçambique	-	-
	206,983	204,263

Non-controlling interests are related to *RAÍZ – Instituto de Investigação da Florestal e Papel*, where the Group owns 97% of the capital and voting rights. The remaining 3% are owned by external associates.

In 2014, the Group signed agreements with the International Finance Corporation for the entry of this institution into the share capital of the subsidiary Portucel Moçambique, S.A., thus ensuring the construction phase of the Group's forestry project in Mozambique. In 2015, this company performed a capital increase from MZM 1,000 million to MZM 1,680,798 million subscribing MZM 332,798 million corresponding to 19.98% of the capital at that date.

On February 2019 occurred the reduction of the subscribed, underwritten and paid-up capital of the shareholder The Navigator Company, S.A. to 456,596,000 meticaís, corresponding to 90.02% of the Company's share capital. The shareholding of the IFC was reviewed to 50,620,000 meticaís, corresponding to 9.98% of Portucel Moçambique's share capital.

The surplus of the share capital reduction previously owned by The Navigator Company, S.A., in the amount of 891,404,000 meticaís was used to cover negative retained earnings. The differential between the 332,798,000 meticaís previously subscribed by IFC and the 50,620,000 meticaís which were paid in February 2019 were included in the share capital of Portucel Moçambique, as share premium.

The Non-controlling interests presented in the Income Statement, for the six months periods ended 30 June 2019 and 2018, are as follows:

Amounts in Euro	Profit	
	6 month period 30-06-2019	6 month period 30-06-2018
Raiz - Instituto de Investigação da Floresta e Papel	(9,848)	(979)
Portucel Moçambique	-	-
	(9,848)	(979)

16. APPROPRIATION OF PREVIOUS YEARS' PROFIT AND RETAINED EARNINGS

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

Amounts in Euro	2019	2018
Distribution of dividends (excluding treasury shares)	200,003,439	170,003,077
Legal reserve	-	-
Bonus to employees (balance bonus)	23,000,000	7,000,000
<u>Retained earnings</u>	<u>2,131,964</u>	<u>30,767,527</u>
	225,135,403	207,770,604

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.

17. GOODWILL

NAVIGATOR PAPER FIGUEIRA, S.A.

Following the acquisition of 100% of the Navigator Paper Figueira, S.A. (former Soporcel – Sociedade Portuguesa de Papel, 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). As of that date, the accumulated depreciation amounted to Euro 51,375,871. 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 June 2019 would amount to Euro 111,314,379 (31 de December 2018: Euro 119,877,025).

NAVIGATOR TISSUE RÓDÃO, S.A.

On 6 February 2015 the procedures and contracts for the acquisition of Navigator Tissue Ródão, S.A. (previously named AMS-BR Star Paper, 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 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%
<u>Perpetuity growth rate</u>	<u>(1.00%)</u>	<u>(1.00%)</u>

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 (spread included)	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%

18. 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	CO2 emission licences	Total
Acquisition cost			
Balance as of 1 January 2018	6,270	3,875,825	3,882,095
Acquisitions	165	3,984,111	3,984,276
Disposals	-	-	-
Adjustments, transfers and write-offs	-	(4,975,303)	(4,975,303)
Balance as of 30 June 2018	6,435	2,884,633	2,891,068
Acquisitions	-	-	-
Disposals	-	-	-
Adjustments, transfers and write-offs	(3,300)	-	(3,300)
Balance as of 31 December 2018	3,135	2,884,633	2,887,768
Acquisitions	-	8,587,595	8,587,595
Disposals	-	-	-
Adjustments, transfers and write-offs	207	(10,333,492)	(10,333,285)
Balance as of 30 June 2019	3,342	1,138,736	1,142,078
Accumulated depreciation and impairment losses			
Balance as of 1 January 2018	(3,850)	-	(3,850)
Amortisations and impairment losses	(465)	-	(465)
Disposals	-	-	-
Adjustments, transfers and write-offs	-	-	-
Balance as of 30 June 2018	(4,315)	-	(4,315)
Amortisations and impairment losses	(300)	-	(300)
Disposals	-	-	-
Adjustments, transfers and write-offs	3,098	-	3,098
Balance as of 31 December 2018	(1,517)	-	(1,517)
Amortisations and impairment losses	(301)	-	(301)
Disposals	-	-	-
Adjustments, transfers and write-offs	-	-	-
Balance as of 30 June 2019	(1,818)	-	(1,818)
Net book value as of 1 January 2018	2,420	3,875,825	3,878,245
Net book value as of 30 June 2018	2,120	2,884,633	2,886,753
Net book value as of 31 December 2018	1,618	2,884,633	2,886,251
Net book value as of 30 June 2019	1,524	1,138,736	1,140,260

As at 30 June 2019, the Group held 135,222 CO2 emission licenses with a market value as of that date of Euro 3,609,075 (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 June 2019 (31 de December 2018: 250,000 emission licenses with an amount of Euro 1,397,500) (Nota 37.2).

19. 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 and other constructions	Equipments and other tangibles	Assets under construction	Total
Acquisition costs					
Balance as of 1 January 2018	116,037,739	506,988,256	3,199,209,772	104,136,754	3,926,372,520
Acquisitions	-	-	-	77,221,554	77,221,554
Disposals	(2,041,934)	-	(1,145,056)	-	(3,186,989)
Adjustments, transfers and write-offs	1,035,281	1,360,568	17,883,047	(8,568,434)	11,710,462
Balance as of 30 June 2018	115,031,086	508,348,824	3,215,947,763	172,789,874	4,012,117,546
Acquisitions	-	-	11,616,791	127,621,018	139,237,809
Disposals	(1,140,511)	(7,359)	1,051,567	-	(96,304)
Adjustments, transfers and write-offs	155,431	25,582,938	200,027,166	(238,822,145)	(13,056,610)
Balance as of 31 de December 2018	114,046,006	533,924,403	3,428,643,287	61,588,747	4,138,202,442
Acquisitions	-	-	8,324,847	59,887,579	68,212,426
Disposals	(210,862)	-	(53,419)	-	(264,280)
Adjustments, transfers and write-offs	(2,038,989)	1,813,558	30,171,769	(32,847,644)	(2,901,306)
Balance as of 30 June 2019	111,796,154	535,737,961	3,467,086,484	88,628,681	4,203,249,282
Accumulated depreciation and impairment losses					
Balance as of 1 January 2018	(170,652)	(318,000,353)	(2,437,076,464)	-	(2,755,247,469)
Depreciation and impairment losses	-	(5,414,274)	(63,919,043)	-	(69,333,316)
Disposals	-	-	1,050,075	-	1,050,075
Adjustments, transfers and write-offs	-	-	-	-	-
Balance as of 30 June 2018	(170,652)	(323,414,627)	(2,499,945,431)	-	(2,823,530,710)
Depreciation and impairment losses	-	(5,837,367)	(68,956,650)	-	(74,794,018)
Disposals	-	5,838	(1,045,470)	-	(1,039,632)
Adjustments, transfers and write-offs	170,652	-	-	-	170,652
Balance as of 31 de December 2018	-	(329,246,156)	(2,569,947,552)	-	(2,899,193,708)
Depreciation and impairment losses	-	(10,483,643)	(63,352,539)	-	(73,836,182)
Disposals	-	-	53,419	-	53,419
Adjustments, transfers and write-offs	-	-	-	-	-
Balance as of 30 June 2019	-	(339,729,799)	(2,633,246,672)	-	(2,972,976,471)
Net book value as of 1 January 2018	115,867,087	188,987,903	762,133,307	104,136,754	1,171,125,052
Net book value as of 30 June 2018	114,860,434	184,934,197	716,002,332	172,789,874	1,188,586,837
Net book value as of 31 December 2018	114,046,006	204,678,247	858,695,735	61,588,747	1,239,008,734
Net book value as of 30 June 2019	111,796,154	196,008,162	833,839,812	88,628,681	1,230,272,809

As at 30 June 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 14,813,593, with the highlight of the construction of the new tissue factory in Aveiro.

In the pulp business segment, assets under construction amount to Euro 19,684,873, which include the acquisition of a new pulp washer (Euro 4,418,626), the environmental plans of Aveiro (Euro 2,490,758), the replacement of a debarking drum (Euro 1,014,407) as well as improvements in the productive process.

Assets under construction associated with the paper segment amount to Euro 48,472,608 and are mainly related with the construction of a new biomass boiler in Figueira da Foz (Euro 10,019,541), the new **battery chips** in Figueira da Foz (Euro 6,612,875), the PM3 reconversion project for heavier paper in Setúbal (Euro 10,237,353), as well as other other investments in productive process improvements (Euro 21,602,839).

In "Others" segment are included investments under development in the amount of Euro 5,657,607 which are expected to be fulfilled until the end of the year.

Lands includes Euro 110,763,308 (31 December 2018: Euro 113,118,109) classified in the individual financial statements as investment properties, from which Euro 71,556,037 (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.

20. LEASE ASSETS

During the first six 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	Forest land	Buildings	Vehicles	Software license	Other lease assets	Total
Acquisition costs						
Balance as of 1 January 2018	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Adjustments, transfers and write-offs	-	-	-	-	-	-
Balance as of 30 June 2018	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Adjustments, transfers and write-offs	-	-	-	-	-	-
Balance as of 31 December 2018	-	-	-	-	-	-
Lease assets - Adoption of IFRS 16	38,817,386	4,547,372	4,285,373	546,158	189,517	48,385,806
Acquisitions	222,361	-	-	-	-	222,361
Disposals	-	-	-	-	-	-
Adjustments, transfers and write-offs	-	-	-	-	-	-
Balance as of 30 June 2019	39,039,747	4,547,372	4,285,373	546,158	189,517	48,608,167
Accumulated depreciation and impairment losses						
Balance as of 1 January 2018	-	-	-	-	-	-
Depreciation and impairment losses	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Adjustments, transfers and write-offs	-	-	-	-	-	-
Balance as of 30 June 2018	-	-	-	-	-	-
Depreciation and impairment losses	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Adjustments, transfers and write-offs	-	-	-	-	-	-
Balance as of 31 December 2018	-	-	-	-	-	-
Depreciation and impairment losses	(1,474,109)	(351,151)	(842,043)	(173,197)	(32,489)	(2,872,988)
Disposals	-	-	-	-	-	-
Adjustments, transfers and write-offs	-	-	-	3,884	-	3,884
Balance as of 30 June 2019	(1,474,109)	(351,151)	(842,043)	(169,313)	(32,489)	(2,869,105)
Net book value as of 1 January 2018	-	-	-	-	-	-
Net book value as of 30 June 2018	-	-	-	-	-	-
Net book value as of 31 December 2018	-	-	-	-	-	-
Net book value as of 30 June 2019	37,565,638	4,196,222	3,443,330	376,845	157,028	45,739,063

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 contracts have, usually, the duration of 24 years.

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

21. INVESTMENT PROPERTIES

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

Amounts in Euro	Land	Buildings and other constructions	Total
Acquisition costs			
Balance as of 1 January 2018	424,744	82,307	507,051
Acquisitions	-	-	-
Disposals	-	-	-
Balance as of 30 June 2018	424,744	82,307	507,051
Acquisitions	-	-	-
Disposals	-	-	-
Balance as of 31 December 2018	424,744	82,307	507,051
Acquisitions	-	-	-
Disposals	-	-	-
Balance as of 30 June 2019	424,744	82,307	507,051
Accumulated depreciation and impairment losses			
Balance as of 1 January 2018	(399,372)	(8,505)	(407,877)
Depreciation and impairment losses	-	(823)	(823)
Disposals	-	-	-
Balance as of 30 June 2018	(399,372)	(9,328)	(408,700)
Depreciation and impairment losses	-	(823)	(823)
Disposals	-	-	-
Balance as of 31 December 2018	(399,372)	(10,151)	(409,524)
Depreciation and impairment losses	-	(823)	(823)
Disposals	-	-	-
Balance as of 30 June 2019	(399,372)	(10,974)	(410,347)
Net book value as of 1 January 2018	25,372	73,802	99,174
Net book value as of 30 June 2018	25,372	91,635	98,351
Net book value as of 31 December 2018	25,372	72,156	97,527
Net book value as of 30 June 2019	25,372	71,333	96,704

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

22. BIOLOGICAL ASSETS

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

Amounts in Euro	2019	2018
Balance as of 1 January	119,614,567	129,396,936
Logging in the period	(12,820,837)	(9,165,007)
Growth	2,462,223	3,095,317
New planted areas and replanting (at cost)	1,608,690	1,412,246
Other changes in fair value	5,673,696	5,777,100
	(3,076,228)	1,119,656
Balance as of 30 June	116,538,339	130,516,592
Remaining quarters		(10,902,025)
Balance as of 31 December		119,614,567

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	30-06-2019	30-06-2018
Costs of assets management		
Forestry	2,444,652	2,092,226
Structure	1,950,233	1,858,791
Fixed and variable rents	4,119,661	5,686,419
	8,514,546	9,637,436
Changes in expectations		
Price of wood	-	-
Cost-of-capital rate	-	-
Contracts withdrawal	(500,000)	-
Variations in other species	186,164	(1,018,839)
Other changes in expectations (structure costs, asset	(2,527,014)	(2,841,497)
	(2,840,850)	(3,860,336)
	5,673,696	5,777,100

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

Amounts in Euro	30-06-2019	31-12-2018
Eucalyptus (Portugal)	109,645,351	112,935,412
Pine (Portugal)	4,505,252	4,590,452
Coark oak (Portugal)	2,147,875	1,848,841
Other species (Portugal)	239,861	239,861
	116,538,339	119,614,567

Estes valores, apurados em função da expectativa de extração das respectivas produções, correspondem às seguintes expectativas de produção futura:

Amounts in Euro	30-06-2019	31-12-2018
Eucalyptus (Portugal) - Potential future of wood extractions k m3ssc	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
Coark Oak (Portugal) - Potential future of coark extractions k @	598	611

Concerning Eucalyptus in Portugal, the most relevant biological asset in the financial statements for the period ended 30 June 2019 and 2018, the Group extracted 338,790 m3ssc and 283,541 m3ssc of wood from its owned and explored forests, respectively.

In addition, as at 30 June 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.

23. OTHER FINANCIAL ASSETS

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

Amounts in Euro	30-06-2019	31-12-2018
Enviva Pellets Greenwood, LLC (EUA)	31,490,493	33,448,788
Department of Commerce (EUA)	26,338,273	25,597,410
Other receivables	3,600,787	3,600,967
Other receivables - AICEP grants	42,166,636	-
Other investments	363,458	521,747
	103,959,647	63,168,912

23.1 Financial assets at fair value through profit or loss

As at 31 December 2018, this caption 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.

23.2 Other non-current assets

Other non-current assets include:

- (i) The amount of Euro 31,490,493 relating to the current amount receivable for the sale of the pellets business (USD 45 million). The nominal amount receivable shall bear interest at the rate of 2.5%
- (ii) The amount of Euro 26,338,273 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 contract 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 millions.
- (iv) The amount of Euro 3,964,243, relating to other non-current financial assets.

24. INVENTORIES

As at 30 June 2019 and 31 December 2018, Inventories were as follows:

Amounts in Euro	30-06-2019	31-12-2018
Raw materials	120,751,787	109,522,231
Finished and semi-finished goods	121,994,900	104,746,298
Work in progress	3,316,344	3,378,298
By-products and waste	7,280,673	4,426,039
Goods	270,409	304,005
	253,614,112	222,376,871

The increase in Finished and semi-finished goods resulted, on the one hand, from increases in the production capacity in Aveiro and Figueira da Foz and, on the other hand, on the need to build stocks given the high number of shut-down days of pulp mills.

As at 30 June 2019 and 31 December 2018, finished and semi-finished goods were located in the following countries:

Amounts in Euro	30-06-2019	31-12-2018
Portugal	94,840,014	84,546,576
USA	15,313,077	10,076,678
Germany	4,528,535	3,512,656
United Kingdom	2,630,899	2,245,012
Netherlands	2,361,427	2,919,387
Poland	1,230,147	221,716
France	819,261	700,915
Switzerland	271,538	12,246
Spain	-	421,355
Italy	-	89,758
	121,994,900	104,746,298

The amounts presented are net of adjustments, in accordance with the policy described in Note 1.15 and whose detail is described in Note 24 and the Portuguese amounts include Euro 15,933,458 (31 December 2018: Euro 14,857,665) regarding inventories whose invoices had already been issued but whose transfer of risks and rewards to customers had not yet been transferred to customers, which is why the corresponding revenue was not recognised at the date of the statement of financial position.

The inventory amount by business segment is detailed in Note 5.

25. RECEIVABLES AND OTHER CURRENT ASSETS

As at 30 June 2019 and 31 December 2018, Receivables and other current assets were detailed as follows:

Amounts in Euro	30-06-2019	31-12-2018
Trade receivables	211,191,416	225,803,124
Trade receivables - Group companies (Note 38)	281,818	216,059
Other receivables	18,013,409	56,333,921
Derivative financial instruments (Note 37)	916,474	465,825
Accrued income	15,126,643	19,229,947
Deferred costs	11,133,305	5,701,813
	256,663,065	307,750,689

The amounts receivable shown above are net of adjustments, in accordance with the policy described in Note 1.16 and whose detail is described in Note 27. The detail by business segment can be analysed in Note 5.

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

Amounts in Euro	30-06-2019	31-12-2018
Advances to employees	625,251	565,027
Advances to suppliers	3,892,117	163,004
Financial incentives receivable	9,560,555	51,271,101
Other debtors	3,935,486	4,334,789
	18,013,409	56,333,921

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	30-06-2019	31-12-2018
Balance as of 1 January	51.271.101	42.105
Increase/ (decrease)	(41.747.123)	700.010
Assignments	54.790	50.930.086
Received in the period	(18.212)	(401.100)
	9.560.555	51.271.101

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 contract 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 June 2019 also includes the assignment of financial incentives granted within several research and development projects, namely the Inpactus project (Euro 5,585,300) and others (Euro 3,975,255), whose expectation of the Group is that all the conditions precedent to its receipt are guaranteed.

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

Amounts in Euro	30-06-2019	31-12-2018
Accrued income		
Interest receivable	342,631	2,139,566
Energy sales	14,259,361	15,981,121
Other	524,651	1,109,260
	15,126,643	19,229,947
Deferred costs		
Rents	4,684,340	4,127,809
Insurance	6,437,938	1,396,919
Other	11,027	177,085
	11,133,305	5,701,813
	26,259,947	24,931,760

26. STATE AND OTHER PUBLIC ENTITIES

As at 30 June 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	30-06-2019	31-12-2018
State and other public entities		
Value added tax - reimbursement requests	47,595,569	49,093,762
Value added tax - to recover	5,199,221	14,119,222
Amounts pending repayment (tax proceedings decided in favor of the group)	6,961,604	16,538,446
	59,756,394	79,751,430

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

Amounts in Euro	Mai/2019	Jun/2019	Total
The Navigator Company, S.A.	23,120,017	18,894,694	42,014,711
Bosques do Atlântico, S.L.	-	5,580,858	5,580,858
	23,120,017	24,475,552	47,595,569

Up to the date of issuing this report, Euro 23,120,017 of the outstanding amounts as of 30 June 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	Dez/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
	400,000	48,693,762	49,093,762

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

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

Amounts in Euro	30-06-2019	31-12-2018
2013 Corporate income tax (RETGS)	-	8,715,786
2012 Corporate income tax - Proceeding 727/2016-T	4,422,958	4,422,958
2003 Value added tax	2,281,342	2,281,342
Other	257,304	1,118,361
	6,961,604	16,538,446

As part of the tax inspection process for the 2013 period, The Navigator Company, SA was notified regarding the Final Tax Inspection Report, dated 4 September 2017, which, among other things, contained a correction to the income tax calculation, in the amount of Euro 17,727,402 relating to the improper use of RFAI (Regime Fiscal de Apoio ao Investimento) carried forward with respect to previous periods.

Navigator did not agree with the identified correction and decided to contest it providing a bank guarantee in the amount of Euro 26,022,893 in order to suspend the tax execution procedure, following several litigation processes already presented on that matter since 2012.

Following a favorable decision on one of the most relevant cases 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, AT reimbursed the corresponding tax paid in the 2010, 2011 and 2012 periods by accepting a higher deduction of RFAI, in the total amount of Euro 10,801,901. In addition, Navigator paid, by reference to 2013, the additional RFAI deduction agreed between 2010 and 2012 because it is no longer available for reporting and deduction purposes in that same year, in the amount of Euro 10,813,923.

Current liabilities

Amounts in Euro	30-06-2019	31-12-2018
State and other public entities		
Corporate income tax	25,036,171	31,939,851
Personal income tax	4,018,143	2,332,455
Value added tax	24,069,744	41,832,900
Social security contributions	3,864,263	2,271,807
Additional tax liabilities	1,463,127	12,277,050
Income tax liabilities	18,177,424	-
Other	921,555	120,985
	77,550,427	90,775,049

As previously mentioned, since 1 July 2015, The Navigator Company and its subsidiaries were part of the taxation group led by The Navigator Company, S.A. Therefore, although each group company calculated its income taxes as if it was taxed independently, the determined liabilities were recognised as due to the leader of the taxation group who proceeded with the overall computation and the settlement of the income tax (Note 13).

Corporate income tax is detailed as follows:

Amounts in Euro	30-06-2019	31-12-2018
Corporate income tax (Note 13)	25,537,907	72,039,659
Payments on account	-	(39,807,135)
Withholding tax	(665,315)	(22,886)
Other receivables/ (payables)	163,579	(269,786)
Closing balance	25,036,171	31,939,851

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

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

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

Amounts in Euro	30-06-2019	31-12-2018
Bosques do Atlântico	1,463,127	1,463,127
2013 Corporate income tax (RETGS)	-	10,813,923
	1,463,127	12,277,050

Income tax liabilities elapse from the assessment of divergences of fiscal treatment with the fiscal administration and they were reclassified from provisions for tax claims to state and other public entities as a consequence of the adoption of IFRIC 23 interpretation.

27. IMPAIRMENT IN NON-CURRENT AND CURRENT ASSETS

During 2019 and 2018, the changes in this caption were as follows:

Amounts in Euro	Impairments			
	Inventories (Note 24)	Trade receivables (Note 25)	Other debtors	Total
Balance as of 1 January 2018	(126,315)	(2,440,472)	102,745	(2,464,042)
Increase (Note 8)	(515,959)	(439,083)	-	(955,042)
Reversals (Note 7)	-	83,860	-	83,860
Charge-off	-	1,284,518	-	1,284,518
Balance as of 30 June 2018	(642,274)	(1,511,177)	102,745	(2,050,706)
Increase (Note 8)	(4,603,026)	(123,682)	-	(4,726,707)
Reversals (Note 7)	1,221	73,432	-	74,653
Charge-off	9,592	319,365	(61,210)	267,747
Balance as of 31 December 2018	(5,234,487)	(1,242,062)	41,535	(6,435,013)
Increase (Note 8)	(1,229,513)	(6,525)	-	(1,236,038)
Reversals (Note 7)	742,952	3,216	-	746,168
Charge-off	181,622	19,275	(41,535)	120,812
Balance as of 30 June 2019	(5,539,426)	(1,264,646)	-	(6,804,072)

28. NON-CURRENT ASSETS HELD FOR SALE

In the consolidated statement of financial position as of 30 June 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.

29. SHARE CAPITAL AND TREASURY SHARES

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

As at 30 June 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
Treasury shares held in January	864,049	2,317,915	489,973	1,002,084
Acquisitions				
January	880,882	3,311,967	-	-
February	-	-	-	-
March	-	-	-	-
April	-	-	-	-
May	2,523,835	8,460,107	-	-
June	586,677	1,887,455	-	-
	3,991,394	13,659,529	-	-
Treasury shares held June	4,855,443	15,977,444	489,973	1,002,084
Remaining quarters			374,076	1,315,831
Treasury shares held in December			864,049	2,317,915

Treasury shares are stated at acquisition cost.

The market value of the treasury shares held on 30 June 2019 amounted to Euro 16,304,578 (31 December 2018: Euro 3,110,576), corresponding to a unit value of Euro 3.36 (31 December 2018: Euro 3.6) and the market capitalization of the Company at this date amounted to Euro 2,409,365,000 (2018: Euro 2,583,000,000) compared to an equity, net of non-controlling interests, of Euro 1,221,953,245 (2018: Euro 1,186,413,158).

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

Entity	30-06-2019		31-12-2018	
	No. of shares	Capital %	No. of shares	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 from Semapa's Group	-	0.00%	1,000	0.00%
Treasury shares	4,855,443	0.68%	864,049	0.12%
Remaining shareholders	215,027,258	29.97%	219,018,652	30.53%
Total shares	717,500,000	100.00%	717,500,000	100.00%

30. RESERVES AND RETAINED EARNINGS

As at 30 June 2019 and 31 December 2018, reserves and retained earnings were as follows:

Amounts in Euro	30-06-2019	31-12-2018
Fair value reserve	(8,790,923)	(5,633,483)
Legal reserve	100,000,000	100,000,000
Free reserves	197,292,250	197,292,250
Currency exchange reserve	(20,023,412)	(20,575,294)
Retained earnings	212,531,852	192,512,197
	481,009,767	463,595,670

Fair value reserves

The amount of Euro (4,355,090), net of deferred taxes in the amount of Euro 1,197,650 represents the decrease in the fair value of financial hedging instruments that, at 30 June 2019, were valued at Euro (7,868,900) (Note 37.3) and were accounted for in accordance with Note 1.13.

The changes in this reserves in 2019 and 2018 were as follows:

Amounts in Euro	2019	2018
Fair value reserve		
Balance as of 1 January	(5,633,483)	(3,020,990)
Fair value revaluation	(661,193)	(2,230,462)
Transferred to the income statement due to the maturity of instruments (Note 12)	(2,496,248)	(1,711,429)
Balance as of 30 June	(8,790,923)	(6,962,881)
Remaining quarters		1,329,397
Balance as of 31 December		(5,633,483)

The closing balance of the fair value reserve, by financial instrument, is as follows:

Amounts in Euro	30-06-2019			31-12-2018		
	Gross amount	Deferred tax	Net amount	Gross amount	Deferred tax	Net amount
Hedged interest rate risk	(5,842,429)	1,606,668	(4,235,761)	(4,840,967)	1,331,266	(3,509,701)
Hedged exchange rate risk	(3,371,159)	927,069	(2,444,090)	(17,532)	4,822	(12,710)
Hedged exchange rate risk - Navigator North America	(2,911,823)	800,751	(2,111,072)	(2,911,823)	800,751	(2,111,072)
	(12,125,411)	3,334,488	(8,790,923)	(7,770,322)	2,136,839	(5,633,483)

Legal reserve

The Portuguese Commercial Companies Code (Código das Sociedades Comerciais) establishes that at least 5% of the annual net profit must be used to increase the legal reserve until it represents at least 20% of the capital. This reserve cannot be distributed unless Navigator is liquidated but can be drawn on to absorb losses, after other reserves are exhausted, or incorporated in the share capital.

Reserve for Treasury shares

According to Article 324 of the Portuguese Commercial Companies Code (Código das Sociedades Comerciais), the Group constitutes an unavailable reserve of an amount equal to the book value of the treasury shares held in the individual accounts.

Currency Exchange reserve

This caption includes the exchange differences arising as a result of the conversion of all assets and liabilities of the Group expressed in foreign currency to Euro, using the closing mid-market exchange rates in force at the statement of financial position and is as follows:

Amounts in Euro	30-06-2019	31-12-2018
Navigator North América (USD)	(2,779,043)	(2,218,047)
Navigator Switzerland (CHF)	-	(497,240)
Navigator Paper Mexico (MXN)	60,647	(30,964)
Navigator Rus Company, LLC (RUB)	11,982	(21,425)
Navigator Middle East Trading DMCC (AED)	9,863	(11,729)
Navigator Paper Company UK (GBP)	2,961	5,528
Navigator Eurasia (TYR)	799	799
Navigator Afrique du Nord (MAD)	395	395
Navigator Paper Poland (PLN)	(2,863)	(2,863)
Portucel Mocambique (MZM)	(17,328,153)	(17,799,748)
	(20,023,412)	(20,575,294)

Retained earnings

The movements occurred in Retained earnings in 2019 and 2018, were as follows:

Amounts in Euro	30-06-2019	31-12-2018
Balance as of 1 January	192,512,197	167,388,264
Gains and losses recognised in the period	(5,112,309)	(4,522,989)
Dividends paid and reserves distributed	(200,003,439)	(170,003,077)
Application of prior period's net profit	248,135,403	214,770,604
Bonus to employees	(23,000,000)	(7,000,000)
Balance as of 30 June	212,531,852	200,632,802
Remaining quarters		(8,120,605)
Balance as of 31 December		192,512,197

31. DEFERRED TAXES

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

Amounts in Euro	1 January 2019	Income Statement		Equity	30 June 2019
		Increases	Decreases		
Temporary differences originating deferred tax assets					
Conventional capital remuneration	9,240,000	-	-	3,640,000	12,880,000
Taxed provisions	1,439,796	1,284,197	-	-	2,723,993
Adjustments in property, plant and equipment	104,175,669	-	(18,891,631)	-	85,284,038
Financial instruments	7,489,391	-	-	4,355,089	11,844,480
Deferred accounting gains on inter-group transactions	39,285,900	-	(10,081,874)	-	29,204,026
Government grants	203,588	-	-	-	203,588
	161,834,344	1,284,197	(28,973,505)	7,995,089	142,140,126
Temporary differences originating deferred tax liabilities					
Retirement benefits	(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)	-	2,122,837	-	(11,847,142)
Extension of useful lives of property, plant and equipment	(208,882,941)	(11,511,047)	-	-	(220,393,989)
Deferred accounting losses on inter-group transactions	(9,994,509)	-	-	-	(9,994,509)
Government grants	(7,439,159)	-	563,014	124,592	(6,751,553)
	(240,447,762)	(13,782,690)	2,685,851	1,681,592	(249,863,008)
Amounts recognised in balance sheet					
Deferred tax assets	44,504,445	353,154	(7,967,714)	2,198,650	39,088,536
Tax incentives for investment	26,502,330	-	(25,953,106)	-	549,224
	71,006,775	353,154	(33,920,820)	2,198,650	39,637,760
Deferred tax liabilities	(66,123,135)	(3,790,240)	738,609	462,437	(68,712,329)
	(66,123,135)	(3,790,240)	738,609	462,437	(68,712,329)

Amounts in Euro	1 January	Income Statement		Equity	Other liabilities	31 December
	2018	Increases	Decreases			2018
Temporary differences originating deferred tax assets						
Conventional capital remuneration	12,320,000	-	(3,080,000)	-	-	9,240,000
Taxed provisions	1,336,534	114,470	(11,208)	-	-	1,439,796
Adjustments in 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
	162,645,714	29,230,156	(33,644,965)	3,603,439	-	161,834,345
Temporary differences originating deferred tax liabilities						
Retirement benefits	(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 useful lives 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)
	(301,903,697)	(19,188,860)	80,613,351	31,444	-	(240,447,761)
Amounts recognised in balance sheet						
Deferred tax assets	44,727,571	8,038,293	(9,252,365)	990,946	-	44,504,445
Tax incentives for investment	-	-	-	-	26,502,330	26,502,330
	44,727,571	8,038,293	(9,252,365)	990,946	26,502,330	71,006,775
Deferred tax liabilities	(83,023,517)	(5,276,936)	22,168,671	8,647	-	(66,123,135)
	(83,023,517)	(5,276,936)	22,168,671	8,647	-	(66,123,135)

In the measurement of the deferred taxes as at 31 December 2018 and 2017, the corporate income tax rate used was 27.50%.

32. PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

32.1 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 June 2019, three Defined Contribution plans were in force, which covered 2,712 employees, excluding employees who chose to maintain a benefit safeguard clause.

32.2 Defined benefit plan

As at 30 June 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	30-06-2019	No. of beneficiaries	31-12-2018
Future services 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		(154,092,566)		(147,131,961)
	1,127		1,137	7,324,279
Insufficient funds / overfunding		18,438,009		7,324,279

The number of active employees that benefit from defined benefit plans on 30 June 2019 is 482 (31 December 2018: 506) compared to a total of 3,265 total employees (3,282 in 2018).

As at 30 June 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).

32.2.1 Assumptions used in the valuation of the liabilities

The actuarial studies developed by an independent entity for determine the accumulated liabilities as at 30 June 2019 and 31 December 2018 were based on the following assumptions:

	30-06-2019	31-12-2018	Real outcome	
			30-06-2019	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%	6.80%	-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	154,092,566
Surplus/ (deficit)	3,755,326	(6,457,116)	(5,090,242)	(7,324,279)	(18,438,009)

32.2.2 Changes in liabilities

The movements in liabilities with retirement and pension plans in 2018 and 2017 were as follows:

Amounts in Euro	2019	2018
Liabilities in the beginning of the period	154,456,240	151,199,735
Remeasurement (actuarial deviations)	18,053,860	1,829,897
Accrual of expected liabilities	-	637,577
Costs recognised in the Income Statement	2,457,217	2,395,283
Pensions paid	(2,436,741)	(2,335,933)
Balance as of 30 June	172,530,575	153,726,559
Remaining quarters		729,681
Balance as of 31 December		154,456,240

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 defined benefit plans' liabilities is 14.8 years.

32.2.3 Changes in the Fund's assets

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

Amounts in Euro	2019	2018
Opening balance	147,131,961	146,109,493
Contribution for the period	-	2,000,000
Expected income for the period	1,359,139	1,463,154
Remeasurement (actuarial deviations)	7,884,825	(2,929,264)
Pensions paid	(2,436,741)	(2,335,933)
Other	153,382	247,601
Balance as of 30 June	154,092,566	144,555,051
Remaining quarters		2,576,910
Balance as of 31 December		147,131,961

The impact of Euro 7,884,825 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	163,577	10,279,422
Schroders	55,132,367	47,959,790
BlackRock	55,496,082	46,386,780
<i>Conta 1</i> - Credit Suisse	43,300,540	42,505,969
Total Defined Benefit and <i>Conta 1</i>	154,092,566	147,131,961

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

Amounts in Euro	30-06-2019	31-12-2018
Bonds	109,717,709	97,880,071
Shares	41,060,913	34,189,195
Liquidity	3,150,367	5,052,752
Other short-term investments	163,413	10,000,000
Property	164	9,943
	154,092,566	147,131,961

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.

32.3 Defined Contribution Plan

As at 30 June 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	135	5.35%	9,488,620	116	(1.81%)	8,983,980
Conventional sub-fund	402	6.53%	21,791,886	336	(2.51%)	20,884,122
Dynamic sub-fund	683	8.50%	13,897,693	480	(3.79%)	13,649,515
Aggressive sub-fund	1,492	11.01%	5,004,259	184	(5.51%)	4,416,753
Total Defined Contribution	2,712		50,182,458	1,116		47,934,370
			204,275,024			195,066,331

32.4 Impact on the income statement for the period

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

Amount in Euro	6 month period 30-06-2019	6 month period 30-06-2018
Defined Benefit Plans		
Current services	921,127	979,273
Interest expenses	1,536,090	1,416,010
Return of the plan assets	(1,359,139)	(1,463,154)
Accrual of expected liabilities	-	637,577
	1,098,078	1,569,706
Defined Contribution Plan		
Contributions of the period	766,470	663,540
	766,470	663,540
Costs for the period	1,864,548	2,233,246

33. PROVISIONS

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

Amounts in Euro	Legal Claims	Tax Claims	Other	Total
Balance as of 1 January 2018	4,159,157	13,830,188	1,547,301	19,536,646
Increases (Note 8)	826,305	-	-	826,305
Reversals (Note 8)	(279,225)	(300,000)	(1,547,301)	(2,126,526)
Transfer / Adjustments	39,984	23,879,759	-	23,919,743
Balance as of 30 June 2018	4,746,221	37,409,947	-	42,156,168
Increases (Note 8)	285,241	-	15,109,286	15,394,527
Reversals (Note 8)	(173,849)	(373,509)	-	(547,358)
Transfer / Adjustments	(71,638)	(13,866,229)	-	(13,937,867)
Balance as of 31 December 2018	4,785,975	23,170,209	15,109,286	43,065,471
Increases (Note 8)	-	446,893	2,303,649	2,750,542
Reversals (Note 8)	(835,174)	-	-	(835,174)
Transfer / Adjustments	-	(23,617,102)	-	(23,617,102)
Balance as of 30 June 2019	3,950,801	-	17,412,935	21,363,736

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 5,439,678 (31 December 2018: approximately Euro 10 million) related to the establishment of provisions in 2019, which were recorded against income tax expense, as well as Euro 18,177,424 which were reclassified to state and other public entities in light with IFRIC 23 interpretation (Note 26).

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. In a first moment will occur the creation of a forestry of approximately 40,000 hectares which will ensure the supply of a unit (to be built) to produce eucalyptus wood chips for export, around 1 million tons per year, representing a total estimated investment of USD 140 million.

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 (see Note 27), in order to reflect the current development stage of the project.

Amounts in Euro	30-06-2019	31-12-2018
Non-current		
1 to 2 years	183,194,445	188,194,445
2 to 3 years	89,861,111	226,527,778
3 to 4 years	83,325,397	9,861,111
4 to 5 years	293,325,397	209,861,111
Above 5 years	222,724,205	19,583,333
	872,430,555	654,027,778
Commissions	(3,325,242)	(2,002,656)
	869,105,313	652,025,122

As at 30 June 2019, the Group had Commercial Paper programs and credit lines available, but not used, in the amount of Euro 95,450,714 (31 December 2018: Euro 195,450,714).

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

Amounts in Euro	30-06-2019	31-12-2018
Bearing debt to third parties		
Non-current	869,105,313	652,025,122
Current	43,194,444	111,805,556
	912,299,757	763,830,678
Cash and cash equivalents		
Cash	49,149	49,393
Short-term bank deposits	71,859,635	38,273,375
Other short-term investments	44,011,822	42,537,016
	115,920,606	80,859,785
Interest-bearing net debt	796,379,150	682,970,893

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

Amounts in Euro	30-06-2019	31-12-2018
Balance as of 1 January	763,830,678	818,057,471
Borrowings - outflows	(280,208,335)	(150,205,591)
Borrowings - inflows	430,000,000	100,000,000
Reimbursable grants	-	(4,237,694)
Variation of changes with the issuance of loans	(1,322,586)	216,493
Variation of interest-bearing debt	148,469,079	(54,226,793)
Interest-bearing gross debt	912,299,757	763,830,678

The Navigator Company Group has a strict policy of approval of its financial counterparts, limiting their exposure according to an individual risk analysis and previously approved ceilings. Beyond these limits, there is also a diversification policy applied to the number of the Navigator Company Group's counterparties. At 30 June 2019, "Other short-term investments" included an amount of Euro 43,596,734 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 six-month period ended as at 30 June 2019 and 2018 was as follows:

Amounts in Euro	6 month period 30-06-2019	6 month period 30-06-2018	Remaining quarters	12 month period 2018
<i>Balance as of 1 January</i>	682,970,893	692,726,435	-	692,726,434
Payments with debt issuance	3,325,242	2,012,946	(10,290)	2,002,656
Interest paid	7,352,868	7,500,360	10,623,151	18,123,511
Interest received	-	723,494	(723,494)	-
Dividends paid and reserves distributed	200,003,439	200,002,777	-	200,002,777
Acquisition of own shares	13,659,529	-	1,315,831	1,315,831
Receipts related to investment activities	(229,410)	-	(74,410,845)	(74,410,845)
Payments related to investments	-	-	-	-
Payments related to property, plant and equipment	107,661,211	80,054,582	129,257,137	209,311,719
Accumulated exchange rate differences	(4,445,310)	(5,079,299)	(866,501)	(5,945,800)
Net receipts from operating activities	(213,919,312)	(237,860,454)	(122,294,936)	(360,155,390)
Change in net debt	113,408,257	47,354,407		(9,755,541)
Balance as of 30 June	796,379,150	740,080,842		682,970,893

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

Amounts in Euro	30-06-2019	30-06-2018	Remaining quarters	12 month period 2018
Net profit for the period	94,890,318	119,443,026	105,694,292	225,137,318
Depreciation, amortisation and impairment losses	71,032,295	66,444,913	72,065,734	138,510,647
Net changes in provisions	1,915,368	(1,300,221)	14,847,169	13,546,948
	167,837,981	184,587,718	192,607,196	377,194,914
Changes in working capital	(9,899,081)	(9,447,313)	7,255,978	(2,191,335)
Net changes of property, plant and equipment	(62,296,369)	1,195,628	(207,589,957)	(206,394,329)
Dividends paid and reserves distributed	(200,003,439)	(200,002,777)	-	(200,002,777)
Acquisition of own shares	(13,659,529)	-	(1,315,831)	(1,315,831)
Net changes in post-employment benefits	(11,113,730)	(4,081,265)	1,847,228	(2,234,037)
Other changes in equity	(9,821,637)	22,357,334	(4,577,678)	17,779,656
Expenses with the issue of bond loans	(1,322,587)	206,202	10,291	216,493
Other changes in non current assets and liabilities	26,870,134	(42,169,935)	68,872,724	26,702,789
Change in net debt (Free CashFlow)	(113,408,257)	(47,354,408)	57,109,949	9,755,541

34.2 Other liabilities

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

Amounts in Euro	30-06-2019	31-12-2018
Non-current		
Grants	34,856,334	41,997,203
Repayable subsidies	38,418,636	40,327,202
	73,274,971	82,324,405

The amount of grants corresponds to the non-current component of the investment grants received as described in Note 11.

As at 30 June 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 25).

35. LEASE LIABILITIES

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

Amounts in Euro	30-06-2019			31-12-2018		
	Rents payables	Interest on liabilities	Total	Rents payables	Interest on liabilities	Total
A menos de 1 ano	2,993,770	1,626,633	4,620,403	-	-	-
1 to 2 years	2,435,438	1,502,279	3,937,717	-	-	-
2 to 3 years	1,853,180	1,389,913	3,243,093	-	-	-
3 to 4 years	1,427,729	1,288,089	2,715,818	-	-	-
4 to 5 years	1,277,397	1,193,074	2,470,471	-	-	-
Above 5 years	20,902,332	8,275,438	29,177,770	-	-	-
Current value of liabilities	30,889,846	15,275,426	46,165,272	-	-	-

In accordance with the above mentioned in Note 2.1, this caption increased, as at 1 January 2019, approximately Euro 52 million.

36. PAYABLES AND OTHER CURRENT LIABILITIES

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

Amounts in Euro	30-06-2019	31-12-2018
Suppliers	138,754,598	125,409,905
Suppliers invoices pending - Logistics	8,218,951	7,785,095
Suppliers invoices pending - Other	59,106,277	49,593,816
Fixed asset suppliers	5,249,217	6,185,960
Finance leases	-	14,125
Suppliers - Related parties (Note 38)	1,236,087	2,656,988
Derivative financial instruments (Note 37)	8,154,256	4,826,363
Other creditors - emission allowances CO2	7,304,990	11,283,965
Sales commissions	381,170	252,649
Tax consolidation (Semapa)	8,992,798	8,992,798
Other creditors	6,541,934	9,664,156
Accrued costs	53,822,785	71,398,905
Deferred income	27,493,214	25,735,845
	325,256,278	323,800,571

As at 30 June 2019 and 31 December 2018, accrued costs and deferred income are detailed as follows:

Amounts in Euro	30-06-2019	31-12-2018
Accrued costs		
Payroll expenses - Performance Bonus	8,253,438	22,670,195
Payroll expenses - Other costs	18,472,685	19,682,882
Interest payable	4,757,033	3,241,812
Wood suppliers bonus	5,712,759	8,340,388
Water resource rate	2,752,011	2,414,504
Rent liabilities	9,498,356	8,624,589
Other	4,376,504	6,424,535
	53,822,786	71,398,905
Deferred income		
Government grants	14,510,191	14,594,285
Grants - emission licenses CO2	1,773,091	-
Other grants	7,285,128	7,216,756
Other deferred income - ISP	3,924,803	3,924,802
	27,493,214	25,735,845

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

Amounts in Euro	30-06-2019	31-12-2018
AICEP investment contracts		
The Navigator Company, S.A.	-	-
Enerpulp, S.A.	9,368,761	11,609,639
Navigator Brands, S.A.	648,440	648,440
Navigator Pulp Cacia, S.A.	9,355,276	10,499,052
Navigator Pulp Setúbal, S.A.	423,648	513,978
Navigator Pulp Figueira, S.A.	12,820,495	15,182,598
Navigator Parques Industriais, S.A.	2,018,031	2,047,709
Navigator Paper Figueira, S.A.	8,780	14,620
Navigator Tissue Cacia, S.A.	13,978,655	15,263,870
	48,622,086	55,779,906
Other		
Raiz	527,776	527,776
Viveiros Aliança, SA	216,663	283,807
	744,439	811,583
	49,366,525	56,591,488

During 2019 and 2018, the movements in Grants - CO2 emission licenses were as follows:

Amounts in Euro	2019	2018
Grants - emission licenses CO2		
Opening balance	-	-
Increase	9,274,001	3,984,110
Charge-off	(7,500,910)	(2,059,375)
Balance as of 30 June	1,773,091	1,924,735
Remaining quarters		(1,924,735)
Balance as of 31 December		-

These increases correspond to the CO2 emission allowances granted for free to several Group companies (2019: 467,540 and 2018: Euro 477,139).

37. FINANCIAL ASSETS AND LIABILITIES

Since its activities are exposed to a variety of financial and operating risk factors, the Group adopts a proactive approach to risk management, as a way to mitigate the potential adverse effects associated with those risks, namely the foreign exchange rate risk and interest rate risk.

The reconciliation of the consolidated statement of financial position with the several categories of financial assets and liabilities included is as follows:

Amounts in Euro	Financial instruments held for trading Note 37.2	Derivative hedging instruments Note 37.3	Loans and amounts receivable Note 37.4	Other non-current financial assets Note 23	Other financial liabilities Note 37.5	Non-financial assets/liabilities
30-06-2019						
Assets						
Available for sale financial assets	-	-	-	363,458	-	-
Other non-current assets	-	-	-	61,429,554	-	-
Cash and cash equivalents	-	-	115,920,606	-	-	-
Current receivables	631,117	285,356	255,746,592	-	-	313,370,506
Total Assets	631,117	285,356	371,667,198	61,793,012	-	313,370,506
Liabilities						
Non-current interest-bearing liabilities	-	-	-	-	869,105,313	-
Other liabilities	-	-	-	-	73,274,971	126,691,498
Current interest-bearing liabilities	-	-	-	-	43,194,444	-
Lease liabilities	-	-	-	-	46,165,271	-
State	-	-	-	-	-	59,373,003
Current payables	-	8,154,256	-	-	235,786,023	81,315,999
Total Liabilities	-	8,154,256	-	-	1,267,526,023	267,380,501
31-12-2018						
Assets						
Available for sale financial assets	-	-	-	521,747	-	-
Other non-current assets	-	-	-	62,647,165	-	-
Cash and cash equivalents	-	-	80,859,784	-	-	-
Current receivables	141,860	323,965	307,284,864	-	-	302,128,302
Total Assets	141,860	323,965	388,144,648	63,168,912	-	302,128,302
Liabilities						
Non-current interest-bearing liabilities	-	-	-	-	652,025,122	-
Other liabilities	-	-	-	-	82,324,405	116,512,884
Current interest-bearing liabilities	-	-	-	-	111,805,556	-
State	-	-	-	-	-	90,775,049
Current payables	-	4,826,363	-	-	221,839,457	97,134,749
Total Liabilities	-	4,826,363	-	-	1,067,994,541	304,422,682

Except for the derivative financial instruments, the remaining financial instruments are recorded at their cost as this is considered to be a reasonable approximation to their fair value.

37.1 Fair value hierarchy

The following table presents the Group's assets and liabilities measured at fair value at 31 December 2018, according to the following fair value hierarchies:

- i. **Level 1:** Fair value of financial instruments is based on prices available on active, liquid markets at the date of the statement of financial position;
- ii. **Level 2:** Fair value of financial instruments is not determined on the basis of active market prices, but rather resorting to valuation models. The main inputs of the models used are observable in the market; and
- iii. **Level 3:** Fair value of financial instruments is not determined on the basis of active market prices, but rather resorting to valuation models, the main inputs of which are not observable in the market.

Amounts in Euro	30-06-2019	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss				
Trading derivatives	631,117	-	631,117	-
Financial instruments - Hedging	285,356	-	285,356	-
Assets measured at fair value				
Biological assets	116,538,339	-	-	116,538,339
	117,454,813	-	916,473	116,538,339

Amounts in Euro	30-06-2019	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss				
Trading derivatives	-	-	-	-
Financial instruments - Hedging	(8,154,256)	-	(8,154,256)	-
	(8,154,256)	-	(8,154,256)	-

37.2 Derivative financial instruments held for trading

As at 30 June 2019 and 31 December 2018, the fair value of derivative financial instruments (Note 1.13) is as follows:

Amounts in Euro	Currency	National	30-06-2019			31-12-2018
			Positive	Negative	Net	Net
Trading						
Foreign exchange forwards	USD	72,500,000	416,954	-	416,954	113,278
Foreign exchange forwards	GBP	10,350,000	214,163	-	214,163	28,582
CO2 emission licenses	EUR	550,000	-	-	-	-
		83,400,000	631,117	-	631,117	141,860

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 June 2019 amounts to Euro 631,117 (31 December 2018: Euro 141,860).

During the first six-month period ended 30 June 2019, the Group acquired 5,142 CO2 licenses.

37.3 Derivative financial instruments designated as hedging instruments

As at 30 June 2019 and 31 December 2018, the fair value of derivative financial instruments designated as hedging instruments (Note 1.12) was as follows:

Amounts in Euro	Currency	National	30-06-2019			31-12-2018
			Positive	Negative	Net	Net
Hedging						
Hedging (future sales)	USD	196,166,667	175,608	(92,178)	83,430	(117,913)
Hedging (future sales)	GBP	70,000,000	109,748	-	109,748	323,965
Interest rate swap for commercial paper issued	EUR	-	-	-	-	(645,368)
Interest rate swap for bond loans	EUR	250,000,000	-	(8,062,078)	(8,062,078)	(4,063,084)
			285,356	(8,154,256)	(7,868,900)	(4,502,399)

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.

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.

37.4 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 (Notes 23, 25 26 and 39.2.4).

37.5 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 (Notes 26, 34 and 36).

37.6 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	30-06-2019	30-06-2018
Foreign exchange gains/ (losses) on loans and receivables	(1,965,304)	2,678,492
Gains/ (losses) on financial instruments - hedging	(2,496,248)	(1,711,429)
Gains/ (losses) on financial instruments - trading	489,257	(2,409,585)
Interest income:		
From deposits and other receivables	1,787,433	(371,847)
Interest expense:		
Financial liabilities measured at amortised cost	(5,055,638)	(3,747,059)
Other	(2,447,288)	(5,809,312)
	(9,687,788)	(11,370,740)

The fair value of derivative financial instruments is included in "Receivables and other current assets" (Note 25) and "Payables and other current liabilities" (Note 36).

The movement in the balances recognised in the statement of financial position (Notes 25 and 36) related with financial instruments are detailed as follows:

	Change in fair value (Trading)	Change in fair value (Hedging)	Total
Balance as of 1 January 2018	1,828,121	(1,440,218)	387,902
Maturity (Note 12)	(2,409,585)	(1,711,429)	(4,121,014)
Increase/ decrease in fair value	(702,568)	(2,017,796)	(2,720,364)
Balance as of 30 June 2018	(1,284,032)	(5,169,443)	(6,453,476)
Maturity (Note 12)	1,425,892	(4,814,756)	(3,388,864)
Increase/ decrease in fair value	-	5,481,800	5,481,800
Balance as of 31 December 2018	141,860	(4,502,399)	(4,360,539)
Maturity (Note 12)	489,257	(2,496,248)	(2,006,991)
Increase/ decrease in fair value	-	(870,253)	(870,253)
Balance as of 30 June 2019	631,117	(7,868,900)	(7,237,783)

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

		Nominal value	Maturity	Type	30-06-2019	31-12-2018
					Fair value	Fair value
Exchange rate forwards	USD	72,500,000	12/Jul/19	Trading	416,954	113,278
	GBP	10,350,000	12/Aug/19	Trading	214,163	28,582
					631,117	141,860
Hedging for future sales	USD	196,166,667	31/Jan/20	Hedging	83,430	(117,912)
Hedging for future sales	GBP	70,000,000	28/Feb/20	Hedging	109,748	323,965
Interest rate swap for commercial paper issued	EUR	-	-	Hedging	-	(645,368)
Interest rate swap for bond loans	EUR	250,000,000	28/Mar25	Hedging	(8,062,078)	(4,063,084)
					(7,868,900)	(4,502,399)
					(7,237,783)	(4,360,539)

38. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

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

Amounts in Euro	30-06-2019			31-12-2018		
	Assets	Liabilities		Assets	Liabilities	
	Customers	Suppliers	Other creditors (tax consolidation)	Customers	Suppliers	Other creditors (tax consolidation)
Semapa - Soc. de Investimento e Gestão, SGPS, S.A.	-	1,036,799	8,992,798	-	2,620,044	8,992,798
Secil - Companhia Geral Cal e Cimento, S.A.	171,381	205	-	150,582	231	-
Secil Britas, S.A.	-	118,937	-	-	4,005	-
Secil Prebetão, S.A.	-	314	-	-	846	-
CMP - Cimentos Maceira e Pataias, S.A.	-	8,081	-	-	575	-
Enermontijo, S.A.	110,437	52,752	-	65,477	20,430	-
Cimilonga - Imobiliária, S.A.	-	17,062	-	-	-	-
Unibetão, S.A.	-	1,697	-	-	10,858	-
Refundos - Soc. Gestora de Fundos de Inv. Imobiliário, S.A.	-	239	-	-	-	-
	281,818	1,236,087	8,992,798	216,059	2,656,988	8,992,798

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

Amounts in Euro	30-06-2019		30-06-2018	
	Sales and services rendered	Acquisition of goods and services	Sales and services rendered	Acquisition of goods and services
Semapa - Soc. de Investimento e Gestão, SGPS, S.A.	-	5,140,857	-	4,038,483
Secil - Companhia Geral Cal e Cimento, S.A.	245,361	436	144,973	559
Secil Britas, S.A.	-	110,561	-	20,140
Secil Prebetão, S.A.	-	25,995	-	-
CMP - Cimentos Maceira e Pataias, S.A.	-	18,300	-	-
Enermontijo, S.A.	-	-	176,436	255,410
Enerpar, SGPS, Lda.	-	-	-	17,401
Cimilonga - Imobiliária, S.A.	-	81,576	-	109,030
Hotel Ritz, S.A.	-	1,936	-	-
Unibetão, S.A.	-	98,921	-	-
Refundos - Soc. Gestora de Fundos de Inv. Imobiliário, S.A.	-	330,667	-	239,939
	245,361	5,809,249	321,409	4,680,962

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 (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.

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 (additionally see note 9).

39. RISK MANAGEMENT

The Navigator Company Group operates in the forestry sectors, in the production of eucalyptus for use in the production of BEKP pulp, which is essentially incorporated in the production of UWF and Tissue paper but is also sold in the market, and in energy production, essentially through the forest biomass that is generated in the BEKP production process.

All the activities in which the Navigator Group is involved are subject to risks which could have a significant impact on its operations, its operating results, the cash flow generated and in its financial position.

The risk factors analysed in this chapter can be structured as follows:

- i. Specific risks inherent to the sectors of activity in which the Navigator Group operates:
 - ✓ Risks associated with the forestry sector
 - ✓ Risks associated with the production and sale of BEKP pulp, UWF paper and tissue paper
 - ✓ Risks associated with the energy generation
 - ✓ Human Resources and talent management
 - ✓ Information systems
 - ✓ General context risks

- ii. Navigator Group risks and the way it performs its activities.

The Navigator Company Group has a risk-management program in place which is focused on the analysis of the financial markets in order to mitigate the potential adverse effects on its financial performance. Risk management is conducted by the Finance Department in accordance with policies approved by the Board of Directors. The Finance Department evaluates and undertakes the hedging of financial risks in strict coordination with the Navigator Company Group's operating units.

The Board of Directors provides the principles of risk management as a whole and policies covering specific areas such as foreign exchange risk, interest rate risk, liquidity risk, credit risk, the use of derivatives and other non-derivate financial instruments and the investment of liquidity surplus. The Risk Management Department monitors the implementation of risk management policies defined by the Board of Directors.

39.1 Specific risks in business sectors in which the Navigator Group operates

39.1.1 Significant risks from the forestry

On 30 June 2019, the Navigator Group managed approximately 109 thousand hectares distributed in mainland Portugal and the Azores in about 1,300 Management Units in 162 municipalities, in accordance with the principles stated in its Forestry Policy. Eucalyptus and areas under ongoing afforestation with these sort of species occupy 74% of this area, namely the Eucalyptus globulus species, deemed to have the perfect fiber for high-quality papers. For the remainder and in addition to conservation areas that account for about 11% of the total area under management, pine and cork oak forests are among the largest privately owned national producers.

The Navigator Group was allocated with 356,210 hectares located in Mozambique, in the provinces of Manica and Zambezia, composed by 5 dozens of land, made available under an Investment Agreement signed with the Mozambican Government, of which approximately 13.6 thousand hectares are planted. The agreement also provides for the construction of an industrial BEKP production unit meant for the production of BEKP pulp and generation of electric energy in that country. In July 2018, the Mozambican Government and Portucel Mozambique signed a Memorandum of Understanding through which they agreed on a set of preceding requirements necessary for the progress of the investment, which will be developed in two phases. At first, a forestry base of approximately 40,000 hectares will be created, which will guarantee the supply of a unit (to be built) for the production of eucalyptus wood chips for export (approximately 1 million tons per year), in an estimated additional investment of USD 140 million.

The main forestry areas under Navigator Group's management are certified by FSC (Forest Stewardship Council) and by PEFC (Programme for the Endorsement of Forest Certification schemes), ensuring an environmental, economic and socially responsible forestry management that follows a strict and internationally recognised criteria.

The main risk factor threatening the eucalyptus forests lies in the low productivity of Portuguese forest and in the worldwide demand for certified products, considering that only a small proportion of the forests are certified. It is expected that this competitive pressure will remain in the future. As an example, at the end of 2018 the forestry area managed by the Navigator Group represented nearly 3% of Portugal's total forested area, 41% of all certified Portuguese forests according with PEFC standards and 26% of all certified Portuguese forests according with FSC standards.

In order to address these issues, the Group initiated in 2016 a project aiming to promote forest certification in areas owned by private owners, seeking to guarantee that, by 2020, eucalyptus wood processed by the Group will be provided by partners with a certified activity. In the first six-month period of 2019, 51% of wood from national sources, excluding self-sufficiency, already came from properties that had their forest management certified (2018: 42%).

In 2018, this increase allowed, for the first time in the Group's history, to record more than 50% of the total wood acquired by the Group to be from certificated management forest properties. And, in 2019, for the first time we can check that the majority of the wood delivered in our factories by domestic suppliers comes from properties with forest management certified. It should also be noted that, within this initiative, the Group has seen a significant increase in the number of wood supplier chain of custody certification, representing a step further on the development of a supplier's portfolio with certificated management forest properties.

In addition, the Group is working to proactively promote good forest management practices to help improve the productivity of third-party forest areas. This effort, which has been developed through CELPA (Associação da Indústria Papeleira, representing the main industrial groups in the industry) with the Best Eucalyptus Program was reinforced in 2018 with additional supporting measures, in addition to the technical support already provided. In 2019, this line of work had the first campaign of the Limpa & Aduba program, under which the CELPA, at their own cost, fertilize the private lands that apply to this program, and clean their eucalyptus forest properties. This measure, empowering productivity, also allows the reduction of fire hazard by the reduction of the fire load in the lands, having been carried out in 6,000ha in 2019.

The main risks related with the industry are the ones related to the production capacity of the plantations, the risk of wildfires and plant health as well as the regulatory risk, given the entry into force on 1 January 2018, of Law No. 77/2017, of 17 August, which makes the first amendment to the legal regime applicable to afforestation and reforestation with the use of forest species (RJAAR), approved by Decree-Law No. 96/2013, dated 19 July.

The combination of all these factors, in recent years without any strategic measures of the State in the industry, has forced the import of raw material, a process conditioning the profitability of the industry.

The Navigator Group's activity is exposed to risks related to forest fires, including:

- I. Destruction of current and future wood inventory, belonging to the Navigator Group as well as to third parties;
- II. Increasing costs of forestry and subsequent land preparation for plantation.

In this respect, the manner in which the Navigator Group manages its woodlands is the front line for mitigating this risk.

Among the different management measures undertaken by the Navigator Group, the strict compliance with biodiversity rules, a proper planning of the forest facilities to be implemented and the construction and maintenance of roads and access roads to each of the areas under development are particularly relevant in mitigating the fire risk.

In addition, the Navigator Group has a share in the Afocelca grouping – an economic interest grouping between the Navigator Group and the ALTRI Group, whose mission is to provide assistance in the fight against forest fires at the grouped companies' properties, in strict coordination and collaboration with the National Civil Protection Authority (Autoridade Nacional de Protecção Civil – ANEPC). This grouping manages an annual budget of about Euro 3 million, without public funds, and has created an efficient and flexible structure which implements practices aimed at reducing protection costs and minimizing the damage caused by forest fires to the ACE companies, which own and manage more than 200 thousand hectares of forests in Portugal.

In order to maximize the production capacity of the operated areas, the Navigator Group has developed and uses Forestry Management models which contribute to the maintenance and ongoing improvement of the economic, ecological and social functions of the forestry areas, not only regarding the population but also from the forestry landscape perspective, namely:

- i. Increase the productivity of its woodlands through the use of the best agro-forestry practices adjusted to local conditions and compatible with the environment and the demand for biodiversity;
- ii. Establish and improve the network of forestry infrastructures to enable the required accessibility for management, whilst making them compatible with the forestry protection measures against wildfires;
- iii. Ensure compliance with the water-cycle functions, promoting, whenever possible, the rehabilitation and qualitative protection of water resources.

The Navigator Group has also a research institute, RAIZ, whose activity is focused on 3 main areas: Applied Research, Consulting and Training. In the forestry research area, RAIZ seeks:

- i. To improve the productivity of eucalyptus forests;
- ii. To enhance the quality of the fiber produced from that wood;
- iii. To implement a sustained forestry management program from an economic, environmental and social perspectives;
- iv. To foster practices and processes aimed at reducing wood production costs.

39.1.2 Risks associated with the production and sale of BEKP pulp, UWF pape rand Tissue paper

Supply of raw materials

The self-supply of BEKP pulp production represents less than 15% of the Group's needs, meaning that the Navigator Group needs to buy wood in the market since the national market is insufficient to cover their needs. Therefore, imports from the Spanish and non-Iberian markets are made structurally.

The supply of wood, namely eucalyptus, is subject to price and exchange rate fluctuations and possible difficulties encountered in the supply of raw materials that could have a significant impact on the production costs of companies producing BEKP (Bleached Eucalyptus Kraft Pulp). Also relevant is (mostly in imports) the volatility of wood transportation costs to the factories, which floats depending on oil prices and sea freight costs.

The planting of new forest plantations is subject to the authorization of the relevant entities which may limit the national productive potential, despite the initiatives taken to increase the productivity of existing areas and consequently the availability of raw materials.

In the event of insufficient domestic production, in quantity and quality terms, namely of certified wood, the Navigator Group may have to increase the quantity of imported wood, both from Spain and outside Iberia, for which the Group is also taking initiatives that ensure the supply in the short- and medium-term.

Regarding imports of wood, there is a risk underlying its shipment from the place of origin to the harbors supplying the Group's plants. This transportation risk is mitigated by the purchasing conditions agreed with non-Iberian suppliers and the ownership of raw materials is transferred, in most cases, at the port of arrival. In addition, an insurance is taken to cover any supplying losses arising from any transportation accident that may affect the supplying of wood.

The Navigator Group seeks to maximize the added value of its products, particularly through increased integration of certified wood in these products which is supported by ongoing initiatives in the national market that aim to increase the certified area and consequently the certified wood supply. These initiatives aim to respond to the growing demand for products – paper and pulp – certified by the various markets where the Navigator Group operates.

On 30 June 2019, a 10% increase in the cost per m³ of eucalyptus wood consumed in BEKP pulp production would have had a negative impact in the Navigator Group's operating results of approximately Euro 15,090,000 (30 June 2018: Euro 14,200,000).

For other raw materials, including chemicals, the main risk identified is the scarcity of products under the growing demand for these products in emerging markets, particularly in Asia and markets supplying them, which can create occasional imbalances of supply and demand.

In this regard, the Navigator Group, together with the Altri Group, established in 2018 a Complementary Grouping of Companies - Pulp Chem, ACE – intended for the joint acquisition of chemical products, benefiting from economies of scale and thus mitigating this risk.

The Navigator Group seeks to mitigate these risks through proactive sourcing, by identifying sources of supply geographically dispersed, whilst seeking to secure long-term supply contracts that ensure volume, price and quality levels consistent with its requirements.

Finally, another resource required for the production process is water. The concern with the use of this resource that the Navigator Group assumes as finite is significant. Over the past few years, investments have been made aimed at reducing the use of water in the process, which, in fact, decreased more than 20% between 2005 and 2018. In addition, effluent treatment efficiency is also relevant, with effluent volumes reduced by 24% between 2005 and 2018, result of an investment in process improvement aimed at minimizing the Group's environmental impact.

Market price for UWF paper, BEKP pulp and Tissue paper

The increase in competition, caused by an imbalance of supply and demand in the BEKP pulp, UWF or Tissue paper markets may have a significant impact on prices and, as a consequence, in the Navigator Group's performance. The market prices of BEKP pulp, UWF and Tissue paper are defined in the world global market in perfect competition and have a significant impact on the Navigator Group's revenues and on its profitability. Cyclical fluctuations in BEKP pulp, Tissue paper and UWF Paper prices mainly arise from both changes in the world supply and demand and the financial situation of each of the international market players (producers, traders, distributors, clients, etc.), creating successive changes in equilibrium prices and raising the global market's volatility.

The BEKP pulp and UWF paper markets are highly competitive. Significant variations in existing production capacities could have a strong influence on world market prices. These factors have encourage the Navigator Group to follow a defined marketing and branding strategy and to invest in relevant capital expenditure to increase productivity and generate high-quality products. It should be noticed that currently the pulp used to produce Tissue paper was mainly acquired to third parties until the end of 2018.

On 30 June 2019, a 10% drop in the price per ton of BEKP pulp and of 5% in the price per ton of UWF paper and Tissue paper sold by the Navigator Group in the period, would have represented an impact on its operating results of approximately Euro 7,760,000 and Euro 33,830,000, respectively (30 June 2018: Euro 7,260,000 and Euro 32,220,000, respectively).

Demand for the Navigator Group's products

Notwithstanding the references below to the concentration of the portfolio of the Navigator Group's customers, any decrease in demand for BEKP, UWF and tissue paper in the European and the United States markets could have a significant impact on the Navigator Group's turnover. The demand for BEKP produced by the Group also depends on the evolution of the capacity for paper production in the world, since Navigator Group's major customers are themselves paper producers.

The demand for uncoated printing and writing paper has been historically related with macroeconomic factors (e.g., GDP growth, employment, particularly in white collar jobs, confidence indices), technological (e.g., penetration of information technology and hardware / software, and demographic (e.g., population, average level of education, age structure of society). The evolution of these factors drives the demand for paper positively or negatively, and in the recent past, the trend of paper consumption is negative in the more developed countries and positive or stable in the emerging / developing countries. Naturally, the performance of the Navigator Group also depends on the evolution of demand in the various markets in which it operates.

Regarding the demand for eucalyptus market pulp, this is largely dependent on the production progress in the non-integrated producers of printing and writing paper, tissue and specialty papers. Chinese demand for this type of pulp represents more than 1/3 of the world's demand, making China one of the most breakthrough drivers of demand.

Regarding Tissue segment, the key variables affecting the demand are:

- Expected future economic growth;
- Population growth and other demographic changes;
- Product penetration levels;

- Developments in the quality of Tissue paper and product specifications;
- Substitution effects.

Tissue paper consumption is not very sensitive to cyclical economical changes, although it tends to grow faster with higher economic growth.

The importance of economic growth for the consumption of Tissue is more obvious in developing countries. When the level of the income per capita is very low, the consumption of Tissue tends to be low. There is a threshold after which consumption accelerates. Economic growth allows greater penetration of the product, which is one of the main drivers of demand for such paper in the population with lower incomes. The Tissue paper is a product that does not face major threats of substitution by other materials, and there are no expected changes at this level.

Consumer preferences may have an impact on global paper demand or in certain particular types of paper, such as the demand for recycled products or products with certified virgin fiber.

Regarding this matter, and in the particular case of UWF and Tissue paper, the Navigator Group believes that the marketing strategy and branding that has been followed, combined with the significant investments made to improve productivity and produce high quality products, allow it to deliver its products in market segments that are less sensitive to variations in demand, resulting in a lower exposure to this risk.

Energy

The pulp and paper production process are dependent on the constant supply of electric and steam energy. The Group has several cogeneration units, which provide this supply, and redundancies have been planned between the various units in order to mitigate the risk of any unplanned shut-downs.

Part of the electricity production is sold to the supplier of last resort at regulated tariffs, based on a legal framework that lays down the special regime production from renewable resources and cogeneration. The remuneratory legal framework provides for a progressive tariff reduction over the applicable time period, implying that the central banks will tend to operate in a self-consumption regime. This fact can be proven by both the reduction shown in revenues associated with the electric power generation activity in recent years and by the reduction of electric energy and natural gas consumption.

Country risk - Mozambique

Due to the investment in the Mozambican project, the Navigator Group is exposed to the specific risk in this country. This means that the planning of investments, in terms of timing, choice of suppliers / partners and geographic location is made considering this effect. The Group monitors the achievement of each step by reasonably assuming, that there will be no effects arising from that risk conditioning them.

At this moment, the Mozambique project is essentially a forestry project, with an option to develop an industrial project. The planned investment will be implemented in two phases, the first being a ship production (woodchip) project and a second phase the construction of a large-scale pulp mill. The Group is, however, prepared to move forward with the forestry plan foreseen, once the necessary conditions - most of which are under discussion with the Mozambican authorities - are met.

Until 30 June 2019, the expenditure with this project amounted to Euro 102.5 million (31 December 2018: Euro 98.6 million), mainly related to plantation, land preparation and forest maintenance, to the social development program and the construction of what is now one of Africa's largest forest nurseries.

Nevertheless, the Group's more conservative approach led to the record of several impairments against the investment in Mozambique. Moreover, in 2018 a provision in the amount of Euro 12 million was also recorded in the period, in order to reflect the stage of development of the project.

Country risk - USA

The US market has a significant weight in the total turnover of UWF paper, increasing the exposure to the country's specific risk.

This exposure requires a careful evaluation of the impacts resulting, for example, from changes in regulations and taxes, or even from their application and interpretation by governmental entities and tax authorities.

Concerning UWF paper imports, together with producers from other countries (Australia, Brazil, China and Indonesia), the Group has been subject to Anti-dumping measures imposed by the US Department of Commerce since 2015. Last September, Navigator Group was notified by the United States Department of Commerce that the final anti-dumping duty to be applied retroactively on sales of US the period from August 2015 to February 2017 (the "first period of review") was downgraded to 1.75%, which became applicable through the deposit of the fee corresponding to all exports to the US by the Group after the release date of that decision. The second period of review is still being reviewed, from March 2017 to February 2018, and the third and fourth periods of review, between March 2018 and February 2019 and March 2019 and February 2020 is still running.

Competition

Increased competition in the paper and pulp markets may have a significant impact in price and consequently, in the Navigator Group's profitability.

As paper and pulp markets are highly competitive, new capacities may have a relevant impact in prices worldwide.

BEKP producers from the southern hemisphere (namely from Brazil, Chile, Uruguay and Indonesia), with significantly lower production costs, have been gaining weight in the market, undermining the competitive position of European pulp producers.

These factors have forced the Navigator Group to make significant investments in order to keep production costs competitive and produce high-quality products as it is likely that this competitive pressure will remain strong in the future.

Other highlight is the divestment in the papermaker sector in the USA, with some announcements by some UWF producers of closure/conversion of installed capacity to take place by 2020, in a clear attempt to adjust supply according to the negative evolution of demand. On the contrary, investments in new UWF capacity in the Middle East and in China and in the short- and medium-term are expected.

The Navigator Group has been adjusting its commercial strategy to the evolution of regional consumption patterns. The Group has a significant presence in the US, accounting for about half of European producer sales to this market. The turnover intended to the European markets represented 62% (2018: 60%), achieving particularly strong market shares in Western European countries and relevant market shares in the other main European markets.

Concentration of customers' portfolio

As at 30 June 2019, the Navigator Group's 10 main BEKP customer groups accounted for 18% of the period's production of BEKP pulp (2018: 17%) and 64% of external sales of BEKP pulp (2018: 86%). This asymmetry is a result of the strategy pursued by the Navigator Group, consisting of a growing integration of the BEKP pulp produced into the UWF paper produced and sold. Nevertheless, the Group believes there is little exposure to risks of customer concentration in the marketing of BEKP pulp.

In 2019, the Navigator Group's 10 main customer groups for UWF paper represented 48% of this product's sales during the period (2018: 48%), although the group's 10 main individual customers did not exceed 24% of the UWF paper sales (2018: 26%). The Navigator Group registered 43 new customers with sales in 2019. Also, regarding UWF paper, the Group follows a risk mitigation strategy for its customer concentration. The Navigator Group sells UWF paper to more than 130 countries and to more than 1,000 individual customers, thereby allowing a dispersion of the risk of sales concentration in a reduced number of markets and/or customers.

Tissue sales amounted to Euro 65.3 million in the first six-month period of 2019 (2017: Euro 40.5 million). Its commercial activity is mainly focused in the Iberian markets, representing 97 % of its sales. The 10 main customers represent about 45% of total sales (2018: 45%).

With the new production equipment in place, given the investment in the second Tissue paper machine made in 2015, the Navigator Company Group believes it will be able to expand its business activity to external markets, namely to Spain and the rest of Western Europe, which is expected to strengthen with the entry into operation in 2018 of the third Tissue paper machine in Aveiro.

Environmental Legislation

In recent years, environmental legislation in the EU has become increasingly restrictive regarding the control of effluents. The companies of the Navigator Group comply with the prevailing legislation, in its various parameters (VLEs).

On September 2014, the Commission's implementing decision 2014/687 / EU approved the BREF (Best Available Technologies Reference Documents) – Conclusions on Best Available Techniques of the Reference Paper – for the paper and pulp sectors containing the new limits and requirements for these sectors. The companies have four years to promote the required adjustments to its practices and equipment. Furthermore, the technical discussion on the Large Combustion Facilities Reference Document was finalized and published. This document has an impact on the Navigator Group's equipment, particularly in boilers and combustion facilities, which will be covered by the new legislation, therefore requiring new investments, such as particule filters for biomass boilers.

As such, the Group has been following the technical development of this matter, trying to anticipate and plan the necessary improvements to their equipment so to comply with the limits to be published. There is a possibility that the Group may need to perform additional investments in this area in order to comply with any changes in limits and environmental regulations which may be approved.

To date, the legislative changes that are known relate to the evolution of the Scheme for Greenhouse Gas Emission allowance trading of CO₂ emission rights (CELE), established by Directive 2003/87/CE, and amended by Directive 2009/29/CE, which outlines the legal framework of the CELE for the period 2013-2020 and which was transposed into the national law by Decree-Law 38/2013 of 15 March.

Recently, EU Directive 2018/410 of 14 March amending Directive 2003/87/EC was also approved aiming to increase the cost-effectiveness of emission reductions and investment in low-carbon technologies. EU 2018/410 Directive sets out, among other things, the new CELE period to be in force between 2021-2030, which will show a reduction in the amount of CO₂ emission allowances allocated free of charge.

This development will bring increased costs for the transformation industry in general and in particular for the paper and pulp industry, without any compensation for the CO₂ that, annually, is absorbed by the forests of this industry.

In order to mitigate the impact of this change, the Group has long undertaken a series of environmental investments that, among other advantages, have allowed the continuous reduction of CO₂ emissions, despite the fact that, in recent years, there has been a steady increase in production volumes. In addition, the group has a Carbon Neutral Company Program that aims to implement, by 2035, changes in its production processes in order to minimize the use of fossil fuels and consequently reduce their CO₂ emissions.

In 2015, an environmental strategic plan was analyzed and established, aiming to adapt Navigator Group to a set of new and future requirements in the environmental area, namely to the reference document for the sector (Conclusions on Best Available Techniques of the Reference Document for the sector - BREF - Commission Implementing Decision 2014/687/EU) and for Large Combustion Facilities. The reference documents correspond to the implementation of Directive 2010/75/EU on industrial emissions. Projects are underway to implement the appropriate technological changes, as well as a new version of the Environmental Master Plan, which incorporates new environmental challenges that have arisen in the meantime.

The Environmental Strategic Plan aimed for areas other than the environmental covered by this document. It was possible to confirm that Navigator Group is broadly in compliance with this future referential and to identify some areas for improvement as well as technological solutions such as atmosphere emissions from biomass boilers.

On the other hand, under the terms set in Decree-Law 147/2008, dated 29 June that transposed directive 2004/35/CE to the national law, the Navigator Group secured the environmental insurances demanded by that law, thus guaranteeing compliance and reducing exposure to environmental risks.

39.1.3 Risks associated with the production of energy

Energy is an activity of growing importance in the Navigator Group allowing the use of endogenous renewable resource which is the biomass generated in the BEKP production. The energy generation assets also allow the Navigator Company Group's wood suppliers to generate additional income from the sale of biomass and contributing to the reduction of the risk of fires in the country.

As a way of boosting the use of forest residual biomass made available by the forestry sector, two biomass thermoelectric plants to produce renewable electric energy were built by the Group in 2009 and are fully operational.

The Group has played a pioneering role and has been developing a market for the sale of biomass for supplying its renewable cogeneration power stations and biomass power plants. The fostering of this market in a phase prior to the start-up of the new power-generating units has enabled it to secure a sustained raw-material supply network.

The Navigator Group has been making the Government and public opinion aware of the need to guarantee that biomass is managed in a sustainable manner, avoiding the use of eucalyptus wood for biomass, as an alternative of its use in the production of tradable goods. The incentives in place in Portugal only consider the use of residual forest biomass, rather than the use of wood to produce electrical power.

In addition, and despite the legal provisions,

- i. Decree-Law 23/2010 and Act 140/2012, revised by Act 325-A/2012, applicable to the ERP system – Special Regime in cogeneration;
- ii. Para as Centrais Termoelétricas a Biomassa (CTB) florestal residual, dedicadas à produção de energia elétrica o quadro legal é suportado pelo Decreto-Lei 33-A/2005 revisto pelo Decreto-Lei 225/2007, que altera de 15 para 25 anos o período de remuneração garantida em PRE - Produção em Regime Especial que permitem antever a estabilidade tarifária no futuro próximo, existe um risco de que a alteração das tarifas de venda de energia sejam, eventualmente penalizantes para os produtos (o que já se vem notando, com medidas específicas sobre a tarifa e com a introdução da Contribuição Extraordinária sobre o Sector Energético nas unidades de cogeração com capacidade superior a 20 MW). A procura constante pela otimização dos custos de produção e pela eficiência das unidades geradoras e a análise de novos projetos de produção de energia a partir de fontes renováveis são a forma pela qual o Grupo procura mitigar este risco.

As a result of the measures taken under the Financial Adjustment Program to which Portugal was subject, the entire remuneration system of the national electricity sector was revised, being the major impact in the electricity produced from cogeneration, recognised as an energy efficiency measure already which represents one of the most efficient forms of energy production.

The Navigator Group represents a significant part of the energy produced in Portugal. The units owned and operated by the Group under the Cogeneration regime, supported by a review of the electric energy sales prices, over a period that began temporarily in 2012 and which will end progressively between 2025-2030.

The progressive tariff reduction associated with the sale of electricity in special regime, affects the economic sustainability of the sale to the electricity grid, therefore after the applicable legal periods, the cogenerations tended to operate on a self-consumption basis, i.e. directly supplying the units which has already occurred at the natural gas cogeneration plant at Figueira da Foz since February 2016.

39.1.4 Human resources and talent management

The first six-month period of 2019 was highlighted by the implementation of the phase one of the Human Resources restructuring project, whose main focus was the review and standardization of processes, policies and systems, in order to facilitate a better connection with the business and to strengthen the problem-solving and solution seeking capabilities:

- Transactional areas were centralised in a single area (HR operations), with the goal to ensure and make more efficient the levels of services provided in all the company, according to transversal policies and practices;
- The process areas (Talent and Compensation & Benefits Management) proceeded to have as target population all the company (and not only the management) which forced a review and interconnection of all processes;
- The Business Partners structure was reinforced in order to ensure a closer proximity with the business and better support to the management and their teams;
- It was created a HR analytics area in order to strengthen the capability to anticipate future tendencies and impacts taking into account the 3 axes – business, company and People;
- The culture and internal communication areas has as its new challenge the managing change in order to have a more decentralized management culture based on the ability of teams to make better use of their resources and the projects delegated to them.

At the same time, the first semester was marked by a series of projects aimed at consolidating the development axes started in 2018 and already been reported, as follows:

- Continued leadership development through the implementation of diagnostic, training and coaching projects;
- Identification and development of an internal expert pool capable to ensure the knowledge retention;
- The beginning of the functional families project, the basis for the development and articulation of technical careers, along with career management, project that will not be completed until 2020;
- Review of the performance appraisal system, based on the review of the objectives and skills model;
- The strengthening of equity and meritocracy through changes in the performance bonus eligibility.

39.1.5 Information systems

The Group's information systems, some of which rely on services rendered by third parties, play key role in the operation of its business. Given the strong reliance placed on information technologies in the several geographies and business areas in which the Group operates, it is important to highlight the risk inherent to systems failures resulting from intentional actions such as computer attacks or accidental actions

Despite the procedures designed and implemented to mitigate the mentioned risks, the Navigator Group is aware that, in the absence of inviolable information systems, it cannot be guaranteed that these efforts will be sufficient to prevent such system failures, as well as the related repercussion on reputation, litigation, inefficiencies or even in allocating operating margins.

39.1.6 Other risks associated with the Group's activity

The Navigator Company Group's manufacturing facilities are subject to risks inherent to any industrial activity, such as accidents, breakdowns or natural disasters that may cause losses in the assets or temporary interruptions in the production process.

Likewise, these risks may also affect the Navigator Group's main customers and suppliers, which would have a significant impact on the levels of the profitability, should it not be possible to find new customers to ensure sales levels and new suppliers that would enable the Group to maintain its current cost structure.

The Navigator Group exports over 95% of its production of UWF paper and about 44% of its production of Tissue paper. Consequently, transportation and logistics costs are materially relevant. A continuous rise in transport costs may have a significant impact in its earnings.

39.1.7 Context risks

The lack of efficiency in the Portuguese economy continues to be followed by management, adversely affecting the Group's competitiveness, mainly in the following areas:

- i. Ports and railroads;
- ii. Roads, particularly those providing access to the Navigator Group's producing units;
- iii. Territorial planning and forest fires;
- iv. Low productivity of the country's forests;
- v. The lack of certification of most of the Portuguese forest;
- vi. Volatility of tax policy and no reduction of the corporate tax rate as well as non-elimination of surcharges.

39.2 Financial Risks

39.2.1 Risks associated with debt and liquidity levels

Given the medium-/long-term nature of the investments made, the Navigator Group has sought to set up a debt structure that follows the maturity of the associated assets, thus seeking to contract long-term debt and the refinance of its short-term debt.

Considering the structure of the debt contracted, with a maturity matching the assets it finances, the Navigator Group believes it will have the ability to generate future cash flows that will enable it to fulfil its responsibilities, to ensure a level of investment in accordance with the provisions in its medium-/long-term plans and to keep an adequate remuneration to its shareholders.

The liquidity of interest-bearing financial liabilities will result in the following undiscounted cash flows, including interest at current prevailing interest rates, based on the residual maturity as at the date of the statement of financial position:

Amounts in Euro	Below 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Above 5 years	Total
As of 30 June 2019						
Liabilities						
Interest-bearing liabilities						
Bond loans	-	2,966,487	5,509,094	367,577,059	71,262,500	447,315,140
Commercial paper	-	32,001,653	597,800	233,534,554	112,948,254	379,082,261
Bank loans	-	-	13,900,196	50,631,544	43,525,706	108,057,446
Amounts payable	207,417,318	10,206,783	5,291,832	12,870,089	-	235,786,022
Derivative financial instruments	-	828,562	967,856	6,810,316	-	8,606,734
Other liabilities	-	-	-	-	-	-
Total Liabilities	207,417,318	46,003,484	26,266,778	671,423,562	227,736,460	1,178,847,603

Amounts in Euro	Below 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Above 5 years	Total
As of 31 December 2018						
Liabilities						
Interest-bearing liabilities						
Bond loans	-	1,897,879	4,396,063	361,849,726	-	368,143,668
Commercial paper	-	100,086,667	2,836,221	247,829,688	-	350,752,576
Bank loans	-	-	12,442,912	55,893,166	9,848,444	78,184,522
Amounts payable	158,996,057	16,888,775	24,753,635	26,027,354	-	226,665,821
Derivative financial instruments	-	851,996	1,373,933	7,124,649	-	9,350,578
Other liabilities	-	-	-	-	-	-
Total Liabilities	158,996,057	119,725,317	45,802,763	698,724,583	9,848,444	1,033,097,165

On 30 June 2019, the amount of interest-bearing liabilities shown in the table above includes interest to be paid in the amount of Euro 27,436,582 (31 December 2018: Euro 31,247,432).

The above-mentioned presumption is based on the Navigator Group's medium-/long-term plans, which consider the following main assumptions:

- A price level for eucalyptus wood between 90% and 110% of that recorded during the period ended 30 June 2019;
- A market BEKP selling price of between 80% and 115% of that recorded during the period ended 30 June 2019;
- A market UWF and Tissue paper selling price between 90% and 120% of that recorded during the period ended 30 June 2019;
- A net-debt cost between 80% and 115% of that recorded during the period ended 30 June 2019;
- A production level of eucalyptus in the woodlands owned or operated by the Navigator Group, of BEKP pulp, of UWF paper and power within the existing installed capacities.

Certain loans contracted by the Navigator Group are subject to financial covenants which, if not met, could entail their early repayment.

The following covenants are currently in force:

Loan	Ratio	Limit
BEI	Hedged interest = EBITDA 12M / Annualised net interests	>= 4,5 X
	Debt = Interest-bearing debt / EBITDA 12 M	<= 4,5 X
	Hedged interest = EBITDA 12M / Annualised net interests	>= 5,5 X
	Net Debt / EBITDA = (Interest-bearing debt - Cash and deposits) / EBITDA 12M	<= 4,0 X
Commercial Paper 175M	Net Debt / EBITDA = (Interest-bearing debt - Cash and deposits) / EBITDA 12M	<= 5,0 X
Commercial Paper 75M	Net Debt / EBITDA = (Interest-bearing debt - Cash and deposits) / EBITDA 12M	<= 4,0 X
Commercial Paper 65M	Net Debt / EBITDA = (Interest-bearing debt - Cash and deposits) / EBITDA 12M	<= 5,0 X
Commercial Paper 100M	Net Debt / EBITDA = (Interest-bearing debt - Cash and deposits) / EBITDA 12M	<= 4,0 X
Commercial Paper 70 M	Net Debt / EBITDA = (Interest-bearing debt - Cash and deposits) / EBITDA 12M	<= 5,0 X
Portucel Bonds 2015-2023	Net Debt / EBITDA = (Interest-bearing debt - Cash and deposits) / EBITDA 12M	<= 4,0 X
Bonds 45M 2016-2021	Net Debt / EBITDA = (Interest-bearing debt - Cash and deposits) / EBITDA 12M	<= 4,0 X
Bonds 100M 2016-2021	Net Debt / EBITDA = (Interest-bearing debt - Cash and deposits) / EBITDA 12M	<= 4,0 X
Bonds 50M 2019-2025	Net Debt / EBITDA = (Interest-bearing debt - Cash and deposits) / EBITDA 12M	<= 4,0 X
Bonds 50M 2019-2026	Net Debt / EBITDA = (Interest-bearing debt - Cash and deposits) / EBITDA 12M	<= 4,0 X

Based on the financial statements presented in this report, these ratios were as follows as at 30 June 2019 and 31 December 2018:

Ratio	30-06-2019	31-12-2018
Interest cover	86.68	64.98
Indebtedness	2.09	1.68
Net Debt / EBITDA	1.83	1.50

Considering the contracted limits, the Navigator Group is comfortably complying with the ratios imposed under the financing contracts. As at 30 June 2019, the Navigator Company presents a minimum safety margin above 100% on the fulfilment of its covenants.

The Navigator Group's objectives regarding capital management, which is a wider concept than the capital shown in the statement of financial position are:

- i. To safeguard its ability to continue in business and thus provide returns for shareholders and benefits for its remaining stakeholders;
- ii. To keep a solid capital structure to support the growth of its business; and
- iii. To maintain an optimal capital structure that enables it to reduce the cost of capital.

In order to maintain or adjust its capital structure, the Navigator Group can adjust the amount of dividends payable to its shareholders, return capital to its shareholders, issue new shares or sell assets to lower its borrowings.

In line with the sector, the Navigator Group monitors its capital based on its gearing ratio. This ratio represents net interest-bearing debt as a percentage of the total equity. Net interest-bearing debt is calculated by adding the total amount of loans (including the current and non-current portions as disclosed in the Statement of financial position) and deducting all cash and cash equivalents. Total equity is calculated by adding shareholders' equity (as shown in the Statement of financial position), to interest-bearing net debt, and excluding treasury shares and non-controlling interests.

The gearing ratios as at 30 June 2019 and 31 December 2018 were as follows:

Amounts in Euro	30-06-2019	31-12-2018
Total loans (Note 34)	912,299,757	763,830,678
Cash and cash equivalents (Note 34)	(115,920,606)	(80,859,784)
Net debt	796,379,150	682,970,893
Equity, excluding Treasury shares and non-controlling interests	1,075,909,932	1,188,731,073
Total Equity	1,872,289,082	1,878,187,889
Gearing	42.54%	36.49%

39.2.2 Interest rate risk

As at 30 June 2019, approximately 22% (31 December 2018: 32%) of the Navigator Group's financial liabilities are indexed to short-term reference interest rates, revised in periods below one year (usually 6-month rates for long-term debt), plus duly negotiated risk spreads. Hence, changes in interest rates can impact the Company's earnings.

The Group uses derivative financial instruments to cover its interest rate risk, namely interest-rate swaps, with the purpose of fixing the interest rate on the Navigator Group's borrowings within certain limits.

On 30 June 2019 and 31 December 2018, the detail of the financial assets and liabilities with interest rate exposure, considering the maturity or the next interest-fixing date is as follows:

Amounts in Euro	Below 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Above 5 years	Total
As of 30 June 2019						
Assets						
Current						
Cash and cash equivalents	115,920,606	-	-	-	-	115,920,606
Total financial assets	115,920,606	-	-	-	-	115,920,606
Liabilities						
Non-current						
Interest-bearing liabilities				649,706,348	222,724,207	872,430,555
Current						
Other interest-bearing liabilities and sundry creditors	-	30,000,000	13,194,444	-	-	43,194,444
Total financial liabilities	-	30,000,000	13,194,444	649,706,348	222,724,207	915,624,999
Accumulated differences	115,920,606	85,920,606	72,726,162	(576,980,186)	(799,704,393)	
As of 31 December 2018						
Assets						
Current						
Cash and cash equivalents	80,859,784	-	-	-	-	80,859,784
Total financial assets	80,859,784	-	-	-	-	80,859,784
Liabilities						
Non-current						
Interest-bearing liabilities	-	-	-	634,444,445	19,583,333	654,027,778
Current						
Other interest-bearing liabilities and sundry creditors	-	101,388,889	10,416,667	-	-	111,805,556
Total financial liabilities	-	101,388,889	10,416,667	634,444,445	19,583,333	765,833,334
Accumulated differences	80,859,784	(20,529,105)	(30,945,772)	(665,390,217)	(684,973,550)	

The Navigator Group carries out sensitivity analysis in order to assess the impact in the consolidated income statement and equity caused by an increase or decrease in market interest rates, considering all other factors unchanged. This is an illustrative analysis only, since changes in market rates rarely occur separately from changes from other market factors.

The sensitivity analysis is based on the following assumptions:

- Changes in market interest rates affect interest income and expenses arising from financial instruments subject to floating rates;
- Changes in market interest rates only lead to interest income and expenses regarding fixed rate financial instruments if those are measured at their fair value;
- Changes in market interest rates affect the fair value of derivative financial instruments as well as other financial assets or liabilities;
- Changes in fair value of derivative financial instruments and other financial assets and liabilities are measured using the discounted cash flows method, with market interest rates at year end.

A 0.50% increase in interest rates on which interest on loans are calculated would have an impact on its earnings before taxes, for the period ended 30 June 2019 by approximately Euro 1,007,188 (31 December 2018: Euro 1,229,167).

39.2.3 Foreign Exchange risk

Variations in the Euro exchange rate against other currencies can significantly affect the Group's revenue in several ways.

A significant part of the Navigator Group's sales is priced in currencies other than the Euro, therefore its evolution can have a significant impact on the Company's future sales, with the currency with the greatest impact being the USD. Also, sales in GBP, PLN and CHF have some weight, having sales in other currencies less expression.

Purchases of some raw materials are also made in USD, namely extra-Iberian imports of wood and acquisitions of long-fiber pulp. Therefore, changes in EUR against USD may have an impact on acquisition values.

In addition, once a sale or purchase is made in a currency other than the Euro, the Group becomes exposed to exchange rate risk until the receipt or payment of such sale or purchase, if no hedging instruments are in place. As a result, there is a significant amount of receivables and debts payable, the latter with lesser expression, exposed to exchange rate risk.

The Navigator Group holds a subsidiary company in the USA, Navigator North America, whose share capital amounts to USD 25 million and is exposed to foreign exchange risk. Navigator Group also holds a subsidiary in Poland, Navigator Financial Services Sp. Zoo, whose share capital amounts to PLN 208 million exposed to foreign exchange risk. Additionally, the Group holds a subsidiary company in Mozambique (Portucel Moçambique), whose share capital amounts to MZM 1,000 million, equally exposed to foreign exchange risk. Besides those operations, The Navigator does not hold materially relevant investments in foreign operations, the net assets of which are exposed to foreign exchange risk.

Occasionally, when appropriate, the Group manages foreign exchange risks by using derivative financial instruments, in accordance with a policy that is subject to periodic review and whose purpose is to limit the exchange risk associated with future sales and purchases and accounts receivable and payable, which are denominated in currencies other than the Euro.

The table below shows the Group's exposure to foreign exchange rate risk as of 30 June 2019, based on the financial statement position of the Group's financial assets and liabilities that amounted to Euro 77,515,456 converted at the exchange rates as of that date (31 December 2018: Euro 86,599,067) as follows:

Amounts in Foreign Currency	US Dollar	Pound Sterling	Polish Zloty	Swedish Krona	Swiss Franc	Danish Krone	Metical	Moroccan Dirham	Turkish Lira	South African Rand
As of 30 June 2019										
Assets										
Cash and cash equivalents	1,219,930	511,597	16,292	-	25,793	-	4,894,368	406,912	186,856	40,922
Amounts receivable	83,246,789	9,688,275	5,062,916	-	1,197,957	-	21,789,367	-	-	-
Total Financial Assets	84,466,719	10,199,872	5,079,207	-	1,223,750	-	26,683,734	406,912	186,856	40,922
Converted into Euro	74,223,830	11,376,802	1,195,220	-	1,101,981	-	373,669	36,823	28,460	2,538
Liabilities										
Amounts payable	(12,143,900)	(120,427)	-	(28,609)	(5,078)	-	-	(100,318)	(11,750)	-
Total Financial Liabilities	(12,143,900)	(120,427)	-	(28,609)	(5,078)	-	-	(100,318)	(11,750)	-
Converted into Euro	(10,671,265)	(134,323)	-	(2,708)	(4,573)	-	-	(9,207)	(1,790)	-
Derivative Financial Instruments	(268,666,667)	(80,350,000)	-	-	-	-	-	-	-	-
Net financial position	72,322,819	10,079,445	5,079,207	(28,609)	1,218,672	-	26,683,734	306,594	175,105	40,922
As of 31 December 2018										
Total financial assets	96,011,688	12,688,678	4,584,561	-	1,714,083	(11,514)	2,347,100	559,831	72,972	40,922
Total financial liabilities	(15,795,288)	(77,901)	-	(25,040)	(45,617)	-	(13,203,242)	(127,884)	-	-
Derivative Financial Instruments	(257,166,667)	(76,266,667)	-	-	-	-	-	-	-	-
Net financial position	80,216,400	12,610,777	4,584,561	(25,040)	1,668,466	(11,514)	(10,856,142)	431,947	72,972	40,922

Foreign exchange derivative instruments are hedged against exchange rate risk of future foreign exchange transactions. As of 30 June 2019, a (positive or negative) variation of 10% of all currency rates against Euro would have an impact on profit for the period in the amount of Euro 6,193,288 and Euro 7,725,447) respectively (31 December 2018: Euro 6,138,698 and Euro (7,499,617), respectively).

39.2.4 Credit risk

The Group is exposed to credit risk in the credit it grants to its customers and has adopted a risk management policy within preset limits, by securing credit insurance policies with a specialized independent company.

Most sales that are not covered by credit insurance are covered by bank guarantees and documentary credits, and any exposure that is not covered remains within the limits previously approved by the Executive Committee.

However, the worsening of global economic conditions or adversities affecting only economies on a local scale may lead to deterioration in the ability of the Navigator Group's customers to meet their obligations, leading entities providing credit insurance to significantly decrease the amount of credit facilities that are available to those customers. This scenario may result in limitations on the amounts that can be sold to some Group customers without directly incurring credit risk levels that are not compatible with the risk policy in this area.

As a result of the strict credit control policy followed by the Group, bad debts during the last few years were virtually non-existent, framework that will be extended to Tissue segment.

The Group assesses, on a prospective basis, the expected credit losses associated with its financial assets measured at amortised cost and at fair value through other comprehensive income, in accordance with IFRS 9.

On this basis, the Group recognises expected credit losses throughout the lifetime of financial instruments that have been subject to significant increases in credit risk since its initial recognition, assessed either individually or collectively, considering all reasonable and sustainable information, including available prospective information.

If, at the reporting date, the credit risk associated with a financial instrument has not increased significantly since its initial recognition, the Group measures the impairment of that financial instrument by an amount equivalent to the expected credit losses.

IFRS 9 provides that for the calculation of these impairments, one of two models is used: the 3-step method or the use of a matrix, the distinguishing component being the existence or not of a significant financing component. For Navigator's financial assets, since it is not a financial institution and there are no assets that have a significant financing component, the use of a matrix was chosen.

The model adopted for the impairment assessment in accordance with IFRS 9 is as follows:

- I. Calculate the total credit sales made by the Group over the last 12 months, as well as the total amount of bad debts relating to them;
- II. Determine the customers' payment profile, by setting buckets of receipt frequency;
- III. Based on 1 and 2 above, estimate the probability of default (i.e., the amount of bad debts calculated at 1. compared to the balance of outstanding sales in each bucket calculated at 2.);
- IV. Adjust the percentages of future projections obtained in 3.;
- V. Apply the default percentages as calculated in 4. to the balances of customers still outstanding at the reporting date.

Although IFRS 9 assumes 90 days as "default", the Navigator Group considered a period of 180 days, since the experience of real losses before this period is low. This period is aligned with the current risk management policies of the company, namely in what regards the credit insurance hired, and to the fact that there is no sales with significant components of funding in light of IFRS 15. Additionally the company evaluated the impact of considering 180 days of "default" instead of the 90 days and the Expected Credit Loss would not change significantly.

In the event of an accident in the credit insurance company, the model considers the limit paid of 10% by the Navigator Group.

In this regard, the total amount of debt over which the recoverability risk falls amounts to Euro 266,376, as at 30 June 2019 (31 December 2018: 247,101).

In addition, the Group recognises impairment on a case-by-case basis, based on specific balances and specific past events, considering the historical information of the counterparties, their risk profile and other observable data in order to assess whether there are objective indicators of impairment for these financial assets.

As at 30 June 2019 and 31 December 2018, Trade receivables showed the following ageing structure, considering the due dates for the open balances:

Amounts in Euro	30-06-2019	31-12-2018
Outstanding amount	189,741,913	198,776,285
1 to 90 days	19,986,003	26,801,894
91 to 180 days	1,528,101	355,819
181 to 360 days	217,217	73,170
361 to 540 days	-	3,926
541 to 720 days	-	4,589
above 721 days	-	3,500
	211,473,234	226,019,183
Balances considered in impairment	1,264,646	1,242,062
Impairments	(1,264,646)	(1,242,062)
Trade receivables net balance (Note 2)	211,473,234	226,019,183
Limit of credit insurance hired	161,598,774	161,104,810

The amounts shown above correspond to the amounts outstanding according to the contracted due dates. Despite some delays in the settlement of those amounts, that does not result, in accordance with the available information, in the identification of impairment losses other than the ones considered through the respective losses. These are calculated based on the information periodically collected on the financial behavior of the Group's customers, which allow, in conjunction with the experience obtained in the client portfolio analysis and with the history of credit defaults, in the part not attributable to the insurance company, to define the amount of losses to be recognized in the period. The guarantees in place for a significant part of outstanding and long-term balances, justify the fact that no impairment loss has been recorded for those balances. The rules defined by the credit risk insurance policy applied by the Navigator Group, ensure a significant coverage of all outstanding balances.

The analysis of the open balances, by business area, is as follows:

As of 30 June 2019					
Amounts in Euro	PULP MARKET	UWF PAPER	TISSUE PAPER	OTHERS	Total
Outstanding amounts	21,027,723	135,103,017	28,656,870	4,954,303	189,741,913
1 to 90 days	3,516,603	9,410,530	1,974,289	5,084,581	19,986,003
91 to 180 days	-	548,031	795,354	184,716	1,528,101
181 to 360 days	-	-	217,217	-	217,217
361 to 540 days	-	-	-	-	-
541 to 720 days	-	-	-	-	-
above 721 days	-	-	-	-	-
	24,544,326	145,061,578	31,643,730	10,223,600	211,473,234

As of 31 December 2018					
Amounts in Euro	PULP MARKET	UWF PAPER	TISSUE PAPER	OTHERS	Total
Outstanding amounts	25,286,440	144,643,230	24,353,900	4,492,716	198,776,285
1 to 90 days	1,586,608	17,397,813	2,562,053	5,260,033	26,806,508
91 to 180 days	-	-	263,496	40,988	304,484
181 to 360 days	-	-	65,789	54,102	119,891
361 to 540 days	-	-	3,926	-	3,926
541 to 720 days	-	-	4,589	-	4,589
above 721 days	-	-	3,500	-	3,500
	26,873,048	162,041,043	27,257,253	9,847,839	226,019,183

As at 30 June 2019, the available credit insurance lines amounted to Euro 411,907,230 (31 December 2018: Euro 401,717,267) from which Euro 161,598,774 (31 December 2017: Euro 161,104,810) were in use.

The table below represents the quality of the Navigator Group's credit risk, as at 30 June 2019 and 31 December 2018, for financial assets (cash and cash equivalents), (Highest credit rating by one of the three rating agencies, *Standard & Poor's*, *Fitch* or *Moody's*):

A tabela seguinte apresenta a qualidade de risco de crédito do Grupo, em 30 de junho de 2019 e 31 de dezembro de 2018, face a ativos financeiros (Caixa e equivalentes) (Maior notação de crédito dada por uma das três agências de rating, *Standard and Poor's*, *Fitch* ou *Moody's*):

Financial Institutions		
Amounts in Euro	30-06-2019	31-12-2018
Rating		
AA	-	180,402
AA-	20,912,118	20,182,842
A+	111,802	151,506
A	3,678,290	24,997,663
A-	26,803,777	513,104
BBB+	3,629,302	30,447,966
BBB	56,843,913	-
BBB-		91,764
BB+	428,885	2,085,911
BB	1,835,067	-
BB-	-	795
B+	-	-
B		450,202
B-	-	-
Other	1,677,452	1,757,629
	115,920,606	80,859,784

"Other" amounts include bank deposits with banks or entities with no rating, namely local banks in Mozambique and other foreign branches.

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.

The following table shows an analysis of the credit quality of Trade receivables for which no default or impairment loss was considered based on the information available to the Navigator Group:

Amounts in Euro	30-06-2019		31-12-2018	
	Gross amount	Credit Insurance	Gross amount	Credit Insurance
Balances overdue not considered in impairment				
Overdue below 3 months	19,986,003	13,701,002	26,801,894	25,106,119
Overdue above 3 months	1,745,318	1,290,622	441,004	405,608
	21,731,321	14,991,624	27,242,898	25,511,727
Balances overdue considered in impairment				
Overdue below 3 months	-	-	-	-
Overdue above 3 months	1,264,646	-	1,242,062	-
	1,264,646	-	1,242,062	-

The amount not covered by credit insurance is secured by letters of credit or bank guarantees.

The maximum exposure to credit risk as at 30 June 2019 and 31 December 2018 is detailed in the following table. In accordance with the policies described above, the Navigator Group contracted credit

insurance policies for most of the trade receivables balances. As such its exposure to credit risk is considered to have been mitigated up to acceptable levels, when compared with its sales.

Amounts in Euro	Maximum exposure	
	30-06-2019	31-12-2018
Current		
Current receivables (Note 25)	256,663,065	307,750,689
Bank deposits (Note 34)	115,920,606	80,859,784
Exposure to credit risk of off-balance sheet exposures		
Commitments granted (Note 41)	7,121,381	30,591,289
Associated liabilities recognised (Note 26)	<u>(3,864,263)</u>	<u>(12,277,050)</u>
	3,257,119	18,314,239

40. CONTINGENT ASSETS

40.1 Tax matters

40.1.1 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	1st Refund	Decrease due to RERD	Proceedings decided in favour of the Group	Extrajudicial agreement of 13 December 2017	Outstanding amount
Proceedings confirmed in court							
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 - Germany	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)	-
IRC (Withheld)	2004	3,324	-	-	-	-	3,324
Corporate income tax	2004	766,395	-	-	(139,023)	-	627,372
Stamp duty	2004	497,669	-	-	(497,669)	-	-
IRC (Withheld)	2005	1,736	(1,736)	-	-	-	-
Expenses		314,957	-	-	-	-	314,957
		15,876,240	(8,210,546)	-	(975,347)	(5,725,771)	964,576
Proceedings not confirmed in court							
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
		26,153,852	-	(2,468,472)	-	-	23,685,380
		42,030,092	(8,210,546)	(2,468,472)	(975,347)	(5,725,771)	24,649,956

Regarding the aggregate corporate income tax proceedings of 2005 and 2006, if Courts come to a decision in favour of Navigator Group (Note 40.1.2), 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.

40.1.2 Taxes paid in litigation

As at 30 June 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	30-06-2019	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 - Informal review	6,804,909	8,621,705
State Surtax 2016	3,761,397	-
State Surtax 2017	8,462,724	-
State Surtax 2018	12,223,705	-
	49,797,267	27,166,237

40.2 Non-tax matters

40.2.1 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, totaling 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.

40.2.2 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

40.2.3 Pledges

Similarly to 2017, in the first quarter of 2019, the companies of the Navigator Group intended 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.

41. COMMITMENTS

41.1 Guarantees provided to third parties

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

Amounts in Euro	30-06-2019	31-12-2018
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	4,039,754	4,845,527
Simria	338,829	338,829
Other	975,588	892,440
	7,121,381	32,998,684

The guarantees provided by IAPMEI were provided under the investment contracts celebrated between the Portuguese State and Navigator Pulp Cacia, S.A. (Euro 2,438,132) and Navigator Tissue Ródão, S.A. (Euro 2,407,395), in accordance with the terms and conditions defined in the Payment Standard applicable to projects approved under QREN Incentive Systems. In 2018, the guarantee provided by Navigator Tissue Ródão, S.A. was demobilised.

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 favorable 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.

41.2 Purchase commitments

The purchase commitments assumed with suppliers at 30 June 2019 amounted to Euro 86,442,031 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 June 2019, the commitments assumed for 2019 regarding the purchase of wood amounted to Euro 104,827,439 (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.

42. EXPENDITURE ON ENVIRONMENTAL MATTERS

Environmental costs

Within its activity, the Group incurs in several environmental costs, which are being capitalised or recognised as a cost in the operating results for the period, depending on their characteristics.

Environmental expenditures incurred to preserve resources or to avoid or reduce future damage, and which are considered to extend the life or increase capacity or improve the security or efficiency of other assets held by the Group, are capitalized in accordance with IAS 16.

Expenditure capitalised and recognised in expenses as at 30 June 2019 and 31 December 2018 are analysed as follow:

Amounts capitalised for the period

Amounts in Euro

Environmental Aspect 30-06-2019	Environmental Impact				Total
	Consumption reduction	Control and monitoring	End of line	Prevention	
Atmospheric emissions	-	39,500	421,876	308,434	769,809
Energy	-	-	-	8,414,695	8,414,695
Liquid waste	-	24,667	439,296	-	463,964
Solid waste	-	-	16,233	-	16,233
Water	66,742	8,200	3,000	33,513	111,454
Other	-	-	66,700	128,645	195,345
	66,742	72,367	947,105	8,885,286	9,971,500

Amounts in Euro

Environmental Aspect 31-12-2018	Environmental Impact				Total
	Consumption reduction	Control and monitoring	End of line	Prevention	
Atmospheric emissions	-	-	-	5,345,630	5,345,630
Energy	91,396	-	-	2,926,692	3,018,088
Liquid waste	-	5,975	-	-	5,975
Water	-	37,378	-	-	37,378
Other	29,420	112,017	12,895	995,440	1,149,772
	120,816	155,369	12,895	9,267,763	9,556,843

The increase in the amounts capitalised for the period regarding Energy (Prevention) are related with the acquisition of a biofuel boiler and with the conversion of the system in Natural Gas.

Expenses recognised in the period

Amounts in Euro

Environmental Aspect 30-06-2019	Cost origin					Total
	Certification and licenses	Taxes	Control and Monitoring	Operation	Maintenance	
Atmospheric emissions	6,022,672	-	-	-	277,574	6,300,246
Energy	-	-	-	-	-	-
Liquid waste	-	-	-	6,119,249	1,642,420	7,761,668
Solid waste	-	-	-	25,735	-	25,735
Water	-	-	-	226,012	-	226,012
Other	-	102,007	744,599	-	-	846,607
	6,022,672	102,007	744,599	6,370,995	1,919,994	15,160,268

Amounts in Euro

Environmental Aspect 31-06-2018	Cost origin					Total
	Certification and licenses	Taxes	Control and Monitoring	Operation	Maintenance	
Atmospheric emissions	2,434,295	-	-	-	268,421	2,702,717
Energy	-	-	-	-	-	-
Liquid waste	-	-	-	6,078,525	1,287,044	7,365,569
Solid waste	-	-	-	48,075	-	48,075
Water	-	-	-	144,103	-	144,103
Other	-	202,272	577,594	-	-	779,865
	2,434,295	202,272	577,594	6,270,703	1,555,466	11,040,329

43. ANNUAL STATUTORY AUDIT

Following the resolution of the General Extraordinary Meeting, dated 22 September 2017, the Navigator Group appointed KPMG & Associados Sociedade de Revisores Oficiais de Contas, S.A. as Statutory Audit, with effects from 1 January 2018.

For the six-month periods ended 30 June 2019, the fees charged by the Statutory Auditor and other entities belonging to the same network relating to the statutory audit of annual accounts, other assurance services, tax consultancy and other services, are broken down as follows:

	The Navigator Company		Companies of the Navigator	
	Value	%	Value	%
Annual Statutory Audit / Limited Review	44,106	80%	141,637	93%
Other reliability assurance services	11,250	20%	11,250	7%
Other services	-	0%	-	0%
TOTAL	55,356	100%	152,887	100%

The Board of Directors considers that there are sufficient procedures to safeguard the independence of the auditors through the analysis processes of the Supervisory Board on proposed works and their strict hiring definition.

The abovementioned fees include Euro 12,166 from other entities belonging to the same networking relating to the statutory audit of annual accounts.

44. NUMBER OF EMPLOYEES

As at 30 June 2019, the average number of employees working for the Navigator Group Companies was 3,265 (31 December 2018: 3,282) and were distributed by business segment as follows:

As of 30 June 2019	MARKET PULP	UWF PAPER	TISSUEPAPER	OTHER	TOTAL
Industrial / Forest site					
Setúbal	-	937	-	253	1,190
Aveiro	261	-	133	94	488
Figueira da Foz	-	839	-	153	992
Vila Velha de Ródão	-	-	234	-	234
Lisbon	-	-	-	110	110
Mozambique	-	-	-	154	154
	261	1,776	367	764	3,168
Commercial companies					
Europe	8	68	9	-	85
America	-	7	-	-	7
Overseas	-	5	-	-	5
	8	80	9	-	97
	269	1,856	376	764	3,265

As of 31 December 2018	MARKET PULP	UWF PAPER	TISSUEPAPER	OTHER	TOTAL
Industrial / Forest site					
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
	268	1,798	363	753	3,182
Commercial companies					
Europe	9	68	9	-	86
America	-	9	-	-	9
Overseas	-	5	-	-	5
	9	82	9	-	100
	277	1,880	372	753	3,282

45. SUBSEQUENT EVENTS

There are no events subsequent to 30 June 2019 that could have a material impact on these financial statements.

46. EXPLANATION ADDED FOR TRANSLATION

These financial statements are a free translation of the financial statements originally issued in Portuguese in accordance with International Financial Reporting Standards as adopted by the European Union. In the event of discrepancies, the Portuguese language version prevails.

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



KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A.
Edifício FPM41 - Avenida Fontes Pereira de Melo, 41 - 15º
1069-006 Lisboa - Portugal
+351 210 110 000 | www.kpmg.pt

LIMITED REVIEW REPORT ON INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(This report is a free translation to English from the original Portuguese version. In case of doubt or misinterpretation the Portuguese version will prevail.)

Introduction

We have performed a limited review of the accompanying consolidated financial statements of **The Navigator Company, S.A. (the Entity)**, which comprise the consolidated statement of financial position as of 30 June 2019 (that presents a total of Euro 2,603,200,252 and total equity attributable to the shareholders of Euro 1,059,932,489, including a consolidated net profit attributable to the shareholders of 94,900,166), the consolidated statements of income, comprehensive income, changes in equity and cash flows for the six month period then ended, and the accompanying explanatory notes to these consolidated financial statements, including a summary of the significant accounting policies.

Management' responsibilities

Management is responsible for the preparation of this consolidated financial statements that give a true and fair view of the Entity's financial position, financial performance and cash flows in accordance with the International Financial Reporting Standards as adopted by the European Union, and for the implementation and maintenance of an appropriate internal control system to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibilities

Our responsibility is to express a conclusion on the accompanying consolidated financial statements. Our work was performed in accordance with the international standards on review engagements and further technical and ethical standards and guidelines issued by the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"). These standards require that we conduct the review in order to conclude whether anything has come to our attention that causes us to believe that the consolidated financial statements do not give a true and fair view of the Entity's financial position, financial performance and cash flows in accordance with the International Financial Reporting Standards as adopted by the European Union.

A limited review of consolidated financial statements is a limited assurance engagement. The procedures that we have performed consist mainly of making inquiries and applying analytical procedures and subsequent assessment of the evidence obtained. The procedures performed in a limited review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (ISA). Accordingly, we do not express an audit opinion on these consolidated financial statements.

Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not give a true and fair view of the financial position of **The Navigator Company, S.A.** as at 30 June 2019, and of its financial performance and its cash flows for the six month period then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

27 September 2019

SIGNED IN THE ORIGINAL

KPMG & Associados

Sociedade de Revisores Oficiais de Contas, S.A.

(registered at CMVM under the nr. 20161489 and at OROC under the nr. 189)
represented by

Paulo Alexandre Martins Quintas Paixão (ROC n.º 1427)