



*The Monchique Oak  
(Quercus canariensis)  
lives in the forest areas  
managed by  
The Navigator Company,  
where 235 fauna and  
740 flora species,  
are preserved.*

**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**  
Peninsula  
de Mitrena,  
Freguesia  
do Sado  
- Setúbal



THE  
**NAVIGATOR**  
COMPANY

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## 1. HIGHLIGHTS 3<sup>RD</sup> QUARTER AND YTD SEPTEMBER 2020

With the reopening of economies and a gradual recovery in demand for paper, Navigator experienced a significant improvement in its business during the third quarter. By quickly adapting to market changes and consequently stepping up its sales efforts, which were further supported by strong operational performance in pulp and tissue business and robust action to control costs, the Group recorded a significant improvement in results over the previous quarter with a strong generation of Free Cash Flow.

### 3<sup>rd</sup> Quarter Analysis (vs. Q2 2020 vs. Q3 2019) – Turnover up 20% and Ebitda grows 36% to € 70 million

- Paper and pulp production returned to their normal pace in the third quarter. All the Group's UWF machines have been working at full capacity since early July, and demand has gradually recovered from the situation recorded in the second quarter;
- Paper sales stood at 336 ktons (up 45% on the second quarter and down by 7% in relation to the same quarter last year); pulp sales totalled 104 thousand tons, growing by 14% in relation to the 3<sup>rd</sup> quarter of 2019 and down by 5% from the record level achieved in the 2<sup>nd</sup> quarter, when less pulp was needed for paper production. Tissue sales continued to grow, to 27 thousand tons, 5% up on the previous quarter and up by 2% on the same quarter last year;
- Turnover totalled € 348 million, growing 20% vs. Q2 2020 and down 17% vs. Q3 2019 and Ebitda stood at € 70 million (up 36% vs. Q2 2020 and down 25% vs Q3 2019); the EBITDA / Sales margin was 20.2% (vs. 17.8% and 22.2%);
- Free Cash Flow Generation in the quarter of € 56 million (vs. €99 million in Q2 2020 and € 25 million in Q3 2019);
- Net profits stood at € 31 million, up by 133% from the previous quarter (down 41% vs. Q3 2019)

### YoY analysis (YTD Sep.2020 vs. YTD Sep.2019) – Navigator highly resilient to the impact of lockdown on UWF business thanks to pulp and tissue sales, combined with cost reductions

- UWF business felt the direct impact of lockdown, resulting in total UWF sales of 934 thousand tons, down by 14% on the same period in 2019; this was offset by growth of 39% in pulp sales to 297 thousand tons and tissue sales up 7% to 79 thousand tons;
- The first nine months of the year saw sales prices fall in comparison with 2019: the BHKP pulp index (in euros) fell by 26% and the A4 paper index dropped by 7%;
- Turnover stood at € 1 044 million (down 18%) and Ebitda at € 210 million (down 30%);
- A substantial reduction in variable production costs and firm containment of fixed costs cushioned the effect of falling sales prices and resulted in an EBITDA / Sales margin of over 20% (down 3,4 pp);
- Financial results improved to € -9 million (vs. € -11 million) and income tax totalled €- 15 million (vs. €- 41 million), resulting in net income of € 75 million (vs. € 147 million);
- The Group continued to demonstrate excellent capacity to generate free cash flow, which totalled € 170 million (vs. €125 million), with capex of approximately € 70 million (vs. € 119 million);

- Net debt dropped substantially, down by € 132 million to € 644 million, whilst the Net Debt / Ebitda ratio stayed at a comfortable level of 2.28 X; the Group also increased its liquidity in cash and cash equivalents to € 345 million.
- Project for the new biomass boiler in Figueira da Foz at its final stage, with tests starting in September. This investment, 50% funded by EIB (European Investment Bank), will enable the plant in Figueira da Foz to reduce its CO2 emissions by 81%, and will allow for significant cost savings.

## 2. LEADING INDICATORS

| Million euros                            | YTD Set<br>2020 | YTD Set<br>2019 | Change <sup>(7)</sup><br>YTD 20/ YTD 19 |  |
|--|-----------------|-----------------|---|--|
| <b>Total Sales</b>                       | 1 043,9         | 1 274,2         | -18,1%                                  |  |
| <b>EBITDA <sup>(1)</sup></b>             | <b>210,5</b>    | <b>300,2</b>    | <b>-29,9%</b>                           |  |
| <b>Operating Profits (EBIT)</b>          | 99,6            | 199,8           | -50,1%                                  |  |
| <b>Financial Results</b>                 | - 9,1           | - 11,4          | -20,5%                                  |  |
| <b>Net Earnings</b>                      | <b>75,2</b>     | <b>147,5</b>    | <b>-49,0%</b>                           |  |
| <b>Cash Flow</b>                         | 186,1           | 248,0           | - 61,9                                  |  |
| <b>Free Cash Flow <sup>(2)</sup></b>     | 170,4           | 125,4           | 45,0                                    |  |
| <b>Capex <sup>(8)</sup></b>              | 69,7            | 118,9           | - 49,2                                  |  |
| <b>Net Debt <sup>(3)</sup></b>           | 644,0           | 776,0           | - 132,0                                 |  |
| <b>EBITDA/Sales</b>                      | <b>20,2%</b>    | <b>23,6%</b>    | <b>-3,4 pp</b>                          |  |
| <b>ROS</b>                               | 7,2%            | 11,6%           | -4,4 pp                                 |  |
| <b>ROCE <sup>(4)</sup></b>               | 7,6%            | 14,2%           | -6,6 pp                                 |  |
| <b>ROE <sup>(5)</sup></b>                | 9,4%            | 17,1%           | -7,7 pp                                 |  |
| <b>Equity Ratio</b>                      | 41,5%           | 43,7%           | -2,2 pp                                 |  |
| <b>Net Debt/EBITDA <sup>(6)(7)</sup></b> | 2,28            | 1,87            | 0,41                                    |  |

  

| in million euros                         | Q3<br>2020   | Q2<br>2020   | Change <sup>(7)</sup><br>Q3 20/Q2 20 | Q3<br>2019   | Change <sup>(7)</sup><br>Q3 20/ Q3 19 |
|--|--------------|--------------|--------------------------------------|--------------|---------------------------------------|
| <b>Total sales</b>                       | 348,4        | 289,7        | 20,3%                                | 420,1        | -17,1%                                |
| <b>EBITDA <sup>(1)</sup></b>             | <b>70,4</b>  | <b>51,7</b>  | <b>36,1%</b>                         | <b>93,3</b>  | <b>-24,6%</b>                         |
| <b>Operating profits</b>                 | 35,9         | 15,4         | 134,0%                               | 65,8         | -45,4%                                |
| <b>Financial results</b>                 | - 0,8        | - 2,1        | -62,1%                               | - 1,7        | -53,5%                                |
| <b>Net earnings</b>                      | <b>31,2</b>  | <b>13,4</b>  | <b>132,6%</b>                        | <b>52,6</b>  | <b>-40,7%</b>                         |
| <b>Cash flow</b>                         | 65,7         | 49,7         | 15,9                                 | 80,2         | - 14,5                                |
| <b>Free Cash Flow <sup>(2)</sup></b>     | 56,4         | 99,1         | - 42,6                               | 24,6         | 31,8                                  |
| <b>Capex <sup>(8)</sup></b>              | 21,0         | 26,0         | - 5,0                                | 20,1         | 0,9                                   |
| <b>Net debt <sup>(3)</sup></b>           | 644,0        | 700,4        | - 56,4                               | 776,0        | - 132,0                               |
| <b>EBITDA/Sales (%)</b>                  | <b>20,2%</b> | <b>17,8%</b> | <b>2,4 pp</b>                        | <b>22,2%</b> | <b>-2,0 pp</b>                        |
| <b>ROS</b>                               | 9,0%         | 4,6%         | 4,3 pp                               | 12,5%        | -3,6 pp                               |
| <b>ROCE <sup>(4)</sup></b>               | 8,2%         | 3,4%         | 4,8 pp                               | 14,0%        | -5,8 pp                               |
| <b>ROE <sup>(5)</sup></b>                | 11,7%        | 5,1%         | 6,6 pp                               | 18,3%        | -6,6 pp                               |
| <b>Equity ratio</b>                      | 41,5%        | 40,1%        | 1,5 pp                               | 43,7%        | -2,2 pp                               |
| <b>Net Debt/EBITDA <sup>(6)(7)</sup></b> | 2,28         | 2,29         | -0,01                                | 1,87         | 0,41                                  |

1. Operating profits + depreciation + provisions;
2. Variation net debt + dividends + purchase of own shares
3. Interest-bearing liabilities - liquid assets (not including effect of IFRS 16)
4. ROCE = Annualised operating income / Average Capital employed (N+(N-1))/2
5. ROE = Annualised net income / Average Shareholders' Funds last -1 months
6. (Interest-bearing liabilities - liquid assets) / EBITDA corresponding to last 12 months  
Impact of IFRS 16: Net Debt / EBITDA in 9M 2020 of 2,47; restated 2018 Net Debt / EBITDA in 9M 2019 of 1,98;
7. Variation in figures not rounded up/down
8. Capex for 9M 2019 and 3Q 2019 restated

### 3. ANALYSIS OF RESULTS

#### 3<sup>rd</sup> Quarter 2020 vs. 2<sup>nd</sup> Quarter 2020 vs. 3<sup>rd</sup> Quarter 2019

The third quarter of 2020 saw a gradual upturn in demand for printing and writing papers, after a second quarter severely hit by lockdown measures and the consequent impact on paper consumption. In fact, after the strong drop verified in April, order inflow for UWF in Europe has been improving, with UWF paper showing the strongest recovery among other paper grades. During the third quarter, order inflow for UWF in Europe (from European customers) reached 90% of last year's third quarter level, i.e. the best performance as compared with all other countries.

Thus, after a drop of 28% in the months from April to June, UWF demand in the European market contracted 10% in Q3 2020. In the US, demand also improved significantly between the 2<sup>nd</sup> and the 3<sup>rd</sup> quarters, recovering from a 31% to a 19% drop. As in the previous quarter, the largest fall in consumption was in sheeted paper, especially for printing use, whilst reel business appeared to be more resilient. It should be noted that the office paper fell slightly less than the graphic paper, a business that represents around 50% of the Group's UWF paper sales. The Navigator Company has built over the years a balanced mix of formats, between cut-size (office paper), folio (graphic) and reels.

In this context, the Group registered a turnover of € 348 million, up by 20% in relation to the second quarter of 2020 and down by 17% when compared with the same quarter in 2019. The upturn in output at all the Group's paper machines over the quarter resulted in an increase of 45% in the sales volume (vs. 2<sup>nd</sup> quarter) and a 7% reduction in relation to the same period last year. Sales to Europe and the US have had a much more positive YoY evolution as compared to the rest of the world.

However, the benchmark sales price for UWF paper remained under pressure, down by 2% in relation to the previous quarter, and by 8% in relation to the third quarter in 2019. Navigator's average sales price followed the general trend, reflecting also the pressure from non-European markets, the change in the formats/quality mix (increasing proportion of reels and economy products) and the weakness of the US dollar against the Euro. It should be noted that Navigator's average selling price in Europe adjusted less and later than that of its competitors. It should also be noted that the USD sales price in September in international markets reflect some recovery from June prices.

Third quarter paper sales totalled € 238 million, up by 36% vs. the second quarter and down by 19% in relation to the third quarter of 2019.

Despite the recovery of the paper mills operations, pulp sales to the market remained at a high level, around -5% vs. second quarter and +15% vs. the third quarter of 2019. This volume was made possible by successful sales efforts and increased market diversification.

In the tissue business, the volume of sales grew again by around 5% in relation to the second quarter and approximately 2% in relation to the same period in the previous year, to around 27 thousand tons, with finished products representing a larger proportion of sales (74%, as compared to 70% in the second quarter and the third quarter of 2019). Despite the situation in the market, the quarter set new records for sales and profitability in tissue business.

As a result, in a context of a gradual recovery in demand combined with strong pressure on UWF and pulp prices, Navigator managed to explore the diversification of its business model, recording significant growth in turnover in relation to the preceding period. Combined with a series of fixed and variable cost control measures, this enabled the Group to record Ebitda of € 70 million in the quarter, up by 36% on the second quarter of 2020 (down by 25% on the same quarter last year), resulting in an EBITDA / Sales margin of 20.2%.

Net income was up by 133% vs. the second quarter of 2020, standing at € 31 million (down by 41% on the third quarter of 2019).

### **Nine Months 2020 vs. Nine Months 2019**

The Navigator Company recorded turnover of € 1 044 million in the first nine months of 2020, with paper sales accounting for around 68% of turnover (vs. 72%), pulp sales 11% (vs. 9%), tissue sales 10% (vs. 8%) and energy sales also 10% (vs. 10%). The period saw a downturn in global paper consumption as a result of the Covid-19 pandemic mainly in the second quarter, with the third quarter already experiencing a significant recovery, particularly in Europe. The Company succeeded in cushioning the drop in UWF sales through increased diversification of its business, with growth in pulp and tissue sales and significant reductions in costs.

### **Gradual recovery in UWF paper demand**

Estimates point to a reduction of approximately 15% in the global UWF market YTD August. In Europe, the estimated accumulated reduction is 14% and in the United States the figures point to a drop of 21%. UWF demand proved more resilient than demand for other types of printing and writing papers, in particular in the case of coated woodfree paper, where global demand dropped YTD August by 19%, with a reduction of 27% in Europe and 23% in the United States.

After the sharp slump in April and May, demand for paper recovered gradually as from June, and this trend was confirmed over the third quarter, with the reopening of the economies, especially in the European and US markets. All UWF formats showed signs of recovery, with sales of reels proving the most resilient since the start of the pandemic. This evolution clearly highlights the diversity of uses and versatility of UWF paper in relation to other types of printing and writing paper.

In this environment, Navigator has managed its output of UWF paper over the past nine months in line with the downturn in demand, thereby controlling its stock levels. After an adjustment in production levels in the most critical months, the Company then increased paper production again as from July, since when all its machines have been working at full capacity. As a result, at the end of September, Navigator's YTD capacity utilisation rate stood at around 90%, as compared with an average rate of 74% for European manufacturers.

In recent months, Navigator has adopted a large package of innovative measures to support its distributors and their sales teams, in different parts of Europe and around the world. This was successful in achieving a significant increase in the order book. This significant sales effort resulted in healthy order books over the third quarter, with orders equivalent to 26 days' output at the end of September, in line with the levels recorded in previous years and comparing positively with the rest of the industry. These commercial initiatives also enabled Navigator to gain market share against its European competitors (up 2 pp vs. 2019). It should be noted that Navigator maintained the weight of its premium products and own brands in sales to Europe, at 57% and 66% respectively.

Thus, as a result of these support measures to suppliers and after a careful stock management, the Company ended the third quarter with an inventory level in line with previous years, continuing to represent around half of the stocks of its European rivals, even after the Group restarted to produce at its normal capacity. It is also estimated that the level of stocks in the pipeline is lower than usual for this time of year, despite the context of reduced demand.

As a result, UWF sales in the first nine months totalled 934 thousand tons, down around 14% on the same period in the previous year and in line with the Group's forecasts that formed the basis for its decision to reduce production. The sales value in the Group's UWF business was hit by falling paper prices, and sales dropped in value by around 22%, to € 707 million. It should be noted that the reduction in the Group's sales prices in Europe was in line with PIX, and that the



average price outside Europe was brought down by exchange rate trends, the evolution of product and market mix, and the sharp downturn in prices in those markets.

The YoY tendency in sales prices reflects the adjustment that started in the second half of 2019, and continued throughout the first half of 2020, under pressure from the pandemic and the low level of pulp prices. The benchmark index for A4 showed a downward adjustment of 7% YoY, to an average price of 846 €/ton, as compared to 909 €/ton at the end of September 2019.

### **Pulp sales volume grows by 39%**

The global pulp market held up well against the adverse environment of an economic downturn caused by the pandemic. Global demand for hardwood pulp is estimated to have grown by 10.6% YTD Aug 2020 vs. YTD 2019, driven by China which grew by 20%, despite the slowdown observed in August and September (down 0.6% YoY). This increase was achieved essentially on the strength of significant growth in demand for tissue products. Stocks of short fibre at manufacturers have dwindled over the year, currently standing at around 38 days, below the average level of 44 days for the past five years. Nonetheless, stocks at Chinese ports are estimated to stand at historically high levels, of around 1.7 to 1.9 million tons, most of it owned by the buyers.

In this environment, the listed (gross) USD price of BHKP in Europe held steady over first nine months of 2020, at 680 USD/ton, 25% down from the price of 909 USD /ton recorded in the first nine months of 2019. The price of BHKP pulp in Euros also dropped by 25%, to 606 €/ton vs. 808€/ton, and the recent weakness of the US dollar against the Euro during the third quarter brought down the PIX index in euros, thereby hitting the profitability of European pulp manufacturers. Pulp remains at a low point in the price cycle and, because of the impact of the pandemic on certain pulp consuming industries, expectations of price rises in the first half have been successively deferred.

Navigator succeeded in recording a volume of pulp sales to the market significantly higher than in the same period last year (around 39% in tons), at 297 thousand tons, making this one of the best periods since 2010. This growth was made possible by increased diversification of sales to destinations outside Europe, seizing opportunities in the Tissue and Packaging segments and taking advantage of the greater availability of pulp for the market as a result of reduced paper production in the second quarter.

The sharp increase in quantities sold was nevertheless not enough to mitigate the impact of the reduction in the average sales price for pulp in the period, with the result that sales totalled € 118 million in value, as compared with € 121 million (down 3%). It should be noted that in markets outside Europe the lowest sales prices were reached in July, and the Group saw a recovery of around 7% in its net prices in Euros outside Europe during the quarter.

### **Tissue sales grow in volume and value**

Tissue business evolved favourably over the first nine months of 2020, with sales in volume standing at 79 thousand tons, which represents an increase of 7% in relation to the same period in 2019.

The Group's tissue business was able to react positively to the opportunity offered by the peak in demand triggered by COVID-19 for products in the At Home (AH) segment. Attention should also be drawn to the less positive evolution in the Away from Home (AfH) segment, which was affected by the COVID-19 situation, insofar as these products are aimed to a large extent at HORECA channels - hotel, restaurants and cafés - and at companies, which were severely affected by the lockdown measures implemented from mid-March onwards. During the third quarter, this impact was particularly relevant due to the strong reduction of tourists in the Iberian Peninsula where the Group places most of its sales to this segment.



Navigator has made significant industrial and commercial efforts over the last nine months to respond to growing demand for At Home products, and succeeded in increasing sales of finished products by around 9% to 61 thousand tons.

The Group accordingly recorded an increase in tissue turnover of approximately 5%, to € 106.7 million. The sales mix improved in relation to the same period in the previous year, with the proportion of finished products rising to 77% (as compared to 75% in 2019), to the detriment of reels.

### **Energy Business rallies with economic upturn, but shows impact of transition in tariff system**

Power sales in the third quarter of 2020 totalled € 33.9 million, up by 3.5% on the second quarter, thanks essentially to the resumption of normal operation of the renewables-fired cogeneration plants and of the combined cycle natural gas plant in Setúbal.

In the first nine months of 2020, electricity sales totalled € 106.8 million, representing a reduction of 12.9% in relation to the figures for the same period in the previous year. In terms of the sales volume in GWh, the reduction recorded stood between 2 and 3%.

Overall, this reduction was due essentially to the following factors: (i) lower sales tariffs for power generated by the Setúbal natural gas cogeneration plant, for which the new tariff rules came into effect in April and which operated in May with only one of the generator sets; (ii) the negative effect of the slowdown in pulp and paper operations in the second quarter, inevitably reflected in the level of cogeneration.

The new tariff rules for the renewables-fired cogeneration plants at the Setúbal and Figueira da Foz pulp mills came into force respectively in January and July 2020, resulting in lower sales tariffs, in line with the new legal framework for the sector.

The negative impact of the implementation of this regulatory framework on the three power stations - Setúbal natural gas plant, Setúbal pulp cogeneration and Figueira da Foz pulp cogeneration - is estimated at more than € 7 million.

### **Improvement in production costs**

The first nine months of 2020 saw positive evolution in most production expenses, both variable and fixed. The main progress achieved in efforts to optimise variable costs was in the following areas:

- external fibres (resulting from the evolution of prices for long and short fibre, but also from the effort to reduce their specific consumption);
- wood (due in particular to the work done in all manufacturing units to lower specific consumption recorded over the period, and a favourable change in the mix of origins);
- chemicals (essentially due to both the reduction in the price of some products, and the work done to reduce consumption, namely, but not exclusively, in bleaching);
- packaging materials.

It is important to note that an extended team work contributed to a significant reduction of specific consumption, taking advantage of the slower pace of production, despite the instability that these shutdowns and changes in operating speed can cause. Progress was also made in renegotiating contracts for all raw and subsidiary materials.

Significant containment may be observed over the first nine months in fixed costs, which stood at around € 30 million below the level recorded in the same period in 2019, with positive evolution in personnel costs and running costs, in particular in the costs of corporate areas.

### **EBITDA: sharp reduction in costs and increased business diversification mitigates downturn in prices and UWF volumes**

EBITDA for the first nine months totalled € 210 million, down 29.9% on the first nine months of 2019, in a context of steeply falling pulp prices (down 25%), a reduction in paper volumes due to the pandemic (down 14%) and a reduction in paper prices (down 7%). The EBITDA / Sales margin stood at 20.2%, 3.4 p.p. lower than in the same period in 2019.

### **Financial Costs improve € 2.3 million**

Financial costs stood at € 9.1 million (vs. € 11.4 million), an improvement of € 2.3 million, thanks to an increase of € 2.1 million in results from hedging operations. Particularly successful results were achieved for pulp price hedges, and net compensatory interest improved over the period by € 2.7 million. This was in contrast to interest on financial investments which continued to fall (down € 2.2 million) in relation to the very positive results obtained in the same period in 2019, due to the impact of Covid-19 on the performance of the financial markets, despite the recovery already visible. The costs of financing operations increased in turn by € 0.9 million, due to the increase in gross borrowing, as a result of surplus liquidity being contracted over the period to respond to the crisis, although the average cost of financing was lower than in the same period in 2019 (all-in cost of 1.62% vs. 1.77%).

Pre-tax profits totalled € 90.5 million and tax payable stood at € 15.3, the taxation rate for the period having fallen to 17%, from 22% in the same period in the previous year. Net income for the period stood at € 75 million, as compared to € 148 million in the first nine months of 2019.

### **Free cash flow generation rises in first nine months to € 170 million**

Free cash flow generation totalled € 170 million in the first nine months, as compared to € 125 million in the same period in 2019; this is the highest value of Free Cash Flow registered for a nine-month period since 2014. It should be recalled that the year started with free cash flow generation of € 15 million in the first quarter, and the strong growth was recorded after the early impact of the pandemic: € 99 million in the second quarter and € 56 million in the third quarter. This was achieved through highly effective management of working capital, which combined healthy capacity to collect customer accounts and continued care in managing suppliers, where extension of certain payment periods was coordinated with the provision of financial solutions to support the liquidity of our partners. There was also a general reduction in stocks, in regards to the beginning of the year and to the end of the second quarter. Another decisive factor was the more moderate pace in implementing our capex plan.

### **Refinancing of debt maturing in 2021**

During the third quarter, the Group contracted several borrowing operations in order to refinance the debt maturing in 2021. In line with well-established policies, these operations were planned in advance to the extent considered appropriate, and did not entail any immediate funding. Instead, the new facilities are coordinated with the actual maturity dates of the existing debt. This increases and prolongs the Group's liquidity situation as deemed appropriate in the present context.

At the end of September, net interest-bearing debt totalled € 644 million (excluding the impact of IFRS 16), representing a reduction of € 71 million over year-end 2019, after a period in which the Group distributed reserves of € 99 million to its shareholders. The Net Debt / Ebitda ratio remains at a conservative level of 2.28 x (excluding the impact of IFRS 16 on interest-bearing net debt). The Company continues to enjoy comfortable liquidity, with approximately € 345 million in short term assets at 30 September.

## 4. QUARTERLY OPERATIONAL DATA

### Pulp and Paper

| (in 000 tons)                    | Q3 2019 | Q4 2019 | Q1 2020 | Q2 2020 | Q3 2020 |
|----------------------------------|---------|---------|---------|---------|---------|
| <b>BEKP Output</b>               | 363,7   | 364,1   | 393,7   | 268,7   | 337,6   |
| <b>UWF Output</b>                | 364,2   | 342,0   | 384,2   | 223,5   | 333,4   |
| <b>FOEX – BHKP Euros/ton</b>     | 723     | 625     | 616     | 617     | 583     |
| <b>FOEX – BHKP USD/ton</b>       | 804     | 691     | 680     | 680     | 680     |
| <b>FOEX – A4-BCopy Euros/ton</b> | 901     | 884     | 864     | 845     | 828     |

### Tissue

| (in 000 tons)       | Q3 2019 | Q4 2019 | Q1 2020 | Q2 2020 | Q3 2020 |
|---------------------|---------|---------|---------|---------|---------|
| <b>Reels Output</b> | 25,9    | 24,7    | 26,4    | 29,6    | 29,0    |
| <b>UWF Output</b>   | 20,9    | 17,2    | 21,5    | 20,0    | 19,2    |

### Energy

| (in 000 tons)           | Q3 2019 | Q4 2019 | Q1 2020 | Q2 2020 | Q3 2020 |
|-------------------------|---------|---------|---------|---------|---------|
| <b>Production (GWh)</b> | 511,8   | 494,4   | 538,7   | 435,2   | 509,0   |

## 5. CAPEX IN THE FIRST NINE MONTHS OF 2020

### Capex of € 70 million (vs. € 119 million in the first nine months of 2019)

As previously announced, Navigator decided on a substantial review of its capex plan for 2020, from investment initially estimated at € 158 million to approximately € 70 million. Considered on a cash flow basis, this figure was further revised to slightly above € 55 million. It should be noted that the capex that will be reported on an accounting basis is expected to stand at approximately € 90 million.

As a result, capital expenditure reported in the first nine months stood at € 69.7 million (the comparable amount in the same period in 2019 was EUR 118.9 million). From this figure, around two thirds are maintenance and asset replacement investments and one third are investments in the environmental area, with particular emphasis on the New Biomass Boiler in Figueira da Foz. It should be noted that, of the investment incurred in 2020, over 80% refers to maintenance and projects begun in previous years.

The new biomass boiler in Figueira da Foz is currently being finalised and testing has begun during the third quarter, a project representing a total investment of € 55 million over the course of 2019 and 2020, with EBI funding. This project will make it possible to cut CO2 emissions at this unit by 81% and by 20% for Navigator as a whole (reduction in the order of 155 thousand tons of CO2/year). As a result, the mill will generate 100% of its electrical power from renewables.

This is the first and most important step in Navigator's ambitious decarbonisation plan, with the aim of achieving carbon neutrality at its industrial plants by 2035.

### **Project in Mozambique - progress report**

Navigator and the Mozambican Government have continued to work as agreed in the MoU signed in 2018, focussing efforts on establishing the necessary groundwork, in particular as regards logistical relating to the Port of Macuze. The Mozambican government and president have made public statements emphasising the strategic importance of the Port of Macuze to Zambézia province and to the country as a whole,

On the lands subject, a Forest Investment scheme is being implemented as a government initiative with funding from the World Bank. The aim is to promote small and medium scale sustainable commercial forestry plantations, and to restore degraded areas. In the 2019-2020 season, plantations were established over an area of approximately 550 hectares (1.500 ha in the 2020-2029 campaign). Portucel Moçambique plays an active role in designing and implementing the programme and has contributed with wide-ranging support, such as designing the silviculture model, providing cloned plants at a subsidised price and in the access to raw materials. Later on, when plantations are ready for harvesting, Portucel Moçambique will have first option on purchase of the wood.

Preparations are under way for exporting wood from our plantations in Manica as from next year, shipping consignments from the Port of Beira. The aim is to put Mozambique on the world map in this forest-based industry.

## **6. OUTLOOK**

The third quarter was marked by the progressive and sustained recovery of the UWF business, in line with the recovery in the wider economy, but in a highly volatile context marked by great uncertainty. Demand evolved positively, especially in Europe and the US, allowing Navigator to scale up its paper production again as from July, bringing all its machines back into operation. At the end of September, Navigator's capacity utilisation rate stood at 89% YTD (comparing with an average of 74% for European manufacturers), its stock levels were in line with the previous year (in 17 days), and its order books were healthy with a 26 days level. In market terms, it is believed that the stock in the pipeline is below normal level (in terms of sales days).

Although the risk of a second wave of the pandemic persists, with the extent and impact still difficult to estimate, the Group has been registering some positive signs, namely a greater dynamism in the entry of orders from the European market in recent weeks, which allow us to predict that the market recovery will continue in the fourth quarter. The order book at the beginning of October increased to almost 30 days, but the entry of orders outside Europe and the US is still at a very early stage.

In pulp business, the drop-off in demand for tissue and packaging products in the third quarter caused business to slow somewhat in July and August. After a gradual reduction in short fibre stocks at producers, it is estimated that the level of pulp stocks in China (mostly owned by buyers) started to slightly increase again in late September, being still below the last 2 years average. However, prices are at very low levels (and in some cases below marginal cost) both in Europe and in China and certain factors may contribute to an improvement in prices during the fourth quarter. The Group has already witnessed a recovery trend throughout the third quarter in pulp prices outside Europe, in September, standing about 7% above July prices.

On the one hand, the current price gap between long and short fibre, at maximum levels close to 150 USD/ton, may lead to positive pressure on short fibre prices. On the other hand, a number of maintenance shutdowns are scheduled, in particular in Latin America, having been originally planned for the second quarter, and estimates point to this removing approximately 420 thousand tons from the market.

In tissue business, after positive performance in the first nine months, there is some concern about a possible contraction in demand, especially in the Away from Home segment.

For the fourth quarter, some days of maintenance stoppages are scheduled in the pulp mills of Aveiro and Setúbal, and in the paper machines of Setúbal. The annual maintenance stoppages will take place in the tissue mills of Aveiro and Vila Velha de Ródão.

Navigator gradually scaled its production levels back up over the course of the third quarter, with commercial initiatives that enabled it to increase its paper sales by 45% in relation to the second quarter, maintaining sales of pulp to the market at a high level and taking advantage of opportunities in tissue business. The increase in activity was accompanied by significant efforts over these nine months to reduce both fixed and variable costs, enabling the Company to achieve a better level of operational efficiency which is expected to be, in part, maintained in future. These results have once again confirmed the resilience of Navigator's business model and its extremely strong capacity to generate free cash flow, even in the most difficult circumstances, such as those we have experienced during 2020.

Lisbon, 27 October 2020

## 7. CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

### INTERIM CONSOLIDATED INCOME STATEMENT

For the nine-month period ended 30 September 2020

| Amounts in Euro  | Notes | 9 months<br>30-09-2020 | 9 months<br>30-09-2019 |
|--|-------|------------------------|------------------------|
| Revenue  | 2.1   | 1,043,947,377          | 1,274,238,404          |
| Other operating income   | 2.2   | 31,819,271             | 22,522,214             |
| Changes in the fair value of biological assets                           | 3.7   | (3,619,972)            | (2,262,018)            |
| Costs of goods and materials consumed                                    |       | (420,975,784)          | (540,716,096)          |
| Variation in production  |       | (28,172,449)           | 13,988,251             |
| External services and supplies   | 2.3   | (297,658,110)          | (339,861,736)          |
| Payroll costs  | 7.1   | (94,355,851)           | (108,597,389)          |
| Other operating expenses   | 2.3   | (20,531,412)           | (19,069,354)           |
| Net changes in provisions  | 9.1   | 475,594                | 2,280,599              |
| Depreciation, amortisation and impairment losses in non-financial assets | 3.6   | (111,339,690)          | (102,760,542)          |
| <b>Operating results</b>   |       | <b>99,588,974</b>      | <b>199,762,331</b>     |
| Other earnings and financial income                                      | 5.7   | 6,198,622              | 5 705 576              |
| Other expenses and financial losses                                      | 5.7   | (15,261,474)           | (17 104 280)           |
| <b>Financial results</b>   |       | <b>(9,062,852)</b>     | <b>(11,398,704)</b>    |
| Share of profits of associates and joint ventures                        |       | -                      | -                      |
| <b>Profit before tax</b>   |       | <b>90,526,122</b>      | <b>188,363,627</b>     |
| Income tax for the period  | 6.1   | (15,264,189)           | (40 835 513)           |
| <b>Net profit for the period</b>   |       | <b>75,261,933</b>      | <b>147,528,116</b>     |
| Attributable to Navigator's equity holders                               |       | 75,249,680             | 147,521,948            |
| Attributable to non-controlling interests                                | 5.3   | 12,253                 | 6,168                  |
| <b>Earnings per share</b>  |       |                        |                        |
| Basic earnings per share, Eur  | 5.2   | 0.106                  | 0.207                  |
| Diluted earnings per share, Eur  | 5.2   | 0.106                  | 0.207                  |

The following notes form an integral part of these consolidated financial statements.

## INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine-month period ended 30 September 2020

| Amounts in Euro   | Notes | 9 months<br>30-09-2020 | 9 months<br>30-09-2019 |
|---|-------|------------------------|------------------------|
| Net profit for the period<br><b>before non-controlling interests</b>    |       | <b>75,261,933</b>      | <b>147,528,116</b>     |
| <b>Items that can be reclassified subsequently to profit or loss</b>    |       |                        |                        |
| Hedge derivative financial instruments                                  |       |                        |                        |
| Changes in fair value   |       | 2,369,913              | (6 293 979)            |
| Tax effect  |       | (651,726)              | 1 730 844              |
| Currency translation differences  |       | (1,533,979)            | 4 152 191              |
| Tax on conventional capital remuneration                                |       | (442,750)              | 1,001,000              |
| <b>Items that cannot be reclassified subsequently to profit or loss</b> |       |                        |                        |
| Remeasurement of post-employment benefits                               |       |                        |                        |
| Remeasurements  |       | (1,255,372)            | (9 802 011)            |
| Tax effect  |       | 22,362                 | 428,175                |
| Comprehensive income of associates and joint ventures                   |       | 1,162,423              | 3,108,409              |
| <b>Total other comprehensive income net of taxes</b>                    |       | <b>(329,129)</b>       | <b>(5,675,370)</b>     |
| <b>Total comprehensive income</b>                                       |       | <b>74,932,804</b>      | <b>141,852,745</b>     |
| Attributable to:  |       |                        |                        |
| Navigator's equity holders  |       | 74,920,551             | 141,714,010            |
| Non-controlling interests   |       | 12,253                 | 138,735                |
|   |       | <b>74,932,804</b>      | <b>141,852,745</b>     |

The following notes form an integral part of these consolidated financial statements.



## INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the nine-month period ended 30 September 2020

| Amounts in Euro  | Notes | 30-09-2020           | 31-12-2019           |
|--|-------|----------------------|----------------------|
| <b>ASSETS</b>  |       |                      |                      |
| <b>Non-current assets</b>                                      |       |                      |                      |
| Goodwill   | 3.1   | 377,339,466          | 377,339,466          |
| Intangible assets  | 3.2   | 5,807,506            | 4,506,689            |
| Property, plant and equipment                                  | 3.3   | 1,204,416,632        | 1,249,651,599        |
| Right-of-use assets  | 3.5   | 51,733,460           | 45,517,924           |
| Biological assets  | 3.7   | 128,149,868          | 131,769,841          |
| Investment properties  | 3.4   | 94,647               | 95,882               |
| Receivables and other non-current assets                       | 4.2   | 32,524,338           | 58,778,469           |
| Deferred tax assets  | 6.2   | 28,040,474           | 31,638,565           |
|  |       | <b>1,828,106,392</b> | <b>1,899,298,435</b> |
| <b>Current assets</b>  |       |                      |                      |
| Inventories  | 4.1   | 211,349,731          | 217,879,700          |
| Receivables and other current assets                           | 4.2   | 263,424,942          | 247,408,647          |
| Income tax   | 6.1   | 6,503,725            | 25,145,169           |
| Cash and cash equivalents                                      | 5.6   | 345,129,117          | 161,880,403          |
|  |       | <b>826,407,515</b>   | <b>652,313,920</b>   |
| Non-current assets held for sale                               |       | -                    | -                    |
|  |       | <b>826,407,515</b>   | <b>652,313,920</b>   |
| <b>Total Assets</b>  |       | <b>2,654,513,907</b> | <b>2,551,612,355</b> |
| <b>EQUITY AND LIABILITIES</b>                                  |       |                      |                      |
| <b>Capital and Reserves</b>                                    |       |                      |                      |
| Share capital  | 5.1   | 500,000,000          | 500,000,000          |
| Treasury shares  | 5.1   | (20,189,264)         | (20,189,264)         |
| Currency translation reserve                                   |       | (20,262,928)         | (18,728,949)         |
| Fair value reserves  |       | (4,666,225)          | (6,384,412)          |
| Legal reserve  |       | 100,000,000          | 100,000,000          |
| Other reserves   |       | 98,153,331           | 98,153,331           |
| Retained earnings  |       | 373,781,548          | 206,004,258          |
| Net profit for the period                                      |       | 75,249,680           | 168,290,315          |
| <b>Equity attributable to Navigator Company's Shareholders</b> |       | <b>1,102,066,141</b> | <b>1,027,145,277</b> |
| Non-controlling interests                                      | 5.3   | 285,757              | 273,817              |
| <b>Total Equity</b>  |       | <b>1,102,351,898</b> | <b>1,027,419,095</b> |
| <b>Non-current liabilities</b>                                 |       |                      |                      |
| Interest-bearing liabilities                                   | 5.4   | 695,761,340          | 863,936,941          |
| Lease liabilities  | 5.5   | 47,848,898           | 42,450,826           |
| Pensions and other post-employment benefits                    | 7.2   | 7,934,095            | 6,588,076            |
| Deferred tax liabilities                                       | 6.2   | 91,329,929           | 80,413,906           |
| Provisions   | 9.1   | 20,558,960           | 19,948,347           |
| Payables and other current liabilities                         | 4.3   | 27,695,775           | 30,837,585           |
|  |       | <b>891,128,998</b>   | <b>1,044,175,681</b> |
| <b>Current liabilities</b>                                     |       |                      |                      |
| Interest-bearing liabilities                                   | 5.4   | 293,327,266          | 13,194,444           |
| Lease liabilities  | 5.5   | 5,585,166            | 4,396,971            |
| Payables and other current liabilities                         | 4.3   | 327,167,850          | 426,197,436          |
| Income tax   | 6.1   | 34,952,730           | 36,228,728           |
|  |       | <b>661,033,012</b>   | <b>480,017,579</b>   |
| <b>Total Liabilities</b>                                       |       | <b>1,552,162,009</b> | <b>1,524,193,260</b> |
| <b>Total Equity and Liabilities</b>                            |       | <b>2,654,513,907</b> | <b>2,551,612,355</b> |

The following notes form an integral part of these consolidated financial statements.

## INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine-month period ended 30 September 2020

Amounts in Euro

|  | Notes | Share Capital      | Treasury shares     | Currency translation reserve | Fair value reserves | Legal reserve      | Other reserves    | Retained earnings  | Net profit for the period | Total                | Non-controlling interests | Total                |
|--|-------|--------------------|---------------------|------------------------------|---------------------|--------------------|-------------------|--------------------|---------------------------|----------------------|---------------------------|----------------------|
| <b>Equity as at 1 January 2020</b>               |       | <b>500,000,000</b> | <b>(20,189,264)</b> | <b>(18,728,949)</b>          | <b>(6,384,412)</b>  | <b>100,000,000</b> | <b>98,153,331</b> | <b>206,004,258</b> | <b>168,290,315</b>        | <b>1,027,145,277</b> | <b>273,817</b>            | <b>1,027,419,094</b> |
| Net profit for the period                        |       | -                  | -                   | -                            | -                   | -                  | -                 | -                  | 75,249,680                | 75,249,680           | 12,253                    | 75,261,933           |
| Other comprehensive income (net of taxes)        |       | -                  | -                   | (1,533,979)                  | 1,718,187           | -                  | -                 | (513,025)          | -                         | (328,817)            | (313)                     | (329,130)            |
| <b>Total comprehensive income for the period</b> |       | <b>-</b>           | <b>-</b>            | <b>(1,533,979)</b>           | <b>1,718,187</b>    | <b>-</b>           | <b>-</b>          | <b>(513,025)</b>   | <b>75,249,680</b>         | <b>74,920,864</b>    | <b>11,940</b>             | <b>74,932,804</b>    |
| Application of 2019 profit for the period:       |       |                    |                     |                              |                     |                    |                   |                    |                           |                      |                           |                      |
| - Application of prior period's net profit       |       | -                  | -                   | -                            | -                   | -                  | -                 | 168,290,315        | (168,290,315)             | -                    | -                         | -                    |
| <b>Total transactions with shareholders</b>      |       | <b>-</b>           | <b>-</b>            | <b>-</b>                     | <b>-</b>            | <b>-</b>           | <b>-</b>          | <b>168,290,315</b> | <b>(168,290,315)</b>      | <b>-</b>             | <b>-</b>                  | <b>-</b>             |
| <b>Equity as at 30 September 2020</b>            |       | <b>500,000,000</b> | <b>(20,189,264)</b> | <b>(20,262,928)</b>          | <b>(4,666,225)</b>  | <b>100,000,000</b> | <b>98,153,331</b> | <b>373,781,548</b> | <b>75,249,680</b>         | <b>1,102,066,141</b> | <b>285,757</b>            | <b>1,102,351,898</b> |

Amounts in Euro

|  | Notes | Share Capital      | Treasury shares     | Currency translation reserve | Fair value reserves | Legal reserve      | Other reserves     | Retained earnings  | Net profit for the period | Total                | Non-controlling interests | Total                |
|--|-------|--------------------|---------------------|------------------------------|---------------------|--------------------|--------------------|--------------------|---------------------------|----------------------|---------------------------|----------------------|
| <b>Equity as at 1 January 2019</b>               |       | <b>500,000,000</b> | <b>(2,317,915)</b>  | <b>(20,575,293)</b>          | <b>(5,633,483)</b>  | <b>100,000,000</b> | <b>197,292,250</b> | <b>192,512,197</b> | <b>225,135,403</b>        | <b>1,186,413,159</b> | <b>204,263</b>            | <b>1,186,617,421</b> |
| Net profit for the period                        |       | -                  | -                   | -                            | -                   | -                  | -                  | -                  | 147,521,948               | 147,521,948          | 6,168                     | 147,528,116          |
| Other comprehensive income (net of taxes)        |       | -                  | -                   | 4,152,191                    | (4,563,135)         | -                  | -                  | (5,396,994)        | -                         | (5,807,938)          | 132,567                   | (5,675,371)          |
| <b>Total comprehensive income for the period</b> |       | <b>-</b>           | <b>-</b>            | <b>4,152,191</b>             | <b>(4,563,135)</b>  | <b>-</b>           | <b>-</b>           | <b>(5,396,994)</b> | <b>147,521,948</b>        | <b>141,714,010</b>   | <b>138,735</b>            | <b>141,852,745</b>   |
| Application of 2018 profit for the period:       |       |                    |                     |                              |                     |                    |                    |                    |                           |                      |                           |                      |
| - Dividends                                      |       | -                  | -                   | -                            | -                   | -                  | -                  | (200,003,439)      | -                         | (200,003,439)        | -                         | (200,003,439)        |
| - Application of prior period's net profit       |       | -                  | -                   | -                            | -                   | -                  | -                  | 248,135,403        | (225,135,403)             | 23,000,000           | -                         | 23,000,000           |
| - Bonus to employees                             |       | -                  | -                   | -                            | -                   | -                  | -                  | (23,000,000)       | -                         | (23,000,000)         | -                         | (23,000,000)         |
| Acquisition of own shares                        | 5.1   | -                  | (17,871,349)        | -                            | -                   | -                  | -                  | -                  | -                         | (17,871,349)         | -                         | (17,871,349)         |
| <b>Total transactions with shareholders</b>      |       | <b>-</b>           | <b>(17,871,349)</b> | <b>-</b>                     | <b>-</b>            | <b>-</b>           | <b>-</b>           | <b>25,131,964</b>  | <b>(225,135,403)</b>      | <b>(217,874,788)</b> | <b>-</b>                  | <b>(217,874,788)</b> |
| <b>Equity as at 30 September 2019</b>            |       | <b>500,000,000</b> | <b>(20,189,264)</b> | <b>(16,423,102)</b>          | <b>(10,196,618)</b> | <b>100,000,000</b> | <b>197,292,250</b> | <b>212,247,167</b> | <b>147,521,948</b>        | <b>1,110,252,379</b> | <b>342,998</b>            | <b>1,110,595,380</b> |

The following notes form an integral part of these consolidated financial statements.

## INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine-month period ended 30 September 2020

| Amounts in Euro   | Notas | 9 meses<br>30-09-2020 | 9 meses<br>30-09-2019 |
|---|-------|-----------------------|-----------------------|
| <b>OPERATING ACTIVITIES</b>                                     |       |                       |                       |
| Receipts from customers   |       | 1,093,024,368         | 1,314,075,815         |
| Payments to suppliers   |       | 775,290,388           | 912,812,851           |
| Payments to employees   |       | 77,841,239            | 98,769,985            |
| Cash flow from operations                                       |       | 239,892,741           | 302,492,979           |
| Income tax received/ (paid)                                     |       | 19,713,170            | (43,679,731)          |
| Other receipts/ (payments) relating to operating activities     |       | 6,925,812             | 11,243,771            |
| <b>Cash flows from operating activities (1)</b>                 |       | <b>266,531,723</b>    | <b>270,057,019</b>    |
| <b>INVESTMENT ACTIVITIES</b>                                    |       |                       |                       |
| <b>Inflows:</b>   |       |                       |                       |
| Property, plant and equipment                                   |       | 995,279               | 316,577               |
| Interest and similar income                                     |       | 2,533,173             | 3,881,821             |
| Other non-current assets  |       | -                     | 380,470               |
|   |       | 3,528,452             | 4,578,868             |
| <b>Outflows:</b>  |       |                       |                       |
| Property, plant and equipment                                   |       | 78,257,806            | 132,047,544           |
| Intangible assets   |       | 742,792               | -                     |
| Other assets  |       | -                     | -                     |
|   |       | 79,000,598            | 132,047,544           |
| <b>Cash flows from investing activities (2)</b>                 |       | <b>(75,472,146)</b>   | <b>(127,468,676)</b>  |
| <b>FINANCING ACTIVITIES</b>                                     |       |                       |                       |
| <b>Inflows:</b>   |       |                       |                       |
| Interest-bearing liabilities                                    | 5.4   | 210,000,000           | 84,791,667            |
|   |       | 210,000,000           | 84,791,667            |
| <b>Outflows:</b>  |       |                       |                       |
| Interest-bearing liabilities                                    | 5.4   | 97,819,452            | -                     |
| Amortisation of lease contracts                                 |       | 6,342,794             | 4,812,664             |
| Interest and similar expense                                    |       | 11,738,673            | 14,217,818            |
| Distribution of reserves  |       | 99,138,920            | 200,003,439           |
| Acquisition of own shares                                       |       | -                     | 17,871,349            |
| Other financing activities                                      |       | 1,776,374             | -                     |
|   |       | 216,816,213           | 236,905,270           |
| <b>Cash flows from investing activities (3)</b>                 |       | <b>(6,816,213)</b>    | <b>(152,113,603)</b>  |
| <b>CHANGES IN CASH AND CASH EQUIVALENTS (1)+(2)+(3)</b>         |       | <b>184,243,364</b>    | <b>(9,525,259)</b>    |
| Effect of exchange rate differences                             |       | (994,650)             | (106,333)             |
| <b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b> | 5.6   | <b>161,880,403</b>    | <b>80,859,784</b>     |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>       | 5.6   | <b>345,129,117</b>    | <b>71,228,192</b>     |

The following notes form an integral part of these consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 1 INTRODUCTION

### 1.1 THE GROUP

The Navigator Group (Group) comprises The Navigator Company, S.A. (Until 2015 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 redennominated 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 privatized, and became a publicly traded company.

Aiming to restructure the paper industry in Portugal, Portucel, S.A. acquired Papéis Inapa, S.A. (Setúbal), in 2000, and Soporcel – Sociedade Portuguesa de Papel, S.A. (Figueira da Foz), in 2001. Those key strategic decisions resulted in the Portucel Soporcel Group (actual 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 350 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.

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 entire 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 commercialisation.



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

Navigator is included in the consolidation perimeter of Semapa - Sociedade de Investimento e Gestão, SGPS, S.A., the parent company, and Sodim - SGPS, S.A., the final controlling entity.

## 1.2 IMPACTS OF THE COVID-19 PANDEMIC

The global socio-economic outlook has changed profoundly since the outbreak of COVID-19 in China at the beginning of the year and its rapid spread into a worldwide pandemic.

The pandemic at issue and the restrictions associated with it have resulted in an unprecedented and profound slowdown in the world economy, in particular for the sector in which the Navigator Group operates, the closing of shops, schools, universities and offices, which has a direct impact on paper consumption and consequently on the Group's order book.

Since the first reports of the virus in Portugal began, The Navigator Company S.A. has been continuously monitoring the evolution of this public health emergency, having implemented, at the end of February, a contingency plan based on the indications from Portuguese Health Authority, having also created, at the beginning of March, an Office responsible for managing and monitoring the evolution of the spread of COVID-19 in the Group, in close liaison with the Executive Committee.

In the context of the high uncertainty regarding the evolution of the pandemic and in order to alleviate the expected drop in revenue resulting from the reduction in its turnover, Navigator has implemented various cost reduction measures and a significant revision of its investment plan for 2020.

The third quarter was characterised by the progressive, and so far, sustained, recovery of the UWF business, in line with the economic recovery, but still in an environment of very strong uncertainty and great volatility. The positive evolution of demand, namely in Europe and the USA, allowed the Group to increase its paper production again since July, resuming the working of all its machines.

The Company is currently demonstrating a remarkable free cash-flow generation and a strengthened financial position, and the Board of Directors is convinced that given its financial and liquidity situation, the Group will overcome the negative impacts of this crisis, without compromising the going concern principle applied in the preparation of these financial statements.

Navigator analysed the impact of the Covid-19 pandemic on its financial position, performance and Group cash flows. Further details of the impairment analysis are presented in the interim consolidated financial statements for the period ended 30 June 2020. Based on the information available as at 30 September 2020, these analyses were revisited, with no relevant impacts.



## **1.3 SUBSEQUENT EVENTS**

### **1.3.1 Extraordinary General Meeting Call**

The Navigator Group, as requested by the shareholder Semapa, held an Extraordinary General Meeting on the 24<sup>th</sup> November 2020. As sole item, the proposal to distribute reserves registered as retained earnings in the amount of 0.1394 Euros per share in circulation was unanimously approved.

## **1.4 BASIS FOR PREPARATION**

### **1.4.1 Authorisation to issue financial statements**

These consolidated financial statements were approved by the Board of Directors and authorized for issue on 27 October 2020.

### **1.4.2 Basis for measurement**

The Interim consolidated financial statements for the nine-month period ended 30 September 2020 were prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting.

The notes to the financial statements were prepared on a going concern basis from the books and accounting records of the companies included in the consolidation (Note 10), and based on historical cost, except for available-for-sale financial assets, financial instruments derivatives and biological assets, which are recorded at fair value.

The following Notes were selected in order to contribute to the understanding of the most significant changes in the Group's consolidated financial position and its performance in relation to the last reporting date. In this context, these interim financial statements should be read together with the Navigator Group's interim consolidated financial statements for the six-month period ended 30 June 2020.

The interim consolidated financial statements have been prepared in Euro, unless expressly stated otherwise.

## 1.5 MAIN ESTIMATES AND JUDGEMENTS

The preparation of consolidated financial statements requires that the Group's Board of Directors make judgements and estimates that affect the amount of revenue, costs, assets, liabilities and disclosures at the date of the consolidated statement of financial position. To that effect, the Group's estimates and judgements are based on:

- (i) the best information and knowledge of present events and in certain cases on the reports of independent experts; and
- (ii) the actions that the Group considers it may have to take in the future.

On the date on which the operations are realised, the outcome could differ from those estimates.

More significant estimates and judgements are presented below:

| Estimates and judgements  | Notes   |
|---|---|
| Recoverability of Goodwill  | 3.1 – Goodwill  |
| Uncertainty over the income tax treatment                                     | 6.1 – Income tax for the period<br>6.2 – Deferred taxes |
| Actuarial assumptions   | 7.2 – Employee benefits                                 |
| Fair value of biological assets   | 3.7 – Biological assets                                 |
| Recognition of provisions   | 9.1 – Provisions  |
| Recoverability, useful life and depreciation of property, plant and equipment | 3.3 – Property, plant and equipment                     |

## 2 OPERATIONAL PERFORMANCE

### 2.1 REVENUE AND SEGMENT REPORTING

Navigator's Executive Committee is primarily responsible for the Group's operational decisions, periodically and consistently analysing the reports on the financial and operational information of each segment. The reports are used to monitor the operational performance of its businesses and decide on the best allocation of resources to the segment, as well as the evaluation of its performance and strategic decision-making.

The information used in segment reporting corresponds to the financial information prepared by the Group and there are no adjustments to be considered. All inter-segment sales and services are performed at market prices and eliminated on consolidation.

When aggregating the Group's operating segments, the Board of Directors defined as reportable segments those that correspond to each of the business areas developed by the Group:

- i. Market pulp (bleached eucalyptus kraft pulp – BEKP for sale);
- ii. UWF paper – production and sale of UWF uncoated writing and printing thin paper;
- iii. Tissue Paper – production and sale of domestic consumption paper; and
- iv. Others – segment which includes the forest, the production of electricity from biomass.

#### Financial information by operating segment in 2020 and 2019

|   | 30-09-2020         |                      |                    |                      |                              |                      |
|---|--------------------|----------------------|--------------------|----------------------|------------------------------|----------------------|
|   | MARKET PULP        | UWF PAPER            | TISSUE PAPER       | OTHERS               | ELIMINATIONS/<br>UNALLOCATED | TOTAL                |
| <b>REVENUE</b>                                |                    |                      |                    |                      |                              |                      |
| Sales and services rendered - products        | 117,533,570        | 705,845,061          | 104,729,454        | 8,995,090            | -                            | 937,103,174          |
| Energy sales                                  | 11,847,323         | 77,922,948           | -                  | 17,073,931           | -                            | 106,844,202          |
| <b>Sales and services rendered - external</b> | <b>129 380 893</b> | <b>783 768 009</b>   | <b>104 729 454</b> | <b>26 069 021</b>    | <b>-</b>                     | <b>1 043 947 377</b> |
| Sales and services rendered - intersegment    | 93,715,935         | -                    | -                  | 318,741,401          | (412,457,336)                | -                    |
| <b>Total revenue</b>                          | <b>223 096 828</b> | <b>783 768 009</b>   | <b>104 729 454</b> | <b>344 810 422</b>   | <b>(412 457 336)</b>         | <b>1 043 947 377</b> |
| <b>PROFIT / (LOSS)</b>                        |                    |                      |                    |                      |                              |                      |
| <b>Segmental reporting profit</b>             | 7,584,927          | 113,530,991          | 871,343            | (22,398,286)         | -                            | <b>99,588,974</b>    |
| <b>Operating profit</b>                       | -                  | -                    | -                  | -                    | -                            | <b>99,588,974</b>    |
| Financial results                             | -                  | -                    | -                  | -                    | (9,062,852)                  | (9,062,852)          |
| Income tax                                    | -                  | -                    | -                  | -                    | (15,264,189)                 | (15,264,189)         |
| <b>Profit after income tax</b>                | -                  | -                    | -                  | -                    | -                            | <b>75,261,933</b>    |
| Non-controlling interests                     | -                  | -                    | -                  | -                    | (12,253)                     | (12,253)             |
| <b>Net profit</b>                             | -                  | -                    | -                  | -                    | -                            | <b>75,249,680</b>    |
| <b>OTHER INFORMATION</b>                      |                    |                      |                    |                      |                              |                      |
| Capital expenditure                           | 16,355,561         | 24,853,671           | 4,289,799          | 24,236,757           | -                            | 69,735,787           |
| Depreciation (including impairment)           | (12,316,209)       | (73,939,887)         | (14,792,990)       | (10,290,603)         | -                            | (111,339,690)        |
| Provisions ((increases) / reversal)           | (12,000)           | (296,049)            | (24,000)           | 807,643              | -                            | 475,594              |
| <b>OTHER INFORMATION</b>                      |                    |                      |                    |                      |                              |                      |
| <b>SEGMENT ASSETS</b>                         |                    |                      |                    |                      |                              |                      |
| Goodwill                                      | -                  | 376,756,383          | 583,083            | -                    | -                            | 377,339,466          |
| Property, plant and equipment                 | 142,632,689        | 650,383,054          | 156,755,016        | 254,645,873          | -                            | 1,204,416,632        |
| Right of use                                  | -                  | 7,622,499            | -                  | 44,110,961           | -                            | 51,733,460           |
| Biological assets                             | -                  | -                    | -                  | 128,149,868          | -                            | 128,149,868          |
| Non-current receivables                       | -                  | -                    | -                  | 32,524,338           | -                            | 32,524,338           |
| Inventories                                   | 15,189,450         | 156,853,559          | 20,365,734         | 18,940,987           | -                            | 211,349,731          |
| Trade receivables                             | 14,879,509         | 96,358,070           | 27,988,445         | 7,595,482            | -                            | 146,821,506          |
| Receivables and other current assets          | -                  | 26,291,514           | 190,207            | 90,121,714           | -                            | 116,603,436          |
| Other assets                                  | 307,432            | 6,619,037            | 749,519            | 377,899,482          | -                            | 385,575,470          |
| <b>Total assets</b>                           | <b>173 009 080</b> | <b>1 320 884 118</b> | <b>206 632 004</b> | <b>953 988 706</b>   | <b>-</b>                     | <b>2 654 513 907</b> |
| <b>SEGMENT LIABILITIES</b>                    |                    |                      |                    |                      |                              |                      |
| Interest-bearing liabilities                  | -                  | 548,394              | 36,701,187         | 951,839,025          | -                            | 989,088,606          |
| Lease liabilities                             | -                  | 7,692,755            | 45,741,309         | -                    | -                            | 53,434,064           |
| Trade payables                                | 10,854,987         | 83,235,353           | 5,797,912          | 97,027,755           | -                            | 196,916,007          |
| Payables and other current liabilities        | 6,625,827          | 55,636,269           | 7,074,971          | 60,914,775           | -                            | 130,251,842          |
| Other liabilities                             | 18,045,291         | 75,828,622           | 14,968,143         | 73,629,433           | -                            | 182,471,490          |
| <b>Total liabilities</b>                      | <b>35 526 105</b>  | <b>222 941 393</b>   | <b>110 283 522</b> | <b>1 183 410 988</b> | <b>-</b>                     | <b>1 552 162 009</b> |

The Group's energy sales are reported under different business segments. Energy sales coming from the cogeneration process are recorded under the "Market pulp" and "UWF Paper" segments. Sales of electricity exclusively produced in units dedicated to the production of electricity from biomass are reported under the segment "Other".

In the first 9 months of 2020, the sale of electricity totalled Euro 106,844,202, representing a decrease of 14.8% compared to the same period of the previous year. This decrease is essentially due to: (i) lower sales value associated with the operation of the Setúbal natural gas combined cycle power plant, which moved in April to a new remuneration framework with a reduction in the sales tariff and operated with only one of the gas groups during May; (ii) negative effect of the slowdown in pulp and paper production activity in the second quarter with the necessary impact on cogeneration activity.

Fixed capital expenditure in the nine-month period ended 30 September 2020 amounted to Euro 69,735,787, compared to Euro 88,263,846 in the same period of the previous year. As a result of the economic slowdown caused by the Covid-19 pandemic, Navigator decided to review the investment plan planned for 2020, which justifies the reduction verified.

The investment made in the period includes an amount of around Euro 24 million in maintenance and efficiency improvements in the production process and Euro 23 million in various environmental projects, of which the new biomass boiler in Figueira da Foz, worth 21 million, stands out. The remaining 22.7 million relate to projects to restore the condition of assets.

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

| Amounts in Euro                                     | <b>30-09-2020</b>  | <b>30-09-2019</b>  |
|---|--------------------|--------------------|
| Forestry lands                                      | 74,331,188         | 71,594,848         |
| Real estate - manufacturing site of Setúbal         | 55,456,573         | 57,018,324         |
| Real estate - manufacturing site of Aveiro          | 11,948,049         | 11,528,641         |
| Real estate - manufacturing site of Figueira da Foz | 40,219,688         | 43,687,513         |
| Biomass thermoelectric plants                       | 64,463,398         | 23,101,705         |
| Others  | 8,226,978          | 30,039,113         |
|   | <b>254,645,873</b> | <b>236,970,144</b> |

Forestry land and industrial real estate in a total amount of Euro 181,955,498, 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 10,730,968, is included in the segment "Tissue Paper".

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

30-09-2020

|   | MARKET PULP        | UWF PAPER            | TISSUE PAPER       | OTHERS               | ELIMINATIONS/<br>UNALLOCATED | TOTAL                |
|---|--------------------|----------------------|--------------------|----------------------|------------------------------|----------------------|
| <b>REVENUE</b>                                |                    |                      |                    |                      |                              |                      |
| Sales and services rendered - products        | 121,374,299        | 904,726,057          | 101,187,793        | 24,257,460           | -                            | 1,151,545,609        |
| Energy sales                                  | 13,039,725         | 93,394,030           | -                  | 16,259,040           | -                            | 122,692,795          |
| <b>Sales and services rendered - external</b> | <b>134,414,024</b> | <b>998,120,087</b>   | <b>101,187,793</b> | <b>40,516,500</b>    | -                            | <b>1,274,238,404</b> |
| Sales and services rendered - intersegment    | 138,794,278        | -                    | -                  | 778,818,744          | (917,613,022)                | -                    |
| <b>Total revenue</b>                          | <b>273,208,302</b> | <b>998,120,087</b>   | <b>101,187,793</b> | <b>819,335,244</b>   | <b>(917,613,022)</b>         | <b>1,274,238,404</b> |
| <b>PROFIT/ (LOSS)</b>                         |                    |                      |                    |                      |                              |                      |
| <b>Segmental reporting profit</b>             | 37,315,183         | 218,211,196          | (4,629,678)        | (51,134,370)         | -                            | <b>199,762,331</b>   |
| <b>Operating profit</b>                       | -                  | -                    | -                  | -                    | -                            | <b>199,762,331</b>   |
| Financial results                             | -                  | -                    | -                  | -                    | (11,398,704)                 | (11,398,704)         |
| Income tax                                    | -                  | -                    | -                  | -                    | (40,835,513)                 | (40,835,513)         |
| <b>Profit after income tax</b>                | -                  | -                    | -                  | -                    | -                            | <b>147,528,115</b>   |
| Non-controlling interests                     | -                  | -                    | -                  | -                    | (6,168)                      | (6,168)              |
| <b>Net profit</b>                             | -                  | -                    | -                  | -                    | -                            | <b>147,521,948</b>   |
| <b>OTHER INFORMATION</b>                      |                    |                      |                    |                      |                              |                      |
| Capital expenditure                           | 18,870,587         | 31,979,253           | 15,240,780         | 22,173,226           | -                            | 88,263,846           |
| Depreciation (including impairment)           | (8,810,026)        | (64,873,630)         | (13,124,551)       | (15,952,335)         | -                            | (102,760,542)        |
| Provisions ((increases) / reversal)           | -                  | 2,903,841            | 12,000             | (635,242)            | -                            | 2,280,599            |
| <b>OTHER INFORMATION</b>                      |                    |                      |                    |                      |                              |                      |
| <b>SEGMENT ASSETS</b>                         |                    |                      |                    |                      |                              |                      |
| Goodwill                                      | -                  | -                    | -                  | -                    | -                            | -                    |
| Property, plant and equipment                 | 138,159,582        | 699,592,926          | 170,426,557        | 236,970,144          | -                            | 1,245,149,209        |
| Right of use                                  | -                  | 207,915              | -                  | 45,322,155           | -                            | 45,530,070           |
| Biological assets                             | -                  | -                    | -                  | 117,352,549          | -                            | 117,352,549          |
| Non-current receivables                       | 41,664             | 31,687,223           | 42,235,258         | 32,698,559           | -                            | 106,662,705          |
| Inventories                                   | 26,214,738         | 141,156,166          | 23,430,973         | 47,130,069           | -                            | 237,931,945          |
| Trade receivables                             | 20,982,316         | 131,682,708          | 34,648,436         | 1,388,001            | -                            | 188,701,461          |
| Receivables and other current assets          | 1,167,181          | 12,161,804           | 11,774,421         | 16,417,756           | -                            | 41,521,162           |
| Other assets                                  | 279,470            | 381,656,212          | 2,090,203          | 171,971,917          | -                            | 555,997,802          |
| <b>Total assets</b>                           | <b>186,844,951</b> | <b>1,398,144,954</b> | <b>284,605,848</b> | <b>669,251,150</b>   | -                            | <b>2,538,846,903</b> |
| <b>SEGMENT LIABILITIES</b>                    |                    |                      |                    |                      |                              |                      |
| Interest-bearing liabilities                  | -                  | -                    | -                  | 847,188,174          | -                            | 847,188,174          |
| Lease liabilities                             | -                  | 209,225              | -                  | 45,993,691           | -                            | 46,202,916           |
| Trade payables                                | 25,655,396         | 73,430,792           | 6,157,065          | 53,419,734           | -                            | 158,662,987          |
| Payables and other current liabilities        | 22,096,959         | 24,422,946           | 2,623,394          | 68,868,954           | -                            | 118,012,253          |
| Other liabilities                             | 23,893,958         | 88,308,767           | 60,251,003         | 85,731,466           | -                            | 258,185,194          |
| <b>Total liabilities</b>                      | <b>71,646,313</b>  | <b>186,371,731</b>   | <b>69,031,463</b>  | <b>1,101,202,018</b> | -                            | <b>1,428,251,524</b> |

## Revenue by business segment, by geographic area and by recognition pattern

| 30-09-2020                  | Pulp               | UWF Paper          | Tissue             | Others            | Total Amount         | Total %     |
|-----------------------------|--------------------|--------------------|--------------------|-------------------|----------------------|-------------|
| <b>Amounts in Euro</b>      |                    |                    |                    |                   |                      |             |
| Portugal                    | 15,229,594         | 133,041,832        | 39,203,406         | 26,069,021        | 213,543,854          | 20%         |
| Rest of Europe              | 54,708,009         | 384,595,862        | 59,747,273         | -                 | 499,051,144          | 48%         |
| America                     | 736,251            | 95,084,821         | 2,799,669          | -                 | 98,620,742           | 9%          |
| Africa                      | 11,819,164         | 96,077,386         | 2,728,012          | -                 | 110,624,562          | 11%         |
| Asia                        | 46,887,874         | 74,519,219         | 251,094            | -                 | 121,658,187          | 12%         |
| Overseas                    | -                  | 448,888            | -                  | -                 | 448,888              | 0%          |
|                             | <b>129,380,893</b> | <b>783,768,009</b> | <b>104,729,454</b> | <b>26,069,021</b> | <b>1,043,947,377</b> | <b>100%</b> |
| <b>Measurement standard</b> |                    |                    |                    |                   |                      |             |
| At a specific point in time | 129,380,893        | 783,768,009        | 104,729,454        | 26,069,021        | 1,043,947,377        | 100%        |
| Over time                   | -                  | -                  | -                  | -                 | -                    | 0%          |
| <b>30-09-2019</b>           |                    |                    |                    |                   |                      |             |
| <b>Amounts in Euro</b>      |                    |                    |                    |                   |                      |             |
| Portugal                    | 19,647,932         | 152,657,438        | 39,629,135         | 40,516,500        | 252,451,004          | 20%         |
| Rest of Europe              | 81,653,026         | 503,119,466        | 57,746,726         | -                 | 642,519,218          | 50%         |
| America                     | -                  | 134,937,604        | 196,553            | -                 | 135,134,157          | 11%         |
| Africa                      | 14,668,229         | 122,772,378        | 3,615,379          | -                 | 141,055,986          | 11%         |
| Asia                        | 18,444,837         | 84,365,201         | -                  | -                 | 102,810,037          | 8%          |
| Overseas                    | -                  | 268,000            | -                  | -                 | 268,000              | 0%          |
|                             | <b>134,414,024</b> | <b>998,120,087</b> | <b>101,187,793</b> | <b>40,516,500</b> | <b>1,274,238,404</b> | <b>100%</b> |
| <b>Measurement standard</b> |                    |                    |                    |                   |                      |             |
| At a specific point in time | 134,414,024        | 998,120,087        | 101,187,793        | 40,516,500        | 1,274,238,403        | 100%        |
| Over time                   | -                  | -                  | -                  | -                 | -                    | 0%          |

## Group's revenue distribution by geographic area



In 2020 and 2019, no single customer accounted for 10% or more of the Group's total revenues.

## 2.2 OTHER OPERATING INCOME

For the nine-month period ended 30 September 2020 and 2019, Other operating income is detailed as follows:

| Amounts in Euro                              | 30-09-2020        | 30-09-2019        |
|--|-------------------|-------------------|
| Gains on disposals of non-current assets     | 559,784           | 428,297           |
| Grants - CO <sub>2</sub> emission allowances | 9,080,554         | 8,242,928         |
| Supplementary income                         | 1,261,180         | 524,374           |
| Operating grants                             | 2,931,006         | 1,750,431         |
| Reversal of impairment of receivables        | 45,255            | 3,116             |
| Reversal of impairment of inventories        | 9,709,455         | 947,892           |
| Gains on inventories                         | 1,542,898         | 456,070           |
| Own work capitalised                         | 322,027           | 176,264           |
| Insurance compensation                       | 2,116,763         | 5,143,277         |
| Other operating income                       | 4,250,349         | 4,849,564         |
|  | <b>31,819,271</b> | <b>22,522,214</b> |

Gains with CO<sub>2</sub> allowances correspond to the recognition of the free allocation of allowances for 542,552 tons of CO<sub>2</sub>, at the average price of Euro 23.82 (565,186 tons of CO<sub>2</sub> in 30 September 2019, at the average price of Euro 22.16).

The Government grants correspond to subsidies attributed in the scope of research and development projects carried out by the Raiz Institute, such as the IPLANT project, INPACTUS, FitoGlobulus, Proteus, among others.

In 2020 and 2019, Gains on disposals of non-current assets includes the sale of forest lands with reduced forestry capability.

The reversal of impairment in inventories resulted from the sale of UWF (Euro 4,575,051) and Tissue (Euro 1,069,943) paper waste, which led to a review of the impairment values and their reversal.

Insurance compensation in 2020 includes the compensation associated with the failure of the steam turbine at the Setúbal combined gas power station. In 2019 this caption includes compensation associated with the losses at the Figueira da Foz mill resulting from Hurricane Leslie, in 2018, and compensation associated with the failure, in 2019, of the biomass boiler and the turbine alternator in Setúbal.

## 2.3 OTHER OPERATING EXPENSES

| Amounts in Euro                                  | 30-09-2020         | 30-09-2019          |
|--|--------------------|---------------------|
| <b>Cost of goods sold and materials consumed</b> | <b>420,975,784</b> | <b>540,716,096</b>  |
| <b>External services and supplies</b>            |                    |                     |
| Energy and fluids                                | 89,267,773         | 107,231,186         |
| Transportation of goods                          | 82,958,545         | 88,993,732          |
| Specialised services                             | 58,683,302         | 72,113,789          |
| Maintenance and repair                           | 25,799,695         | 24,066,386          |
| Insurance  | 8,533,705          | 9,004,730           |
| Advertising and marketing                        | 9,259,257          | 11,923,467          |
| Rentals  | 6,666,724          | 6,870,309           |
| Fees   | 3,142,242          | 3,458,947           |
| Travel and accommodation                         | 1,641,919          | 4,085,864           |
| Materials  | 1,778,918          | 2,524,198           |
| Subcontracts                                     | 3,005,162          | 2,864,010           |
| Communications                                   | 947,201            | 1,077,998           |
| Other  | 5,973,667          | 5,647,120           |
|  | <b>297,658,110</b> | <b>339,861,736</b>  |
| <b>Variation in production</b>                   | <b>28,172,449</b>  | <b>(13,988,251)</b> |
| <b>Payroll costs (Note 7.1)</b>                  | <b>94,355,851</b>  | <b>108,597,389</b>  |
| <b>Other operating expenses</b>                  |                    |                     |
| CO2 emission expenses                            | 12,987,588         | 12,465,104          |
| Impairment losses of receivables                 | 301,590            | 19,276              |
| Impairment losses of inventories                 | 341,601            | (2,346,576)         |
| Other losses in inventories                      | 692,079            | 1,107,847           |
| Indirect taxes                                   | 1,094,983          | 1,318,449           |
| Water resources charges                          | 1,805,068          | 1,092,416           |
| Losses on the disposal of non-current assets     | 122,179            | 859,224             |
| Other operating expenses                         | 3,186,324          | 4,553,614           |
|  | <b>20,531,412</b>  | <b>19,069,354</b>   |
| <b>Net provisions (Note 9.1)</b>                 | <b>(475,594)</b>   | <b>(2,280,599)</b>  |
|  | -                  | -                   |
| <b>Total Operating expenses</b>                  | <b>861,218,012</b> | <b>991,975,725</b>  |

In order to alleviate the expected drop in revenue resulting from the reduction in turnover due to the pandemic, Navigator has implemented several cost reduction measures, which justifies the reduction in the External supplies and services item. The increase in the Others item results from the increase in costs with cleaning, hygiene and comfort, as a result of the need to sanitise the facilities, due to the Covid-19 pandemic.

For the nine-month period ended 30 September 2020 and 2019, the costs incurred with investigation and research activities, which may be subject to tax benefits, amounted to Euro 3,364,107 and Euro 3,549,261, respectively.



## 3 INVESTMENTS

### 3.1 GOODWILL

#### Goodwill – net amount

Goodwill is attributed to the Group's cash generating units (CGU's), as follows:

| Amounts in Euro  | 30-09-2020         | 31-12-2019         |
|--|--------------------|--------------------|
| CGU of UWF paper production on Figueira da Foz site<br>(goodwill resulting from the acquisition of Navigator Brands, S.A.)   | 376,756,383        | 376,756,383        |
| CGU of Tissue paper on Vila Velha de Rodão site<br>(goodwill resulting from the acquisition of Navigator Tissue Ródão, S.A.) | 583,083            | 583,083            |
|  | <b>377,339,466</b> | <b>377,339,466</b> |

#### NAVIGATOR BRANDS, S.A.

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

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

The book value of goodwill amounts to Euro 376,756,383 as it was amortised up to 31 December 2003 (date of transition to IFRS: 1 January 2004), and amortisation as from that date, the accumulated amount of which was Euro 51,375,871, has ceased. From that date on, depreciation ceased and was replaced by annual impairment tests. If this amortisation had not been interrupted, the net book value of the Goodwill as at 30 September 2020 would amount to Euro 77,063,795 (31 December 2019: Euro 102,751,733).

#### NAVIGATOR TISSUE RÓDÃO, S.A.

On 6 February 2015 the procedures and agreements for the acquisition of AMS-BR Star Paper, S.A. (later merged into Navigator *Tissue Ródão*, S.A.) were concluded, with the authorization to conclude this transaction being formalized 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 property, plant and equipment, with a goodwill amounting to Euro 583,083.

#### Goodwill Recoverability 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 the following year and projected cash flows for the following 4 years. As a result of the calculations, up to this date no impairment losses relating to Goodwill have been identified.

## 3.2 INTANGIBLE ASSETS

### Movements in intangible assets

| Amounts in Euro  | Industrial property and other rights | CO2 emission allowances | Other intangible assets | Intangible assets under construction | Total            |
|--|--------------------------------------|-------------------------|-------------------------|--------------------------------------|------------------|
| <b>Gross amount</b>                                    |                                      |                         |                         |                                      |                  |
| <b>Balance as at 1 January 2019</b>                    | <b>3,135</b>                         | <b>2,884,633</b>        | -                       | -                                    | <b>2,887,768</b> |
| Acquisitions/attributions                              | -                                    | 10,213,065              | -                       | -                                    | 10,213,065       |
| Adjustments, transfers and write-offs                  | 207                                  | (10,333,492)            | -                       | -                                    | (10,333,285)     |
| <b>Balance as at 30 September 2019</b>                 | <b>3,342</b>                         | <b>2,764,206</b>        | -                       | -                                    | <b>2,767,548</b> |
| Acquisitions/attributions                              | -                                    | 3,645,131               | -                       | 9,194                                | 3,654,325        |
| Disposals  | -                                    | (40,766)                | -                       | -                                    | (40,766)         |
| Adjustments, transfers and write-offs                  | 8,987                                | (1,872,084)             | -                       | (9,194)                              | (1,872,291)      |
| <b>Balance as at 31 December 2019</b>                  | <b>12,329</b>                        | <b>4,496,487</b>        | -                       | -                                    | <b>4,508,816</b> |
| Acquisitions/attributions                              | -                                    | 16,496,529              | -                       | 4,335                                | 16,500,864       |
| Disposals  | -                                    | -                       | -                       | -                                    | -                |
| Adjustments, transfers and write-offs                  | 4,335                                | (15,196,731)            | -                       | (4,335)                              | (15,196,731)     |
| <b>Balance as at 30 September 2020</b>                 | <b>16,664</b>                        | <b>5,796,285</b>        | -                       | -                                    | <b>5,812,949</b> |
| <b>Accumulated amortisation and impairments losses</b> |                                      |                         |                         |                                      |                  |
| <b>Balance as at 1 January 2019</b>                    | <b>(1,517)</b>                       | -                       | -                       | -                                    | <b>(1,517)</b>   |
| Amortisation for the period (Note 3.7)                 | (348)                                | -                       | -                       | -                                    | (348)            |
| Impairment losses for the period                       | -                                    | -                       | -                       | -                                    | -                |
| <b>Balance as at 30 September 2019</b>                 | <b>(1,865)</b>                       | -                       | -                       | -                                    | <b>(1,865)</b>   |
| Amortisation for the period                            | (296)                                | -                       | -                       | -                                    | (296)            |
| Impairment losses for the period                       | -                                    | -                       | -                       | -                                    | -                |
| Adjustments, transfers and write-offs                  | 34                                   | -                       | -                       | -                                    | 34               |
| <b>Balance as at 31 December 2019</b>                  | <b>(2,127)</b>                       | -                       | -                       | -                                    | <b>(2,127)</b>   |
| Amortisation for the period (Note 3.7)                 | (3,316)                              | -                       | -                       | -                                    | (3,316)          |
| Impairment losses for the period (Note 3.7)            | -                                    | -                       | -                       | -                                    | -                |
| Disposals  | -                                    | -                       | -                       | -                                    | -                |
| <b>Balance as at 30 September 2020</b>                 | <b>(5,443)</b>                       | -                       | -                       | -                                    | <b>(5,443)</b>   |
| <b>Net book value as at 1 January 2019</b>             | <b>1,618</b>                         | <b>2,884,633</b>        | -                       | -                                    | <b>2,886,251</b> |
| <b>Net book value as at 30 September 2019</b>          | <b>1,477</b>                         | <b>2,764,206</b>        | -                       | -                                    | <b>2,765,683</b> |
| <b>Net book value as at 31 December 2019</b>           | <b>10,202</b>                        | <b>4,496,487</b>        | -                       | -                                    | <b>4,506,689</b> |
| <b>Net book value as at 30 September 2020</b>          | <b>11,221</b>                        | <b>5,796,285</b>        | -                       | -                                    | <b>5,807,506</b> |

### CO<sub>2</sub> Allowances

|                                 | 30-09-2020 | 31-12-2019 |
|---------------------------------|------------|------------|
| CO2 emission allowances (units) | 272,272    | 267,222    |
| Average unit value (Euro)       | 21.29      | 16.83      |
| Market quotation (Euros)        | 26.93      | 24.52      |

### CO<sub>2</sub> Allowances – movements of the period

| Amounts in Euro  | 2020           |                  | 2019           |                  |
|--|----------------|------------------|----------------|------------------|
|  | Tons           | Amount           | Tons           | Amount           |
| <b>Opening balance</b>                                   | <b>267,222</b> | <b>4,496,487</b> | <b>442,145</b> | <b>2,884,633</b> |
| Allowances awarded free of charge                        | 457,906        | 10,907,318       | 467,540        | 10,360,686       |
| Allowances acquired                                      | 291,462        | 5,589,211        | 137,142        | 3,497,510        |
| Allowances sold  | -              | -                | (5,142)        | (40,766)         |
| Allowances returned to the Licensing Coordinating Entity | (744,318)      | (15,196,731)     | (774,463)      | (12,205,576)     |
| <b>Closing balance</b>                                   | <b>272,272</b> | <b>5,796,285</b> | <b>267,222</b> | <b>4,496,487</b> |

### 3.3 PROPERTY, PLANT AND EQUIPMENT

#### Movements in property, plant and equipment

| Amounts in Euro                                       | Land               | Buildings and other constructions | Equipment and other tangibles | Assets under construction | Total                  |
|---|--------------------|-----------------------------------|-------------------------------|---------------------------|------------------------|
| <b>Gross Amounts</b>                                  |                    |                                   |                               |                           |                        |
| <b>Balance as at 1 January 2019</b>                   | <b>114,046,006</b> | <b>533,924,403</b>                | <b>3,428,643,287</b>          | <b>61,588,747</b>         | <b>4,138,202,442</b>   |
| Acquisitions  | -                  | -                                 | 30,653,032                    | 88,263,846                | 118,916,878            |
| Disposals   | (216,788)          | -                                 | (64,572)                      | -                         | (281,360)              |
| Adjustments, transfers and write-offs                 | (1,994,252)        | 1,880,842                         | 29,702,339                    | (43,944,036)              | (14,355,107)           |
| <b>Balance as at 30 September 2019</b>                | <b>111,834,966</b> | <b>535,805,245</b>                | <b>3,488,934,086</b>          | <b>105,908,557</b>        | <b>4,242,482,854</b>   |
| Acquisitions  | -                  | -                                 | (16,805,311)                  | 55,831,562                | 39,026,251             |
| Disposals   | (267,614)          | -                                 | (128,032)                     | -                         | (395,646)              |
| Adjustments, transfers and write-offs                 | 3,461,512          | 3,553,102                         | 50,159,119                    | (53,941,132)              | 3,232,601              |
| <b>Balance as at 31 December 2019</b>                 | <b>115,028,864</b> | <b>539,358,347</b>                | <b>3,522,159,863</b>          | <b>107,798,987</b>        | <b>4,284,346,061</b>   |
| Acquisitions  | -                  | -                                 | 5,986,435                     | 63,749,352                | 69,735,787             |
| Disposals   | (466,087)          | -                                 | (44,943)                      | -                         | (511,030)              |
| Adjustments, transfers and write-offs                 | 8,528              | 1,188,738                         | 30,023,474                    | (38,759,756)              | (7,539,016)            |
| <b>Balance as at 30 September 2020</b>                | <b>114,571,305</b> | <b>540,547,085</b>                | <b>3,558,124,829</b>          | <b>132,788,582</b>        | <b>4,346,031,801</b>   |
| <b>Accumulated depreciation and impairment losses</b> |                    |                                   |                               |                           |                        |
| <b>Balance as at 1 January 2019</b>                   | -                  | <b>(329,246,156)</b>              | <b>(2,569,947,552)</b>        | -                         | <b>(2,899,193,708)</b> |
| Depreciation for the period (Note 3.7)                | -                  | (8,978,243)                       | (100,238,743)                 | -                         | (109,216,986)          |
| Disposals   | -                  | -                                 | 63,583                        | -                         | 63,583                 |
| Adjustments, transfers and write-offs                 | -                  | 292,929                           | 10,720,538                    | -                         | 11,013,467             |
| <b>Balance as at 30 September 2019</b>                | -                  | <b>(337,931,470)</b>              | <b>(2,659,402,174)</b>        | -                         | <b>(2,997,333,644)</b> |
| Depreciation for the period                           | -                  | (3,040,478)                       | (34,655,398)                  | -                         | (37,695,876)           |
| Disposals   | -                  | -                                 | 127,604                       | -                         | 127,604                |
| Adjustments, transfers and write-offs                 | -                  | 94,124                            | 113,330                       | -                         | 207,454                |
| <b>Balance as at 31 December 2019</b>                 | -                  | <b>(340,877,824)</b>              | <b>(2,693,816,638)</b>        | -                         | <b>(3,034,694,462)</b> |
| Depreciation for the period (Note 3.7)                | -                  | (9,121,927)                       | (105,123,788)                 | -                         | (114,245,716)          |
| Disposals   | -                  | -                                 | 44,943                        | -                         | 44,943                 |
| Impairment losses (Note 3.7)                          | -                  | -                                 | -                             | -                         | -                      |
| Adjustments, transfers and write-offs                 | -                  | 467,248                           | 6,812,817                     | -                         | 7,280,065              |
| <b>Balance as at 30 September 2020</b>                | -                  | <b>(349,532,503)</b>              | <b>(2,792,082,666)</b>        | -                         | <b>(3,141,615,169)</b> |
| <b>Net book value as at 1 January 2019</b>            | <b>114,046,006</b> | <b>204,678,247</b>                | <b>858,695,735</b>            | <b>61,588,747</b>         | <b>1,239,008,734</b>   |
| <b>Net book value as at 30 September 2019</b>         | <b>111,834,966</b> | <b>197,873,775</b>                | <b>829,531,912</b>            | <b>105,908,557</b>        | <b>1,245,149,209</b>   |
| <b>Net book value as at 31 December 2019</b>          | <b>115,028,864</b> | <b>198,480,523</b>                | <b>828,343,225</b>            | <b>107,798,987</b>        | <b>1,249,651,599</b>   |
| <b>Net book value as at 30 September 2020</b>         | <b>114,571,305</b> | <b>191,014,582</b>                | <b>766,042,163</b>            | <b>132,788,582</b>        | <b>1,204,416,632</b>   |

As at 30 September 2020 the item Assets under construction includes investments associated with ongoing development projects, including the construction of the new biomass boiler at the Figueira da Foz mill (Euro 46,589,365), an environmental plan (Euro 7,238,886), a new chip stack in Aveiro (Euro 6,681,017) and various improvements in the production process and maintenance of assets (Euro 72,279,314).

Lands includes Euro 113,538,458 (31 December 2019: Euro 113,996,017) classified in the individual financial statements as investment properties, from which Euro 74,331,188 (31 December 2019: Euro 74,788,747) relate to forestry land and Euro 39,207,271 (31 December 2019: Euro 39,207,271) to land allocated to industrial sites leased to the Group.

### 3.4 INVESTMENT PROPERTIES

#### Movements in investment properties

| Amounts in Euro                                       | Land             | Buildings and<br>other<br>constructions | Total            |
|---|------------------|---|------------------|
| <b>Gross amount</b>                                   |                  |   |                  |
| <b>Balance as at 1 January 2019</b>                   | <b>424,744</b>   | <b>82,307</b>                           | <b>507,051</b>   |
| Acquisitions  | -                | -                                       | -                |
| Disposals   | -                | -                                       | -                |
| <b>Balance as at 30 September 2019</b>                | <b>424,744</b>   | <b>82,307</b>                           | <b>507,051</b>   |
| Acquisitions  | -                | -                                       | -                |
| Disposals   | -                | -                                       | -                |
| <b>Balance at at 31 December 2019</b>                 | <b>424,744</b>   | <b>82,307</b>                           | <b>507,051</b>   |
| Acquisitions  | -                | -                                       | -                |
| Disposals   | -                | -                                       | -                |
| <b>Balance as at 30 September 2020</b>                | <b>424,744</b>   | <b>82,307</b>                           | <b>507,051</b>   |
| <b>Accumulated depreciation and impairment losses</b> |                  |   |                  |
| <b>Balance as at 1 January 2019</b>                   | <b>(399,372)</b> | <b>(10,151)</b>                         | <b>(409,523)</b> |
| Depreciation for the period (Note 3.7)                | -                | -                                       | -                |
| Disposals   | -                | -                                       | -                |
| Impairment losses (Note 3.7)                          | -                | (1,234)                                 | (1,234)          |
| <b>Balance as at 30 September 2019</b>                | <b>(399,372)</b> | <b>(11,385)</b>                         | <b>(410,758)</b> |
| Depreciation for the period                           | -                | -                                       | -                |
| Disposals   | -                | -                                       | -                |
| Impairment losses                                     | -                | (412)                                   | (412)            |
| <b>Balance at at 31 December 2019</b>                 | <b>(399,372)</b> | <b>(11,797)</b>                         | <b>(411,169)</b> |
| Depreciation for the period                           | -                | -                                       | -                |
| Disposals   | -                | -                                       | -                |
| Impairment losses                                     | -                | (1,234)                                 | (1,234)          |
| <b>Balance as at 30 September 2020</b>                | <b>(399,372)</b> | <b>(13,031)</b>                         | <b>(412,404)</b> |
| <b>Net book value as at 1 January 2019</b>            | <b>25,372</b>    | <b>72,156</b>                           | <b>97,528</b>    |
| <b>Net book value as at 30 September 2019</b>         | <b>25,372</b>    | <b>70,922</b>                           | <b>96,293</b>    |
| <b>Net book value as at 31 December 2019</b>          | <b>25,372</b>    | <b>70,510</b>                           | <b>95,882</b>    |
| <b>Net book value as at 30 September 2020</b>         | <b>25,372</b>    | <b>69,276</b>                           | <b>94,647</b>    |

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

### 3.5 ASSETS UNDER RIGHT OF USE

#### MOVEMENTS IN ASSETS UNDER RIGHT OF USE

| Amounts in Euro                                       | Forestry lands     | Buildings          | Vehicles           | Software         | Other lease assets | Total               |
|---|--------------------|--------------------|--------------------|------------------|--------------------|---------------------|
| <b>Gross amount</b>                                   |                    |                    |                    |                  |                    |                     |
| <b>Balance as at 1 January 2019</b>                   | -                  | -                  | -                  | -                | -                  | -                   |
| Acquisitions - adoption of IFRS 16                    | 38,817,386         | 4,547,372          | 4,285,373          | 4,304,783        | 189,517            | 52,144,431          |
| Acquisitions in the period                            | 1,922,871          | -                  | 75                 | -                | -                  | 1,922,946           |
| Disposals   | (422,468)          | -                  | -                  | -                | -                  | (422,468)           |
| Adjustments, transfers and write-offs                 | -                  | -                  | -                  | (3,946,051)      | -                  | (3,946,051)         |
| <b>Balance as at 30 September 2019</b>                | <b>40,317,789</b>  | <b>4,547,372</b>   | <b>4,285,448</b>   | <b>358,732</b>   | <b>189,517</b>     | <b>49,698,858</b>   |
| Acquisitions  | 1,201,047          | -                  | 229,862            | -                | -                  | 1,430,909           |
| Disposals   | (55,828)           | -                  | (6,445)            | -                | -                  | (62,273)            |
| Adjustments, transfers and write-offs                 | -                  | -                  | -                  | -                | -                  | -                   |
| <b>Balance as at 31 December 2019</b>                 | <b>41,463,008</b>  | <b>4,547,372</b>   | <b>4,508,865</b>   | <b>358,732</b>   | <b>189,517</b>     | <b>51,067,494</b>   |
| Acquisitions  | 3,787,425          | 103,667            | 2,235,383          | 197,639          | 5,158,458          | 11,482,572          |
| Disposals   | -                  | -                  | -                  | -                | -                  | -                   |
| Adjustments, transfers and write-offs                 | (745)              | -                  | (16,636)           | -                | -                  | (17,381)            |
| <b>Balance as at 30 September 2020</b>                | <b>45,249,688</b>  | <b>4,651,039</b>   | <b>6,727,612</b>   | <b>556,371</b>   | <b>5,347,975</b>   | <b>62,532,685</b>   |
| <b>Accumulated depreciation and impairment losses</b> |                    |                    |                    |                  |                    |                     |
| <b>Balance as at 1 January 2019</b>                   | -                  | -                  | -                  | -                | -                  | -                   |
| Depreciation  | (2,241,384)        | (526,726)          | (1,234,294)        | (121,842)        | (48,733)           | (4,172,979)         |
| Disposals   | 4,192              | -                  | -                  | -                | -                  | 4,192               |
| Adjustments, transfers and write-offs                 | -                  | -                  | -                  | -                | -                  | -                   |
| <b>Balance as at 30 September 2019</b>                | <b>(2,237,192)</b> | <b>(526,726)</b>   | <b>(1,234,294)</b> | <b>(121,842)</b> | <b>(48,733)</b>    | <b>(4,168,787)</b>  |
| Depreciation  | (773,231)          | (175,575)          | (378,630)          | (56,858)         | -                  | (1,384,294)         |
| Disposals   | 3,511              | -                  | -                  | -                | -                  | 3,511               |
| <b>Balance as at 31 December 2020</b>                 | <b>(3,006,912)</b> | <b>(702,301)</b>   | <b>(1,612,924)</b> | <b>(178,700)</b> | <b>(48,733)</b>    | <b>(5,549,570)</b>  |
| Depreciation  | (2,396,185)        | (536,220)          | (1,667,202)        | (111,622)        | (548,739)          | (5,259,969)         |
| Disposals   | -                  | -                  | -                  | -                | -                  | -                   |
| Adjustments, transfers and write-offs                 | 5,314              | -                  | 5,001              | -                | -                  | 10,315              |
| <b>Balance as at 30 September 2020</b>                | <b>(5,397,783)</b> | <b>(1,238,521)</b> | <b>(3,275,125)</b> | <b>(290,322)</b> | <b>(597,472)</b>   | <b>(10,799,225)</b> |
| <b>Net book value as at 1 January 2019</b>            | -                  | -                  | -                  | -                | -                  | -                   |
| <b>Net book value as at 30 September 2019</b>         | <b>38,080,597</b>  | <b>4,020,646</b>   | <b>3,051,154</b>   | <b>236,890</b>   | <b>140,784</b>     | <b>45,530,071</b>   |
| <b>Net book value as at 31 December 2019</b>          | <b>38,456,096</b>  | <b>3,845,071</b>   | <b>2,895,941</b>   | <b>180,032</b>   | <b>140,784</b>     | <b>45,517,924</b>   |
| <b>Net book value as at 30 September 2020</b>         | <b>39,851,905</b>  | <b>3,412,518</b>   | <b>3,452,487</b>   | <b>266,048</b>   | <b>4,750,503</b>   | <b>51,733,460</b>   |

The item Lands essentially refers to rights to use land for forestry exploitation existing the subsidiary Navigator, whose agreements usually have a duration of 24 years, and may be cancelled in advance if the 2nd harvest takes place before the 24th year of the term.

### 3.6 DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES

| Amounts in Euro   | 30-09-2020         | 30-09-2019         |
|---|--------------------|--------------------|
| Depreciation of property, plant and equipment for the period (Note 3.3)         | 114,245,716        | 109,216,986        |
| Investment grants charged-off   | (8,170,545)        | (10,631,004)       |
| <b>Depreciation of property, plant and equipment, net of grants charged-off</b> | <b>106,075,171</b> | <b>98,585,982</b>  |
| <b>Amortisation of intangible assets for the period (Note 3.2)</b>              | <b>3,316</b>       | <b>348</b>         |
| <b>Depreciation of assets under right of use for the period (Note 3.5)</b>      | <b>5,259,969</b>   | <b>4,172,979</b>   |
| Impairment of investment properties (Note 3.4)                                  | 1,234              | 1,234              |
|   | <b>111,339,690</b> | <b>102,760,542</b> |

### 3.7 BIOLOGICAL ASSETS

#### Detail of biological assets

| Amounts in Euro                          | 2020               | 2019               |
|--|--------------------|--------------------|
| <b>Opening balance</b>                   | <b>131,769,841</b> | <b>119,614,567</b> |
| Logging                                  | (18,310,911)       | (18,593,792)       |
| Growth                                   | 2,421,646          | 3,141,639          |
| New plantations and replanting (at cost) | 2,657,841          | 2,245,138          |
| Other changes in fair value              | 9,611,452          | 10,944,997         |
|  | <b>(3,619,972)</b> | <b>(2,262,018)</b> |
| <b>Balance as at 30 September</b>        | <b>128,149,868</b> | <b>117,352,549</b> |
| Remaining quarters                       |                    | 14,417,292         |
| <b>Balance as at 31 December</b>         |                    | <b>131,769,841</b> |

The amount presented as "Other changes in fair value" refers mainly to the forest management costs foreseen and incurred in the period:

| Amounts in Euro  | 30-09-2020         | 30-09-2019         |
|--|--------------------|--------------------|
| <b>Costs of assets management</b>                                      |                    |                    |
| Forestry   | 2,414,408          | 2,811,429          |
| Structure  | 2,462,129          | 4,392,569          |
| Fixed and variable rents   | 8,154,867          | 7,176,131          |
|  | <b>13,031,404</b>  | <b>14,380,129</b>  |
| <b>Changes in expectations</b>   |                    |                    |
| Contract withdrawal  | -                  | ( 500 000)         |
| Variations in other species  | 436,891            | 186 164            |
| Other changes in expectations (structure costs, asset rationalization) | (3,856,843)        | (3 121 296)        |
|  | <b>(3,419,952)</b> | <b>(3,435,132)</b> |
|  | <b>9,611,452</b>   | <b>10,944,997</b>  |

As of 30 September 2020 and 31 December 2019, biological assets, by species, were detailed as follows:

| Amounts in Euro          | 30-09-2020         | 31-12-2019         |
|--------------------------|--------------------|--------------------|
| Eucalyptus (Portugal)    | 119,257,479        | 123,314,343        |
| Pine (Portugal)          | 4,136,907          | 4,201,000          |
| Cork oak (Portugal)      | 4,268,702          | 3,883,727          |
| Other species (Portugal) | 486,780            | 370,771            |
|                          | <b>128,149,868</b> | <b>131,769,841</b> |

Concerning Eucalyptus, the most relevant biological asset in the financial statements, the Group extracted, in the nine-month periods ended 30 September 2020 and 2019, 452,303 m<sup>3</sup>ssc and 493,065 m<sup>3</sup>ssc of wood from its owned and explored forests.

As of 30 September 2020 and 31 December 2019 (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.

## 4 WORKING CAPITAL

### 4.1 INVENTORIES

#### 4.1.1 Inventories - detail by nature

##### Amounts net of accumulated impairment losses

| Amounts in Euro                     | 30-09-2020         | 31-12-2019         |
|-------------------------------------|--------------------|--------------------|
| Raw materials                       | 121,340,604        | 109,028,273        |
| Goods                               | 348,285            | 262,995            |
| <b>Subtotal</b>                     | <b>121,688,889</b> | <b>109,291,268</b> |
| Finished and semi-finished products | 83,352,274         | 104,159,967        |
| Goods and work in progress          | 3,278,514          | 3,507,709          |
| By-products and waste               | 3,030,054          | 920,756            |
| <b>Subtotal</b>                     | <b>89,660,842</b>  | <b>108,588,432</b> |
| <b>Total</b>                        | <b>211,349,731</b> | <b>217,879,700</b> |

As of 30 September 2020 and 31 December 2019, there are no inventories in which ownership is restricted and/or pledged as collateral for liabilities.

#### 4.1.2 Movements in impairment losses in inventories

| Amounts in Euro                                | 2020                | 2019                |
|--|---------------------|---------------------|
| <b>Balance as at 1 January</b>                 | <b>(11,121,848)</b> | <b>(5,234,487)</b>  |
| Increases (Note 2.3)                           | (341,601)           | -                   |
| Reversals (Note 2.2)                           | 9,709,455           | 3,294,468           |
| <b>Impact in profit or loss for the period</b> | <b>9,367,854</b>    | <b>3,294,468</b>    |
| Charge-off                                     | (1,004)             | (947)               |
| <b>Balance as at 30 September</b>              | <b>(1,754,999)</b>  | <b>(1,940,966)</b>  |
| Remaining quarter                              | -                   | (9,180,882)         |
| <b>Balance as at 31 December</b>               | <b>(1,754,999)</b>  | <b>(11,121,848)</b> |

## 4.2 RECEIVABLES AND OTHER CURRENT ASSETS

| Amounts in Euro  | 30-09-2020  |                   |                    | 31-12-2019         |                   |                    |
|--|-------------|-------------------|--------------------|--------------------|-------------------|--------------------|
|  | Non-current | Current           | Total              | Non-current        | Current           | Total              |
| Trade receivables                                      | -           | 146,664,885       | 146,664,885        | -                  | 156,031,342       | 156,031,342        |
| Accounts receivable - associated companies (Note 11.3) | -           | 156,621           | 156,621            | -                  | 522,391           | 522,391            |
| State and other public entities                        | i)          | 48,942,352        | 48,942,352         | -                  | 42,175,250        | 42,175,250         |
| Department of Commerce (USA)                           | ii)         | 26,070,501        | 26,070,501         | 25,680,258         | 4,055,993         | 29,736,251         |
| Enviva Pellets Greenwood, LLC (USA)                    | iii)        | 31,859,878        | 2,135,292          | 33,995,171         | 32,489,823        | -                  |
| Accrued income   | -           | 15,218,668        | 15,218,668         | -                  | 20,047,064        | 20,047,064         |
| Deferred expenses                                      | iv)         | -                 | 8,792,829          | -                  | 6,706,922         | 6,706,922          |
| Derivative financial instruments (Note 8.2.1)          | -           | 4,703,369         | 4,703,369          | -                  | 2,954,495         | 2,954,495          |
| Other  | -           | 664,460           | 10,740,426         | 11,404,886         | -                 | -                  |
|  |             | <b>664,460</b>    | <b>10,740,426</b>  | <b>11,404,886</b>  | <b>608,389</b>    | <b>14,915,189</b>  |
|  |             | <b>32,524,338</b> | <b>263,424,942</b> | <b>295,949,282</b> | <b>58,778,469</b> | <b>247,408,647</b> |
|  |             |                   |                    |                    |                   | <b>306,187,116</b> |

i) State is detailed as follows:

| Amounts in Euro   | 30-09-2020        | 31-12-2019        |
|---|-------------------|-------------------|
| Value added tax - to recover  | 5,191,021         | 10,827,982        |
| Value added tax - reimbursement requests                                | 41,467,520        | 29,062,417        |
| Amounts pending reimbursement (tax proceedings favourable to the Group) | 2,283,811         | 2,284,851         |
|   | <b>48,942,352</b> | <b>42,175,250</b> |



As of 30 September 2020 and 31 December 2019, the amount of reimbursement requests comprised the following, by company and by month:

| Amounts in Euro             | Aug-2020          | Sep-2020          | Total             |
|-----------------------------|-------------------|-------------------|-------------------|
| The Navigator Company, S.A. | 19,053,393        | 20,297,330        | 39,350,724        |
| Bosques do Atlântico, S.L.  | -                 | 2,116,796         | 2,116,796         |
|                             | <b>19,053,393</b> | <b>22,414,126</b> | <b>41,467,520</b> |

Up to the date of issuing this report, Euro 39,350,724 of the outstanding amounts as of 30 September 2019, had already been received.

| Amounts in Euro             | 43,770           | Dec-2019          | Total             |
|-----------------------------|------------------|-------------------|-------------------|
| The Navigator Company, S.A. | 9,422,420        | 16,371,963        | 25,794,383        |
| Bosques do Atlântico, S.L.  | -                | 3,268,034         | 3,268,034         |
|                             | <b>9,422,420</b> | <b>19,639,997</b> | <b>29,062,417</b> |

All these amounts were received during the first quarter of 2020.

ii) As of 30 September 2020 and 31 December 2019 the balance corresponds to the amount receivable from the Department of Commerce (DoC) following the investigation initiated in 2015 of alleged dumping practices in exports of UWF paper to the United States by the subsidiary Navigator.

The final fee for the review period from August 2015 to February 2017 ("POR1") was reviewed from 37.39% to 1.75% in October 2018, and the US Court of International Trade decided in November 2019 to request the DoC to review that result following Navigator's request. The DoC recalculated the rate again downwards, setting it at 1.63%, a rate that was sanctioned by the US Court of International Trade in July this year. Hence the reclassification to current asset.

Regarding the second review period, from March 2018 to February 2019, following the audit carried out last August by the Department of Commerce, the rate was set at 4.37%. Since the petitioner's did not appeal against this decision, Navigator was reimbursed during the first half of 2020 the corresponding amount of Euro 4,055,993.

iii) Reflects the present value of the amount still to be received from the sale of the pellet business. The nominal receivable shall bear interest at the rate of 2.5% (Note 5.7).

iv) Accrued income and Deferred costs were detailed as follows:

| Amounts in Euro          | 30-09-2020        | 31-12-2019        |
|--------------------------|-------------------|-------------------|
| <b>Accrued income</b>    |                   |                   |
| Interest receivable      | 1,211,939         | 766,223           |
| Energy sales             | 10,939,043        | 13,286,097        |
| Insurance compensation   | 2,950,000         | 5,750,000         |
| Other                    | 117,686           | 244,744           |
|                          | <b>15,218,668</b> | <b>20,047,064</b> |
| <b>Deferred expenses</b> |                   |                   |
| Insurance                | 2,076,689         | 962,664           |
| Rentals                  | 6,652,649         | 5,647,010         |
| Other                    | 63,491            | 97,249            |
|                          | <b>8,792,829</b>  | <b>6,706,922</b>  |
|                          | <b>24,011,497</b> | <b>26,753,987</b> |

### 4.3 PAYABLES AND OTHER CURRENT LIABILITIES

| Amounts in Euro                                     | 30-09-2020         | 31-12-2019         |
|---|--------------------|--------------------|
| Trade payables                                      | 145,026,458        | 140,922,248        |
| Suppliers invoices pending - Logistics              | 6,796,569          | 7,413,555          |
| Suppliers invoices pending - Other                  | 45,092,980         | 42,639,309         |
| Trade payables - Property, plant and equipment      | 2,374,685          | 5,311,674          |
| State and other public entities                     | 26,022,206         | 19,928,405         |
| Related parties (Note 11.3)                         | 996,347            | 4,573,854          |
| Other creditors - CO2 emission allowances           | 13,573,380         | 15,785,183         |
| Tax consolidation (Semapa)                          | 6,586,968          | 6,586,968          |
| Shareholders  | -                  | 99,138,920         |
| Other creditors                                     | 956,075            | 3,217,199          |
| Derivative financial instruments (Note 8.2.1)       | 7,537,278          | 6,734,952          |
| Accrued expenses - Payroll                          | 22,828,179         | 24,605,696         |
| Accrued expenses - Interest payable                 | 3,661,727          | 5,118,502          |
| Supplier bonuses                                    | 7,229,142          | 5,846,301          |
| Water resources tax                                 | 1,243,507          | 2,456,998          |
| Rent liabilities                                    | 12,749,502         | 10,912,663         |
| Other accrued expenses                              | 12,042,912         | 8,514,362          |
| Non-repayable grants                                | 12,449,933         | 16,490,645         |
| <b>Payables and other liabilities - current</b>     | <b>327,167,850</b> | <b>426,197,435</b> |
| Non-repayable grants                                | 27,695,775         | 30,837,585         |
| <b>Payables and other liabilities - non-current</b> | <b>27,695,775</b>  | <b>30,837,585</b>  |
|   | <b>354,863,622</b> | <b>457,035,020</b> |

At the General Extraordinary Meeting of 20 December 2019, The Navigator Company S.A. decided on the payment of free reserves to be distributed to shareholders, as from 9 January 2020, depending on the shares held, in the amount of Euro 99,138,920.

#### State - details

| Amounts in Euro                    | 30-09-2020        | 31-12-2019        |
|------------------------------------|-------------------|-------------------|
| Personal Income Tax withhold (IRS) | 2,188,087         | 1,881,895         |
| Value Added Tax (IVA)              | 21,133,087        | 15,062,932        |
| Social security contributions      | 2,025,883         | 2,319,890         |
| Other                              | 675,149           | 663,688           |
|                                    | <b>26,022,206</b> | <b>19,928,405</b> |

As of 30 September 2020 and 31 December 2019, there were no overdue debts to the State.

#### Non-repayable grants - Detail

| Amounts in Euro                           | 30-09-2020        | 31-12-2019        |
|---|-------------------|-------------------|
| Investment grants                         | 7,099,969         | 11,938,987        |
| Grants - CO2 emission allowances          | 1,826,766         | -                 |
| Other grants                              | 3,523,198         | 4,551,660         |
| <b>Non-repayable grants - current</b>     | <b>12,449,933</b> | <b>16,490,647</b> |
| Investment grants                         | 27,695,775        | 30,837,585        |
| <b>Non-repayable grants - non-current</b> | <b>27,695,775</b> | <b>30,837,585</b> |
|   | <b>40,145,708</b> | <b>47,328,232</b> |

## 5 CAPITAL STRUCTURE

### 5.1 SHARE CAPITAL AND THEASURY SHARES

#### Navigator's shareholders

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

As at 30 September 2020, 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.

As at 30 September 2020 and 31 December 2019, the shareholders with qualified shareholdings in the Company's capital were as follows:

| Entity                       | 30-09-2020         |             | 31-12-2019         |             |
|------------------------------|--------------------|-------------|--------------------|-------------|
|                              | No. of shares      | %           | No. of shares      | %           |
| Shares without nominal value |                    |             |                    |             |
| Seinpar Investments, BV      | -                  | -           | 241,583,015        | 33.67%      |
| Semapa, SGPS, S.A.           | 497,617,299        | 69.35%      | 256,034,284        | 35.68%      |
| Treasury shares              | 6,316,931          | 0.88%       | 6,316,931          | 0.88%       |
| Remaining shareholders       | 213,565,770        | 29.77%      | 213,565,770        | 29.77%      |
|                              | <b>717,500,000</b> | <b>100%</b> | <b>717,500,000</b> | <b>100%</b> |

On 23 September 2020, Semapa and Seinpar Investments B.V. ("Seinpar"), a company wholly owned by Semapa, carried out a merger by incorporation, whereby Seinpar was incorporated into Semapa.

Seinpar holds 241,583,015 Navigator shares, representing 33.67% of Navigator's share capital and voting rights, and Semapa holds 256,034,284 Navigator shares, representing 35.68% of Navigator's share capital and voting rights, as a result of the merger, a total of 497,617,299 Navigator shares representing 69.35% of Navigator's share capital and inherent voting rights previously distributed by these two companies are now held directly by Semapa, thus changing Navigator's voting rights composition to this company.

#### Treasury shares - movements

|   | 30-09-2020       |                   | 31-12-2019       |                   |
|---|------------------|-------------------|------------------|-------------------|
|   | No. of shares    | Book value (Euro) | No. of shares    | Book value (Euro) |
| Treasury shares held at the beginning of the period | 6,316,931        | 20,189,264        | 864,049          | 2,317,915         |
| Acquisition of treasury shares                      | -                | -                 | 5,452,882        | 17,871,349        |
| Disposals in the period                             | -                | -                 | -                | -                 |
| <b>Treasury shares at the end of the period</b>     | <b>6,316,931</b> | <b>20,189,264</b> | <b>6,316,931</b> | <b>20,189,264</b> |

Treasury shares are stated at acquisition cost (average cost of 3,196 per share).

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                          | 2020             |                   | 2019             |                   |
|--|------------------|-------------------|------------------|-------------------|
|  | Quantity         | Amount            | Quantity         | Amount            |
| <b>Treasury shares held on 1 January</b> | <b>6,316,931</b> | <b>20,189,264</b> | <b>864,049</b>   | <b>2,317,915</b>  |
| Acquisitions                             |                  |                   |                  |                   |
| January                                  | -                | -                 | 880,882          | 3,311,967         |
| February                                 | -                | -                 | -                | -                 |
| March                                    | -                | -                 | -                | -                 |
| April                                    | -                | -                 | -                | -                 |
| May                                      | -                | -                 | 2,523,835        | 8,460,107         |
| June                                     | -                | -                 | 586,677          | 1,887,454         |
| July                                     | -                | -                 | -                | -                 |
| August                                   | -                | -                 | 1,441,488        | 4,090,544         |
| September                                | -                | -                 | 20,000           | 121,277           |
| October                                  | -                | -                 | -                | -                 |
| November                                 | -                | -                 | -                | -                 |
| December                                 | -                | -                 | -                | -                 |
|  | -                | -                 | <b>880,882</b>   | <b>3,311,967</b>  |
| <b>Treasury shares held in September</b> | <b>6,316,931</b> | <b>20,189,264</b> | <b>1,744,931</b> | <b>5,629,882</b>  |
| Remaining quarters                       | -                | -                 | <b>4,572,000</b> | <b>14,559,382</b> |
| <b>Treasury shares held in December</b>  | <b>6,316,931</b> | <b>20,189,264</b> | <b>6,316,931</b> | <b>20,189,264</b> |

The market value of the treasury shares held on 30 September 2020 amounted to Euro 13,985,685 (31 December 2019: 22,665,148), corresponding to a unit value of Euro 2.214 (31 December 2019: Euro 3.588) and the market capitalization of the Company at this date amounted to Euro 1,588,545,000 (2019: Euro 2,574,390,000) compared to an equity, net of non-controlling interests, of Euro 1,102,066,141 (31 December 2019: 1,027,145,277).

## 5.2 EARNINGS PER SHARE

|   | 30-09-2020         | 30-09-2019         |
|---|--------------------|--------------------|
| <b>Profit attributable to Navigator's equity holders (Euro)</b> | <b>75,249,680</b>  | <b>147,521,948</b> |
| Total number of issued shares                                   | 717,500,000        | 717,500,000        |
| Average treasury shares in the portfolio                        | (6 316 931)        | (3 728 138)        |
| <b>Weighted average number of shares</b>                        | <b>711,183,069</b> | <b>713,771,862</b> |
| <b>Basic earnings per share (Euro)</b>                          | <b>0.106</b>       | <b>0.207</b>       |
| <b>Diluted earnings per share (Euro)</b>                        | <b>0.106</b>       | <b>0.207</b>       |

## 5.3 NON-CONTROLLING INTERESTS

### Detail of non-controlling interests, by subsidiary

| Amounts in Euro                                      | % held | Equity         |                | Equity        |              |
|--|--------|----------------|----------------|---------------|--------------|
|  |        | 30-09-2020     | 31-12-2019     | 30-09-2020    | 30-09-2019   |
| Raiz - Instituto de Investigação da Floresta e Papel | 3.00%  | 285,757        | 273,817        | 12,253        | 6 168        |
| Portucel Moçambique                                  | 90.02% | -              | -              | -             | -            |
|  |        | <b>285,757</b> | <b>273,817</b> | <b>12,253</b> | <b>6,168</b> |

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 IFC – Internacional 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.

In February 2019, occurred a reduction of the subscribed, underwritten and paid capital of the shareholder The Navigator Company, S.A. to MZM 456,596,000, which reflect 90.02% of the Company's share capital, and the

participation of the IFC was reviewed to MZM 50,620,000, which reflect 9.98% of the Portucel Moçambique's share capital.

At the reporting date, there are no rights of protection of non-controlling interests that significantly restrict the entity's ability to access or use assets and settle liabilities of the Group.

## 5.4 INTEREST-BEARING LIABILITIES

| Amounts in Euro                      | 30-09-2020         |                    |                    | 31-12-2019         |                   |                    |
|--------------------------------------|--------------------|--------------------|--------------------|--------------------|-------------------|--------------------|
|                                      | Non-current        | Current            | Total              | Non-current        | Current           | Total              |
| Bond loans                           | 315,000,000        | 145,000,000        | 460,000,000        | 445,000,000        | -                 | 445,000,000        |
| Commercial paper                     | 265,000,000        | 135,000,000        | 400,000,000        | 295,000,000        | -                 | 295,000,000        |
| Bank loans                           | 84,236,111         | 13,194,445         | 97,430,556         | 90,833,334         | 13,194,444        | 104,027,778        |
| Charges with bond issuances          | (3,275,714)        | -                  | (3,275,714)        | (3,052,386)        | -                 | (3,052,386)        |
| Repayable grants                     | 36,447,385         | -                  | 36,447,385         | 39,331,496         | -                 | 39,331,496         |
| Other loans                          | -                  | 132,821            | 132,822            | -                  | -                 | -                  |
| Deferrals                            | (1,646,442)        | -                  | (1,646,442)        | (3,175,502)        | -                 | (3,175,502)        |
| <b>Debt securities and bank debt</b> | <b>695,761,340</b> | <b>293,327,266</b> | <b>989,088,607</b> | <b>863,936,941</b> | <b>13,194,444</b> | <b>877,131,386</b> |

During the nine-month period ended 30 September 2020, several short-term funding operations were carried out via commercial paper, which resulted, compared to the end of 2019, in an increase in funding of Euro 210,000,000 via commercial paper; of this amount, Euro 105,000,000 correspond to operations carried out, at the end of March and in April 2020, for a period of approximately one year, in the context of the creation of a liquidity safety net, appropriate to the Covid-19 context.

During the third quarter, the Group contracted several financing operations aimed at refinancing the debt maturing in 2021. These operations did not require any immediate funding but supported a possibility of use linked to the effective maturity dates. Thus, the Group reinforces and extends a liquidity position that can be considered adequate in the current context.

The reimbursable incentives include incentives from AICEP - Agência para o Investimento e Comércio Externo de Portugal, as part of a number of research and development projects, which includes the incentive under the investment agreement entered into with Grupo Navigator Tissue Aveiro, S.A. subsidiary for the construction of the new Tissue plant in Aveiro. This agreement includes a financial incentive in the form of a repayable incentive up to a maximum amount of Euro 42,166,636, without interest, with a two-year grace period and maturing in 2027.

## Interest-bearing liabilities - details

| 30-09-2020                          |             |                    |                |                                  |                    |                    |
|-------------------------------------|-------------|--------------------|----------------|----------------------------------|--------------------|--------------------|
| Amounts in Euro                     | Amount      | Outstanding amount | Maturity       | Interest rate                    | Current            | Non-current        |
| <b>Bond loans</b>                   |             |                    |                |                                  |                    |                    |
| Navigator 2015-2023                 | 200,000,000 | 200,000,000        | September 2023 | Variable rate indexed to Euribor | -                  | 200,000,000        |
| Navigator 2016-2021                 | 100,000,000 | 100,000,000        | April 2021     | Fixed rate                       | 100,000,000        | -                  |
| Navigator 2016-2021                 | 45,000,000  | 45,000,000         | August 2021    | Variable rate indexed to Euribor | 45,000,000         | -                  |
| Navigator 2019-2026                 | 50,000,000  | 50,000,000         | January 2026   | Fixed rate                       | -                  | 50,000,000         |
| Navigator 2019-2025                 | 50,000,000  | 50,000,000         | March 2025     | Variable rate indexed to Euribor | -                  | 50,000,000         |
| Navigator 2020-2023 (*)             | 100,000,000 | 15,000,000         | August 2023    | Variable rate indexed to Euribor | -                  | 15,000,000         |
| Navigator 2021-2026                 | 20,000,000  | -                  | April 2026     | Variable rate indexed to Euribor | -                  | -                  |
| Commissions                         | -           | (3,275,714)        | -              | -                                | -                  | (3,275,714)        |
| <b>European Investment Bank</b>     |             |                    |                |                                  |                    |                    |
| Loan BEI Ambiente B                 | 3,333,334   | 3,333,334          | June 2021      | Variable rate indexed to Euribor | 3,333,334          | -                  |
| Loan BEI Energia                    | 31,875,000  | 31,875,000         | December 2024  | Variable rate indexed to Euribor | 7,083,333          | 24,791,666         |
| Loan BEI Aveiro                     | 22,222,222  | 22,222,222         | May 2028       | Fixed rate                       | 2,777,778          | 19,444,444         |
| Loan BEI Figueira                   | 40,000,000  | 40,000,000         | February 2029  | -                                | -                  | 40,000,000         |
| Loan BEI Figueira - C.Biomassa (**) | 27,500,000  | -                  | -              | -                                | -                  | -                  |
| <b>Commercial Paper Program</b>     |             |                    |                |                                  |                    |                    |
| Commercial Paper Program 175M       | 175,000,000 | 175,000,000        | February 2026  | Fixed rate                       | -                  | 175,000,000        |
| Commercial Paper Program 70M        | 70,000,000  | 70,000,000         | April 2021     | Fixed rate                       | 70,000,000         | -                  |
| Commercial Paper Program 65M        | 65,000,000  | 65,000,000         | February 2026  | Variable rate indexed to Euribor | -                  | 65,000,000         |
| Commercial Paper Program 25M        | 25,000,000  | 25,000,000         | April 2021     | -                                | 25,000,000         | -                  |
| Commercial Paper Program 25M        | 25,000,000  | 25,000,000         | August 2023    | -                                | -                  | 25,000,000         |
| Commercial Paper Program 40M        | 40,000,000  | 40,000,000         | March 2021     | -                                | 40,000,000         | -                  |
| Commercial Paper Program 75M        | 75,000,000  | -                  | July 2026      | Variable rate indexed to Euribor | -                  | -                  |
| <b>Repayable grants</b>             |             |                    |                |                                  |                    |                    |
| AICEP                               | 36,447,385  | 36,447,385         | -              | -                                | -                  | 36,447,385         |
| Deferrals                           | -           | (1,646,443)        | -              | -                                | -                  | (1,646,443)        |
| <b>Bank credit lines</b>            |             |                    |                |                                  |                    |                    |
| Short-term line 20M                 | 20,450,714  | -                  | -              | -                                | -                  | -                  |
| <b>Other loans</b>                  |             |                    |                |                                  |                    |                    |
| Loan under US federal line          | 132,822     | 132,822            | -              | -                                | 132,821            | -                  |
|                                     |             |                    |                |                                  | <b>293,327,266</b> | <b>695,761,340</b> |
|                                     |             |                    |                |                                  | <b>989,088,606</b> |                    |

(\*) - Euro 15,000,000 (1st series) with a subscription date of 5 August 2020; Euro 85,000,000 (2nd series) with a subscription date of 23 April 2021.  
(\*\*\*) - Usable until July 2021, with deadline and rate modality to be defined at the time of use

| 31-12-2019                      |             |                    |                |                                  |                    |                    |
|---------------------------------|-------------|--------------------|----------------|----------------------------------|--------------------|--------------------|
| Amounts in Euro                 | Amount      | Outstanding amount | Maturity       | Interest rate                    | Current            | Non-current        |
| <b>Bond loans</b>               |             |                    |                |                                  |                    |                    |
| Navigator 2015-2023             | 200,000,000 | 200,000,000        | September 2023 | Variable rate indexed to Euribor | -                  | 200,000,000        |
| Navigator 2016-2021             | 100,000,000 | 100,000,000        | April 2021     | Fixed rate                       | -                  | 100,000,000        |
| Navigator 2016-2021             | 45,000,000  | 45,000,000         | August 2021    | Variable rate indexed to Euribor | -                  | 45,000,000         |
| Navigator 2019-2026             | 50,000,000  | 50,000,000         | January 2026   | Fixed rate                       | -                  | 50,000,000         |
| Navigator 2019-2025             | 50,000,000  | 50,000,000         | March 2025     | Variable rate indexed to Euribor | -                  | 50,000,000         |
| Commissions                     | -           | (3,052,386)        | -              | -                                | -                  | (3,052,386)        |
| <b>European Investment Bank</b> |             |                    |                |                                  |                    |                    |
| Loan BEI Ambiente B             | 5,000,000   | 5,000,000          | June 2021      | Variable rate indexed to Euribor | 3,333,333          | 1,666,667          |
| Loan BEI Energia                | 35,416,667  | 35,416,667         | December 2024  | Variable rate indexed to Euribor | 7,083,333          | 28,333,333         |
| Loan BEI Cacia                  | 23,611,111  | 23,611,111         | May 2028       | Fixed rate                       | 2,777,778          | 20,833,333         |
| Loan BEI Figueira               | 40,000,000  | 40,000,000         | February 2029  | -                                | -                  | 40,000,000         |
| <b>Commercial Paper Program</b> |             |                    |                |                                  |                    |                    |
| Commercial Paper Program 175M   | 175,000,000 | 175,000,000        | February 2026  | Fixed rate                       | -                  | 175,000,000        |
| Commercial Paper Program 70M    | 70,000,000  | 70,000,000         | April 2021     | Fixed rate                       | -                  | 70,000,000         |
| Commercial Paper Program 65M    | 65,000,000  | 50,000,000         | February 2026  | Variable rate indexed to Euribor | -                  | 50,000,000         |
| Commercial Paper Program 75M    | 75,000,000  | -                  | July 2026      | Variable rate indexed to Euribor | -                  | -                  |
| <b>Repayable grants</b>         |             |                    |                |                                  |                    |                    |
| AICEP                           | 39,331,496  | 39,331,496         | November 2027  | Fixed rate                       | -                  | 39,331,496         |
| Deferrals                       | -           | (3,175,502)        | -              | -                                | -                  | (3,175,502)        |
| <b>Bank credit lines</b>        |             |                    |                |                                  |                    |                    |
| Short-term line 20M             | 20,450,714  | -                  | -              | -                                | -                  | -                  |
| Short-term line 20M             | 20,450,714  | -                  | -              | -                                | -                  | -                  |
|                                 |             |                    |                |                                  | <b>13,194,444</b>  | <b>863,936,941</b> |
|                                 |             |                    |                |                                  | <b>877,131,386</b> |                    |

Like in 2019, in 2020 the Navigator Company has continued to place short-term commercial paper issues on an auction basis.

As at 30 September 2020, the average cost of debt, considering interest rate, the annual fees and hedging operations, was 1.5% (31 December 2019: 1.7%).

The reimbursement terms for the interest-bearing liabilities recorded as non-current are detailed as follows:

| Amounts in Euro | 30-09-2020         | 31-12-2019         |
|-----------------|--------------------|--------------------|
| Non-current     |                    |                    |
| 1 to 2 years    | 48,069,643         | 226,527,778        |
| 2 to 3 years    | 340,544,836        | 51,679,254         |
| 3 to 4 years    | 104,473,407        | 295,294,397        |
| 4 to 5 years    | 84,431,741         | 95,294,397         |
| Above 5 years   | 123,163,870        | 201,369,004        |
|                 | <b>700,683,497</b> | <b>870,164,830</b> |
| Commissions     | (4,922,157)        | (6,227,888)        |
|                 | <b>695,761,340</b> | <b>863,936,942</b> |

As of 30 September 2020 and 31 December 2019, the Group's interest-bearing net debt was as follows:

| Amounts in Euro   | 30-09-2020         | 31-12-2019         |
|---|--------------------|--------------------|
| Interest-bearing liabilities (Note 5.4)                 | 989,088,607        | 877,131,386        |
| Cash and cash equivalents (Note 5.6)                    | (345,129,117)      | (161,880,404)      |
| <b>Net debt</b>   | <b>643,959,489</b> | <b>715,250,982</b> |
| Lease liabilities                                       | 53,434,064         | 46,847,797         |
| <b>Net interest-bearing debt with lease liabilities</b> | <b>697,393,553</b> | <b>762,098,779</b> |

Based on the financial statements presented in this report, the financial ratios were as follows as of 30 September 2020 and 31 December 2019:

| Ratios            | 30-09-2020 | 31-12-2019 |
|-------------------|------------|------------|
| Interest coverage | 28.74      | 46.49      |
| Indetedness       | 3.33       | 2.36       |
| Net Debt / EBITDA | 2.29       | 1.92       |

The amounts calculated in the table above exclude lease liabilities.

## 5.5 LEASE LIABILITIES

### Lease liabilities - details

| Amounts in Euro                     | 30-09-2020        |                         |                              | 31-12-2019        |                         |                              |
|-------------------------------------|-------------------|-------------------------|------------------------------|-------------------|-------------------------|------------------------------|
|                                     | Outstanding rents | Interest on liabilities | Present value of liabilities | Outstanding rents | Interest on liabilities | Present value of liabilities |
| Below 1 year                        | 3,806,313         | 1,778,853               | 5,585,166                    | 2,734,225         | 1,662,746               | 4,396,971                    |
| 1 to 2 years                        | 3,262,303         | 1,641,916               | 4,904,219                    | 2,156,930         | 1,541,515               | 3,698,445                    |
| 2 to 3 years                        | 2,870,679         | 1,513,333               | 4,384,013                    | 1,626,218         | 1,431,399               | 3,057,617                    |
| 3 to 4 years                        | 2,579,337         | 1,392,284               | 3,971,620                    | 1,341,681         | 1,329,742               | 2,671,423                    |
| 4 to 5 years                        | 2,209,184         | 1,275,928               | 3,485,112                    | 1,336,559         | 1,232,720               | 2,569,279                    |
| Above 5 years                       | 22,197,795        | 8,906,139               | 31,103,934                   | 21,823,025        | 8,631,036               | 30,454,062                   |
| <b>Present value of liabilities</b> | <b>36,925,611</b> | <b>16,508,454</b>       | <b>53,434,064</b>            | <b>31,018,639</b> | <b>15,829,158</b>       | <b>46,847,797</b>            |

The increase in the value of liabilities associated with leasing liabilities stems from new agreements entered into in 2020, amounting to Euro 11,482,572, of which the new agreement for the leasing of forklift trucks, amounting to Euro 5,158,458, stands out.

## 5.6 CASH AND CASH EQUIVALENTS

| Amounts in Euro              | 30-09-2020         | 31-12-2019         |
|------------------------------|--------------------|--------------------|
| Cash                         | 38,024             | 39,818             |
| Short-term bank deposits     | 208,496,204        | 120,620,841        |
| Other short-term investments | 136,594,889        | 41,219,744         |
|                              | <b>345,129,117</b> | <b>161,880,403</b> |

In 2020 and 2019, the amount presented under Other short terms investments corresponds to amounts invested by Navigator in a portfolio of short-term, highly liquid financial assets and issuers with adequate ratings.

As of 30 September 2020 and 31 December 2019, there are no significant balances of cash and cash equivalents that are subject to restrictions on use by the Group.

## 5.7 NET FINANCIAL RESULTS

| Amounts in Euro  | 9 months<br>30-09-2020 | 9 months<br>30-09-2019 |
|--|------------------------|------------------------|
| Interest paid on debt securities and bank debt                     | (7,425,032)            | (7,834,342)            |
| Commissions on loans and expenses with credit facilities           | (2,789,854)            | (2,638,830)            |
| <b>Interest paid by applying the effective interest method</b>     | <b>(10,214,886)</b>    | <b>(10,473,172)</b>    |
| Interest paid on lease liabilities                                 | (1,511,360)            | (1,312,531)            |
| <b>Financial expenses related to the Group's capital structure</b> | <b>(11,726,246)</b>    | <b>(11,785,703)</b>    |
| Unfavourable exchange rate differences                             | -                      | -                      |
| Losses on financial instruments - foreign exchange hedging         | -                      | (599,559)              |
| Losses on financial instruments - interest rate hedging            | (1,585,887)            | (1,398,907)            |
| Losses on financial instruments - trading                          | (299,032)              | (1,395,874)            |
| Accrual for option premiums  | (1,092,487)            | (1,702,517)            |
| Losses on compensatory interest                                    | -                      | (221,720)              |
| Other financial expenses and losses                                | (557,822)              | -                      |
| <b>Financial expenses and losses</b>                               | <b>(15,261,474)</b>    | <b>(17,104,281)</b>    |
| Interest earned on financial assets at amortised cost              | -                      | -                      |
| Favourable exchange rate differences                               | 492,832                | 2,844,474              |
| Gains on financial instruments - foreign exchange hedging          | 451,807                | -                      |
| Gains on financial instruments - hedging                           | 1,752,997              | -                      |
| Gains on financial instruments - trading                           | -                      | -                      |
| Gains on compensatory interest                                     | 2,474,247              | -                      |
| Other financial income and gains                                   | 1,026,739              | 2,861,102              |
| <b>Financial income and gains</b>                                  | <b>6,198,622</b>       | <b>5,705,577</b>       |
| <b>Net financial results</b>                                       | <b>(9,062,852)</b>     | <b>(11,398,704)</b>    |

The financial results show an improvement of Euro 2.3 million, standing at negative Euro 9.1 million (vs. Euro 11.4 million), having been positively impacted in Euro 2.1 million by the variation in results of foreign exchange operations and in Euro 2.7 million by the variation in compensatory interest.

On the other hand, the result of financing operations increased essentially due to higher average debt in the period and the devaluation of the asset portfolio, due to the impacts derived from Covid-19.



## 6 INCOME TAX

### 6.1 INCOME TAX FOR THE PERIOD

#### 6.1.1 Income tax recognised in the consolidated income statement

| Amounts in Euro                                 | 9 months<br>30-09-2020 | 9 months<br>30-09-2019 |
|---|------------------------|------------------------|
| Current tax                                     | 10,840,609             | 34,910,406             |
| Change in uncertain tax positions in the period | (9,506,555)            | (38,934,163)           |
| Deferred tax (Note 6.2)                         | 13,930,135             | 44,859,269             |
|   | <b>15,264,189</b>      | <b>40,835,513</b>      |

As at 30 September 2020, current tax includes Euro 8,419,872 (30 September 2019: Euro 31,196,756) regarding the liability created under the aggregated income tax regime of The Navigator Company, S.A..

In 2019 the item "Change in uncertain tax positions in the period" reflects the favourable outcome of some processes regarding matters with high uncertainty.

#### Nominal tax rate

In the periods presented, the Group considers a nominal tax rate in Portugal of 27.5%, resulting from the tax legislation as follows:

|  | 2020         | 2019         |
|--|--------------|--------------|
| Portugal   |              |              |
| Nominal income tax rate  | 21.0%        | 21.0%        |
| Municipal surcharge  | 1.5%         | 1.5%         |
|  | <b>22.5%</b> | <b>22.5%</b> |
| State surcharge - on the share of taxable profits between Euro 1,500,000 and Euro 7,500,000  | 3.0%         | 3.0%         |
| State surcharge - on the share of taxable profits between Euro 7,500,000 and Euro 35,000,000 | 5.0%         | 5.0%         |
| State surcharge - on the share of taxable profits above Euro 35,000,000                      | 9.0%         | 9.0%         |

#### Reconciliation of the effective income tax rate for the period

| Amounts in Euro   | 9 months<br>30-09-2020 | 9 months<br>30-09-2019 |
|---|------------------------|------------------------|
| <b>Profit before tax</b>                                  | <b>90,526,122</b>      | <b>188,363,627</b>     |
| Expected tax at nominal rate (21%)                        | 19,010,486             | 39,556,362             |
| Municipal surcharge (2020: 1.58%; 2019: 1.27%)            | 1,433,642              | 2,395,290              |
| State surcharge (2020: 3.91%; 2019: 3.32%)                | 3,535,129              | 6,258,165              |
| <b>Income tax resulting from the applicable tax rate</b>  | <b>23,979,257</b>      | <b>48,209,817</b>      |
| <b>Nominal tax rate for the period</b>                    | <b>26.49%</b>          | <b>25.59%</b>          |
| Differences (a)   | 1,902,912              | 2,353,905              |
| Income tax estimate changes arising from fiscal positions | (9,867,025)            | (8,078,209)            |
| Tax benefits  | (750,954)              | (1,650,000)            |
|   | <b>15,264,189</b>      | <b>40,835,513</b>      |
| <b>Effective tax rate</b>                                 | <b>16.86%</b>          | <b>21.68%</b>          |

(a) This amount concerns mainly :

|  | 9 months<br>30-09-2020 | 9 months<br>30-09-2019 |
|--|------------------------|------------------------|
| Gains / (Losses) for tax purposes        | 583,028                | (95,438)               |
| Gains / (Losses) for accounting purposes | (627,709)              | 2,392                  |
| Taxable provisions and impairment        | 3,729,823              | 6,197,164              |
| Tax benefits                             | (1,080,145)            | (3,355,864)            |
| Post-employment benefits                 | 90,719                 | 1,096,943              |
| Other                                    | 4,223,964              | 4,714,459              |
|  | <b>6,919,679</b>       | <b>8,559,656</b>       |
| <b>Tax effect (27.5%)</b>                | <b>1,902,912</b>       | <b>2,353,905</b>       |

## 6.1.2 Tax recognised in the consolidated statement of financial position

| Amounts in Euro   | 30-09-2020        | 31-12-2019        |
|---|-------------------|-------------------|
| <b>Assets</b>   |                   |                   |
| Corporate Income Tax (IRC)  | 4,781,802         | 17,947,083        |
| Amounts pending reimbursement (tax proceedings favourable to the Group) | 1,721,923         | 7,198,086         |
|   | <b>6,503,725</b>  | <b>25,145,169</b> |
| <b>Liabilities</b>  |                   |                   |
| Corporate Income Tax (IRC)  | -                 | -                 |
| Additional tax liabilities (IRC)  | 34,952,730        | 36,228,728        |
|   | <b>34,952,730</b> | <b>36,228,728</b> |

### Detail of Corporate Income Tax - IRC (net)

| Amounts in Euro  | 30-09-2020         | 31-12-2019          |
|--|--------------------|---------------------|
| Income tax for the period  | 10,840,609         | 21,955,869          |
| Payments on accounts, Special payments on accounts and Additional payments on accounts | (4,457,287)        | (39,772,213)        |
| Withholding tax recoverable  | (17,945)           | (674,207)           |
| Income tax payable/ (recoverable) from prior years                                     | -                  | -                   |
| Additional settlement NVG Tissue Rodão   | (9,850,735)        | -                   |
| Other receivables/ (payables)  | (1,296,445)        | 543,468             |
|  | <b>(4,781,802)</b> | <b>(17,947,084)</b> |

### Amounts pending reimbursement

| Amounts in Euro                                 | 2020             | 2019             |
|---|------------------|------------------|
| 2013 Corporate income tax (RETGS)               | 406,620          | 1,273,038        |
| 2012 Corporate income tax - Proceeding 727/2016 | -                | 4,422,958        |
| 2010 to 2012 RFAI - compensatory interests      | 1,076,611        | -                |
| Other   | 238,692          | 1,502,090        |
|   | <b>1,721,923</b> | <b>7,198,086</b> |

### Uncertain tax positions - liabilities

| Amounts in Euro  | 30-09-2020         | 31-12-2019        |
|--|--------------------|-------------------|
| <b>Balance at the beginning of the period</b>                    | <b>36,228,728</b>  | <b>12,277,050</b> |
| Increases  | 3,145,590          | -                 |
| Transfers (IFRIC 23)   | -                  | 34,765,601        |
| Reversals  | (4,421,588)        | (10,813,923)      |
| <b>Amount recognised in the income statement - (gain) / loss</b> | <b>(1,275,998)</b> | <b>23,951,678</b> |
|  | <b>34,952,730</b>  | <b>36,228,728</b> |

### Taxes paid in litigation

As at 30 September 2020 and 31 December 2019, the additional tax assessments that are already paid and contested, not recognised in assets, refer to the Navigator Group and are summarised as follows:

| Amounts in Euro                            | 30-09-2020        | 31-12-2019        |
|--|-------------------|-------------------|
| 2005 Aggregate corporate income tax        | 10,394,386        | 10,394,386        |
| 2006 Aggregate corporate income tax        | 8,150,146         | 8,150,146         |
| 2016 State surcharge                       | 3,761,397         | 3,761,397         |
| 2017 State surcharge                       | 8,462,724         | 8,462,724         |
| 2018 State surcharge                       | 12,223,705        | 12,223,705        |
| 2016 corporate income tax NVG Tissue Ródão | 9,850,735         | -                 |
|  | <b>52,843,093</b> | <b>42,992,358</b> |

Regarding the 2018 State Surcharge proceeding, the unfavourable decision by CAAD (Arbitral Court) was received in September 2020, and Navigator filed an appeal with the Constitutional Court.

With regard to the additional settlement of Navigator Tissue Ródão's Corporate Income Tax (IRC) in 2016, a fully favourable decision was obtained from the Administrative Appeal which had been submitted, with the reimbursement of Euro 9,850,735 occurring in October 2020.

## 6.2 DEFERRED TAXES

### Movements in deferred taxes

| Amounts in Euro   | As at 1 January<br>2020 | Income Statement  |                     | Equity             | As at 30<br>September 2020 |
|---|-------------------------|-------------------|---------------------|--------------------|----------------------------|
|   |                         | Increases         | Decreases           |                    |                            |
| <b>Temporary differences originating deferred tax assets</b>      |                         |                   |                     |                    |                            |
| Taxed provisions  | 6,793,848               | 477,786           | (272,432)           | -                  | 6,999,201                  |
| Adjustment of property, plant and equipment                       | 69,004,705              | 15,057,799        | (20,683,221)        | -                  | 63,379,283                 |
| Financial instruments   | 8,525,155               | -                 | -                   | (2,369,913)        | 6,155,242                  |
| Deferred accounting gains on inter-group transactions             | 18,864,851              | 388,610           | (4,072,594)         | -                  | 15,180,867                 |
| Investments grants  | 203,588                 | -                 | -                   | -                  | 203,588                    |
| Conventional capital remuneration                                 | 9,660,000               | -                 | (1,610,000)         | -                  | 8,050,000                  |
|   | <b>113,052,148</b>      | <b>15,924,194</b> | <b>(26,638,248)</b> | <b>(2,369,913)</b> | <b>99,968,181</b>          |
| <b>Temporary differences originating deferred tax liabilities</b> |                         |                   |                     |                    |                            |
| Pensions and post-employment benefits                             | (510,040)               | 160               | 184,256             | 81,315             | (244,309)                  |
| Deferred accounting losses on inter-group transactions            | (9,994,509)             | -                 | -                   | -                  | (9,994,509)                |
| Valuation of biological assets                                    | (25,999,474)            | 4 513 234         | -                   | -                  | (21,486,240)               |
| Adjustment of property, plant and equipment                       | (249,833,138)           | 1,113,787         | (46,554,434)        | -                  | (295,273,785)              |
| Investment grants   | (6,077,044)             | 802,013           | -                   | 165,036            | (5,109,995)                |
|   | <b>(292,414,206)</b>    | <b>6,429,194</b>  | <b>(46,370,177)</b> | <b>246,352</b>     | <b>(332,108,838)</b>       |
| Deferred tax assets   | 31,089,341              | 4,379,153         | (7,325,518)         | (651,726)          | 27,491,251                 |
| Tax incentives for investment                                     | 549,224                 | -                 | -                   | -                  | 549,224                    |
| <b>Deferred tax assets</b>  | <b>31,638,565</b>       | <b>4,379,153</b>  | <b>(7,325,518)</b>  | <b>(651,726)</b>   | <b>28,040,474</b>          |
| <b>Deferred tax liabilities</b>                                   | <b>(80,413,906)</b>     | <b>1,768,028</b>  | <b>(12,751,799)</b> | <b>67,747</b>      | <b>(91,329,929)</b>        |

| Amounts in Euro   | As at 1 January<br>2019 | Income Statement    |                     | Equity           | As at 31 December<br>2019 |
|---|-------------------------|---------------------|---------------------|------------------|---------------------------|
|   |                         | Increases           | Decreases           |                  |                           |
| <b>Temporary differences originating deferred tax assets</b>      |                         |                     |                     |                  |                           |
| Taxed provisions  | 1,439,796               | 5,354,052           | -                   | -                | 6,793,848                 |
| Adjustment of property, plant and equipment                       | 104,175,669             | -                   | (35,170,963)        | -                | 69,004,705                |
| Financial instruments   | 7,489,391               | -                   | -                   | 1,035,764        | 8,525,155                 |
| Deferred accounting gains on inter-group transactions             | 39,285,900              | -                   | (20,421,049)        | -                | 18,864,851                |
| Investments grants  | 203,588                 | -                   | -                   | -                | 203,588                   |
| Conventional capital remuneration                                 | 9,240,000               | -                   | (3,220,000)         | 3,640,000        | 9,660,000                 |
|   | <b>161,834,345</b>      | <b>5,354,052</b>    | <b>(58,812,012)</b> | <b>4,675,764</b> | <b>113,052,148</b>        |
| <b>Temporary differences originating deferred tax liabilities</b> |                         |                     |                     |                  |                           |
| Pensions and post-employment benefits                             | (16,445)                | (2 408 246)         | -                   | 1,914,651        | (510,040)                 |
| Financial instruments   | (144,728)               | -                   | 144 728             | -                | -                         |
| Deferred accounting losses on inter-group transactions            | (9,994,509)             | -                   | -                   | -                | (9,994,509)               |
| Valuation of biological assets                                    | (13,969,979)            | (12 029 495)        | -                   | -                | (25,999,474)              |
| Adjustment of property, plant and equipment                       | (208,882,941)           | (40,950,197)        | -                   | -                | (249,833,138)             |
| Investment grants   | (7,439,159)             | -                   | 1,112,930           | 249,185          | (6,077,044)               |
|   | <b>(240,447,761)</b>    | <b>(55,387,938)</b> | <b>1,257,658</b>    | <b>2,163,836</b> | <b>(292,414,206)</b>      |
| Deferred tax assets   | 44,504,444              | 1,472,364           | (16,173,302)        | 1,285,835        | 31,089,341                |
| Tax incentives for investment                                     | 26,502,330              | -                   | (25,953,106)        | -                | 549,224                   |
| <b>Deferred tax assets</b>  | <b>71,006,774</b>       | <b>1,472,364</b>    | <b>(42,126,408)</b> | <b>1,285,835</b> | <b>31,638,565</b>         |
| <b>Deferred tax liabilities</b>                                   | <b>(66,123,135)</b>     | <b>(15,231,683)</b> | <b>345,857</b>      | <b>595,055</b>   | <b>(80,413,906)</b>       |

In the measurement of the deferred taxes as at 30 September 2020 and 31 December 2019, the rate of 27.50% was used.

## 7 PAYROLL

### 7.1 PAYROLL COSTS

| Amounts in Euro                             | 9 months<br>30-09-2020 | 9 months<br>30-09-2019 |
|---|------------------------|------------------------|
| Remuneration of Corporate bodies - fixed    | 2,493,179              | 2,386,793              |
| Remuneration of Corporate bodies - variable | -                      | 1,474,367              |
| Other remunerations                         | 73,268,277             | 78,918,570             |
| Social Security contributions               | 13,370,398             | 16,953,270             |
| Post-employment benefits (Note 7.2)         | 1,100,354              | 2,182,629              |
| Other payroll costs                         | 4,123,643              | 6,681,760              |
| <b>Payroll costs</b>                        | <b>94,355,851</b>      | <b>108,597,389</b>     |

#### Number of employees by segment at the end of the period

|             | 30-09-2020   | 31-12-2019   | Var. 20/19  |
|-------------|--------------|--------------|-------------|
| Market pulp | 259          | 269          | (10)        |
| UWF         | 1,837        | 1,869        | (32)        |
| Tissue      | 382          | 376          | 6           |
| Other       | 766          | 766          | -           |
|             | <b>3,244</b> | <b>3,280</b> | <b>(36)</b> |

Other Payroll costs are detailed as follows during the nine-month periods ended 30 September 2020 and 2019:

| Amounts in Euro | 9 months<br>30-09-2020 | 9 months<br>30-09-2019 |
|-----------------|------------------------|------------------------|
| Training        | 253,500                | 1,097,937              |
| Social action   | 712,729                | 761,599                |
| Insurance       | 2,664,495              | 2,282,201              |
| Compensations   | -                      | 2,052,205              |
| Other           | 485,338                | 487,818                |
|                 | <b>4,116,063</b>       | <b>6,681,760</b>       |

### 7.2 EMPLOYEE BENEFITS

#### 7.2.1 Introduction

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

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

##### A. Pension Plan – Defined benefit

The Group has responsibilities with post-employment benefit plans for a reduced group of Employees who have chosen to maintain the defined benefit plan or who have chosen to maintain a safeguard clause, the latter following the conversion of their plan into a Defined Contribution Plan. In effect, the safeguard clause gives the employee the option, at the time of retirement, to pay a pension in accordance with the provisions laid down on the Defined Benefit Plan. For those who choose to activate the Safeguard Clause, the accumulated balance in the Defined Contribution Plan (*Conta 1*) will be used to finance the liability of the Defined Benefit Plan.

## B. Pension Plan – Defined contribution

As at 30 September 2020, three Defined Contribution plans were in force, which covered 2,803 employees, excluding employees who chose to maintain a benefit safeguard clause.

### 7.2.2 Defined benefit plan

#### Net liabilities

Net liabilities reflected in the consolidated statement of financial position and the number of beneficiaries of the defined benefit plans in force in the Group are detailed as follows:

|   | 30-09-2020        |                  | 31-12-2019        |                  |
|---|-------------------|------------------|-------------------|------------------|
|   | No. Beneficiaries | Amount           | No. Beneficiaries | Amount           |
| Past service liabilities                        |                   |                  |                   |                  |
| Active employees, including individual accounts | 478               | 73,852,094       | 481               | 75,583,410       |
| Former employees                                | 118               | 20,303,150       | 130               | 23,358,802       |
| Retired employees                               | 533               | 84,075,292       | 522               | 80,938,541       |
| Market value of the pension funds               |                   | (170,296,440)    |                   | (173,292,676)    |
| <b>Total net liabilities</b>                    | <b>1,129</b>      | <b>7,934,096</b> | <b>1,133</b>      | <b>6,588,076</b> |

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

The assumptions used in the valuation of liabilities correspond to those of June 2020, since no actuarial studies are conducted for the quarter:

|                                  | 30-06-2020                        |
|----------------------------------|-----------------------------------|
| Social Security Benefits Formula | Decree Law no. 187/2007 of 10 May |
| Disability table                 | EKV 80                            |
| Mortality table                  | TV 88/90                          |
| Wage growth rate                 | 1.00%                             |
| Technical interest rate          | 1.75%                             |
| Return rate on plan assets       | 1.75%                             |
| Pensions growth rate             | 0.75%                             |

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.

#### Funds

##### Funds allocated to the defined benefit pension plans - evolution

| Amounts in Euro                   | 2020               | 2019               |
|-----------------------------------|--------------------|--------------------|
| <b>Balance as at 1 January</b>    | <b>173,292,676</b> | <b>147,131,961</b> |
| Expected income for the period    | 1,492,235          | 1,359,139          |
| Remeasurement                     | (1,738,904)        | 8,251,847          |
| Pensions paid                     | (2,596,185)        | (2,436,741)        |
| Others                            | (153,382)          | -                  |
| <b>Balance as at 30 September</b> | <b>170,296,440</b> | <b>154,306,206</b> |
| Remaining quarters                |                    | 18,986,470         |
| <b>Balance as at 31 December</b>  |                    | <b>173,292,676</b> |

The negative impact of Euro 2,996,236 on the value of the fund results essentially from the payment of pensions and negative return on assets, verified in the period.

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                                   | 2020               | 2019               |
|---|--------------------|--------------------|
| Defined benefit and <i>Conta 1</i> :              |                    |                    |
| Occidental - Pensions                             | 76,852             | 684,412            |
| Schroders   | 66,535,600         | 65,053,133         |
| BlackRock   | 64,142,871         | 64,042,229         |
| <i>Conta 1</i> - Credit Suisse                    | 39,541,117         | 43,512,903         |
| <b>Total Defined benefit and e <i>Conta 1</i></b> | <b>170,296,440</b> | <b>173,292,676</b> |

Funds allocated to defined benefit plans - composition of assets

| Amounts in Euro                           | 30-09-2020         | %           | 31-12-2019         | %           |
|---|--------------------|-------------|--------------------|-------------|
| <b>Listed securities in active market</b> |                    |             |                    |             |
| Bonds                                     | 101,732,929        | 59.7%       | 100,758,787        | 58.1%       |
| Shares                                    | 46,065,528         | 27.1%       | 44,766,233         | 25.8%       |
| Public debt                               | 12,613,278         | 7.4%        | 13,724,039         | 7.9%        |
| Liquidity                                 | 9,884,704          | 5.8%        | 14,043,617         | 8.1%        |
|   | <b>170,296,440</b> | <b>100%</b> | <b>173,292,676</b> | <b>100%</b> |

### 7.2.3 Defined Contribution Plan

As at 30 September 2020, two defined contribution plans were in force for most of the 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 % | 2020              | No. of Beneficiaries | Profitability % | 2019              |
|-----------------------------------|----------------------|-----------------|-------------------|----------------------|-----------------|-------------------|
| Defined contribution (BMO):       |                      |                 |                   |                      |                 |                   |
| Defensive sub-fund                | 134                  | 0.87%           | 8,881,444         | 127                  | 7.76%           | 8,879,084         |
| Conventional sub-fund             | 402                  | 0.77%           | 18,985,785        | 398                  | 10.05%          | 21,313,529        |
| Dynamic sub-fund                  | 693                  | 0.35%           | 15,254,974        | 686                  | 13.83%          | 14,619,829        |
| Agressive sub-fund                | 1,574                | (1.13%)         | 4,735,328         | 1,579                | 18.64%          | 5,645,957         |
| <b>Total Defined Contribution</b> | <b>2,803</b>         |                 | <b>47,857,531</b> | <b>2,790</b>         |                 | <b>50,458,399</b> |

### 7.2.4 Expenses incurred with post-employment benefit plans

The effect of these plans in the income statement for the nine-month periods ended 30 September 2020 and 2019 was as follows:

| Amounts in Euro                | 9 months<br>30-09-2020 | 9 months<br>30-09-2019 |
|--------------------------------|------------------------|------------------------|
| <b>Defined benefit plans</b>   |                        |                        |
| Current services               | 33,652                 | 921,127                |
| Interest expenses              | 1,549,230              | 1,536,090              |
| Expected return on plan assets | (1,492,235)            | (1,359,139)            |
| Waiver of liabilities          | -                      | -                      |
|                                | <b>90,647</b>          | <b>1,098,078</b>       |
| <b>Defined benefit plans</b>   |                        |                        |
| Contribution of the period     | 1,009,707              | 1,084,551              |
|                                | <b>1,009,707</b>       | <b>1,084,551</b>       |
| <b>Costs for the period</b>    | <b>1,100,354</b>       | <b>2,182,629</b>       |

## 8 FINANCIAL INSTRUMENTS

### 8.1 DERIVATIVE FINANCIAL INSTRUMENTS

#### Movements in derivative financial instruments

| Amounts in Euro   | 30-09-2020          |                     |                    | 31-12-2019          |                     |                    |
|---|---------------------|---------------------|--------------------|---------------------|---------------------|--------------------|
|   | Trading derivatives | Hedging derivatives | Net total          | Trading derivatives | Hedging derivatives | Net total          |
| <b>Opening balance</b>                                  | <b>536,035</b>      | <b>(4,316,491)</b>  | <b>(3,780,456)</b> | <b>141,860</b>      | <b>(4,502,399)</b>  | <b>(4,360,539)</b> |
| New contracts / settlements                             | 1,311,035           | (1,509,992)         | (198,957)          | -                   | 6,148,531           | 6,148,531          |
| Change in fair value through profit or loss             | (299,032)           | (925,377)           | (1,224,409)        | 394,175             | (4,926,860)         | (4,532,684)        |
| Change in fair value through other comprehensive income | -                   | 2,369,913           | 2,369,913          | -                   | (1,035,764)         | (1,035,764)        |
| <b>Closing balance</b>                                  | <b>1,548,038</b>    | <b>(4,381,946)</b>  | <b>(2,833,908)</b> | <b>536,035</b>      | <b>(4,316,491)</b>  | <b>(3,780,456)</b> |

#### 8.1.1 Detail and maturity of derivative financial instruments by nature

| 30 September 2020<br>Amounts in Euro         | Notional    | Currency | Maturity | Positive<br>(Note 4.2) | Negative<br>(Note 4.3) | Net total          |
|--|-------------|----------|----------|------------------------|------------------------|--------------------|
| <b>Hedging</b>                               |             |          |          |                        |                        |                    |
| Hedging (future sales)                       | 75,900,000  | USD      | 2020     | 1,587,691              | -                      | 1,587,691          |
| Hedging (future sales)                       | 18,000,000  | GBP      | 2020     | 314,244                | -                      | 314,244            |
| Interest rate swaps - Bonds                  | 250,000,000 | EUR      | 2025     | -                      | (7,357,394)            | (7,357,394)        |
| BHKP Pulp                                    | 4,740,000   | USD      | 2020     | 1,073,512              | -                      | 1,073,512          |
|  |             |          |          | <b>2,975,447</b>       | <b>(7,357,394)</b>     | <b>(4,381,946)</b> |
| <b>Trading</b>                               |             |          |          |                        |                        |                    |
| Foreign exchange forwards (future sales)     | 80,428,946  | USD      | 2023     | 390,613                | (138,140)              | 252,473            |
| Foreign exchange forwards (future sales)     | 5,950,000   | GBP      | 2020     | 8,776                  | -                      | 8,776              |
| Foreign exchange forwards (future sales)     | 750,000     | CHF      | 2020     | 5,754                  | -                      | 5,754              |
| Future purchase of CO2 allowances (Note 3.2) | 4,984,938   | EUR      | 2020     | 1,322,779              | (41,744)               | 1,281,035          |
|  |             |          |          | <b>1,727,922</b>       | <b>(179,884)</b>       | <b>1,548,038</b>   |
|  |             |          |          | <b>4,703,369</b>       | <b>(7,537,278)</b>     | <b>(2,833,909)</b> |
| <b>31 December 2019<br/>Amounts in Euro</b>  |             |          |          |                        |                        |                    |
| <b>Hedging</b>                               |             |          |          |                        |                        |                    |
| Hedging (future sales)                       | 224,439,394 | USD      | 2020     | 1,512,853              | (11,549)               | 1,501,304          |
| Hedging (future sales)                       | 97,611,111  | GBP      | 2020     | 252,153                | (217,046)              | 35,107             |
| Interest rate swaps - Bonds                  | 250,000,000 | EUR      | 2025     | -                      | (6,301,796)            | (6,301,796)        |
| BHKP Pulp                                    | 18,960,000  | USD      | 2020     | 448,894                | -                      | 448,894            |
|  |             |          |          | <b>2,213,899</b>       | <b>(6,530,391)</b>     | <b>(4,316,492)</b> |
| <b>Trading</b>                               |             |          |          |                        |                        |                    |
| Foreign exchange forwards (future sales)     | 105,663,053 | USD      | 2023     | 740,596                | -                      | 740,596            |
| Foreign exchange forwards (future sales)     | 8,350,000   | GBP      | 2020     | -                      | (204,561)              | (204,561)          |
| Future purchase of CO2 allowances            | 550,000     | EUR      | 2020     | -                      | -                      | -                  |
|  |             |          |          | <b>740,596</b>         | <b>(204,561)</b>       | <b>536,035</b>     |
|  |             |          |          | <b>2,954,495</b>       | <b>(6,734,952)</b>     | <b>(3,780,457)</b> |

#### Cash flow hedge | Exchange rate risk EUR/USD and EUR/GBP

In this regard, during the last quarter of the 2019 period and in January 2020, the Group contracted a set of financial structures to cover the total net exchange rate exposure of the estimated sales in USD for 2020. The derivative financial instruments in force are Options and Zero Cost Collar, in an overall amount of USD 144,500,000 and GBP 36,000,000, which expire on 31 December 2020.

## 9 PROVISIONS, COMMITMENTS AND CONTINGENCIES

### 9.1 PROVISIONS

#### Movements in provisions

| Amounts in Euro                                | Legal proceedings | Tax proceedings   | Other              | Total              |
|--|-------------------|-------------------|--------------------|--------------------|
| <b>1 January 2019</b>                          | <b>4,785,976</b>  | <b>23,170,209</b> | <b>15,109,286</b>  | <b>43,065,471</b>  |
| Increases                                      | 834,311           | 889,387           | -                  | 1,723,698          |
| Reversals                                      | (832,076)         | -                 | (3,172,221)        | (4,004,297)        |
| <b>Impact on profit or loss for the period</b> | <b>2,235</b>      | <b>889,387</b>    | <b>(3,172,221)</b> | <b>(2,280,599)</b> |
| Other transfers and adjustments                | 29,608            | (24,059,596)      | -                  | (24,029,988)       |
| <b>30 September 2019</b>                       | <b>4,817,819</b>  | <b>-</b>          | <b>11,937,065</b>  | <b>16,754,884</b>  |
| Increases                                      | 687,762           | -                 | 2,445,497          | 3,133,259          |
| Reversals                                      | -                 | -                 | -                  | -                  |
| <b>Impact on profit or loss for the period</b> | <b>687,762</b>    | <b>-</b>          | <b>2,445,497</b>   | <b>3,133,259</b>   |
| Other transfers and adjustments                | 1,314             | -                 | 58,890             | 60,204             |
| <b>31 December 2019</b>                        | <b>5,506,895</b>  | <b>-</b>          | <b>14,441,452</b>  | <b>19,948,347</b>  |
| Increases                                      | 2,050,968         | -                 | 452,308            | 2,503,276          |
| Reversals                                      | (2,978,870)       | -                 | -                  | (2,978,870)        |
| <b>Impact on profit or loss for the period</b> | <b>(927,902)</b>  | <b>-</b>          | <b>452,308</b>     | <b>(475,594)</b>   |
| Exchange rate adjustment                       | (91,110)          | -                 | -                  | (91,110)           |
| Other transfers and adjustments                | -                 | -                 | 1,177,318          | 1,177,318          |
| <b>30 September 2020</b>                       | <b>4,487,883</b>  | <b>-</b>          | <b>16,071,078</b>  | <b>20,558,960</b>  |

#### Legal proceedings

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

#### Other provisions

The amount presented includes provisions to cover risks related to events of a different nature, the resolution of which may result in outflows of cash, in particular organisational restructuring processes, risks of contractual positions assumed in investments, among others. As at 30 September 2020 this item includes Euro 13,615,000 relating to the Mozambique project.

### 9.2 COMMITMENTS

#### Guarantees provided to third parties

| Amounts in Euro                    | 30-09-2020        | 31-12-2019        |
|------------------------------------|-------------------|-------------------|
| <b>Guarantees provided</b>         |                   |                   |
| Navigator guarantees for BEI loans | 35,208,333        | 70,416,667        |
| Portuguese tax authorities         | 15,997,679        | 845,957           |
| IAPMEI                             | 1,280,701         | 3,653,785         |
| Customs clearance                  | 1,250             | 1,250             |
| Spanish state tax agency           | 1,033,204         | 1,033,204         |
| Portuguese Environment Agency      | 1,141,618         | -                 |
| Simria                             | 338,829           | 338,829           |
| Other                              | 738,226           | 982,839           |
|                                    | <b>55,739,840</b> | <b>77,272,531</b> |

Under the terms of the financing contracts with the BEI, Navigator Group provided bank guarantees in the amount of Euro 35,208 thousand.

The bank guarantees provided to the Tax Authority relate to the dispute in litigation relating to corporate income tax for the 2015 tax period.

In the case of the Portuguese Environmental Agency, bank guarantees were provided in the context of litigation proceedings associated with the water resources rate for the years 2017 to 2019.



## Purchase commitments

| Amounts in Euro   | 30-09-2020         | 31-12-2019         |
|---|--------------------|--------------------|
| <b>Purchase commitments</b>                             |                    |                    |
| Property, plant and equipment - Manufacturing equipment | 35,242,090         | 18,279,270         |
| Wood  |                    |                    |
| Commitments to acquisitions in the subsequent period    | 29,594,000         | 59,600,000         |
| Commitments to long-term acquisitions                   | 105,300,000        | 88,000,000         |
|   | <b>170,136,090</b> | <b>165,879,270</b> |

## 10 GROUP STRUCTURE

### 10.1 COMPANIES INCLUDED IN THE CONSOLIDATION PERIMETER

#### 10.1.1 Navigator Group subsidiaries

| Company  | Head Office     | Share equity owned |            |        | Main business activity |
|--|-----------------|--------------------|------------|--------|------------------------|
|  |                 | 30-09-2020         | 31-12-2019 |        |                        |
|  |                 | Directly           | Indirectly | Total  | Total                  |
| <b>Parent Company</b>  |                 |                    |            |        |                        |
| The Navigator Company, S.A.  | Portugal        | -                  | -          | -      | -                      |
| <b>Subsidiaries</b>  |                 |                    |            |        |                        |
| Navigator Brands , S.A.  | Portugal        | 100.00             | -          | 100.00 | 100.00                 |
| Navigator Parques Industriais, S.A.  | Portugal        | 100.00             | -          | 100.00 | 100.00                 |
| Navigator Products & Tecnologia, S.A.  | Portugal        | 100.00             | -          | 100.00 | 100.00                 |
| Navigator Paper Figueira, S.A.   | Portugal        | 100.00             | -          | 100.00 | 100.00                 |
| Empremedia RE , AC   | Irlanda         | 100.00             | -          | 100.00 | -                      |
| Pulpchem Logistics, A.C.E.   | Portugal        | 50.00              | -          | 50.00  | 50.00                  |
| Raiz - Instituto de Investigação da Floresta e Papel                                   | Portugal        | 75.00              | 22.00      | 97.00  | 97.00                  |
| Raiz Ventures , SA   | Portugal        | -                  | 97.00      | 97.00  | 97.00                  |
| About the Future - Essencial Oils, SA  | Portugal        | -                  | 97.00      | 97.00  | 97.00                  |
| Enerpulp – Cogeração Energética de Pasta, S.A.   | Portugal        | 100.00             | -          | 100.00 | 100.00                 |
| Navigator Pulp Figueira, S.A.  | Portugal        | 100.00             | -          | 100.00 | 100.00                 |
| Ema Cacia - Engenharia e Manutenção Industrial, ACE                                    | Portugal        | -                  | 92.20      | 92.20  | 92.20                  |
| Ema Setúbal - Engenharia e Manutenção Industrial, ACE                                  | Portugal        | -                  | 90.20      | 90.20  | 90.20                  |
| Ema Figueira da Foz- Engenharia e Manutenção Industrial, ACE                           | Portugal        | -                  | 90.00      | 90.00  | 90.00                  |
| Navigator Pulp Setúbal, S.A.   | Portugal        | 100.00             | -          | 100.00 | 100.00                 |
| Navigator Pulp Aveiro, S.A.  | Portugal        | 100.00             | -          | 100.00 | 100.00                 |
| Navigator Tissue Aveiro, S.A.  | Portugal        | 100.00             | -          | 100.00 | 100.00                 |
| Navigator Tissue Ródão , S.A.  | Portugal        | -                  | 100.00     | 100.00 | 100.00                 |
| Navigator Tissue Iberica , S.A.  | Spain           | -                  | 100.00     | 100.00 | 100.00                 |
| Portucel Moçambique - Sociedade de Desenvolvimento Florestal e Industrial, Lda         | Mozambique      | 90.02              | -          | 90.02  | 90.02                  |
| Navigator Internacional Holding SGPS, S.A.   | Portugal        | 100.00             | -          | 100.00 | 100.00                 |
| Navigator Financial Services sp . Zoo  | Poland          | 25.00              | 75.00      | 100.00 | 100.00                 |
| Navigator Forest Portugal, S.A.  | Portugal        | 100.00             | -          | 100.00 | 100.00                 |
| EucaliptusLand, S.A.   | Portugal        | -                  | 100.00     | 100.00 | 100.00                 |
| Sociedade de Vinhos da Herdade de Espirra - Produção e Comercialização de Vinhos, S.A. | Portugal        | -                  | 100.00     | 100.00 | 100.00                 |
| Gavião - Sociedade de Caça e Turismo, S.A.   | Portugal        | -                  | 100.00     | 100.00 | 100.00                 |
| Afocelca - Agrupamento complementar de empresas para protecção contra incêndios, ACE   | Portugal        | -                  | 64.80      | 64.80  | 64.80                  |
| Viveiros Aliança - Empresa Produtora de Plantas, S.A.                                  | Portugal        | -                  | 100.00     | 100.00 | 100.00                 |
| Atlantic Forests, S.A.   | Portugal        | -                  | 100.00     | 100.00 | 100.00                 |
| Bosques do Atlantico, SL   | Spain           | -                  | 100.00     | 100.00 | 100.00                 |
| Navigator África, SRL  | Italy           | -                  | 100.00     | 100.00 | 100.00                 |
| Navigator Paper Setúbal , S.A.   | Portugal        | 100.00             | -          | 100.00 | 100.00                 |
| Navigator North America Inc.   | USA             | -                  | 100.00     | 100.00 | 100.00                 |
| Navigator Paper World, S.A. *  | Portugal        | -                  | -          | -      | 100.00                 |
| Navigator Afrique du Nord  | Morocco         | -                  | 100.00     | 100.00 | 100.00                 |
| Navigator España, S.A.   | Spain           | -                  | 100.00     | 100.00 | 100.00                 |
| Navigator Netherlands, BV  | The Netherlands | -                  | 100.00     | 100.00 | 100.00                 |
| Navigator France, EURL   | France          | -                  | 100.00     | 100.00 | 100.00                 |
| Navigator Paper Company UK, Ltd  | UK              | -                  | 100.00     | 100.00 | 100.00                 |
| Navigator Italia, SRL  | Italy           | -                  | 100.00     | 100.00 | 100.00                 |
| Navigator Deutschland, GmbH  | Germany         | -                  | 100.00     | 100.00 | 100.00                 |
| Navigator Paper Austria, GmbH  | Austria         | -                  | 100.00     | 100.00 | 100.00                 |
| Navigator Paper Poland SP Z o o  | Poland          | -                  | 100.00     | 100.00 | 100.00                 |
| Navigator Eurasia  | Turkey          | -                  | 100.00     | 100.00 | 100.00                 |
| Navigator Rus Company, LLC   | Russia          | -                  | 100.00     | 100.00 | 100.00                 |
| Navigator Paper Mexico   | Mexico          | -                  | 100.00     | 100.00 | 100.00                 |
| Navigator Middle East Trading DMCC   | Dubai           | -                  | 100.00     | 100.00 | 100.00                 |
| Navigator Egypt, ELLC  | Egypt           | 1.00               | 99.00      | 100.00 | -                      |
| Navigator International GmbH   | Germany         | -                  | 100.00     | 100.00 | 100.00                 |
| Navigator Participações Holding ,SGPS, S.A.  | Portugal        | -                  | 100.00     | 100.00 | 100.00                 |
| Empremédia - Corretores de Seguros, S.A.   | Portugal        | -                  | 100.00     | 100.00 | 100.00                 |
| Navigator Abastecimento de Madeira, ACE  | Portugal        | 97.00              | 3.00       | 100.00 | 100.00                 |

\* Companies merged in 2020 (Note 10.2)

## 10.2 CHANGES IN THE CONSOLIDATION PERIMETER

During the nine-month period ended 30 September 2020, the consolidation perimeter was changed against the previous period by the following corporate restructuring operations:

Merger by incorporation of Navigator Paper World, S.A. Navigator Paper Setúbal, S.A.

## 10.3 TRANSACTIONS WITH RELATED PARTIES

### Balances with related parties

| Amounts in Euro   | 30-09-2020                |                        |   |                                    | 31-12-2019                |                        |                                    |
|---|---------------------------|------------------------|---|------------------------------------|---------------------------|------------------------|------------------------------------|
|   | Receivables<br>(Note 4.2) | Payables<br>(Note 4.3) | Interest-<br>bearing<br>liabilities<br>(Note 5.4) | Lease<br>liabilities<br>(Note 5.5) | Receivables<br>(Note 4.2) | Payables<br>(Note 4.3) | Lease<br>liabilities<br>(Note 5.5) |
| <b>Shareholders (Note 5.2)</b>                              |                           |                        |   |                                    |                           |                        |                                    |
| Semapa - Soc. de Investimento e Gestão, SGPS, S.A.          | -                         | 7,371,961              | -   | -                                  | 24,651                    | 10,881,165             | -                                  |
| <b>Other subsidiaries of the Semapa Group</b>               |                           |                        |   |                                    |                           |                        |                                    |
| Secil - Companhia Geral Cal e Cimento, S.A.                 | 156,621                   | 45,277                 | -   | -                                  | 329,779                   | 22,513                 | -                                  |
| Secil Britas, S.A.  | -                         | 73,622                 | -   | -                                  | -                         | 70,636                 | -                                  |
| Secil Prebetão, S.A.  | -                         | 314                    | -   | -                                  | -                         | 314                    | -                                  |
| CMP - Cimentos Maceira e Pataias, S.A.                      | -                         | 21,194                 | -   | -                                  | -                         | 7,477                  | -                                  |
| Unibetão, S.A.  | -                         | 70,947                 | -   | -                                  | -                         | 40,367                 | -                                  |
| <b>Other related entities</b>                               |                           |                        |   |                                    |                           |                        |                                    |
| Seinpar Investments BV                                      | -                         | -                      | -   | -                                  | 600                       | -                      | -                                  |
| Sonagi Imobiliária, S.A.                                    | -                         | -                      | -   | 2,275                              | 85,382                    | -                      | 33,745                             |
| Refundos - Soc. Gestora de Fundos de Inv. Imobiliário, S.A. | -                         | -                      | -   | -                                  | -                         | 93,430                 | 74,664                             |
| Hotel Ritz, S.A.  | -                         | -                      | -   | -                                  | -                         | 2,033                  | -                                  |
|   | <b>156,621</b>            | <b>7,583,315</b>       | <b>-</b>  | <b>2,275</b>                       | <b>440,413</b>            | <b>11,117,935</b>      | <b>108,409</b>                     |

### Transactions with related parties

| Amounts in Euro   | 30-09-2020                           |                                   |                              |                                |                                     | 30-06-2019                           |                                   |                              |                                     |  |
|---|--------------------------------------|-----------------------------------|------------------------------|--------------------------------|-------------------------------------|--------------------------------------|-----------------------------------|------------------------------|-------------------------------------|--|
|   | Purchase of<br>goods and<br>services | Sales and<br>services<br>rendered | Other<br>operating<br>income | Other<br>operating<br>expenses | Financial<br>(expenses) /<br>income | Purchase of<br>goods and<br>services | Sales and<br>services<br>rendered | Other<br>operating<br>income | Financial<br>(expenses) /<br>income |  |
| <b>Shareholders (Note 5.2)</b>                              |                                      |                                   |                              |                                |                                     |                                      |                                   |                              |                                     |  |
| Semapa - Soc. de Investimento e Gestão, SGPS, S.A.          | 6,790,621                            | -                                 | -                            | 9,217                          | -                                   | 5,140,857                            | -                                 | -                            | -                                   |  |
|   | <b>6,790,621</b>                     | <b>-</b>                          | <b>-</b>                     | <b>9,217</b>                   | <b>-</b>                            | <b>5,140,857</b>                     | <b>-</b>                          | <b>-</b>                     | <b>-</b>                            |  |
| <b>Other subsidiaries of the Semapa Group</b>               |                                      |                                   |                              |                                |                                     |                                      |                                   |                              |                                     |  |
| Secil - Companhia Geral Cal e Cimento, S.A.                 | 50,847                               | 12,000                            | -                            | -                              | -                                   | 436                                  | 245,361                           | -                            | -                                   |  |
| Secil Britas, S.A.  | 33,261                               | -                                 | -                            | -                              | -                                   | 110,561                              | -                                 | -                            | -                                   |  |
| Secil Prebetão, S.A.  | -                                    | -                                 | -                            | -                              | -                                   | 25,995                               | -                                 | -                            | -                                   |  |
| CMP - Cimentos Maceira e Pataias, S.A.                      | 36,303                               | -                                 | -                            | -                              | -                                   | 18,300                               | -                                 | -                            | -                                   |  |
| Unibetão, S.A.  | 78,684                               | -                                 | -                            | -                              | -                                   | 98,921                               | -                                 | -                            | -                                   |  |
|   | <b>199,095</b>                       | <b>12,000</b>                     | <b>-</b>                     | <b>-</b>                       | <b>-</b>                            | <b>254,213</b>                       | <b>245,361</b>                    | <b>-</b>                     | <b>-</b>                            |  |
| <b>Other related entities</b>                               |                                      |                                   |                              |                                |                                     |                                      |                                   |                              |                                     |  |
| Seinpar Investments BV                                      | -                                    | -                                 | 1,736                        | -                              | -                                   | -                                    | -                                 | -                            | -                                   |  |
| Sonagi Imobiliária, S.A.                                    | -                                    | -                                 | -                            | -                              | (732)                               | 48,946                               | 81,576                            | -                            | -                                   |  |
| Refundos - Soc. Gestora de Fundos de Inv. Imobiliário, S.A. | -                                    | -                                 | -                            | -                              | -                                   | 141,715                              | 330,667                           | -                            | -                                   |  |
| Hotel Ritz, S.A.  | 4,224                                | -                                 | -                            | -                              | -                                   | 3,217                                | 1,936                             | -                            | -                                   |  |
|   | <b>4,224</b>                         | <b>-</b>                          | <b>1,736</b>                 | <b>-</b>                       | <b>(732)</b>                        | <b>193,877</b>                       | <b>414,179</b>                    | <b>-</b>                     | <b>-</b>                            |  |
|   | <b>6,993,940</b>                     | <b>12,000</b>                     | <b>1,736</b>                 | <b>9,217</b>                   | <b>(732)</b>                        | <b>5,588,947</b>                     | <b>659,540</b>                    | <b>-</b>                     | <b>-</b>                            |  |

On 1 February 2013, a contract to render administrative and management services was signed between Semapa - Sociedade de Investimentos e Gestão, SGPS, S.A. (currently owner of 69.35% 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 in 2015 a lease agreement between Navigator Brands, S.A. (previously designated as Navigator Paper Figueira, S.A.) and Cimilonga - Imobiliária, S.A. under which an office was leased in Semapa SGPS, SA headquarters' building, in Lisbon, which was terminated in 2020.

The Navigator Company, SA and Refundos - Sociedade Gestora de Investimentos Imobiliário, SA, also entered into a lease agreement beginning on 1 June 2017 and ending on 31 May 2027, automatically renewable for a 5 year period, regarding the lease of an office building located in Lisbon, Avenida Fontes Pereira de Melo. Since the company was sold to a third party during the first half of the year, it is no longer considered a related party in 2020.

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 corporate bodies were considered as related parties.

## 11 EXPLANATION ADDED FOR TRANSLATION

These financial statements are a free translation of the financial statements originally issued in Portuguese. In the event of discrepancies, the Portuguese language version prevails.

### BOARD OF DIRECTORS

João Nuno de Sottomayor Pinto de Castello Branco  
Board of Directors Chairman

António José Pereira Redondo  
Executive Board Chairman

Adriano Augusto da Silva Silveira  
Executive Board Member

José Fernando Morais Carreira de Araújo  
Executive Board Member

Nuno Miguel Moreira de Araújo Santos  
Executive Board Member

João Paulo Araújo Oliveira  
Executive Board Member

João Paulo Cabete Gonçalves Lé  
Executive Board 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

Vítor Paulo Paranhos Pereira

Member