



*The Orchid
(Ophrys tenthredinifera)
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
Península
de Mitrena,
Freguesia
do Sado
- Setúbal

DIRECTOR'S REPORT

1ST HALF 2020

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1. PERFORMANCE IN 1ST HALF 2020

In a first half that saw sharp downturns both in global consumption of UWF paper, as a result of the Covid-19 pandemic, and in pulp and paper prices, the company recorded impressive free cash flow generation and a solid financial situation. Having diversified its business by moving into tissue, whilst maintaining its pulp drying capacity, and with strong cost management action, Navigator has demonstrated to be extremely resilient against these adverse developments. Even so, the sharp drop in paper demand and in pulp and paper prices in relation to the previous year was directly reflected in the results for the period.

YoY Analysis (H1 2020 vs. H1 2019) – Pulp and tissue sales and cost reduction secured strong resilience against the lockdown impacts in UWF business

- The lockdown in place during April and May in the main markets where Navigator operates has led to UWF sales volume of 598 thousand tons, falling 17% YoY, whilst pulp sales grew by 56% to 193 thousand tons and tissue sales by 10% to 52 thousand tons;
- Performance was marked by falling sales prices in comparison to 1st half of 2019: the BHKP pulp index (in euros) fell 27.4% and the A4 paper index dropped 6.4%;
- A substantial reduction in variable production costs and firm containment of fixed costs (down € 22 million) soften the effect of falling sales prices and resulted in an EBITDA / Sales margin of over 20% (down 4.1 pp);
- Turnover stood at € 696 million (down 18.6%) and Ebitda at € 140 million (down 32.3%);
- Financial results improved to € - 8.3 million (vs.€ -9.7 million) and income tax amounted to € -11.4 million (vs. € -29.4 million), with net profits totalling €44 million (vs.€ 95 million);
- The Group continued to demonstrate excellent capacity to generate free cash flow, which totalled € 114 million (vs € 101 million), with capex totalling € 49 million (vs € 68 million);
- Positive evolution in Working Capital, with control of pulp and paper stocks; increase of € 25 million in wood stocks in order to mitigate impacts on Portuguese forest suppliers;
- Significant reduction in net debt to € 700 million (vs. € 796 million), keeping the Net Debt / Ebitda ratio at a comfortable level of 2.3 X; increase in short term liquidity to € 317 million.

QoQ Analysis (Q2 2020 vs. Q1 2020 vs. Q2 2019) – Strong Free Cash Flow Generation

- Due to the impacts of lockdown on UWF demand, Navigator gradually and temporarily suspended production on some of its paper machines during April, May and June, avoiding accumulation of stocks along the value chain (thereby also protecting further price erosion) and preserving its working capital;
- The downturn in paper sales was mitigated by strong growth in sales of market pulp: up 32% on the 1st quarter 2020 and up 79% on Q2 2019 (in volume); tissue sales held steady in relation to the 1st quarter, and grew 10% over the same quarter in 2019;
- Turnover totalled € 290 million (vs. € 406 in Q1 2020 and € 432 million in Q2 2019) and Ebitda € 52 million (vs. € 88 million and €102 million); the EBITDA / Sales margin stood at 17.8% (vs. 21.8% and 23.6%);
- Strong generation of Free Cash Flow in the quarter of € 99 million (vs. €15 million and € 91 million);
- Further progress on decarbonisation plan with investment of € 11.4 million in biomass boiler at Figueira da Foz.

2. SUMMARY OF LEADING INDICATORS

Million euros	H1 2020	H1 2019	Change ⁽⁷⁾ H1 20/ H1 19
Total Sales	695,5	854,1	-18,6%
EBITDA ⁽¹⁾	140,1	207,0	-32,3%
Operating Profits (EBIT)	63,7	134,0	-52,5%
Financial Results	- 8,3	- 9,7	-14,7%
Net Earnings	44,0	94,9	-53,6%
Cash Flow	120,5	167,8	- 47,4
Free Cash Flow ⁽²⁾	114,0	100,8	13,2
Capex	48,7	68,2	- 19,5
Net Debt ⁽³⁾	700,4	796,4	- 96,0
EBITDA/Sales	20,1%	24,2%	-4,1 pp
ROS	6,3%	11,1%	-4,8 pp
ROCE ⁽⁴⁾	7,2%	14,4%	-7,1 pp
ROE ⁽⁵⁾	8,4%	16,9%	-8,5 pp
Equity Ratio	40,1%	40,7%	-0,6 pp
Net Debt/EBITDA ⁽⁶⁾⁽⁷⁾	2,29	1,83	0,47

in million euros	Q2 2020	Q1 2020	Change ⁽⁷⁾ Q2 20/Q1 20	Q2 2019	Change ⁽⁷⁾ Q2 20/ Q2 19
Total sales	289,7	405,8	-28,6%	432,3	-33,0%
EBITDA ⁽¹⁾	51,7	88,4	-41,5%	102,1	-49,4%
Operating profits	15,4	48,3	-68,2%	67,8	-77,4%
Financial results	- 2,1	- 6,2	-65,9%	- 5,8	-63,5%
Net earnings	13,4	30,6	-56,2%	45,6	-70,6%
Cash flow	49,7	70,7	- 21,0	79,9	- 30,1
Free Cash Flow ⁽²⁾	99,1	14,9	84,2	90,8	8,2
Capex	26,0	22,7	3,3	35,7	- 9,7
Net debt ⁽³⁾	700,4	799,5	- 99,1	796,4	- 96,0
EBITDA/Sales (%)	17,8%	21,8%	-3,9 pp	23,6%	-5,8 pp
ROS	4,6%	7,5%	-2,9 pp	10,6%	-5,9 pp
ROCE ⁽⁴⁾	3,4%	10,8%	-7,4 pp	14,6%	-11,2 pp
ROE ⁽⁵⁾	5,1%	11,8%	-6,7 pp	16,2%	-11,2 pp
Equity ratio	40,1%	38,9%	1,2 pp	40,7%	-0,6 pp
Net Debt/EBITDA ⁽⁶⁾⁽⁷⁾	2,29	2,25	0,05	1,83	0,47

1. Operating profits + depreciation + provisions;
2. Variation net debt + dividends + purchase of own shares
3. Interest-bearing liabilities - liquid assets (without impact 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 H1 2020 of 2.47; Net Debt / EBITDA restated in H1 2019 of 1.93
7. Variation in figures not rounded up/down

3. ANALYSIS OF RESULTS

1st Half of 2020 vs. 1st Half of 2019

The Navigator Company recorded turnover of € 696 million in the first half of 2020, with paper sales accounting for around 67% of turnover (vs. 72%), pulp sales 11% (vs. 9%), tissue sales 10% (vs. 8%) and energy sales also 10% (vs. 10%). The first half saw a downturn in global paper consumption as a result of the Covid-19 pandemic. The Company succeeded in partially mitigating the drop in UWF sales through increased diversification of its business, with growth in pulp and tissue sales.

Global UWF demand down 13% YTD May

Estimates point to an accumulated downturn of approximately 13% (YTD May) in the global UWF market, with particularly sharp reductions in April and May (24%). In Europe, the estimated accumulated reduction is 14% and in the United States the figures point to a more significant downturn of around 20%.

The significant slowdown in the economy had a strong impact on the graphic papers industry, but despite the strict lockdowns imposed (working from home and home schooling), the severest impact was felt by the printing industry segment, with the downturn in advertising and commercial printing, which particularly penalised sheeted business. Reel business proved more resilient, and has been more versatile in terms of UWF applications. There were also significant variations between European markets: consumption fell less in countries where measures were not as severe (such as Germany, Sweden and Holland) than in those where strict lockdowns were enforced (such as the United Kingdom, Spain and Portugal).

May appears to have been the worst month in terms of falling UWF demand (down 34% YoY), with a tendency for recovery already visible in June (down 19% YoY). Like elsewhere in the world, UWF demand in Europe was more resilient than demand for other types of graphic papers, in particular coated woodfree, where demand tumbled by 46% in the second quarter, as compared to 25% in uncoated woodfree.

In this environment, Navigator took measures to manage its output of UWF paper over April, May and June in line with the downturn in demand, thereby controlling its stock levels. Between late March and late June, the Group reduced its stocks by around 19% (while industry is estimated to have declined around 6%). This management of output, combined with mobilisation to bring in orders, allowed Navigator to end the first half with an order book of 30 days, which compares to an estimated average of 18 days for its European competitors. As a reaction to the pandemic situation, Navigator adopted a large package of innovative measures to support its wholesalers and their sales teams, in different parts of Europe and around the world. This was successful in again achieving a significant increase in the order book in the last weeks, which currently stands at around 40 days, representing one of the highest levels (for this seasonal period) in the last 11 years.

The YoY trend in sales prices reflects the adjustment that started in the second half of 2019, and continued throughout the first half of 2020. The benchmark index for A4 showed a downward adjustment of 6.4% YoY, to an average price of 855€/ton, as compared to 913 €/ton in the first quarter of 2019.

As a result, UWF sales in the first half totalled 598 thousand tons, down 16.9% on the same period in the previous year and in line with the Group's forecasts after the decision to reduce production. Navigator's mill brands recorded excellent performance in this period, especially in April, when sheeted products represented the highest ever proportion of total sales. The sales value in the Group's UWF business was hit by falling prices over the first half, and sales dropped in value by around 23%, to € 468 million. It is important to note that the YoY price comparison between quarters is hindered by the fact that Navigator implemented a price increase for UWF paper right at the start of 2019, following on from a further four increases over the course of 2018.

Pulp sales volume grows by 56%

Over the first five months of 2020, the global pulp market held up well against the adverse environment of an economic downturn caused by the pandemic. In several regions, prices showed signs of a tentative recovery from the low levels recorded in late 2019. This was sustained by producers adjusting their stocks, by the scarcity of supplies, due to strikes in Northern European in early 2020 and to the reduction in output by Canadian and Indonesian manufacturers, and by a significant increase in demand for tissue products in March

and April. Global demand for pulp rose 8% Jan-May 2020 vs. YTD 2019, with strong growth in China (up 12%) but above all in other Asian countries and in Africa (up 24%), in Latin America (up 22%) and in Eastern Europe (16%). Demand in Europe and the USA held steady. This growth was fundamentally due to hardwood pulp (+13%).

In this environment, the USD price of BHKP in Europe held steady over the first half, at 680 USD/ton, 29.3% down from the price of 962 USD /ton recorded in the first half of 2019. The price of BHKP pulp in Euros dropped by around 27.4%, to 617 €/ton in the first half, as compared to 851€/ton, as a result of the strength of the US dollar in relation to the Euro. 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 pushed back to the later part of the year.

Navigator succeeded in the first half in recording a sales volume of market pulp significantly higher than in the same period in 2019 (up 56% in tons), at 193 thousand tons, the best half-yearly figure since 2010. This was due to a recovery in sales in Europe and diversification of sales into new regions, exploiting opportunities in the market in the Tissue and Packaging segments and the increased availability of market pulp as a result of the reduction in paper production.

This sharp increase in sales quantities made it possible to record an increase in the sales value to € 79.6 million, as compared to € 77.6 million (up 2.6%), in a context where the pulp price has remained under pressure and is substantially lower than in the previous year.

Tissue sales grow in volume and value

Tissue business evolved favourably over the first half, with sales in volume standing at 52 thousand tons, which represents an increase of 10% in relation to the first quarter of 2019.

As in the first quarter, Group operations succeeded in reacting positively, seizing the opportunity offered by the peak in demand triggered by COVID-19 for products in the At Home (AH) segment. However, it must be noted that increased sales in the At Home segment were counterbalanced by evolution in the Away from Home (AfH) segment, which was affected by the COVID-19 situation (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) The drop in sales in this segment was sharper in the second quarter, but even so Navigator recorded fairly positive performance, with growth in the sale of reels offsetting the downturn in sales of finished products, as significant commercial efforts were made to increase business in the At Home segment.

The Group accordingly recorded an increase in tissue turnover of approximately 7%, to € 70.3 million. The sales mix improved in relation to the same period in the previous year, with the proportion of finished products rising to 78% (as compared to 76% in 2019), to the detriment of reels.

Energy Business feels impact of tariff transition and reduction in production

In the first half of 2020, electricity sales totalled € 73 million, representing a reduction of 11.9% in relation to the figures for the same period in the previous year. In terms of the sales volume in GWh, the reduction recorded was 4.1%.

This reduction was due essentially to the lower value of sales from operation of the combined cycle natural gas power station in Setúbal, which in April switched to a new tariff regime for selling its power to the national grid, resulting in a reduction in the sales price.

Other factors bringing down sales were the slowdown in production in May and June, in particular the commercial shutdown of the Aveiro pulp mill for 8 days in June, and the transition to a new tariff basis for renewable co-generation at the Setúbal pulp mill in January, with a lower sales tariff.

Energy sales in the second quarter of 2020 totalled € 32.7 million, down 18.6% on the first quarter, as a result of the factors mentioned above and the consequent drop in the sales volume from renewable co-generation.

Improvement in production costs

The first half saw positive evolution in most production expenses, both variable and fixed. The main factors optimising variable costs were observed in the cost of external fibre (thanks to falling prices for long and short fibre, and to the reduction in specific consumption), in expenditure on wood (due in particular to lower specific consumption in the period), as well as in lower costs for chemicals, essentially due to lower prices for certain products and reduced consumption for bleaching. It is important to note that significant work has been done to reduce levels 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 of raw materials and subsidiaries.

Significant containment may be observed over the first half in fixed costs, which stood at around € 22 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. This evolution was in line with the cost reduction plan announced in the first quarter, for an estimated reduction of € 46 million in 2020.

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

First half EBITDA totalled € 140 million, down 32% on the first half of 2019, in a context of steeply falling pulp prices (down 29%), a reduction in paper volumes due to the pandemic (down 17%) and a reduction in paper prices (down 6.4%). The EBITDA / Sales margin was 20.1%, 4.1 pp down on the first half margin in 2019, but up on the margin of 19.8% recorded in the second half of 2019 when prices were more in line with those in this period.

Financial costs stood at € 8.3 million (vs. € 9.7 million), an improvement of € 1.4 million, thanks to an increase of € 1.8 million in results from hedging operations. Particularly successful results were achieved for pulp price hedges, and net compensatory interest improved over the period by € 2.2 million. This was in contrast to interest on financial investments which continued on a downward course (€ 2.2 million), due to the impact of Covid-19 on the performance of the financial markets, despite the recovery observed in the second quarter. The costs of financing operations increased in turn by € 0.4 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 actually lower than in the same period in 2019 (all-in cost of 1.58% vs. 1.78% in the 1st Half of 2019).

Pre-tax profits totalled € 55 million and tax payable stood at € 11.4, the taxation rate for the period having fallen to 20.5%, from 23.7% in the same period in the previous year. Net income for the period stood at € 44 million, as compared to € 94 million in the first half of 2019.

2nd Quarter 2020 vs. 1st Quarter 2020 vs. 2nd Quarter 2019

The second quarter was marked by a low level of demand for printing and writing paper during the pandemic, forcing many manufacturers on every continent to cut production. The European UWF market contracted by 25% in the second quarter, as compared to 4.1% in the 1st quarter of 2020. Sheeted paper business, particular for graphic use, was hardest hit, and reel business was the most resilient. In the US, the downturn in demand was even sharper in the second quarter, with preliminary figures pointing to a reduction of 32% YoY, as compared to a drop of 12% in Q1 2020, with sheeted paper again recording the worst performance.

In this context, the Group recorded turnover of € 290 million, down by 28.6% in relation to the 1st quarter of 2020 and by 33% when compared with the second quarter of 2019. Navigator's management of UWF production over this quarter resulted in a reduction in the sales volume of approximately 37% (vs. the 1st quarter and also vs. the same period in 2019). Prices were at a lower level than in the previous quarter, as they were adjusted to the level of demand (in particular in non-European markets) and under pressure from the formats/quality mix (growth in the proportion of reels and economy products) and from deterioration in the market mix.

The company succeeded in mitigating the reduction in paper volumes with a significant increase in sales of market pulp, which rose to 110 thousand (up 32% vs. 1st Quarter 2020 e +79% vs. 2nd Quarter 2019), the best quarter since 2010, made possible by commercial efforts to diversify markets and a reduction in pulp needs for integration into paper.

In tissue business, the volume sold remained in line with the previous quarter, with sales of reels offsetting the drop in sales of finished products, affected by contracting demand in the Away from Home segment.

In a context of sharply contracting demand and significant deterioration in the UWF market, Navigator succeeded in recording growth in its other business areas and implemented a series of forceful measures to control costs. This enabled the company to record Ebitda of € 52 million in the quarter, as compared to € 88 million in the 1st quarter of 2020. With highly effective management of working capital and a reduction in the level of raw material stocks, the Group recorded extremely positive cash flow generation in the second quarter of € 99 million (vs. € 15 million in the 1st quarter and € 91 million in the same quarter in the previous year), as well as capex of € 26 million, up €3 million from the 1st quarter and down € 10 million from the 2nd quarter of 2019.

Free cash flow generation in first half of € 114 million

Free cash flow generation totalled € 114 million in the first half, as compared to € 101 million in the same period in 2019. Considering that Free Cash Flow in the first quarter of this year had stood at € 15 million, the increase (to € 99 million) in the second quarter was significant, precisely at the time when the full impact of the pandemic was being felt. As already highlighted, this was achieved through highly effective management of working capital, which combined with strong ability to convert customer accounts into cash and continued care in managing suppliers, where extension of certain payment periods was combined with the provision of financial solutions to support the liquidity of our partners. Mention should also be made of swift measures to slow the pace of implementation of our investment plan for 2020.

At the end of June, net interest-bearing debt totalled € 700 million (excluding the impact of IFRS 16), representing an increase of € 15 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 2.29 x (excluding the impact of IFRS 16). With an increase in short term liquidity to € 317 million, Navigator maintains a strong financial standing.

4. INVESTMENT IN THE FIRST HALF

Capex of € 49 million (vs. 68 million in 1st Half 2019)

As previously announced, Navigator decided on a substantial review of its capex plan for 2020, cutting investment from an estimated € 158 million to approximately € 70 million. Capital expenditure in the first half stood at € 48.7 million, as compared to € 68.2 million in the same period in the previous year. This amount includes a figure of around € 24 million in maintenance, efficiency improvements and other projects, € 13.2 million in a range of environmental projects, in particular the new biomass boiler in Figueira da Foz with a value of € 11.4 million, and € 11.7 million in projects to recondition assets. As already stated, it should be noted that around 80% of investment spending in 2020 is related to maintenance and projects that started in previous years.

The most significant environmental capex projects in 2020 have included construction of the new biomass boiler in Figueira da Foz, with total investment of € 55 million over 2019 and 2020. The new boiler is due to start operation in the second half of 2020. 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 be 100% powered by renewables.

Other development initiatives in the 1st Half

Launch of platform about Portugal's forests

RAIZ, the Group's forestry and paper research facility, and Navigator have launched an online platform devoted entirely to Portugal's forests (www.florestas.pt), presenting a wide array of information on the forestry sector and its different dimensions - natural, environmental, recreational and socioeconomic. Florestas.pt has adopted the slogan *"learn, value and care for Portugal's forests"* and sets out to provide a hub for knowledge on Portuguese forest ecosystems and related topics, providing access to official information and technical and scientific expertise on the sector. Wherever possible, the Portuguese data is presented in its European and global context. The platform has been designed as a content aggregator to enable visitors to learn about, value and discover what Portuguese forests have to offer and what we can do to strengthen, enjoy and care for these ecosystems.

Clear & Fertilise and Forestry Certification

The Company has taken part in CELPA's initiatives aimed at privately owned eucalyptus forests. The focus of this work is to reduce fire risks and to boost yields. Efforts accordingly continued in 2020 under the Clear & Fertilise Programme, in which CELPA applies fertiliser in eucalyptus holdings if the owner first clears the undergrowth. This programme has made it possible to reduce the fuel load in plantations and to develop better quality forests. Work was carried out on more than 12,000 ha in 2019/2020, double the more than 6,000 ha benefiting from the scheme in 2018/2019.

Internally, Navigator has maintained its programme for encouraging certification of forestry management. This has resulted in a substantial increase in the volume of wood it purchases in Portugal from certified sources, an increase in the number of certified entities (in forestry management and trade in forestry products) and continuous improvement in the environmental, social and economic performance of these actors.

Business Manifesto for Sustainability "Use the crisis to launch a new sustainable development paradigm"

Navigator was one of the signatories of the Business Manifesto, published in May by BCSD Portugal and signed by more than 90 companies. COVID-19 and its economic and social impacts were the catalyst for this joint initiative to argue that the crisis should be taken as an opportunity to rethink the future and to lay the foundations for more inclusive and sustainable growth. In signing the manifesto, Navigator declared its ambition of helping Portugal build a development model based on five fundamental principles: Promoting sustainable and inclusive development, promoting growth, seeking efficiency, building up resilience and corporate citizenship.

Navigator backs act4nature Portugal

Act4nature Portugal, launched on 22 May this year, is a project launched by BCSD Portugal to mobilise companies to protect, promote and restore biodiversity. Navigator got involved at an early stage in the work of adapting act4nature to the reality of Portugal, positioning itself as a member and a champion company, sitting on the steering committee and on the Advisory Board, whose members include leading Portuguese figures, representing different areas of expertise and the public administrative authorities.

Project in Mozambique - progress report

Navigator and the Mozambican Government have pursued the aims established in the MoU signed in 2018, in particular on land and development issues. This has included the first Forestry Development programme in Mozambique, a government initiative funded by the World Bank. The aim is to promote small and medium scale sustainable commercial forestry plantations, and restoration of degraded areas. In the 2019-2020 seasons, plantations were established over an area of approximately 550 hectares. Portucel Moçambique played an active role in designing the programme, providing wide-range support by designing the silviculture model, supplying cloned plants at a subsidised price and offering access to inputs. When the plantations are ready for harvest, Portucel Moçambique will have first option on purchase of the wood.

Speaking for the Government of Mozambique, the Minister for Agriculture and Rural Development has made recent statements confirming the strategic importance to the country and to Zambézia province of building the port of Macuse, in order to develop commercial farming and forestry.

5. SHARE PRICE EVOLUTION

The first semester of 2020 experienced a significant global turmoil caused by the Covid-19 pandemic, which was reflected on the main financial markets. Between the end of February and mid-March, significant losses were registered in the main stock indexes, in-line with the ones which occurred during the 2008 financial crisis. However, until the end of the first half a slight recovery of the stock prices took place. The PSI-20 index followed this trend, with a 16% loss between January and June.

Pulp and paper companies' stocks suffered significantly the effects of the pandemic, registering, in general, sharp drops. With the lockdown measures implemented, demand for printing and writing graphic paper fell substantially, with packaging paper and tissue registering better outcomes. The pressure felt on pulp price also contributed to the negative performance of these companies' stocks.

The Navigator Company's share performance reflected the trends in the international financial markets, depreciating around 40% from January until the end of June. In terms of volume, between February and March the number of daily transactions increased significantly, stabilizing until the end of the semester. The daily average number of shares traded during the first semester stood at 1.3 million. At the end of the semester, the stock price was 2.164€/share. On January 9th, 2020 (ex-dividend on January 7th), The Navigator Company distributed dividends totalling € 99.1 million, with a gross value of 0.1394 €/share.

6. OUTLOOK

A number of recent positive signs point to a gradual, but probably slow recovery in UWF business in the 3rd quarter of 2020, progressing in line with the upturn in the economy. After significant efforts to prepare for the seasonally slow summer period, Navigator is now receiving new orders at a pace close to normal for this time of the year, and has an order book in July of approximately 40 days, one of the highest levels recorded for this period in the last 11 years. All the Group's paper machines are now once again in operation, and the Company is continuously monitoring the market and adjusting output to the level of demand, in a context where markets remains extremely unstable.

However, the risk remains of a second wave of the pandemic, in particular in non-European markets, with the negative impact this may bring for exporting companies like Navigator. The pressure on paper prices which was felt over the course of the second quarter may continue, placing additional pressure in a period when business is traditionally slower.

In pulp business, the resilience demonstrated in the first half of the year appears to be showing signs of fading, with the arrival of a seasonally weaker period and with cooling demand for tissue and packaging products, after the frantic pace experienced at the start of the pandemic. With the slowdown in purchases of these products and the supply chain now fully re-established, demand for pulp has started to reflect the impact of the sharp drop in production of graphic papers. A number of restrictions are expected on the production side, as the mills proceed with maintenance shutdowns, postponed to the second half due to the pandemic situation. The estimates put forward by analysts for the segment are accordingly more moderate for the third quarter, with a recovery expected in the final months of the year.

In tissue business, after positive performance in the first half, demand in the At Home segment can be expected to slow somewhat as the Away from Home segment experiences a gradual recovery, and business picks up in Horeca and corporate sectors. Navigator expects to maintain the healthy level of industrial performance it has achieved in its tissue assets and to continue to ramp up its operations.

After an extremely adverse quarter, with unprecedented market conditions, a gradual recovery is expected in the Company's business over the months ahead. The pace and breadth of the recovery will obviously depend on the evolution of the pandemic, on the general lifting of lockdown measures and on the economic impact caused by these measures. Navigator has and will continue to strive to do everything to respond to the best of its ability, in particular in its operational and commercial planning, in cost efficiency, allocation of cash flow and effective management of its liquidity.

Lastly, at the end of such a challenging period, Navigator would like to thank all its employees for the absolutely exemplary commitment they demonstrated in coping with circumstances such as had never been seen before. Thanks to the hard work and dedication of the entire workforce, it was possible to react swiftly and efficiently, and simultaneously implement a Contingency Plan with preventive and protective measures that enabled the Company to get through this wave of the pandemic without any impact on operations or on the health of most of its employees.

Lisbon, 28 July 2020

Subsequent event:

Antidumping duties in the US: POR1 rate reduced to 1.63%

In early July, Navigator received confirmation from the US Court of International Trade ("Court") of the rate of 1.63% proposed by the Department of Commerce (DoC) at the start of this year to be applied to the sale of certain paper products in the USA in relation to the first period of review ("POR1").

The final rate for POR1 was reviewed down from 37.3% to 1.75% in October 2018, and the court decided, in November 2019, to request the DoC to review that outcome, in the light of the application submitted by the US producers Packaging Corporation of America, Domtar Corporation and the United Steelworkers union. The DoC had until February 2020 to send back a decision to the Court, which it did, again recalculating the rate to the lower level of 1.63%. The Court has now confirmed the rate of 1.63%, ruling that the calculations made by DoC for brokerage charges, handling and other costs were reasonable, as Navigator had always contended, once again deciding in its favour.

This important court decision is still subject to appeal by any of the parties for a period of 60 days. If no appeal is filed, and the decision becomes final for the period in question, the Company expects to receive a reimbursement of the excess amounts deposited, estimated at 25.7 million USD. It should be noted that, in June 2020, Navigator received an amount of 4.4 million USD by way of a rebate of the duty for the second period of review (POR2), which had been reduced from 7.8% to 5.96%, and then adjusted again to 4.37%.

7. **MANDATORY INFORMATION**

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

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

I hereby declare, under the terms and for the purposes of Article 246.1 c) of the Securities Code, that, to the best of my knowledge, the condensed financial statements of The Navigator Company, S.A., for the first half of 2020, were drawn up in accordance with the applicable accounting rules, and provide a true and fair view of the assets and liabilities and the state of affairs of the said company and the companies included in the consolidated accounts, and that the interim management report faithfully sets out the information required by Article 246.2 of the Securities Code.

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

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

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

Qualifying holdings calculated under the terms of Article 20 of Securities Code, as of June 30th 2020				
Entity	Attributed	Number of shares	% capital	% of non- suspended voting rights
Semapa - Soc. de Investimento e Gestão, SGPS, S.A.	Directly	256.034.284	35,6842%	36,0012%
Seinpar Investments B.V.	Indirectly through Company controlled by the shareholder Semapa	241.583.015	33,6701%	33,9692%
Total attributable to Semapa		497.617.299	69,3543%	69,9704%

INFORMATION ON TRANSACTIONS IN OWN SHARES
(under d) of number 5 of Article 66 from the Companies Code)

Under the terms of d) of number 5 of Article 66 from the Companies Code, The Navigator Company S.A. informs that during the first half of 2020 the Company did not acquire own shares. On June 30th 2020, the company held 6.316.931 own shares corresponding to 0,88% of its share capital.

8. CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

CONSOLIDATED INCOME STATEMENT 30 June 2020 and 2019

Amounts in Euro	6 months 3-06-2020	6 months 30-06-2019
Revenue	695,501,712	854,092,703
Other operating income	22,332,559	18,017,296
Changes in the fair value of biological assets	(3,028,520)	(3,076,228)
Costs of goods sold and materials consumed	(289,236,682)	(366,034,149)
Variation in production	(6,274,323)	20,553,930
External services and supplies	(200,674,883)	(224,914,512)
Payroll costs	(64,492,399)	(76,713,419)
Other operating expenses	(14,041,309)	(14,974,010)
Net provisions	(1,907,275)	(1,915,368)
Depreciation, amortisation and impairment losses in non-financial assets	(74,520,840)	(71,032,295)
Operating results	63,658,040	134,003,948
Financial income	4,200,818	2,924,558
Financial expenses	(12,467,846)	(12,612,346)
Net financial results	(8,267,028)	(9,687,788)
		-
Profit before tax	55,391,012	124,316,160
		-
Income tax	(11,355,141)	(29,425,842)
Net profit for the period	44,035,871	94,890,318
		-
Attributable to Navigator Company's Shareholders	44,033,448	94,900,166
Attributable to non-controlling interests	2,423	(9,848)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
on June 30 2020 and 31 December 2019

Amounts in Euro	30-06-2020	31-12-2019
ASSETS		
Non-current assets		
Goodwill	377,339,466	377,339,466
Intangible assets	823,726	4,506,689
Property, plant and equipment	1,220,855,185	1,249,651,599
Right-of-use assets	51,325,994	45,517,924
Biological assets	128,741,320	131,769,841
Investment properties	95,058	95,882
Receivables and other non-current assets	32,714,528	58,778,469
Deferred tax assets	28,634,617	31,638,565
	1,840,529,895	1,899,298,435
Current assets		
Inventories	243,117,075	217,879,700
Receivables and other current assets	238,677,204	247,408,647
Income tax	30,622,822	25,145,169
Cash and cash equivalents	316,897,525	161,880,403
	829,314,627	652,313,920
Total Assets	2,669,844,522	2,551,612,355
EQUITY AND LIABILITIES		
Capital and Reserves		
Share capital	500,000,000	500,000,000
Treasury shares	(20,189,264)	(20,189,264)
Currency translation reserve	(18,189,420)	(18,728,949)
Fair value reserves	(5,441,055)	(6,384,412)
Legal reserve	100,000,000	100,000,000
Other reserves	98,153,331	98,153,331
Retained earnings	371,123,039	206,004,258
Net profit for the period	44,033,448	168,290,315
Equity attributable to Navigator Company's Shareholders	1,069,490,077	1,027,145,277
Non-controlling interests	275,927	273,817
Total Equity	1,069,766,004	1,027,419,095
Non-current liabilities		
Interest-bearing liabilities	699,107,798	863,936,941
Lease liabilities	47,146,114	42,450,826
Pensions and other post-employment benefits	11,331,686	6,588,076
Deferred tax liabilities	86,666,965	80,413,906
Provisions	22,548,515	19,948,347
Payables and other current liabilities	27,479,911	30,837,585
	894,280,988	1,044,175,681
Current liabilities		
Interest-bearing liabilities	318,194,444	13,194,444
Lease liabilities	5,503,134	4,396,971
Payables and other current liabilities	345,582,873	426,197,436
Income tax	36,517,077	36,228,728
	705,797,529	480,017,579
Total Liabilities	1,600,078,517	1,524,193,260
Total Equity and Liabilities	2,669,844,522	2,551,612,355

INTERIM CONSOLIDATED INCOME STATEMENT

for the six-month period ended 30 June 2020

Amounts in Euro	Notes	6 months 30-06-2020	6 months 30-06-2019
Revenue	2.1	695,501,712	854,092,703
Other operating income	2.2	22,332,559	18,017,296
Changes in the fair value of biological assets	3.8	(3,028,520)	(3,076,228)
Costs of goods and materials consumed	4.1	(289,236,682)	(366,034,149)
Variation in production	4.1	(6,274,323)	20,553,930
External services and supplies	2.3	(200,674,883)	(224,914,512)
Payroll costs	7.1	(64,492,399)	(76,713,419)
Other operating expenses	2.3	(14,041,309)	(14,974,010)
Net changes in provisions	9.1	(1,907,275)	(1,915,368)
Depreciation, amortisation and impairment losses in non-financial assets	3.7	(74,520,840)	(71,032,295)
Operating results		63,658,040	134,003,948
Other earnings and financial income	5.11	4,200,818	2 924 558
Other expenses and financial losses	5.11	(12,467,846)	(12 612 346)
Financial results		(8,267,028)	(9,687,788)
Share of profits of associates and joint ventures		-	-
Profit before tax		55,391,012	124,316,160
Income tax for the period	6.1	(11,355,141)	(29 425 842)
Net profit for the period		44,035,871	94,890,318
Attributable to Navigator's equity holders		44,033,448	94,900,166
Attributable to non-controlling interests	5.6	2,423	(9,848)
Earnings per share			
Basic earnings per share, Eur	5.3	0.062	0.133
Diluted earnings per share, Eur	5.3	0.062	0.133

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

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six-month period ended 30 June 2020

Amounts in Euro	Notes	6 months 30-06-2020	6 months 30-06-2019
Net profit for the period			
before non-controlling interests		44,035,871	94,890,318
Items that can be reclassified subsequently to profit or loss			
Hedge derivative financial instruments			
Changes in fair value		1,301,181	(4,355,090)
Tax effect		(357,825)	551,881
Currency translation differences		539,529	1,197,650
Tax on conventional capital remuneration		(442,750)	1,001,000
Items that cannot be reclassified subsequently to profit or loss			
Remeasurement of post-employment benefits			
Remeasurements		(4,652,963)	(10,015,651)
Tax effect		22,362	428,175
Comprehensive income of associates and joint ventures		1,901,504	3,486,735
Total other comprehensive income net of taxes		(1,688,961)	(7,705,300)
Total comprehensive income		42,346,910	87,185,018
Attributable to:			
Navigator's equity holders		42,344,487	87,182,298
Non-controlling interests		2,423	2,720
		42,346,910	87,185,018

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

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

for the six-month period ended 30 June 2020

Amounts in Euro	Notes	30-06-2020	31-12-2019
ASSETS			
Non-current assets			
Goodwill	3.1	377,339,466	377,339,466
Intangible assets	3.2	823,726	4,506,689
Property, plant and equipment	3.3	1,220,855,185	1,249,651,599
Right of use	3.6	51,325,994	45,517,924
Biological assets	3.8	128,741,320	131,769,841
Investment properties	3.4	95,058	95,882
Non-current receivables	4.2	32,714,528	58,778,469
Deferred tax assets	6.2	28,634,617	31,638,565
		1,840,529,895	1,899,298,435
Current assets			
Inventories	4.1	243,117,075	217,879,700
Receivables and other current assets	4.2	238,677,204	247,408,647
Income tax	6.1	30,622,822	25,145,169
Cash and cash equivalents	5.9	316,897,525	161,880,403
		829,314,627	652,313,920
Total Assets		2,669,844,522	2,551,612,355
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	5.2	500,000,000	500,000,000
Treasury shares	5.2	(20,189,264)	(20,189,264)
Currency translation reserves	5.5	(18,189,420)	(18,728,949)
Fair value reserves	5.5	(5,441,055)	(6,384,412)
Legal reserves	5.5	100,000,000	100,000,000
Other reserves	5.5	98,153,331	98,153,331
Retained earnings	5.5	371,123,039	206,004,258
Net profit for the period		44,033,448	168,290,315
Equity attributable to Navigator's equity holders		1,069,490,077	1,027,145,277
Non-controlling interests	5.6	275,927	273,817
Total Equity		1,069,766,004	1,027,419,095
Non-current liabilities			
Loans	5.7	699,107,798	863,936,941
Lease liabilities	5.8	47,146,114	42,450,826
Pension and other post-employment benefits	7.2	11,331,686	6,588,076
Deferred tax liabilities	6.2	86,666,965	80,413,906
Provisions	10.1	22,548,515	19,948,347
Non-current payables	4.3	27,479,911	30,837,585
		894,280,988	1,044,175,681
Current liabilities			
Interest-bearing liabilities	5.7	318,194,444	13,194,444
Lease liabilities	5.8	5,503,134	4,396,971
Payables and other current liabilities	4.3	345,582,873	426,197,436
Income tax	6.1	36,517,077	36,228,728
		705,797,529	480,017,579
Total Liabilities		1,600,078,517	1,524,193,260
Total Equity and Liabilities		2,669,844,522	2,551,612,355

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

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June 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
Equity as at 1 January 2020		500,000,000	(20,189,264)	(18,728,949)	(6,384,412)	100,000,000	98,153,331	206,004,258	168,290,315	1,027,145,277	273,817	1,027,419,094
Net profit for the period		-	-	-	-	-	-	-	44,033,448	44,033,448	2,423	44,035,871
Other comprehensive income (net of taxes)		-	-	539,529	943,357	-	-	(3,171,534)	-	(1,688,648)	(313)	(1,688,961)
Total comprehensive income for the period		-	-	539,529	943,357	-	-	(3,171,534)	44,033,448	42,344,800	2,110	42,346,910
Application of 2019 profit for the period:												
- Application of prior period's net profit		-	-	-	-	-	-	168,290,315	(168,290,315)	-	-	-
Total transactions with shareholders		-	-	-	-	-	-	168,290,315	(168,290,315)	-	-	-
Equity as at 30 June 2020		500,000,000	(20,189,264)	(18,189,420)	(5,441,055)	100,000,000	98,153,331	371,123,039	44,033,448	1,069,490,077	275,927	1,069,766,004

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
Equity as at 1 January 2019		500,000,000	(2,317,915)	(20,575,293)	(5,633,483)	100,000,000	197,292,250	192,512,197	225,135,403	1,186,413,159	204,263	1,186,617,421
Net profit for the period		-	-	-	-	-	-	-	94,900,166	94,900,166	(9,848)	94,890,318
Other comprehensive income (net of taxes)		-	-	551,881	(3,157,440)	-	-	(5,112,309)	-	(7,717,868)	12,568	(7,705,300)
Total comprehensive income for the period		-	-	551,881	(3,157,440)	-	-	(5,112,309)	94,900,166	87,182,298	2,720	87,185,018
Application of 2018 profit for the period:												
- Dividends	5.4	-	-	-	-	-	-	(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	-	(13,659,529)	-	-	-	-	-	-	(13,659,529)	-	(13,659,529)
Total transactions with shareholders		-	(13,659,529)	-	-	-	-	25,131,964	(225,135,403)	(213,662,968)	-	(213,662,968)
Equity as at 30 June 2019		500,000,000	(15,977,444)	(20,023,412)	(8,790,923)	100,000,000	197,292,250	212,531,852	94,900,166	1,059,932,488	206,983	1,060,139,471

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

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended 30 June 2020

Amounts in Euro	Notes	6 months 30-06-2020	6 months 30-06-2019
OPERATING ACTIVITIES			
Receipts from customers		754,374,044	871,638,655
Payments to suppliers		558,456,419	595,136,222
Payments to employees		55,368,325	75,222,555
Cash flow from operations		140,549,299	201,279,879
Income tax received/ (paid)		(4,363,371)	(7,390,785)
Other receipts/ (payments) relating to operating activities		43,579,677	(17,183,214)
Cash flow from operating activities (1)		179,765,605	176,705,880
INVESTMENT ACTIVITIES			
Inflows:			
Property, plant and equipment		958,638	257,265
Interest and similar income		3,680,668	800,885
Other non-current assets		-	229,410
		4,639,306	1,287,560
Outflows:			
Property, plant and equipment		55,259,099	66,712,206
Intangible assets		743,949	-
		56,003,048	66,712,206
Cash flows from investment activities (2)		(51,363,742)	(65,424,646)
FINANCING ACTIVITIES			
Inflows:			
Loans obtained		150,000,000	149,791,667
		150,000,000	149,791,667
Outflows:			
Loans obtained		10,053,832	-
Amortisation of lease contracts		4,323,126	3,735,573
Interest and similar expense		9,203,802	8,153,753
Dividends		99,138,920	200,003,439
Acquisition of own shares		-	13,659,529
Other financing activities		123,294	-
		122,842,974	225,552,294
Cash flows from financing activities (3)		27,157,026	(75,760,627)
CHANGES IN CASH AND CASH EQUIVALENTS (1)+(2)+(3)		155,558,890	35,520,607
Effect of exchange rate differences		(541,768)	(459,785)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5.9	161,880,403	80,859,784
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5.9	316,897,525	115,920,606

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

NOTES

1 INTRODUCTION

The following symbols are used in the presentation of the Notes to the financial statements:



Accounting policies

This symbol indicates the disclosure of accounting policies specifically applicable to the items in the respective Note.



Relevant accounting estimates and judgements

This symbol indicates the disclosure of the estimates and/or judgements made regarding the items in the respective Note. Significant estimates and judgements are indicated in Note 1.6.



Reference

This symbol indicates a reference to another Note or another section of the Financial Statements where more information about the items disclosed is presented.

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 redenominated to Portucel, SGPS, S.A., towards to its privatization, Portucel S.A. was created, on 31 May 1993, through Decree-law No. 39/93, of 13 February, with the former assets of the two main companies, based in Aveiro and Setúbal.

In 1995, the company was 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 (currently Navigator Group), which is currently the largest European and one of the world's largest producers of bleached eucalyptus pulp and uncoated wood-free paper (UWF), with a capacity of 1.5 and 1.6 millions of tons, respectively, and it sells approximately 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 whole value added chain, from research and development of forestry and agricultural production, to the purchase and sale of wood and the production and sale of bleached eucalyptus kraft pulp – BEKP and electric and thermal energy, as well as its commercialisation.

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

Head Office: Mitrena, 2901-861 Setúbal

Share Capital: Euro 500,000,000

Registration No.: 503 025 798



A more detailed description of the activity in each business line of the Group is disclosed in Note 2.1 - Revenue and segment reporting.

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 since the outbreak of COVID-19 in China at the beginning of the year and its rapid spread into a worldwide pandemic.

As is well known, the pandemic in question 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 beginning of the outbreak of the virus in Portugal, 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 Portuguese Health Authority guidelines, 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 surrounding the evolution of the pandemic, Navigator has implemented several cost reduction measures and a significant revision of its investment plan for 2020 in order to mitigate the expected decrease in revenue from the reduction in its turnover. The Company is currently demonstrating a remarkable generation of free cash flow and a strengthened financial position, and it is the Board of Directors' belief 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.

In view of the impacts of the lock down on UWF demand, Navigator has temporarily and gradually suspended production on some of its paper machines from April to early July, avoiding the accumulation of stocks in the value chain and preserving its working capital.

The period was characterised by the positive evolution of most production costs, both variable and fixed. In terms of variable cost optimisation, it can be highlighted the reduction in external fibre costs, reduction in specific wood consumption and lower chemical costs, mainly due to the reduction in the price of some products and lower bleaching consumption.

There was also a strong restraint of fixed costs (less Euro 22 million in the first half), with the positive evolution of payroll costs and operating costs.

Navigator analysed the impact of COVID-19 pandemic on its financial position, performance and cash flows:

Goodwill recoverability:

The Group analysed whether there were triggers of impairment arising from the impacts of COVID-19, according to current forecasts, based on projections of GDP growth and inflation in Portugal, from IMF and Bank of Portugal, which could suggest the existence of goodwill impairment. No impairment triggers were identified on Goodwill and there is a substantial gap in comparison with the book value of cash generating units (Note 3.1).

Recoverability, useful life and depreciation of property, plant and equipment:

As mentioned above, Navigator has temporarily and gradually suspended production on some of its paper machines from April to early July, avoiding the accumulation of stocks in the value chain and preserving its working capital. In this context, the Group recorded production shutdown costs of about 7.7 million Euros, which are reflected in the results of the period. Despite the impact of these stoppages, the outlook for overall UWF paper consumption, the prices of pulp and paper and the substantial gaps in comparison with the book values of the assets do not indicate the existence of impairment on property, plant and equipment.

Actuarial assumptions:

The Group has assessed the discount rate applicable to the defined benefit plan for employees and other post-employment benefits. As a result of this assessment and based on the actuarial review as at 30 June 2020, Navigator has decided to keep the discount rate unchanged as it is in line with the benchmark yield curves and reflects Management's best estimate of the assumptions and discount rates used to value these assets. The Group presents in Note 7.2 a sensitivity analysis that quantifies the evaluation of the impact of a potential change in the discount rate.

In addition, during the first half of the year, the pension fund assets had a negative return. The Group is monitoring the profitability of the pension fund assets and is careful to maintaining a 90% liability coverage level.

Biological assets:

When calculating the fair value of forests, the present value of discounted cash flows method is used with the discount rate, logging period and price being some of the main assumptions that may be subject to change due to the COVID-19 pandemic. In this regard, during the first 6 months, the logging plans were as expected and no significant impacts at the operational level were foreseen that could affect the fair value model.

Regarding discount rates, the Group presents in Note 3.8 a sensitivity analysis to assess the impact of a potential change in the discount rate and considers the current discount rate as the Management's best estimate in this matter.

Inventories:

Given the impacts on demand, particularly in terms of UWF, the Group considers that the net realisable value of its inventories is higher than the book value and has concluded that no adjustments to the book values are required.

Recoverability of Trade and other receivables:

Impairment losses are recorded under the simplified model provided for in IFRS 9, with expected credit losses being recorded until its maturity. The impacts of IFRS 9 on the consolidated statement of financial position are reduced considering that most sales are insured or properly collateralised.

Nevertheless, the Group periodically assesses the expected credit losses and the impacts on financial assets measured at amortised costs. Thus, the Group assessed the current exposure to credit risk and the possible impact of future economic forecasts concluding that the impact of this component is reduced.

Payroll costs:

Navigator has also taken the decision to apply the simplified partial lay-off measure in the form of temporary suspension of employment contracts or reduction in worktime, provided for in subparagraph (a) of article no. 4 of Decree Law no.10-G/2020 of 26th March. Approximately 1201 workers were impacted by these lay-off measures, 97 of which were in full lay-off.

In addition, the Group decide to have a prudent approach before the evolution of the pandemic as mentioned in Note 7.1, thus reducing the estimated amounts of bonuses payable to employees for the year 2020.

Liquidity:

The Company currently has a comfortable liquidity position as a result of a significant increase in its cash and cash equivalents and highly effective management of working capital.

The following measures should be highlighted:

- At the Company's General Meeting of 28 May 2020, the proposal of distribution of yearly profits, which would be added to the distribution of reserves already paid in January 2020, was revoked and withdrawn;
- In order to strengthen the financial and liquidity positions, a number of short-term funding operations were carried out through commercial paper which resulted in a liquidity safety net appropriate to the COVID-19 context (Note 5.7);
- It should also be mentioned several swift measures to slow the pace of implementation of the investment plan for 2020.

Navigator has and will continue to strive to do everything to respond to the best of its ability, in particular in its operational and commercial planning, in cost efficiency, allocation of cash flow and effective management of its liquidity to ensure it remains a going concern and the health of its employees. The Company maintains a comfortable liquidity position with approximately Euro 317 million in short-term liquidity as at 30 June (Note 5.7). It should be noted that the Group is in compliance with the covenants negotiated. The minimum safety margin of these covenants as at 30 June 2020 is mostly at a level of safety above 80%.

Government grants:

The Portuguese government has implemented several exceptional and temporary measures to support its employees and companies affected by the COVID-19 pandemic, aimed at maintaining jobs and mitigating corporate crisis situations.

The benefits in the income statement and in the improvement of cash flows arising from the cash funds received by Navigator in the 2nd quarter of 2020 amounted to Euro 164,280, recorded in June 2020.

1.3 SUBSEQUENT EVENTS

1.3.1 Anti-Dumping Duty

In early July, Navigator received confirmation from the US Court of International Trade ("Court") of the rate of 1.63% proposed by the Department of Commerce (DoC) at the start of this year to be applied to the sale of certain paper products in the USA in relation to the first period of review ("POR1").

The final rate for POR1 was reviewed down from 37.3% to 1.75% in October 2018, and the court decided, in November 2019, to request the DoC to review that outcome, in the light of the application submitted by the US producers Packaging Corporation of America, Domtar Corporation and the United Steelworkers union. The DoC had until February 2020 to send back a decision to the Court, which it did, again recalculating the rate to the lower level of 1.63%. The Court has now confirmed the rate of 1.63%, ruling that the calculations made by DoC for brokerage charges, handling and other costs were reasonable, as Navigator had always contended, once again deciding in its favour. This important court decision is still subject to appeal by any of the parties for a period of 60 days. If no appeal is filed, and the decision becomes final for the period in question, the Company expects to receive a reimbursement of the excess amounts deposited, estimated at 25.7 million USD. It should be noted that, in June 2020, Navigator received an amount of 4.4 million USD by way of a rebate of the duty for the second period of review (POR2), which had been reduced from 7.8% to 5.96%, and then adjusted again to 4.37%.

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 28 July 2020.

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

1.4.2 Accounting standards

The interim consolidated financial statements for the six-month period ended 30 June 2020 were prepared in accordance with the International Financial Reporting Standards (IFRS), effective 1 January 2020 and as adopted by the European Union.

1.4.3 Basis for consolidation

1.4.3.1 Subsidiaries

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

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

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

These companies' equity and net earnings corresponding to the third-party investment in such companies are presented under non-controlling interests in the consolidated statement of financial position (in a separate component of equity) and in the consolidated income statement. The companies included in the consolidated financial statements are detailed in Note 11.

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

The identifiable assets and liabilities acquired, and contingent liabilities assumed in a business combination are initially measured at fair value on the date of acquisition, irrespective of the existence of non-controlling interests. The excess of the acquisition cost relative to the fair value of the Group's share of the identifiable assets and liabilities acquired is recorded as goodwill, as described in Note 3.1.

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

Transaction costs directly attributable to the acquisition are immediately expensed.

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

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

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

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

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

In the case of disposals of interests, resulting in a loss of control over a subsidiary, any remaining interest is revalued to the market value at the date of sale, and the gain or loss resulting from such revaluation, is recorded against income, as well as the gain or loss resulting from such disposal.

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

1.4.3.2 Associates

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

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

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

Transaction costs directly attributable to the acquisition are immediately expensed.

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

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

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

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

1.4.4 Presentation currency and foreign currency transactions

i. Functional and reporting currency

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

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

ii. Balances and Transactions expressed in foreign currencies

All the Group's assets and liabilities denominated in currencies other than the reporting currency have been translated to Euro using the exchange rates prevailing at the statement of financial position date (Note 8.1.1).

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

iii. Group companies

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

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

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

iv. Exchange rates used

	30-06-2020	31-12-2019	Increase / (Decrease)
GBP (Pound sterling)			
Average exchange rate for the period	0.8746	0.8775	0.33%
Exchange rate at the end of the period	0.9124	0.8508	-7.24%
USD (US dollar)			
Average exchange rate for the period	1.1020	1.1194	1.55%
Exchange rate at the end of the period	1.1198	1.1234	0.32%
PLN (Polish zloty)			
Average exchange rate for the period	4.4120	4.2968	-2.68%
Exchange rate at the end of the period	4.4560	4.2568	-4.68%
SEK (Swedish krona)			
Average exchange rate for the period	10.6599	10.5893	-0.67%
Exchange rate at the end of the period	10.4948	10.4468	-0.46%
CZK (Czech koruna)			
Average exchange rate for the period	26.3333	25.6686	-2.59%
Exchange rate at the end of the period	26.7400	25.4080	-5.24%
CHF (Swiss franc)			
Average exchange rate for the period	1.0642	1.1125	4.35%
Exchange rate at the end of the period	1.0651	1.0854	1.87%
DKK (Danish krone)			
Average exchange rate for the period	7.4648	7.4661	0.02%
Exchange rate at the end of the period	7.4526	7.4715	0.25%
HUF (Hungarian forint)			
Average exchange rate for the period	345.2607	325.3000	-6.14%
Exchange rate at the end of the period	356.5800	330.5300	-7.88%
AUD (Australian dollar)			
Average exchange rate for the period	1.6775	1.6108	-4.14%
Exchange rate at the end of the period	1.6344	1.5995	-2.18%
MZM (Metical)			
Average exchange rate for the period	73.9521	70.2110	-5.33%
Exchange rate at the end of the period	79.3500	69.6100	-13.99%
MAD (Moroccan Dirham)			
Average exchange rate for the period	10.7447	10.7693	0.23%
Exchange rate at the end of the period	10.8965	10.7645	-1.23%
NOK (Norway Kroner)			
Average exchange rate for the period	10.7324	9.8434	-9.03%
Exchange rate at the end of the period	10.9120	9.8638	-10.63%
MXN (Mexican peso)			
Average exchange rate for the period	23.8430	21.5527	-10.63%
Exchange rate at the end of the period	25.9470	21.2202	-22.28%
AED (United Arab Emirates Dirhams)			
Average exchange rate for the period	4.0330	4.1099	1.87%
Exchange rate at the end of the period	4.1477	4.1257	-0.53%
CAD (Canadian dollar)			
Average exchange rate for the period	1.5033	1.4853	-1.21%
Exchange rate at the end of the period	1.5324	1.4598	-4.97%
ZAR (South African rand)			
Average exchange rate for the period	18.3112	16.1714	-13.23%
Exchange rate at the end of the period	19.4425	15.7773	-23.23%
RUB (Russian roubles)			
Average exchange rate for the period	76.6692	72.4250	-5.86%
Exchange rate at the end of the period	79.6300	69.9563	-13.83%
BRL (Brazilian real)			
Average exchange rate for the period	5.4104	4.4139	-22.58%
Exchange rate at the end of the period	6.1118	4.5157	-35.35%
TRY (Turkish lira)			
Average exchange rate for the period	7.1492	6.3609	-12.39%
Exchange rate at the end of the period	7.6761	6.6843	-14.84%

1.4.5 Basis for measurement

The accompanying consolidated financial statements have been prepared on the going concern basis from the accounting books and records of the companies included in the consolidation (Note 11.1), and under the historical cost convention, except for biological assets (Note 3.8), and for financial instruments measured at fair value through profit and loss or at fair value through equity (Note 8.3), in which derivative financial instruments are included (Note 8.2).

1.4.6 Comparability

These interim financial statements are comparable in all material respects with those of the previous year.

Without prejudice to the previous paragraph, in Note 2.1 - Revenue and segment reporting, as a result of internal restructuring at the end of 2019, namely the merger by incorporation of Navigator Added Value, S.A., Navigator Fine Paper, S.A. and Ema XXI, S.A., into Navigator Pulp Figueira, S.A., some assets and liabilities were allocated to other items in the first half of 2020 whose impacts are immaterial.

1.5 IFRS ADOPTED AND TO BE ADOPTED

1.5.1 Other standards, amendments and interpretations adopted or to be adopted

Standards, amendments and interpretations adopted in 2020 or to be adopted in subsequent periods

No impacts on the financial statements

	Amendment	Effective date
Standards and amendments not endorsed by the European Union		
Amendments to References to the Conceptual Framework in IFRS Standards	<p>In March 2018, the International Accounting Standards Board (Board) issued a comprehensive set of concepts for financial reporting, the revised Conceptual Framework for Financial Reporting (Conceptual Framework), which aim is to update, in existing Standards, references to, and quotes from, the existing version of the Conceptual Framework or the version that was replaced in 2010 so that they refer to the revised Conceptual Framework.</p> <p>The revised Conceptual Framework has an effective date of 1 January 2020 for companies that use the Conceptual Framework to develop accounting policies when no IFRS Standard applies to a particular transaction.</p>	1 January 2020
Definition of Material (amendments to IAS 1 and IAS 8)	<p>On 31 October 2018, the International Accounting Standards Board has issued amendments to its definition of material to make it easier for companies to make materiality judgments.</p> <p>The Amendments consist of (a) replacing the term 'could influence' with 'could reasonably be expected to influence'; (b) including the concept of 'obscuring information' alongside the concepts of 'omitting' and 'misstating' information in the definition of material; (c) clarifying that the 'users' referred to are the primary users of general purpose financial statements referred to in the Conceptual Framework; and (d) aligning the definition of material across IFRS publications.</p> <p>The amended definition of material therefore states that 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'.</p>	1 January 2020
Interest Rate Benchmark Reform (amendments to IFRS 9, IAS 39 and IFRS 7)	On 26 September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7. The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform. Additionally, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.	1 January 2020

	Amendment	Effective date
	<p>The Amendments provide exceptions so that entities would apply hedge accounting requirements assuming that the interest rate benchmark on which the hedged risk or hedged cash flows of the hedged item or cash flows of the hedging instrument are based is not altered as a result of the IBOR reform. The proposed exceptions apply only to the hedge accounting requirements and the Amendments do not provide relief from any other consequences arising from interest rate benchmark reform.</p> <p>The Amendments are limited in scope. If a hedging relationship no longer meets the requirements for hedge accounting for reasons other than those specified by the Amendments, then discontinuation of hedge accounting is still required.</p> <p>In addition, the Amendments clarify that if an entity designated interest rate benchmark-based cash flows as the hedged item in a cash flow hedge, the entity would not assume for the purpose of measuring hedge ineffectiveness that the expected replacement of the interest rate benchmark with an alternative benchmark rate will result in zero cash flows after the replacement. The hedging gain or loss should be measured using the interest rate benchmark-based cash flows when applying a present value technique, discounted at a market-based discount rate that reflects market participants' assumptions about the uncertainty arising from the reform.</p> <p>The Amendments are mandatory to all hedging relationships to which the exceptions are applicable.</p> <p>The amendments have an effective date of annual periods beginning on or after 1 January 2020. The amendments would be applied retrospectively to those hedging relationships that existed at the beginning of the reporting period in which the entity first applies the Amendments and to the gain or loss recognised in other comprehensive income that existed at the beginning of the reporting period in which an entity first applies the Amendments (i.e. even if the reporting period is not an annual period).</p>	
IFRS 3 – Business Definition (amendments to IFRS 3 Business Combination)	<p>On 22 October 2018, the IASB issued the amendments to its business definition.</p> <p>The amendments clarify that, to be considered a business, an acquired set of activities and assets must include at least one input and one substantive process that, together, contribute significantly to the ability to create outputs. The amendments also clarify that a set of activities and assets can qualify as a business without including all the inputs and processes necessary to create outputs, or including the outputs themselves, by replacing the term "ability to create outputs" with "ability to contribute to the creation of outputs".</p> <p>It is no longer necessary to evaluate if the market players are capable of replacing inputs or missing proceedings (for example, by integrating activities and assets acquired) and continue to create outputs. The amendments focus on whether the acquired inputs and substantive processes together contribute significantly to the ability to create outputs.</p> <p>The amendments shall be applied to transactions for which the acquisition date is on or after the beginning of the first annual reporting period starting on or after 1 January 2020, with early application permitted. If entities implement the amendments in advance, they shall disclose this fact.</p>	1 January 2022
Clarification of requirements for classifying liabilities as current or non-current (amendments to IAS 1)	<p>The IASB issued on 23 January 2020 an amendment to IAS 1 Presentation of Financial Statements to clarify how to classify debt and other liabilities as current and non-current.</p> <p>The amendments are intended to promote consistency in the</p>	1 January 2022

	Amendment	Effective date
- Presentation of Financial Statements)	<p>application of requirements to help companies determine whether, in the statement of financial position, debt or other liabilities with an uncertain settlement date should be classified as current (to be settled or potentially settled within one year) or non-current. Changes include explanations on the debt classification requirements that a company can settle by converting into equity.</p> <p>This amendment is effective for periods after 1 January 2022.</p>	
Reference to the Conceptual Framework (Amendments to IFRS 3)	<p>In May 2020, the IASB issued Reference to the Conceptual Framework, which made amendments to IFRS 3 Business Combinations.</p> <p>The amendments updated IFRS 3 by replacing a reference to an old version of the Board's Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018.</p> <p>The Amendments shall be applied to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2022. Earlier application is permitted if at the same time or earlier an entity also applies all the amendments made by Amendments to References to the Conceptual Framework in IFRS Standards, issued in March 2018.</p>	1 January 2022
Property, Plant and Equipment – Proceeds before Intended Use, Amendments to IAS 16 Property, Plant and Equipment	<p>In May 2020, the IASB issued Property, Plant and Equipment—Proceeds before Intended Use, which made amendments to IAS 16 Property, Plant and Equipment.</p> <p>The Amendments would prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in a manner intended by management. Instead, an entity would recognise those sales proceeds in profit or loss.</p> <p>The Amendments shall be applied retrospectively for annual periods beginning on or after 1 January 2022, with earlier application permitted.</p>	1 January 2022
Onerous Contracts - Cost of Fulfilling a Contract	<p>In May 2020, the IASB issued Onerous Contracts—Cost of Fulfilling a Contract, which made amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets.</p> <p>The objective of the Amendments is to clarify the requirements of IAS 37 on onerous contracts regarding the assessment of whether, in a contract, the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.</p> <p>The Amendments shall be applied for annual periods beginning on or after 1 January 2022, with earlier application permitted.</p>	1 January 2022
Annual Improvements to IFRS Standards 2018 – 2020	<p>On 14 May 2020, the IASB issued Annual Improvements to IFRS Standards 2018–2020 containing the following amendments to IFRS:</p> <p>a) permit an entity that is a subsidiary, associate or joint venture, who becomes a first-time adopter later than its parent and elects to apply paragraph D16(a) of IFRS 1 First-time Adoption of International Financial Reporting Standards, to measure the cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRSs;</p> <p>(b) clarify that the reference to fees in the 10 per cent test includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf;</p>	1 January 2022

	Amendment	Effective date
	<p>(c) remove the potential confusion regarding the treatment of lease incentives applying IFRS 16 Leases as was illustrated in Illustrative Example 13 accompanying IFRS 16; and</p> <p>(d) remove the requirement in paragraph 22 of IAS 41 Agriculture for entities to exclude cash flows for taxation when measuring fair value applying IAS 41.</p> <p>The Amendments shall be applied for annual periods beginning on or after 1 January 2022, with earlier application permitted.</p>	
Covid-19-Related Rent Concessions Amendment to IFRS 16	<p>In May 2020, the International Accounting Standards Board (Board) issued Covid-19-Related Rent Concessions, which amended IFRS 16 Leases.</p> <p>If certain conditions are met, the Amendment would permit lessees, as a practical expedient, not to assess whether particular covid-19-related rent concessions are lease modifications. Instead, lessees that apply the practical expedient would account for those rent concessions as if they were not lease modifications, so that, for example, the amount of rent forgiven on or before 30 June 2021 is taken to income the same year that the concession is granted, instead of being allocated over the duration of the contract as would be the case were the practical expedient not allowed.</p> <p>The Amendment shall be applied for annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not yet authorised for issue at 28 May 2020.</p>	1 June 2020

1.6 MAIN ESTIMATES AND JUDGMENTS

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 Board of Directors are based on:

- (i) the best information and knowledge of current events and in certain cases on the reports of independent experts; and
- (ii) the actions that the Group expects 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 income tax treatments	6.1 – Income tax for the period 6.2 – Deferred taxes
Actuarial assumptions	7.2 – Employee Benefits
Fair value of biological assets	3.8 – Biological assets
Recognition of provisions	10.1 – 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



Accounting policies

Navigator Group business areas

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

The Navigator Group has four industrial plants. BEKP, energy and UWF paper are produced in two plants located in Figueira da Foz and Setúbal. BEKP energy and tissue paper are also produced in a plant located in Aveiro and the fourth plant, located in Vila Velha de Ródão, only produces tissue paper.

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

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

Energy, heat and electricity are mainly produced from biofuels in three cogeneration plants, integrated in the production of pulp. Heat production is used for internal consumption while electricity is sold to the national energy grid. The Navigator Group also owns another two cogeneration units using natural gas, integrated in the production of paper in Figueira da Foz and in Setúbal, and two separate units using biofuel.

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 business and to 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 the inter-segment sales and services correspond to market prices and are 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 (independent units) and the corporate centre (holding).

Revenue

Revenue is presented by operating segment and by geographic area, based on the country of destination of the goods and services sold by the Group.

Commercial contracts with customers refer essentially to the sale of goods such as paper, pulp, tissue and energy, and to an extent, to the transportation inherent to those goods, when applicable.

Revenue recognition in each operating segment is described as follows:

Market pulp	Pulp revenue results from sales to international paper and decor producers. Revenue is recognised at a specific time, by the amount of the performance obligation satisfied, the price of the transaction corresponding to a fixed amount invoiced on the basis of quantities sold, less cash discounts and quantity discounts, which are reliably determinable. On the export side, the transfer of control of the products occurs in general when there is a transfer of control to the customer, according to the Incoterms negotiated.
UWF	Paper revenue refers to sales made through Retail Stores (B2C) or Commercial Distributors (B2B) which include large distributors, wholesalers or commercial operators. Revenue is recognised at a specific time, on the date of delivery of the product to the customer when the transfer of control occurs, by the amount of the performance obligation satisfied, and the price of the transaction corresponds to a fixed amount invoiced according to the quantities sold, less cash discounts and quantity discounts, which are reliably determinable.
Tissue	Tissue revenue results from sales of tissue paper produced for the private label of modern national and international retail chains. Revenue is recognised at a specific time, by the amount of the performance obligation satisfied, the price of the transaction corresponding to a fixed amount invoiced on the basis of quantities sold, less cash discounts and quantity discounts, which are reliably determined. Revenue is recognised against the delivery of the product, at which time the transfer of control over the product is deemed to take place.
Other	The revenue from the sale of cork and pine wood to third parties is recognised on the date of delivery of the product to the customer by the amount of the performance obligation satisfied.

Energy sales by segment

The energy revenue results from the valuation of the energy delivered to the National Energy Network, as metered, valued at the tariff defined in the agreement for a period of 25 years in progress.

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".

Financial information by operating segment in 2020 and 2019

	30-06-2020					
	MARKET PULP	UWF PAPER	TISSUE PAPER	OTHERS	ELIMINATIONS/ UNALLOCATED	TOTAL
REVENUE						
Sales and services rendered - products	79,508,726	468,000,229	69,090,165	5,944,251	-	622,543,372
Energy sales	7,765,970	53,919,062	-	11,273,308	-	72,958,340
Sales and services rendered - external	87 274 696	521 919 291	69 090 165	17 217 560	-	695 501 712
Sales and services rendered - intersegment	60,779,627	-	-	230,143,710	(290,923,337)	-
Total Revenue	148 054 323	521 919 291	69 090 165	247 361 270	(290 923 337)	695 501 712
PROFIT/ (LOSS)						
Segmental reporting profit	8,596,921	74,869,539	(529,147)	(19,279,273)	-	63,658,040
Operating profit	-	-	-	-	-	63,658,040
Financial results	-	-	-	-	(8,267,028)	(8,267,028)
Income tax	-	-	-	-	(11,355,141)	(11,355,141)
Profit after income tax	-	-	-	-	-	44,035,871
Non-controlling interests	-	-	-	-	(2,423)	(2,423)
Net profit	-	-	-	-	-	44,033,448
OTHER INFORMATION						
Capital expenditure	13,476,647	19,030,803	2,843,588	13,334,874	-	48,685,912
Depreciation (including impairment)	(7,517,548)	(49,245,101)	(9,843,654)	(7,914,536)	-	(74,520,840)
Provisions ((increases) / reversal)	(12,000)	(1,604,342)	-	(290,933)	-	(1,907,275)
OTHER INFORMATION						
SEGMENT ASSETS						
Goodwill	-	376,756,383	583,083	-	-	377,339,466
Property, plant and equipment	144,939,359	669,169,858	160,593,484	246,152,485	-	1,220,855,185
Right of use	-	8,200,757	-	43,125,237	-	51,325,994
Biological assets	-	-	-	128,741,320	-	128,741,320
Non-current receivables	-	-	-	32,714,528	-	32,714,528
Inventories	23,557,333	173,668,115	21,681,831	24,209,796	-	243,117,075
Trade receivables	17,873,513	79,314,914	27,513,675	10,090,023	-	134,792,125
Receivables and other current assets	417,119	38,529,306	7,905,377	57,033,278	-	103,885,079
Other assets	1,223,748	23,554,652	765,878	351,529,472	-	377,073,750
Total assets	188 011 070	1 369 193 985	219 043 327	893 596 140	-	2 669 844 522
SEGMENT LIABILITIES						
Loans	-	415,573	36,265,823	980,620,847	-	1,017,302,242
Lease liabilities	-	8,231,504	-	44,417,743	-	52,649,248
Trade payables	11,635,664	111,853,321	5,635,797	78,938,929	-	208,063,711
Payables and other current liabilities	4,350,149	41,367,818	6,206,309	85,594,886	-	137,519,162
Other liabilities	25,129,495	98,063,493	15,994,313	45,356,853	-	184,544,154
Total liabilities	41 115 308	259 931 709	64 102 242	1 234 929 258	-	1 600 078 517

The Navigator Company recorded turnover of € 696 million in the first half of 2020, with paper sales accounting for around 67% of turnover (vs. 72%), pulp sales 11% (vs.9%), tissue sales 10% (vs. 8%) and energy sales also 10% (vs. 10%). The first half saw a downturn in global paper consumption as a result of the COVID-19 pandemic. The Company succeeded in partially mitigating the drop in UWF sales through increased diversification of its business, with growth in pulp and tissue sales. The Group's energy sales are reported under different business segments. The amount corresponding to the total energy sales was Euro 72,958,340 in the first half of 2020 and Euro 82,784,717 in the first half of 2019. This decrease results essentially from the lower sales value associated with the operation of the Setúbal natural gas combined cycle power plant, which in April moved to a new remuneration framework for the total sale of energy to the grid, with the resulting reduction in the sales tariff. Furthermore, there was a negative effect from the slowdown in production activity during May and June as a result of the COVID-19 pandemic.

Energy sales originated in the cogeneration process, in the amount of Euro 61,685,032 (2019: Euro 72,279,983) are reported 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 amount of Euro 11,273,308 (2019: Euro 10,504,733).

The fixed capital expenditure in the six-month period stood at Euro 48,685,912, compared with Euro 68,212,426 from the previous six-month period. As a result of the economic slowdown caused by the COVID-19 pandemic, Navigator decided to review the investment plan for 2020 which justifies the reduction verified.

The investment made during the first semester includes an amount of around Euro 24 million in maintenance and efficiency improvements in the production process and Euro 13.2 million in various environmental projects of which the new biomass boiler in Figueira da Foz worth 11.4 million stands out. The remaining 11.5 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	30-06-2020	30-06-2019
Forrestry lands	74,361,715	71,556,037
Real estate - manufacturing site of Setúbal	55,820,925	55,796,696
Real estate - manufacturing site of Aveiro	11,763,574	11,338,171
Real estate - manufacturing site of Figueira da Foz	40,934,768	44,594,279
Biomass thermoelectric plants	55,661,578	31,494,388
Others	7,609,925	14,776,403
	246,152,485	229,555,974

Following internal restructuring at the end of 2019, namely the merger by incorporation of Navigator Added Value, S.A., Navigator Fine Paper, S.A. and Ema XXI, S.A., into Navigator Pulp Figueira, S.A., some assets and liabilities were allocated to other items in the first half of 2020.

Forestry land and industrial real estate in a total amount of Euro 182,880,982, 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 10,826,376, is included in the segment "Tissue Paper".

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

	30-06-2019					
	MARKET PULP	UWF PAPER	TISSUE PAPER	OTHERS	ELIMINATIONS/ UNALLOCATED	TOTAL
REVENUE						
Sales and services rendered - products	77,585,931	611,127,699	65,703,145	16,891,212	-	771,307,987
Energy sales	8,365,279	63,914,705	-	10,504,733	-	82,784,716
Sales and services rendered - external	85,951,210	675,042,404	65,703,145	27,395,945	-	854,092,703
Sales and services rendered - intersegment	91,201,937	-	-	489,720,172	(580,922,109)	-
Total Revenue	177,153,147	675,042,404	65,703,145	517,116,117	(580,922,109)	854,092,703
PROFIT/ (LOSS)						
Segmental reporting profit	28,944,601	162,488,459	(6,839,730)	(50,589,381)	-	134,003,948
Operating profit	-	-	-	-	-	134,003,948
Financial results	-	-	-	-	(9,687,788)	(9,687,788)
Income tax	-	-	-	-	(29,425,842)	(29,425,842)
Profit after income tax	-	-	-	-	-	94,890,318
Non-controlling interests	-	-	-	-	9,848	9,848
Net profit	-	-	-	-	-	94,900,166
OTHER INFORMATION						
Capital expenditure	16,108,642	28,070,238	10,896,070	13,137,477	-	68,212,426
Depreciation (including impairment)	(5,646,878)	(42,444,318)	(8,530,119)	(14,410,979)	-	(71,032,295)
Provisions ((increases) / reversal)	-	(2,153,526)	-	238,158	-	(1,915,368)
OTHER INFORMATION						
SEGMENT ASSETS						
Goodwill	-	376,756,383	583,083	-	-	377,339,466
Property, plant and equipment	138,996,417	690,739,237	170,981,180	229,555,974	-	1,230,272,809
Right of use	-	259,195	-	45,479,868	-	45,739,063
Biological assets	-	-	-	116,538,339	-	116,538,339
Non-current receivables	37,562	31,687,432	42,228,166	30,006,487	-	103,959,647
Inventories	32,153,378	137,846,288	25,818,236	57,796,210	-	253,614,112
Trade receivables	24,544,326	145,061,578	31,643,730	10,223,600	-	211,473,234
Receivables and other current assets	1,636,755	19,607,999	11,661,815	12,283,262	-	45,189,831
Other assets	396,707	26,922,246	3,913,580	187,841,219	-	219,073,751
Total assets	197,765,145	1,428,880,357	286,829,790	689,724,960	-	2,603,200,252
SEGMENT LIABILITIES						
Loans	-	-	-	912,299,757	-	912,299,757
Lease liabilities	-	260,093	-	45,905,179	-	46,165,272
Trade payables	8,544,040	113,286,145	8,171,568	76,078,072	-	206,079,825
Payables and other current liabilities	4,649,979	83,052,882	8,590,623	22,882,968	-	119,176,453
Other liabilities	20,740,405	94,715,600	57,062,149	86,821,318	-	259,339,472
Total liabilities	33,934,424	291,314,720	73,824,341	1,143,987,294	-	1,543,060,779

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

30-06-2020 Amounts in Euro	Pulp	UWF Paper	Tissue	Others	Total Amount	Total %
Portugal	10,773,565	89,973,017	25,924,671	17,217,560	143,888,813	21%
Rest of Europe	39,530,304	247,244,830	39,570,620	-	326,345,754	47%
America	300,666	67,115,783	1,341,093	-	68,757,542	10%
Africa	8,034,411	66,358,402	2,198,915	-	76,591,728	11%
Asia	28,635,750	51,035,579	54,866	-	79,726,195	11%
Overseas	-	191,681	-	-	191,681	0%
	87,274,696	521,919,291	69,090,165	17,217,560	695,501,712	100%
Measurement standard						
At a specific point in time	87,274,696	521,919,291	69,090,165	17,217,560	695,501,712	100%
Over time	-	-	-	-	-	0%

30-06-2019 Amounts in Euro	Pulp	UWF Paper	Tissue	Others	Total Amount	Total %
Portugal	13,624,780	101,453,079	27,234,413	27,395,945	169,708,218	20%
Rest of Europe	56,183,620	342,773,816	36,209,627	-	435,167,064	51%
America	-	92,870,028	167,206	-	93,037,234	11%
Africa	7,397,840	78,719,730	2,056,892	-	88,174,462	10%
Asia	8,744,970	59,082,291	35,006	-	67,862,267	8%
Overseas	-	143,460	-	-	143,460	0%
	85,951,210	675,042,404	65,703,144	27,395,945	854,092,703	100%
Measurement standard						
At a specific point in time	85,951,210	675,042,404	65,703,144	27,395,945	854,092,703	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 six-month period ended 30 June 2020 and 2019, Other operating income is detailed as follows:

Amounts in Euro	30/06/2020	30/06/2019
Gains on disposals of non-current assets	542,003	478,114
Grants - CO2 Emission licenses	6,675,647	8,587,595
Supplementary income	961,304	307,902
Operating grants	1,965,122	186,511
Reversal of impairment of receivables	45,233	3,216
Reversal of impairment of inventories	5,644,994	742,952
Gains on inventories	775,804	348,066
Own work capitalised	266,401	118,547
Insurance compensation	2,674,466	2,637,967
Other operating income	2,781,586	4,606,426
	22,332,559	18,017,296

Gains with CO₂ allowances correspond to the recognition of the free allocation of allowances for 359,184 tons of CO₂, at the average price of Euro 23.82 (467,540 tons of CO₂ in 30 June 2019, at the average price of Euro 22.16).

The Government grants correspond to subsidies granted within the scope of research and development projects carried out by the Raiz Institute, such as the IPLANT project, INPACTUS, FitoGlobulus, Proteus, among others. This item also includes Euro 754,380 related to the specialization of the amount to be received from the IEFP regarding the Incentive to the Normalization of Business Activity, within the scope of the support measures for companies affected by the COVID-19 pandemic.

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.

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 from Hurricane Leslie in 2018 at the Figueira da Foz mill, and compensation associated with the failure, in 2019, of the biomass boiler and the turbine alternator in Setúbal.



Accounting policies

Operating subsidies and subsidies related to biological assets

Government grants are recognised at their fair value and only when there is a reasonable assurance that the grant will be received, and the group will comply with all required conditions. Operating grants, received with the purpose of compensating the Group for costs incurred, are systematically recorded in the income statement during the periods in which the costs that those grants are intended to compensate are recorded.

Grants related to biological assets (Note 3.8) carried at fair value, in accordance with IAS 41, are recognised in the income statement when the terms and conditions of the grant are met.

2.3 OTHER OPERATING EXPENSES

Amounts in Euro	30-06-2020	30-06-2019
Cost of goods sold and materials consumed	289,236,682	366,034,149
External services and supplies		
Energy and fluids	59,301,727	72,114,504
Transportation of goods	54,898,012	58,007,708
Specialised services	41,669,776	47,656,350
Maintenance and repair	16,621,838	17,452,414
Insurance	5,918,245	6,159,571
Advertising and marketing	6,862,751	7,815,478
Rentals	4,820,853	3,775,308
Fees	1,861,139	2,343,089
Travel and accommodation	1,239,358	2,810,117
Materials	1,738,645	1,687,923
Subcontracts	717,549	724,875
Communications	557,448	716,864
Other	4,467,544	3,650,311
	200,674,883	224,914,512
Variation in production	6,274,323	(20,553,930)
Payroll costs (Note 7.1)	64,492,399	76,713,419
Other operating expenses		
CO2 emission expenses	8,334,289	9,919,862
Impairment losses of receivables	292,505	6 525
Impairment losses of inventories	342,605	1,229,513
Other losses in inventories	405,111	720,292
Indirect taxes	982,329	899,453
Water resources charges	1,376,375	706,772
Losses on the disposal of non-current assets	102,886	261,563
Other operating expenses	2,205,210	1,230,031
	14,041,309	14,974,010
Net provisions (Note 10.1)	1,907,275	1,915,368
	-	
Total Operating expenses	576,626,871	663,997,528

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 sanitize the facilities, due to the Covid-19 pandemic.

The increase in spending on the water resources rate is due to the adjustment of estimates in relation to the amount paid and the consideration of the increase in rates in the estimate for the year.

For the six-month period ended 30 June 2020 and 2019, the costs incurred with investigation and research activities, which may be subject to tax benefits, amounted to Euro 2,235,309 and Euro 3,054,736, respectively.

Audit fees

Amounts in Euro	KPMG & Associados SROC	Other companies from the network
The Navigator Company, S.A.		
Statutory audit and audit services	59,269	-
Other reliability assurance services	7,650	-
Other services	-	-
	66,919	-
Entities belonging to the Navigator Group		
Statutory audit and audit services	96,214	22,596
Other reliability assurance services	7,912	-
Other services	1,530	-
	105,656	22,596
	172,575	22,596

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

The aforementioned fees are invoiced until June 30, 2020 for statutory audit and audit services. The services indicated as "Other reliability assurance services" relate to the issuance of financial information reports. Other services refers to validation services of the statement of expenditure relating to the investment project for the new tissue paper machine in Aveiro and to reports produced regarding merger operations between group companies. The Board of Directors believes there are adequate procedures safeguarding the independence of auditors, through the Supervisory Board process analysis of the work proposed and careful definition of the work to be performed by the auditors and procurement process.

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	30-06-2020	31-12-2019
CGU of UWF paper production on Figueira da Foz site (goodwill resulting from the acquisition of Navigator Brands, S.A.)	376,756,383	376,756,383
CGU of Tissue paper on Vila Velha de Ródão site (goodwill resulting from the acquisition of Navigator Tissue Ródão, S.A.)	583,083	583,083
	377,339,466	377,339,466

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 June 2020 would amount to Euro 85,626,441 (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.



Accounting policies

Goodwill

Goodwill represents the difference between the fair value of the cost of acquisition and the fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiaries included in the consolidation on the acquisition date and is allocated to each Cash Generating Unit (CGU) or to the lower group of CGUs to which it belongs.

Amortisation and impairment

Goodwill is not amortised. The Group annually carries out impairment tests to the goodwill, or where there are signs of impairment. The recoverable amounts of cash-generating units are determined as the higher of value in use and fair value less cost of sale. Impairment losses on goodwill cannot be reversed.

Disposal and loss of control

Gains or losses arising from the sale or loss of control over an entity or business to which Goodwill is allocated include the amount of the corresponding goodwill.

Tax deductibility

Derived from the current tax legislation in Portugal, it is not expected that Goodwill generated or to be recognized will be tax deductible.



Estimates and judgements

Recoverability of Goodwill

The Group tests Goodwill impairment annually, recorded in its Statement of Financial Position. For impairment tests of CGUs, the recoverable amount was determined based on the value in use, according to the discounted cash flow method. The recoverable value of CGUs derives from assumptions related to the activity, namely, sales volumes, average sales prices and variable costs that in the projection periods result from a combination of economic forecasts for the regions and markets where the Group operates, industry forecasts, including changes in markets derived from changes in installed capacity for each operating activity, internal management projections and historical performance. These calculations require the use of estimates.

Sensitivity analysis

As at 30 June 2020, a possible increase of 0.5% in the discount rate used in the impairment test of Goodwill allocated to the cash-generating unit in Figueira da Foz integrated Paper, would imply a decrease in the assessment in the amount of Euro 119,489,093 (30 June 2019: Euro 184,142,455), which is still substantially

above the book value of this cash-generating unit. Regarding the Goodwill allocated to Navigator Tissue Ródão, given the immateriality of its value, any impacts would not be materially relevant.

3.2 INTANGIBLE ASSETS

Movements in intangible assets

	Industrial property and other rights	CO2 emission allowances	Intangible assets in progress	Total
Amounts in Euro				
Gross amount				
Balance as at 1 January 2019	3,135	2,884,633	-	2,887,768
Acquisitions/attribution	-	8,587,595	-	8,587,595
Adjustments, transfers and write-offs	207	(10,333,492)	-	(10,333,285)
Balance as at 30 June 2019	3,342	1,138,736	-	1,142,078
Acquisitions/attribution	-	5,270,601	9,194	5,279,795
Disposals	-	(40,766)	-	(40,766)
Adjustments, transfers and write-offs	8,987	(1,872,084)	(9,194)	(1,872,291)
Balance as at 31 December 2019	12,329	4,496,487	-	4,508,816
Acquisitions/attribution	-	11,511,593	4,335	11,515,928
Disposals	-	-	-	-
Adjustments, transfers and write-offs	4,335	(15,196,731)	(4,335)	(15,196,731)
Balance as at 30 June 2020	16,664	811,349	-	828,013
Accumulated amortisation and impairment losses				
Balance as at 1 January 2019	(1,517)	-	-	(1,517)
Amortisation for the period (Note 3.7)	(301)	-	-	(301)
Impairment losses for the period	-	-	-	-
Balance as at 30 June 2019	(1,818)	-	-	(1,818)
Amortisation for the period	(343)	-	-	(343)
Impairment losses for the period	-	-	-	-
Adjustments, transfers and write-offs	34	-	-	34
Balance as at 31 December 2019	(2,127)	-	-	(2,127)
Amortisation for the period (Note 3.7)	(2,160)	-	-	(2,160)
Impairment losses for the period (Note 3.7)	-	-	-	-
Disposals	-	-	-	-
Balance as at 30 June 2020	(4,287)	-	-	(4,287)
Net book value as at 1 January 2019	1,618	2,884,633	-	2,886,251
Net book value as at 30 June 2019	1,524	1,138,736	-	1,140,260
Net book value as at 31 December 2019	10,202	4,496,487	-	4,506,689
Net book value as at 30 June 2020	12,377	811,349	-	823,726

CO₂ Allowances

	30-06-2020	31-12-2019
CO2 emission allowances (units)	39,772	267,222
Average unit value (Euro)	20.40	16.83
Market quotation (Euro)	26.97	24.52

The balance as at 30 June 2020 does not include forwards related to emission allowances (31 December 2019): 100,000), acquired in 2016 and 2017, amounting to Euro 550,000 as at 31 December 2019).

CO₂ Allowances – movements of the period

Amounts in Euro	2020		2019	
	Tons	Amount	Tons	Amount
Opening balance	267,222	4,496,487	442,145	2,884,633
Allowances awarded free of charge	457,906	10,907,320	467,540	10,360,686
Allowances acquired	58,962	604,273	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)
Closing balance	39,772	811,349	267,222	4,496,487



Accounting policies

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

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

CO₂ Emission Rights

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

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

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

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

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

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

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
Gross amount					
Balance as at 1 January 2019	114,046,006	533,924,403	3,428,643,287	61,588,747	4,138,202,442
Acquisitions			8,324,847	59,887,579	68,212,426
Disposals	(210,862)	-	(53,419)	-	(264,280)
Adjustments, transfers and write-offs	(2,038,989)	1,813,558	30,171,769	(32,847,644)	(2,901,306)
Balance as at 30 June 2019	111,796,154	535,737,961	3,467,086,484	88,628,681	4,203,249,282
Acquisitions	-	-	5,522,874	84,207,829	89,730,703
Disposals	(273,540)	-	(139,186)	-	(412,726)
Adjustments, transfers and write-offs	3,506,249	3,620,386	49,689,689	(65,037,524)	(8,221,200)
Balance as at 31 December 2019	115,028,864	539,358,347	3,522,159,863	107,798,987	4,284,346,061
Acquisitions			5,652,277	43,033,636	48,685,912
Disposals	(435,560)	-	(17,134)	-	(452,693)
Adjustments, transfers and write-offs	8,528	700,131	21,221,821	(29,308,666)	(7,378,187)
Balance as at 30 June 2020	114,601,832	540,058,478	3,549,016,827	121,523,956	4,325,201,092
Accumulated depreciation and impairment losses					
Balance as at 1 January 2019	-	(329,246,156)	(2,569,947,552)	-	(2,899,193,708)
Depreciation for the period (Note 3.7)		(10,483,643)	(63,352,539)	-	(73,836,182)
Disposals	-	-	53,419	-	53,419
Adjustments, transfers and write-offs	-	-	-	-	-
Balance as at 30 June 2019	-	(339,729,799)	(2,633,246,672)	-	(2,972,976,471)
Depreciation for the period	-	(1,535,078)	(71,541,602)	-	(73,076,680)
Disposals	-	-	137,768	-	137,768
Adjustments, transfers and write-offs	-	387,053	10,833,868	-	11,220,921
Balance as at 31 December 2019	-	(340,877,824)	(2,693,816,638)	-	(3,034,694,462)
Depreciation for the period (Note 3.7)	-	(6,076,834)	(70,716,287)	-	(76,793,121)
Disposals	-	-	17,134	-	17,134
Impairment losses (Note 3.7)	-	-	-	-	-
Adjustments, transfers and write-offs	-	382,099	6,742,443	-	7,124,542
Balance as at 30 June 2020	-	(346,572,560)	(2,757,773,347)	-	(3,104,345,907)
Net book value as at 1 January 2019	114,046,006	204,678,247	858,695,735	61,588,747	1,239,008,734
Net book value as at 30 June 2019	111,796,154	196,008,162	833,839,812	88,628,681	1,230,272,809
Net book value as at 31 December 2019	115,028,864	198,480,523	828,343,225	107,798,987	1,249,651,599
Net book value as at 30 June 2020	114,601,832	193,485,918	791,243,479	121,523,956	1,220,855,185

As at 30 June 2020 Assets under construction include investments associated with ongoing development projects, including the construction of the new biomass boiler at the Figueira da Foz mill (Euro 36,853,117), an environmental plan (Euro 7,167,004), a new chip stack in Aveiro (Euro 6,014,257) and various improvements in the production process and maintenance of assets (Euro 71,489,578).

Lands includes Euro 113,568,985 (31 December 2019: Euro 113,996,017) classified in the individual financial statements as investment properties, from which Euro 74,361,715 (31 December 2019: Euro 74,788,747) relate to forest land and Euro 39,207,271 (31 December 2019: Euro 39,207,271) to land allocated to industrial sites leased to the Group.



The commitments assumed by the Group for the acquisition of property, plant and equipment are detailed in Note 10.2 - Commitments.



Accounting policies

Property, plant and equipment

Recognition and initial measurement

Property, plant and equipment acquired up to 1 January 2004 (transition date to IFRS) are recorded at acquisition cost, or revalued acquisition cost in accordance with generally accepted accounting principles in Portugal until that date, net of amortisation and accumulated impairment losses.

Property, plant and equipment acquired after the transition date are shown at cost, less accumulated depreciation and impairment losses.

Depreciation and impairment

We use the straight-line method from the moment the asset is available for use and using the rates that best reflect their estimated useful life.

	Average useful life (years)
Land (cost of preparation for afforestation)	50
Buildings and other constructions	12 – 30
Basic equipment	6 – 25
Transport equipment	4 – 9
Tools	2 – 8
Office equipment	4 – 8
Other property, plant and equipment	4 – 10

The residual values of the assets and respective useful lives are reviewed and adjusted, on the date of the Statement of Consolidated Financial Position. When the book value of the asset exceeds its realisable value, the asset is written down to the estimated recoverable amount, and an impairment charge is booked (Note 3.7).

Subsequent costs

Scheduled maintenance expenses are considered a component of the acquisition cost of property, plant and equipment and are fully depreciated by the next forecasted maintenance date.

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

Spare and maintenance parts

Spare parts are considered strategic as they are directly related to production equipment and their use is expected to last for more than two economic years. Maintenance parts considered as "critical spare parts" are recognised in non-current assets, as Property, plant and equipment. Respecting this classification, spare parts are depreciated from the moment they become available for use and are assigned a useful life that follows the nature of the equipment, where they are expected to be integrated, not exceeding the remaining useful life of these.

Borrowing costs

Borrowing costs directly related to the acquisition or construction of fixed assets are capitalised when their construction period exceeds one year, and form part of the asset's cost.

During the years presented, no financial charges for loans directly related to the acquisition or construction of property, plant and equipment were capitalised.

Write-offs and disposals

Gains or losses arising from the write off or disposal represent the difference between the proceeds received on disposal less costs to sell and the asset's book value, and are recognised in the income statement as Other operating income (Note 2.2) or Other operating expenses (Note 2.3).



Estimates and judgements

Recoverability of Property, plant and equipment

The recoverability of property, plant and equipment requires the Board of Directors to use estimates and assumptions, namely, whenever applicable, regarding the determination of the value in use for impairment tests to the Group's cash-generating units.

Useful life and depreciation

Property, plant and equipment present the most significant component of the Group's total assets. These assets are subject to systematic depreciation for the period that is determined to be their economic useful life. The determination of assets useful lives and the depreciation method to be applied is essential to determine the amount of depreciation to be recognised in the consolidated income statement of each period.

These two parameters are defined according to the best judgement of the Board of Directors for the assets and businesses in question, also considering the practices adopted by companies of the sector at the international level and the evolution of the economic conditions in which the Group operates.

Given the importance of this estimate, the Group uses, with some regularity, external and independent experts to assess the adequacy of the estimates used.

3.4 INVESTMENT PROPERTIES

Movement in investment properties

Amounts in Euro	Land	Buildings and other constructions	Total
Gross amount			
Balance as at 1 January 2019	424,744	82,307	507,051
Acquisitions	-	-	-
Disposals	-	-	-
Balance as at 30 June 2019	424,744	82,307	507,051
Acquisitions	-	-	-
Disposals	-	-	-
Balance as at 31 December 2019	424,744	82,307	507,051
Acquisitions	-	-	-
Disposals	-	-	-
Balance as at 30 June 2020	424,744	82,307	507,051
Accumulated depreciation and impairment losses			
Balance as at 1 January 2019	(399,372)	(10,151)	(409,523)
Depreciation for the period (Note 3.7)	-	-	-
Disposals	-	-	-
Impairment losses (Note 3.7)	-	(823)	(823)
Balance as at 30 June 2019	(399,372)	(10,974)	(410,347)
Depreciation for the period	-	-	-
Disposals	-	-	-
Impairment losses	-	(823)	(823)
Balance as at 31 December 2019	(399,372)	(11,797)	(411,169)
Depreciation for the period	-	-	-
Disposals	-	-	-
Impairment losses	-	(823)	(823)
Balance as at 30 June 2020	(399,372)	(12,620)	(411,993)
Net book value as at 1 January 2019	25,372	72,156	97,528
Net book value as at 30 June 2019	25,372	71,333	96,704
Net book value as at 31 December 2019	25,372	70,510	95,882
Net book value as at 30 June 2020	25,372	69,687	95,058

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



Accounting policies

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

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

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

3.5 GOVERNMENT GRANTS

Government grants - movements

Amounts in Euro	30-06-2020			31-12-2019		
	Financial	Tax	Total	Financial	Tax	Total
Opening balance	18,562,558	24,214,013	42,776,571	26,341,878	30,249,610	56,591,488
Granting	-	-	-	-	-	-
Charge-off (Note 3.7)	(3,543,926)	(2,101,599)	(5,645,525)	(7,900,774)	(6,035,597)	(13,936,371)
Other movements	178,596	-	178,596	121,454	-	121,454
Closing balance	15,197,227	22,112,414	37,309,642	18,562,558	24,214,013	42,776,571

As at 30 June 2020 and 31 December 2019, government grants, by company, were detailed as follows:

Amounts in Euro	30-06-2019			31-12-2019		
	Financial	Tax	Total	Financial	Tax	Total
AICEP investment contracts						
Enerpulp, S.A.	4,887,004	-	4,887,004	7 127 883	-	7,127,883
Navigator Pulp Aveiro, S.A.	3,210,302	2,589,952	5,800,254	4,158,088	2,934,581	7,092,668
Navigator Pulp Setúbal, S.A.	242,990	-	242,990	333,319	-	333,319
Navigator Pulp Figueira, S.A.	62,039	10,665,900	10,727,938	106,738	11,736,361	11,843,100
Navigator Parques Industriais, S.A.	1,958,675	-	1,958,675	1,988,353	-	1,988,353
Navigator Paper Figueira, S.A.	423,185	-	423,185	463,950	-	463,950
Navigator Tissue Aveiro, S.A.	3,856,000	8,856,563	12,712,563	3,748,000	9,543,073	13,291,073
	14,640,194	22,112,415	36,752,608	17,926,331	24,214,015	42,140,346
Others						
Raiz	446,052	-	446,052	476,550	-	476,550
Viveiros Aliança, SA	110,981	-	110,981	159,675	-	159,675
	557,033	-	557,033	636,225	-	636,225
	15,197,227	22,112,415	37,309,641	18,562,556	24,214,015	42,776,571

The Group expects to recognise subsidies in earnings as follows:

Amounts in Euro	30-06-2019			31-12-2019		
	Financial	Tax	Total	Financial	Tax	Total
2020	3,543,926	2,101,599	5,645,525	7,136,008	4,802,979	11,938,987
2021	3,475,620	4,802,979	8,278,599	3,475,620	4,802,979	8,278,599
2022	2,057,473	4,739,806	6,797,279	2,057,473	4,739,806	6,797,279
2023	1,698,883	4,483,097	6,181,979	1,698,883	4,483,097	6,181,979
2024	1,511,224	4,033,821	5,545,045	1,511,224	4,033,821	5,545,045
After 2024	2,910,102	1,951,112	4,861,214	2,683,350	1,351,332	4,034,682
	15,197,227	22,112,414	37,309,642	18,562,558	24,214,014	42,776,571

Non-repayable government grants

Incentive to increase pulp production capacity in Figueira da Foz

On 27 December 2018, Navigator Pulp Figueira, S.A signed a tax investment agreement with AICEP, related to the investment associated with the increase of pulp production capacity in Figueira da Foz, which includes a tax incentive up to the maximum amount of Euro 17,278,657, corresponding to 19.5% of the investment made, through the fulfilment, until 31 December 2025, of the contractually defined objectives.

Incentives for the expansion project of the Cacia pulp mill

On 18 June 2014, the Group's subsidiary, Navigator Pulp Aveiro, S.A., signed two financial and tax incentive agreements with the AICEP - Agência para o Investimento e Comércio Externo de Portugal (Agency for Investment and Foreign Trade of Portugal) to support the investment to be promoted by that company in the capacity increase project of Cacia pulp mill, with a total amount of Euro 49.3 million.

The grants approved amount to Euro 9,264 million (repayable) and Euro 5,644 million (tax incentive) to be used until 2024, being fully used since the end of 2016. The contract includes an achievement bonus, which corresponds to the conversion of the repayable grant in a non-repayable grant, up to a limit of 75% (Euro 6,947,450), subject to compliance with the objectives established in the contract until 31 December 2023.

Repayable Government grants

As at 13 December 2017, the subsidiary Navigator Tissue Aveiro, S.A. entered into an investment agreement with AICEP, for the construction of the new Tissue plant in Aveiro. This agreement comprises a financial incentive in the form of a repayable incentive, which includes a grace period of two years, without payment of interest, up to a maximum amount of Euro 42,166,636, corresponding to 35% on the amount of expenses considered eligible, which were estimated at Euro 120,476 million. On 20 April 2018, the same entity was also

awarded with a tax incentive granted through the compliance of contractually defined requirements until 31 December 2028, whose maximum amount will be Euro 11,515,870, corresponding to 10% of the expenses associated with the project investment. See Note 5.7.



Accounting policies

Government grants

Government grants received to compensate the Group for investments made in Property, plant and equipment, including those attributed as tax credits, are classified as deferred income (Note 4.3 - Payables) and are recognised in income over the estimated useful life of the respective subsidised assets, and are associated with the depreciation of the period (Note 3.7), for presentation purposes.

Repayable Government grants

Government grants, in the form of loans repayable at a subsidised rate, are discounted on the date of initial recognition based on the market interest rate at the date of grant, the value of the discount constituting the value of the grant to be amortised over the period of the loan or asset whose acquisition it is intended to finance, depending on the activities financed. These liabilities are included in Payables (Note 4.3).

3.6 ASSETS UNDER RIGHT OF USE

Movements in assets under right of use

Amounts in Euro	Forestry lands	Buildings	Vehicles	Software	Other lease assets	Total
Gross amount						
Balance as at 1 January 2019 - IFRS 16 adoption	38,817,386	4,547,372	4,285,373	546,158	189,517	48,385,806
Acquisitions	222,361	-	-	-	-	222,361
Balance as at 30 June 2019	39,039,747	4,547,372	4,285,373	546,158	189,517	48,608,167
Acquisitions	2,901,557	-	229,937	3,758,625	-	6,890,118
Disposals	(478,296)	-	(6,445)	-	-	(484,741)
Adjustments, transfers and write-offs	-	-	-	(3,946,051)	-	(3,946,051)
Balance as at 31 December 2019	41,463,008	4,547,372	4,508,865	358,732	189,517	51,067,494
Acquisitions	1,807,497	85,184	1,951,959	197,639	5,158,458	9,200,737
Disposals	(16,078)	-	(16,636)	-	-	(32,714)
Adjustments, transfers and write-offs	-	-	(353)	-	-	(353)
Balance as at 30 June 2020	43,254,427	4,632,556	6,443,836	556,371	5,347,974	60,235,165
Accumulated depreciation and impairment losses						
Balance as at 1 January 2019	-	-	-	-	-	-
Depreciation	(1,474,109)	(351,151)	(842,043)	(173,197)	(32,489)	(2,872,988)
Disposals	-	-	-	-	-	-
Adjustments, transfers and write-offs	-	-	-	3,884	-	3,884
Balance as at 30 June 2019	(1,474,109)	(351,151)	(842,043)	(169,313)	(32,489)	(2,869,105)
Depreciation	(1,540,506)	(351,151)	(770,881)	10,741	(32,489)	(2,684,285)
Disposals	7,703	-	-	(3,884)	-	3,819
Balance as at 31 December 2019	(3,006,912)	(702,301)	(1,612,924)	(162,455)	(64,977)	(5,549,570)
Depreciation	(1,553,715)	(349,331)	(1,117,884)	(74,758)	(274,572)	(3,370,261)
Disposals	2,339	-	5,001	-	-	7,340
Adjustments, transfers and write-offs	-	2,967	353	-	-	3,320
Balance as at 30 June 2019	(4,558,288)	(1,048,665)	(2,725,455)	(237,214)	(339,549)	(8,909,171)
Net book value as at 1 January 2019	38,817,386	4,547,372	4,285,373	546,158	189,517	48,385,806
Net book value as at 30 June 2019	37,565,638	4,196,222	3,443,330	376,845	157,028	45,739,063
Net book value as at 31 December 2019	38,456,095	3,845,071	2,895,941	196,277	124,539	45,517,924
Net book value as at 30 June 2020	38,696,140	3,583,891	3,718,381	319,157	5,008,425	51,325,994

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

The Buildings item corresponds to the lease agreement between The Navigator Company, S.A. and Refundos - Sociedade Gestora de Fundos de Investimento Imobiliário, S.A. for the building located at Avenida Fontes Pereira de Melo, in Lisbon, for use as an office (Note 11.3).

The item Others includes new contracts celebrated during 2020 among which the most significant is the new contract for rental of forklifts of Euro 5,158,458.



Accounting policies

At the date the lease enters into force, the Group recognises an asset under right of use at its cost, which corresponds to the initial amount of the lease liability adjusted for: i) any prepayments; ii) lease incentives received; and iii) initial direct costs incurred.

To the asset under right of use, the estimate of removing and/or restoring the underlying asset and/or the location where it is located may be added, when required by the lease agreement.

The asset under right of use is subsequently depreciated using the straight-line method, from the start date until the lower between the end of the asset's useful life and the lease term. Additionally, the asset under right of use reduced of impairment losses, if any, and adjusted for any remeasurement of the lease liability. The useful life considered for each class of assets under right of use is equal to the useful life of Property, plant and equipment (Note 3.3) in the same class when there is a call option and the Group expects to exercise it.

Short-term leases and low-value asset leases

The Group recognises payments for leases of 12 months or less and for leases of assets whose individual acquisition value is less than Euro 5,000 directly as operating expenses of the year (Note 2.3), on a straight-line basis.

3.7 DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES

Amounts in Euro	30-06-2020	30-06-2019
Depreciation of property, plant and equipment for the period (Note 3.3.)	76,793,121	73,835,359
Investment grants charged-off	(5,645,525)	(5,677,176)
Depreciation of property, plant and equipment, net of grants charged-off	71,147,596	68,158,183
Amortisation of intangible assets for the period (Note 3.2)	2,160	301
Depreciation of assets under right of use for the period (Note 3.6)	3,370,261	2,872,988
Impairment of investment properties (Note 3.4)	823	823
	74,520,840	71,032,295

3.8 BIOLOGICAL ASSETS

Movements in biological assets

Amounts in Euro	2020	2019
Balance as at 1 January	131,769,841	119,614,567
Logging	(13,152,960)	(12,820,837)
Growth	1,210,823	2,462,223
New plantations and replanting (at cost)	1,887,259	1,608,690
Other changes in fair value	7,026,357	5,673,696
	(3,028,521)	(3,076,228)
Balance as at 30 June	128,741,320	116,538,339
Remaining quarters		15,231,501
Balance as at 31 December		131,769,841

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

Amounts in Euro	30-06-2020	30-06-2019
Costs of assets management		
Forestry	2,047,681	2,444,652
Structure	1,527,025	1,950,233
Fixed and variable rents	5,589,383	4,119,661
	9,164,089	8,514,546
Changes in expectations		
Contract withdrawal	-	(500 000)
Variations in other species	343,118	186 164
Other changes in expectations (structure)	(2,480,851)	(2 527 014)
	(2,137,732)	(2,840,850)
	7,026,357	5,673,696

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

Amounts in Euro	30-06-2020	31-12-2019
Eucalyptus (Portugal)	119,942,704	123,314,343
Pine (Portugal)	4,136,907	4,201,000
Cork oak (Portugal)	4,268,701	3,883,727
Other species (Portugal)	393,008	370,771
	128,741,320	131,769,841

These amounts correspond to Board of Directors' expectation of the volumes to be extracted from its woodlands in the future, as follows:

Amounts in Euro	30-06-2020	31-12-2019
Eucalyptus (Portugal) - Potential future of wood extractions k m3ssc	9,555	9,330
Pine (Portugal) - Potential future of wood extractions k ton	316	325
Pine (Portugal) - Potential future of pine extractions k ton	n/a	n/a
Cork oak (Portugal) - Potential future of cork extractions k @	603	591

Concerning Eucalyptus, the most relevant biological asset in the financial statements, the Group extracted, in the 6-month period ended 30 June 2020, 324,895 m3ssc of wood from its owned and explored forests (31 December 2019: 650,593 m3ssc).

As at 30 June 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.



Accounting policies

The Group's biological assets comprise the forests held for the production of timber, suitable for incorporating in the production of BEKP or for sale on the market, mostly eucalyptus, but also include other species such as pine and cork oak.

Fair Value (level 3 of the IFRS 13 fair value hierarchy)

When calculating the fair value of forests, the Group uses the discounted cash flows method, based on a model developed in house, regularly tested by independent external assessments.

In the model developed, assumptions are considered corresponding to the nature of the assets under evaluation, namely, the development cycle of the different species, the productivity of the forests, the wood sales price (when there is an active market) less the cost of harvesting, the rents of own, leased land, replanting and transport, the costs of planting and maintenance, the cost inherent in leasing the forest land; and the discount rate.

The discount rate corresponds to a market rate without inflation, in a manner consistent with the structure of projections, determined on the basis of the Navigator Company Group's expected rate of return on its forests.

Concession areas

The costs incurred with the site preparation before the first forestation are recorded as property, plant and equipment and depreciated in line with its expected useful lives corresponding to the concession period.

Change of estimates

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

Harvesting

At the time of harvesting, wood is recognised at fair value less estimated costs since that point until the point of sale, which is the initial cost of the inventory.



Estimates and judgements

Assumptions

Assumptions corresponding to the nature of the assets being valued were considered:

- productivity of forests;
- wood sales price (when there is an active market) less the cost of harvesting, rents for own, leased and concessioned land, replanting and transport, planting and maintenance costs, the cost inherent in leasing forest land;
- discount rate, 2020: 3.73% (2019: 3.73%). Note that the group incorporates the fire risk into the model's cash flows. If this risk were incorporated into the discount rate, it would be of 5.24%.

Sensitivity analysis

The Group takes into account the discount rate used in Portugal and the forward price of wood as the most significant variables.

Changes in the assumptions may imply the appreciation/depreciation of these assets:

Amounts in Euro	30-06-2020	31-12-2019
1) Increase by 0.5% in the discount rate in Portugal		
Devaluation of forest assets in Portugal	6,634,000	5,936,000
2) Decrease by 3% in the forward price		
Devaluation of forest assets in Portugal	5,358,000	9,854,000

4 WORKING CAPITAL

4.1 INVENTORIES

4.1.1 Inventories - detail by nature

Amounts net of accumulated impairment losses

Amounts in Euro	30-06-2020	31-12-2019
Raw materials	134,099,468	109,028,273
Goods	211,646	262,995
Subtotal	134,311,114	109,291,268
Finished and semi-finished products	105,478,269	104,159,967
Goods and work in progress	2,828,473	3,507,709
By-products and waste	499,219	920,756
Subtotal	108,805,960	108,588,432
Total	243,117,075	217,879,700

Inventories of finished and semi-finished products - distribution by geographical area

Amounts in Euro	30-06-2020	%	31-12-2019	%
Portugal	75,441,191	71.5%	80,357,520	77.1%
Rest of Europe	10,862,877	10.3%	10,068,303	9.7%
USA	19,174,201	18.2%	13,734,144	13.2%
	105,478,269	100.0%	104,159,967	100.0%

The amounts for Portugal include Euro 7,857,923 (31 December 2019: Euro 14,808,269) relating to inventories for which invoices have already been issued but whose control has not been transferred to customers.

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

4.1.2 Cost of goods sold and materials consumed in the period

Amounts in Euro	30-06-2020	30-06-2019
Opening balance	109,291,268	109,826,236
Purchases	314,112,710	377,073,264
Inventory losses (Note 2.3)	278,108	(500,863)
Impairment losses (Note 2.3)	(134,289)	657,708
Closing balance	(134,311,114)	(121,022,196)
Costs of goods and materials consumed (Note 2.3)	289,236,682	366,034,149

Costs of goods and materials consumed - detail by product

Amounts in Euro	30-06-2020	30-06-2019
Wood / Biomass (external acquisitions)	127,637,272	147,350,391
Natural gas	24,139,240	31,200,793
Other fuels	7,321,843	6,406,200
Water	1,051,329	861,311
Chemicals	60,502,806	75,809,783
BEKP Pulp	9,424,133	14,058,576
Pine Pulp	16,276,234	32,098,979
Paper (heavyweight)	2,024,811	3,477,787
Tissue - subcontracts	612,951	362,964
Consumables / Warehouse material	10,879,559	18,952,630
Packaging material	28,923,882	34,673,795
Other materials	442,623	780,939
	289,236,682	366,034,149

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

4.1.3 Variation in production in the period

Amounts in Euro	30-06-2020	30-06-2019
Opening balance	(108,588,432)	(112,550,635)
Settlements	(784,353)	(502,982)
Inventory losses	(405,111)	(128,638)
Impairment losses	(5,302,388)	1,144,269
Closing balance	108,805,960	132,591,916
Variation in production (Note 2.3)	(6,274,323)	20,553,930

4.1.4 Movements in impairment losses of inventories

Amounts in Euro	2020	2019
Balance as at 1 January	(11,121,848)	(5,234,487)
Increases	(342,605)	(1,229,513)
Reversals	5,644,994	742,952
Impact in profit or loss for the period	5,302,388	(486,561)
Charge-off	-	181,622
Balance as at 30 June	(5,819,460)	(5,539,426)
Remaining quarters		(5,582,422)
Balance as at 31 December		(11,121,848)

The impairment losses of inventories registered in 2020 and 2019 are related to adjustments in the stock of UWF and Tissue paper (Note 2.2).



Accounting policies

Inventories are valued in accordance with the following criteria:

i. Goods and raw materials

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

ii. Finished and intermediate products and work in progress

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

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

4.2 RECEIVABLES

Amounts in Euro	30-06-2020			31-12-2019		
	Non-current	Current	Total	Non-current	Current	Total
Trade receivables	-	132,245,300	132,245,300	-	156,031,342	156,031,342
Other receivables - Group companies (Note 11.3)	-	313,544	313,544	-	522,391	522,391
State and other public entities	i)	33,490,599	33,490,599	-	42,175,250	42,175,250
Financial incentives receivable	ii)	-	-	-	-	-
Department of Commerce (USA)	ii)	24,654,013	24,654,013	25,680,258	4,055,993	29,736,251
Enviva Pellets Greenwood, LLC (USA)	iii)	32,089,520	2,233,281	34,322,801	32,489,823	32,489,823
Accrued income	iv)	-	18,793,246	-	20,047,064	20,047,064
Deferred expenses	iv)	-	10,260,670	-	6,706,922	6,706,922
Derivative financial instruments (Nota 8.2.1)	-	3,963,683	3,963,683	-	2,954,495	2,954,495
Other	-	625,008	12,722,869	13,347,877	608,389	14,915,189
		32,714,528	238,677,204	271,391,733	58,778,469	247,408,647
						306,187,116



The amounts above are net of accumulated impairment losses. Analysis of impairment for receivables is presented in Note 8.1.4 - Credit risk.

i) State is detailed as follows:

Amounts in Euro	30-06-2020	31-12-2019
Value added tax - to recover	2,250,141	10,827,982
Value added tax - reimbursement requests	28,956,647	29,062,417
Amounts pending reimbursement (tax proceedings favourable to the Group)	2,283,811	2,284,851
	33,490,599	42,175,250

As at 30 June 2020, the amount of reimbursement requests comprised the following, by month and by company:

Amounts in Euro	Jun-2020	Total
The Navigator Company, S.A.	26,355,098	26,355,098
Bosques do Atlântico, S.L.	2,601,549	2,601,549
	28,956,647	28,956,647

Up to the date of issuing this report, Euro 28,956,647 of the outstanding amounts as of 30 June 2020, had already been received.

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

Amounts in Euro	Nov-2019	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
	9,422,420	19,639,997	29,062,417

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

ii) As of 30 June 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 complainants 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 5.11).

iv) Accrued income and deferred expenses are detailed as follows:

Amounts in Euro	30-06-2020	31-12-2019
Accrued income		
Interest receivable	534,421	766,223
Energy sales	12,009,020	13,286,097
Insurance compensation	6,214,120	5,750,000
Other	35,685	244,744
	18,793,246	20,047,064
Deferred expenses		
Insurance	4,192,801	962,664
Rentals	6,000,285	5,647,010
Other	67,584	97,249
	10,260,670	6,706,922
	29,053,916	26,753,987



Accounting policies

Trade receivables and other debtors

Classification

Trade receivables balances result from the Group's main activities and the business model followed is the collection of contractual cash flows.

Balances from other debtors generally assume the business model of collecting contractual cash flows.

Initial measurement

At fair value.

Subsequent measurement

At amortised cost, net of impairment losses.

Impairment from trade receivables

Impairment losses are recorded on the basis of the simplified model provided for in IFRS 9, recording expected losses until maturity. The expected losses are determined based on the experience of historical actual losses over a statistically significant period and representative of the specific characteristics of the underlying credit risk (Note 8.1.4).

Impairment from other debtors

Impairment losses are recorded on the basis of the general estimated credit loss model of IFRS 9.

4.3 PAYABLES AND OTHER NON CURRENT LIABILITIES

Amounts in Euro	30-06-2020	31-12-2019
Trade payables	208,063,711	190,975,113
Trade payables - Property, plant and equipment	4,368,836	5,311,674
State and other public entities	37,654,487	19,928,405
Related parties (Note 11.3)	1,939,329	4,573,854
Tax consolidation (Semapa - Note 11.3)	6,447,546	6,586,968
Other creditors - CO2 emission allowances	8,920,081	15,785,183
Shareholders (dividends)	-	99,138,920
Other creditors	1,314,091	3,217,199
Derivative financial instruments (Note 8.2.1)	8,550,743	6,734,952
Accrued expenses - Payroll	19,343,056	24,605,696
Accrued expenses - Interest payable	5,456,382	5,118,502
Wood supplier bonus	5,765,153	5,846,301
Water resources tax	1,361,171	2,456,998
Rent liabilities	12,115,812	10,912,663
Other accrued expense	6,305,300	8,514,362
Non-repayable grants	17,977,176	16,490,647
Payables and other liabilities - current	345,582,873	426,197,436
Non-repayable grants	27,479,911	30,837,585
Payables and other liabilities - non-current	27,479,911	30,837,585
	373,062,782	457,035,021

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, see Note 5.2., in the amount of Euro 99,138,920.

The decrease recorded under Accrued payroll costs is due to the fact that in the six-month period ended 30 June 2020, no accrued payroll costs were incurred as a result of the conditions of the regulation granting them.

State - details

Amounts in Euro	30-06-2020	31-12-2019
Personal Income Tax withhold (IRS)	4,104,976	1,881,895
Value Added Tax (IVA)	30,036,195	15,062,932
Social Security contributions	2,831,734	2,319,890
Other	681,582	663,688
	37,654,487	19,928,405

On 30 June 2020 and 31 December 2019, there were no outstanding debts with the State, although the above figures include approximately Euro 15 million whose payment was deferred to the second half of 2020 under Decree-Law No. 10-F/2020 of 26 March, which established an exceptional and temporary regime for compliance with tax and social contribution obligations under the Covid-19 pandemic.

Non-repayable grants - details

Amounts in Euro	30-06-2020	31-12-2019
Investment grants	9,829,731	11,938,987
Grants - CO2 emission allowances	4,231,673	-
Other grants	3,915,772	4,551,660
Non-repayable grants - current	17,977,176	16,490,647
Investment grants	27,479,911	30,837,585
Non-repayable grants - non-current	27,479,911	30,837,585
	45,457,087	47,328,232



Accounting policies

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

5 CAPITAL STRUCTURE

5.1 CAPITAL MANAGEMENT

Capital management policy

For capital management purposes, the Group defines capital as including equity and net debt.

The Group's objectives in relation to capital management are:

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

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

In line with the sector, the Group monitors its capital based on the gearing ratio, defined as the proportion between net debt and total capital.

Net interest-bearing debt is calculated by adding the total amount of loans (including the current and non-current portions as disclosed in the Statement of financial position) and deducting all cash and cash equivalents. Total equity is calculated by adding shareholders' equity (as shown in the Statement of financial position), to interest-bearing net debt, and excluding treasury shares and non-controlling interests.

The Group calculates the gearing ratio as follows:

Amounts in Euro	30-06-2020	31-12-2019
Loans obtained (Note 5.7)	1,017,302,242	877,131,386
Cash and cash equivalents (Note 5.9)	(316,897,525)	(161,880,403)
Net debt	700,404,717	715,250,983
Equity	1,069,766,004	1,027,419,095
Treasury shares (Note 5.2)	20,189,264	20,189,264
Non-controlling interests (Note 5.6)	(275,927)	(273,817)
Equity, excluding treasury shares and non-controlling interests	1,089,679,342	1,047,334,542
Total Equity	1,790,084,059	1,762,585,525
Gearing	39.13%	40.58%

5.2 SHARE CAPITAL AND TREASURY SHARES

Navigator's shareholders

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

As at 30 June 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.

At the General Meeting held on 22 September 2017, a reduction of the Company's share capital from Euro 717,500,000 to Euro 500,000,000 was approved, maintaining the number of shares representing the company's share capital and for the purpose of releasing excess capital, transferring to free reserves the amount of the capital released. Out of this amount Euro 129,138,620 has already been distributed.

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

Entity	30-06-2020		31-12-2019	
	No. of shares	%	No. of shares	%
Shares without nominal value				
Seinpar Investments, BV	241,583,015	33.67%	241,583,015	33.67%
Semapa, SGPS, S.A.	256,034,284	35.68%	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%
	717,500,000	100%	717,500,000	100%

Treasury shares - movements

	30-06-2020		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	-	-	-	-
Treasury shares at the end of the period	6,316,931	20,189,264	6,316,931	20,189,264

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
Treasury shares held on 1 January	6,316,931	20,189,264	864,049	2,317,915
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	-	-	-	-
	-	-	880,882	3,311,967
Treasury shares held in June	6,316,931	20,189,264	1,744,931	5,629,882
Remaining quarters	-	-	4,572,000	14,559,382
Treasury shares held in December	6,316,931	20,189,264	6,316,931	20,189,264

Treasury shares are stated at acquisition cost.

The market value of the treasury shares held on 30 June 2020 amounted to Euro 13,669,839 (31 December 2019: Euro 22,665,148), corresponding to a unit value of Euro 2.164 (31 December 2019: Euro 3.588) and the market capitalization of the Company at this date amounted to Euro 1,552,670,000 (31 December 2019: Euro 2,574,390,000) compared to an equity, net of non-controlling interests, of Euro 1,069,490,077 (31 December 2019: 1,027,145,277).



Accounting policies

Ordinary shares are classified in shareholders' equity.

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

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

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

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

5.3 EARNINGS PER SHARE

	30-06-2020	30-06-2019
Profit attributable to Navigator's equity holders (Euro)	44,033,448	94,900,166
Total number of issued shares	717,500,000	717,500,000
Average treasury shares in the portfolio	(6,316,931)	(2,683,989)
Weighted average number of shares	711,183,069	714,816,011
Basic earnings per share (Euro)	0.062	0.133
Diluted earnings per share (Euro)	0.062	0.133



Accounting policies

The basic earnings per share are determined based on the division of profits or losses attributable to the ordinary shareholders of the Company by the weighted average number of common shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the Company adjusts the profits or losses attributable to ordinary equity holders, as well as the weighted average number of outstanding shares for the purposes of all potential dilutive common shares.

5.4 DIVIDENDS

Dividends distributed in the period

Amounts in Euro	Amount assigned	Dividends by share (Euro)
Assignments in 2019		
Distribution of dividends regarding 2018 profit	200,003,439	0.279
Distribution of free reserves	99,138,920	0.139
Assignments in 2020		
Distribution of dividends regarding 2019 profit	-	-
Distribution of free reserves	-	-



Accounting policies

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

5.5 RESERVES AND RETAINED EARNINGS

Amounts in Euro	30-06-2020	31-12-2019
Currency translation reserve	(18,189,420)	(18,728,949)
Fair value reserve	(5,441,055)	(6,384,412)
Legal reserve	100,000,000	100,000,000
Other reserves	98,153,331	98,153,331
Retained earnings	371,123,039	206,004,258
Reserves and retained earnings	545,645,894	379,044,228

Currency exchange reserve - details

Amounts in Euro	30-06-2020	31-12-2019
Navigator North América (USD)	(944,208)	(2,145,684)
Navigator Paper Mexico (MXN)	(37,065)	(33,265)
Navigator Rus Company, LLC (RUB)	(11,652)	(12,161)
Navigator Middle East Trading DMCC (AED)	(33,552)	(11,304)
Navigator Egypt (EGP)	(1,373)	-
Navigator Paper Company UK (GBP)	(487,396)	(398,253)
Navigator Eurasia (TYR)	799	799
Navigator Afrique du Nord (MAD)	395	395
Navigator Paper Poland (PLN)	(2,863)	(2,863)
Portucel Moçambique (MZM)	(16,672,506)	(16,126,613)
	(18,189,420)	(18,728,949)

Fair value reserves - details

Amounts in Euro	30-06-2020			31-12-2019		
	Gross amount	Tax	Net amount	Gross amount	Tax	Net amount
Interest rate risk hedging	(3,664,896)	1,007,846	(2,657,050)	(5,920,276)	1,628,076	(4,292,200)
Foreign exchange hedging	(928,186)	255,252	(672,934)	26,013	(7,153)	18,860
Foreign exchange hedging - Navigator North America	(2,911,823)	800,751	(2,111,072)	(2,911,823)	800,751	(2,111,072)
	(7,504,904)	2,063,849	(5,441,055)	(8,806,086)	2,421,674	(6,384,412)

Fair value reserves - movements

Amounts in Euro	30-06-2020	31-12-2019
Opening balance	(6,384,412)	(5,633,483)
Change in fair value of derivative financial instruments (Note 8.2)	1,301,181	(1,035,764)
Deferred tax	(357,825)	284,835
Reclassification to the income statement of derivative financial instruments due to maturity (Note 5.11)	-	-
Closing balance	(5,441,055)	(6,384,412)



Accounting policies

Fair value reserves

It corresponds to the accumulated change in fair value of derivative financial instruments classified as hedging instruments (Note 8.2), net of deferred taxes.

Changes relating to derivatives are reclassified to profit or loss for the period (Note 5.11) as the hedged instruments affect profit or loss for the period. The change in fair value of financial investments recorded under this item is not recycled to profit and loss.

Currency exchange reserve

The currency translation reserve corresponds to the accumulated amount related to the settlement by the Group of the exchange rate differences resulting from the translation of the financial statements of the subsidiaries operating outside the Euro zone.

Legal reserve

Commercial Company law prescribes that at least 5% of annual net profit must be transferred to the legal reserve, until this is equal to at least 20% of the share capital. This reserve cannot be distributed unless the company is liquidated. It may, however, be drawn on to absorb losses, after other reserves are exhausted, or incorporated in the share capital.

The legal reserve is constituted by its maximum amount in the periods presented.

Other reserves and retained earnings

This item corresponds to reserves available for distribution to shareholders that were constituted through the appropriation of prior period's earnings, the reduction of share capital and other movements. The portion of the balance corresponding to the acquisition value of treasury shares held is not distributable (Note 5.2).

5.6 NON-CONTROLLING INTERESTS

Detail of non-controlling interests, by subsidiary

Amounts in Euro	% held	Equity		Net profit	
		30-06-2020	31-12-2019	30-06-2020	30-06-2019
Raiz - Instituto de Investigação da Floresta	3.00%	275,927	273,817	2,423	(9 848)
Portucel Moçambique	90.02%	-	-	-	-
		275,927	273,817	2,423	(9,848)

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

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

As at February 2019 occurred a reduction of the subscribed, underwritten and paid-up 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.

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

As 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.

Movements of non-controlling interests

Amounts in Euro	2020	2019
Opening balance	273,817	204,263
Net profit for the period	2,423	(9,848)
Other comprehensive income	(313)	79,402
Closing balance	275,927	273,817

5.7 LOANS

Amounts in Euro	30-06-2020			31-12-2019		
	Non-current	Current	Total	Non-current	Current	Total
Bond loans	345,000,000	100,000,000	445,000,000	445,000,000	-	445,000,000
Commercial paper	240,000,000	205,000,000	445,000,000	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	(2,827,699)	-	(2,827,699)	(3,052,386)	-	(3,052,386)
Repayable grants	36,447,385	-	36,447,385	39,331,496	-	39,331,496
Deferrals	(3,748,000)	-	(3,748,000)	(3,175,502)	-	(3,175,502)
Debt securities and bank debt	699,107,797	318,194,445	1,017,302,242	863,936,941	13,194,444	877,131,386
Average interest rate, considering charges for annual fees and hedging operations	1.5%			1.7%		

During the first half of 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 150,000,000 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.

The repayable grants 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 the Navigator Group subsidiary for the construction of the new Tissue plant in Aveiro. This agreement comprises a financial incentive in the form of a repayable grant, up to a maximum amount of Euro 42,166,636, without interest payment, with a grace period of two years, with the last repayment happening in 2027.



The maturity analysis of the financing obtained is presented in the Note 8.1.3 - Liquidity risk.

Interest-bearing liabilities - details

30-06-2020 Amounts in Euro	Amount	Outstanding amount	Maturity	Interest rate	Current	Non-current
Bond loans						
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
Fees	-	(2,827,699)	-	-	-	(2,827,699)
European Bank Investment						
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
Commercial Paper Program						
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 20M	20,000,000	20,000,000	April 2021	-	20,000,000	-
Commercial Paper Program 20M	20,000,000	20,000,000	March 2021	-	20,000,000	-
Commercial Paper Program 40M	40,000,000	40,000,000	March 2021	-	40,000,000	-
Commercial Paper Program 30M	30,000,000	30,000,000	September 2020	-	30,000,000	-
Commercial Paper Program 75M	75,000,000	-	July 2026	Variable rate indexed to Euribor	-	-
Repayable grants						
AICEP	36,447,385	36,447,385	-	-	-	36,447,385
Deferrals	-	(3,748,000)	-	-	-	(3,748,000)
Bank credit lines						
Short-term line 20M	20,450,714	-	-	-	-	-
		1,017,302,243			318,194,445	699,107,797

31-12-2019	Amount	Outstanding amount	Maturity	Interest rate	Current	Non-current
Amounts in Euro						
Bond loans						
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
Fees	-	(3,052,386)			-	(3,052,386)
European Bank Investment						
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
Commercial Paper Program						
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	-	-
Repayable grants						
AICEP	39,331,496	39,331,496	November 2027	Fixed rate	-	39,331,496
Deferrals	-	(3,175,502)			-	(3,175,502)
Bank credit lines						
Short-term line 20M	20,450,714	-			-	-
Short-term line 20M	20,450,714	-			-	-
		877,131,386			13,194,444	863,936,941

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

As at 30 June 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 loans recorded as non-current are detailed as follows:

Amounts in Euro	30-06-2020	31-12-2019
Non-current		
1 to 2 years	86,601,581	226,527,778
2 to 3 years	90,544,836	51,679,254
3 to 4 years	300,544,836	295,294,397
4 to 5 years	90,503,169	95,294,397
Above 5 years	137,489,074	201,369,003
	705,683,496	870,164,829
Commissions	(6,575,699)	(6,227,888)
	699,107,798	863,936,941

As at 30 June 2020, the Group had Commercial Paper programs and credit lines available, but not used, in the amount of Euro 95,450,714 (31 December 2019: Euro 110,450,714).

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

Amounts in Euro	30-06-2020	31-12-2019
Loans (Note 5.7)	1,017,302,242	877,131,386
Cash and cash equivalents (Note 5.9)	(316,897,525)	(161,880,404)
Interest-bearing net debt	700,404,717	715,250,982
Lease liabilities	52,649,248	46,847,797
Interest-bearing net debt with lease liabilities	753,053,965	762,098,779

Financial Covenants in force

Ratio	Definition	Loans	Limit
Interest coverage	EBITDA 12M / Annualized net interest	Bank	$\geq 4,5 - 5,5$
Indebtedness	Interest-bearing debt / EBITDA 12M	Bank	$\leq 4,5$
Shareholder's equity ratio			
Net Debt / EBITDA	(Interest-bearing debt - Cash) / EBITDA 12M	Bank	$\leq 4,0$
		Commercial Paper	$\leq 4,0 - 5,0$
		Bonds	$\leq 4,0$

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

Ratios	30-06-2020	31-12-2019
Interest coverage	28.75	46.49
Indebtedness	3.33	2.36
Net Debt / EBITDA	2.29	1.92

The amounts calculated in the table above do not include lease liabilities.

Given the contractual limits, in 2020 and 2019 the Group is in compliance with the covenants negotiated. As at 30 June 2020 and 31 December 2019, the Navigator Company presents a minimum safety margin above 80% on the fulfilment of its covenants.



Accounting policies

Interest-bearing liabilities includes Bonds, Commercial Paper, bank loans and other financing.

Initial measurement

At fair value, net of transaction costs incurred.

Subsequent measurement

At amortised cost, using the effective interest rate method.

The difference between the reimbursement amount and the initial measurement amount is recognized in the income statement over the debt period under "Interest expenses on other loans" in Note 5.11 – Net financial results.

Fair value

The book value of short-term debt or loans contracted with variable interest rates approximates their fair value.

The fair value of interest-bearing liabilities that are remunerated at a fixed rate is disclosed in Note 8.3 – Financial assets and liabilities.

Introduction

As a current liability, except when the Navigator Company Group has an unconditional right to defer the settlement of the liability for at least 12 months after the reporting date.



Estimates and judgements

Commercial paper

The Group has several commercial paper programs negotiated, of agreements with which it is frequent to carry out emissions with contractual maturity of less than one year but with revolving nature. Where the Group expects to roll over these loans, it presents them as non-current liabilities.

5.8 LEASE LIABILITIES

Lease liabilities – Nature

Amounts in Euro	30-06-2020			31-12-2019		
	Non-current	Current	Total	Non-current	Current	Total
Forest land	37,599,264	2,210,872	39,810,136	36,907,881	2,263,023	39,170,904
Buildings	3,111,231	529,554	3,640,785	3,351,127	624,055	3,975,183
Vehicles	2,186,238	1,568,816	3,755,054	1,612,078	1,296,985	2,909,063
Software licenses	336,122	123,164	459,286	519,416	147,973	667,390
Other lease assets	3,913,259	1,070,727	4,983,987	60,322	64,936	125,257
Lease liabilities	47,146,114	5,503,134	52,649,248	42,450,825	4,396,971	46,847,797

Lease liabilities - future liabilities

Amounts in Euro	30-06-2020			31-12-2019		
	Outstanding rents	Interest on liabilities	Present value of liabilities	Outstanding rents	Interest on liabilities	Present value of liabilities
Below 1 year	3,750,408	1,752,726	5,503,134	2,734,225	1,662,746	4,396,971
1 to 2 years	3,214,388	1,617,801	4,832,189	2,156,930	1,541,515	3,698,445
2 to 3 years	2,828,516	1,491,106	4,319,622	1,626,218	1,431,399	3,057,617
3 to 4 years	2,541,452	1,371,834	3,913,286	1,341,681	1,329,742	2,671,423
4 to 5 years	2,176,736	1,257,188	3,433,924	1,336,559	1,232,720	2,569,279
Above 5 years	21,871,763	8,775,330	30,647,093	21,823,025	8,631,036	30,454,062
Present value of liabilities	36,383,263	16,265,985	52,649,248	31,018,639	15,829,158	46,847,797

The increase in the value of liabilities associated with leasing liabilities stems from new agreements entered into in 2020, amounting to Euro 9,200,737, of which the new agreement for the leasing of forklift trucks, amounting to Euro 5,158,458, stands out.



The maturity analysis of lease liabilities is presented in the Note 8.1.3 - Liquidity risk.



Accounting policies

At the start date of the lease, the Group recognises lease liabilities measured at the present value of future lease payments, which include fixed payments less lease incentives, variable lease payments, and amounts expected to be paid as residual value. Lease payments also include the exercise price of call or renewal options reasonably certain to be exercised by the Group or lease termination penalty payments if the lease term reflects the Group's option to terminate the agreement.

In calculating the present value of future lease payments, the Group uses an incremental financing rate if the implied interest rate on the lease transaction is not easily determinable.

Subsequently, the value of the lease liabilities is increased by the interest amount (Note 5.11 Net financial Results) and decreased by the lease payments.

5.9 CASH AND CASH EQUIVALENTS

Amounts in Euro	30-06-2020	31-12-2019
Cash	39,818	39,818
Short-term bank deposits	180,751,220	120,620,841
Other short-term investments	136,106,488	41,219,744
	316,897,525	161,880,403

In 2020 and 2019, the amount presented under Other short terms investments includes Euro 36,106,488 (31 December 2019: Euro 41,219,744) to amounts invested by Navigator in a portfolio of short-term, highly liquid financial assets and issuers with adequate ratings, in addition to deposits with banking institutions.

As of 30 June 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.



Accounting policies

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

For cash flow statement purposes, this caption also includes bank overdrafts, which are presented in the statement of financial position as a current liability, under the caption Interest-bearing liabilities (Note 5.7).

5.10 CASH FLOWS FROM FINANCING ACTIVITIES

Movements in liabilities of the Group's financing activities

Amounts in Euro	30-06-2020	31-12-2019
Balance as at 1 January	877,131,386	763,830,678
Payment of loans	(66,597,222)	(301,805,556)
Receipts of loans received	210,000,000	380,000,000
Reimbursable grants	(2,884,111)	39,331,496
Change in charges with the issuance of loans	(347,810)	(4,225,233)
Movements in interest-bearing debt	140,170,856	113,300,708
Interest-bearing gross debt	1,017,302,242	877,131,386

5.11 NET FINANCIAL RESULTS

Amounts in Euro	6 months 30-06-2020	6 months 30-06-2019
Interest paid on debt securities and bank debt	(4,622,769)	(5,229,125)
Commissions on loans and expenses with credit facilities	(1,705,824)	(1,815,149)
Interest paid by applying the effective interest method	(6,328,593)	(7,044,274)
Interest paid on lease liabilities	(963,751)	(862,585)
Financial expenses related to the Group's capital structure	(7,292,344)	(7,906,859)
Unfavourable exchange rate differences	-	(1,965,304)
Losses on financial instruments - foreign exchange hedging	(799,846)	(381,760)
Losses on financial instruments - interest rate hedging	(1,065,803)	(983,824)
Losses on financial instruments - trading	(1,187,515)	-
Accrual for option premiums	(860,718)	(1,130,664)
Losses on compensatory interest	-	(221,720)
Other financial expenses and losses	(1,261,620)	(22,215)
Financial expenses and losses	(12,467,846)	(12,612,346)
Interest earned on financial assets at amortised cost	-	1,960,920
Favourable exchange rate differences	454,744	-
Gains on financial instruments - hedging	1,193,387	-
Gains on financial instruments - trading	-	489,257
Gains on compensatory interest	2,238,354	-
Other financial income and gains	314,334	474,381
Financial income and gains	4,200,818	2,924,558
Net financial results	(8,267,028)	(9,687,788)

The financial results show an improvement of Euro 1.4 million, standing at negative Euro 8.2 million (vs. 9.7 million), having been positively impacted in Euro 1.8 million by the variation in results of foreign exchange operations and in Euro 2.3 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.



Accounting policies

The Group classifies as "Financial income" the income and gains resulting from treasury management activities such as: i) interest obtained from the application of cash surplus; and ii) changes in the fair value in derivative financial instruments negotiated to hedge interest rate and exchange rate risk on loans, regardless of the formal designation of hedge.

6 INCOME TAX

6.1 INCOME TAX FOR THE PERIOD

6.1.1 Income tax recognised in the consolidated income statement

Amounts in Euro	6 months 30-06-2020	6 months 30-06-2019
Current tax	10,229,223	25,537,907
Change in uncertain tax positions in the period	(7,829,889)	(32,731,361)
Deferred tax (Note 6.2)	8,955,806	36,619,296
	11,355,141	29,425,842

As at 30 June 2020, current tax includes Euro 8,257,474 (31 December 2019: Euro 18,146,979) regarding the liability created under the aggregated income tax regime of The Navigator Company, S.A..

In 30 June 2020 and 2019 the item "Change in uncertain tax positions in the period" reflects the favourable outcome of some processes regarding matters with high uncertainty, as well as the change in tax estimates.

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%
	22.5%	22.5%
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	6 months 30-06-2020	6 months 30-06-2019
Profit before tax	55,391,012	124,316,160
Expected tax at nominal rate (21%)	11,632,113	26,106,394
Municipal surcharge (2020: 1,68%; 2019: 1,31%)	929,924	1,631,105
State surcharge (2020: 3,53%; 2019: 3,11%)	1,957,447	3,869,387
Income tax resulting from the applicable tax rate	14,519,484	31,606,886
Nominal tax rate for the period	26.21%	25.42%
Differences (a)	436,674	834,588
Income tax estimate changes arising from fiscal positions	(2,850,062)	(3,015,632)
Tax benefits	(750,954)	-
	11,355,142	29,425,842
Effective tax rate	20.50%	23.67%

(a) This amount concerns mainly :

	6 months 30-06-2020	6 months 30-06-2019
Gains / (Losses) for tax purposes	603,484	(140,678)
Gains / (Losses) for accounting purposes	(633,799)	(26,552)
Taxable provisions and impairment	1,921,770	(5,262,941)
Tax benefits	(1,467,115)	(2,980,677)
Post-employment benefits	33,674	1,096,943
Other	1,129,892	10,348,769
	1,587,905	3,034,865
Tax effect (27.5%)	436,674	834,588

6.1.2 Tax recognised in the consolidated statement of financial position

Amounts in Euro	30-06-2020	31-12-2019
Assets		
Corporate Income Tax (IRC)	28,649,230	17,947,083
Amounts pending reimbursement (tax proceedings favourable to the Group)	1,973,592	7,198,086
	30,622,822	25,145,169
Liabilities		
Corporate Income Tax (IRC)	-	-
Additional tax liabilities (IRC)	36,517,077	36,228,728
	36,517,077	36,228,728

Detail of Corporate Income Tax - IRC (net)

Amounts in Euro	30-06-2020	31-12-2019
Income tax for the period	10,229,223	21,955,869
Payments on accounts, Special payments on accounts and Additional payments on accounts	-	(39,772,213)
Withholding tax recoverable	(13,699)	(674,207)
Income tax payable/ (recoverable) from prior years	(29,462,050)	-
Additional settlement NVG Tissue Ródão	(9,850,735)	-
Other receivables/ (payables)	448,030	543,468
	(28,649,230)	(17,947,084)

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	1,440,599	-
Other	126,374	1,502,090
	1,973,592	7,198,086

Uncertain tax positions - liabilities

Amounts in Euro	30-06-2020	31-12-2019
Balance at the beginning of the period	36,228,728	12,277,050
Increases	3,145,590	-
Transfers (IFRIC 23)	-	34,765,601
Reversals	(2,857,240)	(10,813,923)
Amount recognised in the income statement - (gain) / loss	288,349	23,951,678
	36,517,077	36,228,728

Taxes paid in litigation

As of 30 June 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	30-06-2020	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
2010 State surcharge	4,372,289	-
2017 Value added tax	147,253	-
VAT - compensatory interest for late VAT refunds (sundry)	136,048	136,048
	47,647,948	43,128,406



Accounting policies

Current income tax is calculated based on net profit, adjusted in conformity with tax legislation in force at the statement of consolidated financial position date.

Taxation group

In Portugal, the Navigator Group is subject to the special tax regime for groups of companies, comprising companies in which the shareholding is equal to or more than 75% and which meet the conditions laid down in articles 69, and following of the Corporate Income Tax Code (CIT Code).

These companies included in the RETGS calculate income taxes as if they were taxed independently. Liabilities are recognised as due to the dominant entity of the tax business Group, currently The Navigator Company, S.A. which is responsible for the Group's overall clearance and payment of the corporate income tax. Where there are gains on the use of this regime, these are recorded as income in the dominant entity financial statements.

In 2018, a tax group was also established in Spain, which includes the three subsidiaries of the group based in that country, held by more than 90%, and owned by Bosques do Atlântico, S.L., the parent-company in the tax group.



Estimates and judgements

The Group recognizes liabilities for additional tax assessments that may result from reviews by the tax authorities of the different countries where the Group operates. When the final result of these situations is different from the amounts initially recorded, the differences will have an impact on income tax in the period in which they occur.

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

The Board of Directors considers that any corrections to those declarations as a result of reviews/inspections by the tax authorities will not have a significant impact in the consolidated financial statements as at 30 June 2020, although the periods up to and including 2015 have already been reviewed.

As at 30 June 2020, if the effective tax rate corresponded to the nominal rate of 27.5%, there would be an increase in expenses with income taxes in the amount of Euro 3,877,387 (30 June 2019: Euro 4,761,102).

Uncertain tax positions

The amount of assets and liabilities recorded for tax proceedings arises from an assessment made by the Group, with reference to the date of the Statement of Financial Position, regarding potential differences of understanding with the Tax Authorities, considering the developments in tax matters.

The Group, in relation to the measurement of uncertain tax positions, considers the provisions of IFRIC 23 - "Uncertainty over Income Tax Treatments", namely the measurement of risks and uncertainties in the definition of the best estimate of the expense required to settle the obligation, by weighing all the possible results that are controlled by them and their associated probabilities.

6.2 DEFERRED TAXES

Movements in deferred taxes

Amounts in Euro	As at 1 January 2020	Income Statement		Equity	As at 30 June 2020
		Increases	Decreases		
Temporary differences originating deferred tax assets					
Taxed provisions	6,793,848	477,786	(272,432)	-	6,999,201
Adjustment of property, plant and equipment	69,004,705	10,273,219	(16,714,065)	-	62,563,859
Financial instruments	8,525,155	-	-	(1,301,181)	7,223,974
Deferred accounting gains on inter-group transactions	18,864,851	1,022,102	(2,798,876)	-	17,088,077
Investment grants	203,588	-	-	-	203,588
Conventional capital remuneration	9,660,000	-	(1,610,000)	-	8,050,000
	113,052,148	11,773,106	(21,395,373)	(1,301,181)	102,128,700
Temporary differences originating deferred tax liabilities					
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)	3,968,743	-	-	(22,030,732)
Adjustment of property, plant and equipment	(249,833,138)	711,295	(28,345,046)	-	(277,466,890)
Investment grants	(6,077,044)	536,289	-	124,592	(5,416,163)
	(292,414,206)	5,216,486	(28,160,790)	205,908	(315,152,602)
Deferred tax assets	31,089,341	3,237,604	(5,883,728)	(357,825)	28,085,393
Tax incentives for investment	549,224	-	-	-	549,224
Deferred tax assets	31,638,565	3,237,604	(5,883,728)	(357,825)	28,634,617
Deferred tax liabilities	(80,413,906)	1,434,534	(7,744,217)	56,625	(86,666,965)

Amounts in Euro	As at 1 January 2019	Income Statement		Equity	As at 31 December 2019
		Increases	Decreases		
Temporary differences originating deferred tax assets					
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
Investment grants	203,588	-	-	-	203,588
Conventional capital remuneration	9,240,000	-	(3,220,000)	3,640,000	9,660,000
	161,834,345	5,354,052	(58,812,012)	4,675,764	113,052,148
Temporary differences originating deferred tax liabilities					
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)
	(240,447,761)	(55,387,938)	1,257,658	2,163,836	(292,414,206)
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
Deferred tax assets	71,006,774	1,472,364	(42,126,408)	1,285,835	31,638,565
Deferred tax liabilities	(66,123,135)	(15,231,683)	345,857	595,055	(80,413,906)

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



Accounting policies

Deferred tax is calculated based on the liability of the consolidated financial position on the temporary differences between the book values of the assets and liabilities and their respective tax base. To determine the deferred tax, the tax rate expected to be in force in the period in which the temporary differences will be reversed is used.

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

Deferred taxes are recorded as an income or expense for the period, except where they result from amounts recorded directly under shareholders' equity, situation in which deferred tax is also recorded under the same caption. Tax benefits attributed to the Group regarding its investment projects are recognised through the income statement as there is sufficient taxable income to allow its use.

7 PAYROLL

7.1 PAYROLL COSTS

Amounts in Euro	6 months 30-06-2020	6 months 30-06-2019
Remuneration of Corporate bodies - fixed	1,900,348	1,649,305
Remuneration of Corporate bodies - variable	5,070	2,100,000
Other remunerations	49,753,558	54,592,859
Social Security contributions	9,974,318	11,575,827
Post-employment benefits (Note 7.2)	799,781	1,864,548
Other payroll costs	2,059,324	4,930,880
Payroll costs	64,492,399	76,713,419

The increase in the remuneration of Corporate Bodies results from the change in the composition of the Board of Directors and Executive Committee of the Group and the consequent increase in the number of members remunerated by the Group.

The decrease in Other remunerations, in the period of 2020, is essentially explained by the reduction in the estimated amounts of bonuses to be paid to employees.

The reduction in social security contributions results from the exemption allowed by the Portuguese Government for companies that have joined the simplified lay-off scheme.

Number of employees by segment at the end of the period

	30-06-2020	31-12-2019	Var. 20/19
Market pulp	264	269	(5)
UWF	1,857	1,869	(12)
Tissue	382	376	6
Other	739	766	(27)
	3,242	3,280	(38)

Other Payroll costs are detailed as follows during the periods ended 30 June 2020 and 2019:

Amounts in Euro	6 months 30-06-2020	6 months 30-06-2019
Training	201,711	784,572
Social action	491,889	533,192
Insurance	2,413,186	1,942,642
Compensations	(1,457,150)	1,334,589
Other	409,688	335,885
	2,059,324	4,930,880

The increase in insurance costs is essentially due to the increase in health insurance benefits.

The decrease in compensations results from the impossibility of contract termination as a result of the simplified lay-off mechanism.



Accounting policies

Short-term employee benefits

Acquired rights - holidays and holiday allowance

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

Bonuses

According to the current Performance Management System (*Sistema de Gestão de Desempenho*), Employees have the right to a bonus, based on annually defined objectives. The entitlement of this bonus is usually acquired in the year preceding its payment.

These liabilities are recorded in the year in which the Employees acquire the respective right, irrespective of the date of payment, whilst the balance payable at the date of the consolidated statement of financial position is shown under the caption Payables and other current liabilities.

Benefits arising from termination of employment

The benefits arising from termination of employment are recognised when the Group can no longer withdraw the offer of such benefits or in which the Group recognises the cost of restructuring under the provisions recording. Benefits due more than 12 months after the end of the reporting period are discounted to their present value.

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 June 2020, three Defined Contribution plans were in force, covering 2,803 employees.

7.2.2 Defined benefit plan

Policy for managing the risk associated with defined benefit plans

The Group's exposure to risk is limited to the number of existing beneficiaries and will tend to decrease, since there are no defined benefit plans open to new employees in the Group.

The most significant risks to which the Group is exposed through defined benefit plans include:

i) Risk of change in longevity of participants

ii) Market rate variation risk – rate variation impacts the rate used to discount liabilities (technical interest rate) which is based on yield curves of highly rated bonds with maturities similar to the liabilities' expiry dates and the fixed rate of return of the assets.

iii) Risk of change in the wage and pension growth rate

The level of funding of the fund may vary depending not only on the risks listed, but also on the profitability of the fund's financial assets. Despite the fund's conservative profile (consisting mostly of fixed income assets), the verification of the aforementioned risks may lead to the need for additional contributions to the fund considering the defined benefit nature.

The Group's objective is to maintain a 90% level of liability coverage.

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:

	30-06-2020		31-12-2019	
	No. Beneficiaries	Amount	No. Beneficiaries	Amount
Past service liabilities				
Active employees, including individual account:	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		(166,898,850)		(173,292,676)
Total net liabilities	1,129	11,331,686	1,133	6,588,076

Historical information - last five years

Amounts in Euro	2016	2017	2018	2019	2020
Present value of liabilities	148,877,898	151,199,735	154,456,240	179,880,752	178,230,536
Fair value of assets and reserve account	142,420,782	146,109,493	147,131,961	173,292,676	166,898,850
Surplus/ (deficit)	(6,457,116)	(5,090,242)	(7,324,279)	(6,588,076)	(11,331,686)

Evolution of defined benefit plan liabilities

2020	Opening balance	Remeasurement	Current services cost	Interest expense	Actuarial deviations (7.2.5)	Payments	Closing balance
Amounts in Euro							
Pensions with Autonomous Fund	179,880,752	-	33,652	1,549,230	(636,913)	(2,596,185)	178,230,536
	179,880,752	-	33,652	1,549,230	(636,913)	(2,596,185)	178,230,536
2019	Opening balance	Remeasurement	Current services cost	Interest expense	Actuarial deviations (7.2.5)	Payments	Closing balance
Amounts in Euro							
Pensions with Autonomous Fund	154,456,240	17,318,638	1,758,359	3,054,413	8,682,165	(5,389,063)	179,880,752
	154,456,240	17,318,638	1,758,359	3,054,413	8,682,165	(5,389,063)	179,880,752

In 2019, the methodology for recognition of liabilities was changed, and the total liabilities were reported, based on the understanding that the benefit to be attributed under the plans is fully formed after 25 years.

Funds

Funds allocated to the defined benefit pension plans - evolution

Amounts in Euro	2020	2019
Balance as at 1 January	173,292,676	147,131,961
Expected income for the period	1,492,235	1,359,139
Remeasurement	(5,136,494)	7,884,825
Pensions paid	(2,596,185)	(2,436,741)
Others	(153,382)	153,382
Balance as at 30 June	166,898,850	154,092,566
Remaining quarters		19,200,110
Balance as at 31 December		173,292,676

During the periods 2020 and 2019, the contributions to the defined benefit plans presented above as allocations were made in full by the Group's companies, although no contributions were made by the Group's participants.

The negative impact of Euro 6,393,826 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	441,843	684,412
Schroders	64,403,588	65,053,133
BlackRock	62,826,444	64,042,229
<i>Conta 1</i> - Credit Suisse	39,226,975	43,512,903
Total Defined benefit and <i>Conta 1</i>	166,898,850	173,292,676

Funds allocated to defined benefit plans - composition of assets

Amounts in Euro	30-06-2020	%	31-12-2019	%
Listed securities in active market				
Bonds	104,235,782	63.9%	100,758,787	58.1%
Shares	36,766,344	23.9%	44,766,233	25.8%
Public debt	22,667,868	9.5%	13,724,039	7.9%
Liquidity	3,228,857	2.7%	14,043,617	8.1%
	166,898,850	100%	173,292,676	100%

7.2.3 Defined Contribution Plan

As at 30 June 2020 and 31 December 2019, 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	(0.82%)	8,690,302	127	7.76%	8,879,084
Conventional sub-fund	402	(1.17%)	19,351,617	398	10.05%	21,313,529
Dynamic sub-fund	693	(1.87%)	14,805,554	686	13.83%	14,619,829
Aggressive sub-fund	1,574	(3.63%)	4,493,699	1,579	18.64%	5,645,957
Total Defined contribution	2,803		47,341,171	2,790		50,458,399

7.2.4 Expenses incurred with post-employment benefit plans

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

Amounts in Euro	6 months 30-06-2020	6 months 30-06-2019
Defined benefit plans		
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	-	-
	90,647	1,098,078
Defined benefit plans		
Contribution of the period	709,134	766,470
	709,134	766,470
Costs for the period	799,781	1,864,548



Accounting policies

Post-employment benefits - defined benefit plan

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

The Group set up autonomous pension funds as a means of funding most of the liabilities. Based on the projected credit unit method, the Group recognises the costs with the attribution of these benefits as the services are provided by the employees. The total liability is estimated separately for each plan at least once every six months, on the date of closing of the interim and annual accounts, by a specialised and independent entity.

The liability thus determined is presented in the consolidated statement of financial position, less the fair value of the funds set up, under Pension liabilities.

Actuarial deviations resulting from changes in the value of estimated liabilities, as a consequence of changes in the financial and demographic assumptions used and experience gains, added to the differential between the actual return on fund assets and the estimated share of net interest, are designated as remeasurements and recorded directly in the statement of comprehensive income, under retained earnings.)

Net interest corresponds to the application of the discount rate to the value of net liabilities (value of liabilities less the fair value of fund assets) and is recognised in the income statement for the period under Payroll costs.

The gains and losses generated by a curtailment or settlement of a defined-benefit plan are recognised in the income statement for the period when the curtailment or settlement occurs. A curtailment occurs when there is a material reduction in the number of employees.

Costs for past liabilities resulting from the implementation of a new plan or increases in benefits attributed are recognized immediately in profit for the period.

Post-employment benefits - defined contribution plan

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

To this end, Pension Funds have been set up to capitalise on those contributions, for which employees may still make voluntary contributions, but for which the Group does not assume any additional contribution responsibilities or a pre-fixed return. Thus, the contributions made are recorded as expenses of the period in which they are recognised, regardless of the time of their settlement.



Estimates and judgements

Actuarial assumptions

	30-06-2020	31-12-2019
Social Security Benefits Formula	Decree Law no. 187/2007 of 10 May	
Disability table	EKV 80	EKV 80
Mortality table	TV 88/90	TV 88/90
Wage growth rate	1.00%	1.00%
Technical interest rate	1.75%	1.75%
Return rate on plan assets	1.75%	1.75%
Pensions growth rate	0.75%	0.75%

Sensitivity analysis

The Group considers the technical interest rate and the expected wage growth rate as the most significant variables in the calculation of liabilities for defined benefit plans.

As at 30 June 2020, a downward change of 0.25 percentage points in the discount rate used (1.75%) in the calculation of pension liabilities would result in an increase in liabilities of approximately Euro 6,897,087 (31 December 2019: Euro 7,095,944).

As at 30 June 2020, an upward change of 0.25 percentage points in the discount rate used (1.75%) in the calculation of pension liabilities would result in a decrease of liabilities of approximately Euro 6,522,378 (31 December 2019: Euro 6,705,363).

7.3 REMUNERATION OF CORPORATE BODIES

Amounts in Euro	6 months 30-06-2020	6 months 30-06-2019
Navigator's corporate bodies		
Board of Directors	1,433,532	1,071,155
Statutory Auditor	189,365	288,521
Supervisory board	23,142	23,142
Environmental Impact Council	14,000	19,000
General Meeting	8,000	4,000
	1,668,039	1,405,818
Corporate bodies from other Group companies	232,310	243,488
Total (Note 7.1)	1,900,348	1,649,305

REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS

Regarding post-employment benefits, as at 31 December 2019, the amount of liabilities related to post employment benefit plans, in respect of one director of the Group, amounted to Euro 995,369 (31 December 2019: Euro 1,025,289). In addition, three of the current directors are members of pension plans of Navigator Brands, S.A., a subsidiary of the Company, as Employees of that company, before joining management positions.

8 FINANCIAL INSTRUMENTS

8.1 FINANCIAL RISK MANAGEMENT

The Navigator group has a risk-management program, which focuses its analysis on the financial markets with a view to mitigate the potential adverse effects on the Semapa Group's financial performance. Risk management is undertaken by the Group's Financial Management in accordance with the policies approved by the Board of Directors and monitored by the Risks and Control Commission.

The Group adopts a proactive approach to risk management, as a way to mitigate the potential adverse effects associated with those risks, namely the foreign exchange rate risk and interest rate risk.

8.1.1 Currency risk

Currency risk management policy

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

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

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

Use of derivative financial instruments

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

In the periods presented, the Group holds derivatives that are hedging the exchange rate risk of future operations in currencies other than the presentation currency (see Note 8.2 - Derivative financial instruments).

Exposure of financial assets and liabilities to exchange rate risk and sensitivity analysis

30 June 2020	US dollar	Pound sterling	Polish zloty	Swedish krona	Turkish lira	Swiss franc	Metical	Moroccan Dirham	South African rand	Total (Euro)
Exchange rate at the end of the period	1.120	0.912	4.456	10.495	7.676	1.065	79.350	10.897	19.443	
Valuation/(devaluation) compared to the previous year										
Average period exchange rate	1.102	0.875	4.412		7.149	1.064	73.952	10.745	18.311	
Valuation/(devaluation) compared to the previous year										
Currency amounts										
Cash and cash equivalents	645,336	445,000	39,906	-	40,420	77,639	16,409,142	673,371	40,922	1,421,816
Amounts receivable	63,112,114	7,550,211	6,306,245	-	-	1,498,477	3,588,455	-	-	67,502,342
Total financial assets	63,757,449	7,995,211	6,346,152	-	40,420	1,576,116	19,997,597	673,371	40,922	68,924,157
Loans	(4,349,239)	(24,525)	(12,180)	(62,730)	(1,312)	(4,062)	(6,579,943)	(71,000)	-	(4,012,956)
Amounts payable	(4,349,239)	(24,525)	(12,180)	(62,730)	(1,312)	(4,062)	(6,579,943)	(71,000)	-	(4,012,956)
Total financial liabilities	(4,349,239)	(24,525)	(12,180)	(62,730)	(1,312)	(4,062)	(6,579,943)	(71,000)	-	(4,012,956)
Net financial position in foreign currency	59,408,211	7,970,686	6,333,972	(62,730)	39,109	1,572,054	13,417,654	602,372	40,922	64,911,201
Net financial position in Euro	53,052,519	8,735,668	1,421,448	(5,977)	5,095	1,475,968	169,095	55,281	2,105	64,911,201
Impact of +10% variation in all exchange rates on profit and loss for the period										3,354,111
Impact of -10% variation in all exchange rates on profit and loss for the period										(4,099,469)

31 December 2019	US dollar	Pound sterling	Polish zloty	Swedish krona	Turkish lira	Swiss franc	Metical	Moroccan Dirham	South African rand	Total (Euro)
Currency amounts										
Cash and cash equivalents	2,385,453	278,152	484,197	-	48,486	21,144	-	924,558	40,922	2,480,207
Amounts receivable	66,370,285	7,691,503	3,616,256	-	124,322	1,426,810	160,707	140,476	-	68,120,152
Total financial assets	68,755,738	7,969,655	4,100,453	-	172,808	1,447,954	160,707	1,065,034	40,922	70,600,359
Loans	(4,342,103)	(177,133)	(40,081)	(52,038)	(14,932)	(43,307)	(13,912,226)	(130,641)	-	(4,341,867)
Amounts payable	(4,342,103)	(177,133)	(40,081)	(52,038)	(14,932)	(43,307)	(13,912,226)	(130,641)	-	(4,341,867)
Total financial liabilities	(4,342,103)	(177,133)	(40,081)	(52,038)	(14,932)	(43,307)	(13,912,226)	(130,641)	-	(4,341,867)
Net financial position in foreign currency	64,413,634	7,792,521	4,060,372	(52,038)	157,876	1,404,647	(13,751,519)	934,393	40,922	66,258,492
Net financial position in Euro	57,338,111	9,159,052	953,855	(4,981)	23,619	1,294,128	(197,551)	86,803	2,594	68,655,631
Impact of +10% variation in all exchange rates on profit and loss for the period										5,096,966
Impact of -10% variation in all exchange rates on profit and loss for the period										(6,263,459)

8.1.2 Interest rate risk

Interest rate risk management policy

A significant share of the Group's financial liabilities cost are indexed to short-term reference interest rates, which are reviewed more than once a year (generally every six months for medium and long-term debt). Hence, changes in interest rates can have an impact on the Group's income statement.

The Group periodically reviews its interest rate risk management strategy. In view of the current level of interest rates, we have favoured the contracting of fixed rate debt.

Use of derivative financial instruments

When deemed appropriate by the Board, the Group uses derivative financial instruments (Note 8.2), namely swaps, with the purpose of fixing the interest rate on loans obtained, within certain parameters, deemed appropriate by the Group's risk management policies.

Exposure to interest rate risk

As at 30 June 2020, approximately 32% (31 December 2019: 15%) of the Navigator Group's financial liabilities are indexed to short-term reference interest rates, revised in periods below one year (usually 6-month rates for long-term debt), plus duly negotiated risk spreads. Hence, changes in interest rates can impact the Company's earnings.

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

On 30 June 2020 and 31 December 2019, the detail of the financial assets and liabilities with interest rate exposure, considering the maturity or the next interest-fixing date is as follows:

Amounts in Euro	Below 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Total
As at 30 June 2020						
Assets						
Current						
Cash and cash equivalents	316,897,525	-	-	-	-	316,897,525
Total financial assets	316,897,525	-	-	-	-	316,897,525
Liabilities						
Non-current						
Loans obtained	-	-	-	485,267,857	116,190,476	601,458,333
Refundable grants	-	-	-	18,399,000	18,048,598	36,447,598
Current						
Interest-bearing liabilities	-	-	348,194,445	-	-	348,194,445
Total financial liabilities	-	-	348,194,445	503,666,857	134,239,074	986,100,376
Cumulative differential	161,880,403	161,880,403	(186,314,042)	(689,980,898)	(824,219,973)	

Amounts in Euro	Below 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Total
As at 31 December 2019						
Assets						
Current						
Cash and cash equivalents	161,880,403	-	-	-	-	161,880,403
Total financial assets	161,880,403	-	-	-	-	161,880,403
Liabilities						
Non-current						
Loans obtained	-	-	-	650,396,826	180,436,508	830,833,334
Refundable grants	-	-	-	18,399,000	20,932,496	39,331,496
Current						
Interest-bearing liabilities	-	-	13,194,444	-	-	13,194,444
Total financial liabilities	-	-	13,194,444	668,795,826	201,369,004	883,359,274
Cumulative differential	161,880,403	161,880,403	148,685,959	(520,109,867)	(721,478,871)	



Estimates and judgements

Sensitivity analysis

The Group uses the sensibility analysis technique to measure impacts on the income statement and equity of increase or decrease on interest rates maintaining the other variables constant. This is an illustrative analysis only, since changes in market rates rarely occur separately.

The sensitivity analysis is based on the following assumptions:

- i) Changes in market interest rates affect interest income and expenses arising from variable financial instruments;
- ii) Changes in market interest rates affect the fair value of derivative financial instruments as well as other financial assets or liabilities;
- iii) Changes in fair value of derivative financial instruments and other financial assets and liabilities are measured using the discounted cash flows method, with market interest rates at year end.

A 0.50% increase in interest rates on which interest on loans are calculated would have an impact on its earnings before taxes, for the period ended 30 June 2020 by approximately Euro 1,044,792 (31 December 2019: Euro 677,083).

8.1.3 Liquidity risk

Liquidity risk management policy

The Group manages the liquidity risk in two ways:

- i) ensuring that its financial debt has a high medium- and long-term component with maturities appropriate to the characteristics of the industries where it operates, and
- ii) by contracting with financial institutions credit lines available at all times for an amount that guarantees adequate liquidity.

Available but not used credits

The Group's policy is to maintain credit lines at appropriate levels to, together with the amount of Cash and Equivalents, meet the Group's cash budget over the next 12 months.

Contractual maturity of financial liabilities (undiscounted flows, including interest)

Amounts in Euro	1 month	1-3 months	3-12 months	1-5 years	+ 5 years	Total
As at 30 June 2020						
Liabilities						
Loans obtained (Note 5.7)						
Bond loans	-	-	100,000,000	295,000,000	50,000,000	445,000,000
Commercial paper	-	-	235,000,000	140,000,000	35,000,000	410,000,000
Bank loans	-	-	13,194,445	50,267,857	31,190,476	94,652,778
Lease liabilities (Note 5.8)	-	-	4,853,744	12,056,706	31,637,226	48,547,676
Derivative financial instruments (Note 8.2)	-	945,357	778,243	5,119,980	-	6,843,581
Other amounts payable	-	-	-	-	-	-
Total liabilities	-	945,357	353,826,432	502,444,543	147,827,702	1,005,044,034
Of which interest (at rates in force on that date)						
As at 31 December 2019						
Liabilities						
Loans obtained (Note 5.7)						
Bond loans	425,692	3,044,033	4,039,724	412,523,279	50,420,000	470,452,728
Commercial paper	-	1,671,880	2,854,926	266,163,881	37,754,022	308,444,709
Bank loans	-	-	13,796,173	95,464,596	38,910,163	148,170,932
Lease liabilities (Note 5.8)	-	-	4,396,971	11,996,764	30,454,062	46,847,797
Derivative financial instruments (Note 8.2)	-	1,073,877	923,276	4,997,846	(16,330)	6,978,669
Other amounts payable	-	-	-	-	-	-
Total liabilities	425,692	5,789,790	26,011,070	791,146,366	157,521,917	980,894,835
Of which interest (at rates in force on that date)						
						50,687,764



The contractual maturity of the interest-bearing liabilities presupposes the fulfilment of financial covenants, as detailed in Note 5.7 - Interest-bearing liabilities.

Credit lines available but not used

Amounts in Euro	30-06-2020	31-12-2019
Unused credit lines		
Commercial paper	90,000,000	175,000,000
Other credit lines	20,450,714	20,450,714
	110,450,714	195,450,714
Commercial paper used (Note 5.7)	295,000,000	345,000,000
Other credit lines used	549,027,778	420,833,334
Credit lines contracted (nominal value)	954,478,492	961,284,048

8.1.4 Credit risk

Credit risk management policy

The Group is exposed to credit risk on balances receivable from trade receivables and other debtors and has adopted a policy of managing risk coverage within certain levels through credit insurance with a specialised independent company.

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

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

Cash equivalents

The Navigator Group adopts strict policies in approving its financial counterparties, limiting its exposure in accordance with an individual risk analysis and within previously approved limits.

Maximum exposure to credit risk

The Group's maximum exposure to the credit risk of financial assets corresponds to their net amount, as follows:

Amounts in Euro	30-06-2020	31-12-2019
Non-current		
Other financial investments (Note 8.3)	-	-
Receivables (Note 4.2)	32,714,528	58,778,469
Current		
Receivables (Note 4.2)	238,677,204	247,408,647
Cash and cash equivalents (Note 5.9)	316,897,525	161,880,403
	588,289,258	468,067,520
Receivables from customers covered by credit insurance	110,368,820	123,891,890
Credit lines available and not used	299,559,960	278,386,149
Credit insurance lines contracted	409,928,780	402,278,039

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

Ageing structure of trade receivables balances

Amounts in Euro	30-06-2020	31-12-2019
Amounts not past due	112,582,820	149,088,011
From 1 to 90 days	19,445,768	7,020,677
From 91 to 180 days	490,252	190,754
From 181 to 360 days	33,125	242,716
From 361 to 540 days	-	11,576
From 541 to 720 days	6,880	-
More than 721 days	-	-
	132,558,844	156,553,734
Balances considered impaired	2,102,580	1,538,464
Impairment	(2,102,580)	(1,538,464)
Net balance from customers (Note 4.2)	132,558,844	156,553,734
Receivables from customers covered by credit insurance	110,368,820	123,891,890

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

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

As at 30 June 2020					
Amounts in Euro	MARKET PULP	UWF PAPER	TISSUE PAPER	OTHER	Total
Amounts not past due	15,679,964	68,545,773	25,587,045	2,770,038	112,582,820
From 1 to 90 days	2,193,549	10,769,141	1,961,221	4,521,857	19,445,768
From 91 to 180 days	-	-	(34,591)	524,843	490,252
From 181 to 360 days	-	-	-	33,125	33,125
From 361 to 540 days	-	-	-	-	-
From 541 to 720 days	-	-	-	6,880	6,880
More than 721 days	-	-	-	-	-
	17,873,513	79,314,914	27,513,675	7,856,742	132,558,844

As at 31 December 2019					
Amounts in Euro	MARKET PULP	UWF PAPER	TISSUE PAPER	OTHER	Total
Amounts not past due	17,247,122	101,284,742	24,269,020	6,287,127	149,088,011
From 1 to 90 days	1,230,968	2,644,967	2,274,662	870,080	7,020,677
From 91 to 180 days	-	22,259	168,495	-	190,754
From 181 to 360 days	48,201	-	194,515	-	242,716
From 361 to 540 days	-	-	11,576	-	11,576
From 541 to 720 days	-	-	-	-	-
More than 721 days	-	-	-	-	-
	18,526,291	103,951,968	26,918,268	7,157,207	156,553,734

The table below represents the quality of the Navigator Group's credit risk, as at 30 June 2020 and 31 December 2019, for financial assets (cash and cash equivalents), (Highest credit rating by one of the three rating agencies, *Standard & Poor's*, *Fitch* or *Moody's*):

Financial institutions		
Amounts in Euro	30-06-2020	31-12-2019
Rating		
AA	-	-
AA-	-	19,875,888
A+	-	21,870
A	69,317,665	2,140,986
A-	40,834,230	591,008
BBB+	70,087,051	23,083,966
BBB	129,899,936	112,650,945
BBB-	-	-
BB+	-	-
BB	3,914,210	1,878,909
BB-	-	705
B+	236,619	-
B	-	283,777
B-	-	-
Other	2,607,815	1,352,349
	316,897,525	161,880,403

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

The Navigator Group adopts strict policies in approving its financial counterparties, limiting its exposure in accordance with an individual risk analysis and within previously approved limits.

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

Amounts in Euro	30-06-2020		31-12-2019	
	Gross amount	Credit Insurance	Gross amount	Credit Insurance
Overdue debit balances not considered impaired				
Overdue less than 3 months	19,445,768	14,297,307	7,020,677	12,514,480
Overdue more than 3 months	530,257	1,504,465	445,046	805,327
	19,976,025	15,801,772	7,465,723	13,319,806
Overdue debit balances considered impaired				
Overdue less than 3 months	-	-	-	-
Overdue more than 3 months	2,102,580	-	1,538,464	-
	2,102,580	-	1,538,464	-

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

Impairment from trade receivables and other debtors

Amounts in Euro	Impairments		
	Trade receivables	Other debtors	Total
Balance as at 1 January 2019	(1,242,062)	(41,535)	(1,283,597)
Increases - IFRS 9 impact on results for the period	(270,655)	-	(270,655)
Increases	(38,484)	(4,973)	(43,457)
Reversals	12,737	-	12,737
Charge-off	-	15,245	15,245
Balance as at 31 December 2019	(1,538,464)	(31,262)	(1,569,726)
Increases	(714,852)	(214,358)	(929,210)
Reversals	30,876	14,358	45,233
Charge-off	119,860	-	119,860
Balance as at 30 June 2020	(2,102,580)	(231,262)	(2,333,843)



Accounting policies

Impairment of debt instruments

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

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

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

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

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

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

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

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

Given the Covid-19 pandemic situation, the Group analysed the credit risk, considering the expected economic and financial impacts of Covid-19 at macroeconomic level.

In this regard, as at 30 June 2020, the recoverability risk value was increased by Euro 636,705 (31 December 2019: Euro 270,655).

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

8.2 DERIVATIVE FINANCIAL INSTRUMENTS

Movements in derivative financial instruments

Amounts in Euro	30-06-2020			31-12-2019		
	Trading derivatives	Hedging derivatives	Net total	Trading derivatives	Hedging derivatives	Net total
Opening balance	536,035	(4,316,491)	(3,780,456)	141,860	(4,502,399)	(4,360,539)
New contracts / settlements	1,294,658	(681,948)	612,710	-	6,148,531	6,148,531
Change in fair value through profit or loss	(1,187,515)	(1,532,980)	(2,720,495)	394,175	(4,926,860)	(4,532,684)
Change in fair value through other comprehensive income	-	1,301,181	1,301,181	-	(1,035,764)	(1,035,764)
Closing balance	643,178	(5,230,238)	(4,587,060)	536,035	(4,316,491)	(3,780,456)

8.2.1 Detail and maturity of derivative financial instruments by nature

30 June 2020 Amounts in Euro	Notional	Currency	Maturity	Positive (Note 4.2)	Negative (Note 4.3)	Net total
Hedging						
Hedging (future sales)	144,500,000	USD	2020	284,281	(188,626)	95,654
Hedging (future sales)	36,000,000	GBP	2020	838,235	-	838,235
Interest rate swaps - Bonds	250,000,000	EUR	2025	-	(7,255,995)	(7,255,995)
BHKP Pulp	9,480,000	USD	2020	1,091,867	-	1,091,867
				2,214,382	(7,444,621)	(5,230,238)
Trading						
Foreign exchange forwards (future sales)	78,378,946	USD	2023	378,362	(1,106,122)	(727,760)
Foreign exchange forwards (future sales)	3,300,000	GBP	2020	72,226	-	72,226
Foreign exchange forwards (future sales)	1,325,000	CHF	2020	4,055	-	4,055
Future purchase of CO2 allowances (Note 3.2)	1,944,000	EUR	2020	1,294,657	-	1,294,657
				1,749,300	(1,106,122)	643,178
				3,963,683	(8,550,743)	(4,587,060)

31 December 2019 Amounts in Euro	Notional	Currency	Maturity	Positive (Note 4.2)	Negative (Note 4.3)	Net total
Hedging						
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
				2,213,899	(6,530,391)	(4,316,492)
Trading						
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	-	-	-
				740,596	(204,561)	536,035
				2,954,495	(6,734,952)	(3,780,457)

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 since 1 January 2020 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.



Accounting policies

The fair value of derivative financial instruments is included under Payables (Note 4.3), when negative, and under Receivables (Note 4.2), when positive.

In accordance with IFRS 9 - Financial Instruments, the Group has opted to continue applying the hedge accounting requirements of IAS 39 - Financial Instruments, until there is greater visibility on the Dynamic Risk Management (macro hedging) project currently in progress.

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

Trading derivative financial instruments

Although the derivatives contracted by the Group represent effective economic hedges of risks, not all of them qualify as hedging instruments in accounting terms to satisfy the applicable rules and requirements. Instruments that do not qualify as hedging instruments are recorded in the Consolidated Financial Position at their fair value and changes in the same are recognised in Net financial results (Note 5.11), when related to financing operations, or in External services and supplies (Note 2.3) or Revenue (Note 2.1), when referring to hedging of sales receivable flows in a currency other than the presentation currency.

Hedging derivative financial instruments

Derivative financial instruments used for hedging purposes may be recognised as hedging instruments provided that they comply, cumulatively, with the conditions set out in IAS 39.

Cash flow hedging (interest rate, exchange rate and commodity risk - BHKP)

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

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

Accumulated amounts in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within 'Net financial results' (Note 5.11). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or property, plant and equipment), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset.

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

Derivative financial instruments used by Navigator Group

Foreign exchange trading derivatives

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

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

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

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

Cash flow hedge | Interest rate

The Navigator Group hedges future interest payments associated with commercial paper issues by hiring an interest rate swap, which pays a fixed rate and receives a floating rate. This instrument is designated as hedges of cash flows from the commercial paper program and the bond loan.

Cash flow hedge | Commodities - BHKP

The Navigator Group uses derivative financial instruments in order to minimize the exposure risk associated with the variation of the pulp price, indexed to PIX, in USD.



Estimates and judgements

Fair value in derivative financial instruments

Whenever possible, the fair value of derivatives is estimated on the basis of quoted instruments. In the absence of market prices, the fair value of derivatives is estimated through the discounted cash-flow method and option valuation models, in accordance with prevailing market assumptions.

8.3 FINANCIAL ASSETS AND LIABILITIES

8.3.1 Categories of Group Financial Instruments

The financial instruments included in each item of the consolidated statement of financial position are classified as follows:

	Note	Financial assets at amortized cost	Financial assets at fair value through profit or loss (excluding derivatives)	Financial assets at fair value through other comprehensive income	Derivative financial instruments - Hedging	Derivative financial instruments - Trading	Non-financial assets	Total
Amounts in Euro								
30 June 2020								
Non-current receivables	4.2	32,714,528	-	-	-	-	-	32,714,528
Current receivables	4.2	159,446,138	-	-	2,214,382	1,749,300	75,267,384	238,677,205
Cash and cash equivalents	5.9	316,897,525	-	-	-	-	-	316,897,525
Non-current assets held for sale	3.8	-	-	-	-	-	-	-
Total assets		509,058,191	-	-	2,214,382	1,749,300	75,267,384	588,289,258
31 December 2019								
Non-current receivables	4.2	58,778,469	-	-	-	-	-	58,778,469
Current receivables	4.2	160,609,727	-	-	2,213,899	740,596	83,844,425	247,408,647
Cash and cash equivalents	5.9	161,880,403	-	-	-	-	-	161,880,403
Non-current assets held for sale	3.8	-	-	-	-	-	-	-
Total assets		381,268,600	-	-	2,213,899	740,596	83,844,425	468,067,520

	Note	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss (excluding derivatives)	Derivative financial instruments - Hedging	Derivative financial instruments - Trading	Financial liabilities outside the scope of IFRS 9	Non-financial liabilities	Total
Amounts in Euro								
30 June 2020								
Loans obtained	5.7	1,017,302,242	-	-	-	-	-	1,017,302,242
Lease liabilities	5.8	-	-	-	-	52,649,248	-	52,649,248
Payable and other current liabilities	4.3	364,512,039	-	7,444,621	1,106,122	-	-	373,062,782
Total liabilities		1,381,814,281	-	7,444,621	1,106,122	52,649,248	-	1,443,014,272
31 December 2019								
Loans obtained	5.7	877,131,386	-	-	-	-	-	877,131,386
Lease liabilities	5.8	-	-	-	-	46,847,797	-	46,847,797
Payable and other current liabilities	4.3	450,300,068	-	6,530,391	204,561	-	-	457,035,021
Total liabilities		1,327,431,454	-	6,530,391	204,561	46,847,797	-	1,381,014,203

8.3.2 Fair value of financial assets and liabilities

Financial assets and liabilities measured at fair value

Amounts in Euro	30-06-2020			31-12-2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss	-	1,370,938	-	-	740,596	-
Trading Derivatives	-	2,025,756	-	-	2,213,899	-
Hedging financial instruments	-	-	-	-	-	-
Assets measured at fair value	-	-	128,741,320	-	-	131,769,841
Biological assets	-	-	-	-	-	-
Total assets	-	3,396,695	128,741,320	-	2,954,495	131,769,841
Financial liabilities at fair value through profit or loss	-	(727,760)	-	-	(204,561)	-
Trading Derivatives	-	(7,255,995)	-	-	(6,530,391)	-
Hedging financial instruments	-	-	-	-	-	-
Total liabilities	-	(7,983,755)	-	-	(6,734,952)	-



Accounting policies

The fair value of financial instruments is classified according to the fair value hierarchy of IFRS 13 - Fair Value Measurement:

Level 1	Based on quotes from active net markets at reporting date
Level 2	Determined using evaluation models, the main inputs of which are observable in the market
Level 3	Determined using evaluation models, the main inputs of which are not observable in the market.



Estimates and judgements

Fair value of fixed-interest interest-bearing liabilities

The fair value of these liabilities is calculated using the discounted cash flow method at the reporting date, using a discount rate in accordance with the characteristics of each financing, belonging to level 2 of the fair value hierarchy of IFRS 13.

9 OPERATIONAL RISK MANAGEMENT

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

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

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

- i. Specific risks inherent to the sectors of activity in which the Navigator Group operates:
 - ✓ Risks associated with the forestry sector
 - ✓ Risks associated with the production and sale of BEKP pulp, UWF paper and tissue paper
 - ✓ Risks associated with the production of energy
 - ✓ Human resources and talent management
 - ✓ Information systems
 - ✓ Context risks
- ii. Navigator Group risks and the way it performs its activities.

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

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

9.1 SPECIFIC RISKS IN BUSINESS SECTORS IN WHICH THE NAVIGATOR GROUP OPERATES

9.1.1 Risks associated with the forestry sector

On 30 June 2020, the Navigator Group managed around 109 thousand hectares distributed across mainland Portugal, the Azores and Galicia (Spain), in around 1,300 Management Units in 166 municipalities in Portugal, and 9 Management Units distributed across 8 municipalities in Galicia, Spain, in accordance with the principles expressed in its Forestry Policy. Eucalyptus and areas under ongoing afforestation with these sorts of species occupy 74% of this area, namely the Eucalyptus globulus species, deemed to have the perfect fibre for high-quality papers. In the remaining area, in addition to conservation areas that account for about 11% of the total area under management, pine and cork oak forests are among the largest privately-owned national producers.

The Group has been granted Land Use and Use Rights (DUAT) in Mozambique, located in the provinces of Manica and Zambézia consisting of 45 plots, and a planting permit of up to 246,000 hectares, made available under the Investment Agreement signed with the Mozambican Government, of which around 13.6 thousand hectares are planted. The project foresees the installation of an industrial unit for the production of BEKP pulp and electric power in that country. In July 2018, the Mozambican Government and Portucel Mozambique signed a Memorandum of Understanding through which they agreed on a set of preceding requirements necessary for the progress of the investment, which will be developed in two phases. At first, the forestry base will be increased up to about 40,000 hectares, which will guarantee the supply of a unit (to be built) for the production of eucalyptus wood chips for export (approximately 1 million tons per year), in an estimated additional investment of USD 140 million.

Navigator and the Government of Mozambique have been working under the terms of the MoU signed in 2018, namely on the theme of land and development, having advanced the first Forestry Development program in Mozambique, a government initiative with funding from the World Bank. The objective is to promote sustainable small and medium scale commercial forest plantations and the restoration of degraded areas, having been installed around 550 ha in the 2019-2020 campaign. Portucel Mozambique played an active role in the construction of the Program, having developed several supports such as the definition of the forestry model, the supply of clonal plants at subsidized prices and access to inputs. Later on, at the time of harvesting, Portucel Mozambique will have an option to purchase the wood.

On the Mozambican Government's side, in recent public statements, the Minister of Agriculture and Rural Development confirmed the strategic importance of building the Port of Macuse for the country and Zambézia for the development of agriculture and commercial forestry.

The forest management of most of its forestry assets located in Portugal and Spain are certified by FSC® (Forest Stewardship Council) and by PEFC (Programme for the Endorsement of Forest Certification schemes), recognition that the management of these areas is done in an environmentally, economically and socially responsible way, following a strict and internationally recognised criteria.

The main risk factor threatening the eucalyptus forests lies in the low productivity of Portuguese forest and in the worldwide demand for certified products, considering that only a small proportion of the forests are certified. It is expected that this competitive pressure will remain in the future. As an example, at the end of 2019 the forestry area managed by the Navigator Group represented nearly 3% of Portugal's total forested area, 39% of all certified Portuguese forests according with PEFC standards and 23% of all certified Portuguese forests according with FSC standards. Nevertheless, this area has evolved in a very positive way, as a result (among others) of the effort to promote certified forest management in Portugal undertaken with greater intensity by the Company from 2016 onwards. The Company has been increasing the area of certified forest in Portugal between 2016 and 2019 both via FSC® (from 370,000 ha to 473,000 ha) and PEFC (from 260,000 ha to 278,000 ha).

As mentioned, the Group initiated in 2016 a project aiming to promote forest certification in areas owned by private owners, seeking to guarantee that, by 2020, eucalyptus wood processed by the Group will be provided by partners with a certified activity. In 2019, 52% of wood from national sources, excluding self-sufficiency,

already came from properties that had their forest management certified (2018: 42%). As of 30 June 2020, this weight was already 60%.

2020 thus witnessed the stabilisation of the turning trend initiated in 2019, when, for the first time, most of the wood delivered by national suppliers in our units came from properties with certified forest management. It should also be noted that, within this initiative, the Group has seen a significant increase (to 70% of the total) in the number of wood supplier chain of custody certification, representing a step further on the development of a supplier's portfolio with certificated management forest properties.

In addition, the Group is working to proactively promote good forest management practices to help improve the productivity of third-party forest areas. This effort, which has been developed through CELPA (Associação da Indústria Papeleira, representing the main industrial groups in the industry) with the Best Eucalyptus Program was reinforced in 2018 with additional supporting measures, in addition to the technical support already provided. In 2019, this line of work had the first campaign of the Limpa & Aduba program, under which the CELPA, at their own cost, fertilize the private lands that apply to this program, and clean their eucalyptus forest properties. This measure, empowering productivity, also allows the reduction of fire hazard by the reduction of the fire load in the lands, having been carried out in 6,300ha in 2019. In the first half of 2020, the area involved was more than 12,000ha, and an additional program, Replantar, is still under development, aimed at providing owners with direct financial support in replanting their eucalyptus forest plots.

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

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

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

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

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

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

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

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

- i. To improve the productivity of eucalyptus forests;
- ii. To enhance the quality of the fiber produced from that wood;
- iii. To implement a sustained forestry management program from an economic, environmental and social perspectives;

- iv. To foster practices and processes aimed at reducing wood production costs.

9.1.2 Risks associated with the production and sale of BEKP pulp, UWF paper and Tissue paper

Supply of raw materials

Self-supply of wood for BEKP pulp production is only about 15% of the Group's needs. Therefore, there is a regular need for the company to purchase wood in the domestic market (insufficient), using the Spanish market and the non-European ("outside Iberian Peninsula") markets, mainly Brazil, Uruguay with added cost to the domestic market, since the wood is cheaper at the origin.

The supply of wood from international markets, namely eucalyptus, is subject to price variations mainly due to exchange rate effect, which has consequently implications in the production cost of Navigator and BEKP pulp producing companies. In addition, the volatility of wood transportation costs to the units also has impacts mainly due to the effect of fuel prices, oil prices, lower scarcity of large ships without optimisation of returns and sea freight oscillation.

The realization of new forest plantations is subject to the authorization of the competent entities and to a policy of area increase restrictions, which may limit the national production potential, although there are many initiatives to help forest producers, among them the support in wood certification to meet the commercial demand for certified products (paper and pulp), and to increase the productivity of the existing areas, for a greater availability of raw material in the domestic market, the use of imports will always be an unavoidable need in the short/medium/long term.

Due to the insufficient domestic production of wood in quantity, namely in terms of certified wood, the company has to increase the quantity of imported wood, either from Spain or from other more distant markets, to ensure the supply to the mills, without restrictions, in the next decade(s).

It should be noted that, since wood is one of the main pulp production costs, any increase in the cost of m3 of eucalyptus wood consumed in the pulp production BEKP always represents a negative impact on the company's operating results.

On 30 June 2020, a 10% decrease in the cost per m3 of eucalyptus wood consumed in BEKP pulp production would have had a negative impact in the Navigator Group's operating results of approximately Euro 14,300,000 (30 June 2019: Euro 15,090,000).

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

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

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

As at 30 June 2020, a 10% worsening in the price of chemical products would have represented a negative impact on the Group's operating results of around Euro 4,700,000 (30 June 2019): Euro 5,900,000).

Finally, another resource required for the production process is water. Considering that water is a finite resource and given its relevance to the pulp and paper production process, the Group has taken on a special concern for its preservation and, over the last few years, investments have been made to reduce the use of this important resource. Simultaneously, as a result of investments in the implementation of BATs in the production processes and the improvement of the efficiency of its effluent treatment plants (ETP), it was also

possible to significantly improve the quality of the effluent returned to the receiving environment. Between 2005 and 2018 there was a reduction of more than 25% in the specific use of water (cubic meters used for the production of one ton of product) and, in the same period, there was a reduction of more than 20% in the load emitted for the vast majority of the parameters monitored, which translates into the minimization of the Group's environmental impact.

Market Price for UWF paper, BEKP pulp and Tissue paper

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

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

On 30 June 2020, a 10% drop in the price per ton of BEKP pulp and of 5% in the price per ton of UWF paper and Tissue paper sold by the Navigator Group in the period, would have represented an impact on its operating results of approximately Euro 8,000,000 and Euro 26,900,000 respectively (30 June 2019: Euro 7,760,000 and (Euro 33,830,000), respectively).

Demand for the Navigator Group's products

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

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

The UK's withdrawal from the European Union (Brexit) may affect the Group's activity in this market. The possible effect of changes in import/export taxes or delays in the supply chain may have some impact on the Group's sales to this market. The withdrawal agreement and any new trade agreement that may be established may also result in changes in the applicable tax laws.

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

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

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

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

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

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

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

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

Energy

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

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

As at 30 June 2020, a 10% worsening in the price of electricity would have represented a negative impact on the Group's operating results of around Euro 4,5 00,000 (30 June 2019): Euro 5,100,000).

Country risk - Portugal

The Navigator Group has a strong presence in Portugal. Its activity is based on assets mainly located in Portugal. Similarly, about 20% of its raw material comes from Portuguese forests.

The Group is the third largest exporter in Portugal and the largest generator of National Added Value, representing approximately 1% of the national GDP, about 3% of national exports of goods, close to 6% of total containerised cargo exported by national ports.

Although open to the world, the strong dependence of its country of origin in terms of production factors exposes the Group to Portugal's risk index.

Country risk - Mozambique

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

At this moment, the Mozambique project is essentially a forestry project, with an option to develop an industrial project. The planned investment will be implemented in two phases, the first being a ship production (woodchip) project and a second phase the construction of a large-scale pulp mill. The Group is, however,

prepared to move forward with the forestry plan foreseen, once the necessary conditions - most of which are under discussion with the Mozambican authorities - are met.

Until 30 June 2020, the expenditure with this project amounted to Euro 110.9 million (31 December 2019: Euro 106.4 million), mainly related to plantation, land preparation and forest maintenance, to land management, environmental and social licensing and the construction of what is now one of Africa's largest forest nurseries.

Nevertheless, the Group's more conservative approach led to the record of several impairments against the investment in Mozambique. Moreover, a provision in the amount of Euro 13 million was also recorded in the period, in order to reflect the stage of development of the project.

Country risk - USA

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

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

Similarly to producers of other nationalities (Australians, Brazilians, Chinese and Indonesians), with regard to UWF paper imports to the USA, the Group has, since 2015, been the target of anti-dumping measures by the Department of Commerce of this country, and its products are subject to anti-dumping duties defined by the United States Department of Commerce - see Note 4.2.

Competition

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

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

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

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

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

The Navigator Group has been adjusting its commercial strategy to the evolution of regional consumption patterns. The Group has a significant presence in the US, accounting for about half of European producer sales to this market. The turnover intended to the European markets represented 59% (2019: 62%), achieving particularly strong market shares in Western European countries and relevant market shares in the other main European markets.

Concentration of customers' portfolio

As at 30 June 2020, the Navigator Group's 10 main BEKP customer groups accounted for 12% of the period's production of BEKP pulp (2019: 18%) and 40% of external sales of BEKP pulp (2019: 64%). This asymmetry is a result of the strategy pursued by the Navigator Group, consisting of a growing integration of the BEKP pulp produced into the UWF paper produced and sold. Nevertheless, the Group believes there is little exposure to risks of customer concentration in the marketing of BEKP pulp.

In 2020, the Navigator Group's 10 main customer groups for UWF paper represented 42% of this product's sales during the period (2019: 48%), although the group's individual customers did not exceed 22% of the UWF paper sales (2019: 24%). The Navigator Group registered 13 new customers with sales in 2020. Also, regarding UWF paper, the Group follows a risk mitigation strategy for its customer concentration. The Navigator Group sells UWF paper to more than 130 countries and to more than 1,000 individual customers, thereby allowing a dispersion of the risk of sales concentration in a reduced number of markets and/or customers.

Tissue sales amounted to Euro 70.3 million in the first six-month period of 2020 (2019: Euro 65.3 million). Its commercial activity focuses mainly on the Iberian Peninsula, which represents 68% of its sales and on the French and UK markets, which represent 25% of sales. The 10 main customers represent about 53% of total sales (2019: 45%).

The Group continues with the goal of expanding its commercial activity in Tissue to the foreign market, namely by increasing Navigator's presence in Spain and the rest of Western Europe.

Environmental Legislation

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

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

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

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

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

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

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

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

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

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

9.1.3 Risks associated with the production of energy

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

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

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

The incentives in place in Portugal only consider the use of residual forest biomass, rather than the use of wood to produce electrical power.

In terms of legal framework, we highlight the following diplomas:

- i. Decree-Law No. 68-A/2015 of 30 April, which establishes provisions on energy efficiency and cogeneration and amends Decree-Law No. 23/2010 and Order 140/2012, revised by Order 325-A/2012, applicable to the regime of PRE- Special Regime Production in cogeneration;
- ii. For the Biomass Power Plants (CTB) in operation, dedicated to the production of electricity the legal framework is supported by Decree-Law 33-A/2005 revised by Decree-Law 225/2007, which changes from 15 to 25 years the period of guaranteed remuneration in PRE - Special Regime Generation. For these assets, the legal framework thus supports a tariff framework that is expected to be stable over the coming years.
- iii. More recently Decree-Law 120/2019 of 22 August created a special and extraordinary regime for the installation and operation of new biomass recovery plants, located near forest areas considered critical in terms of fire hazard.

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

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

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

The constant quest for optimization of production costs and efficiency of generating units and the analysis of new projects for the production of energy from renewable sources are the ways in which the Group seeks to mitigate this risk. In this sense the group is currently finishing the construction of a new biomass boiler at the industrial site of Figueira da Foz, is evaluating the development of a new biomass recovery plant under Decree-Law No. 120/2019 and has implemented several projects for solar photovoltaic energy on a self-consumption basis.

9.1.4 Human resources and talent management

The first half of 2020 was marked by the continuation of activities to standardize processes, policies and systems, in order to promote the interconnection with the business and joint problem-solving capacity.

It is also relevant to highlight a number of projects that have started and/or had a significant development, as provided for in the Board of Directors' plan of activities:

- In Internal Communication the priority was to respond to the challenge inherent to the Covid-19 pandemic. Information management was conducted in order to anticipate and manage the impact of the pandemic situation on the employees' activity and the Company's business. Communication was conducted in a clear, continuous and aligned manner, through all on-line and off-line channels. Internal communication also gave voice to employees with a weekly specific communication support about Covid, which includes testimonies from employees, market perspective, testimonies from suppliers and actions of solidarity with the communities.
- In the organizational culture the focus was given to stories of recognition to employees who had a career dedicated to the Company and who celebrated 50 years of work at Navigator or who retired after decades of work and dedication. Also, to be highlighted was the social inclusion project, with Benchmark collection, participation in colloquia and contact with potential employees.
- In the different areas of Talent Management, management systems were a priority during this six-month period. Specifically, work continued to stabilize technological platforms, with a view to automating management information, and the launch of the SAP Successfactors platform was concluded, which will support the Performance Management Cycle.
- Analysis and construction of scenarios on the new career plan, resulting from the negotiation with the workers' representative organizations.

9.1.5 Information systems

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

Despite the procedures designed and implemented to mitigate the mentioned risks, the Navigator Group is aware that, in the absence of inviolable information systems, it cannot be guaranteed that these efforts will be

sufficient to prevent such system failures, as well as the related repercussion on reputation, litigation, inefficiencies or even in allocating operating margins.

9.1.6 Other risks associated with the Group's activity

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

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

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

9.1.7 Context risks

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

- i. Ports and railroads;
- ii. Roads, particularly those providing access to the Navigator Group's producing units;
- iii. Territorial planning and forest fires;
- iv. Low productivity of the country's forests;
- v. The lack of certification of most of the Portuguese forest;
- vi. Volatility of the fiscal policy and not reduction of the IRC rate, as well as non-elimination of the surcharges.

10 PROVISIONS, COMMITMENTS AND CONTINGENCIES

10.1 PROVISIONS

Movements in provisions

Amounts in Euros	Legal proceedings	Tax proceedings	Other	Total
1 January 2019	4,785,976	23,170,208	15,109,286	43,065,470
Increases	-	446,893	2,303,649	2,750,542
Reversals	(835,174)	-	-	(835,174)
Impact on profit or loss for the period	(835,174)	446,893	2,303,649	1,915,368
Other transfers and adjustments	-	(23,617,102)	-	(23,617,102)
30 June 2019	3,950,801	-	17,412,935	21,363,736
Increases	1,507,622	-	137,803	1,645,425
Reversals	17,549	-	(3,168,176)	(3,150,627)
Other transfers and adjustments	30,923	-	58,890	89,813
31 December 2019	5,506,895	-	14,441,452	19,948,347
Increases	1,664,075	-	333,233	1,997,308
Reversals	(90,033)	-	-	(90,033)
Impact on profit or loss for the period	1,574,042	-	333,233	1,907,275
Exchange rate adjustment	(145,371)	-	-	(145,371)
Other transfers and adjustments	-	-	838,265	838,265
30 June 2020	6,935,566	-	15,612,950	22,548,515

Legal proceedings

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

Tax proceedings

In 2019, the amounts included in Other Transfers / Regularisations of 26,617,102 relate to the constitution of provisions, the counterpart of which was the Income tax item, which were subsequently transferred to the State item in the light of the interpretation of IFRIC 23 (Note 6.1).

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.

Other provisions include Euro 13,615,000 related to the Mozambique project. As communicated to the market on 9 July 2018, Portucel Moçambique and the Mozambican Government signed a Memorandum of Understanding (MoU) regarding the reformulation of the investment project that will start being developed in two phases. At first, a forestry base of approximately 40,000 hectares will be created, which will guarantee the supply of a unit (to be built) for the production of eucalyptus wood chips for export (approximately 1 million tons per year), in an estimated global investment of USD 140 million.

Although the Memorandum of Understanding (MoU) signed with the Mozambican Government in July 2018 provided for a "best effort" commitment to create the necessary conditions to carry out the investment until last 31 December 2018, that was not possible, up to date, and both parties continued to work towards that goal. In this context, and in view of the current conditions, Navigator has prudently decided, and in addition to the impairments already recorded in previous periods, to record an additional provision of Euro 12 million in its 2018 accounts, having increased it in 2019 by Euro 1,615,000, to meet the current development scenario of the project.



Accounting policies

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

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

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

Tax proceedings



The Group's uncertain income tax positions are disclosed in Note 6.1 - Income Tax.



Estimates and judgements

Legal and tax proceedings

These provisions were made in accordance with the risk assessments carried out internally by the Group with the support of its legal advisors, based on the probability of the decision being favourable or unfavourable to the Group.

10.2 COMMITMENTS

Guarantees provided to third parties

Amounts in Euro	30-06-2020	31-12-2019
Guarantees provided		
Navigator guarantees for EIB loans	35,208,333	70,416,667
Portuguese tax authorities	15,997,679	845,957
IAPMEI	2,561,401	3,653,785
Customs clearance	1,250	1,250
Spanish state tax agency	1,033,204	1,033,204
Portuguese Environment Agency	707,072	-
Simria	338,829	338,829
Other	804,735	982,839
	56,652,504	77,272,531

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

The bank guarantees provided to the Tax Authority relate to the challenging of proceedings in litigation, relating to corporate income tax for the tax period 2015.

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

Purchase commitments

Amounts in Euro	30-06-2020	31-12-2019
Purchase commitments		
Property, plant and equipment - Manufacturing equipment	30,229,649	18,279,270
Wood		
Commitments to acquisitions in the subsequent period	66,080,000	59,600,000
Commitments to long-term acquisitions	102,260,301	88,000,000
	198,569,950	165,879,270

Other commitments

The Navigator Group has made a commitment to achieve carbon neutrality by 2035, with an estimated global investment of Euro 158 million.

10.3 CONTINGENT ASSETS AND LIABILITIES

Contingent assets of a fiscal nature

PUBLIC DEBT SETTLEMENT FUND

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

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

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

	Period	Requested values	1st Reimbursement	Decrease through a payment under the RERD	Cases decided in favor of the Group	Extra judicial settlement of 31-12-2017	Outstanding balances
Amounts in Euro							
Cases decided							
Corporate income tax	2002	18,923	-	-	-	-	18,923
Corporate income tax (withhold)	2004	3,324	-	-	-	-	3,324
Corporate income tax	2004	766,395	-	-	(139,023)	-	627,372
Expenses		314,957	-	-	-	-	314,957
		15,876,240	(8,210,546)	-	(975,347)	(5,725,771)	964,576
Cases not decided							
Corporate income tax	2005	11,754,680	-	(1,360,294)	-	-	10,394,386
Corporate income tax	2006	11,890,071	-	(1,108,178)	-	-	10,781,893
Value added tax	2003	2,509,101	-	-	-	-	2,509,101
		26,153,852	-	(2,468,472)	-	-	23,685,380
		42,030,092	(8,210,546)	(2,468,472)	(975,347)	(5,725,771)	24,649,956

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

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

Contingent assets of a non-fiscal nature

Infrastructure enhancement and maintenance fee

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

This situation regards the amount collected under this levy in the licensing process mentioned above, for the construction of a new paper mill in the industrial site of Mitrena, Setúbal. The Navigator disagrees with the amount charged and filled an administrative claim against it on 25 February 2008 (request No. 2485/08), followed by an appeal to Court against the rejection of the claim on 28 October 2008. At 3 October 2012 this claim had an adverse decision, and in 13 November 2012, Navigator appealed. This lawsuit is awaiting the decision of TCA since 4 July 2013.

Public debt settlement fund

In addition to the tax matters described above, a new petition was filed with the Administrative Court of Almada on 11 October 2011, which called for the reimbursement of various amounts, amounting to Euro 136,243,949. These amounts regard adjustments in the financial statements of the Group after its privatisation that had not been considered in formulating the price of its privatization as they were not included in the documentation made available for consultation by the bidders.



On 24 May 2014 the Court denied the Navigator Company Group's proposal to present testimony evidence, alternatively proposing written submissions. On 30 June 2014 Navigator Company Group appealed against this decision, but continuously presented written evidence. The Court subsequently confirmed the Navigator Company Group's views on this matter, both parts appointed experts and the partial expert report was issued on July 2017, being required either by The Navigator Company, S.A. either by the Ministério das Finanças, the attendance of both designated experts in court hearing, in order to provide oral explanations on the expert report.

Following complaints filed by Navigator on 11 September 2017 and 15 January 2019, the experts submitted revised Expert Reports on 27 December 2018 and 19 March 2019, respectively.

The hearing sessions took place between May and June 2019, with the parties submitting their final arguments in September 2019. The Court's decision is now pending.

11 GROUP STRUCTURE

11.1 COMPANIES INCLUDED IN THE CONSOLIDATION PERIMETER

11.1.1 Navigator Group subsidiaries

Company	Head Office	Share equity owned			Total	Main business activity
		30-06-2020		Total		
		Directly	Indirectly			
Parent Company						
The Navigator Company, S.A.	Portugal	-	-	-	-	Sale of paper and pulp
Subsidiaries:						
Navigator Brands , S.A.	Portugal	100.00	-	100.00	100.00	Acquisition, exploitation, lease or concession of the use and disposal of trademarks, patents and other industrial or intellectual property
Navigator Parques Industriais, S.A.	Portugal	100.00	-	100.00	100.00	Industrial real estate management
Navigator Products & Tecnology, S.A.	Portugal	100.00	-	100.00	100.00	Sale of products, technology and engineering services
Navigator Paper Figueira, S.A	Portugal	100.00	-	100.00	100.00	Paper production
Empremedia RE , AC	Ireland	100.00	-	100.00	-	Insurance mediation and consultancy
Pulpchem Logistics, A.C.E.	Portugal	50.00	-	50.00	50.00	Purchase of materials, subsidiary materials and services used in pulp and paper production processes
Raiz - Instituto de Investigação da Floresta e Papel	Portugal	75.00	22.00	97.00	97.00	Applied research in the field of pulp and paper industry and forestry activity
Raiz Ventures , SA	Portugal	-	97.00	97.00	97.00	Promotion of business units directly or indirectly related to research, development and innovation activities in the field of forest-based bioeconomy
About the Future - Essencial Oils, SA	Portugal	-	97.00	97.00	97.00	Production, rectification and wholesale of essential oils
Enerpulp – Cogeração Energética de Pasta, S.A.	Portugal	100.00	-	100.00	100.00	Energy production
Navigator Pulp Figueira, S.A.	Portugal	100.00	-	100.00	100.00	Production of pulp and rendering of administration, management and internal advisory services
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	Rendering of industrial maintenance services
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	Production of pulp
Navigator Pulp Aveiro, S.A.	Portugal	100.00	-	100.00	100.00	Production of pulp
Navigator International GmbH	Germany	100.00	-	100.00	100.00	Sale of pulp
Navigator Tissue Aveiro, S.A.	Portugal	100.00	-	100.00	100.00	
Navigator Tissue Ródão , S.A.	Portugal	-	100.00	100.00	100.00	Sale of tissue paper
Navigator Tissue Iberica , S.A.	Spain	-	100.00	100.00	100.00	Sale of tissue paper
Portucel Moçambique - Sociedade de Desenvolvimento Florestal e Industrial, Lda	Mozambique	90.02	-	90.02	90.02	Forestry production
Navigator Internacional Holding SGPS, S.A.	Portugal	100.00	-	100.00	100.00	Management of shareholdings
Navigator Financial Services sp . Zoo	Poland	25.00	75.00	100.00	100.00	Financial services
Navigator Forest Portugal, S.A.	Portugal	100.00	-	100.00	100.00	Forestry production
EucaliptusLand, S.A.	Portugal	-	100.00	100.00	100.00	Forestry production
Sociedade de Vinhos da Herdade de Espirra - Produção e Comercialização de Vinhos, S.A.	Portugal	-	100.00	100.00	100.00	Wine production
Gavião - Sociedade de Caça e Turismo, S.A.	Portugal	-	100.00	100.00	100.00	Management of hunting resources
Afoelca - Agrupamento complementar de empresas para protecção contra incêndios, ACE	Portugal	-	64.80	64.80	64.80	Rendering of forest fire prevention and fighting services
Viveiros Aliança - Empresa Produtora de Plantas, S.A.	Portugal	-	100.00	100.00	100.00	Production of plants in nurseries
Atlantic Forests, S.A.	Portugal	-	100.00	100.00	100.00	Rendering of services within the scope of forestry activity and trade in timber
Bosques do Atlantico, SL	Spain	-	100.00	100.00	100.00	Wood, biomass and forestry trade
Navigator Africa, SRL	Italy	-	100.00	100.00	100.00	Wood, biomass and forestry trade
Navigator Paper Setúbal , S.A.	Portugal	100.00	-	100.00	100.00	Paper and energy production
Navigator North America Inc.	USA	-	100.00	100.00	100.00	Sale of paper
Navigator Paper World, S.A. *	Portugal	-	-	-	100.00	Rendering of administration and management services and management of shareholdings
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	Rendering of sales brokerage services
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 Participações Holding ,SGPS, S.A.	Portugal	-	100.00	100.00	100.00	Management of shareholdings
Empremédia - Corretores de Seguros, S.A.	Portugal	-	100.00	100.00	100.00	Rendering of sales brokerage services
Navigator Abastecimento de Madeira, ACE	Portugal	97.00	3.00	100.00	100.00	Sale of wood

* Companies merged in 2020 (Note 11.2)

11.2 CHANGES IN THE CONSOLIDATION PERIMETER

During the 6-month period ended 30 June 2020, the consolidation perimeter was changed by the following corporate reorganization operations:

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

11.3 TRANSACTIONS WITH RELATED PARTIES

Balances with related parties

	30-06-2020				31-12-2019			
	Receivables (Note 4.2)	Payables (Note 4.3)	Interest-bearing liabilities (Note 5.4)	Lease liabilities (Note 5.5)	Receivables (Note 4.2)	Payables (Note 4.3)	Lease liabilities (Note 5.5)	
Amounts in Euro								
Shareholders (Note 5.2)								
Semapa - Soc. de Investimento e Gestão, SGPS, S.A.	-	8,123,518	-	-	24,651	10,881,165	-	
Other subsidiaries of Semapa Group								
Secil - Companhia Geral Cal e Cimento, S.A.	313,244	36,157	-	-	329,779	22,513	-	
Secil Britas, S.A.	-	88,492	-	-	-	70,636	-	
Secil Prebetão, S.A.	-	314	-	-	-	314	-	
CMP - Cimentos Maceira e Pataias, S.A.	-	17,946	-	-	-	7,477	-	
Unibetão, S.A.	-	83,546	-	-	-	40,367	-	
Other related entities								
Seinpar Investments BV	300	-	-	-	600	-	-	
Sonagi Imobiliária, S.A.	-	-	-	53,392	85,382	-	33,745	
Refundos - Soc. Gestora de Fundos de Inv. Imobiliário, S.A.	-	-	-	-	-	93,430	74,664	
Hotel Ritz, S.A.	-	-	-	-	-	2,033	-	
	313,544	8,349,974	-	53,392	440,413	11,117,935	108,409	

Transactions of the period with related parties

	30-06-2020					30-06-2019				
Amounts in Euro	Purchase of goods and services	Sales and services rendered	Other operating income	Other operating expenses	Financial (expenses) / income	Purchase of goods and services	Sales and services rendered	Other operating income	Financial (expenses)/ income	
Shareholders (Note 5.2)										
Semapa - Soc. de Investimento e Gestão, SGPS, S.A.	4,535,950	-	-	9,217	-	5,140,857	-	-	-	
	4,535,950	-	-		-	5,140,857	-	-	-	
Other subsidiaries of Semapa Group										
Secil - Companhia Geral Cal e Cimento, S.A.	33,071	12,000	-	-	-	436	245,361	-	-	
Secil Britas, S.A.	23,188	-	-	-	-	110,561	-	-	-	
Secil Prebetão, S.A.	-	-	-	-	-	25,995	-	-	-	
CMP - Cimentos Maceira e Pataias, S.A.	23,587	-	-	-	-	18,300	-	-	-	
Unibetão, S.A.	104,125	-	-	-	-	98,921	-	-	-	
	183,971	12,000	-		-	254,213	245,361	-	-	
Other related entities										
Seinpar Investments BV	-	-	992	-	-	-	-	-	-	
Sonagi Imobiliária, S.A.	-	-	-	-	(665)	48,946	81,576	-	-	
Refundos - Soc. Gestora de Fundos de Inv. Imobiliário, S.A.	-	-	-	-	(55,274)	141,715	330,667	-	-	
Hotel Ritz, S.A.	570	-	-	-	-	3,217	1,936	-	-	
	570	-	992		(55,939)	193,877	414,179	-	-	
	4,720,491	12,000	992		(55,939)	5,588,947	659,540	-	-	

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

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



The remuneration of the Group's key corporate bodies is detailed in Note 7.3 - Remuneration of corporate bodies.

12 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



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

LIMITED REVIEW REPORT ON INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

Introduction

We have performed a limited review of the accompanying consolidated financial statements of **The Navigator Company, S.A.** (the Group), which comprise the consolidated statement of financial position as of 30 June 2020 (that presents a total of Euro 2,669,844,522 and total equity attributable to the shareholders of Euro 1,069,490,077, including a consolidated net profit attributable to the shareholders of 44,033,448), the consolidated statements of income, comprehensive income, changes in equity and cash flows for the six month period then ended, and the accompanying explanatory notes to these consolidated financial statements, including a summary of the significant accounting policies.

Management's responsibilities

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

Auditors' responsibilities

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



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

Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not give a true and fair view of the consolidated financial position of **The Navigator Company, S.A.** as at 30 June 2020, and of its consolidated financial performance and its consolidated cash flows for the six month period then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

28 September 2020

SIGNED IN THE ORIGINAL

KPMG & Associados -

Sociedade de Revisores Oficiais de Contas, S.A.

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

Paulo Alexandre Martins Quintas Paixão (ROC nr. 1427)