

FIRST 9 MONTHS REPORT  
2017

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

**Share Capital:** 500 000 000 Euros  
**Corporate Entity:** 503 025 798  
Registered at the Commercial  
Register of Setúbal  
**Headquarters:** Península de Mitrena  
Freguesia do Sado · Setúbal



THE  
**NAVIGATOR**  
COMPANY

## DIRECTORS' REPORT

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**1. Highlights first 9 months 2017 (vs. first 9 months 2016)**

- Paper volume hits new record level of 1 158 thousand tons (up 3 thousand tons), with average price still lower than last year
- **Turnover up + 5% with strong performance in pulp, energy and tissue business:**
  - Pulp sales grow 32% in value, with volume and price both rising
  - Power sales up 16%, reflecting successful operation of power generation assets
  - Tissue sales grow by 11% in volume and value
- **EBITDA of € 300 million in line with previous year** and EBITDA/sales margin of 25% (vs. 26%)
- **Progress on cost cutting programme, with estimated positive impact on EBITDA of € 18 million**
- Net debt rises to € 742 million after pay-out of € 250 million (€ 0.3487/share) and investment of € 75.7 million; Net Debt / EBITDA ratio of 1.9
- **Financial costs slashed to - € 6.5 million (vs. - € 16.6 million)**, thanks to lower costs on borrowing operations and profits on currency hedges
- **Net income grows 8.6% to € 145.8 million**
- Development projects on new tissue plant in Cacia and capacity expansion at the Figueira da Foz pulp mill running on budget and on time

**Highlights 3<sup>rd</sup> Quarter 2017 (vs. 3<sup>rd</sup> Quarter 2016)**

- **Turnover up 5.4%, with rising pulp prices and increased volume of paper sales**
- EBITDA of € 101.7 million in the quarter (down 4.3%), including estimated impact of forest fires - € 1.4 million
- **Excellent Q3 cash flow generation: €75.9 million**
- 5<sup>th</sup> Sustainability Forum devoted to Circular Economy



## 2. Leading Indicators – IFRS

(unaudited quarterly indicators)

in million euros	9M 2017	9M 2016	% Change (5) 9M 17 / 9M 16
<b>Total sales</b>	1 209,8	1 155,4	4,7%
<b>EBITDA <sup>(1)</sup></b>	<b>300,1</b>	<b>301,5</b>	<b>-0,5%</b>
<b>Operating profits</b>	185,5	178,0	4,2%
<b>Financial results</b>	- 6,5	- 16,6	-61,0%
<b>Net earnings</b>	<b>145,8</b>	<b>134,3</b>	<b>8,6%</b>
<b>Cash flow</b>	260,4	257,8	2,6
<b>Free Cash Flow <sup>(2)</sup></b>	148,7	101,1	47,7
<b>Capex</b>	75,7	100,6	-24,9
<b>Net debt <sup>(3)</sup></b>	742,0	723,4	18,6
<b>EBITDA / Sales (%)</b>	<b>24,8%</b>	<b>26,1%</b>	<b>-1,3 pp</b>
<b>ROS</b>	12,1%	11,6%	0,4 pp
<b>ROE</b>	16,4%	15,1%	1,3 pp
<b>ROCE</b>	13,2%	12,7%	0,5 pp
<b>Equity ratio</b>	46,7%	47,6%	-0,9 pp
<b>Net Debt / EBITDA <sup>(4)</sup></b>	1,87	1,82	0,05

in million euros	Q3 2017	Q3 2016	% Change Q3 17/Q3 16	Q2 2017	% Change Q3 17/Q2 17
<b>Total sales</b>	397,2	376,8	5,4%	420,0	-5,4%
<b>EBITDA <sup>(1)</sup></b>	<b>101,7</b>	106,2	<b>-4,3%</b>	<b>108,2</b>	<b>-6,0%</b>
<b>Operating profits</b>	62,0	70,1	-11,5%	71,4	-13,1%
<b>Financial results</b>	1,8	- 3,2	-157,5%	- 4,4	-141,6%
<b>Net earnings</b>	<b>49,8</b>	<b>48,8</b>	<b>1,9%</b>	<b>60,5</b>	<b>-17,7%</b>
<b>Cash flow</b>	89,4	84,9	4,4	97,3	-7,9
<b>Free Cash Flow <sup>(2)</sup></b>	75,9	69,7	6,2	48,7	27,2
<b>Capex</b>	40,5	25,3	15,2	20,9	19,6
<b>Net debt <sup>(3)</sup></b>	742,0	723,4	18,6	737,9	4,1
<b>EBITDA / Sales (%)</b>	<b>25,6%</b>	<b>28,2%</b>	<b>-2,6 pp</b>	<b>25,8%</b>	<b>-0,2 pp</b>
<b>ROS</b>	12,5%	13,0%	-0,4 pp	14,4%	-1,9 pp
<b>ROE</b>	16,8%	17,1%	-0,3 pp	20,5%	-3,8 pp
<b>ROCE</b>	13,2%	14,8%	-1,6 pp	15,4%	-2,2 pp
<b>Equity ratio</b>	46,7%	47,6%	-0,9 pp	44,9%	1,7 pp
<b>Net Debt / EBITDA <sup>(4)</sup></b>	1,87	1,82	0,05	1,84	0,03

(1) Operating profits + depreciation + provisions

(2) Var. Net debt + dividends + purchase of own shares

(3) Interest-bearing net debt – liquid assets

(4) EBITDA corresponding to last 12 months

(5) Variation in figures not rounded up/down



### 3. Analysis of Results

#### 9 Months 2017 vs. 9 Months 2016

Turnover for the first nine months of 2017 stood at € 1 210 million, up by 4.7%, sustained essentially by strong operating performance in sales of pulp, power and tissue.

Pulp sales grew by around 25%, to more than 250 thousand tons, driven by the strong demand experienced over the period, with prices continuing on the upward course recorded since late 2016. The benchmark PIX – BHKP index in euros recorded an average price of 703 €/ton, as compared to 636 €/ton in the same period in 2016 (up 10.6%). The Group's average price also followed an upward course, with pulp sales growing by 32% in value, to a total of € 129.5 million.

Conditions in the paper market also improved gradually over the year, with progressively stronger order books in Europe and in overseas markets. The Group recorded a healthy volume of paper sales, setting a new record of 1 158 tons sold, around 3 thousand tons more than in the first nine months of 2016.

In the period, the Navigator Group implemented three price rises up to July, and also announced a fourth increase from September onwards. These increases helped to offset the price reduction recorded in the final quarter of 2016, with the Group's average price in the first nine months of 2017 still lower than the average price in the same period last year.

Despite the improvement in the product mix sold, with premium and own-brand products accounting for a larger share of sales, the Group's average price in Europe was brought down by the evolution of the exchange rate and by the evolution of the market mix. In Europe, the main impact was the weakness of sterling which, combined with an increase in sales in markets outside Europe, mostly USD-denominated, and with exchange rate trends in recent months, had a negative effect on the Group's overall sales average price.



Tissue sales also recorded growth in volume, up by 11% to approximately 41 thousand tons, made possible by the expansion in production and converting capacity over the course of 2015. Portugal and Spain remained the Group's main geographical markets and away-from-home products represented a larger slice of sales. Overall, the product mix improved, with reels accounting for a smaller share of sales and, as a result, the average sales price was slightly higher than in the same period in 2016, with sales volume totaling € 55.3 million (up 11%).

At the end of the third quarter of 2017, power sales were up by 16% in value from the same reference date in 2016, reflecting successful operation of power generation assets, with especially strong performance from the renewable cogeneration plant and the combined-cycle natural gas power station at the Setúbal industrial complex. Of course, figures for power sales at the end of the 3<sup>rd</sup> quarter of 2016 had shown the negative impact of stoppages and breakdowns at the renewable cogeneration plants in Setúbal and Cacia. Due to these factors, Navigator's total gross power output at the end of the third quarter of 2017 was up by 6% year-on-year.

Power sales from the operation of the natural gas combined-cycle power stations also benefited from the sharp hike (roughly 20% year-on-year) in Brent prices, to which the sales price is indexed.

Having completed its new pellets mill in late 2016 in Greenwood, South Carolina, USA, the Group started up production and marketing of products in 2017. Sales up to the end of September totalled 91 thousand tons, and approximately € 12 million. The pellets business continues to contribute negatively to EBITDA, although the situation has improved in relation to the end of the 1<sup>st</sup> half.

In this general context, EBITDA totalled € 300.1 million, in line with the figure recorded in the previous year, and reflecting an EBITDA/Sales margin of 24.8%.

Concerning the impact of the forest fires up to the end of September in mainland Portugal (essentially in the central region of the country), estimates point to an area burned of roughly 216 thousand hectares, including 2700 hectares of Navigator's eucalyptus forests. As a result, biological assets have been written down by a total amount year to date of € 2.2 million (€1.4 million registered in Q3).



Over the course of the year, the Group has pressed ahead with its programme of cost optimisation and efficiency, M2, and results have continued to outperform targets. At the end of September, this programme's accumulated impact on EBITDA entailed an overall reduction in costs and an improvement in productivity adding up to around € 18 million, in relation to 2016.

Over this period, out of a total of 92 successfully launched initiatives, 24 projects achieved outstanding results, in particular in purchasing, where savings were recorded on energy (€ 2.6 million), product packaging (€ 2.3 million) and chemicals for pulp and paper (€ 1.0 million). Significant success has also been achieved in pulp and paper logistics (€ 1.1 million) and in manufacturing improvements and maintenance in industrial areas (€ 2.8 million). In product development and quality, higher competitiveness has been achieved through a more efficient product allocation and specification (€ 1.4 million) and strong performance was recorded in wood supplies, thanks to measures adopted to optimise logistical resources (€ 3.1 million).

Financial results through to the end of September improved in relation to the previous period, with a loss shrinking YoY from € 16.6 million to € 6.5 million euros. This was essentially due to a significant reduction in borrowing costs, thanks to the restructuring of the Group's debt concluded in 2016 as well as the commercial paper issue at very favourable rates. On a comparable basis, excluding the cost in 2016 of the decision to proceed with early repayment of a bond issue of € 6 million, interest expense fell by € 4.2 million, whilst financial results also benefited from gains of approximately € 3.2 million on forex hedges.

Net income totalled € 145.8 million, as compared to the figure of € 134.3 million recorded in the first nine months of 2016.

At the end of September, the Group's net debt stood at € 742 million, up by € 101.3 million from year-end 2016, reflecting essentially payment in June and July of dividends of € 250 million. Free cash flow generated over the period surged to € 148.7 million, as compared to € 101.1 million in the first nine months of 2016, whilst capex in the period totalled € 75 million, down by € 25 million on the accrued figure at the end of September 2016.



The Net Debt / EBITDA ratio is 1.87, slightly up from the figure of 1.61 recorded at year-end 2016.

### **3<sup>rd</sup> Quarter 2017 vs 3<sup>rd</sup> Quarter 2016**

Third quarter performance reflected improving market conditions over the course of the year. Turnover grew by 5.4% when compared with the figure recorded in the same quarter last year, due essentially to strong performance in pulp business, where the sales price rose by almost 22%, and to the growing volume of paper sales (up 1.7%). Figures were also positive for sales of tissue and power, and the new pellets business also added roughly € 5 million euros to total Group turnover.

EBITDA stood at € 101.7 million in the 3<sup>rd</sup> quarter of 2017, as compared to a figure of € 106.2 million in the same period last year, when earnings were positively impacted by a series of non-recurrent items with a net impact of around € 3 million, related essentially to the discount rate used in valuing biological assets. In 2017, EBITDA was negatively affected by the impact of forest fires, bringing down the total by € 1.4 million in the third quarter.

Financial results improved and the Group recorded a financial profit in the quarter by € 1.8 million, reflecting the gains recorded on forex hedges. As a result, net income totalled € 49.8 million, comparing positively with the figure of 48.8 million recorded in the third quarter of 2016.



#### 4. Operating indicators

##### Pulp and paper

(in 000 tons)	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017
<b>BEKP Output</b>	370,2	373,4	367,8	359,0	382,4	377,4	357,3
<b>BEKP Sales</b>	64,6	65,1	71,2	89,8	90,4	92,0	68,8
<b>UWF Output</b>	397,7	397,0	399,9	392,4	396,4	383,4	406,1
<b>UWF Sales</b>	377,8	397,7	380,0	431,3	371,3	400,6	386,4
<b>FOEX – BHKP Euros/ton</b>	687	613	600	607	645	719	747
<b>FOEX – BHKP USD/ton</b>	757	694	670	654	686	792	877
<b>FOEX – A4- BCopy Euros/ton</b>	836	830	820	807	803	808	819

##### Tissue

(in 000 tons)	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017
<b>Reels Output</b>	11,2	7,9	13,1	14,7	14,7	13,6	13,0
<b>Output of finished products</b>	10,1	10,0	10,9	10,8	11,7	12,6	12,2
<b>Sales of reels and goods</b>	1,7	2,2	2,4	2,7	2,7	1,7	1,1
<b>Sales of finished products</b>	9,7	10,7	10,7	10,8	11,3	12,3	12,3
<b>Total sales of tissue</b>	11,4	12,9	13,2	13,5	14,0	14,0	13,3

##### Energy

	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017
<b>Production (GWh)</b>	508,1	519,7	537,2	549,4	561,3	556,4	535,9
<b>Sales (GWh)</b>	389,5	385,8	425,3	440,7	449,4	446,8	426,0



## 5. Strategic Development

Over the past three months, Group investment has picked up speed in the two major development projects in progress in Portugal: construction of a tissue plant in Cacia (with reels production and converting capacity) and upgrading pulp production efficiency and environmental performance at the Figueira da Foz mill. These capex projects got under way in 2017 and will continue into 2018, involving total investment of approximately € 205 million (€ 120 million in Cacia and € 85 million in Figueira da Foz).

As a result, total capital expenditure in the first nine months of 2017 stood at € 75.7 million, divided between the capacity expansion project at Figueira da Foz (€ 34.3 million), recurrent pulp and paper business (€ 21.1 million), the new tissue mill in Cacia (17.3 million) and the existing tissue operation in Vila Velha de Rodão (€ 2.2 million).

### **Mozambique**

As previously reported, the Group has decided to proceed with its capital project in Mozambique at a more moderate pace and to implement its plans in stages. At this moment, the project is essentially a forestry venture, with the option of industrial development involving construction of a large-scale pulp mill. The first phase includes developing a eucalyptus woodchip production and export operation, geared essentially to the Asian market. This is planned to be up and running by 2023, with phase two - if it goes ahead - being implemented up to 2030.

Operating through its subsidiary Portucel Moçambique, the Navigator Group is focused on resolving the outstanding issues, which include, among others, the legalization, regularization and demarcation of the DUAT (Direito de Utilização e Aproveitamento de Terra) areas, the revision of the access to land model, the confirmation of appropriate logistical conditions, the definition of a stable legal and fiscal framework and the project social acknowledgement. The Group expects that the bulk of these issues will be overcome by the coming months, which will allow forestry plans to proceed at the envisaged pace.



## 6. Outlook

Over the first nine months of 2017, the short fibre pulp market continued to present the strong performance recorded since the end of last year: demand has grown sharply, stock levels are low and upward pressure on prices is strong. Most forecasts for pulp prices in 2017 have been revised upwards, and concerns about the impact of new capacity have been partially offset by the production shutdowns still planned for 2017. However, the pace of growth in demand over recent quarters will be hard to sustain and the price differential between short and long fibre pulp has been at all-time lows, which could lead to a degree of adjustment in the market in 2018.

Conditions in the paper market also improved gradually over the year, and by the end of September global demand for UWF had grown by around 0.9%, with a special focus on Asian markets, and China in particular. In Europe, apparent consumption edged down by 0.3% in the first nine months of the year, although demand for folio sizes grew by approximately 2% and demand for cut size held steady in relation to the same period last year. The Group has taken the lead in a series of price increases since the start of the year, the last of these in September. Order books remain comfortably full, and sound performance can be expected in the fourth quarter. Forex trends, in particular the EUR/USD rate, remain the main cause for concern.

The tissue market has seen an increase in competition in the Iberian Peninsula and a rise in production costs caused by higher pulp prices. Navigator announced a price increase for its tissue products in Portugal and Spain, for gradual implementation from October to January 2018.

Setúbal, 26 October 2017



**Subsequent events:**

In October, Portugal was again ravaged by a large number of fires, estimated to have raised the total area burned to around 520 thousand hectares across the country and approximately 6100 hectares related to the Group, whose financial impact is still being assessed. It is difficult to estimate the consequences of these fires for wood supplies in future years, but at this time no risks are anticipated to the supply of wood to the Group's industrial units.

The Navigator Company's new app is now available for download on App Store and on Google Play, in an optimised version for iPhone and iPad. To use the app, just download it from the following links:

- on App Store (Apple) at <https://itunes.apple.com/us/app/the-navigator-company-ir-media-app/id1257681817?mt=8>
- on Google Play (Android) at <https://play.google.com/store/apps/details?id=com.symexeconomics.nvg.pt>



## 7. Financial Statements

### CONSOLIDATED INCOME STATEMENT

FOR THE NINE MONTH PERIODS ENDED 30 SEPTEMBER 2017 AND 2016

Amounts in Euro	Notes	9 months 30-09-2017	9 months 30-09-2016	3rd Quarter 2017	3rd Quarter 2016
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	3				
Sales		1,206,126,730	1,152,396,501	395,951,561	375,754,247
Services rendered		3,669,409	2,997,235	1,202,033	1,069,294
Other operating income	4				
Gains on the sale of non-current assets		614,787	633,876	272,782	208,913
Other operating income		12,340,191	22,408,503	6,201,192	6,325,017
Change in the fair value of biological assets	14	3,186,006	10,579,146	(24,169)	3,640,900
Costs	5				
Cost of inventories sold and consumed		(494,858,603)	(499,277,864)	(164,510,266)	(157,586,123)
Variation in production		(1,409,554)	14,991,558	3,778,604	12,721,716
Cost of materials and services consumed		(300,891,039)	(285,838,409)	(99,590,308)	(100,975,415)
Payroll costs		(111,180,117)	(106,285,595)	(35,545,137)	(31,873,552)
Other costs and losses		(17,547,662)	(11,096,953)	(6,063,110)	(3,051,561)
Provisions		(3,055,219)	(2,961,513)	(2,865,602)	(1,563,089)
Depreciation, amortization and impairment losses	6	(111,529,226)	(120,518,942)	(36,762,609)	(34,563,415)
<b>Operating results</b>		<b>185,465,703</b>	<b>178,027,543</b>	<b>62,044,970</b>	<b>70,106,930</b>
Net financial results	7	(6,488,744)	(16,619,934)	1,817,197	(3,157,730)
<b>Profit before tax</b>		<b>178,976,959</b>	<b>161,407,610</b>	<b>63,862,166</b>	<b>66,949,201</b>
Income tax	8	(33,175,866)	(27,142,575)	(14,107,167)	(17,933,185)
<b>Net Income</b>		<b>145,801,093</b>	<b>134,265,035</b>	<b>49,754,999</b>	<b>49,016,016</b>
<b>Attributable to:</b>					
Navigator Company's Shareholders		145,794,646	134,287,418	49,745,923	48,820,870
Non-controlling interests		6,447	(22,383)	9,076	195,146
<b>Earnings per share</b>					
Basic earnings per share, Euro	9	0.203	0.192	0.069	0.068
Diluted earnings per share, Euro	9	0.203	0.192	0.069	0.068

The notes on pages 17 to 56 are an integral part of these financial statements.



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2017 AND FOR THE YEAR ENDED 31 DECEMBER 2016

Amounts in Euro	Notes	30/09/2017 (unaudited)	31/12/2016
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Goodwill	11	377,339,466	377,339,466
Other intangible assets	12	3,876,509	4,300,642
Plant, property and equipment	13	1,259,527,643	1,294,978,932
Investment properties		423,957	426,838
Biological assets	14	128,798,954	125,612,948
Other financial assets		400,415	342,122
Deferred tax assets	18	45,331,690	44,198,753
		<b>1,815,698,635</b>	<b>1,847,199,702</b>
<b>Current Assets</b>			
Inventories		223,775,143	208,888,472
Receivable and other current assets	15	213,688,882	215,877,823
State and other public entities	16	60,979,210	69,619,349
Cash and cash equivalents	21	111,548,132	67,541,588
		<b>609,991,367</b>	<b>561,927,232</b>
<b>Total Assets</b>		<b>2,425,690,002</b>	<b>2,409,126,934</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Share capital	17	500,000,000	717,500,000
Treasury shares	17	(1,002,084)	(1,002,084)
Fair value reserves		(1,146,543)	(7,571,781)
Legal reserve		109,790,475	99,709,036
Free reserves		217,500,000	-
Currency translation reserves		(1,274,373)	(779,369)
Retained earnings		168,893,215	205,639,863
Net profit for the period		145,794,646	217,501,437
Early earnings		-	-
		<b>1,138,555,336</b>	<b>1,230,997,102</b>
Non-controlling interests		2,400,801	2,272,606
		<b>1,140,956,137</b>	<b>1,233,269,708</b>
<b>Non-current liabilities</b>			
Deferred taxes liabilities	18	70,414,901	59,859,532
Liability for defined benefits	19	6,910,375	6,457,116
Provisions	20	22,246,853	31,048,808
Interest-bearing liabilities	21	777,628,841	638,558,905
Other non-current liabilities	21	27,618,158	33,301,140
		<b>904,819,128</b>	<b>769,225,503</b>
<b>Current liabilities</b>			
Interest-bearing liabilities	21	75,911,224	69,702,381
Payables and other current liabilities	22	246,355,672	255,831,284
State and other public entities	16	57,647,841	81,098,059
		<b>379,914,737</b>	<b>406,631,724</b>
<b>Total liabilities</b>		<b>1,284,733,865</b>	<b>1,175,857,227</b>
<b>Total equity and liabilities</b>		<b>2,425,690,002</b>	<b>2,409,126,934</b>

The notes on pages 17 to 56 are an integral part of these financial statements.



# STATEMENT OF COMPREHENSIVE CONSOLIDATED INCOME

FOR THE NINE MONTH PERIODS ENDED 30 SEPTEMBER 2017 AND 2016

Amounts in Euro	9 months 30-09-2017 (unaudited)	9 months 30-09-2016 (unaudited)	3rd Quarter 2017 (unaudited)	3rd Quarter 2016 (unaudited)
<b>Net profit for the period</b>	<b>145,801,093</b>	<b>134,265,035</b>	<b>49,754,999</b>	<b>49,016,016</b>
<b>Items that can be reclassified subsequently to profit or loss</b>				
Fair value in derivative financial instruments	8,503,949	(10,565,228)	978,593	(1,607,935)
Currency translation differences	(495,004)	(5,302,490)	431,440	(8,390,006)
Tax on items above when applicable	(2,078,711)	2,905,438	(269,113)	442,181
Tax on conventional capital remuneration	4,235,000	-	4,235,000	-
	<b>10,165,234</b>	<b>(12,962,280)</b>	<b>5,375,920</b>	<b>(9,555,760)</b>
<b>Items that will not be reclassified subsequently to profit or loss</b>				
Share of other comprehensive income of associates	890,744	(2,194,734)	874,274	-
Actuarial gains / (losses)	838,410	(2,957,138)	830,534	56,022
Tax on items above when applicable	(1,996)	(424,768)	(17,257)	(266)
	<b>1,727,159</b>	<b>(5,576,640)</b>	<b>1,687,551</b>	<b>55,756</b>
	<b>11,892,393</b>	<b>(18,538,920)</b>	<b>7,063,471</b>	<b>(9,500,004)</b>
<b>Total recognized income and expense for the period</b>	<b>157,693,485</b>	<b>115,726,115</b>	<b>56,818,470</b>	<b>39,516,012</b>
<b>Attributable to:</b>				
Navigator Company's Shareholders	157,565,290	117,669,716	56,751,887	41,736,208
Non-controlling interests	128,195	(1,943,601)	66,583	(2,220,196)
	<b>157,693,485</b>	<b>115,726,115</b>	<b>56,818,470</b>	<b>39,516,012</b>

The notes on pages 17 to 56 are an integral part of these financial statements.



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTH PERIODS ENDED 30 SEPTEMBER 2017 AND 2016

Amounts in Euro	1 January 2017	Gains/losses recognized in the period	Dividends paid and reserves distributed	Early earnings	Acquisition of treasury shares	Application of prior year's net profit	Capital reduction	Performance Bonus	30 September 2017
Share capital	717,500,000	-	-	-	-	-	(217,500,000)	-	500,000,000
Treasury shares	(1,002,084)	-	-	-	-	-	-	-	(1,002,084)
Fair value reserves	(7,571,781)	6,425,238	-	-	-	-	-	-	(1,146,543)
Legal reserves	99,709,036	-	-	-	-	10,081,439	-	-	109,790,475
Free reserves	-	-	-	-	-	-	217,500,000	-	217,500,000
Currency translation reserves	(779,369)	(495,004)	-	-	-	-	-	-	(1,274,373)
Retained earnings	205,639,863	5,840,410	(250,007,056)	-	-	214,419,998	-	(7,000,000)	168,893,215
Net profit for the period	217,501,437	145,794,646	-	-	-	(217,501,437)	-	-	145,794,646
Early earnings	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1,230,997,102</b>	<b>157,565,290</b>	<b>(250,007,056)</b>	-	-	<b>7,000,000</b>	-	<b>(7,000,000)</b>	<b>1,138,555,336</b>
Non-controlling interests	2,272,606	128,195	-	-	-	-	-	-	2,400,801
<b>Total</b>	<b>1,233,269,708</b>	<b>157,693,485</b>	<b>(250,007,056)</b>	-	-	<b>7,000,000</b>	-	<b>(7,000,000)</b>	<b>1,140,956,137</b>

Amounts in Euro	1 January 2016	Gains/losses recognized in the period	Dividends paid and reserves distributed	Early earnings	Acquisition of treasury shares	Application of prior year's net profit	Capital reduction	Performance Bonus	30 September 2016
Share capital	767,500,000	-	-	-	(50,000,000)	-	-	-	717,500,000
Treasury shares	(96,974,466)	-	-	-	95,972,382	-	-	-	(1,002,084)
Fair value reserves	(1,869,064)	(7,659,790)	-	-	-	-	-	-	(9,528,854)
Legal reserves	91,781,112	-	-	-	-	7,927,924	-	-	99,709,036
Currency translation reserves	5,688,140	(5,302,490)	-	-	-	-	-	-	385,650
Retained earnings	273,081,975	(3,655,422)	(170,004,594)	(29,971,019)	(45,972,382)	194,476,296	-	(6,000,000)	211,954,855
Net profit for the period	196,404,220	134,287,418	-	-	-	(196,404,220)	-	-	134,287,418
Early earnings	(29,971,019)	-	-	29,971,019	-	-	-	-	-
<b>Total</b>	<b>1,205,640,898</b>	<b>117,669,716</b>	<b>(170,004,594)</b>	-	-	<b>6,000,000</b>	-	<b>(6,000,000)</b>	<b>1,153,306,020</b>
Non-controlling interests	8,622,303	(1,943,601)	-	-	-	-	-	-	6,678,702
<b>Total</b>	<b>1,214,263,201</b>	<b>115,726,115</b>	<b>(170,004,594)</b>	-	-	<b>6,000,000</b>	-	<b>(6,000,000)</b>	<b>1,159,984,722</b>

The notes on pages 17 to 56 are an integral part of these financial statements.



# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE NINE MONTH PERIODS ENDED 30 SEPTEMBER 2017 AND 2016

Amounts in Euro	Notes	9 months 30-09-2017 (unaudited)	9 months 30-09-2016 (unaudited)	3rd Quarter 2017 (unaudited)	3rd Quarter 2016 (unaudited)
<b>OPERATING ACTIVITIES</b>					
Payments from customers		1,276,004,762	1,221,459,101	426,907,601	394,891,541
Payments to suppliers		960,063,557	996,918,018	292,360,666	312,143,177
Payments to employees		88,307,790	81,477,236	26,301,905	23,942,845
Cash flow from operations		<u>227,633,416</u>	<u>143,063,847</u>	<u>108,245,031</u>	<u>58,805,518</u>
Income tax received / (paid)		(51,450,135)	-	(29,931,568)	-
Other receipts / (payments) relating to operating activities		48,877,390	36,836,476	21,246,700	13,186,906
<b>Cash flow from operating activities (1)</b>		<u><b>225,060,671</b></u>	<u><b>179,900,324</b></u>	<u><b>99,560,163</b></u>	<u><b>71,992,424</b></u>
<b>INVESTMENT ACTIVITIES</b>					
<b>Inflows</b>					
Financial Investments		-	4,438,520	-	-
Government grants		-	-	-	-
Interest and similar income		1,872,784	3,390,889	355,915	2,009,917
Inflow s from investment activities (A)		<u>1,872,784</u>	<u>7,829,410</u>	<u>355,915</u>	<u>2,009,917</u>
<b>Outflows</b>					
Financial investments		-	-	-	-
Tangible assets		63,805,782	63,066,594	21,220,219	14,851,874
Outflow s from investment activities (B)		<u>63,805,782</u>	<u>63,066,594</u>	<u>21,220,219</u>	<u>14,851,874</u>
<b>Cash flows from investment activities (2 = A - B)</b>		<u><b>(61,932,998)</b></u>	<u><b>(55,237,184)</b></u>	<u><b>(20,864,304)</b></u>	<u><b>(12,841,956)</b></u>
<b>FINANCING ACTIVITIES</b>					
<b>Inflows</b>					
Borrowings		535,000,000	1,047,500,000	220,000,000	440,000,000
Inflow s from financing activities (C)		<u>535,000,000</u>	<u>1,047,500,000</u>	<u>220,000,000</u>	<u>440,000,000</u>
<b>Outflows</b>					
Borrowings		394,851,190	1,002,967,836	190,000,000	495,643,529
Interest and similar costs		9,262,882	20,061,857	3,044,031	4,474,223
Acquisition of treasury shares		-	-	-	-
Dividends paid and distributed reserves	10	250,007,056	170,004,583	80,003,979	-
Outflow s from financing activities (D)		<u>654,121,128</u>	<u>1,193,034,276</u>	<u>273,048,010</u>	<u>500,117,753</u>
<b>Cash flows from financing activities (3 = C - D)</b>		<u><b>(119,121,128)</b></u>	<u><b>(145,534,276)</b></u>	<u><b>(53,048,010)</b></u>	<u><b>(60,117,753)</b></u>
<b>CHANGES IN CASH AND CASH EQUIVALENTS (1)+(2)+(3)</b>		44,006,544	(20,871,136)	25,647,848	(967,285)
<b>CHANGES IN CASH AND CASH EQUIVALENTS in the other quarters</b>		-	-	18,358,696	(19,903,851)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>		67,541,588	72,657,585	67,541,588	72,657,585
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	21	<u><b>111,548,132</b></u>	<u><b>51,786,449</b></u>	<u><b>111,548,132</b></u>	<u><b>51,786,449</b></u>

The notes on pages 17 to 56 are an integral part of these financial statements.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of 30 September 2017 and 2016

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

## Company identification

The Navigator group (“Group”) comprises The Navigator Company, S.A. (previously 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<sup>st</sup> 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<sup>st</sup> May 1993, through Decree-law 39/93, with the former assets of the two main companies, based in Cacia and Setúbal.

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

Aiming to restructure the paper industry in Portugal, Portucel, S.A. acquired Papeis Inapa, S.A. (Setúbal) in 2000 and Soporcel – Sociedade Portuguesa de Papel, S.A. (Figueira da Foz) in 2001. Those key strategic decisions resulted in the PortucelSoporcel Group (currently The Navigator Company Group), which is the largest European and one of the world’s largest producers of bleached pulp. It is also the biggest European producer of uncoated wood-free paper.

In June 2003, the Portuguese State sold a 30% stake of Portucel’s equity, which was acquired by Semapa Group. In September 2003, 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., by moving Parpublica SGPS, S.A. (formerly Portucel SGPS, S.A.) sell the remaining 25.72% it still held.

From 2009 to July 2015, more than 75% of the company’s share equity 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, Portucel group started its activity in the Tissue segment with the acquisition of AMS- BR Star Paper, SA, a company that holds and explores a tissue paper mill, located in Vila Velha de Ródão.

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

The Navigator group’s main business is the production and sale of writing and printing paper and related products, and it is present in the whole value added chain, from research and development of forestry and agricultural production, to the purchase of wood and the production and sale of bleached *eucalyptus* kraft pulp – BEKP and electric and thermal energy, as well as its commercialization.



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

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

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

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

**Share Capital:** Euros 500 000 000

**Registration N°:** 503 025 798

These consolidated financial statements were approved by the Board of Directors on 25 October 2017.

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

## 1. BASIS OF PREPARATION

The consolidated interim financial statements for the nine-month period ended September 30, 2017 were prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting.

The accompanying consolidated financial statements were prepared on a going concern basis from the accounting books and records of the companies included in the consolidation (Note 28), and under the historic cost convention, except for biological assets, available for sale financial assets and derivative financial instruments, which are recorded at fair value (Notes 23 and 14).

## 2. SUMMARY OF THE PRINCIPAL ACCOUNTING POLICIES

The accounting policies applied in the preparation of these interim consolidated financial statements are consistent to those used in the preparation of the financial statements for the year ended December 31, 2016 and stated in the respective attached notes.

### 2.1 New standards, changes and interpretations to existing standards

The interpretations and changes to existing standards identified below are mandatory for the European Union for the periods beginning on or after 1 January 2018:

#### Standards and effective changes, on or after 1 January 2018, already endorsed by

EU	Effective Date *
IFRS 9 – Financial Instruments	1 January 2018
IFRS 15 – Revenue from contracts with customers	1 January 2018

\* Periods beginning on or after

It is not expected that the introduction of these standards will have a material impact on the Navigator Group Financial Statements.



## New standards and interpretations of non-mandatory application in the European Union

There are new standards, amendments and interpretations made to existing standards, which despite having already been published, have not yet been endorsed by the European Union, and its only mandatory application in future financial years:

### Standards and effective changes, on or after 1 January 2017, not yet endorsed by

EU	Effective Date *
IAS 7 - Statement of Cash Flow s	1 January 2017
IAS 12 - Income Taxes	1 January 2017
IAS 40 - Investment Property	1 January 2018
IFRS 2 – Share-based Payment	1 January 2018
IFRS 4 - Insurance Contracts	1 January 2018
Amendments to IFRS 15 – Revenue from contracts w ith customers	1 January 2018
IFRS 16 - Leases	1 January 2019
IFRS 17 - Insurance Contracts	1 January 2021
Annual improvements to IFRSs 2014 - 2016	1 January 2017 or 1 January 2018
IFRIC 22 – Foreign Currency Transactions and Advanced Consideration	1 January 2018
IFRIC 23 – Uncertainty over income tax treatments	1 January 2019

\* Periods beginning on or after

With respect to the standards presented above, which are not yet applied, the Navigator Group has not yet concluded the calculation of all the impacts arising from its application and has opted for its non-adoption in advance. However, it does not expect them to have materially relevant effects on their equity position and results.

## 3. SEGMENT INFORMATION

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

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

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

Segment information is presented for business segments identified by the Group, namely:

- Market Pulp
- UWF Paper;
- Tissue Paper; and
- Other.

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



The group's financial information by operational segment for the nine months period ended 30 September 2017 and 2016 is shown as follows:

	30-09-2017					
	PULP MARKET	UWF PAPER	TISSUE PAPER	OTHERS	ELIMINATIONS/ UNALLOCATED	TOTAL
<b>REVENUE</b>						
Sales and services - external	141,536,396	970,894,256	55,284,103	42,081,385	-	1,209,796,139
Sales and services - intersegment	19,538,308	-	-	471,869,260	(491,407,568)	-
<b>Total revenue</b>	<b>161 074 704</b>	<b>970 894 256</b>	<b>55 284 103</b>	<b>513 950 645</b>	<b>(491 407 568)</b>	<b>1 209 796 139</b>
<b>Profit/(loss)</b>						
<b>Segmental Profit</b>	27,368,518	203,423,357	1,469,977	(46,796,149)	-	<b>185,465,703</b>
<b>Operating Profit</b>						<b>185,465,703</b>
Financial costs- net						(6,488,744)
Income tax						(33,175,866)
<b>Net profit before non-controlling interest</b>						<b>145,801,093</b>
Non-controlling interest						(6,447)
<b>Net profit</b>	-	-	-	-	-	<b>145 794 646</b>
<b>Other Information</b>						
Capital expenditure	5,829,046	45,944,860	18,527,596	8,229,130	-	78,530,633
Depreciation and impairment	(8,147,311)	(63,972,113)	(6,795,876)	(32,613,925)	-	(111,529,226)
Provisions	-	-	-	-	(3,055,219)	(3,055,219)
<b>Other Informations</b>						
<b>Segment assets</b>						
Plant, property and equipment	122,632,352	714,165,168	77,041,616	345,688,506	-	1,259,527,643
Biological assets	-	-	-	128,798,954	-	128,798,954
Available-for-sale financial assets	-	400,415	-	-	-	400,415
Inventories	23,937,496	122,134,284	10,005,017	67,698,346	-	223,775,143
Receivable and other current assets	17,094,499	135,413,211	17,167,771	3,464,704	-	173,140,184
Other accounts receivable	1,069,535	34,736,687	1,079,761	3,662,713	-	40,548,697
Other assets	4,175,422	436,557,744	423,958	158,341,842	-	599,498,966
<b>Total assets</b>	<b>168,909,304</b>	<b>1,443,407,509</b>	<b>105,718,124</b>	<b>707,655,065</b>	-	<b>2,425,690,002</b>
<b>SEGMENT LIABILITIES</b>						
Interest-bearing liabilities	2,805,080	-	1,432,616	849,302,370	-	853,540,065
Accounts Payable	9,256,702	76,354,634	9,792,637	51,538,155	-	146,942,127
Other accounts payable	3,952,460	25,617,123	1,775,667	68,068,294	-	99,413,544
Other liabilities	27,277,428	108,054,467	3,502,131	46,004,103	-	184,838,128
<b>Total liabilities</b>	<b>43,291,670</b>	<b>210,026,224</b>	<b>16,503,050</b>	<b>1,014,912,921</b>	-	<b>1,284,733,865</b>

The Group's energy sales are reported under different business segments. The amount corresponding to the total energy sales was Euros 123,953,926 in 2017 and Euros 107,251,602 in 2016. Energy sales originated in the cogeneration process, in the amount of Euros 107,933,679 (30 september 2016: Euros 92,865,276) are reported under the "Market Pulp" (30 september 2017: Euros 12,091,814, 30 september 2016: 9,432,455) and "UWF Paper" (30 de september 2017: Euros 95,841,865, 30 de September 2016: Euros 83,432,821). 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 Euros 16,020,246 (30 de september 2016: Euros 14,386,326). The segment "Other" also includes sales of wood (Euros 7,266,566) and pellets (Euros 11,986,085).

During the first half of 2017, the Navigator group entered in the auto invoicing system from EDP – Serviço Universal, S.A.. Since, at the balance sheet date no invoices related to the auto invoicing system were received, the amount to be invoiced was accrued under the caption of "Receivables and other current assets" as Accrued income.

The capital expenditure in the first nine months of 2017 refers to the development projects already disclosed, namely the increase in the Figueira da Foz pulp mill capacity, the construction of the new tissue factory in Cacia and the actual tissue operation in Vila Velha de Ródão.

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



Amounts in Euro	30-09-2017	30-09-2016
Forestry Lands	78,092,349	78,850,330
Real estate - manufacturing site of Setúbal	58,707,453	59,051,014
Real estate - manufacturing site of Cacia	12,554,340	12,329,593
Real estate - manufacturing site of Figueira da Foz	51,093,368	54,702,417
Thermoelectric plant biomass	34,131,831	40,356,646
Pellets project - EUA	96,999,546	102,205,861
Mozambique project	5,998,886	37,659,510
Others	8,110,732	18,185,501
	<b>345,688,506</b>	<b>403,340,873</b>

Forest land (Euros 78,092,349) and industrial real estate (Euros 122,355,161), in the total amount of Euros 200,447,510 (Euros 204,933,354 in 2016), are reported in the individual financial statements as investment properties. The real estate property of Vila Velha de Ródão, in the amount of 9,153,634 (Euros 9,749,910 in 2016), is included in the segment "Tissue Paper".

The majority of the assets allocated to each of the individual segments, with the exception of receivables, is located in Portugal. "Other" includes US and Mozambique, besides Portugal.

	30-09-2016					
	PULP MARKET	UWF PAPER	TISSUE PAPER	OTHERS	ELIMINATIONS/ UNALLOCATED	TOTAL
<b>REVENUE</b>						
Sales and services - external	107,185,601	973,057,681	49,895,528	25,254,926		1,155,393,736
Sales and services - intersegment	22,149,467	-	-	511,565,110	(533,714,577)	-
<b>Total revenue</b>	<b>129,335,068</b>	<b>973,057,681</b>	<b>49,895,528</b>	<b>536,820,036</b>	<b>(533,714,577)</b>	<b>1,155,393,736</b>
<b>Profit/(loss)</b>						
<b>Segmental Profit</b>	22,387,700	158,248,296	(3,528,682)	920,230	-	<b>178,027,543</b>
<b>Operating Profit</b>	-	-	-	-	-	<b>178,027,543</b>
Financial costs- net	-	-	-	-	(16,619,934)	(16,619,934)
Income tax	-	-	-	-	(27,142,575)	(27,142,575)
<b>Net profit before non-controlling interest</b>	-	-	-	-	-	<b>134,265,035</b>
Non-controlling interest	-	-	-	-	22,383	22,383
<b>Net profit</b>	-	-	-	-	-	<b>134,287,418</b>
<b>Other Information</b>						
Capital expenditure	3,611,363	13,299,373	381,244	83,266,541	-	100,558,521
Depreciation and impairment	(6,600,338)	(77,931,434)	(8,816,861)	(27,170,309)	-	(120,518,942)
Provisions	-	-	-	-	(2,961,513)	(2,961,513)
<b>Other Informations</b>						
<b>Segment assets</b>						
Plant, property and equipment	127,489,855	721,081,233	64,645,563	403,340,873	-	1,316,557,524
Biological assets	-	-	-	127,576,074	-	127,576,074
Available-for-sale financial assets	-	260,486	-	-	-	260,486
Inventories	19,380,498	153,100,990	9,631,127	59,212,035	-	241,324,650
Receivable and other current assets	14,454,184	118,737,938	17,649,924	33,050,699	-	183,892,745
Other accounts receivable	3,347,431	8,637,811	-	14,840,442	-	26,825,684
Other assets	3,875,902	491,702,891	7,895,184	37,544,329	-	541,018,306
<b>Total assets</b>	<b>168,547,870</b>	<b>1,493,521,349</b>	<b>99,821,798</b>	<b>675,564,451</b>	-	<b>2,437,455,468</b>
<b>SEGMENT LIABILITIES</b>						
Interest-bearing liabilities	2,805,080	-	27,150,881	745,255,419	-	775,211,379
Accounts Payable	8,163,875	90,668,763	9,503,332	30,291,213	-	138,627,182
Other accounts payable	8,067,270	21,624,599	777,709	51,115,014	-	81,584,592
Other liabilities	25,305,922	103,629,403	3,757,653	149,354,613	-	282,047,590
<b>Total liabilities</b>	<b>44,342,146</b>	<b>215,922,765</b>	<b>41,189,575</b>	<b>976,016,258</b>	-	<b>1,277,470,744</b>



## Sales and services rendered by region

Amounts in Euro	30-09-2017	30-09-2016
<b>PORTUGAL</b>		
UWF Paper *	141,966,015	131,814,056
Pulp *	17,818,593	14,031,731
Tissue	35,065,094	32,314,875
Others *	30,095,300	25,254,926
	<b>224,945,001</b>	<b>203,415,588</b>
<b>Rest of Europe</b>		
UWF Paper	559,161,652	574,304,324
Pulp	101,474,168	89,561,151
Tissue	20,219,009	17,360,229
Pellets	11,986,085	-
	<b>692,840,914</b>	<b>681,225,703</b>
<b>North America</b>		
UWF Paper	83,025,190	102,887,752
Pulp	-	-
	<b>83,025,190</b>	<b>102,887,752</b>
<b>Other Markets</b>		
UWF Paper	186,741,399	164,051,548
Pulp	22,243,635	3,592,720
Tissue	-	220,425
	<b>208,985,034</b>	<b>167,864,693</b>
	<b>1,209,796,139</b>	<b>1,155,393,736</b>

The market information above is presented according with the reporting segments shown above.

#### 4. OTHER OPERATING INCOME

Other operating income is detailed as follows for the nine months periods ended 30 September 2017 and 2016:

Amounts in Euro	9 months 30-09-2017	9 months 30-09-2016
Supplementary income	1,063,553	2,537,316
Grants - CO2 Emission allowances	2,119,366	2,335,448
Reversal of impairment losses in current assets	5,909	430,588
Gains on disposals of non-current assets	614,787	633,876
Gains on inventories	1,217,143	2,208,184
Government grants	20,948	299,957
Own work capitalised	2,966,683	10,735,731
Other operating income	4,946,589	3,861,279
	<b>12,954,978</b>	<b>23,042,379</b>

The decrease in "Supplementary income" is mainly due to the reduction on the tissue reels for transformation due to the increase in the internal production capacity in the Vila Velha de Ródão site.

As of 30 September 2017, "Own work capitalized" comprises Euros 2,868,315 (30 September 2016: Euros 10,605,907) of expenditure with land preparation for forestation in Mozambique.

The "Other operating income" includes the insurance compensation received, for Euros 2,819,551, as a result of the breakdown of a turbo-generator in Setubal site.



## 5. OPERATING EXPENSES

Operating expenses are detailed as follows for the nine months periods ended 30 September 2017 and 2016:

Amounts in Euro	9 months 30-09-2017	9 months 30-09-2016
Cost of inventories sold and consumed	(494,858,603)	(499,277,864)
Variation in production	(1,409,554)	14,991,558
Cost of services and materials consumed	(300,891,039)	(285,838,409)
<b>Payroll costs</b>		
<b>Remunerations</b>		
Statutory bodies - fixed	(4,559,329)	(3,613,641)
Statutory bodies - variable	(3,378,987)	(3,454,470)
Other remunerations	(75,734,803)	(73,436,642)
	<u>(83,673,120)</u>	<u>(80,504,753)</u>
<b>Social charges and other payroll cost</b>		
Pension and retirement bonus - defined benefit plans	(1,300,850)	(1,128,547)
Pension costs - defined contribution plans	(959,592)	(918,762)
Contributions to social security	(15,441,563)	(15,182,100)
Insurances	(3,141,619)	(2,428,382)
Other payroll costs	(6,663,373)	(6,123,051)
	<u>(27,506,997)</u>	<u>(25,780,842)</u>
	<u>(111,180,117)</u>	<u>(106,285,595)</u>
<b>Other costs and losses</b>		
Membership fees	(743,479)	(318,864)
Losses in inventories	(5,231,969)	(2,105,484)
Impairment losses in receivables	(511,080)	(304,536)
Impairment losses in inventories	(47,565)	-
Indirect taxes	(1,967,243)	(769,457)
Shipment costs	(3,562,940)	(3,486,125)
Water resources charges	(799,756)	(1,139,199)
Cost with CO2 emissions	(2,302,128)	(1,383,344)
Other operating costs	(2,381,501)	(1,589,944)
	<u>(17,547,662)</u>	<u>(11,096,953)</u>
Provisions	(3,055,219)	(2,961,513)
<b>Total</b>	<b><u>(928,942,193)</u></b>	<b><u>(890,468,776)</u></b>

The increase in Personnel expenses recorded in 2017 is mainly explained by the beginning of the activity of the Pellets in the United States.

On 3 May 2016 a fire broke out in the premises of Navigator Tissue Ródão, S.A., which resulted in the destruction of a group of assets. The ignition took place in the reception of raw materials and spread to the adjacent buildings, including to the parts warehouse and to the mechanical and electrical workshops, resulting in losses in inventories in the amount of Euro 2,350,454.

In 2017, the inventory losses are related with the beginning of pellets production, in which the initial starting problems generate an inventory loss of Euro 2,275,969. Additionally there was an inventory loss of Euro 2,248,300 related to the Mozambique plants.

For the nine month periods ended 30 September 2017 and 2016 the consumed and sold inventory was detailed as follows:



Amounts in Euro	9 months 30-09-2017	9 months 30-09-2016
Wood / Biomass	197 899 485	194 307 636
Natural gas	42 066 666	40 465 488
Other fuels	11 768 306	13 181 616
Water	1 521 318	1 114 198
Chemicals	104 531 465	106 806 125
BEKP pulp	12 175 246	12 061 927
Pine Pulp	32 210 613	33 483 692
UWF paper - subcontracts	5 172 609	5 062 475
Tissue Paper - subcontracts	2 994 002	2 949 751
Warehouse material	31 274 585	33 205 341
Packaging material	51 901 191	55 145 795
Other materials	1 343 117	1 493 821
	<b>494,858,603</b>	<b>499,277,863</b>

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

The reduction recorded in relation to the same period of the previous year is related to the reduction costs program M2.

For the nine months periods ended 30 September 2017 and 2016 the cost of Services and Material Consumed was detailed as follows:

Amounts in Euro	9 months 30-09-2017	9 months 30-09-2016
Communications	1,559,250	1,050,978
Maintenance and repair	23,979,383	19,195,228
Travel and accommodation	3,751,160	3,577,412
Energy and fluids	84,706,134	76,020,396
Fees	4,663,261	3,570,925
Materials	3,265,254	2,213,589
Advertising and marketing	12,054,869	10,929,345
Rentals	12,604,459	8,637,504
Insurance	8,828,192	7,496,641
Subcontrats	2,927,323	2,688,396
Specialized services	53,687,481	53,821,510
Transportation of goods	83,130,930	89,126,235
Other	5,733,343	7,510,250
	<b>300,891,039</b>	<b>285,838,409</b>

The increase in costs in 2017 was generally driven by the continuous production of the Pellets in the United States since the last quarter of 2016.

The increase in energy and fluids results from replacing fuel with natural gas and is also due to the scheduled maintenances of the natural gas cogeneration plants.

## 6. DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES

For the nine months periods ended 30 September 2017 and 2016, depreciation, amortization and impairment losses, net of the effect of investment grants recognized in the period were as follows:



Amounts in Euro	9 months 30-09-2017	9 months 30-09-2016
<b>Depreciation of property, plant and equipment</b>		
Land	-	-
Buildings	(8,807,721)	(8,038,378)
Equipments	(98,040,963)	(97,406,462)
Other tangible assets	(3,842,258)	(3,803,730)
	<u>(110,690,942)</u>	<u>(109,248,570)</u>
Investment grants	4,166,244	4,737,050
	<u>(106,524,698)</u>	<u>(104,511,520)</u>
<b>Impairments</b>		
CO2 Emission allowances	-	(1,528,587)
Impairments	(5,004,528)	(14,478,835)
	<u>(5,004,528)</u>	<u>(16,007,422)</u>
	<b><u>(111,529,226)</u></b>	<b><u>(120,518,942)</u></b>

## 7. NET FINANCIAL RESULTS

Financial results are detailed as follows for the nine month periods ended 30 September 2017 and 2016:

Amounts in Euro	9 months 30-09-2017	9 months 30-09-2016
Interest paid on borrowings	(8,276,493)	(17,870,449)
Interest earned on investments	1,446,264	2,281,090
Exchange rate differences	(3,233,678)	(13,594)
Gains / (losses) on financial instruments - trading	3,977,870	462,002
Gains / (losses) on financial instruments - hedging	518,880	(1,919,204)
Guarantees and bank charges	(2,417,432)	(2,145,099)
Compensatory interest	1,536,831	2,520,197
Other financial income / (expenses)	(40,985)	65,123
	<b><u>(6,488,744)</u></b>	<b><u>(16,619,934)</u></b>

During 2017, The Navigator Company proceeded with the restructuring of its debt, engaging in new lines of financing and renegotiating the terms and conditions of the existing debt. In 2016 the amount of interest paid includes the premium paid for the early repayment of the High Yield loan in the amount of Euro 6,046,500.

In the third quarter of 2017, as result of the Euro devaluation above 1.1188 (which started in June 2017), there was a positive result in exchange hedges.

## 8. INCOME TAX

Income tax is detailed as follows for the nine month periods ended 30 September 2017 and 2016:

Amounts in Euro	9 months 30-09-2017	9 months 30-09-2016
Current tax (Note 16)	41,804,017	30,621,093
Provision / (reversal) for current tax	(20,296,470)	(3,150,506)
Deferred tax (Note 18)	11,668,319	(328,012)
	<b><u>33,175,866</u></b>	<b><u>27,142,575</u></b>



As of 30 September 2017, current tax includes Euros 39,019,465 (30 September 2016: Euros 26,604,833) regarding the liability created under the aggregated income tax regime of The Navigator Company S.A.

In addition to the provisions presented in Note 20, the income tax provision also includes the excess of the corporate income tax provision, of Euro 7,501.727, related to 31 December 2016.

In the nine month periods ended 30 September 2017 and 2016, the reconciliation of the effective income tax rate was as follows:

Amounts in Euro	<b>9 months</b> <b>30-09-2017</b>		<b>9 months</b> <b>30-09-2016</b>	
<b>Profit before tax</b>		<b>178,976,959</b>		<b>161,407,610</b>
Expected tax	21.00%	37,585,161	21.00%	33,895,598
Municipal surcharge	1.37%	2,450,514	1.54%	2,760,819
State surcharge	3.91%	6,990,406	4.34%	7,760,468
Differences (a)	(6.34%)	(11,353,016)	(11.55%)	(20,665,910)
Impairment and reversal of provisions	2.80%	5,004,528	9.87%	17,667,066
Excess tax estimate	(4.19%)	(7,501,727)	(0.07%)	(125,994)
Tax benefits	0.00%	-	(7.91%)	(14,149,472)
		<b>18.54%</b>		<b>15.17%</b>
		<b>33,175,866</b>		<b>27,142,575</b>

(a) This amount is made up essentially of:

	<b>9 months</b> <b>30-09-2017</b>		<b>9 months</b> <b>30-09-2016</b>	
Capital gains / (losses) for tax purposes		-		(31,133,778)
Capital gains / (losses) for accounting purposes		-		(9,112,972)
Taxable provisions		(31,193,601)		(13,575,209)
Tax benefits		(2,918,569)		(1,550,332)
Effect of pension funds		1,277,445		(4,195,542)
Other		(8,448,970)		(15,580,930)
		<b>(41,283,695)</b>		<b>(75,148,763)</b>
<b>Tax Effect (27,5%)</b>		<b>(11,353,016)</b>		<b>(20,665,910)</b>

On 1 July 2015, a new taxation group led by The Navigator Company, S.A. arose, comprising all the companies located in Portugal in which the Group holds an interest or voting right of at least 75%, for more than a year.

The State budget law for 2017 (Lei n<sup>o</sup> 42/2016, of 28 December) stipulate the obligation of the accounting and fiscal periods being coincident.

The Income Tax Services, in response to the informational request submitted by The Navigator Company, S.A., authorized that Navigator and its subsidiaries proceed to the change of fiscal period to be coincident with the accounting period, although the five year obligation that are stated in the law.

Consequently the Navigator group changed its fiscal period with effect of 1<sup>st</sup> of January 2017, to the period between 1 of January and 31 of December.



## 9. EARNINGS PER SHARE

Earnings per share were determined as follows:

Amounts in Euro	9 months 30-09-2017	9 months 30-09-2016
Profit attributable to the Company's shareholders	145,794,646	134,287,418
Total number of issued shares	717,500,000	717,500,000
Treasury shares - period average	(489,973)	(17,156,640)
	<b>717,010,027</b>	<b>700,343,360</b>
Basic earnings per share	0.203	0.192
Diluted earnings per share	0.203	0.192

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

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

	2017		2016	
	Quantity	Quantity Accumulated	Quantity	Quantity Accumulated
Treasury shares held on January		489,973		50,489,973
Acquisitions				
January	-	489,973	-	50,489,973
February	-	489,973	-	50,489,973
March	-	489,973	-	50,489,973
April	-	489,973	(50,000,000)	489,973
May	-	489,973	-	489,973
June	-	489,973	-	489,973
July	-	489,973	-	489,973
August	-	489,973	-	489,973
September	-	489,973	-	489,973
<b>Treasury shares held on 30 September</b>		<b>489,973</b>		<b>489,973</b>
Remaining quarters				-
<b>Treasury shares held on 31 December</b>				<b>489,973</b>
<b>Average treasury shares held for the period</b>		<b>489,973</b>		<b>12,989,973</b>

## 10. APPROPRIATION OF PREVIOUS YEARS' PROFIT

Appropriations made in 2016 and 2015 were as follows:

Amounts in Euro	2016	2015
Distribution of dividends (excluding treasury shares)	170,003,077	173,946,632
Legal reserves	10,081,439	7,927,924
Balance Bonus	7,000,000	6,000,000
Net income from prior years	30,416,921	8,529,664
	<b>217,501,437</b>	<b>196,404,220</b>

The resolution for the appropriation of the 2016 net profit approved at The Navigator Company's General Meeting held on 24 May 2017, was based on the net profit for the year as defined by the accounting principles generally accepted in Portugal (Portuguese GAAP). The difference in the net profit between the two standards, totaling Euro 15,872,662 (2016: Euro 37,845,737), was transferred to retained earnings.



As a complement of the proposed net income distribution at The Navigator Company's General Meeting, it was approved the distribution of reserves in the amount of euro 0.11158 per share, in the total amount of Euro 80,003,979, distributed in 5 July 2017.

## 11. GOODWILL

### NAVIGATOR PAPER FIGUEIRA, S.A.

Goodwill amounting to Euro 428,132,254 was determined following the acquisition of 100% of the share capital of Navigator Paper Figueira, S.A., for Euro 1,154,842,000, representing the difference between the acquisition cost of the shares and the respective shareholders' equity as of the date of the first consolidation, on 1 January 2001, adjusted by the effect of the of allocation fair value to Navigator Paper Figueira's tangible assets.

The goodwill generated at 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.

On 31 December 2010, assets and liabilities related to pulp production were transferred to another Group company, as a result of a split, reducing the acquisition historical cost to Euro 492,585,012.

On 31 December 2013, real estate assets were split and transferred to Navigator Parques Industriais, S.A (previously named PortucelSoporcel Parques Industriais, S.A.) thus reducing the acquisition historical cost to Euro 385,764,077.

The book value of goodwill amounts to Euro 376,756,383, as it was amortized up to 31 December 2003 (transition date). As of that date, the accumulated depreciation amounted to Euro 51,375,870. From that date on, depreciation ceased and was replaced by annual impairment tests. If this amortization had not been interrupted, as of 30 September 2017 the net book value of the Goodwill would amount to Euro 145,564,963 (31 December 2016: Euro 154,127,609).

Every year, the Group calculates the recoverable amount of Navigator Paper Figueira's assets (to which the goodwill recorded in the consolidated financial statements is associated), based on value-in-use calculations, in accordance with the Discounted Cash Flow method. The calculations are based on past performance and business expectations with the actual production structure, using the budget for next year and projected cash flows for the following 4 years, based on a constant sales volume. As a result of the calculations, up to this date no impairment losses have been identified.

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

	2017	2016
Inflation Rate	1.0%	1.0%
Discount rate(post-tax)	7.0%	6.8%
Production growth	0.0%	0.0%
Perpetuity growth rate	-1.0%	-1.0%

The discount rate presented above is a post-tax rate equivalent to a pre-tax discount rate of 9.6% (31 December 2016: 9,60%) and has been calculated in accordance with the WACC (Weighted Average Cost of Capital) methodology, based in the following assumptions:

	2017	2016
Risk free interest rate	3.26%	2.59%
Equity risk premium (market and entity)	5.00%	5.00%
Tax rate	29.50%	29.50%
Debt risk premium	2.05%	3.22%



**NAVIGATOR TISSUE RÓDÃO, S.A.**

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

Therefore, for the purpose of preparing the consolidated financial statements for the year ended 31 December 2015, the Group proceeded to the initial consolidation of AMS, acquired by Euro 40,949,794 and presenting an Equity at the acquisition date of Euro 17,284,378 plus additional paid-in capital of Euro 2,327,500, with a total of Euro 19,611,878.

The initial acquisition difference, of Euro 21,337,916, was deduced at the government grants from AICEP and the fair value of fixed assets acquired, generating a Goodwill of Euro 583,083.

**12. OTHER INTANGIBLE ASSETS**

Over the nine months periods ended 30 September 2017 and year ended 31 December 2016, the changes in other intangible assets were as follows:

Amounts in Euro	Industrial property and other rights	CO2 emission licenses	Total
<b>Acquisition costs</b>			
<b>Amount as of 1 January 2016</b>	<b>1,100</b>	<b>4,957,007</b>	<b>4,958,107</b>
Acquisitions	3,300	960,685	963,985
Adjustments, transfers and w rite-off's	-	(2,157,043)	(2,157,043)
<b>Amount as of 30 September 2016</b>	<b>4,400</b>	<b>3,760,649</b>	<b>3,765,049</b>
Acquisitions	-	539,000	539,000
Adjustments, transfers and w rite-off's	-	-	-
<b>Amount as of 31 December 2016</b>	<b>4,400</b>	<b>4,299,650</b>	<b>4,304,048</b>
Acquisitions	-	4,131,256	4,131,256
Adjustments, transfers and w rite-off's	-	(4,555,080)	(4,555,080)
<b>Amount as of 30 September 2017</b>	<b>4,400</b>	<b>3,875,826</b>	<b>3,880,225</b>
<b>Accumulated depreciation and impairment losses</b>			
<b>Amount as of 1 January 2016</b>	<b>(1,100)</b>	<b>(25,500)</b>	<b>(26,600)</b>
Amortizations and impairment losses	(2,204)	(1,528,278)	(1,530,482)
Adjustments, transfers and w rite-off's	-	-	-
<b>Amount as of 30 September 2016</b>	<b>(3,304)</b>	<b>(1,553,778)</b>	<b>(1,557,082)</b>
Amortizations and impairment losses	(103)	1,555,603	1,555,500
Adjustments, transfers and w rite-off's	-	(1,825)	(1,825)
<b>Amount as of 31 December 2016</b>	<b>(3,407)</b>	<b>-</b>	<b>(3,407)</b>
Amortizations and impairment losses	(309)	-	(309)
Adjustments, transfers and w rite-off's	-	-	-
<b>Amount as of 30 September 2017</b>	<b>(3,716)</b>	<b>-</b>	<b>(3,716)</b>
<b>Net book value as of 1 January 2016</b>	<b>-</b>	<b>4,931,507</b>	<b>4,931,507</b>
<b>Net book value as of 30 September 2016</b>	<b>1,096</b>	<b>2,206,871</b>	<b>2,207,967</b>
<b>Net book value as of 31 December 2016</b>	<b>993</b>	<b>4,299,650</b>	<b>4,300,642</b>
<b>Net book value as of 30 September 2017</b>	<b>684</b>	<b>3,875,826</b>	<b>3,876,509</b>

On 30 September 2017, the Group held 694,514 licenses with a market value as of that date of Euro 4,910,214 (31 December 2016: 596,516 licenses with a market value of Euro 3,847,526) – Euros 7.07 per ton of CO<sub>2</sub>.

To this amount should be added acquisition contracts over 500,000 licenses that were signed in 2015, 2016 and 2017, amounting to Euro 3,535,000 as of 30 September 2017 (31 December 2016: 400,000 licenses with a value of Euro 2,778,500).



### 13. PROPERTY, PLANT AND EQUIPMENT

The changes in Property, plant and equipment, as well as in the respective accumulated depreciation and impairment losses, were as follows:

Amounts in Euro	Land	Building and other constructions	Equipments and other tangibles	Assets under construction	Total
<b>Acquisition costs</b>					
<b>Amount as of 1 January 2016</b>	<b>120,573,226</b>	<b>521,186,890</b>	<b>3,403,601,831</b>	<b>77,831,582</b>	<b>4,123,193,529</b>
Acquisitions	6,446,933	-	-	100,558,521	107,005,454
Amortizations and impairment losses	-	-	-	(14,478,835)	(14,478,835)
Disposals	-	-	(4,045,227)	-	(4,045,227)
Adjustments, transfers and write-off's	147,184	(15,231,797)	132,915,616	(107,891,908)	9,939,095
<b>Amount as of 30 September 2016</b>	<b>127,167,343</b>	<b>505,955,093</b>	<b>3,532,472,220</b>	<b>56,019,360</b>	<b>4,221,614,016</b>
Acquisitions	(5,427,789)	1,364,431	11,207,177	28,881,038	36,024,857
Amortizations and impairment losses	(2,960,025)	-	-	(28,346,303)	(31,306,328)
Disposals	-	(1,975,256)	(2,281,307)	-	(4,256,563)
Adjustments, transfers and write-off's	3,320,582	33,972,659	(16,411,896)	(27,592,527)	(6,711,182)
<b>Amount as of 31 December 2016</b>	<b>122,100,111</b>	<b>539,316,927</b>	<b>3,524,986,194</b>	<b>28,961,567</b>	<b>4,215,364,798</b>
Acquisitions	2,868,315	-	-	78,530,633	81,398,948
Amortizations and impairment losses	(5,004,528)	-	-	-	(5,004,528)
Disposals	-	(5,957)	(552,627)	-	(558,584)
Adjustments, transfers and write-off's	591,014	1,795,181	22,934,109	(25,261,630)	58,673
<b>Amount as of 30 September 2017</b>	<b>120,554,911</b>	<b>541,106,151</b>	<b>3,547,367,676</b>	<b>82,230,570</b>	<b>4,291,259,307</b>
<b>Accumulated depreciation and impairment losses</b>					
<b>Amount as of 1 January 2016</b>	<b>(170,652)</b>	<b>(345,311,469)</b>	<b>(2,456,912,321)</b>	<b>-</b>	<b>(2,802,394,442)</b>
Amortizations and impairment losses	-	(8,038,378)	(101,210,192)	-	(109,248,570)
Disposals	-	-	3,641,774	-	3,641,774
Adjustments, transfers and write-off's	-	4,496,559	(1,551,813)	-	2,944,746
<b>Amount as of 30 September 2016</b>	<b>(170,652)</b>	<b>(348,853,288)</b>	<b>(2,556,032,552)</b>	<b>-</b>	<b>(2,905,056,491)</b>
Amortizations and impairment losses	-	(2,870,811)	(15,118,340)	-	(17,989,151)
Disposals	-	-	304,358	-	304,358
Adjustments, transfers and write-off's	-	376,769	1,978,650	-	2,355,419
<b>Amount as of 31 December 2016</b>	<b>(170,652)</b>	<b>(351,347,330)</b>	<b>(2,568,867,884)</b>	<b>-</b>	<b>(2,920,385,866)</b>
Amortizations and impairment losses	-	(8,806,486)	(101,884,456)	-	(110,690,942)
Disposals	-	1,278	318,888	-	320,166
Adjustments, transfers and write-off's	-	-	(975,023)	-	(975,023)
<b>Amount as of 30 September 2017</b>	<b>(170,652)</b>	<b>(360,152,538)</b>	<b>(2,671,408,473)</b>	<b>-</b>	<b>(3,031,731,664)</b>
<b>Net book value as of 1 January 2016</b>	<b>120,402,574</b>	<b>175,875,422</b>	<b>946,689,509</b>	<b>77,831,582</b>	<b>1,320,799,087</b>
<b>Net book value as of 30 September 2016</b>	<b>126,996,691</b>	<b>157,101,805</b>	<b>976,439,667</b>	<b>56,019,360</b>	<b>1,316,557,524</b>
<b>Net book value as of 31 December 2016</b>	<b>121,929,458</b>	<b>187,969,597</b>	<b>956,118,310</b>	<b>28,961,568</b>	<b>1,294,978,932</b>
<b>Net book value as of 30 September 2017</b>	<b>120,384,259</b>	<b>180,953,613</b>	<b>875,959,202</b>	<b>82,230,570</b>	<b>1,259,527,643</b>

As of 30 September 2017 "Assets under construction" included Euro 21,422,451 (of which Euro 18,527,596 were realized in 2017) related to the investments in the tissue segment, namely the construction of the new factory in Cacia (Euro 17,772,507) and the actual tissue operation at Vila Velha de Ródão (Euro 3,649,944).

In the market pulp segment, the "Assets under construction" in the amount of Euro 6.955.626 (of which Euro 4,626,346 were realized in 2017) are related to improvements in the productive process.

The "Assets under construction" in the Paper segment, in the amount of Euro 48,823,539 (of which Euro 33,425,645 were realized in 2017) are mainly related to the increase in the pulp production capacity in Figueira da Foz site (Euro 43,121,940) as well other improvements in the productive process (Euro 5,701,599).

The remaining (Euro 5,028,954) it is expected to be fully realized by the end of the year.

Land includes Euro 117,108,055, classified in the individual financial statements as investment properties, from which Euro 78,672,291 relate to forest land and Euro 38,435,764 to land allocated to industrial sites leased to the Group. It also includes Euro 1,609,030 of land in which the new pellets plant in the USA is located.



## 14. BIOLOGICAL ASSETS

During 2017 and 2016, changes in biological assets were as follows:

Amounts in Euro	2017	2016
<b>Amount as of 1 January</b>	<b>125,612,948</b>	<b>116,996,927</b>
Logging in the period	(16,646,099)	(17,705,307)
Growth	8,797,146	5,678,323
New planted areas and replanting ( at cost )	1,579,148	1,228,926
Other changes in fair value	9,455,810	21,377,205
	<b>3,186,006</b>	<b>10,579,147</b>
<b>Amount as of September</b>	<b>128,798,954</b>	<b>127,576,074</b>
Remaining quarters		(1,963,126)
<b>Amount as of December</b>		<b>125,612,948</b>

The amounts shown as other changes in fair value correspond to planned and actual costs of asset management, changes in main assumptions (price and average cost of capital) and changes in expectations:

Amounts in Euro	30-09-2017	30-09-2016
<b>Costs of assets management</b>		
Forestry	2,216,356	2,319,191
Structure	3,915,187	3,336,749
Fixed and variable rents	7,725,604	7,497,485
Mozambique impairment project	-	(3,188,231)
	<b>13,857,146</b>	<b>9,965,194</b>
<b>Exchanges on assumptions</b>		
Wood price	(750,000)	-
WACC	5,060,000	11,412,011
Variations in other species	3,003,499	-
2017 Forest fires	(2,231,861)	-
Other expected changes	(9,482,974)	-
	<b>(4,401,336)</b>	<b>11,412,011</b>
	<b>9,455,810</b>	<b>21,377,205</b>

As of 30 September 2017 and 31 December 2016, biological assets were detailed as follows:

Amounts in Euro	30-09-2017	31-12-2016
Eucalyptus (Portugal)	117,464,259	116,413,499
Other Species (Portugal)	4,824,306	1,820,807
Eucalyptus (Mozambique)	6,510,389	7,378,642
	<b>128,798,954</b>	<b>125,612,948</b>

These amounts correspond to management's expectation of the volumes to be extracted from its woodlands as follows

Amounts in Euro	30-09-2017	30-09-2016
Eucalyptus - m3 ssc'000	10,052	11,690
Pine - wood - Ton'000 - Potencial Future of wood extraction k ton	455	481
Pine - cones - Ton'000	n/a	n/a
Coark Oak - @'000	615.0	626.0
Eucalyptus - m3 ssc'000 (Mozambique) (1)	2,326	1,988

(1) Only for areas assessed with one year or more



Concerning Eucalyptus in Portugal, the most relevant biological asset, for the nine months periods ended 30 September 2017 and 2016 the Group extracted 443,264 m<sup>3</sup>ssc and 477,233 m<sup>3</sup>ssc of wood from its owned and explored forests, respectively.

## 15. RECEIVABLES AND OTHER CURRENT ASSETS

As at 30 September 2017 and 31 December 2016, receivables and other current assets were detailed as follows:

Amounts in Euro	30-09-2017	31-12-2016
Accounts receivable	149,170,969	181,828,460
Accounts receivable - group companies (Note 24)	151,781	77,226
Other receivables	33,495,194	28,295,847
Derivative financial instruments (Note 23)	7,769,486	901,050
Accrued income	16,686,318	1,087,929
Deferred costs	6,415,134	3,687,311
	<b>213,688,882</b>	<b>215,877,823</b>

The receivables shown above are net of impairment losses.

During the first half of 2017, the Navigator group entered in the auto invoicing system from EDP – Serviço Universal, S.A.. Since, at the balance sheet date no invoices related to the auto invoicing system were received, the amount to be invoiced was accrued under the caption of "Receivables and other current assets" as Accrued income, explaining the decrease in the accounts receivable balance.

As at 30 September 2017 and 31 December 2016, other receivables were detailed as follows:

Amounts in Euro	30-09-2017	31-12-2016
Advances to employees	525,115	654,170
Advances to suppliers	1,166,447	263,153
Financial incentives receivable	42,005	58,870
Department of Commerce (EUA)	29,440,180	26,369,181
Other	2,321,448	950,472
	<b>33,495,194</b>	<b>28,295,846</b>

In 2015 the Group was subject to an investigation of alleged dumping practices in UWF imports to the United States of America, and an anti-dumping provisional tax rate was imposed over those sales, of 29.53%. On 11 January 2016, the US Department of Commerce settled the final duty rate at 7.8%. Although the actual rate is substantially lower than the initially determined margin, The Navigator Company fully disagrees with any anti-dumping margin because, in view of the calculation algorithm used by the US authorities and validated by the Navigator group's US lawyers, the Navigator group does not determine any price difference between the domestic (Portugal) and destination (US) markets in the period between August 2015 and February 2017. In view of this understanding, the Navigator group recorded an amount receivable of Euro 29,440,180 relating to all amounts settled as of this date.

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

The evolution of financial incentives to receive is detailed as follows:



Amounts in Euro	2017	2016
Amount as per 1 January	58,870	-
Increase/(decrease)	-	-
Assignments	-	646,157
Received in year	(16,865)	(587,287)
<b>Amount as of 30 September</b>	<b>42,005</b>	<b>58,870</b>
Remaining Quarters	-	-
<b>Amount as of 31 December 2016</b>		<b>58,870</b>

As at 30 September 2017 and 31 December 2016, accrued income and deferred costs were detailed as follows:

Amounts in Euro	30-09-2017	31-12-2016
<b>Accrued income</b>		
Interest receivable	1,355,284	-
Energy sales	12,198,286	-
Other	3,132,748	1,087,929
	<b>16,686,318</b>	<b>1,087,929</b>
<b>Deferred costs</b>		
Pensions and other post-employments (Note 19)	-	-
Rents	3,121,140	3,157,699
Insurance	3,002,307	483,582
Other	291,687	46,030
	<b>6,415,134</b>	<b>3,687,311</b>
	<b>23,101,452</b>	<b>4,775,240</b>

## 16. STATE AND OTHER PUBLIC ENTITIES

As at 30 September 2017 and 31 December 2016, there were no overdue debts to the State and other public entities.

Balances related with these entities were as follows:

### Current Assets

Amounts in Euro	30-09-2017	31-12-2016
<b>State and other public entities</b>		
Value added tax - refunds requested	46,255,295	49,556,436
Value added tax - to recover	6,219,832	9,824,442
Amounts pending repayment (tax proceedings decided in favor of the group)	8,504,084	10,238,472
	<b>60,979,210</b>	<b>69,619,349</b>

As at 30 September 2017, the outstanding VAT refunds requested comprised the following, by month and by company:

Amounts in Euro	Aug/2017	Sep/2017	Total
The Navigator Company, S.A.	21,616,121	20,124,346	41,740,468
Bosques do Atlântico, S.L.	-	4,514,827	4,514,827
	<b>21 616 121</b>	<b>24 639 173</b>	<b>46 255 295</b>

Until the date of issuing this report, Euro 21,616,121 of the amounts to be received as of 30 September 2017, had already been received.

As at 31 December 2016, the outstanding VAT refunds requested comprised the following, by month and by company:



Amounts in Euro	Nov/2016	Dec/2016	Total
Navigator Fine Paper, S.A.	19,897,644	24,075,341	43,972,985
Bosques do Atlântico, S.L.	-	5,583,451	5,583,451
	<b>19,897,644</b>	<b>29,658,792</b>	<b>49,556,436</b>

All these amounts were received during the first half of 2017.

### Current Liabilities

Amounts in Euro	30-09-2017	31-12-2016
<b>State and other public entities</b>		
Corporate income tax	22,618,060	42,155,907
Personal income tax - withheld on salaries	2,084,088	3,072,408
Value added tax	28,305,518	31,794,573
Social security	2,480,075	2,447,250
Additional liabilities	1,463,127	1,465,022
Others	696,972	162,901
	<b>57,647,841</b>	<b>81,098,059</b>

As previously mentioned, from July 1, 2015, the subsidiaries of Navigator Group failed to integrate the tax group Semapa and have joined the tax group The Navigator Company. Therefore, although each group company calculates its income taxes as if it was taxed independently, the determined liabilities are recognized as due to the leader of the taxation group, The Navigator Company, S.A., who will proceed with the overall computation and the settlement of the income tax.

Corporate income tax is detailed as follows:

Amounts in Euro	30-09-2017	31-12-2016
Corporate income tax (Note 8)	41,804,017	41,728,178
Payments on account of corporate income tax	(30,103,238)	(950,333)
Withholding Tax	(890,057)	(6,895)
Corporate Income Tax to pay from 1 January 2016 to 30 June 2016	-	(11,058,747)
Corporate income tax - Decree law n.º 66/2016 (Revaluation Regime)	10,471,202	10,471,202
Other receivables / payables	1,336,136	1,972,502
<b>Final Balance</b>	<b>22,618,060</b>	<b>42,155,907</b>

The "Other receivable / payables" relates to the amount of income tax payable by the subsidiary Navigator group located in Belgium.

The changes in the provision for additional tax liabilities during the nine month period ended 30 September 2017 and the year ended 31 December 2016 were as follows:

Amounts in Euro	2017	2016
<b>As of 1 January</b>	1,465,022	8,044,968
Increase	-	1 750 498
Transfers	-	2 676 054
Decrease	(1,895)	(6,298,928)
<b>As of 30 September</b>	<b>1,463,127</b>	<b>6,172,592</b>
Remaining quarters		(4,707,570)
<b>As of 31 December</b>		<b>1,465,022</b>

On 30 September 2017 and 31 December 2016 the additional tax liabilities include interest on deferred payments and are detailed as follows:

Amounts in Euro	30-09-2017	31-12-2016
Tax consolidation group	-	-
Others	1,463,127	1,465,022
	<b>1,463,127</b>	<b>1,465,022</b>

## 17. SHARE CAPITAL AND TREASURY SHARES

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

As at 30 September 2017, The Navigator Company's share capital is Euro 500,000,000 and is fully subscribed and paid for, it is represented by Euro 717,500,000 shares with no nominal value.

At the General Meeting held on September 21, 2017, a capital reduction of 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 capital released.

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

Amounts in Euro	2017		2016	
	Quant	Value	Quant	Value
<b>Treasury shares held in January</b>	<b>489,973</b>	<b>1,002,084</b>	<b>50,489,973</b>	<b>96,974,466</b>
Acquisitions				
January	-	-	-	-
February	-	-	-	-
March	-	-	-	-
April	-	-	(50,000,000)	(95,972,382)
May	-	-	-	-
June	-	-	-	-
July	-	-	-	-
August	-	-	-	-
September	-	-	-	-
	-	-	(50,000,000)	(95,972,382)
<b>Treasury shares held in September</b>	<b>489,973</b>	<b>1,002,084</b>	<b>489,973</b>	<b>1,002,084</b>
Remaining quarters			-	-
<b>Treasury shares held in December</b>			<b>489,973</b>	<b>1,002,084</b>

At the General Meeting held on 19 April 2016, a reduction of the Company's share capital from Euro 767,500,000 to Euro 717,500,000 was approved, through the cancellation of 50,000,000 treasury shares held by the Company, amounting to Euro 50,000,000. The acquisition premium, in the amount of Euro 52,259,101 was deducted to reserves.

The market value of the treasury shares held on 30 September 2017 amounted to Euro 2,020,649 (31 December 2016: Euro 1,599,762), corresponding to a unit value of Euro 4,124 (31 December 2016: Euro 3,265) and the market capitalization amounted to Euro 2,958,970,000 compared to an equity, net of non-controlling interests, of Euro 1,138,555,336.

As at 30 September 2017 and 31 December 2016, the shareholders with significant positions in the Company's capital were as follows:



Entity	30-09-2017		31-12-2016	
	Nr. of shares	% Entity	Nr. of shares	% Entity
Seinpar Investments, BV	241,583,015	33.67%	241,583,015	33.67%
Semapa, SGPS, S.A.	256,033,284	35.68%	256,033,284	35.68%
Other Semapa's Group companies	1,000	0.00%	1,000	0.00%
Zoom Lux S.A.L.R.	15,349,972	2.14%	15,349,972	2.14%
Treasury Shares	489,973	0.07%	489,973	0.00%
Post-employment benefits - BPI Bank	30,412,133	4.24%	30,412,133	4.24%
Norges Bank (the Central Bank of Norway)	15,498,902	2.16%	15,498,902	2.16%
Other Shareholders	158,131,721	22.04%	158,131,721	22.04%
<b>Total</b>	<b>717,500,000</b>	<b>100.00%</b>	<b>717,500,000</b>	<b>100.00%</b>

## 18. DEFERRED TAXES

As at 2017 and 2016, the changes in assets and liabilities as a result of deferred taxes were as follows:

Amounts in Euro	1 January 2017	Income Statement		Equity	30 September 2017
		Increases	Decreases		
<b>Temporary differences originating deferred tax assets</b>					
Taxed provisions	-	-	-	15,400,000	15,400,000
Adjustments in fixed assets	1,328,771	-	(3,598)	-	1,325,174
Financial instruments	110,794,106	-	(8,982,886)	-	101,811,220
Deferred accounting gains on inter-group transactions	8,859,457	-	-	(7,558,949)	1,300,508
Valuation of biological assets	30,432,333	9,655,603	(3,296,340)	-	36,791,596
Government grants - Investment incentives	9,308,071	-	(1,094,057)	-	8,214,014
	160,722,738	9,655,603	(13,376,880)	7,841,051	164,842,512
<b>Temporary differences originating deferred tax liabilities</b>					
Revaluation of fixed assets	(37,905)	-	-	-	(37,905)
Retirement benefits	(16,361)	(246)	-	(354)	(16,960)
Derivative Financial Instruments at fair value	(144,728)	-	-	-	(144,728)
Valuation of biological assets	(3,979,927)	(6,082,127)	-	-	(10,062,054)
Deferred accounting losses on inter-group transactions	(1,270,679)	(8,499,617)	221,696	326,164	(9,222,437)
Government grants	(209,580,756)	(18,772,858)	1,255,419	-	(227,098,195)
Extension of useful lives of tangible fixed assets	(2,640,661)	(9,654,313)	2,823,074	-	(9,471,900)
	(217,671,019)	(43,009,161)	4,300,188	325,810	(256,054,179)
<b>Amounts recognised in balance sheet</b>					
Deferred tax assets	44,198,753	2,655,291	(3,678,642)	2,156,289	45,331,690
	<b>44,198,753</b>	<b>2,655,291</b>	<b>(3,678,642)</b>	<b>2,156,289</b>	<b>45,331,690</b>
Deferred tax liabilities	(59,859,532)	(11,827,519)	1,182,552	89,598	(70,414,901)
	<b>(59,859,532)</b>	<b>(11,827,519)</b>	<b>1,182,552</b>	<b>89,598</b>	<b>(70,414,901)</b>



## Income Statement

Amounts in Euro	1 January 2016	Increases	Decreases	Equity	31 December 2016
<b>Temporary differences originating deferred tax assets</b>					
Taxed provisions	257,908	1,118,830	(47,967)	-	1,328,771
Adjustments in fixed assets	99,675,505	32,178,197	(21,059,596)	-	110,794,106
Financial instruments	2,263,058	-	-	6,596,399	8,859,457
Deferred accounting gains on inter-group transactions	25,439,698	5,078,787	(86,153)	-	30,432,332
Valuation of biological assets	1,275,824	-	(1,275,824)	-	-
Government grants - Investment incentives	10,766,964	-	(1,458,893)	-	9,308,071
	<b>139,678,958</b>	<b>38,375,814</b>	<b>(23,928,433)</b>	<b>6,596,399</b>	<b>160,722,738</b>
<b>Temporary differences originating deferred tax liabilities</b>					
Revaluation of fixed assets	(6,748,157)	-	6,710,252	-	(37,905)
Retirement benefits	(2,137,958)	(394)	8,949,104	(6,827,114)	(16,362)
Derivative Financial Instruments at fair value	(234,446)	-	-	89,718	(144,728)
Valuation of biological assets	-	(3,979,927)	-	-	(3,979,927)
Deferred accounting losses on inter-group transactions	-	(2,652,963)	12,301	-	(2,640,662)
Government grants	(11,991,792)	(319,179)	10,535,135	505,157	(1,270,679)
Extension of useful lives of tangible fixed assets	(299,964,933)	(9,290,037)	99,674,214	-	(209,580,756)
	<b>(321,077,287)</b>	<b>(16,242,500)</b>	<b>125,881,006</b>	<b>(6,232,239)</b>	<b>(217,671,021)</b>
<b>Amounts recognised in balance sheet</b>					
Deferred tax assets	38,411,713	10,553,349	(6,580,319)	1,814,010	44,198,753
Tax Incentives for Investment	12,522,612	-	(12,522,612)	-	-
	<b>50,934,325</b>	<b>10,553,349</b>	<b>(19,102,931)</b>	<b>1,814,010</b>	<b>44,198,753</b>
Deferred tax liabilities	(88,296,253)	(4,466,687)	34,617,277	(1,713,868)	(59,859,532)
	<b>(88,296,253)</b>	<b>(4,466,687)</b>	<b>34,617,277</b>	<b>(1,713,868)</b>	<b>(59,859,532)</b>

In the measurement of the deferred taxes as at 30 September 2017 and 31 December 2016, the corporate income tax rate used was 27.5%.

## 19. PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

### 19.1 Introduction

Until 2013, several retirement and survivor plans together with retirement bonus, coexisted within the Group. For certain categories of active employees, in addition to the plans described below, additional plans also existed, financed through independent funds assigned to cover those additional responsibilities.

Under the prevailing Social Benefits Regulation, permanent employees of The Navigator Company that chose not to move to the defined contribution plan, together with the retired employees as of the transition date (1 January 2009) and from 1 January 2014, the former employees of Navigator Paper Figueira, Navigator Forest Portugal, RAIZ, Empremédia and Navigator Lusa, are entitled, after retirement in case of disability, to a monthly retirement pension or disability supplement. This is calculated according to a formula, which considers the beneficiary's gross monthly remuneration updated to the work category at the date of retirement and the number of years of service, up to a limit of 30 (limit of 25 to Navigator Paper Figueira, Navigator Forest Portugal, Empremédia, Navigator Lusa and RAIZ), including a survivor pension to the spouse and direct descendants.

To cover this liability, externally managed pension funds were set up, and the funds' assets are apportioned between each of the companies.

In 2010 and 2013, the Group completed the necessary procedures to convert the defined benefit plans of its subsidiaries The Navigator Company, Navigator Paper Figueira, Navigator Forest Portugal, Empremédia, S.A., RAIZ and Navigator Lusa, to defined contribution plans for the current employees, keeping the acquired benefits of former employees as defined benefit plans. The acquired rights attributable to former employees and retirees in case they leave the company or in case of a job change or retirement remains unchanged. Não obstante, na sequência de um processo negocial com os seus Colaboradores, fruto das referidas alterações ao fundo de pensões, a Navigator Paper Figueira permitiu que, até ao dia 16 de janeiro de 2015 os Colaboradores no ativo a 1 de janeiro de 2014 optassem por uma das seguintes alternativas:

- i) Alternative A – Benefit safeguard plan, or;
- ii) Alternative B – Pure defined contribution plan.



This possibility to choose between these two alternatives was granted to the employees in early 2015, with reference to the situation as of 31 December 2013, aiming to bypass the changes that had been made to the Navigator Paper Figueira pension plan, by simulating that the option had been granted as of 1 January 2014, by the time of the conversion of the defined benefit plan into a defined contribution plan.

#### Alternative A – Benefit safeguard plan

In general terms, employees that chose alternative A retain the option, as of the retirement date, of the defined benefit plan in force until 31 December 2013 based on the employee's seniority as of that date. They also benefit from a defined contribution plan until they reach 25 year seniority in the Company.

From a practical point of view, this alternative allows the employees to benefit from two autonomous accounts:

- (i) **Account 1:** which includes an initial contribution corresponding to the amounts delivered to the pension fund under the previous defined benefit plan, in the amount of the liabilities for past services computed as of 31 December 2013, together with the monthly contributions made by the Company during 2014 to the defined contribution plan; and,
- (ii) **Account 2:** including the future monthly contributions to be made by the Company until the employees complete 25 years of service in Navigator Paper Figueira, amounting to 2% of the pensionable salary..

The balance of the Account 1 will be assigned to cover the liabilities associated to a defined benefit (resulting in receiving a pension corresponding to the existing liabilities in the previous defined benefit plan computed as of 31 December 2013), as the employees that chose Alternative A trigger the Safeguard Clause.

Employees that choose to trigger the Safeguard Clause also benefit from a life rent, acquired from an insurance company with the funds accumulated in Account 2.

Employees that do not trigger the Safeguard Clause will benefit from the life rent acquired from the insurance company with the funds accumulated in Accounts 1 and 2.

This means that the benefits awarded by the employees that chose not to trigger the Safeguard Clause will correspond to those that would result in a defined contribution plan, with the corresponding contributions being computed as the sum of the "deposited" contributions in Accounts 1 and 2 (without any adjustment / actuarial update).

#### Alternative B – Pure defined contribution plan

Employees that chose Alternative B will have access to a defined contribution plan, under which the Company will perform monthly contributions corresponding to 4% of their pensionable salary until the date of retirement or termination of employment contract, with no limitations.

Thus, under this alternative, employees benefit from a single account, which will be composed by the accumulated balance of the following contributions:

- initial contribution, corresponding to past service liabilities, computed with reference to 31 December 2013 under the previous defined benefit plan, with a 25% premium;
- contributions made by Navigator Paper Figueira during 2014; and
- future contributions to be made by Navigator Paper Figueira at a 4% rate.

The benefit to be awarded by employees who, until 16 January 2015, had chosen this alternative, will correspond to the value of the life rent that can be acquired from an insurance company with the total accumulated contributions of each employee as of the date of retirement.

The Group also holds liabilities related to post-employment defined benefit plans regarding The Navigator Company employees that chose not to accept the conversion to defined contribution plan, together with former employees, retirees or, when applicable, with granted rights – 13 employees this current year and the previous.



As at 30 September 2017 and 31 December 2016 the coverage of the companies' liabilities by the assets of the funds was as follows:

Amounts in Euro	30-09-2017	31-12-2016
Past service liabilities		
- Active Employees	60,301,543	62,591,075
- Former Employees	19,652,421	17,035,183
- Retired Employees	69,805,552	69,251,641
Market value of the pension funds	(142,849,141)	(142,420,782)
	<b>6,910,375</b>	<b>6,457,116</b>
<b>Insufficient funds/ overfunding</b>	<b>6,910,375</b>	<b>6,457,116</b>

The number of active employees that benefit from pension funds as at 30 September 2017 is 548 (31 December 2016: 570) in a universe of 3,165 employees (2016: 3,111 employees), considering that in 2017 was negotiated the creation of new benefit plans which liability is already booked in the balance sheet.

## 19.2 Assumptions used in the valuation of the liabilities

The actuarial studies carried out by an independent entity for the purpose of determining the accumulated liabilities as at 30 September 2017 and 31 December 2016 were based on the following assumptions:

	30-09-2017	31-12-2016	Real outcome	
			2017	2016
Disability Table	EKV 80	EKV 80	-	-
Mortality Table	TV 88/90	TV 88/90	-	-
Wage growth rate	1.00%	1.00%	1.00%	1.00%
Technical interest rate	2.00%	2.00%	-	-
Return rate on plan assets	2.00%	2.00%	2.66%	3.74%
Pensions growth rate	0.75%	0.75%	0.75%	0.75%

The discount rates used in this study were selected over the return rates of a bonds' portfolio, namely Markit iBoxx Eur Corporates AA 10+. From the portfolio, bonds with adequate maturity and rating were selected according to the amount and period cash outflows that will occur in regard to the payment of the benefits to employees.

The following table presents the five-year historical information on the present value of liabilities, the market value of the funds, non-financed liabilities and net actuarial gains/ (losses). This information from 2012 to 2017 was as follows:

Amounts in Euro	2012	2013	2014	2015	2016	09-2017
Present value of liabilities	122,365,002	65,657,042	70,188,472	139,312,363	148,877,898	149,759,516
Fair value of plan assets	117,050,324	69,558,535	71,666,181	143,067,688	142,420,782	142,849,141
Surplus/(deficit)	(5,314,678)	3,901,493	1,477,709	3,755,326	(6,457,116)	(6,910,375)

### 19.3 Retirements and pension supplements

The movements in liabilities with retirement and pensions plans in 2017 and 2016 were as follows:

Amounts in Euro	2017	2016
Opening Balance	148,877,898	139,312,363
Actuarial gains/(losses) (difference between actual and expected returns)	398,658	776,047
Costs recognised in the Income Statement	3,738,305	4,099,256
Pensions paid	(3,255,344)	(3,111,633)
<b>As of 30 September</b>	<b>149,759,516</b>	<b>141,076,031</b>
Remaining quarters		7,801,867
<b>As of 31 December</b>		<b>148,877,898</b>

The funds set up to cover the above mentioned liabilities had the following movement in 2017 and 2016:

Amounts in Euro	2017	2016
Opening balance	142,420,782	143,067,688
Expected return in the period	2,136,269	2,645,227
Actuarial gains/(losses)	1,547,435	(2,432,706)
Pensions paid	(3,255,344)	(3,111,633)
<b>As of 30 September</b>	<b>142,849,141</b>	<b>140,168,576</b>
Remaining quarters		2,252,206
<b>As of 31 December</b>		<b>142,420,782</b>

Also considering assets allocated to defined contribution of Euro 52,330,252, pension fund assets are managed by Schroders (25%), BlackRock (23%), Credit Suisse (24%) and BMO (28%), as detailed below:

Amounts in Euro	2017	2016
Defined Benefit:		
Ocidental - Pensions	138,156	509,857
Schroders	50,156,863	48,380,746
BlackRock	45,393,031	45,254,916
Account 1 - Credit Suisse	47,161,091	48,275,263
<b>Total Defined Benefit</b>	<b>142,849,141</b>	<b>142,420,782</b>
Defined Contribution:		
Defensive Sub-Fund	8,608,041	9,592,386
Conservative Sub-Fund	25,184,327	26,890,076
Dynamic Sub-Fund	14,111,252	14,673,272
Agressive Sub-Fund	4,647,559	4,739,254
<b>Total Defined Contribution</b>	<b>52,551,179</b>	<b>55,894,988</b>
	<b>195,400,321</b>	<b>198,315,770</b>

The detail of the fund's assets as at 30 September 2017 and 31 December 2016 was as follows:

Amounts in Euro	30-09-2017	31-12-2016
Bonds	99,170,384	91,637,090
Shares	42,066,625	31,060,558
Liquidity	1,473,977	19,213,277
Other short-term applications	123,235	495,530
Real Estate	14,921	14,327
	<b>142,849,141</b>	<b>142,420,782</b>



From the assets composing the fund, all the shares and obligations presented are listed in regulated markets.

As at 30 September 2017 and 2016, the effect in the income statement of these plans was as follows:

Amounts in Euro	9 months 30-09-2017	9 months 30-09-2016
<b>Defined Benefit Plans</b>		
Current services	1,603,539	1,576,204
Interest expenses	2,134,766	2,523,052
Return of the plan assets	(2,136,269)	(2,645,227)
Other	(301,186)	(324,912)
	<b>1,300,850</b>	<b>1,129,116</b>
<b>Defined Contribution Plans</b>		
Contribution to the plan	959,592	918,762
	<b>959,592</b>	<b>918,762</b>
<b>Costs for the period</b>	<b>2,260,442</b>	<b>2,047,878</b>

## 20. PROVISIONS

At 2017 and 2016, changes in provisions were as follows:

Amounts in Euro	Legal Claims	Tax Claims	Other	Total
<b>Amount as of 1 January 2016</b>	<b>2,626,049</b>	<b>56,214,594</b>	<b>364,951</b>	<b>59,205,593</b>
Increases	1,627,448	-	1,334,065	2,961,513
Reversals	-	-	-	-
Transfers	-	(5,843,914)	-	(5,843,914)
<b>Amount as of 30 September 2016</b>	<b>4,253,497</b>	<b>50,370,680</b>	<b>1,699,016</b>	<b>56,323,192</b>
Increases	225,612	1,118,830	(1,334,065)	10,377
Reversals	(2,551,114)	-	-	(2,551,114)
Transfers	372,350	(22,741,046)	(364,951)	(22,733,647)
<b>Amount as of 31 December 2016</b>	<b>2,300,344</b>	<b>28,748,464</b>	<b>-</b>	<b>31,048,808</b>
Increases	1,192,681	1,008,083	1,877,151	4,077,915
Reversals	-	(1,022,696)	-	(1,022,696)
Transfers	-	(11,857,174)	-	(11,857,174)
<b>Amount as of 30 June 2017</b>	<b>3,493,025</b>	<b>16,876,677</b>	<b>1,877,151</b>	<b>22,246,853</b>

The amount of provisions stated as "Tax claims" results from the Group's judgement at the date, about the potential disagreement with tax authorities, considering most recent updates about this events.



## 21. INTEREST-BEARING LIABILITIES AND OTHER LIABILITIES

### 21.1 Interest-bearing liabilities

As at 30 September 2017 and 31 December 2016, non-current interest-bearing debt comprised the following:

30-09-2017						
Amounts in Euro	Available amount	Outstanding amount	Maturity	Interest rate	Current	Non-current
<b>Bond Loans</b>						
Portucel 2015-2023	200,000,000	200,000,000	September 2023	Variable rate indexed to euribor	-	200,000,000
Portucel 2016-2021	100,000,000	100,000,000	May 2021	Flat rate	-	100,000,000
Portucel 2016-2021	45,000,000	45,000,000	August 2021	Variable rate indexed to euribor	-	45,000,000
Commissions		(1,714,828)				(1,714,828)
<b>European Bank of Investment</b>						
Loan BEI Ambiente A	13,928,571	13,928,571	December 2018	Variable rate indexed to euribor	9,285,714	4,642,857
Loan BEI Ambiente B	13,333,336	13,333,336	June 2021	Variable rate indexed to euribor	3,333,333	10,000,003
Loan BEI Energia	53,125,000	53,125,000	December 2024	Variable rate indexed to euribor	7,083,333	46,041,667
Loan BEI Cacia	25,000,000	25,000,000	May 2028	Flat rate	-	25,000,000
<b>Commercial Paper Program</b>						
Commercial Paper 125M	125,000,000	125,000,000	May 2020	Variable rate indexed to euribor	-	125,000,000
Commercial Paper 70M	70,000,000	70,000,000	May 2021	Flat rate	-	70,000,000
Commercial Paper 50M	50,000,000	50,000,000	November 2017	Variable rate indexed to euribor	50,000,000	-
Commercial Paper 75M	75,000,000	75,000,000	July 2020	Variable rate indexed to euribor	-	75,000,000
Commercial Paper 50M	50,000,000	50,000,000	July 2020	Variable rate indexed to euribor	-	50,000,000
Commercial Paper 100M	100,000,000	25,000,000	March 2020	Variable rate indexed to euribor	-	25,000,000
Commissions		(578,549)				(578,549)
<b>Bank lines</b>						
Short term line 20M	20,450,714	-			-	-
Short term line Usd	8,530,748	6,208,843		Variable rate indexed to euribor	6,208,843	-
<b>Reimbursable grants</b>						
Reimbursable grants	-	4,237,695				4,237,695
		<b>853,540,066</b>			<b>75,911,224</b>	<b>777,628,841</b>

31-12-2016						
Amounts in Euro	Available amount	Outstanding amount	Maturity	Interest rate	Current	Non-current
<b>Bond Loans</b>						
Portucel 2015-2023	200,000,000	200,000,000	September 2023	Variable rate indexed to euribor	-	200,000,000
Portucel 2016-2021	100,000,000	100,000,000	May 2021	Flat rate	-	100,000,000
Portucel 2016-2021	45,000,000	45,000,000	August 2021	Variable rate indexed to euribor	-	45,000,000
Commissions		(2,109,198)				(2,109,198)
<b>European Bank of Investment</b>						
Loan BEI Ambiente A	18,571,429	18,571,429	December 2018	Variable rate indexed to euribor	9,285,714	9,285,714
Loan BEI Ambiente B	15,000,000	15,000,000	June 2021	Variable rate indexed to euribor	3,333,333	11,666,667
Loan BEI Energia	56,666,667	56,666,667	December 2024	Variable rate indexed to euribor	7,083,333	49,583,333
Loan BEI Cacia	25,000,000	25,000,000	May 2028	Flat rate	-	25,000,000
<b>Commercial Paper Program</b>						
Commercial Paper Program 125M	125,000,000	125,000,000	May 2020	Variable rate indexed to euribor	-	125,000,000
Commercial Paper Program 70M	70,000,000	70,000,000	May 2021	Flat rate	-	70,000,000
Commercial Paper Program 50M	50,000,000	50,000,000	November 2017	Variable rate indexed to euribor	50,000,000	-
Commercial Paper Program 75M	75,000,000	-	July 2020	Variable rate indexed to euribor	-	-
Commercial Paper Program 50M	50,000,000	-	July 2020	Variable rate indexed to euribor	-	-
Commercial Paper Program 100M	100,000,000	-	March 2020	Variable rate indexed to euribor	-	-
Commissions		(560,476)				(560,476)
<b>Bank Lines</b>						
Short term line 20M	20,450,714	-			-	-
<b>Reimbursable grants</b>						
Reimbursable grants	-	5,692,866				5,692,866
		<b>708,261,286</b>			<b>69,702,381</b>	<b>638,558,905</b>

On 13 May 2016, The Navigator Company paid out the remaining Portucel Senior Notes 5.375% bonds, anticipating its maturity from 2020, and amounting to Euro 150,000,000, in addition to the Euro 200,000,000 already repaid in September 2015. Simultaneously, the company contracted new financing lines, namely a bond loan of Euro 100,000,000 and a commercial paper of Euro 70,000,000, both with a maturity of five years, and contracted a loan with the European Investment Bank amounting to Euro 25,000,000, which matures in 2028. In the second half of the year 2016, the company completed two additional financing operations. A new Euro 45 million bond loan was contracted and disbursed for a period of 5 years and a new short-term Commercial Paper Program in the amount of Euro 50 million.

During the first half of 2017, the Navigator group contracted a new financing line (in the USA) amounting USD 10 million and maturity date in February 2018.



On 30 September 2017, the average cost of debt, considering interest rate, annual fees and hedging operations, was 1.6% (31 December 2016: 1.7%).

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

Amounts in Euro	30-09-2017	31-12-2016
<b>Non-current</b>		
1 to 2 years	19,297,216	19,702,382
2 to 3 years	288,194,444	11,805,556
3 to 4 years	228,194,444	138,194,445
4 to 5 years	9,861,111	232,220,643
More than 5 years	234,375,000	239,305,554
	<b>779,922,216</b>	<b>641,228,580</b>
<b>Charges</b>	<b>(2,293,375)</b>	<b>(2,669,675)</b>
	<b>777,628,841</b>	<b>638,558,905</b>

On 30 September 2017 the Group had commercial paper programs and credit lines available but not used of Euro 98.351.168 (31 December 2016: Euro 245,450,714).

As at 30 September 2017 and 31 December 2016, current interest-bearing debt was as follows:

Amounts in Euro	30-09-2017	31-12-2016
<b>Interest-bearing liabilities</b>		
Non-current	777,628,841	638,558,905
Current	75,911,224	69,702,381
	<b>853,540,066</b>	<b>708,261,286</b>
<b>Cash and cash equivalents</b>		
Cash	112,573	82,184
Short term bank deposits	70,070,749	15,536,694
Other	41,364,810	51,922,710
	<b>111,548,132</b>	<b>67,541,588</b>
<b>Interest-bearing net debt</b>	<b>741,991,934</b>	<b>640,719,698</b>

The Navigator group has a strict policy of approval of its financial counterparts, limiting their exposure according to an individual risk analysis and previously approved ceilings. Beyond these limits, there is also a diversification policy applied to the number of the Navigator group's counterparties. On 30 September 2017, the amount of Euros 41,364,810 is applied on a bound's portfolio with an appropriate rate (31 December 2016: 39,992,719). This caption also includes as of 31 December 2016, a term deposit applied to three months with a financial institution. As of 30 September 2017, the Group had no term deposits.

The evolution of the Navigator group's net debt in the periods ended 30 September 2017 and 2016 was as follows:

Amounts in Euro	9 months 30-09-2017	9 months 30-09-2016	Remaining quarters	31-12-2016
<i>As of 1 January</i>	640,719,698	654,491,758	-	654,491,758
Expenses with the issue of bond loans	2,293,378	2,811,486	(141,811)	2,669,675
Interest paid	9,262,882	20,061,857	4,454,024	24,515,881
Interest received	(1,872,784)	(3,390,889)	(1,515,323)	(4,906,212)
Dividends paid and reserves distributed	250,007,056	170,004,583	-	170,004,583
Receipts related to investment activities	-	(4,438,520)	-	(4,438,520)
Payments related to investment activities	63,805,782	63,066,594	18,118,683	81,185,277
Accumulated exchange rate differences	2,836,592	718,386	10,042,909	10,761,295
Net receipts of operating activities	(225,060,671)	(179,900,323)	(113,663,716)	(293,564,039)
Liquid debt variation	101,272,236	68,933,173	(82,705,233)	(13,772,060)
<b>As of 30 September</b>	<b>741,991,934</b>	<b>723,424,931</b>	<b>(82,705,233)</b>	<b>640,719,698</b>

Also, the movements in the Group's net debt in 30 September 2017 and 2016 were as follows:



Amounts in Euro	9 months 30-09-2017	9 months 30-09-2016	Remaining quarters	31-12-2016
Net profit for the year	145 801 093	134,265,035	82,564,744	216,829,779
Depreciation, amortization and impairment losses	111,529,226	120,518,942	46,142,181	166,661,123
Net changes in provisions	3,055,219	2,961,513	(2,540,737)	420,776
	<b>260,385,538</b>	<b>257,745,490</b>	<b>126,166,188</b>	<b>383,911,678</b>
Change in working capital	36 983 422	(8,355,748)	(17,326,196)	(25,681,944)
Acquisitions of tangible fixed assets	(76,077,628)	(114,748,793)	(26,117,264)	(140,866,057)
Dividends paid and reserves distributed	(250,007,056)	(170,004,583)	(0)	(170,004,583)
Net changes in post-employment benefits	(453,259)	(4,150,360)	(5,549,660)	(9,700,020)
Other changes in equity	11,892,393	(18,538,920)	(3,601,731)	(22,140,651)
Expenses with the issue of bond loans	954,846	1,984,008	141,811	2,125,819
Other	(84,950,491)	(12,864,266)	8,992,084	(3,872,182)
<b>Change in net debt (Free Cash Flow)</b>	<b>(101,272,236)</b>	<b>(68,933,173)</b>	<b>82,705,232</b>	<b>13,772,060</b>

## 21.2 Other liabilities

As at 30 September 2017 and 31 December 2016, the other non-current liabilities were as follows:

Amounts in Euro	30-09-2017	31-12-2016
<b>Non-current</b>		
Grants	27,141,578	31,202,382
Equipment	476,580	2,098,759
	<b>27,618,158</b>	<b>33,301,140</b>

Non-current grants correspond to investment grants to support investment projects carried out.

### Finance leases – IFRIC 4

As at 30 September 2017 and 31 December 2016, the Group showed the following equipment under finance lease plans recognized under IFRIC 4:

Amounts in Euro	30-09-2017		
	Acquisition Value	Accumulated depreciation	Net book value
Equipment - Omya	14,000,000	(12,108,108)	1,891,892
	<b>14,000,000</b>	<b>(12,108,108)</b>	<b>1,891,892</b>
Amounts in Euro	31-12-2016		
	Acquisition Value	Accumulated depreciation	Net book value
Equipment - Omya	14,000,000	(10,972,973)	3,027,027
	<b>14,000,000</b>	<b>(10,972,973)</b>	<b>3,027,027</b>

The non-current and current liabilities related to that equipment are recorded under "Other liabilities" and "Payables and other current liabilities", respectively, and are detailed as follows:

Amounts in Euro	30-09-2017	31-12-2016
<b>Non-current</b>		
Equipment	476,580	2,098,759
<b>Current</b>	3,035,878	1,771,221
	<b>3,512,458</b>	<b>3,869,980</b>



In 2009, with the launch of the new paper mill in Setubal, the Group recognized as a finance lease the cost of the Precipitated Calcium Carbonate production unit, installed by Omya, S.A. at the industry site in Setúbal for the exclusive use of the new mill. This contract foresees the transfer of the assets' ownership to About The Future, S.A., upon its termination, in 2019.

## 22. PAYABLES AND OTHER CURRENT LIABILITIES

As at 30 September 2017 and 31 December 2016, "Payables and other current liabilities" were detailed as follows:

Amounts in Euro	30-09-2017	31-12-2016
Accounts payable to suppliers	146,848,698	145,702,873
Accounts payable to fixed assets suppliers	13,929,242	13,929,955
Accounts payable to fixed assets suppliers - leases (Note 21)	3,035,878	1,771,221
Accounts payable - Related parties (Note 24)	971,882	1,281,101
Derivative financial instruments (Note 23)	3,416,719	7,726,140
Other creditors - CO2 emissions	3,419,405	4,816,632
Sales Commissions	114,632	245,291
Tax Consolidation (Semapa)	7,429,319	7,296,382
Other creditors	1,728,568	1,268,749
Accrued costs	58,706,253	65,409,507
Deferred income	6,755,075	6,383,433
	<b>246,355,671</b>	<b>255,831,284</b>

On 30 September 2017 and 31 December 2016, accrued costs and deferred income were detailed as follow:

Amounts in Euro	30-09-2017	31-12-2016
<b>Accrued costs</b>		
Payroll expenses - Annual Performance Bonus	15,016,461	14,884,168
Payroll expenses - Other	20,401,488	22,125,937
Supplier bonus	8,223,595	9,938,927
Interest Payable	2,985,877	3,308,196
Water resources rate	1,619,215	1,442,101
Others	10,459,617	13,710,176
	<b>58,706,253</b>	<b>65,409,506</b>
<b>Deferred income</b>		
Government grants	5,641,807	5,926,517
Grants - CO2 emission licenses	536,312	(28,650)
Other	576,956	485,566
	<b>6,755,075</b>	<b>6,383,433</b>



As at 30 September 2017 and 31 December 2016, deferred income on government grants was detailed as follows:

Amounts in Euro	30-09-2017	31-12-2016
<b>AICEP investment contracts</b>		
The Navigator Company, S.A.	-	-
Enerpulp, S.A.	7,584,993	8,746,163
Navigator Pulp Cacia, S.A.	13,374,550	15,102,403
Navigator Pulp Setúbal, S.A.	802,389	897,543
Navigator Pulp Figueira da Foz, S.A.	8,214,394	9,308,451
Navigator Parques Industriais, S.A.	2,121,905	2,166,423
Navigator Paper Figueira da Foz, S.A.	171,968	276,120
	<b>32,270,199</b>	<b>36,497,102</b>
<b>Other</b>		
Raiz	5,116	9 933
Viveiros Aliança, S.A.	508,070	621 863
	<b>513,186</b>	<b>631,796</b>
	<b>32,783,385</b>	<b>37,128,899</b>

During 2017 and 2016, the movements in Grants – CO2 emissions were as follows:

Amounts in Euro	2017	2016
<b>Grants - CO2 emissions</b>		
Opening balance	-	-
Increase	2,738,778	2 849 117
Utilization	(2,202,466)	(2 246 637)
<b>Closing balance September</b>	<b>536,312</b>	<b>602,480</b>
Remaining quarters		(602,480)
<b>Closing balance December</b>		<b>-</b>

This amount regards the CO2 emission allowances granted for free to several group companies (2017: 495,037 and 2016: 504,595).

## 23. FINANCIAL ASSETS AND LIABILITIES

### 23.1 Financial instruments held for trading

As at 30 September 2017 and 31 December 2016, the fair value of derivative financial instruments was as follows:

Amounts in Euro	30-09-2017			31-12-2016	
	Notional	Positive	Negative	Net	Net
<b>Trading</b>					
Forward Anti-Dumping	18,211,079	928,290	-	928,290	-
Foreign Exchange Forwards	51,010,615	1,122,970	(16,792)	1,106,178	(1,943,402)
	<b>69,221,694</b>	<b>2,051,260</b>	<b>(16,792)</b>	<b>2,034,468</b>	<b>(1,943,402)</b>

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



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

The net fair value of trading instruments – forwards – as at 30 September 2017 is Euro 2,2034,468 (31 December 2016: Euro (1,943,402)).

In addition to the acquisitions made in 2015 and 2016 of 400 000 CO2 emission licenses for delivery in 2017-2019, a supplementary acquisition of 100 000 CO2 licenses was also made in 2017, also for delivery in 2020.

## 23.2 Derivative financial instruments designated as hedging instruments

As at 30 September 2017 and 31 December 2016, the fair value of derivative financial instruments designated as hedging instruments was as follows:

Amounts in Euro	Moeda	30-09-2017			31-12-2016	
		Notional	Positive	Negative	Net	Net
<b>Hedging</b>						
Foreign Exchange Forwards (net investment)	USD	25,050,000	1,066,515	-	1,066,515	(249,275)
Foreign Exchange Forwards (future sales)	GBP	20,000,000	50,732	-	50,732	-
Foreign Exchange Forwards (future sales)	USD	99,000,000	4,617,771	-	4,617,771	901,050
Interest rate swap for commercial Paper issued	EUR	125,000,000	-	(947,667)	(947,667)	(976,674)
Swaps used to hedge the exposure to changes in the interest rate	EUR	200,000,000	-	(2,469,052)	(2,469,052)	(4,556,790)
			<b>5,735,018</b>	<b>(3,416,719)</b>	<b>2,318,299</b>	<b>(4,881,689)</b>

### Net investment

The Navigator group hedges the economic risk associated with exposure to the exchange rate of its participation in PortucelSoporcel North America. To this end, the Navigator group has entered into a foreign exchange forward maturing in November 2017, with a notional outstanding of USD 25,050,000.

This instrument is designated as a hedging of the investment in the North America subsidiary of the Navigator group, with fair value changes recognized in comprehensive income. As at 30 September 2017, the fair value reserve associated with this coverage was Euro (2,691,676) (31 December 2016: Euro (4,354,058)).

### Cash Flow Hedges – Exchange rate risk (EUR/USD), (EUR/GBP)

The Navigator 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.

In this context, during the last quarter of 2016, the Navigator group contracted a number of financial structures to cover a portion of the net foreign exchange exposure of estimated sales in USD for 2017. The derivative financial instruments contracted were Options and Zero Cost Collar, in a total amount of USD 200,000,000, which matured on 31 December 2017. As of 2017, the financial instrument was reinforced through the additional contracting of USD 147,000,000 through Options and Zero Cost Collar and GBP 53,333,333. The Navigator Group have also Options and Zero Cost Collar amounting USD 99,000,000 and GBP 20,000,000 with maturity until January 2018 and December 2017, respectively.

### Cash Flow Hedge – Interest Rate

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

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



### 23.3 Credit and receivables

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

### 23.4 Other financial liabilities

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

### 23.5 Net gains on financial assets and liabilities

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

Amounts in Euro	30-09-2017	30-09-2016
Gain/ (loss) on loans and receivables	(3,233,678)	(13,594)
Gains / (losses) on financial instruments - hedging	518,880	(1,919,204)
Gains / (losses) on financial instruments - trading	3,977,870	462,002
Interest Income:		
From deposits and other receivables	1,446,264	2,281,090
Interest expense:		
Financial liabilities measured at amortized cost	(8,276,493)	(17,870,449)
Other	(921,587)	440,221
	<b>(6,488,744)</b>	<b>(16,619,934)</b>

The fair value of derivative financial instruments is included in "Receivables and other current assets" (Note 15) and "Payables and other current liabilities" (Note 22).

The movement in the balances recognized in the statement of financial position (Notes 15 and 22) related with financial instruments was as follows:

	Change in fair value (Trading)	Change in fair value (Hedging)	Total
<b>Amount as of 1 January 2016</b>	<b>(359,770)</b>	<b>1,414,365</b>	<b>1,054,595</b>
Maturity	462,002	(1,919,204)	(1,457,202)
Increase/decrease in fair value	(732,744)	(9,692,279)	(10,425,023)
<b>Amount as of 30 September 2016</b>	<b>(630,512)</b>	<b>(10,197,118)</b>	<b>(10,827,630)</b>
Maturity	(1,987,967)	(772,133)	(2,760,100)
Increase/decrease in fair value	675,077	6,087,562	6,762,639
<b>Amount as of 1 January 2017</b>	<b>(1,943,402)</b>	<b>(4,881,689)</b>	<b>(6,825,091)</b>
Maturity	3,977,870	518,880	4,496,750
Increase/decrease in fair value	-	6,681,108	6,681,108
<b>Amount as of 30 September 2017</b>	<b>2,034,468</b>	<b>2,318,299</b>	<b>4,352,767</b>

As at 30 September 2017 and 31 December 2016, the derivative financial instruments previously summarized had the following maturities:



		30-09-2017		Type	31-12-2016	
		Nominal value	Maturity		Fair Value	Fair Value
Exchange rate forwards	USD	46,600,000	29-dez-17	Held for trading	1,122,970	(1,778,650)
	GBP	10,175,000	12-fev-18	Held for trading	(16,792)	(164,752)
Future purchase of CO2 emission licences	EUR	2,778,500	16-mar-20	Held for trading	-	-
Anti-dumping operation	USD	21,500,000	31-out-18	Held for trading	928,290	-
					<b>2,034,468</b>	<b>(1,943,402)</b>
Foreign Exchange forwards - Net Equity	USD	25,050,000	28-nov-17	Hedging Instruments	1,066,515	(249,275)
Hedging for future sales	GBP	20,000,000	31-dez-17	Hedging Instruments	50,732	-
Hedging for future sales	USD	99,000,000	31-jan-18	Hedging Instruments	4,617,771	901,050
Interest rate sw ap for commercial paper issued	EUR	125,000,000	26-mai-20	Hedging Instruments	(947,667)	(976,674)
Interest rate sw ap for loans	EUR	200,000,000	22-set-23	Hedging Instruments	(2,469,052)	(4,556,790)
					<b>2,318,299</b>	<b>(4,881,689)</b>
					<b>4,352,767</b>	<b>(6,825,091)</b>

## 24. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

The following is a breakdown of related parties' balances as at 30 September 2017 and 31 December 2016:

Amounts in Euro	30-09-2017			31-12-2016		
	Assets		Liabilities	Assets		Liabilities
	Customers	Payables	Other creditors (fiscal consolidation)	Customers	Payables	Other creditors (fiscal consolidation)
Semapa - Soc. De Investimento e Gestão, SGPS, S.A.	-	862,982	7,429,319	-	909,341	7,294,350
Secil - Companhia Geral Cal e Cimento, S.A.	14,760	204	-	10,455	370,019	-
Secil Britas, S.A.	-	7,519	-	-	8,731	-
Enermontijo, S.A.	137,021	-	-	66,771	6,708	-
Enerpar, SGPS, Lda.	-	21,448	-	-	-	-
Cimilonga - Imobiliária, S.A.	-	(13,700)	-	-	(13,700)	-
Refundos - Soc. Gestora de Fundos de Inv. Imobiliário, S.A.	-	93,430	-	-	-	-
	<b>151,781</b>	<b>971,882</b>	<b>7,429,319</b>	<b>77,226</b>	<b>1,281,099</b>	<b>7,294,350</b>

On the nine months period ended 30 September 2017 and 2016, transactions with related parties were as follows:

Amounts in Euro	30-09-2017			30-09-2016	
	Sales and services rendered	Purchases	Consumed materials and services	Sales and services rendered	Consumed materials and services
Semapa - Soc. De Investimento e Gestão, SGPS, S.A.	-	-	6,329,254	571	5,962,341
Secil - Companhia Geral Cal e Cimento, S.A.	54,927	301,000	993	54,000	1,119
Secil Britas, S.A.	-	-	27,586	-	39,597
Enermontijo, S.A.	187,474	-	85,049	609,093	211,101
Enerpar, SGPS, Lda.	-	-	169,029	-	223,748
Cimilonga - Imobiliária, S.A.	-	-	200,085	-	205,988
Refundos - Soc. Gestora de Fundos de Inv. Imobiliário, S.A.	-	-	140,145	-	-
	<b>242,401</b>	<b>301,000</b>	<b>6,952,141</b>	<b>663,664</b>	<b>6,643,893</b>

On 1 February 2013, a contract to render administrative and management services was signed between Semapa - Sociedade de Investimentos e Gestão, SGPS, SA 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 Navigator group companies.

On March 2015, The Navigator Company celebrated an agreement with Enerpar SGPS, Lda. under which paid a fee related to the promotion of its pellets project located in the United States of America, in particular for having defined and deepened several studies and initiatives including, amongst others, market analysis, real estate prospection, public entities negotiation, tax and corporate planning, projection of manufacturing facilities, equipment commissioning and customer acquisition, coordinating all these aspects in a single project.

Under the same agreement, Enerpar SGPS, Lda, will also render technical advisory services including engineering project support, coordination of work, equipment commissioning, factory ramp up, guaranteeing quality in the final product, supporting commercial contract management and training to be provided to the sales team that will be responsible to manage the customers they obtained.

Enerpar SGPS, Lda is a company that manages holdings in the renewable energy sector, holding the full equity capital of Enermontijo, SA, which has been dedicated to the productions of forest-based wood pellets for about seven years, annually producing Tons 80,000 and to whom the Navigator group sells biomass. Enerpar SGPS, Lda. is a related party as its shareholders have family relations with a non-executive Board Member of the Navigator group.



It was also celebrated a lease agreement between Navigator Paper Figueira, S.A. and Cimilonga - Houses, SA under which an office was leased in Semapa headquarters' building, in Lisbon.

The Navigator Company, SA and Refundos - Sociedade Gestora de Investimentos Imobiliário, SA, entered into a lease agreement beginning on 1 June 2017, regarding the lease of an office building located in Lisbon, Avenida Fontes Pereira de Melo.

## 25. NUMBER OF EMPLOYEES

As at 30 September 2017 the number of employees working for the Group Companies was 3,165 (31 December 2016: 3,111), and were distributed by business segment as follows:

As of 30 September 2017	MARKET PULP	UWF PAPER	TISSUE PAPER	OTHER	TOTAL
<b>Industrial / Forest site</b>					
Setúbal	-	949	-	207	1,156
Cacia	242	-	7	105	354
Figueira da Foz	-	875	-	81	956
Vila Velha de Ródão	-	-	199	-	199
Lisboa	3	41	6	56	106
Greenw ood	-	-	-	79	79
Mozambique	-	-	-	180	180
	<b>245</b>	<b>1,865</b>	<b>212</b>	<b>708</b>	<b>3,030</b>
<b>Commercial companies</b>					
Europe	7	107	9	-	123
America	-	9	-	-	9
Overseas	-	3	-	-	3
	<b>7</b>	<b>119</b>	<b>9</b>	<b>-</b>	<b>135</b>
	<b>252</b>	<b>1,984</b>	<b>221</b>	<b>708</b>	<b>3,165</b>
As of 31 December 2016	MARKET PULP	UWF PAPER	TISSUE PAPER	OTHER	TOTAL
<b>Industrial / Forest site</b>					
Setúbal	-	973	-	235	1,208
Cacia	232	-	2	62	296
Figueira da Foz	-	883	-	79	962
Vila Velha de Ródão	-	-	190	-	190
Greenw ood	-	-	-	67	67
Mozambique	-	-	-	258	258
	<b>232</b>	<b>1,856</b>	<b>192</b>	<b>701</b>	<b>2,981</b>
<b>Commercial companies</b>					
Europe	5	115	-	-	120
America	-	9	-	-	9
Overseas	-	1	-	-	1
	<b>5</b>	<b>125</b>	<b>-</b>	<b>-</b>	<b>130</b>
	<b>237</b>	<b>1,981</b>	<b>192</b>	<b>701</b>	<b>3,111</b>



## 26. COMMITMENTS

### 26.1 Commitments in favor of third-parties

As at 30 September 2017 and 31 December 2016, the Group had presented the following bank guarantees to the following entities:

Amounts in Euro	30-09-2017	31-12-2016
Customs clearance	1,835,250	1,835,250
Simria	338,829	338,829
IAPMEI	5,209,320	5,209,320
Spanish state tax agency	1,033,204	1,033,204
Other	869,131	677,601
	<b>9,285,735</b>	<b>9,094,204</b>

The guarantees in favor of IAPMEI were provided under the investment contracts celebrated between the Portuguese State and Navigator Pulp Cacia, S.A. (Euro 2,438,132) and Navigator Tissue Ródão, S.A. (Euro 2,771,188), as per the terms and conditions defined in the Payment Standard applicable to projects approved under QREN Incentive Systems

In the current quarter, The Navigator Company, S.A. assumed to BP Portugal, the responsibility of ensuring compliance with the obligations arising from the BP protocol for fuel supply card to be used by the employees associated to Navigator Clube Setúbal. The liability calculated with reference to 30 September 2017 is estimated at Euro 20,000.

As part of the final tax authority inspection report, the Navigator Company was notified (on September 4, 2017) with an additional tax payment of Euro 20,556,589. In the 2013 tax declaration, the Navigator Group deducted a significant amount of credits related to fiscal benefits related to *RFAI* generated in previous years and, with regards to Navigator understanding, could be reported. The Tax authority does not have the same understanding, having corrected the amounts of tax benefits used by the Navigator group. The Navigator group will ensure the debt and contest the settlement.

### 26.2 Compromissos de compra

In addition to the commitments described in the preceding Note, purchase commitments assumed with suppliers at 30 September 2017 amounted to Euro 176,410,863 and referred to capital expenditure on Property, plant and equipment. In 31 December 2016 these commitments amounted to Euro 75,321,090.

On 30 September 2017 and 31 December 2016, the commitments relating to operating lease contracts comprised the following:

Amounts in Euro	30-09-2017	31-12-2016
2017	479,786	1,676,818
2018	1,687,556	1,296,734
2019	1,324,736	911,759
2020	796,740	431,452
2021	363,759	59,830
Later	99,635	7,543
	<b>4,752,212</b>	<b>4,384,136</b>

As at 30 September 2017 and 31 December 2016, the undiscounted commitments relating to external group forestry land rents comprised the following:



Amounts in Euro	30-09-2017	31-12-2016
2017	1,342,779	4,068,372
2018	3,965,857	3,757,512
2019	3,818,115	3,600,680
2020	3,502,754	3,282,701
2021	3,318,277	3,112,802
Later	38,893,711	35,720,215
	<b>54,841,494</b>	<b>53,542,282</b>

## 27. CONTINGENT ASSETS

### 27.1 Tax matters

#### 27.1.1 Public Debt Settlement Fund

According to Decree-Law no. 36/93 of 13 February, the tax debts of privatized companies relating to periods prior to the privatization date (in the case of The Navigator Company, 25 November 2006) are the responsibility of the Public Debt Settlement Fund. The Navigator Company submitted an application to the Public Debt Settlement Fund on 16 April 2008 requesting the payment by the State of the tax debts raised by the tax authorities for periods before that date. On 13 December 2010, The Navigator Company presented a new application requesting the payment of debts settled by the tax authorities regarding 2006 and 2003. This application was supplemented on 13 October 2011, with the amounts already paid and uncontested regarding these debts, as well as with expenses directly related to them, pursuant to court ruling dated 24 May 2011 (Case No. 0993A/02), which confirmed the company's position regarding the enforceability of such expenses. In this context, the aforementioned Fund is liable for Euro 30,375,727, detailed as follows:

Amounts in Euro	Period	Requested amounts	1st Refund	Decrease due to RERD	Processes decided in favour of the Group	Outstanding
<b>The Navigator Company, S.A.</b>						
VAT - Germany	1998-2004	5,850,000	(5,850,000)	-	-	-
Corporate Income Tax	2001	314,340	-	-	(314,340)	-
Corporate Income Tax	2002	625,033	(625,033)	-	-	-
VAT	2002	2,697	(2,697)	-	-	-
Corporate Income Tax	2003	1,573,165	(1,573,165)	-	-	-
Corporate Income Tax	2003	182,230	(157,915)	-	(24,315)	-
Corporate Income Tax (Withheld)	2004	3,324	-	-	-	3,324
Corporate Income Tax	2004	766,395	-	-	(139,023)	627,372
Corporate Income Tax (Withheld)	2005	1,736	(1,736)	-	-	-
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
Expenses		314,957	-	-	-	314,957
		<b>33,278,628</b>	<b>(8,210,546)</b>	<b>(2,468,472)</b>	<b>(477,678)</b>	<b>22,121,932</b>
<b>Navigator Paper Figueira, S.A.</b>						
Corporate Income Tax	2002	18,923	-	-	-	18,923
Corporate Income Tax	2003	5,725,771	-	-	-	5,725,771
VAT	2003	2,509,101	-	-	-	2,509,101
Stamp duty	2004	497,669	-	-	(497,669)	-
		<b>8,751,464</b>	<b>-</b>	<b>-</b>	<b>(497,669)</b>	<b>8,253,795</b>
		<b>42,030,092</b>	<b>(8,210,546)</b>	<b>(2,468,472)</b>	<b>(975,347)</b>	<b>30,375,727</b>

#### 27.1.2 Taxes paid in litigation

At 30 September 2017, the additional tax assessments that are paid and disputed by the group are summarized as follows:

Valores em Euros	
IVA 2003	2,509,101
IRC agregado 2005	10,394,386
IRC agregado 2006	8,150,146
IRC agregado 2012	4,422,958
IRC agregado 2013	20,556,589
	<b>46,033,180</b>

## 27.2 Non-tax matters

### 27.2.1 Public Debt Settlement Fund

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

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

### 27.2.2 Infrastructure enhancement and maintenance fee

Under the licensing process n° 408/04 related to the new paper mill project, the Setubal City Council issued a settlement note to The Navigator Company regarding an infrastructure enhancement and maintenance fee ("TMUE ") amounting to Euro 1,199,560, with which the company disagrees.

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

### 27.2.3 Tax and financial incentives

The Group applied for tax and financial incentives related to the ongoing investments in Cacia and Figueira da Foz. The commitments obtained are tax benefits, respectively Euro 11.5 million and Euro 14.2 million, a fully repayable loan at zero rate of Euro 42.2 million for Cacia and a loan of Euro 5.8 million, with maximum realization premium of Euro 3.5 million for Figueira da Foz. It is expected that the signature of the respective contracts will be made by the end of the year.



## 28. COMPANIES INCLUDED IN THE CONSOLIDATION

Company	Head office	Share equity owned		
		Directly	Indirectly	Total
Parent-Company:				
The Navigator Company, S. A.	Setúbal	-	-	-
Subsidiaries:				
Navigator Paper Figueira, S.A.	Figueira da Foz	100.00	-	100.00
Navigator Lusa, Lda	Figueira da Foz	-	100.00	100.00
Navigator Parques Industriais, S.A.	Setúbal	100.00	-	100.00
Navigator Products & Technology, S.A.	Setúbal	100.00	-	100.00
Enerpulp – Cogeração Energética de Pasta, S.A.	Setúbal	100.00	-	100.00
About Balance - SGPS, S.A.	Lisboa	100.00	-	100.00
Navigator Tissue Cacia, S.A.	Aveiro	-	100.00	100.00
Navigator Tissue Ródão, S.A.	Vila Velha de Ródão	-	100.00	100.00
Navigator Internacional Holding SGPS, S.A.	Setúbal	100.00	-	100.00
Portucel Moçambique - Sociedade de Desenvolvimento Florestal e Industrial, Lda	Mozambique	20.05	60.15	80.20
Colombo Energy Inc.	EUA	25.00	75.00	100.00
Portucel Finance, Zoo	Poland	25.00	75.00	100.00
Navigator Africa, SRL	Italy	-	100.00	100.00
Navigator Floresta, SGPS, S.A.	Setúbal	100.00	-	100.00
Sociedade de Vinhos da Herdade de Espirra - Produção e Comercialização de Vinhos, S.A.	Setúbal	-	100.00	100.00
Gavião - Sociedade de Caça e Turismo, S.A.	Setúbal	-	100.00	100.00
Navigator Forest Portugal, S.A.	Setúbal	-	100.00	100.00
Afocelca - Agrupamento complementar de empresas para protecção contra incêndios, ACE	Portugal	-	64.80	64.80
Viveiros Aliança - Empresa Produtora de Plantas, S.A.	Palmela	-	100.00	100.00
Atlantic Forests, S.A.	Setúbal	-	100.00	100.00
Raiz - Instituto de Investigação da Floresta e Papel	Aveiro	-	94.00	94.00
Bosques do Atlantico, SL	Sapain	-	100.00	100.00
Navigator Pulp Holding ,SGPS, S.A.	Setúbal	100.00	-	100.00
Navigator Pulp Figueira, S.A.	Figueira da Foz	-	100.00	100.00
Navigator Pulp Setúbal, S.A.	Setúbal	-	100.00	100.00
Navigator Pulp Cacia, S.A.	Aveiro	99.93	0.07	100.00
Navigator International GmbH	Germany	-	100.00	100.00
Navigator Paper Holding ,SGPS, S.A.	Setúbal	100.00	-	100.00
Navigator Fine Paper , S.A.	Setúbal	-	100.00	100.00
About the Future - Empresa Produtora de Papel, S.A.	Setúbal	-	100.00	100.00
Navigator Paper Setúbal, S.A.	Setúbal	-	100.00	100.00
Navigator North America Inc.	USA	-	100.00	100.00
Navigator Sales & Marketing, S.A.	Belgium	25.00	75.00	100.00
Navigator Participações Holding ,SGPS, S.A.	Setúbal	100.00	-	100.00
Portucel Florestal, S.A.	Setúbal	-	100.00	100.00
Arboser – Serviços Agro-Industriais, S.A.	Setúbal	-	100.00	100.00
EMA21 - Engenharia e Manutenção Industrial Século XXI, S.A.	Setúbal	-	100.00	100.00
Ema Cacia - Engenharia e Manutenção Industrial, ACE	Aveiro	-	92.60	92.60
Ema Setúbal - Engenharia e Manutenção Industrial, ACE	Setúbal	-	91.30	91.30
Ema Figueira da Foz- Engenharia e Manutenção Industrial, ACE	Figueira da Foz	-	88.70	88.70
Empremédia - Corretores de Seguros, S.A.	Lisboa	-	100.00	100.00
EucaliptusLand, S.A.	Setúbal	-	100.00	100.00
Headbox - Operação e Contolo Industrial, S.A.	Setúbal	-	100.00	100.00
Navigator Added Value, S.A.	Setúbal	-	100.00	100.00
Navigator Switzerland Ltd.	Switzerland	25.00	75.00	100.00
Navigator Afrique du Nord	Morocco	-	100.00	100.00
Navigator España, S.A.	Spain	-	100.00	100.00
Navigator Netherlands, BV	Netherlands	-	100.00	100.00
Navigator France, EURL	France	-	100.00	100.00
Navigator Paper Company UK, Ltd	United Kingdom	-	100.00	100.00
Navigator Italia, SRL	Italy	-	100.00	100.00
Navigator Deutschland, GmbH	Germany	-	100.00	100.00
Navigator Paper Austria, GmbH	Austria	-	100.00	100.00
Navigator Paper Poland SP Z o o	Poland	-	100.00	100.00
Navigator Eurasia	Turkey	-	100.00	100.00
Navigator Rus Company, LLC	Russia	-	100.00	100.00
Navigator Abastecimento de Madeira, ACE	Setúbal	-	100.00	100.00



## 29. SUBSEQUENT EVENTS

As of the date of this report, there were no subsequent events that could be disclosed in these financial statements.

### BOARD OF DIRECTORS

Pedro Mendonça de Queiroz Pereira  
President

Diogo António Rodrigues da Silveira  
Executive Vice President

Luis Alberto Caldeira Deslandes  
Vice President

João Nuno de Sottomayor Pinto de Castello Branco  
Vice President

António José Pereira Redondo  
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



Adriano Augusto da Silva Silveira  
Board Member

Manuel Soares Ferreira Regalado  
Board Member

Paulo Miguel Garcês Ventura  
Board Member

José Miguel Pereira Gens Paredes  
Board Member

Ricardo Miguel dos Santos Pacheco Pires  
Board Member

Vitor Manuel Galvão Rocha Novais Gonçalves  
Board Member

