

INTERIM
REPORT
1st HALF
2016

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

Headquarters: Mitrena Apartado 55,
2901-861 · SETÚBAL · PORTUGAL
Corporate Entity: 503 025 798
Share Capital: €717 500 00
Registered at the Commercial
Register of Setúbal



THE
NAVIGATOR
C O M P A N Y

DIRECTORS ' REPORT ON THE FIRST HALF OF 2016

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Summary of Leading Indicators – IFRS (unaudited figures)

	H1	H1	% Change ⁽⁵⁾
in million euros	2016	2015	H1 16/H1 15
Total sales	778.6	794.9	-2.1%
EBITDA ⁽¹⁾	195.3	184.5	5.8%
Operating profits	107.9	129.7	-16.8%
Financial results	- 13.5	- 17.8	-24.6%
Net earnings	85.5	100.5	-14.9%
Cash flow	172.8	155.3	17.5
Free Cash Flow ⁽²⁾	31.3	46.9	-15.5
Capex	75.3	77.2	-1.9
Net debt ⁽³⁾	793.2	558.6	234.6
EBITDA / Sales (%)	25.1%	23.2%	1.9 pp
ROS	11.0%	12.6%	-1.7 pp
ROE	14.6%	15.0%	-0.4 pp
ROCE	11.4%	14.7%	-3.3 pp
Equity ratio	46.2%	49.6%	-3.4 pp
Net Debt / EBITDA ⁽⁴⁾	1.98	1.57	1.3 pp

	Q2	Q1	% Change ⁽⁵⁾
in million euros	2016	2015	Q2 16/Q1 16
Total sales	394.0	384.6	2.5%
EBITDA ⁽¹⁾	101.8	93.5	8.8%
Operating profits	51.5	56.4	-8.7%
Financial results	- 10.7	- 2.7	295.7%
Net earnings	40.7	44.7	-8.9%
Cash flow	91.0	81.8	0.1
Free Cash Flow ⁽²⁾	13.3	18.0	-4.8
Capex	26.3	49.0	-22.7
Net debt ⁽³⁾	793.2	636.4	156.7
EBITDA / Sales (%)	25.8%	24.3%	1.5 pp
ROS	10.3%	11.6%	-1.3 pp
ROE	13.7%	14.5%	-0.7 pp
ROCE	10.8%	12.0%	-1.2 pp
Equity ratio	46.2%	51.2%	-5.0 pp
Net Debt / EBITDA ⁽⁴⁾	1.98	1.58	1.3 pp

(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) % Change for unrounded figures



1. ANALYSIS OF RESULTS

1st Half 2016 Highlights (vs. 1st Half 2015)

The Navigator Company recorded sound performance during the first half of 2016, with turnover totalling € 778.6 million. Outstanding performance in the Group's traditional pulp and paper business resulted in its best ever first half figures for both the volume and value of paper sales. At the same time, turnover was down by 2.1% in relation to the first half of 2015 due to a reduction in the value of power sales, caused by the downwards revision of the tariff paid by the national grid for power from the Figueira da Foz cogeneration plant.

In the European market for uncoated woodfree printing and writing paper (UWF), a significant reduction in production capacity allowed capacity utilization rates in the industry to rise strongly. At the same time, exports fell and imports into the European market increased, in particular from Asia, whilst estimates point to a reduction in apparent consumption of approximately 2%. In this context, the Group recorded sales of 775.5 thousand tons, its highest ever figure for the first half of the year, up by 3.7% on its sales volume in H1 2015. The Group increased its European sales at the same time as achieving significant growth in sales to international markets. The European A4 copy B price index performed well (up 2.3%), whilst Navigator's average price for all markets edged downwards, due essentially to foreign exchange factors, concerning sterling in particular, and negative trends in the product mix.

The first half proved more difficult in bleached eucalyptus pulp (BEKP) business, where sales prices have been falling since late 2015. Navigator nonetheless recorded strong operating performance: figures for the volume of pulp placed on the market point to a rise of 10% in sales, thanks to the capacity expansion at the Cacia mill, which has resulted in increased availability of pulp for the market. The downturn in the pulp market, where the BHKP PIX index dropped 13% in dollars and 15% in euros, was also reflected in the Group's average sales price: in terms of value, sales grew by only 3%.

The Group is currently conducting pre-feasibility studies to increase pulp capacity at the Figueira da Foz mill, in order to reach 650 thousand tons of output per year. Preliminary studies are at an advanced stage but the execution of the investment is depending on the verification of a series of



economic and financial prerequisites, which will be confirmed during the second half of 2016.

Major developments in the energy sector in the first half of 2016 included the completion of maintenance and repair work on the turbogenerators at the Cacia and Setúbal pulp mills. Other planned maintenance work was carried out, notably at the natural gas cogeneration plant at the Setúbal Industrial Complex and on the Setúbal biomass power station. Total gross power generation in the first half of 2016 was accordingly down by 12.6% in relation to the same period in 2015.

As from February, natural gas cogeneration at Figueira da Foz has switched to an own-consumption only basis, reducing the volume of power sales to the national grid but also reducing purchases of electricity for one of the paper mills. Power sales decreased in volume (MWh) by 24.3%. Accordingly, the value of energy sales suffered a reduction of € 38.4 million in the first half of 2016, offset by a reduction in purchases of energy and natural gas, in the global amount of € 31 million. It is important to enhance that this amount includes € 16.9 million impact of reduction in price.

In the tissue sector, the volume of sales of products and goods from the Vila Velha de Ródão plant (in tons sold) grew by approximately 30% in the first half of 2016, thanks to the expansion in production and converting capacity over the course of 2015. The increase in quantities sold, combined with a slight decline in the average sales price, caused by changes in the product mix (increased sales of reels), resulted in tissue sales worth € 33.1 million.

The fire which occurred at the Vila Velha de Ródão mill in early May affected essentially the raw materials store, and had no impact on output of finished products, although it caused difficulties in the production of reels. The estimated impact on reel sales was € 1.0 million, and the impact on the profit and loss account for the first half was € 6.7 million (relating to write-offs and extra operating costs). At year end, the impact on the profit and loss account net from insurance compensation is estimated at approximately € 1.1 million. The two paper machines were up and running again at the end of the first half.

On the input side, the Group has recorded a further improvement in specific consumption of wood, enabling it to cut its production costs. However, the rainy weather experienced up to the end of April caused severe difficulties for forestry operations in Portugal and forced the Group to increase its purchases of wood on the international market, pushing up the average purchase cost in the first half. Overall, the impact of the change in the wood mix outweighed the reduction in specific consumption, meaning that raw material costs were higher than in the first half of 2015. Steps were



taken to reduce logistical costs associated with wood imports: these included using the port of Aveiro, although improvements are still needed for this port to be an option in future periods.

Logistical costs for paper were brought down thanks to falling oil prices, increased use of ports closer to the mills (Setúbal and Figueira) and improvements and greater efficiency in the Group's exports.

Personnel costs grew by approximately € 4.1 million in relation to the first half of 2015. This increase reflected expansion of the workforce, which increased by around 396, to a total of 3058 employees at the end of the first half, as a result of new business operations and the integration into the business model of activities which were previously outsourced. Excluding the impact of employees in new business areas and insourcing, personnel costs would have risen by only € 0.3 million, i.e. 0.6%.

During the first half, the Group proceeded with the revaluation of its biological assets, for both plantations and assumptions in the valuation model, namely in terms of the discounted rate used.

The revaluation resulted in a positive impact in the value of biological assets of € 10.8 million.

In this context, consolidated EBITDA grew to € 195.3 million, up by approximately 5.8% on the first half of 2015 and pushing the margin up by 1.9 pp to 25.1%.

Operating cash flow stood at € 172.8 million, up by 11.3 % on the same period in 2015. Despite sound operational performance, free cash flow was brought down (to € 31.3 million, as compared to € 46.9 million) due essentially to the level of capital expenditure (€ 75.3 million) and unfavourable developments in working capital (increase in stocks of raw materials and accounts receivable from the State). The anti-dumping duty applied to paper sales in the United States also had a negative impact on free cash flow of approximately € 5.2 million, although it had no effect on EBITDA. Continuous monitoring by the company of sales prices in the home market (Portugal) and the destination market (USA), confirmed by the company's legal advisers, using the same criteria as in the audit by the US Department of Commerce, shows that the best estimate of the anti-dumping duty in the period is 0% and not 7.8%.

Operating income totalled € 107.9 million, as compared to the figure of € 129.7 million recorded in the first half of 2015. This reduction is the result an increase of € 25.1 million in the account for



Depreciation and impairment, reflecting essentially upwards adjustment of the depreciation of some of the Group's assets, as a result of reassessment of their useful lives, and also the depreciation, for the first time, of the new capital projects in Cacia and Vila Velha de Ródão. This account also includes a number of adjustments resulting from the write-off of fixed assets as a result of the fire in Vila Velha de Ródão (€ 1.9 million) and the revaluation of assets in Mozambique (€ 14.5 million).

Financial results in the period showed a loss of € 13.5 million, in comparison to a loss of € 17.8 million in the first half of 2015. There was a significant reduction in interest expense, as a result of reorganisation of the Group's debt over the past twelve months. In May 2016, Navigator repaid the final tranche of Portucel Senior Notes 5.375%, amounting to € 150 million and contracted new borrowing at a lower cost and with longer maturities. However, the first half results were penalised by a non-recurrent cost of approximately € 7.9 million relating to the repayment of the Senior Notes. On the positive side, the results were boosted by reversal of provisions for tax compensatory interest with a value of € 2.4 million.

Consolidated net income for the period therefore stood at € 85.5 million, as compared with the figure of € 100.5 million recorded in 2015.

2nd Quarter 2016 vs. 1st Quarter 2015

The second quarter of 2016 compares favourably with the first quarter of the year. This improvement is consistent with the results recorded in previous years and reflects the seasonal downturn in the beginning of the year. The Group's turnover increased by 2.5%, essentially on the strength of rising sales volume in paper business, which more than offset the reduction in the sales prices for pulp and also for paper.

The volume of paper sales stood at 397.7 thousand tons, the highest ever figure recorded by the Group in a second quarter, and up by 5.3% on the first quarter of the year. All the same, the average sales price edged downwards, under the increased pressure of competition observed in the markets over the period.

Sales of BEKP pulp were slightly higher than in the previous quarter, but the downturn in prices since the start of the year meant that the value of pulp sales dropped to around 10% below the figure recorded in the first quarter of the year.



In power business, repair work was completed on the turbogenerators at the Cacia and Setúbal mills and production returned to normal during the second half, rising by 2%. In value, sales were practically identical to those recorded in the previous quarter.

In this environment, EBITDA for the quarter improved, rising to € 101.8 million, as compared to € 93.5 million in the first quarter; the EBITDA/Sales margin also performed better, rising to 25.8% (from 24.3%)

2. MARKET ANALYSIS

2.1 UWF Paper

Developments in the UWF paper market in Europe during the first half of 2016 reflect the closure of two major units in late 2015. The capacity utilization rate in the industry was high in the first half, up 2 percentage points from the same period in 2015, at 96%. At the same time, European exports dropped sharply, as European manufacturers continued to optimise their sales mix. This was accompanied by growth in imports, in particular from Asia, essentially in small format products, where imports doubled over the first four months of the year. Despite difficulties in reliably measuring the evolution of consumption, estimates point to a drop in apparent consumption in Europe of around 2%.

In the US, apparent consumption of UWF paper fell by 1.8% up to May, with a very significant drop in imports, down by around 21%, as a result of anti-dumping measures imposed on Australian, Brazilian, Chinese, Indonesian and Portuguese manufacturers. The capacity utilization rate stood at 94%, one percentage point higher than in the previous year.

In this context, the Group recorded in the first half of 2016 its highest ever figure for the volume of paper sales, up by around 3% on 2015, on the strength of continued expansion into new geographical regions and improved penetration in the Middle East and Africa. This boosted sales on international markets to a new record level for the first half of the year.



As a result, the Group continued to operate, as usual, at 100% of its capacity, with order books at comfortable levels.

2.2 BEKP Pulp

After a sharp downturn in purchases of BEKP by Chinese buyers at the start of 2016, demand appears to have rallied in recent months. Purchases for the first five months were up overall by 5.4% over the same period in 2015 and the Chinese market accounted for 75% of this growth. Nonetheless, the global capacity utilization rate for BEKP dropped from 91% in 2015 to 88% in the first half of 2016 (up to May). As a result, the benchmark price in the industry opened the year at a high level but has since followed a downwards course, dropping around 13% in USD and 15% in EUR since the start of the year, although it is now thought to have reached its lowest point.

The Group's sales bucked this trend and totalled 130 thousand tons, 10% up on the same period in the previous year, thanks to the expansion of capacity in 2015. The Group maintained its position in the decorative and special papers segment, for which its market pulps are ideally suited.

2.3 Tissue

Over the first four months of the year, demand for tissue paper in Western Europe grew by around 4-5% in relation to the same period in 2015. Over the same period, output of tissue paper increased by approximately 3%.

The Group's tissue business grew by 22% in relation to the first half of 2015. Sales on the Portuguese market stood at around € 21.3 million, accounting for 64% of total volume. Practically all the Group's other tissue sales were to Spain, totalling approximately € 12 million. Sales of tissue paper in the first half of 2016 totalled € 33.1 million.



Operating indicators

Pulp and paper

(in 000 tons)	Q1 2015	Q2 2015	Q3 2015	4Q2015	Q1 2016	Q2 2016
BEKP output	342.5	346.5	370.1	364.3	370.2	373.4
BEKP sales	57.3	61.0	66.6	67.7	64.6	65.1
UWF output	374.5	398.9	371.5	426.4	397.7	397.0
UWF sales	361.1	386.7	382.3	425.3	377.8	397.7
FOEX – BHKP Euros/ton	660	707	724	730	695	613
FOEX – A4- BCopy Euros/ton	814	814	826	832	836	830

Tissue

(in 000 tons)	Q2 2015	Q2 2015	Q3 2015	4Q2015	Q1 2016	Q2 2016
Reels Output	7.0	6.6	7.8	11.1	11.0	7.7
Output of finished goods	8.7	8.3	9.4	9.0	10.1	10.0
Sales of reels and goods	0.5	0.3	0.8	0.6	1.7	2.2
Sales of finished products	9.1	9.2	9.7	9.1	9.9	10.9

Energy

(in 000 tons)	Q2 2015	Q2 2015	Q3 2015	4Q2015	Q1 2016	Q2 2016
Output (GWh)	593.6	580.0	610.9	507.2	508.1	519.7
Sales (GWh)	518.3	505.5	523.3	413.4	389.5	385.8



3. STRATEGIC DEVELOPMENT

Over the course of the first half, the Group pressed ahead with developing the various opportunities for growth set out in its strategic plan. Investment totalled approximately € 75.3 million, including € 18.7 million in pulp, paper and tissue business, € 4.0 million on the project in Mozambique, and € 52.6 million on the pellets mill in the United States.

Tissue project

For the Cacia site, the Group has conditionally approved a project for a tissue production line, including conversion into final products, with rated annual production capacity of 70 thousand tons. This project is budgeted at € 120 million and is expected to increase the Group's production capacity to 130,000 tons/year. This project is still on hold, pending the outcome of negotiations with AICEP on a range of tax and financial incentives.

Pellets

The Colombo Energy project for a new pellets mills in the US (in Greenwood, South Carolina) went into the commissioning phase starting 18 July and produced its first pellets on 21 July. Continuous operation is due to start up on 22 August.

This mill has involved investment of USD 119.4 million and currently employs a workforce of 56, expected to rise to 69 once the project hits cruising speed.

The company underwent external audits in June with a view to sustainability certification by SFI, SBP, PEFC (CoC) and FSC (CoC), and aims to obtain the respective certifications by the end of August. To complement this, it plans to obtain EN A1 Plus certification (for the European residential market) and PFI (for the US residential market), by the end of October.

Sales operations will start up in September, aiming at both the European and American markets, in the both the industrial and residential/domestic segments.



Mozambique

In relation to the agreement signed in December 2014 with International Finance Corporation (IFC) for subscription of a 20% stake in the capital of Portucel Moçambique, Navigator has confirmed that the institution will subscribe shares with an initial amount of approximately USD 5 million. IFC's confirmation of its intention to be Navigator's partner in its capital project in Mozambique is an important step forward in implementing the Group's international development plan and serves to endorse the merits of this operation.

At this moment, our project in Mozambique is essentially a forestry venture, with the option for a future industrial project involving construction of a large-scale pulp mill. It should be noted that Navigator is currently in the process of reviewing the pace of development for its Mozambican project. This has largely been prompted by recent social and political developments in the country (with significant negative factors emerging in the past six months), but also takes into account the demands of developing a large scale forestry operation in the country.

Planting work continued during the first half of 2016, using plants supplied by the Forestry Nurseries in Luá, the largest facility of its kind in Africa. A total of 3,500 hectares were planted in the reporting period.

As already stated, the political and economic situation in the country is unstable, which presents additional challenges, in terms of the safety of everyone involved and also the security of supplies of products, materials and services needed for the project. Pressure on the Metical has resulted in inflation, a problem which became serious in 2015 and continues to increase.

As a result of these developments, Navigator decided for the sake of prudence to reassess the value of its assets in Mozambique (recognising an impairment of 18 million euros, of which € 3.5 million affects EBITDA).



4. COST CUTTING MEASURES

M2 Programme

Over the course of the 2nd quarter, the various action plans were monitored and updated in line with the organisational measures adopted. In line with the revised expectations, the programme currently estimates an impact on EBITDA in 2016 of more than € 13 million. Examples of M2 projects include the new solar power facility at the Setúbal paper mill, the largest of its kind installed in an industrial setting, which started up on 21 June, with production capacity of 3,100 MWh/year. Its impact on EBITDA in 2016 is expected to stand at € 130 thousand, rising to € 320 thousand when the project reaches cruising speed. Another highly important MR project has been the removal of fibreboard from the pallets used for small formats, coordinated by the Marketing Department, with a positive impact in 2016 currently estimated at more than € 500 thousand.

"Lean System" Programme

The Lean System pilot programme reaches the end of its first half-year cycle at the end of July, having implemented 13 projects to improve operational efficiency. Special attention should be drawn to the "Steam production levelling" project at the pulp mill on the Figueira da Foz site, which has already generated a saving of € 200 thousand. A similar project at the Setúbal paper mill is seeking to reduce the length of the planned stoppages on paper machine 4. These are required every six weeks and the project has already succeeded in shaving 2 hours off the duration of the last stoppage, resulting in added production of approximately 150 tons of paper. If the same gain is achieved on subsequent stoppages, the estimated annual impact is € 220 thousand.

The second quarter also saw the end of the first cycle of Lean Management training, in which several operational optimisation projects were presented by participants. These included a project in Cacia for optimisation of the bleaching plant, which resulted in an average daily increase of 70 tAD in April and May.



5. FINANCIAL

At the end of the first half, the Group's net debt stood at € 793.2 million, up by € 138.7 million from year-end 2015, reflecting capital expenditure of € 75.3 million and payment of dividends of € 170 million. Gross debt stood at € 841.5 million, up by € 114.3 in relation to the amount recorded at the end of the previous year.

The Net Debt/EBITDA ratio stood at 1.98 at the end of June, as compared with 1.68 at the end of 2015; this evolution was in line with expectations, considering the investment plan currently being implemented and the size of the dividends paid.

Over the past twelve months the Group has been negotiating a series of refinancing operations, which have resulted in substantial cuts in its borrowing costs and longer maturities. On 13 May 2016, Navigator repaid ahead of schedule the remainder outstanding of € 150 million of Portucel Senior Notes 5.375% issue, maturing in 2020. At the same time, the company contracted fresh borrowing, in particular through a bond issue of € 100 million, commercial paper of € 70 million, both with a maturity of 5 years, and a loan of € 25 million from the European Investment Bank, repayable in 2028. These new borrowing operation reflect current market conditions, which are more favourable than those prevailing when the company issued the bonds which it has now repaid. The repayment and refinancing of the bond issue will provide a saving, net of the redemption premium, of € 16 million over the next four years. At the end of the first half, the average borrowing cost stood at approximately 1.8% and the average maturity at 4.8 years.

6. CAPITAL MARKETS

In the first half of 2016 the capital markets presented a degree of risk aversion and a high level of volatility. The markets reacted to a series of factors, ranging from the evolution of oil prices and fears prompted by the economic slowdown observed in Asian countries at the start of the year, to the announcement of indicators of poorer growth in certain European Union countries and concerns about the weakness of the banking sector. In late June, the result of the Brexit referendum set off a wave of turbulence, drastically increasing the sense of uncertainty as to the economic and financial outlook.



In this environment, it is no surprise that most of Europe's stock exchanges closed the first half with net losses. The largest losses were recorded in Portugal, where the PSI20 was down approximately 16% as a result of the downwards revision of growth forecasts for the Portuguese economy, questions about execution of the state budget and the possibility of the European Union applying penalties. Some of the same concerns were shared in relation to the Spanish economy, where the main share index, the IBEX 35, closed the first half with a loss of 15%. The surprise turned out to be the performance of the UK stock exchange, where the FTSE closed the period with a gain of 4.2%. On the other side of the Atlantic, shares performed more strongly, with both the US DJI and above all the Brazilian Bovespa index recording gains for the first half.

With a few exceptions, pulp and paper sector securities, especially those of pulp manufacturers, were badly hit during the first six months of the year. Brazilian and Iberian companies have seen their listed share prices drop more than 40% since the start of the year.

In this environment, the Navigator Company's shares ended the first half down 30%, recording their highest level on 4 January (3.59 €/share) and their lowest level on 27 June (2.498€/share). At the close of the period, the shares were being traded at close to their lowest level, at 2.514€ /share. One positive aspect which should be highlighted was the increased liquidity of the shares, with daily trading significantly higher than the average for 2015 (up 55%).

Once the change in the company's name was approved by the General Meeting, shares started to be traded with the new ticker - **NVG** - as from **28 April 2016**.



7. OUTLOOK

The latest IMF projections have again downgraded expectations of global growth in 2016 and 2017. The world economy continues to grow, but expansion is slower, and dependent on stimulus policies implemented in developed countries. Factors contributing to uncertainty included the impact of the slowdown in China and other emerging countries in the world economy, the fragility of the banking system and the instability caused by the fall-out from the UK's referendum decision to leave the European Union. The combination of these economic concerns and a series of geopolitical risks could lead investors to postpone decisions, thereby undermining growth.

After the strong pressure on pulp prices in recent months, purchases of pulp appear to be picking up in China and other markets, and the spot price is thought to have reached its lowest point. The growing price differential between short fibre and long fibre pulp, once again close to 100 USD/ton, has led some buyers to buy BHKP pulp again instead of BSKP pulp. However, although the positive impact can still be felt from the planned production stoppages at a number of pulp mills in Brazil in June, supply is still forecast to grow significantly in 2016, 2017 and 2018, which may create renewed pressure in the market in the near future.

In the Iberian tissue market, the third quarter is traditionally the period when consumption is highest, especially in the away-from-home segment, due to the high season in the tourist activity and restaurant/catering industry. Tendencies in the wider economy in Portugal and Spain, and their impact on consumption, will be crucial to successful performance in this sector.

In terms of paper, the European market is expected to continue to benefit throughout 2016 from the recent reduction and conversion of capacity at a number of manufacturing facilities in Europe. However, the impact of the anti-dumping proceedings brought by the US authorities has continued to disrupt the balance of supply and demand in a number of geographical regions, with increased pressure in Asia, Latin America, the Middle East and Africa. Restrictions on the circulation of foreign currency and the depreciation of certain currencies in these regions have created additional difficulties. In Europe, the level of paper imports from the Asian markets has been increasing and has intensified the pressure of competition, bringing prices down across the market as a whole.



In addition, the second half of the year will be affected by the high level of uncertainty concerning the impact of Brexit. In addition to the immediate impact caused by the weakness of sterling, it is possible that further changes will emerge in the pattern of economic growth in Europe, with knock-on effects on employment and paper consumption. After a first half characterized by difficult market conditions for the pulp and paper industry, the second half is certain to bring a series of additional challenges for the market.

Setúbal, 26 July 2016



8. MANDATORY INFORMATION**DECLARATION REFERRED TO IN ARTICLE 246.1 C) OF THE SECURITIES CODE**

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

I hereby declare, under the terms and for the purposes of Article 246.1 c) of the Securities Code, that, to the best of my knowledge, the condensed financial statements of The Navigator Company, S.A., for the first half of 2016, were drawn up in accordance with the applicable accounting rules, and provide a true and fair view of the assets and liabilities and the state of affairs of the said company and the companies included in the consolidated accounts, and that the interim management report faithfully sets out the information required by Article 246.2 of the Securities Code.

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

Name	Office
Pedro Mendonça de Queiroz Pereira	Chairman of the Board of Directors
Diogo António Rodrigues da Silveira	Deputy Chairman of the Board of Directors and Chief Executive Officer
Luis Alberto Caldeira Deslandes	Deputy Chairman of the Board of Directors
João Nuno de Sottomayor P. de Castello Branco	Deputy Chairman of the Board of Directors
António José Pereira Redondo	Executive Director
João Paulo Oliveira	Executive Director
José Fernando Morais Carreira Araújo	Executive Director
Manuel Soares Ferreira Regalado	Executive Director
Nuno Miguel Moreira de Araújo dos Santos	Executive Director
Adriano Augusto da Silva Silveira	Director
José Miguel Pereira Gens Paredes	Director
Manuel Soares Ferreira Regalado	Director



Paulo Miguel Garcês Ventura	Director
Ricardo Miguel dos Santos Pacheco Pires	Director
Vitor Manuel Galvão Rocha Novais Gonçalves	Director
Miguel Camargo de Sousa Eiró	Chairman of the Audit board
Gonçalo Nuno Palha Picão Caldeira	Audit board member
Jose Manuel Oliveira Vitorino	Audit board member



**DISCLOSURE REQUIRED BY ARTICLE 9.1 a) AND c) AND ARTICLE 14.7 OF
CMVM REGULATIONS 5/2008**

(With reference to the first half of 2016)

1. INFORMATION ON SECURITIES HELD BY COMPANY OFFICERS

a) Securities issued by the company and held by company officers(*):

- António José Pereira Redondo: 6 000 shares
- Adriano Augusto da Silva Silveira: 2 000 shares

b) Securities issued by companies controlled by or controlling Portucel, held by company officers ():**

- José Miguel Pereira Gens Paredes: 70 bonds "Obrigações SEMAPA 2014/2019"
- José Fernando Morais Carreira de Araújo 100 bonds "Obrigações SEMAPA 2014/2019"

c) Acquisition, disposal, encumbrance or pledge of securities (*) () issued by the company, controlled or controlling companies by company officers and the companies referred to in b) and c):**

After the reimbursement of the bond issue on May 17th 2016, the following company officers no longer hold the following security:

- José Fernando Morais Carreira de Araújo 1 "€350,000,000 5.375% Senior Notes due 2020"
- José Miguel Pereira Gens Paredes: 1 "€350,000,000 5.375% Senior Notes due 2020"

(*) The bonds issued by The Navigator Company S.A. referred to in this item correspond to the bond with fixed rate 5.375% and maturity in May 2020, denominated €350,000,000 5.375% Senior Notes due 2020;

(**) The bonds with the name "Obrigações SEMAPA 2014/2019" correspond to bonds issued by Semapa - Sociedade de Investimento e Gestão, SGPS, S.A. with a variable rate corresponding to the 6 months EURIBOR rate, listed on the following working day TARGET immediately prior to the date of beginning of each interest period, added 3.25% per annum and maturity in 2019.



2. LIST OF HOLDERS OF QUALIFYING HOLDINGS, CALCULATED UNDER THE TERMS OF ARTICLE 20 OF THE SECURITIES CODE ON JUNE 30TH 2016:

Entity	Attributed	Number of shares	% capital	% of non-suspended voting rights
Semapa - Soc. de Investimento e Gestão, SGPS, S.A.	Directly	256,033,284	35.6841%	35.7085%
Seinpar Investments B.V.	Indirectly through Company controlled by the shareholder Semapa	241,583,015	33.6701%	33.6931%
Seminv - Investimentos, SGPS, SA	Indirectly through Company controlled by the shareholder Semapa	1,000	0.0001%	0.0001%
Total attributable to Semapa		497,617,299	69.3543%	69.4017%
Fundo de Pensões do Banco BPI	Directly	30,412,133	4.2386%	4.2415%
Total attributable to Banco BPI		30,412,133	4.2386%	4.2415%
Norges Bank (the Central Bank of Norway)	Directly	25,360,219	3.5345%	3.5369%
Total attributable to Norges Bank		25,360,219	3.5345%	3.5369%
Zoom Lux S.à.r.l	Directly	15,349,972	2.1394%	2.1408%
Total attributable to Zoom Investment SGPS		15,349,972	2.1394%	2.1408%

3. INFORMATION ON TRANSACTIONS IN OWN SHARES

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

Under the terms of d) of number 5 of Article 66 from the Companies Code, The Navigator Company S.A. informs that during the first half of 2016 there were no acquisition of own shares. During this period, the Company proceeded with a reduction in its share capital from € 767 500 000 to € 717 500 000, represented by 717 500 000 shares with nominal value of €1 each, by extinction of 50 000 owns shares held. As of Jun 30th 2016, the Company held 489 973 own shares representing 0.683% of its share capital.



CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS PERIODS ENDED 30 JUNE 2016 AND 2015

Amounts in Euro	Notes	6 months 30-06-2016	6 months 30-06-2015	2nd Quarter 2016 (Unaudited)	2nd Quarter 2015 (Unaudited)
Revenues	4				
Sales		776,642,255	793,016,759	393,038,275	405,300,021
Services rendered		1,927,941	1,906,865	964,785	822,610
Other operating income	5				
Gains on the sale of non-current assets		424,963	68,100	329,901	63,613
Other operating income		16,083,486	11,057,484	9,908,185	8,722,450
Change in the fair value of biological assets	18	6,938,246	(341,896)	7,210,135	(994,450)
Costs	6				
Cost of inventories sold and consumed		(341,691,740)	(350,920,177)	(159,053,924)	(159,467,745)
Variation in production		2,269,842	14,090,213	(14,617,229)	(5,957,184)
Cost of materials and services consumed		(184,862,994)	(206,773,701)	(92,565,056)	(106,104,648)
Payroll costs		(74,412,043)	(70,310,382)	(39,048,823)	(36,555,620)
Other costs and losses		(8,045,392)	(7,289,788)	(4,395,043)	(2,699,605)
Provisions		(1,398,423)	5,990,714	(280,559)	84,242
Depreciation, amortization and impairment losses	8	(85,955,527)	(60,841,393)	(49,975,414)	(27,757,690)
Operating results		107,920,613	129,652,799	51,515,233	75,455,992
Net financial results	10	(13,462,204)	(17,847,353)	(10,746,575)	(9,159,591)
Profit before tax		94,458,409	111,805,446	40,768,657	66,296,401
Income tax	11	(9,209,390)	(11,348,845)	(142,814)	(7,630,213)
Net Income		85,249,019	100,456,600	40,625,843	58,666,188
Non-controlling interests	13	217,529	(2,962)	120,614	2,130
Net profit for the period		85,466,548	100,453,638	40,746,457	58,668,318
Earnings per share					
Basic earnings per share, Euro	12	0.124	0.140	0.057	0.014
Diluted earnings per share, Euro	12	0.124	0.140	0.057	0.014

The notes on pages 27 to 99 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016 AND FOR THE YEAR ENDED 31 DECEMBER 2015

Amounts in Euro	Notes	30-06-2016	31-12-2015
ASSETS			
Non-Current Assets			
Goodwill	15	377,339,466	377,339,466
Other intangible assets	16	1,596,067	4,931,507
Plant, property and equipment	17	1,310,059,738	1,320,799,086
Investment properties		426,838	426,838
Biological assets	18	123,935,174	116,996,927
Available-for-sale financial assets	19	260,487	229,136
Deferred tax assets	26	48,347,010	50,934,325
		1,861,964,780	1,871,657,286
Current Assets			
Inventories	20	230,227,045	212,554,956
Receivable and other current assets	21	227,548,200	215,370,516
State and other public entities	22	57,743,142	57,642,795
Cash and cash equivalents	29	48,315,213	72,657,585
		563,833,600	558,225,851
Total Assets		2,425,798,380	2,429,883,137
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	25	717,500,000	767,500,000
Treasury shares	25	(1,002,084)	(96,974,466)
Fair value reserves	25	(8,363,100)	(1,869,064)
Other reserves	25	99,709,036	91,781,112
Currency translation reserves	25	8,775,656	5,688,140
Retained earnings	25	209,483,757	273,081,975
Net profit for the period		85,466,548	196,404,220
Early earnings		-	(29,971,019)
		1,111,569,813	1,205,640,898
Non-controlling interests	13	8,898,898	8,622,303
		1,120,468,710	1,214,263,201
Non-current liabilities			
Deferred taxes liabilities	26	84,562,108	88,296,253
Post-retirement benefits	27	227,192	-
Provisions	28	55,252,727	59,205,593
Interest-bearing liabilities	29	794,917,840	686,570,753
Other non-current liabilities	29	37,406,083	38,538,726
		972,365,951	872,611,325
Current liabilities			
Interest-bearing liabilities	29	46,564,884	40,578,590
Payables and other current liabilities	30	209,850,841	225,084,110
State and other public entities	22	76,547,994	77,345,911
		332,963,719	343,008,611
Total liabilities		1,305,329,670	1,215,619,936
Total equity and liabilities		2,425,798,380	2,429,883,137

The notes on pages 27 to 99 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE CONSOLIDATED INCOME

FOR THE SIX MONTHS PERIODS ENDED 30 JUNE 2016 AND 2015

Amounts in Euro	6 months 30-06-2016	6 months 30-06-2015	2nd Quarter 2016	2nd Quarter 2015
			(Unaudited)	(Unaudited)
Net profit for the period	85,249,019	100,456,600	40,625,843	58,666,188
Items that can be reclassified subsequently to profit or loss				
Fair value in derivative financial instruments	(8,957,293)	(3,029,587)	(5,099,475)	5,055,298
Currency translation differences	3,087,516	1,560,229	1,378,882	358,044
Tax on items above when applicable	2,463,257	776,284	1,402,357	(1,036,078)
	(3,406,520)	(693,075)	(2,318,236)	4,377,264
Items that will not be reclassified subsequently to profit or loss				
Share of other comprehensive income of associates	(2,194,734)	21,003	(4,651,989)	16,466
Actuarial gains / (losses)	(3,013,160)	(10,392,766)	(3,380,220)	(680,090)
Tax on items above when applicable	(424,502)	43,825	(238,072)	(14,533)
	(5,632,396)	(10,327,938)	(8,270,281)	(678,157)
	(9,038,916)	(11,021,013)	(10,588,517)	3,699,107
Total recognized income and expense for the period	76,210,103	89,435,588	30,037,327	62,365,295
Attributable to:				
The Navigator Company's shareholders	75,933,508	89,466,251	29,760,731	62,404,948
Non-controlling interests	276,595	(30,664)	473,197	(39,654)
	76,210,103	89,435,588	30,233,928	62,365,295

The notes on pages 27 to 99 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS PERIODS ENDED 30 JUNE 2016 AND 2015

Amounts in Euro	1 January 2016	Gains/losses recognized in the period	Transactions with non-controlling interests	Dividends paid and reserves distributed (Note 25)	Early earnings	Treasury shares (Note 24)	Application of prior year's net profit (Note 14)	Performance Bonus	30 June 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)	(6,494,036)	-	-	-	-	-	-	(8,363,100)
Other reserves	91,781,112	-	-	-	-	-	7,927,924	-	99,709,036
Currency translation reserves	5,688,140	3,087,516	-	-	-	-	-	-	8,775,656
Retained earnings	273,081,975	(6,126,520)	-	(170,004,594)	(29,971,019)	(45,972,382)	194,476,296	(6,000,000)	209,483,757
Net profit for the period	196,404,220	85,466,548	-	-	-	-	(196,404,220)	-	85,466,548
Early earnings	(29,971,019)	-	-	-	29,971,019	-	-	-	-
Total	1,205,640,898	75,933,508	-	(170,004,594)	-	-	6,000,000	(6,000,000)	1,111,569,812
Non-controlling interests	8,622,303	(217,529)	494,124	-	-	-	-	-	8,898,898
Total	1,214,263,201	75,715,979	494,124	(170,004,594)	-	-	6,000,000	(6,000,000)	1,120,468,710

Amounts in Euro	1 January 2015	Gains/losses recognized in the period	Transactions with non-controlling interests	Dividends paid and reserves distributed (Note 25)	Early earnings	Treasury shares (Note 24)	Application of prior year's net profit (Note 25)	Performance Bonus	30 June 2015
Share capital	767,500,000	-	-	-	-	-	-	-	767,500,000
Treasury shares	(96,974,466)	-	-	-	-	-	-	-	(96,974,466)
Fair value reserves	(2,329,120)	(2,253,303)	-	-	-	-	-	-	(4,582,423)
Other reserves	83,644,527	-	-	-	-	-	8,136,585	-	91,781,112
Currency translation reserves	724,832	1,560,229	-	-	-	-	-	-	2,285,061
Retained earnings	519,395,217	(10,294,312)	-	(310,465,342)	-	-	173,330,111	-	371,965,674
Net profit for the period	181,466,696	100,453,638	-	-	-	-	(181,466,696)	-	100,453,638
Total	1,453,427,686	89,466,251	-	(310,465,342)	-	-	-	-	1,232,428,596
Non-controlling interests	235,253	(30,664)	-	-	-	-	-	-	204,589
Total	1,453,662,938	89,435,588	-	(310,465,342)	-	-	-	-	1,232,633,184

T The notes on pages 27 to 99 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS PERIODS ENDED 30 JUNE 2016 AND 2015

Amounts in Euro	Notes	6 months 30-06-2016	6 months 30-06-2015	2nd Quarter 2016 (Unaudited)	2nd Quarter 2015 (Unaudited)
OPERATING ACTIVITIES					
Payments from customers		826,567,560	801,741,590	419,090,801	398,071,745
Payments to suppliers		684,774,841	640,208,460	339,666,679	314,020,724
Payments to employees		57,534,390	61,993,260	35,471,564	40,202,124
Cash flow from operations		<u>84,258,328</u>	<u>99,539,868</u>	<u>43,952,558</u>	<u>43,848,897</u>
Income tax received / (paid)		-	(8,345,589)	-	(9,544,459)
Other receipts / (payments) relating to operating activities		23,649,570	33,383,319	17,327,100	64,309,538
Cash flow from operating activities (1)		<u>107,907,899</u>	<u>124,577,599</u>	<u>61,279,658</u>	<u>98,613,977</u>
INVESTMENT ACTIVITIES					
Inflows					
Government grants	21	-	-	-	-
Interest and similar income		1,380,972	1,926,775	729,497	758,299
Inflow s from investment activities (A)		<u>1,380,972</u>	<u>1,926,775</u>	<u>729,497</u>	<u>758,299</u>
Outflow s					
Investments in associates	19	-	40,949,794	-	40,949,794
Tangible assets		48,214,720	23,662,735	21,973,752	12,647,285
Outflow s from investment activities (B)		<u>48,214,720</u>	<u>64,612,529</u>	<u>21,973,752</u>	<u>53,597,079</u>
Cash flows from investment activities (2 = A - B)		<u>(46,833,748)</u>	<u>(62,685,754)</u>	<u>(21,244,255)</u>	<u>(52,838,780)</u>
FINANCING ACTIVITIES					
Inflow s					
Borrowings		607,500,000	-	472,500,000	-
Interests and similar expenses		-	-	-	-
Inflow s from financing activities (C)		<u>607,500,000</u>	<u>-</u>	<u>472,500,000</u>	<u>-</u>
Outflow s					
Borrowings		507,324,306	169,851,191	338,651,190	9,851,191
Interest and similar costs		15,587,633	15,841,434	12,144,579	13,486,335
Acquisition of treasury shares	24	-	-	-	-
Dividends paid and distributed reserves	14	170,004,583	310,465,342	170,004,583	310,465,342
Outflow s from financing activities (D)		<u>692,916,523</u>	<u>496,157,967</u>	<u>520,800,353</u>	<u>333,802,868</u>
Cash flows from financing activities (3 = C - D)		<u>(85,416,523)</u>	<u>(496,157,967)</u>	<u>(48,300,353)</u>	<u>(333,802,868)</u>
CHANGES IN CASH AND CASH EQUIVALENTS (1)+(2)+(3)		(24,342,372)	(434,266,122)	(8,264,950)	(288,027,672)
CHANGES IN CASH AND CASH EQUIVALENTS in the other quarters		-	-	(16,077,422)	(139,998,519)
CHANGE IN CONSOLIDATION SCOPE		-	9,739,020	-	-
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		72,657,585	499,552,853	72,657,585	499,552,853
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	29	<u>48,315,213</u>	<u>75,025,752</u>	<u>48,315,213</u>	<u>71,526,662</u>

The notes on pages 27 to 99 are an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of 30 June 2016 and 2015

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

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

The 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 21st 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 31st 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, the Group started its activity in the Tissue segment with the acquisition of AMS- BR Star Paper, S.A. (subsequently redenominated to Navigator Tissue Ródão, S.A.) a company that holds and explores a tissue paper mill, located in Vila Velha de Ródão.

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

The 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 6th 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 19th 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 717,500,000

Registration No: 503 025 798

These consolidated financial statements were approved by the Board of Directors on 27th July 2016.

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

1. Summary of the principal accounting policies

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

The accounting policies related to brands and financial instruments classified as held to maturity are not applicable to the financial statements presented below. However, they are included to ensure completeness compared to the accounting policies applied by its parent company – the Semapa Group, which is also the ultimate parent company.

1.1 Basis of preparation

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards adopted by the European Union (IFRS – formerly referred to as the International Accounting Standards - IAS) issued by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) or by the former Standing Interpretations Committee (SIC) in force on the date of preparation of the mentioned financial statements.

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 39), 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 31.2, 31.3 and 18).

The preparation of the financial statements requires the use of important estimates and judgments in the application of the Group's accounting policies. The principal statements which involve a greater degree of judgment or complexity and the most significant assumptions and estimates used in the preparation of the aforesaid financial statements are disclosed in Note 3.

1.2 Basis of Consolidation

1.2.1 Subsidiaries

Subsidiaries are all entities over which the Group has the right to determine their financial and operating policies, generally where the Group's interest is represented by more than half of the existing voting rights.

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

Subsidiaries are consolidated using the full consolidation method from the date on which control is transferred to the Group until such date where control ceases.

These companies' shareholders' equity and net income/loss corresponding to the third-party investment in such companies are presented under the caption of non-controlling interests in the consolidated statement of the financial position (in a separate component of shareholders' equity) and in the consolidated income statement, respectively. The companies included in the consolidated financial statements are disclosed in Note 39.

The purchase method is used in recording the acquisition of subsidiaries. The cost of an acquisition is measured by the fair value of the assets transferred, the equity instruments issued and liabilities incurred or assumed on acquisition date, plus costs directly attributable to the acquisition.

The identifiable assets acquired and the liabilities and contingent liabilities assumed in a business combination are initially measured at fair value on the date of acquisition, irrespective of the existence of non-controlling interests. The excess of the acquisition cost relative to the fair value of the Group's share of the identifiable assets and liabilities acquired is recorded as goodwill, as described in Note 15.

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

Transaction costs directly attributable to the acquisition are immediately expensed.

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

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

When The Navigator Company acquires control over a subsidiary with less than 100%, the purchase method considers non-controlling interests either at their fair value or in the proportion of the fair value of the assets and liabilities acquired. This decision is made for each individual transaction.

When the Group trades shares of a subsidiary with non-controlling interests with no impact in control, no gain, loss or goodwill is determined, and the differences between the transaction cost and the book value of the share acquired are recognized in equity.

In the event of losses in subsidiaries with non-controlling interests, these losses are proportionally attributed to non-controlling interests, despite the fact that they may become negative.

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

1.2.2. Associates

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

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

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

Costs directly attributable to the transaction are immediately expensed.

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

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

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

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

1.3 Segmental Reporting

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

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

Four operating segments have been identified by the Group: uncoated printing and writing paper (UWF), bleached eucalyptus kraft pulp – BEKP, tissue paper and others, which includes energy, forestry and pellets business.

BEKP, energy and UWF paper are produced by the Group in two plants located in Figueira da Foz and Setúbal. BEKP and energy are also produced in a plant located in Cacia and tissue paper is produced in another plant located in Vila Velha de Ródão. Pellets are produced, since July 2016, in a fifth site in Greenwood (USA).

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

A significant portion of the Group's own BEKP pulp production is consumed in the production of UWF paper. Sales of BEKP pulp, UWF paper and tissue paper are made to more than 120 countries and territories throughout the world.

Energy, heat and electricity are mainly produced from bio fuels in cogeneration. Heat production is used for internal consumption while electricity is sold to the national energy grid. The Group also owns another two cogeneration units using natural gas and two separate units using bio fuel.

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

Segmental information is disclosed in Note 4.

1.4 Foreign Currency Translation

1.4.1. Functional and reporting currency

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

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

1.4.2. Balances and transactions expressed in foreign currencies

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

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

1.4.3. Group companies

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

- (i) The assets and liabilities of each Statement of financial position are translated at the exchange rates prevailing at the date of the financial statements;
- (ii) Equity balances are translated at the historical exchange rate;
- (iii) The income and costs are converted at the exchange rate prevailing at the dates of the transactions. Otherwise, income and expenses for each income statement are translated at the average exchange rate of the months of the reporting period.

All resulting exchange differences are recognized in other comprehensive income.

1.5 Intangibles Assets

Intangible assets are booked at acquisition cost less accumulated impairment losses.

1.5.1. CO2 Emission Rights

The CO2 emission rights attributed to the Group within the National Plan for the assignment of CO2 emission licenses at no cost, are recognized under Intangible Assets at market value on the date they are awarded, with a corresponding liability being recorded under "Deferred income – grants", for the same amount.

As emissions occur, the Group recognizes them as an operating cost with a corresponding liability generated in the period. Simultaneously, the deferred income for grants is recognized proportionally as operating income.

Sales of emission rights give rise to a gain or a loss, for the difference between the amount realized and the lowest between (i) the respective initial recognition cost and (ii) the market value of those rights, and are recorded as "Other operating income" or "Other operating costs", respectively.

At the date of the consolidated statement of financial position, the portfolio of CO2 emission rights is valued at the lower between the deemed acquisition cost (determined as described above) and its market value. On the other hand, liabilities due for the occurred emissions are valued at market value at the same date.

1.5.2. Brands

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

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

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

1.6 Goodwill

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

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

1.7 Investment Properties

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

Properties recognized as investment properties in the individual financial statements are not recognized as such in the consolidated financial statements when leased to the parent-company or to another subsidiary of the Group.

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

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

1.8 Property, Plant & Equipment

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

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

Subsequent costs are included in asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits will flow to the Group and the respective cost can be reliably measured.

Planned maintenance costs are considered part of the assets' acquisition cost and are therefore entirely depreciated until the date of the next forecasted maintenance event.

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

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

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

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

If the book value of the asset is higher than the asset's realizable value, then it is written down to the estimated recoverable amount by recognizing an impairment loss (Note 1.9).

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

1.9 Impairment of non-current assets

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

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

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

The reversal of impairment losses is recognized in the income statement as other operating income, except for the available-for-sale financial assets (Note 1.11.4), unless the asset has been revalued, in which case the reversal will represent a portion of the total of the revaluation reserve. However, an impairment loss is reversed only up to the limit of the amount that would be recognized (net of amortization or depreciation) if it had not been recognized in prior years.

1.10 Biological Assets

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

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

The costs incurred with the site preparation before the first forestation are recognized as a tangible asset and depreciated in line with its expected useful lives.

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

Fair value adjustments resulting from changes in estimates of growth, growth period, price, cost and other assumptions are recognized as operating income/ costs in the caption "Change in the fair value of biological assets".

At the time of harvest, wood is recognized at fair value less estimated costs at point of sale, in this case, the pulp mills.

1.11 Financial Instruments

The Group classifies its financial instruments in the following categories: loans granted and receivables, financial assets at fair value through profit and loss, held-to-maturity investments, and available-for-sale financial assets.

The classification depends on the intention motivating the acquisition of the instruments. Management determines the classification at the moment of initial recognition of the instruments and reassesses this classification on each reporting date.

All acquisitions and disposals of these instruments are recognized on the date of the respective purchase and sale contracts, irrespective of the financial settlement date.

Financial instruments are initially recorded at the acquisition cost, when their fair value equals the price paid, including transaction expenses (except financial assets at fair value through profit or loss). The subsequent measurement depends on the category the instrument falls under, as follows:

1.11.1 Loans granted and receivables

Loans and accounts receivable are non-derivative financial assets with fixed or determinable payments and which are not quoted in an active market. They are originated when the Group advances money, goods or services directly to a debtor without any intention of negotiating the debt.

These loans are included in current assets, except when their maturity exceeds 12 months after the date of the statement of financial position, in which case they are classified as non-current assets.

These are initially recognized at fair value and subsequently measured by its amortized cost, adjusted of any potential expected losses on collection, required to present them at their net realizable value.

These losses are recognized when there is objective evidence that the group will not receive the total amounts due, in accordance with the original terms of the debt and considering the credit risk control mechanisms in place.

Loans granted and receivables are included in "Receivables and other current assets" in the statement of financial position (Note 21).

1.11.2 Financial Assets at fair value through profit or loss

This category comprises two sub-categories: (i) financial assets held for trading, and (ii) assets designated at fair value through profit or loss at initial recognition. A financial asset is classified under this category if acquired primarily for the purpose of selling in the short-

term, if it is part of a managed portfolio at fair value or if its measurement through fair value allows the company to eliminate inconsistencies in the measurement of related assets and liabilities.

Assets in this category are classified as current if they are either held for trading or are expected to be realized within 12 months of the date of the statement of financial position. These investments are measured at fair value through the income statement.

1.11.3 Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets, with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Investments in this category are recorded at amortized cost using the effective interest rate method.

1.11.4 Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that: (i) the Group has the intention of holding for an undefined period of time, (ii) are designated as available-for-sale at initial recognition or (iii) do not meet the conditions to be classified in any of the remaining categories, as described above.

These financial instruments are recognized at market value, as quoted at the date of the statement of financial position.

If there is no active market for a financial asset, the Group establishes its fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same as the one in question, discounted cash-flows analysis and option pricing models refined to reflect the issuer's specific circumstances.

Potential gains and losses arising from these instruments are recorded directly in the fair value reserve (shareholders' equity) until the financial investment is sold, received or disposed of in any way, at which time the accumulated gain or loss formerly reflected in fair value reserve is taken to the income statement.

Regarding equity instruments, if there is no market value or if it is not possible to determine one, these investments are recognized at their acquisition cost.

At each reporting date the Group assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. If a prolonged decline in fair value of the available-for-sale financial assets occurs, then the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss - is removed from equity and recognized in the income statement.

An impairment loss recognized on available-for-sale financial assets is reversed if the loss was caused by specific external events of an exceptional nature that are not expected to recur but which subsequent external events have reversed; under these circumstances and for equity instruments, the reversal does not affect the income statement and the asset's subsequent increase in value is thus taken to the fair value reserve.

1.12 Derivative Financial Instruments and hedging accounting

1.12.1 Derivative Financial Instruments

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

Although the derivatives contracted by the Group represent effective economic hedges of risks, not all of them qualify as hedging instruments in accounting terms to satisfy the rules and requirements of IAS 39. Instruments that do not qualify as hedging instruments in accounting terms are stated on the statement of financial position at fair value and any changes in that value are recognized as financial income or cost in the consolidated income statement.

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

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

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

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

In the selection of the derivative financial instruments, the Group focus on covering the economic risks as the main features of the instruments it contracts. Management also evaluates the impact of each additional derivative financial instrument to its portfolio, namely in the volatility of earnings.

1.12.2 Cash Flow Hedging (risk of interest rate, price and exchange rates)

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

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

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

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

1.12.3 Net investment hedging (Exchange rate risk)

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

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

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

1.13 Corporate Income Tax

1.13.1 Current and deferred income tax

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

Deferred taxes are calculated using the liability method, based on the temporary differences between the book values of the assets and liabilities and their respective tax base. The income tax rate expected to be in force in the period in which the temporary differences will

reverse is used in calculating deferred tax. If there is no reliable information about those rates, deferred taxes are calculated using the tax rate in place at each reporting date.

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

Deferred taxes are recorded as a cost or income for the year, except where they result from amounts recorded directly under shareholders' equity, in which case deferred tax is also recorded under the same caption.

Tax benefits granted under contractual investment projects to be developed by the group are treated as government grants. When there is a reasonable assurance that the group will comply with all required conditions, it recognizes (i) a deferred tax asset and (ii) a liability for the investment grant. In this recognition model, the deferred tax assets are realized whenever there are taxable profits against which they can be offset, while the liability will be recognized as an income over the estimated useful life of the asset, as a deduction to depreciation expenses.

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

1.13.2 Taxation Group

Until 2013, and since 2003, most of the Group's Portuguese subsidiaries were taxed as a group through the "Regime Especial de Tributação de Grupos de Sociedades (RETGS)". The Navigator Company, S.A. led that tax group. In 2014, as a result of the changes brought about by the reform of the Corporate Income Tax Law, those companies became part of the tax group led by Semapa SGPS, S.A..

In that group, all Portuguese resident companies in which Semapa SGPS, S.A. has a direct or indirect interest of 75% or more are included provided they meet the remaining conditions of articles 69^a to 71^a of the Corporate Income Tax Law.

In July 2015, 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., the percentage of equity capital and voting rights held by Semapa was reduced to less than 75%, having the necessary conditions for the maintenance of company in the taxation group (RETGS) led by Semapa, SGPS, S.A., ceased to exist.

All the Semapa group companies, including The Navigator Group companies, changed their tax reporting period, which previously corresponded to the accounting year end (calendar year), to the period starting 1 July of each year and ending 30 June of the following year, under art^o 8 n^o2 of the Corporate Income Tax Law, having the taxable profit of the six months period ended 30 June been computed under Semapa taxation group.

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.

These companies calculate income taxes as if they were taxed independently. However, 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.

1.14 Inventories

Inventories are valued in accordance with the following criteria:

i. Goods and raw materials

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

ii. Finished products and work in progress

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

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

1.15 Receivables and other current assets

Debtors' balances and other current assets are initially recorded at fair value and are subsequently recognized at their amortized cost, net of impairment losses, in order to present those balances at their net realizable amount.

Impairment losses are recognized when there is objective evidence that the Group will not receive the full amount outstanding in accordance with the original conditions of the accounts receivable and despite of the credit risk management policies and tools.

1.16 Cash and cash equivalents

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

1.17 Share Capital and treasury shares

Ordinary shares are classified in shareholders' equity.

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

Costs directly attributable to the issue of new shares or options for the acquisition of a new business are included in the acquisition cost as part of the purchase consideration.

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

When such shares are subsequently reissued, any proceeds, net of the directly attributable transaction costs and taxes, is reflected in the shareholders' equity of the company's shareholders, under other reserves.

1.18 Interest-bearing liabilities

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

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

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

1.19 Borrowing Costs

Financial costs on loans directly related to acquisition of the fixed assets, construction or production, are capitalized as part of the asset's cost. Capitalization of these charges begins once preparations are started for the construction or development of the asset and is suspended after its utilization begins or when the respective project is suspended.

Other borrowing costs relating to loans are usually recognized as financial costs.

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

1.20 Provisions

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

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

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

1.21 Pensions and other employment benefits

1.21.1 Defined benefit pension plans and retirement bonus

In the past, some of the Group's companies have assumed the commitment to make payments to their employees in the form of complementary retirement pensions, disability, early retirement and survivors' pensions, having constituted defined-benefit plans attributable to active employees until 31 December 2010 or 31 December 2013, as applicable.

As referred in Note 27, the Group set up autonomous Pension Funds as a means of funding most of the commitments for such payments.

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

Past service costs resulting from the implementation of a new plan, or increases in the benefits awarded are recognized immediately in earnings.

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

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

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

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

1.21.2 Defined Contribution Plans

From 2014, all of the group subsidiaries that had defined benefit plans (2010 for The Navigator Company), assumed commitments, regarding payments to a defined contribution plan in a percentage of the beneficiaries' salary, in order to provide retirement, disability, early retirement and survivors' pensions.

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

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

1.21.3 Holiday Pay, Allowances and bonuses

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

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

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

1.22 Payables and other current liabilities

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

1.23 Governments Grants

Government grants are recognized at their fair value when there is a reasonable assurance that the grant will be received and the group will comply with all required conditions, namely, the group makes the eligible investments and grants will be received.

Government grants received to compensate capital expenditure are reported under “Payables and other current liabilities” and are recognized in the income statement during the useful life of the tangible fixed asset being financed, by deducting the value of its amortization.

Government grants related to operating costs, including the attribution of CO2 emission rights allowances (Note 1.5), are systematically recognized in the income statement over the period that matches the costs with the compensating grants, as well as the accumulated amounts prior to the initial recognition.

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

1.24 Leases

Fixed assets acquired under leasing contracts, as well as the corresponding liabilities, are recorded using the finance method.

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

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

1.24.1 Leases included in contracts according to IFRIC 4

The Group recognizes an operating or financial lease whenever it enters into an agreement, encompassing a transaction or a series of related transactions which even if not in the legal form of a lease, transfers a right to use an asset in return for a payment or a series of payments.

1.25 Dividends distribution

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

1.26 Accrual basis

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

The differences between the amounts received and paid and the respective costs and income are recognized as “Receivables and other current assets” and “Payables and other current liabilities” (Notes 21 and 30, respectively).

1.27 Revenue

Income from sales is recognized in the consolidated income statement when the risks and benefits inherent in the ownership of the respective assets are transferred to the purchaser and the income can be reasonably quantified. Thus, sales of products (BEKP and paper) are recognized only when they are dispatched to the clients, and no more costs with transportation or insurance are to be held by the Group.

Sales are recognized net of taxes, discounts and other costs inherent to their completion, at the fair value of the amount received or receivable.

Income from services rendered is recognized in the consolidated income statement by reference to the stage of completion of the service contracts at the date of the statement of financial position.

1.28 Contingent Assets and liabilities

Contingent liabilities in which the probability of an outflow of funds affecting future economic benefits is not likely, are not recognized in the consolidated financial statements, and are disclosed in the notes, unless the probability of the outflow of funds affecting future economic benefits is remote, in which case they are not disclosed. Provisions are recognized for liabilities which meet the conditions described in Note 1.20.

Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes when it is probable that a future economic benefit will arise from them (Note 37).

1.29 Subsequent Events

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

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

1.30 New standards, changes and interpretations of existing standard

The application of the interpretations and amendments to the standards mentioned below, are mandatory by the European Union, for the financial years beginning on or after 1 January 2016:

Standards and Interpretations that became effective on 1 January 2016	Effective Date *
Annual improvements to IFRSs 2010-2012	1 February 2015
IAS 19 – Employee benefits	1 February 2015
IAS 16 e IAS 38 – Acceptable methods of depreciation / amortisation	1 January 2016
IAS 16 e IAS 41 – Agriculture: bearer plants	1 January 2016
IFRS 11 – Joint arrangements	1 January 2016
IAS 1 – Presentation of financial statements	1 January 2016
IAS 27 – Separate financial statements	1 January 2016
Annual improvements to IFRSs 2012 - 2014	1 January 2016

* *Periods beginning on or after*

The introduction of the revision to the standards did not have any significant impact on the consolidated financial statements of the Group.

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

There are new standards, interpretations and amendments of existing standards that, despite having already been published, are only mandatory for the periods starting after 1 January 2016 and which the Group decided not to early-adopt in the current period, as follows:

Standards and effective changes, on or after 1 January 2016, not yet endorsed by EU	Effective Date *
Amendments to IFRS 10, 12 and IAS 28: Investments - applying consolidation exception	1 January 2016
IAS 7 - Cash flow statement	1 January 2017
IAS 12 - Income Taxes	1 January 2017
IFRS 2 – Share-based payment	1 January 2018
IFRS 9 – Financial instruments	1 January 2018
IFRS 15 – Revenue from contracts with customers	1 January 2018
Amendments to IFRS 15 – Revenue from contracts with customers	1 January 2018
IFRS 16 - Leases	1 January 2019

* Periods beginning on or after

Up to the date of issuing this report, the Group had not yet concluded the analysis of the potential effects of the changes arising from the adoption of these standards, for which it decided not to early-adopt them. However, no material effect is expected in the financial statements as a result of their adoption.

2. RISK MANAGEMENT

The Group operates in the forestry sectors, in the production of eucalyptus for use in the production of BEKP (bleached eucalyptus kraft pulp), which is essentially incorporated in the production of UWF (uncoated wood free) paper and tissue paper but is also sold in the market, and in energy production, essentially through the forest biomass that is generated in the BEKP production process.

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

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

- i. Specific risks inherent to the sectors of activity in which the Group operates:
 - ✓ Risks associated with the forestry sector
 - ✓ Risks associated with the production and sale of BEKP, UWF paper, tissue paper and pellets
 - ✓ Risks associated with energy generation and pellets
 - ✓ Human resources
 - ✓ General context risks
- ii. Group risks and the manner in which it carries out its activities.

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

The Board of Directors provides the principles of risk management as a whole and policies covering specific areas such as foreign exchange risk, interest rate risk, liquidity risk, credit risk, the use of derivatives and other non-derivate financial instruments and the investment of excess liquidity. The Internal Audit department follows the implementation of the risk management principles defined by the Board of Directors.

2.1 Specific Risks in sectors where the Group acts

2.1.1. Significant risks from the forestry

As of 30 June 2016, The Navigator Group had an area of 120 thousand hectares of woodland under management, from north to south of the country, including Azores, corresponding to 1,400 management units located in 167 municipalities, in accordance with the principles laid down in its Forest Policy. Eucalyptus trees occupy 73% of this area, mainly the *Eucalyptus globulus*, the species that is universally acknowledged as the tree with the ideal fiber for producing high quality paper.

The Group is also managing, in a development stage, the forestation of 356,210 hectares in Mozambique, which were prepared to plant 47 thousands of hectares and planted 8.9 thousand hectares in the provinces of Manica and Zambezia, under a concession agreement reached with de Mozambique government. This agreement also provides the construction of an industrial BEKP production unit, together with the construction of an electricity production unit.

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

The main risk factor threatening the eucalyptus forests lies in the low productivity of the Portuguese forest and in the worldwide demand for certified products, considering that only a small proportion of the forests are certified. It is expected that this competitive pressure will remain in the future. As an example, the forestry area managed by the Group represents nearly 3% of Portugal's total forested area, 47% of all certified Portuguese forests according with PECF standards and 32% of all certified Portuguese forester according with FSC standards.

The main risks associated with the sector are the ones related to the productive capacity of the plantations, the risk of wildfires as well as the regulatory risk, given the review announced by the Government of the legal regime applicable to forestation and reforestation with resort to forestry species, as established in Decree-Law No. 96/2013, of 19 July.

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

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

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

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

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

- i. destruction of actual and future wood inventory, both the one owned by the Group as well as by third parties;
- ii. increasing costs of forestry and subsequent land preparation for plantation.

Regarding the risk of wild fires, the manner in which the Group manages its woodlands constitutes the front line for mitigating this risk.

Amongst the various management measures to which the Group has committed under this program, the strict compliance with biodiversity rules and the construction and maintenance of access roads and routes to each of the operational areas assume particular importance in mitigating the risk of wildfires.

Moreover, the Group has a share in the Afocelca grouping – an economic interest grouping between the Navigator Group and the ALTRI Group, whose mission is to provide assistance in the fight against forest fires at the grouped companies' properties and areas under management, in close coordination and collaboration with the National Civil Protection Authority (Autoridade Nacional de Protecção Civil – ANPC). This grouping manages an annual budget of around 3 million euro, and has created an efficient and flexible structure which implements practices aimed at reducing protection costs and minimizing the losses by forest fires for the members of the grouping, which own and manage more than 210 thousand hectares of forests in Portugal.

2.1.2. Risks associated to producing and selling BEKP, UWF paper, Tissue paper and pellets

Supply of raw materials

The wood supplied by the Group's forestry areas represents less than 20% of its needs, meaning the Group needs to buy wood in both the Iberian market and from other regions of the world.

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

The planting of new areas of eucalyptus and pine is subject to the authorization of the relevant entities, so that increases in forested areas, or the substitution of some of the currently used areas, depend on forest owners, which are estimated to be around 400,000, on the applicable legislation and the speed of the responsible authorities in approving the new projects as well as the volatility in the legal regime, as exemplified by Decree-Law No. 93/2013 of 19 July, with a revision announced for 2016.

If domestic production proved to be insufficient, in volume and in quality, namely of certified wood, the Group can have to place greater reliance on imports of wood from Africa and South America.

Regarding imports of wood, there is a risk related to its shipment from the place of origin to the harbors supplying the Group, not adjacent to the Cacia and Figueira da Foz mills. This transportation risk is reduced by the agreed purchasing conditions, where the ownership of raw materials is transferred at the port of arrival, and complemented by insurance coverage of potential supplying losses caused by any transportation accident that may affect the supply of wood.

The Group seeks to maximize the value added to its products, particularly through the increased integration of certified wood in its products.

The low expression of this wood outside the forests directly managed by the Group has meant a shortage of supply, to which the Group has responded with an increase in the price offered when compared to wood originated from forests that are not certified, through a price bonus for certified wood, a new initiative from the Group.

Furthermore, and considering the unparalleled contribution of the eucalyptus industry to the National Value Added of the Portuguese Economy, both direct and indirect, as well as the significance of such industries in exports and employment, and the increasing demand for eucalyptus, not easily satisfied by national forests, the Group has made the Government and the public opinion aware of the need to guarantee that, until the internal production of this type of wood does not increase significantly on an economically viable basis, the use of bio fuels for energy production should not be put ahead of the use of eucalyptus wood in the production of tradable goods.

For the six months period ended 30 June 2016, an increase of 10% on the cost of a cubic meter of the eucalyptus wood consumed in the production of BEKP, would have had an impact in Group's earnings of around Euro 16,140,000 (June 2015: Euro 14,838,000).

For other raw materials including chemicals, the main risk identified is the lack of availability of products under the increasing demand for these products in emerging markets, particularly in Asia and markets which supply them, you can create specific imbalances of supply and demand.

The Group seeks to mitigate these risks through proactive sourcing, which seeks to identify sources of supply geographically dispersed, yet seeking to ensure supply term that assures volume levels, price and quality consistent with its requirements contracts.

Finally, another resource required for the production process is water. The concern with the use of this resource that the Group assumes as finite is significant. Over the past few years investments have been made aimed at reducing the use of water in the process, which decreased more than 20% between 2005 and 2016. In addition, the quality levels achieved in the effluent treatment are among the highest and effluent volumes between 2005 and 2016 have been reduced around 24% as a result of investment in process improvement, aimed at minimizing the environmental impact of the Group.

Market Price for UWF paper, BEKP, Tissue paper and pellets

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

The BEKP and UWF paper markets are highly competitive. Significant variations in existing production capacities could have a strong influence on world market prices. These factors have encouraged the Group to follow a defined marketing and branding strategy and to invest in relevant capital expenditure to increase productivity and the quality of the products it sells.

For the six months period ended 30 June 2016, a decrease of 10% in the price per ton of BEKP and of 5% in the price per ton of UWF paper and Tissue paper sold by the Group in the period, would have represented an impact on its earnings of about Euro 6,570,000 (2015: Euro 6,400,000) and Euro 30,200,000 (2015: Euro 29,000,000), respectively.

Demand for the Group's products

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

The demand for printing and writing paper has been historically related with macroeconomic factors and the increasing use of copy and print material. A breakdown of the global economy and the increase of unemployment can cause a slowdown or decline in demand for printing and writing paper, thus affecting the performance of the Group.

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

- Expected future economic growth ;
- Population growth and other demographic changes;
- Product penetration levels;
- Developments in the quality of Tissue paper and product specifications;
- Substitution effects.

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

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

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

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

Due to the evolution of the global energy market, the search for alternative and renewable energy sources has been constant, making the forest biomass and its derivative products an extremely important alternative. One of those products are pellets, a type of wood generally made from refined and dried sawdust or wood flour that is then compressed. It is mainly used as commercial and residential heating as well as fuel for power generation in industrial and thermoelectric plants. However, new uses have been given to this product, for example, animal bedding.

Currently, in a worldwide scenario, the northern hemisphere has the largest demand and production of pellets, namely in Europe and in the USA.

The European Union leads the wood pellets market and a continued growth of this market is expected. Estimates point to a consumption of 24 million tons of wood pellets in 2020, of which 11 million are imported.

Currently, wood pellets are imported mainly from the USA, Canada and Russia. Emerging exporters are Australia, South Africa and countries of South America. A progressive estimate suggests that annual demand for wood biomass will increase to 305 million tons in 2020.

The growth of this market is being powered by the wood pellets competitiveness when compared to conventional fossil fuels such as natural gas and oil.

In fact, the price of wood pellets is more stable than oil or natural gas. Even with the price of the oil barrel far below from average, the biofuel pellets have found their niche market due to simple issues of (i) price stability and (ii) the fact that they are a renewable fuel.

It is estimated that the production of this product will continue to grow despite the availability of cheap oil and gas. In order to extend its growth, the requirements of the United Kingdom and the European Union for sustainable biomass together with the actions to meet the reduction targets of greenhouse gases, will be critical.

Energy

The Group's industrial processes are dependent on the constant supply of thermal and electric power. The Group owns several cogeneration units, which provide power to the industrial processes as well as redundancies between the generating units in order to mitigate the risk of any unplanned stops of those units to pulp and paper mills. The excess production of electricity compared to its needs is sold in the market at regulated tariffs for 15 years after the settlement. After this period, the defined tariffs will not compensate the production to the market as they are lower than the ones paid by the Group for electricity and, as a result, the plants operate in a self-consumption regime. This regulatory change explains the drop in the revenues arising from this activity as well as in the consumption of electricity and natural gas.

Country risk – Mozambique

As the investment project in Mozambique develops, the exposure to the specific country risk increases.

The exposure to this risk means that the planning of investments in terms of timing, choice of suppliers / partners and geographic location is made considering this effect. The Group monitors the achievement of each step, assuming, with reasonable certainty, that no effects from the exposure to this risk will condition them.

Currently, the Mozambique project is essentially a forestry project, with the option of developing an industrial project involving the construction of a large-scale pulp plant. The Group is currently developing a reflection process regarding the progression of the Mozambique project, mainly dictated by the evolution of the current political and social context that, being unstable, brings additional challenges to the project concerning the security of all those involved and the assurance of the supply of products, materials and services needed. The pressure on the Metical is felt in price inflation, which has been clear since 2015 and continues to increase.

As of 30 June 2016 the expenditure with this project amounted to Euro 60,000,000 (31 December 2015: Euro 54,000,000), mainly related to plantation, land preparation and the identification of eucalyptus species with adequate industrial use to be planted in the areas awarded by the Mozambique State.

However, given the above mentioned, the Group prudently revaluated the assets held in Mozambique having recognized in the first half of 2016 an impairment loss of Euro 18,000,000, of which Euro 3,500,000 affecting EBITDA.

Country Risk – USA

The Colombo Energy Inc. project relates to the new pellet plant in the USA (in Greenwood, South Carolina) has been launched on 18 July. The plant is expected to enter into continuous production from 22 August onwards.

The total amount of the investment is USD 119.4 million, subject to the specific country risk.

Competition

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

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

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

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

The Group sells more than 66% of its paper production in Europe (2015: 63%), holding significant market shares in Southern European countries and relevant market shares in the other major European markets, as well as an important presence in the USA, nearly half of all the other markets (Overseas), despite the imposition of anti-dumping duties resulting from its strength in the domestic market (Portugal), which represents about 5% of paper sales.

Concentration of the customer portfolio

As at 30 June 2016, the Group's 10 main BEKP customer groups accounted for 17% of the period's production of BEKP (2015: 13%) and 76% of external sales of BEKP (2015: 69%). This asymmetry is a result of the strategy pursued by the Group, consisting of a growing integration of the BEKP produced into the UWF paper produced and sold.

As such, the Group considers its exposure to the risk of customer concentration regarding the sale of BEKP, as small.

As at 30 June 2016, the Group's 10 main customer groups for UWF paper represented 51% of this product's sales during the period (2015: 53%), although the Group's 10 main individual costumers did not exceed 23% of the UWF paper sales (2015: 19%). Also regarding UWF paper, the Group follows a strategy of mitigating the risk of customer concentration. The Group sells UWF paper to about 120 countries and territories (2015:116 countries) and 996 individual costumers (2015: 900 customers), thereby allowing a dispersion of the risk of sales concentration in a reduced number of markets and/or customers.

Tissue sales amounted to Euro 33.1 million in first half of 2016, an increase of 22% when compared to the same period of 2015. Its commercial activity is mainly focused in the Iberian markets, representing 98% of its sales. The 10 main customers represent about 49% of total sales (2015: 56%).

With the new production equipments in place, given the investment in the second Tissue paper machine made in 2015, the group believes it will be able to expand its commercial activity to external markets, namely to Spain and Western Europe.

The Colombo Energy Inc. project related to the new pellet plant in the USA (in Greenwood, South Carolina) was started on 18 July and produced its first pellets on 21 July. The plant is expected to enter into continuous production from 22 August onwards.

The commercial activity will start in September. So far, only one contract was signed with a single customer, guaranteeing the placement of 40% of the plant's production for a period of 10 years.

The group plans to expand the commercial activity of pellets business to the European and US markets, both in the industrial and residential/domestic segment.

Environmental legislation

In recent years, environmental legislation in the EU has become increasingly restrictive regarding the control of effluents. The companies of the Group comply with the prevailing legislation.

On September 2014, BREF (Best available techniques Reference document – Commission executive decision 2014/687 / EU) was approved for the paper and pulp sector, with redefined limits and requirements for these sectors. The companies have four years to promote the required adjustments to its practices and equipments. Furthermore, the technical discussion on the Large Combustion Facilities Reference Document was finalized, being the formal and political approval expected for early 2017. The publication of this document will have an impact on the group's equipment, particularly in boilers and combustion facilities, which will be covered by the new legislation to be published, therefore requiring new investments.

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

To date, the legislative changes that are known relate to the evolution of the system of allocation of EU emission trading of CO2 emission rights (CELE), established by Directive 2003/87/CE, and recently amended by Directive 2009 / 29/CE (new CELE Directive), which outlines the legal framework of the CELE for the period 2013-2020 and which was transposed into national law by Decree-Law 38/2013 of 15 March, which came to result in reducing the scope of free allocation of CO2 emission rights allowances.

With this scenario, it is expected an increase in the costs for the transformation industry in general and in particular for the paper and pulp industry, without any compensation for the CO2 that, annually, is absorbed by the forests of this industry.

In order to reduce the impact of this change, the Group has been following a strategy of carrying out a series of environment related investments that, among other advantages, have resulted in a continued reduction of the CO2 emissions, in spite of the continuous increase in the production volume over the last years.

In 2015, an environmental strategic plan was analyzed and established, aiming to adapt The Navigator Group to a set of new and future requirements in the environmental area, namely to the recently published reference document for the sector (Best available techniques Reference document – Commission executive decision 2014/687 / EU) and for Large Combustion Facilities. The aforementioned reference documents correspond to the implementation of Directive 2010/75 / EU on industrial emissions.

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

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

2.1.3. Risks associated with the production of energy and pellets

Energy is considered to be an activity of growing importance in the Group allowing the use of the biomass generated in the BEKP production, but also ensuring the supply - under the cogeneration regime - of thermal and electric power at the BEKP and UWF paper industrial complexes, also enabling, among others, the group's wood suppliers to generate additional income from the sale of biomass and contributing to the reduction of the risk of fires in the country.

Considering the increasing integration of the Group's mills dedicated to the production of BEKP and UWF paper and as a means of increasing the use of the biomass gathered in the woodlands, the Group built biomass power-generating units, to produce electrical power through biomass.

In this sector, the main risk is linked to the supply of raw material, namely, biomass. The group has played a pioneering role and has been developing a market for the sale of biomass for supplying the power plants it owns. The fostering of this market in a phase prior to the start-up of the new power-generating units has enabled it to secure a sustained raw-material supply network which it may utilize in the future.

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

In addition, and despite the legal provisions,

- i. Decree-Law 23/2010 and Act 140/2012, revised by Act 325-A/2012, applicable to the PRE system - Special Regime in cogeneration;
- ii. For units powered through residual forestry biomass, dedicated to the production of electricity, the legal framework is provided by Decree-Law 33-A/2005, revised by Decree-Law 225/2007, that extends from 15 to 25 years the guaranteed tariffs under the PRE, which enables some revenue stability to be planned for the near future there is a risk that the change in every tariffs may eventually paralyze the products produced by the Group.

There is a risk that the change in energy prices for sale of energy produced from renewable resources will penalize those products (already occurring, with specific measures over the energy price and the introduction of an Extraordinary Contribution to the Energy Sector affecting cogenerating units) with a capacity of more than 20MW. The constant search for the optimization of production costs and efficiency of the generating units is the way the Group seeks to mitigate this risk.

As a result of the measures taken under the Financial Adjustment Programme that Portugal was subject to, the whole remuneration system of the national electricity sector was revised, being the major impact in the electricity produced from cogeneration, one of the most efficient ways to produce energy.

The Group represents a relevant part (4.8%) of the energy produced in Portugal. The units owned and operated by the Group have been subject to a revision of the prices for electricity over a transitory period initiated in 2012, through 2020 and ending in 2025. As a consequence, the operation will become loss-making. Over the aforementioned period, the energy generated by these units will no

longer be sold to the national grid, which is already the case in the gas cogeneration unit of Figueira da Foz, as it will no longer be economically feasible. These units will be converted into self consumption units after the transitory period applicable to each installation.

2.1.4. Human Resources and talent management

Successful organizations have the right talent in the right place, at all levels - people who look beyond the obvious and take the business into the future. The talent shortage is now a structural problem of the companies. With technological advances and the constant need for innovation, intellectual capital has become crucial to the survival and expansion of the companies.

The Group's ability to successfully implement the outlined strategies will therefore depend on its capacity to recruit and retain key talents for each role. This risk is increased by the high average age of the Group's employees.

Although the Group's human resources policy seeks to achieve these goals, there might be some limitations to achieving them in the future, or that significant training costs need to be supported. In 2015 several actions were put in place in order to spread the new values and culture of the Group. We are integrating values, bringing them to life, developing systems and policies so to transform the organization, developing skills and holding the leadership responsible.

During 2016, the group continued with the rejuvenation program initiated in 2014. As of the date of this report, 28 employees had accepted its terms (in 2015: 100 employees and in 2014: 14). The Group also began the Trainee program in 2015, a program aiming to identify and select youngsters with potential to grow that share the Group's vision and contribute with energy and passion to the projects of their teams. This program continues in 2016.

As of 30 June 2016 the Group's headcount had increased by 396 employees as a result of the new businesses and of the insourcing of certain activities that were previously outsourced.

The focus on the continuous development of its employees together with the attraction of promising talents is considered strategic to the Organization as a way to introduce new skills and new ways of thinking the business.

2.1.5. Another risks associated with the Group's activity

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

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

The Group exports over 95% of its production of UWF paper and about 31% of its production of tissue paper. As a consequence, transportation and logistics costs are materially relevant. A continuous rise in transport costs may have a significant impact in the Group's earnings.

2.1.6. Context Risks

The lack of efficiency in the Portuguese economy continues to be accompanied by management, as it may have a negative effect on the Group's ability to be competitive. This is more so, but not exclusively, in the following areas:

- i) Ports and railroads;
- ii) Roads, particularly those providing access to the Group's production units;
- iii) Rules regarding territory management and forest fires;
- iv) Low productivity of the country's forests;
- v) The lack of certification of the vast majority of the Portuguese forest;
- vi) Volatility of fiscal policy and no reduction of the corporate tax rate.

2.2 Group's risks and the way it develops its activities

2.2.1. Risks associated with debt and liquidity levels

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

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

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

Amounts in Euro	Up to 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Total
As of 30 June 2016						
Liabilities						
Interest-bearing liabilities						
Bond loans	-	2,606,438	4,181,438	127,151,500	213,032,188	346,971,563
Commercial paper	-	-	5,634,308	405,036,599	-	410,670,907
Bank loans	26,953,409	-	21,569,859	65,544,544	45,660,282	159,728,093
Lease creditors	-	-	-	-	-	-
Accounts payable and other liabilities	104,644,578	36,949,391	1,033,696	9,202,147	-	151,829,812
Derivative financial instruments	-	-	-	-	-	-
Other liabilities	227,825	683,472	1,822,593	-	-	2,733,890
Total liabilities	131,825,811	40,239,300	34,241,895	606,934,790	258,692,469	1,071,934,265

Amounts in Euro	Up to 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Total
As of 31 December 2015						
Liabilities						
Interest-bearing liabilities						
Bond loans	-	-	-	207,581,813	212,780,375	420,362,188
Commercial paper	-	-	-	232,306,573	-	232,306,573
Bank loans	16,351,813	-	23,376,853	87,214,125	33,178,612	160,121,403
Lease creditors	-	-	-	-	-	-
Accounts payable and other liabilities	86,863,674	69,127,341	32,357	1,724,604	-	157,747,976
Derivative financial instruments	-	-	640,982	789,293	-	1,430,275
Other liabilities	110,229	330,686	881,830	-	-	1,322,745
Total liabilities	103,325,716	69,458,027	24,932,022	529,616,408	245,958,987	973,291,160

As of 30 June 2016 the value of interest-bearing liabilities shown in the table above includes interest to be paid in the amount of Euro 80,418,774 (31 December 2015: Euro 85,640,821).

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

- A price level for eucalyptus wood between 90% and 110% of that recorded during the year ended 31 December 2015;
- A market selling price of BEKP between 80% and 115% of that recorded during the year ended 31 December 2015;
- A market selling price of UWF and tissue paper between 90% and 120% of that during the year ended 31 December 2015;
- A net-debt cost between 80% and 115% of that recorded during the year ended 31 December 2015;
- A production level of eucalyptus in the woodlands owned or operated by the group, of BEKP, of UWF paper and power within the existing installed capacities.

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

The following covenants are currently in force:

Loan	Ratio	Limit
BEI Ambiente	Interest Coverage = EBITDA 12M / Annualized net interest	>= 4,5 X
	Indebtedness = Interest bearing liabilities / EBITDA 12 M	<= 4,5 X
Commercial Paper 125M	Net Debt / EBITDA = (interest bearing debt - cash and cash equivalents) / EBITDA 12M	<= 5,0 X
Commercial Paper 75M	Net Debt / EBITDA = (interest bearing debt - cash and cash equivalents) / EBITDA 12M	<= 4,0 X
Commercial Paper 50M	Net Debt / EBITDA = (interest bearing debt - cash and cash equivalents) / EBITDA 12M	<= 5,0 X
Commercial Paper 100M	Net Debt / EBITDA = (interest bearing debt - cash and cash equivalents) / EBITDA 12M	<= 4,0 X
Commercial Paper 70M	Net Debt / EBITDA = (interest bearing debt - cash and cash equivalents) / EBITDA 12M	<= 5,0 X
The Navigator Company Bonds 2015-2023	Net Debt / EBITDA = (interest bearing debt - cash and cash equivalents) / EBITDA 12M	<= 4,0 X
The Navigator Company Bonds 2016-2021	Net Debt / EBITDA = (interest bearing debt - cash and cash equivalents) / EBITDA 12M	<= 4,0 X
BEI Cacia	Interest Coverage = EBITDA 12M / Annualized net interest	>= 4,5 X
	Indebtedness = Interest bearing liabilities / EBITDA 12 M	<= 4,5 X

Based on the financial statements presented in this report, these ratios were as follows as of 30 June 2016 and 31 December 2015:

Ratio	30-06-2016	31-12-2015
Interest Coverage	14.51	11.23
Indebtedness	2.15	1.88
Net Debt / EBITDA	1.98	1.68

Considering the contracted limits, the group was comfortably complying with the limits imposed under the financing contracts. As at 30 June 2016 the Group presents a buffer of over 200% on the fulfilment of its covenants.

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

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

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

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

The gearing ratios as at 30 June 2016 and 31 December 2015 were as follows:

Amounts in Euro	30-06-2016	31-12-2015
Total Loans (Note 29)	841,482,724	727,149,343
Cash and cash equivalents (Note 29)	(48,315,213)	(72,657,585)
Net debt	793,167,511	654,491,758
Equity, excluding treasury shares	1,112,571,897	1,302,615,364
Equity	1,905,739,408	1,957,107,123
Gearing	41.62%	33.44%

2.2.2. Interest Rate Risk

As at 30 June 2016, near 38% of the Group's financial liabilities were indexed to short-term reference interest rates, revised in periods shorter than one year (usually 6 month rates for long term debt), plus duly negotiated risk spreads. Hence, changes in interest rates can impact the Company's earnings.

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

On 30 June 2016 and 31 December 2015, the detail of the financial assets and liabilities with interest rate exposure, considering the maturity or the next reprising date was as follows:

Amounts in Euro	Up to 1 month	1-3 months	3-12 months	1-5 years	+ 5 years	Total
As of 30 June 2016						
Assets						
Non-current						
Financial assets held for sale	-	-	-	-	-	-
Other non-current assets	-	-	-	-	-	-
Current						
Cash and cash equivalents	48,315,213	-	-	-	-	48,315,213
Total Financial Assets	48,315,213	-	-	-	-	48,315,213
Liabilities						
Non-current						
Bearing Liabilities	-	-	-	550,681,732	244,236,108	794,917,840
Derivative financial instruments	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Current						
Other bearing liabilities	26,862,503	-	19,702,381	-	-	46,564,884
Total Financial Liabilities	26,862,503	-	19,702,381	550,681,732	244,236,108	841,482,724
Accumulated diferencial	21,452,710	21,452,710	1,750,329	(548,931,403)	(793,167,511)	

Amounts in Euro	Até 1 mês	1-3 meses	3-12 meses	1-5 anos	Mais de 5 anos	Total
As of 31 December 2015						
Assets						
Non-current						
Financial assets held for sale	-	-	-	-	-	-
Other non-current assets	-	-	-	-	-	-
Current						
Cash and cash equivalents	72,657,585	-	-	-	-	72,657,585
Total Financial Assets	72,657,585	-	-	-	-	72,657,585
Passivos						
Non-current						
Bearing Liabilities	-	-	-	450,904,767	240,461,480	691,366,247
Derivative financial instruments	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Current						
Other bearing liabilities	17,982,604	-	22,595,986	-	-	40,578,590
Total Financial Liabilities	17,982,604	-	22,595,986	450,904,767	240,461,480	731,944,837
Accumulated diferencial	54,674,981	54,674,981	32,078,995	(418,825,772)	(659,287,252)	

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

The sensitivity analysis exercise carried out is based on the following assumptions:

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

- Changes in fair value of derivative financial instruments and other financial assets and liabilities are measured using the discounted cash flows method, with market interest rates at year end;

An increase of 0,50% in the interest rate from which interest on loans are calculated would have an impact in its earnings before taxes, for the six months period ended 30 June 2016 of around Euro 1,6 million (31 December 2015: Euro 1,8 million Euro).

2.2.3. Currency Risk

Variations in the euro's exchange rate against other currencies can affect the Group's revenue in a number of ways.

On one hand, a significant portion of the Group's sales is priced in currencies other than the Euro, especially in US dollar and, with less impact, GBP, PLN and CHF and other currencies with less relevance. The change of the Euro vis-à-vis these currencies can also have an impact on the Company's future sales.

Furthermore, purchases of certain raw materials are also made in USD, namely some of the wood and long fiber pulp imports. Therefore, changes in EUR vis-à-vis the USD may have an impact on acquisition values.

Additionally, once a sale or purchase is made in a currency other than the Euro, the Group becomes exposed to exchange rate risk up to the moment it receives or pays the proceeds of that sale or purchase, if no hedging instruments are in place. Therefore, Navigator's statement of financial position generally includes a significant amount of receivables and, although with a lesser significance, payables, exposed to currency risk.

The Group holds an affiliated company in the USA, Portucel Soporcel North America, whose share capital amounts to around USD 25 million and is exposed to foreign exchange risk. The Group also holds an affiliated in Poland (Portucel Finance Zoo) whose share capital amounts to PLN 208 million exposed to foreign exchange risk. Additionally, the Group holds an affiliated company in Mozambique (Portucel Moçambique), whose share capital amounts to MZM 1.000 million, equally exposed to foreign exchange risk. Besides those operations, the Group does not hold materially relevant investments in foreign operations, the net assets of which are exposed to foreign exchange risk.

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

The table below shows the Group's exposure to foreign exchange rate risk as of 30 June 2016, based on the financial assets and liabilities that amounted to a net asset of Euro 62,611,111 converted at the exchange rates as of that date (31 December 2015: Euro 89,628,523) as follows:

Amounts in Foreign Currency	United States Dollar	British Pound	Polish Zloty	Swedish Krone	Swiss Franc	Danish Krone	Australian Dollar	Norwih Krone	Mozambique Metical	Moroccan Dirhams	Turkish Lira
As of 30 June 2016											
Assets											
Cash and cash equivalents	1,148,422	104,662	204,727	(39)	9,880	550	-	204	10,086,064	625,016	158,863
Accounts receivable	50,930,452	12,953,953	3,835,662	162,381	1,407,962	137,047	22,778	1,024,968	-	-	-
Available for sale financial assets	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-
Total Financial Assets	52,078,874	13,058,615	4,040,389	162,342	1,417,842	137,597	22,778	1,025,172	10,086,064	625,016	158,863
Liabilities											
Bearing liabilities	-	-	-	-	-	-	-	-	-	-	-
Payables	(2,642,310)	(3,841)	(2,044)	(514,561)	-	-	-	-	(19,641,882)	(65,211)	-
Total Financial Liabilities	(2,642,310)	(3,841)	(2,044)	(514,561)	-	-	-	-	(19,641,882)	(65,211)	-
Derivative financial instruments	(96,050,000)	(12,550,000)									
Net Financial Position	49,436,564	13,054,774	4,038,345	(352,219)	1,417,842	137,597	22,778	1,025,172	(9,555,818)	559,805	158,863
As of 31 December 2015											
Total Financial Assets	68,334,025	10,835,495	4,997,111	746,810	2,457,480	740,683	170,763	1,026,457	29,141,418	487,365	(56,556)
Total Financial Liabilities	(4,722,928)	(23,374)	(2,044)	(2,434,317)	-	(49,623)	-	-	(52,982,791)	(131,017)	-
Derivative financial instruments	(98,050,000)	(8,700,000)									
Net Financial Position	63,611,097	10,812,121	4,995,067	(1,687,507)	2,457,480	691,060	170,763	1,026,457	(23,841,373)	356,348	(56,556)

The Group has entered into foreign exchange derivatives in order to hedge its exposure to exchange rate risk regarding future transactions in foreign currency.

As at 30 June 2016, a (positive or negative) variation of 10% of all currency rates relative to the Euro would have an impact in the years's pre-tax results of Euro 5,691,919 and Euro (6,956,790) respectively (31 December 2015: Euro 7,172,733 and (8,766,674) respectively), and in shareholders' equity of Euro 2,597,019 and Euros (3,174,133) (2015: Euro 2,008,432 and Euro (2,552,528)), considering the effect of the exchange rate hedging contracts in place.

2.2.4. Credit Risk

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

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

However, the worsening of global economic conditions or adversities affecting the economy at a local scale can lead to deterioration in the ability of the Group's customers to pay their obligations, which may lead entities providing credit insurance to significantly decrease the amount of the credit insurance lines that are available to those customers. This is the scenario the Group currently faces (although with some improvement when compared with recent periods) which results in serious limitations on the amounts the Group can sell to certain customers, without incurring in direct credit risk levels that are not commensurate with the Group's credit risk policy.

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

As at 30 June 2016 and 31 December 2015, accounts receivable from costumers showed the following ageing structure, considering the due dates for the open balances:

Amounts in Euro	30-06-2016	31-12-2015
Not overdue	178,950,781	164,199,355
1 to 90 days	8,732,284	15,340,136
91 to 180 days	349,969	1,357,123
181 to 360 days	183,730	266,005
361 to 540 days	201,442	90,320
541 to 720 days	67,120	149,553
more than 721 days	837,379	733,961
	189,322,705	182,136,452
Litigation - doubtful debts	1,386,177	1,745,220
Impairments	(1,386,177)	(1,745,220)
Net receivables balance (Note 21)	189,322,705	182,136,452
Limit of the negotiated credit insurance	128,345,876	113,271,946

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

The Accounts receivable outstanding by business area were analyzed as follows as at 30 June 2016 and 31 December 2015::

As of 30 June 2016

Amounts in Euro	MARKET PULP	UWF PAPER	TISSUE PAPER	OTHER	Total
Not overdue	16,285,718	123,549,932	16,216,027	22,899,104	178,950,781
1 to 90 days	-	6,522,093	1,682,928	527,263	8,732,284
91 to 180 days	-	-	203,673	146,296	349,969
181 to 360 days	-	-	110,452	73,278	183,730
361 to 540 days	-	-	149,427	52,015	201,442
541 to 720 days	-	-	47,929	19,191	67,120
more than 721 days	-	-	786,204	51,175	837,379
	16,285,718	130,072,025	19,196,640	23,768,322	189,322,705

As of 31 December 2015

Amounts in Euro	MARKET PULP	UWF PAPER	TISSUE PAPER	OTHER	Total
Not overdue	14,658,949	118,849,713	15,505,654	15,185,039	164,199,355
1 to 90 days	1,929,441	9,093,217	1,234,169	3,083,309	15,340,136
91 to 180 days	-	-	91,576	1,265,547	1,357,123
181 to 360 days	-	13,277	189,594	63,133	266,005
361 to 540 days	-	-	63,089	27,231	90,320
541 to 720 days	-	-	138,027	11,526	149,553
more than 721 days	-	-	656,399	77,562	733,961
	16,588,390	127,956,206	17,878,509	19,713,347	182,136,452

As at 30 June 2016, the credit insurance lines available amounted to Euro 340,585,583 (31 December 2015: Euro 362,511,765) from which Euro 128,345,876 (31 December 2015: Euro 113,271,946) were in use.

The table below represents the quality of the Group's credit risk, as at 30 June 2016 and 31 December 2015, for financial assets (cash and cash equivalents), (Credit rating by Standard & Poor's, Fitch or Moody's):

Financial Institutions		
Amounts in Euro	30-06-2016	31-12-2015
Rating		
AA	-	-
AA-	13,065,073	12,843,478
A+	-	48,921
A	25,978,357	24,811,095
A-	966,697	434,366
BBB+	2,177,305	4,890,162
BBB	-	-
BBB-	-	-
BB+	-	469
BB	885	-
BB-	1,503,804	26,905,743
B+	1,309,586	893,766
B	-	-
B-	-	-
Others	3,313,506	1,829,585
	48,315,213	72,657,585

The value stated as "Other" includes bank deposits at banks or entities with no credit rate issued.

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

However, the worsening of global economic conditions, which is reflected in the deterioration of the quality of credit of several countries, also resulted in a general downgrade of the credit rating of most of the financial institutions the Group works with. This situation was particularly relevant in what concerns Portuguese and Spanish banks, the Group's main financial counterparts.

The following table shows an analysis of the credit quality of accounts receivable from customers, in which no default or impairment loss was considered based on the information available to the Group:

Amounts in Euro	30-06-2016		31-12-2015	
	Gross amount	Credit Insurance	Gross amount	Credit Insurance
Accounts receivable overdue but not impaired				
Overdue - less than 3 months	8,732,284	7,178,603	15,340,136	13,877,347
Overdue - more than 3 months	253,463	228,117	851,741	770,522
	8,985,747	7,406,720	16,191,877	14,647,869
Accounts receivable overdue and impaired				
Overdue - less than 3 months	-	-	-	-
Overdue - more than 3 months	1,386,177	-	1,745,220	-
	1,386,177	-	1,745,220	-

The maximum exposure to credit risk as at 30 June 2016 and 31 December 2015 is detailed in the following table. In accordance with the policies described above, the Group contracted credit insurance policies for most of the accounts receivable from its clients. As such, the Group's exposure to credit risk is considered to have been mitigated up to acceptable levels, when compared with Group's sales.

Amounts in Euro	Maximum Exposure	
	30-06-2016	31-12-2015
Current		
Current Receivables	227,548,200	215,370,516
Bank deposits	48,315,213	72,657,585
Exposure to credit risk on off balance sheet exposures		
Guarantees (Note 36.1)	9,254,199	10,230,385
Related responsibilities (Note 22)	4,209,755	(8,044,968)
	13,463,954	2,185,417

3. IMPORTANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of consolidated financial statements requires that the Group's management makes judgments and estimates that affect the amount of revenue, costs, assets, liabilities and disclosures at the date of the statement of financial position.

These estimates are influenced by the Group's management's judgments, based on: (i) the best information and knowledge of present events and in certain cases on the reports of independent experts; and (ii) the actions which the Group considers it may have to take in the future. However, on the future date on which the operations will be realized, the outcome could be quite different from those estimates.

The estimates and assumptions which present a significant risk of generating a material adjustment to the book value of assets and liabilities in the following financial period are presented below.

3.1 Impairment of Goodwill

The Group tests the goodwill carried in its statement of financial position for impairment losses annually, in accordance with the accounting policy described in Note 1.6. The recoverable amounts of the cash generating units are ascertained based on the calculation of their value-in-use. These calculations require the use of estimates.

As of 30 June 2016, a potential increase of 0.5% in the discount rate used in the impairment tests of that asset – Goodwill allocated to the Figueira da Foz Integrated Paper cash generating unit - would decrease its value by Euro 115,418,468 (Euro 76,685,999 as at 31 December 2015), which would still be higher than its book value.

3.2 Useful lives of Property, plant and equipment

Property, plant and equipment include the most material assets of the Group. Those are depreciated over their estimated economic useful lives.

The estimation of those useful lives, as well as the depreciation method used, is essential in measuring the annual depreciation charge to be recognized in comprehensive income.

In order to best estimate these parameters, the Board of Directors uses their best knowledge as well as benchmark analysis with international peers.

The amendments made to IAS 16, which came into effect on 1 January 2016, have come to establish as a basic principle that the depreciation method used should reflect the expected pattern of future economic benefits of an asset. This standard provides additional guidance on this matter, stating that the information on the technical or commercial obsolescence of a product is relevant to estimate the pattern of consumption of its future economic benefits and its useful life. Accordingly, expected reductions in the selling price of goods or services may constitute evidence of commercial obsolescence evidence, which may reflect a reduction of the remaining economic benefits of an asset.

Due to its significant impact in the Group financial statements, management is also regularly advised by external and independent consultants in order to best estimate these variables.

3.3 Impairment (other than Goodwill)

The identification of an impairment loss may arise from multiple indicators, several of which are not controlled by the Group, like access to debt, cost of capital, as well as by other changes, internal or external, including political risk and country related risk

Identifying impairment indicators, estimate future cash flows, and determining the assets' fair value imply a significant degree of judgment by the Board of Directors, not only regarding the variables mentioned above, but also regarding discount rates, useful life's and residual values.

3.4 Income Tax

The Group recognizes additional tax assessments resulting from inspections undertaken by tax authorities. When the final outcome of the above reviews is different from the amounts initially recorded, the differences will have an impact on the corporate income tax and the deferred taxes in the periods when such differences are identified.

In Portugal, the annual tax returns are subject to review and potential adjustment by tax authorities for a period of up to 4 years. However, if tax losses are utilized, these may be subject to review by the tax authorities for a period of up to 6 years. In other countries where the Group operates, these periods are different and, in most cases, higher.

The Board of Directors believes that any reviews/ inspections by tax authorities will not have a material impact on the consolidated financial statements as of 30 June 2016. The Group's income tax returns up to 2012 have already been reviewed while the tax audits to 2013 and 2014 are ongoing.

As of 30 June 2016, if the effective tax rate would correspond to the nominal rate (27,5%), there would be an increase in the corporate income tax charges of Euro 16,766,672 (30 June 2015: Euro 19,397,653).

3.5 Actuarial Assumptions

Liabilities relating to defined-benefit plans are calculated based on actuarial assumptions. Changes to those assumptions can have a material impact on the aforesaid liabilities.

As of 30 June 2016, a decrease of 0,5% in the discount rate used (2,5%) in the actuarial assumptions would mean an overall increase in the actuarial liabilities of around Euro 11,265,690 (31 December 2015: Euro 11,809,260).

3.6 Fair Value of Biological Assets

In determining the fair value of its biological assets, the Group uses the discounted cash flows method considering assumptions related to the nature of the assets being valued (Note 1.10). Changes in these assumptions may have an impact in the value of those assets.

As of 30 June 2016, an increase of 0.5% in the discount rate (5.97%) used to value those assets would decrease their value by approximately Euro 5,467,000 (31 December 2015: Euro 4,413,000).

To Mozambique, the increase of 0,5% in the used discount rate (11.99%) would result in a devaluation of this asset in about Euro 280,000 (31 December 2015: Euro 197,000).

3.7 Credit Risk

As mentioned before, the Group manages credit risk in its receivables through risk analysis when granting credit to new customers and through regular review of the performance of its customer portfolio.

Due to the nature of its customers there are no credit ratings for the portfolio that the Group can use to categorize and analyze the portfolio as homogeneous population. Hence the Group collects data on its customers' financial performance through regular contact, as well as through contacts with other entities with which the Group does business (e.g., sales agents).

In addition, most of the Group's receivables are covered by an insurance policy that limits the exposure in these receivables – generally - to the retention portion to be paid in case of any incident, which varies based on the customer's geographical location. The insurer's acceptance of the Group's receivables portfolio and the premiums that the Group pays for that coverage are a good corroboration of the average quality of the Group's portfolio.

3.8 Recognition of provisions and adjustments

The Group is involved in several lawsuits, for which, based on the opinion of its lawyers, a judgment is made in order to assess if the contingencies are remote, not probable or probable.

Impairment losses in accounts receivable are booked essentially based on the analysis of the ageing of accounts receivable, the customers' risk profile and their financial situation. If it had been calculated using the criteria set by the Portuguese tax legislation, the impairment adjustments would have been lower by approximately Euro 402,889 (31 December 2015: Euro 1,607,673).

4. 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.

In 2016, the Group has changed its segment reporting. Segment information is presented for business segments identified by the Group, namely:

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

In 2015, the business segment information was:

- Forestry;
- Pulp stand alone;
- Integrated Pulp and Paper;
- Energy.

In 2016, the segments Forestry and Energy became part of the segment "Other". This segment also includes the pellets business.

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 six months period ended 30 June 2016 and 2015 is shown as follows:

30-06-2016

	MARKET PULP	UWF PAPER	TISSUE PAPER	OTHER	ELIMINATIONS/ UNALLOCATED	TOTAL
REVENUE						
Sales and services - external	71,192,821	658,249,187	33,111,850	16,016,337		778,570,196
Sales and services - intersegment	13,212,649	-	-	345,182,948	(358,395,597)	-
Total revenue	84,405,471	658,249,187	33,111,850	361,199,285	(358,395,597)	778,570,196
Profit/(loss)						
Segmental Profit	17,316,946	104,931,809	(4,364,796)	(9,963,345)	-	107,920,613
Operating Profit	-	-	-	-	-	107,920,613
Financial costs- net	-	-	-	-	(13,462,204)	(13,462,204)
Income tax	-	-	-	-	(9,209,390)	(9,209,390)
Net profit before non-controlling interests	-	-	-	-	-	85,249,019
Non-controlling interests	-	-	-	-	217,529	217,529
Net profit	-	-	-	-	-	85,466,548
Other Information						
Capital expenditure	2,713,454	11,805,944	144,304	60,599,118	-	75,262,820
Depreciation and impairment losses	(4,994,260)	(51,892,763)	(6,591,166)	(22,477,338)	-	(85,955,527)
Provisions	-	-	-	-	(1,398,423)	(1,398,423)
Other Information						
SEGMENT ASSETS						
Plant, property and equipment	127,959,582	729,897,369	67,070,690	385,132,097	-	1,310,059,738
Biological assets	-	-	-	123,935,174	-	123,935,174
Available-for-sale financial assets	-	260,487	-	-	-	260,487
Inventories	18,809,173	133,693,450	9,716,209	68,008,213	-	230,227,045
Receivable and other current assets	16,285,718	130,072,025	19,196,640	23,768,322	-	189,322,705
Other accounts receivable	3,764,824	28,090,495	2,190,640	4,179,536	-	38,225,495
Other assets	3,779,586	457,302,077	1,757,063	70,929,010	-	533,767,736
Total assets	170,598,883	1,479,315,903	99,931,242	675,952,352	-	2,425,798,380
SEGMENT LIABILITIES						
Interest-bearing liabilities	2,805,080	-	24,823,381	813,854,263	-	841,482,724
Accounts Payable	6,004,505	95,061,661	6,066,595	25,235,871	-	132,368,631
Other payables	3,496,660	26,939,311	1,628,519	45,417,720	-	77,482,210
Other liabilities	32,020,985	97,861,192	3,622,252	120,491,675	-	253,996,104
Total liabilities	44,327,229	219,862,164	36,140,748	1,004,999,529	-	1,305,329,669

The Group's energy sales are reported under different business segments. The amount corresponding to the total energy sales was Euro 68,630,728 in 2016 and Euro 67,502,659 in 2015. Energy sales originated in the cogeneration process, in the amount of Euro 59,489,962, are reported under the "Market Pulp" (Euro 5,499,192) and "UWF Paper" (Euro 53,990,820) segments. Sales of electricity exclusively produced in units dedicated to the production of electricity from biomass are reported under the segment "Other", in the amount of Euro 9,140,767.

The capital expenditure in the "Unallocated" segment includes Euro 67,842,392 related to the investment in the "pellets" factory in the United States of America and (Euro 10,884,362) regarding the regularization of advance payments associated with the project in Mozambique. The remaining amount of Euro 3,641,088 respects to other investments.

In 2016 an impairment loss of Euro 14,478,835 was recorded regarding the investment in Mozambique.

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

Amounts in Euro	30-06-2016
Forestry Lands	78,876,202
Real estate - manufacturing site of Setúbal	59,489,076
Real estate - manufacturing site of Cacia	12,399,764
Real estate - manufacturing site of Figueira da Foz	55,660,460
Thermoelectric plant biomass	41,912,263
Pellets project - EUA	88,029,530
Mozambique project	34,630,870
Others	14,133,932
	385,132,097

Forest land and industrial real estate are reported in the individual financial statements as investment properties (Euro 206,425,502).

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

30-06-2015

	MARKET PULP	UWF PAPER	TISSUE PAPER	OTHER	ELIMINATIONS/ UNALLOCATED	TOTAL
REVENUE						
Sales and services - external	64,540,135	684,878,040	27,175,572	18,329,876		794,923,624
Sales and services - intersegment	9,973,657	-	-	257,049,613	(267,023,270)	-
Total revenue	74,513,792	684,878,040	27,175,572	275,379,489	(267,023,270)	794,923,624
Profit/(loss)						
Segmental Profit	11,689,350	105,754,401	1,726,468	10,482,580	-	129,652,799
Operating Profit	-	-	-	-	-	129,652,799
Financial costs- net	-	-	-	-	(17,847,353)	(17,847,353)
Income tax	-	-	-	-	(11,348,845)	(11,348,845)
Net profit before non-controlling interests	-	-	-	-	-	#REF!
Non-controlling interests	-	-	-	-	(2,962)	(2,962)
Net profit	-	-	-	-	-	#REF!
Other Information						
Capital expenditure	14,477,760	54,048,670	-	4,817,338	-	73,343,768
Depreciation and impairment	(2,045,540)	(48,552,698)	(1,829,890)	(8,413,265)	-	(60,841,393)
Provisions	-	-	-	-	5,990,714	5,990,714
Other Information						
SEGMENT ASSETS						
Plant, property and equipment	128,171,890	803,930,322	76,995,132	327,133,155	-	1,336,230,499
Biological assets	-	-	-	113,627,527	-	113,627,527
Available-for-sale financial assets	-	229,136	-	-	-	229,136
Inventories	17,445,700	102,526,527	7,702,842	86,908,583	-	214,583,652
Receivable and other current assets	14,710,055	155,293,987	15,346,078	16,665,461	-	202,015,581
Other accounts receivable	837,945	5,091,571	50,366	7,085,338	-	13,065,220
Other assets	198,276	485,305,330	15,588,565	103,084,901	-	604,177,072
Total assets	161,363,867	1,552,376,873	115,682,983	654,504,965	-	2,483,928,687
SEGMENT LIABILITIES						
Interest-bearing liabilities	-	-	29,638,842	603,964,081	-	633,602,924
Accounts Payable	7,195,459	96,731,108	9,226,750	54,244,112	-	167,397,429
Other payables	24,023,262	29,683,375	37,363,506	67,378,703	-	158,448,846
Other liabilities	18,610,442	98,062,352	1,890,363	173,283,149	-	291,846,306
Total liabilities	49,829,163	224,476,835	78,119,461	898,870,045	-	1,251,295,504

As of 30 June 2015 the fixed capital expenditure in the "Tissue Paper" segment was considered as a change in the consolidation scope in Note 17.

Sales and services rendered by region

Amounts in Euro	30-06-2016	30-06-2015
PORTUGAL		
UWF Paper	86,271,049	89,540,067
Pulp	8,836,856	4,007,407
Tissue	20,933,779	20,267,828
Other	16,016,337	18,329,876
	132,058,021	132,145,178
REST OF EUROPE		
UWF Paper	364,301,122	383,080,469
Pulp	60,980,633	58,281,971
Tissue	12,178,071	6,907,744
	437,459,826	448,270,185
NORTH AMERICA		
UWF Paper	69,696,963	73,104,550
Pulp	-	-
	69,696,963	73,104,550
OTHER MARKETS		
UWF Paper	137,980,054	139,152,955
Pulp	1,375,332	2,250,757
	139,355,386	141,403,712
	778,570,196	794,923,624

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

5. OTHER OPERATING INCOME

Other operating income is detailed as follows for the six months periods ended 30 June 2016 and 2015:

Amounts in Euro	6 months 30-06-2016	6 months 30-06-2015
Supplementary income	1,965,917	243,483
Grants - CO2 Emission allowances (Note 6)	1,534,127	1,783,216
Reversal of impairment losses in current assets (Note 23)	412,426	29,595
Gains on the sale of non-current assets	424,963	69,059
Gains in inventories	1,936,001	35,149
Government grants	211,711	270,510
Own work capitalised	7,405,383	7,980,324
Other operating income	2,617,920	714,248
	16,508,449	11,125,585

As of 30 June 2016, "Own work capitalized" comprises Euro 7,393,612 (30 June 2015: Euro 7,948,442) of expenditure with land preparation for forestation in Mozambique that was capitalized following the accounting policy described in Note 1.10.

The gains with CO2 licenses correspond to the recognition of the free allocation of licenses for 260,310 tons of CO2.

6. OPERATING EXPENSES

Operating expenses are detailed as follows for the six months periods ended 30 June 2016 and 2015:

Amounts in Euro	6 months 30-06-2016	6 months 30-06-2015
Cost of Inventories sold and consumed	(341,691,740)	(350,920,177)
Variation in production	2,269,842	14,090,213
Cost of services and materials consumed	(184,862,994)	(206,773,701)
Payroll costs		
Remunerations		
Statutory bodies - fixed	(2,358,808)	(2,370,697)
Statutory bodies - variable	(2,303,935)	(1,678,037)
Other remunerations	(50,099,427)	(47,974,441)
	<u>(54,762,170)</u>	<u>(52,023,174)</u>
Social charges and other payroll costs		
Pension and retirement bonus - defined benefit plans (Note 27)	(953,423)	261,754
Pension costs - defined contribution plans (Note 27)	(625,842)	(996,871)
Contributions to social security	(10,367,419)	(9,517,590)
Other payroll costs	(7,703,189)	(8,034,500)
	<u>(19,649,873)</u>	<u>(18,287,207)</u>
	<u>(74,412,043)</u>	<u>(70,310,382)</u>
Other costs and losses		
Membership fees	(246,217)	(459,544)
Losses in inventories	(2,512,311)	(338,109)
Impairment losses in receivables (Note 23)	(39,644)	(134,092)
Indirect taxes	(587,149)	(471,176)
Shipment costs	(2,159,696)	(1,205,828)
Water resources charges	(775,933)	(589,843)
Cost with CO2 emissions	(349,877)	(1,194,234)
Other operating costs	(1,374,566)	(2,896,962)
	<u>(8,045,392)</u>	<u>(7,289,788)</u>
Provisions (Note 28)	(1,398,423)	5,990,714
Total	(608,140,751)	(615,213,121)

The costs with CO2 emissions correspond to the emission of 365.472 tons of CO2. The variation shown results from the lower market price of the licenses when compared with June 2015.

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. This fire, whose ignition took place in the reception of raw materials, spreaded 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.

For the six months periods ended 30 June 2016 and 2015 inventories consumed and sold were detailed as follows:

Amounts in Euro	30-06-2016	30-06-2015
Wood / Biomass	149,238,536	148,623,422
Natural gas	28,280,324	41,621,932
Other fuels	9,284,120	9,543,906
Water	759,584	946,670
Chemicals	71,393,587	69,920,638
BEKP Pulp	11,453,141	9,605,343
UWF Paper - subcontracts	4,765,751	3,552,372
Tissue Paper - subcontracts	3,946,139	2,973,833
Warehouse material	25,992,210	27,699,927
Packaging materials	36,511,478	35,046,773
Other materials	66,870	1,385,362
	341,691,740	350,920,177

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

From February 2016, the natural gas cogeneration unit in Figueira da Foz started operating under a self-consumption regime, reducing the volume of energy sales to the grid and simultaneously reducing the purchase of electricity and the consumption of natural gas and other fluids, thus justifying the reduction in this caption.

For the six months periods ended 30 June 2016 and 2015 the cost of services and materials consumed was detailed as follows:

Amounts in Euro	6 months 30-06-2016	6 months 30-06-2015
Communications	645,803	755,881
Maintenance and repair	12,414,966	17,792,171
Travel and accommodation	2,351,085	1,037,988
Energy and fluids	48,401,530	57,849,595
Fees	1,896,177	1,744,785
Materials	1,829,827	1,721,980
Advertising and marketing	7,681,815	6,742,255
Rentals	6,105,270	4,972,046
Insurance	5,192,249	8,215,170
Subcontracts	946,729	1,594,769
Specialized services	36,100,885	40,074,820
Transportation of goods	57,474,108	60,409,089
Other	3,822,551	3,863,153
	184,862,994	206,773,701

The reduction in the consumption of energy and other fluids results, as mentioned above, from the change in the use of the natural gas cogeneration unit in Figueira da Foz, which started operating in a self-consumption regime.

In 2016, the Group insourced several activities that were previously outsourced, which explains the reduction in subcontracts and specialized services.

For the six months periods ended 30 June 2016 and 2015, the costs incurred with investigation and research activities amounted to Euro 2,207,565 and Euro 1,773,400, respectively, in addition to the costs incurred in identifying species of eucalyptus with industrial viability in the areas awarded by concession to the Group by the Mozambican Government (Note 2.1.2). It should also be noted that the Group is currently employing more than 10,000 people as daily workers in its forestation activities in Mozambique.

Other payroll costs are detailed as follows for the periods ended 30 June 2016 and 2015:

Amounts in Euro	6 months 30-06-2016	6 months 30-06-2015
Training	576,224	386,689
Social action	409,272	584,918
Insurance	1,627,829	1,516,328
Other	5,089,864	5,546,565
	7,703,189	8,034,500

The amount booked as "Others" in 2016 essentially regards the compensation paid to the 28 employees that adhered (2015: 49 employees) to the rejuvenation program initiated by the Group in 2014 (Note 2.1.4).

7. REMUNERATION OF STATUTORY BODIES

For the six months periods ended 30 June 2016 and 2015, this caption includes the fixed remuneration of the members of the statutory bodies and is detailed as follows:

Amounts in Euro	6 months 30-06-2016	6 months 30-06-2015
Board of directors		
The Navigator Company, S.A.	2,183,908	2,165,130
Corporate bodies from other group companies	34,770	37,868
Statutory Auditor (Note 34)	97,718	133,000
Audit Board	35,412	30,700
General Assembly	7,000	4,000
	2,358,808	2,370,697

For the six months periods ended 30 June 2016 and 2015 the Group also recognized past services costs related with pensions of two non-executive Board members as detailed in Note 27.

8. DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES

For the six months periods ended 30 June 2016 and 2015, depreciation, amortization and impairment losses, net of the effect of investment grants recognized in the period were as follows:

Amounts in Euro	6 months 30-06-2016	6 months 30-06-2015
Depreciation of property, plant and equipment		
Land	-	(11,877)
Buildings	(5,517,153)	(5,271,513)
Equipments	(64,969,278)	(56,483,864)
Other tangible assets	(2,531,918)	(2,123,228)
	<u>(73,018,349)</u>	<u>(63,890,481)</u>
Investment grants	3,160,145	3,134,402
	<u>(69,858,204)</u>	<u>(60,756,079)</u>
Impairment losses		
CO2 Emission allowances	(1,618,487)	(85,314)
Mozambique impairment of lands	(14,478,835)	-
	<u>(16,097,322)</u>	<u>(85,314)</u>
	<u>(85,955,527)</u>	<u>(60,841,393)</u>

The increase in the depreciation of property, plant and equipment mainly results from the beginning of the depreciation of the new investments in Cacia and Vila Velha de Rodão.

Depreciation is calculated according to the useful lives defined by the Group, which aim to reflect the expected pattern of future economic benefits arising from the assets. In the amendments to IAS 16, which came into effect on 1 January 2016, the IASB clarifies that expected reductions in the selling price of goods and services may be a commercial obsolescence indicator, which, in turn, may reflect a reduction in the remaining future economic benefits arising from the assets.

Impairment losses on intangible assets relate to impairment losses on CO2 emission allowances held at 30 June 2016 and 2015, valued at the lower between the market values at the date of attribution and the date of the statement of financial position.

In the six months period ended 30 June 2016, an impairment loss regarding the project in Mozambique was also recognized, following the assessment made by the Group on those assets, as disclosed in Note 2.1.2.

9. CHANGES IN GOVERNMENT GRANTS

The liabilities with government grants evolved as follows:

Amounts in Euro	2016			2015		
	Financial	Fiscal	Total	Financial	Fiscal	Total
Government Grants						
Opening balance	38,518,758	5,372,680	43,891,438	37,418,965	-	37,418,965
Change in the consolidation scope	-	-	-	5,949,674	-	5,949,674
Utilization	(2,889,245)	(270,900)	(3,160,145)	(3,134,402)	-	(3,134,402)
New grants awarded	46,687	-	46,687	-	-	-
(Regularization) / Increase	-	-	-	(1,280,109)	-	(1,280,109)
Closing Balance (Note 30)	35,676,200	5,101,780	40,777,980	38,954,128	-	38,954,128
Other quarters				(435,370)	5,372,680	4,937,310
Closing Balance (Note 30)				38,518,758	5,372,680	43,891,438

Regarding financial grants, as at 30 June 2016, the Group recognized Euro 34,672,194 (31 December 2015: Euro 37,215,981) as non-current liabilities and Euro 5,547,084 (31 December 2015: Euro 6,274,879) as current liabilities (Note 30). The projected recognition of these grants (through decrease in depreciations) in the results for the year is as follows:

Amounts in Euro	30-06-2016
2016 (remaining)	2,794,251
2017	5,928,317
2018	5,866,204
2019	5,704,495
2020	5,611,642
Subsequent	14,873,071
	40,777,980

As previously communicated, on 18 June 2014, the Group's subsidiary Navigator Pulp Cacia, SA (previously named Celcacia – Celulose de Cacia, S.A.) signed two contracts for financial and tax grants, with AICEP - Agency for Investment and Foreign Trade of Portugal, to support the investment to increase the production capacity of the Cacia pulp mill. The total estimated investment amounts to Euro 49.3 million. The grants already approved amount to Euro 9.264 million as a refundable financial grant, and Euro 5.644 million as a tax grant, to be used until 2024. The contract includes an award of achievement, corresponding to the conversion of up to 75% (Euro 6.947.450) of the refundable incentives granted into non-refundable incentives, by meeting the objectives set by the contract.

The recognition of these grants (through decrease in depreciations) was as follows:

Amounts in Euro	Financial	Fiscal	Total
2015	333,488	270,900	604,388
2016	890,258	270,900	1,161,158
	1,223,746	541,800	1,765,546

10. NET FINANCIAL COSTS

Financial costs are detailed as follows for the six months periods ended 30 June 2016 and 2015:

Amounts in Euro	6 months 30-06-2016	6 months 30-06-2015
Interest paid on borrowings	(15,046,947)	(14,420,380)
Interest earned on investments	1,381,327	692,606
Exchange rate differences	283,829	(335,297)
Gains / (losses) on financial instruments - trading (Note 31)	255,967	1,106,737
Gains / (losses) on financial instruments - hedging (Note 31)	(1,309,049)	(3,654,234)
Guarantees and bank charges	(1,438,397)	(1,577,804)
Compensatory interest	2,520,197	72,296
Other financial income / (expenses)	(109,131)	268,722
	(13,462,204)	(17,847,353)

During the second half of 2015, The Navigator Company restructured its debt, contracting new financing lines and renegotiating the terms and conditions of existing debt. A commercial paper line of Euro 125,000,000 (which already existed) was renegotiated, extending its maturity and reducing its cost, together with the early repayment of the remaining (Euro 200,000,000) of Portucel Senior Notes

5.375% bonds. This restructuring contributed significantly to the reduction of the cost of debt, as the amount of interest paid includes the premium paid for the early repayment of High Yield loan in the amount of Euro 6,046,500.

11. INCOME TAX

Income tax is detailed as follows for the six month periods ended 30 June 2016 and 2015:

Amounts in Euro	6 months 30-06-2016	6 months 30-06-2015
Current tax (Note 22)	14,484,282	36,329,941
Provision / (reversal) for current tax	(4,737,127)	(8,367,913)
Deferred tax (Note 26)	(537,765)	(16,613,183)
	9,209,390	11,348,845

As of 30 June 2015, current tax includes Euro 34,150,871 regarding the liability created under the aggregated income tax regime, as mentioned in Note 1.13.2. In 2016 the responsibility respects to the scope of The Navigator Company's taxation group.

In addition to the provisions described in Note 28, the income tax provision also includes the excess, in 30 June 2016 and 31 December 2015, of the corporate income tax provision, of Euro 127,295 and Euro 2,289,042, respectively.

In 30 June 2015, the deferred tax mainly comprises the transfer of the assets of the Setúbal pulp mill to the Group's subsidiary Navigator Pulp Setúbal, S.A., (previously named Celset – Celulose de Setúbal, S.A.) (whose sale is reversed in the consolidation process), and is offset by an increase in the current tax.

In the six month periods ended 30 June 2016 and 2015, the reconciliation of the effective income tax rate was as follows:

Amounts in Euro	6 months 30-06-2016		6 months 30-06-2015	
Profit before tax		94,458,409		111,805,446
Expected tax	21.00%	19,836,266	21.00%	23,479,144
Municipal surcharge	1.99%	1,878,030	2.04%	2,275,518
State surcharge	4.98%	4,699,660	5.92%	6,620,339
Differences (a)	(23.03%)	(21,750,657)	2.72%	3,037,208
Impairment and reversal of provisions	18.70%	17,667,066	(12.36%)	(13,820,597)
Excess tax provision	(0.13%)	(127,295)	(2.05%)	(2,289,042)
Tax benefits	(13.76%)	(12,993,680)	(7.11%)	(7,953,725)
	9.75%	9,209,390	10.15%	11,348,845

(a) This amount is made up essentially of:

	6 meses 30-06-2016	6 months 30-06-2015
Capital gains / (losses) for tax purposes	(31,132,278)	58,538,888
Capital gains / (losses) for accounting purposes	(110,750)	(26,528)
Taxable provisions	(18,176,462)	(5,969,433)
Tax benefits	(1,477,684)	(1,084,955)
Effect of pension funds	1,182,497	(8,622,969)
Other	(29,378,620)	(31,790,608)
	(79,093,298)	11,044,394
Tax Effect (27,5%)	(21,750,657)	3,037,208

In July 2015, 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., the percentage of equity capital and voting rights held by Semapa was reduced to less than 75%, having the necessary conditions for the maintenance of The Navigator Company in the taxation group (RETGS) led by Semapa, SGPS, S.A., ceased to exist.

All the Semapa group companies, including Navigator group companies, changed their tax reporting period to the year starting 1 July and ending 30 June, under artº8 nº2 of the Corporate Income Tax Law, having the taxable profit of the six months period ended 30 June been computed under Semapa taxation group.

On 1 July 2015, a new taxation group led by The Navigator Company, S.A. was set up, 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.

12. EARNINGS PER SHARE

Earnings per share were determined as follows:

Amounts in Euro	6 months 30-06-2016	6 months 30-06-2015
Profit attributable to the Company's shareholders	85,466,548	100,453,638
Total number of issued shares	717,500,000	767,500,000
Treasury shares - period average	(25,489,973)	(50,489,973)
	692,010,027	717,010,027
Basic earnings per share	0.124	0.140
Diluted earnings per share	0.124	0.140

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

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

	2016		2015	
	Quantity	Quantity Accumulated	Quantity	Quantity Accumulated
Treasury shares held on January		50,489,973		50,489,973
Acquisitions				
January	-	50,489,973	-	50,489,973
February	-	50,489,973	-	50,489,973
March	-	50,489,973	-	50,489,973
April	(50,000,000)	489,973	-	50,489,973
May	-	489,973	-	50,489,973
June	-	489,973	-	50,489,973
Treasury shares held on 30 June		489,973		50,489,973
Remaining quarters				-
Treasury shares held on 31 December				50,489,973
Average treasury shares held for the period		25,489,973		50,489,973

13. NON-CONTROLLING INTERESTS

The movements in non-controlling interests are detailed as follows:

Amounts in Euro	2016	2015
Opening balance	8,622,303	235,253
Net profit of the year	(217,529)	2,962
Acquisitions	-	-
Other changes	494,124	(33,626)
As of 30 June	8,898,898	204,589
Remaining quarters		8,417,714
As of 31 December		8,622,303

The non-controlling interests described above are detailed as follows, per entity, for the six months periods ended 30 June 2016 and 2015:

Amounts in Euro	Total Equity	
	30-06-2016	31-12-2015
Raiz - Instituto de Investigação da Floresta e Papel	194,063	242,425
Portucel Moçambique	8,704,835	8,379,878
	8,898,898	8,622,303

Non-controlling interests relate to Raiz – Instituto de Investigação da Floresta e Papel (Forest and Paper Research Institute), in which the Group holds 94% of the capital and voting rights. The remaining 6% are held by entities external to the Group.

In 2014, the Group celebrated agreements with the IFC - International Finance Corporation aiming to have IFC participating in Portucel Mozambique S.A.'s share capital, in order to ensure the construction phase of the Group's forestry project in Mozambique. In 2015, Portucel Mozambique S.A. carried out a capital increase of Metical 1,000 million to Metical 1,680,798,000, of which IFC subscribed, although not yet realized, Metical 332,798 million, corresponding to 19.98% of the company's share capital.

As the conditions to the capital increase (realized by The Navigator Group in its own share by incorporating credits held over the society) are substantially met, it was recognized in the Group's Financial Statements, having the corresponding non-controlling interests also been recognized.

The non-controlling interests included on the financial statements are detailed as follows for the six months periods ended 30 June 2016 and 2015:

Amounts in Euro	Result	
	30-06-2016	30-06-2015
Raiz - Instituto de Investigação da Floresta e Papel	(29,559)	2,962
Portucel Moçambique	(187,970)	-
	(217,529)	2,962

14. APPROPRIATION OF PREVIOUS YEARS' PROFIT

The appropriations made in 2016 and 2015 of the profit for the years ended 31 December 2015 and 2014 were as follows:

Amounts in Euro	2015	2014
Distribution of dividends (excluding treasury shares)	173,946,632	150,572,106
Legal reserves	7,927,924	8,136,585
Balance bonus	6,000,000	2,998,525
Net income from prior years	8,529,664	19,759,480
	196,404,220	181,466,696

The resolution for the appropriation of the 2015 net profit approved at The Navigator Company's General Meeting held on 19 April 2016, 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 37,845,737 (2014: Euro 18,734,999) was transferred to retained earnings.

15. 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 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, the depreciation ceased and was replaced by annual impairment tests. If this amortization had not been interrupted, as of 30 June 2016 the net book value of the Goodwill would amount to Euro 162,690,255 (31 December 2015: Euro 171,252,901).

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:

	2016	2015
Inflation Rate	1.0%	1.0%
Discount rate (post-tax)	6.8%	8.7%
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 12.33% and has been calculated in accordance with the WACC (Weighted Average Cost of Capital) methodology, based in the following assumptions:

	2016	2015
Risk free interest rate	2.59%	5.62%
Equity risk premium (market and entity)	5.00%	5.80%
Tax rate	29.50%	29.50%
Debt risk premium	3.22%	5.80%

NAVIGATOR TISSUE RÓDÃO, S.A.

On 6 February 2015 the procedures and contracts for the acquisition of AMS BR Star Paper, S.A. (afterwards named Navigator Tissue Ródão, S.A.) 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, and determined the following initial acquisition difference:

Amounts in Euro	
Shares	38,622,294
Credits for additional paid-in capital	2,327,500
Acquisition cost	40,949,794
AMS adjusted Equity as of 31-12-2014	17,284,378
% of acquired capital	100.00%
Total Equity acquired	17,284,378
Credits for additional paid-in capital	2,327,500
Total Equity + Acquired Credits	19,611,878
Initial acquisition difference	21,337,916

The statement of net assets acquired is presented as follows:

Amounts in Euro	31-12-2014
Non-Current Assets	
Other intangible assets	288,276
Plant, property and equipment	41,482,116
Investment properties	428,484
Other Non-Current Assets	5,952,483
Current Assets	
Inventories	7,631,176
State and other public entities	715,326
Receivable and other current assets	14,593,916
Cash and cash equivalents	9,739,020
Non-current liabilities	
Deferred taxes liabilities	-
Interest-bearing liabilities	(29,554,249)
Other non-current liabilities	(1,452,888)
Current liabilities	
State and other public entities	(85,051)
Interest-bearing liabilities	(7,852,095)
Payables and other current liabilities	(22,274,636)
Total identified assets and liabilities	19,611,878
Initial Goodwill	21,337,916
Acquisition Cost	40,949,794

In the year ended 31 December 2015, under the terms of IFRS 3, the purchase price allocation to identified assets and liabilities was concluded, and had the following impact in the initial acquisition difference:

Amounts in Euro	
Initial acquisition difference	21,337,916
Fair value allocation of assets acquired	
Fair value determination - Property, plant and equipment	3,752,884
AICEP grants identified - AMS investment in 2015 (Note 9)	11,040,771
Fair value allocation of liabilities acquired	
Fair value determination - AICEP Grants - 2009 AMS investment	10,213,472
Deferred taxes liabilities	
Deferred tax over the adjustments above	(4,252,294)
Final Goodwill	583,083

In the process of identifying assets and liabilities and determining their fair values, the Group did not consider the amount of Euro 10,213,472, related to the deferred income that was being recognized as grants in the statutory accounts of AMS-BR Star Paper, S.A., over the useful life of the assets, regarding an investment grant from AICEP to acquire the first Tissue paper machine. As of the date of the acquisition of AMS-BR Star Paper, S.A., no obligation to reimburse the mentioned grant existed as all the requirements and formalities set by the contract were met. Therefore, this grant did not qualify as a liability for the purpose of the consolidated accounts, and, as such, was not recognized under the acquisition process.

Additionally, as of the date of the acquisition, an investment grant contract to purchase the second tissue paper machine (Note 9) was already signed with AICEP. The Group identified this contract as an asset under the acquisition of Navigator Tissue Ródão, S.A.

The Group's subsidiary Navigator Tissue Ródão, S.A. invested in the construction of a second Tissue paper machine in its unit in Vila Velha de Ródão. Accordingly, in March 2014, it signed investment contracts with AICEP that will allow financing part of the investment through European funds, through refundable financial grants of Euro 9,647,700, that can be converted into non-refundable grant, up to a limit of 50%, i.e. Euro 4,823,850, if the contractually defined objectives are met, and tax grants of Euro 5,854,240, (to be used until 2024), which reduced the amount of goodwill recognized on the acquisition, as previously mentioned. Had this reduction not occurred and the recognition of these incentives in the Group's income statement would be as follows:

Amounts in Euro	Financial Incentives	Fiscal Incentives	Total
2015	252,300	306,192	558,492
2016	694,136	471,800	1,165,935
	946,436	777,992	1,724,427

An increase in the fair value of the tangible fixed assets amounting to Euro 3,752,884 was also identified, based on an independent external evaluation.

These adjustments, made in the consolidated financial statements, generated a deferred tax liability of Euro 4,252,294.

16. OTHER INTANGIBLE ASSETS

Over the six months periods ended 30 June 2016 and year ended 31 December 2015, the changes in other intangible assets were as follows:

Amounts in Euro	Industrial property and other rights	CO2 emission licenses	Total
Acquisition costs			
Amount as of 1 January 2015	59,979	3,416,269	3,476,248
Change in the consolidation scope	-	274,658	274,658
Acquisitions	-	5,360,090	5,360,090
Adjustments, transfers and w rite-offs	(58,879)	(4,932,511)	(4,991,390)
Amount as of 30 June 2015	1,100	4,118,506	4,119,606
Change in the consolidation scope	-	13,618	13,618
Acquisitions	-	838,500	838,500
Disposals	-	-	-
Adjustments, transfers and w rite-offs	-	(13,618)	(13,617)
Amount as of 31 December 2015	1,100	4,957,007	4,958,107
Acquisitions	3,300	438,685	441,985
Adjustments, transfers and w rite-offs	-	(2,157,043)	(2,157,043)
Amount as of 30 June 2016	4,400	3,238,649	3,243,049
Accumulated depreciation and impairment losses			
Amount as of 1 January 2015	(59,979)	-	(59,979)
Change in the consolidation scope	-	-	-
Amortizations and impairment losses	-	(85,314)	(85,314)
Adjustments, transfers and w rite-offs	58,879	47,314	106,193
Amount as of 30 June 2015	(1,100)	(38,000)	(39,100)
Amortizations and impairment losses	-	(59,683)	(59,683)
Adjustments, transfers and w rite-offs	-	72,183	72,183
Amount as of 31 December 2015	(1,100)	(25,500)	(26,600)
Amortizations and impairment losses	(1,895)	(1,618,487)	(1,620,382)
Adjustments, transfers and w rite-offs	-	-	-
Amount as of 30 June 2016	(2,995)	(1,643,987)	(1,646,982)
Net book value as of 1 January 2015	-	3,416,269	3,416,269
Net book value as of 30 June 2015	-	4,080,506	4,080,506
Net book value as of 31 December 2015	-	4,931,507	4,931,507
Net book value as of 30 June 2016	1,405	1,594,662	1,596,067

On 30 June 2016, the Group held 438,938 CO2 emission licenses with a market value as of that date of Euro 1,594,662 (31 December 2015: 475,887 licenses with a market value of Euro 3,942,846).

It also holds contracts for the right to acquire 250,000 CO2 emission licenses that were signed in 2015 and 2016, amounting to Euro 1,132,500 as of 30 June 2016 (31 December 2015: 200,000 licenses with a value of Euro 1,658,000) (Note 31).

17. 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
Acquisition costs					
Amount as of 1 January 2015	117,338,267	500,649,942	3,251,808,956	46,256,597	3,916,053,762
Change in the consolidation scope	349,744	10,138,436	40,505,778	37,353,414	88,347,372
Acquisitions	308,031	56,581	7,960,919	65,018,237	73,343,768
Disposals	-	-	(104,011)	-	(104,011)
Adjustments, transfers and write-offs	(2,576)	336,088	9,364,363	(9,722,783)	(24,908)
Amount as of 30 June 2015	117,993,466	511,181,047	3,309,536,005	138,905,465	4,077,615,983
Change in the consolidation scope	207,212	(420,408)	2,595,780	(32,030,652)	(29,648,068)
Acquisitions	2,505,628	-	(6,280,959)	78,887,534	75,112,203
Disposals	-	-	(37,403)	-	(37,403)
Adjustments, transfers and write-offs	(133,080)	10,426,251	97,788,408	(107,930,765)	150,814
Amount as of 31 December 2015	120,573,226	521,186,890	3,403,601,831	77,831,582	4,123,193,529
Change in the consolidation scope	-	-	-	75,262,820	75,262,820
Impairment losses	-	-	-	(14,478,835)	(14,478,835)
Disposals	-	(28,828)	(1,410,872)	-	(1,439,700)
Adjustments, transfers and write-offs	3,710,212	(15,313,939)	24,580,844	(12,977,117)	-
Amount as of 30 June 2016	124,283,438	505,844,123	3,426,771,802	125,638,450	4,182,537,814
Accumulated depreciation and impairment losses					
Amount as of 1 January 2015	(18,232)	(337,474,955)	(2,328,209,063)	-	(2,665,702,251)
Change in the consolidation scope	-	(1,701,136)	(11,261,311)	-	(12,962,447)
Amortizations and impairment losses	(11,877)	(5,259,636)	(57,798,096)	-	(63,069,609)
Disposals	-	-	23,647	-	23,647
Adjustments, transfers and write-offs	-	(57,615)	382,791	-	325,176
Amount as of 30 June 2015	(30,109)	(344,493,342)	(2,396,862,032)	-	(2,741,385,483)
Change in the consolidation scope	(75,000)	-	1,628	-	(73,372)
Amortizations and impairment losses	(65,543)	(5,400,688)	(59,223,525)	-	(64,689,756)
Disposals	-	-	(29,110)	-	(29,110)
Adjustments, transfers and write-offs	-	4,582,561	(799,282)	-	3,783,279
Amount as of 31 December 2015	(170,652)	(345,311,469)	(2,456,912,321)	-	(2,802,394,443)
Amortizations and impairment losses	-	(5,517,153)	(67,501,196)	-	(73,018,349)
Disposals	-	28,828	1,410,872	-	1,439,700
Adjustments, transfers and write-offs	-	4,857,463	(3,362,446)	-	1,495,016
Amount as of 30 June 2016	(170,652)	(345,942,331)	(2,526,365,092)	-	(2,872,478,075)
Net book value as of 1 January 2015	117,320,035	163,174,988	923,599,892	46,256,597	1,250,351,512
Net book value as of 30 June 2015	117,963,357	166,687,706	912,673,973	138,905,465	1,336,230,501
Net book value as of 31 December 2015	120,402,574	175,875,421	946,689,509	77,831,582	1,320,799,086
Net book value as of 30 June 2016	124,112,785	159,901,792	900,406,710	125,638,450	1,310,059,739

As of 30 June 2016 Assets under construction included Euro 14,795,683 (31 December 2015: Euro 15,833,210), related to advance payments and supplies of Property Plant and Equipment, under the scope of the investment projects being developed by the Group. These amounts are fully guaranteed by first demand bank guarantees, provided by the respective suppliers that are promoting the investments of the Group companies, in accordance with the Group's policies for the mitigation of credit risk.

Additionally, it also includes Euro 64,575,907 related to the investment in the pellets factory located in the United States of America and an impairment loss of Euro 14,478,835 related to the investments associated with Mozambique project.

Land includes Euro 117,311,966, classified in the individual financial statements as investment properties, from which Euro 78,876,202 relate to forestry land and Euro 38,435,764 to land located in the industrial sites leased to Group. It also includes Euro 1,609,030 of land in which the new pellets plant in the USA is located and Euro 4,280,784 of capitalized expenditures with land preparation in Mozambique that is being depreciated over the period of the concession.

18. BIOLOGICAL ASSETS

Over the six months period ended 30 June 2016 and the year ended 31 December 2015, changes in biological assets were as follows:

Amounts in Euro	2016	2015
Amount as of January 2016	116,996,927	113,969,423
Logging in the period	(11,742,244)	(11,865,206)
Growth	11,964,844	481,650
New planted areas and replanting (at cost)	859,511	2,218,068
Other changes in fair value	5,856,136	8,823,592
	6,938,247	(341,896)
Amount as of 30 June	123,935,174	113,627,527
Remaining quarters		3,369,400
Amount as of 31 December		116,996,927

In 2016, 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	30-06-2016	30-06-2015
Costs os assets mangement		
Forestry	1,993,050	2,640,820
Structure	1,854,390	1,761,563
Fixed and variable rents	5,196,927	4,421,209
Mozambique project - Impairment	(3,188,231)	-
	5,856,136	8,823,592

As of 30 June 2016 and 31 December 2015, biological assets were detailed as follows:

Amounts in Euro	30-06-2016	31-12-2015
Eucalyptus (Portugal)	112,713,197	104,896,897
Pine (Portugal)	5,718,735	5,407,458
Cork (Portugal)	1,604,205	1,346,681
Other Species (Portugal)	159,212	74,606
Eucalyptus (Mozambique)	3,739,825	5,271,285
	123,935,174	116,996,927

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

Amounts in Euro	30-06-2016	30-06-2015
Eucalyptus - m3 ssc'000	11,690	11,468
Pine - wood - Ton'000	481	496
Pine - cones - Ton'000	n/a	n/a
Other species - @'000	626	636
Eucalyptus - m3 ssc'000 (Mozambique) (1)	1,988	577

(1) Only evaluated in areas with a year or more as at 31 Dec 2014

Concerning Eucalyptus in Portugal, the most relevant biological asset, for the six months periods ended 30 June 2016 and 2015 the Group extracted 318,218 m3ssc and 301,530 m3ssc of wood from its owned and explored forests, respectively.

19. OTHER FINANCIAL ASSETS AND INVESTMENTS IN ASSOCIATES

19.1. Financial assets at fair value through profit and loss

This caption includes the interest held by the Group in Liaison Technologies, originally acquired in 2005. Until 2012, the Group held a 1.52% interest, having disposed in 2013 a 0.85% interest with a gain of Euro 182,911. The Group intends to sell the remaining interest held in Liaison.

20. INVENTORY

As at 30 June 2016 and 31 December 2015, inventory comprised the following:

Amounts in Euro	30-06-2016	31-12-2015
Raw materials	131,878,933	116,902,602
Finished and intermediate products	78,421,570	82,459,061
Work in progress	18,965,990	12,658,658
Byproducts and waste	537,421	297,306
Goods	423,131	237,329
	230,227,045	212,554,956

As at 30 June 2016 and 31 December 2015, inventories were located in the following countries:

Amounts in Euro	30-06-2016	31-12-2015
Portugal	52,973,961	48,206,759
Mozambique	-	790,578
USA	22,495,513	30,272,249
United Kingdom	207,667	1,119,968
Holland	600,766	876,020
Germany	943,668	777,913
France	98,945	83,554
Great Britain	694,991	-
Spain	184,448	147,337
Italy	209,727	172,800
Poland	-	-
Switzerland	11,883	11,883
	78,421,570	82,459,061

The amounts shown above are net of impairment losses, in accordance with the policies described in Note 1.15, whose details are presented in Note 23 and include Euro 25,222,937 (31 December 2015: Euro 26,577,497) of inventory whose invoices were already issued, but whose risks and rewards had not yet been transferred to customers. Accordingly, no revenue was recognized in the income statement as of that date.

21. RECEIVABLES AND OTHER CURRENT ASSETS

As at 30 June 2016 and 31 December 2015, receivables and other current assets were detailed as follows:

Amounts in Euro	30-06-2016	31-12-2015
Accounts Receivable (Noe 2.2.4)	189,322,705	182,136,452
Other receivables	30,164,987	18,090,522
Derivative financial instruments (Note 31)	1,086,510	1,701,467
Accrued income	324,456	1,621,162
Deferred costs	6,649,542	11,820,913
	227,548,200	215,370,516

The receivables shown above are net of impairment losses, in accordance with the policies described in Note 1.15, whose details are presented in Note 23.

As at 30 June 2016 and 31 December 2015, other receivables were detailed as follows:

Amounts in Euro	30-06-2016	31-12-2015
Advances to employees	478,756	380,172
Advances to suppliers	5,131,353	240,453
Financial incentives receivable	636,421	-
Tax Consolidation (Semapa)	-	1,212,515
Capital Subscribers	5,713,991	5,713,991
Department of Commerce (USA)	17,584,593	10,083,233
Other	619,873	460,157
	30,164,987	18,090,522

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%. The amount receivable corresponds to the difference between the provisional and final anti-dumping rates over paper sales to the United States.

Although the final rate is substantially lower than the initially determined margin, The Navigator Company disagrees with any anti-dumping margin and will use all legal resources available to demonstrate that this measure is not justified, as there is no causal link between paper exports to the United States of America and the alleged injury of the local paper industry from August 2015 onwards.

Capital Subscribers include the amount of Portucel Mozambique share equity that was subscribed by IFC - International Finance Corporation but not yet realized (Note 13).

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

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

Amounts in Euro	2016	2015
Amount as per 1 January	-	111,320
Increase/(decrease)	636,421	(111,320)
Assignments	-	-
Received in year	-	-
Amount as of 30 June	636,421	-
Remaining quarters	-	-
Amount as of 31 December	-	-

As at 30 June 2016 and 31 December 2015, accrued income and deferred costs were detailed as follows:

Amounts in Euro	30-06-2016	31-12-2015
Accrued income		
Interest receivable	-	-
Other	324,456	1,621,162
	324,456	1,621,162
Deferred costs		
Pensions and other post-employments (Note 27)	-	3,755,326
Rents	2,557,646	4,491,494
Insurance	3,947,555	2,013,959
Other	144,341	1,560,134
	6,649,542	11,820,913
	6,973,998	13,442,075

As at 30 June 2016 and 31 December 2015, there were overfunded plans, recognized as current assets, as they will allow the Group to reduce its future contributions.

22. STATE AND OTHER PUBLIC ENTITIES

As at 30 June 2016 and 31 December 2015, there were no overdue debts to the State and other public entities.

The open balances with these entities were as follows:

Current Assets

Amounts in Euro	30-06-2016	31-12-2015
State and other public entities		
Value added tax - refunds requested	50,768,258	46,758,171
Value added tax - to recover	6,974,884	10,884,624
	57,743,142	57,642,795

As at 30 June 2016, the outstanding VAT refunds requested comprised the following, by month and by company:

Amounts in Euro	May/2016	Jun/2016	Total
Navigator Fine Paper, S.A.	22,052,932	23,332,361	45,385,293
Bosques do Atlântico, S.L.	-	5,382,965	5,382,965
	22,052,932	28,715,326	50,768,258

Up to the date of issuing this report, Euro 22,052,932 of the amounts to be received as of 30 June 2016, had already been received.

As at 31 December 2015, the outstanding VAT refunds requested comprised the following, by month and by company:

Amounts in Euro	Nov/2015	Dec/2015	Total
Navigator Fine Paper, S.A.	21,849,656	22,332,360	44,182,016
Bosques do Atlântico, S.L.	-	2,576,155	2,576,155
	21,849,656	24,908,515	46,758,171

All these amounts were received during the first half of 2016.

Current Liabilities

Amounts in Euro	30-06-2016	31-12-2015
State and other public entities		
Corporate income tax	42,998,131	31,065,030
Personal income tax - withheld on salaries	2,892,472	2,003,600
Value added tax	30,760,414	34,227,978
Social security	3,608,278	2,059,064
Additional liabilities	(4,209,755)	8,044,968
CESE	388,694	-
Other	109,759	(54,730)
	76,547,994	77,345,911

As previously mentioned, since 2014 until June 2015, The Navigator Company, S.A. and its subsidiaries are part of the taxation group led by Semapa, SGPS, S.A. 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, currently Semapa, SGPS, S.A., who will proceed with the overall computation and the settlement of the income tax (Note 11).

From 1 July, 2015, the subsidiaries of The Navigator Group ceased to meet the criteria to integrate the tax group Semapa and a new tax group, led by The Navigator Company, was set up.

The corporate income tax is detailed as follows:

Amounts in Euro	30-06-2016	31-12-2015
Corporate income tax (Note 11)	14,484,282	65,212,803
Payments on account of corporate income tax	(378,178)	(1,964,638)
Corporate income tax payable to corporate income tax group Leader (Semapa, SGPS)	-	(34,150,871)
Corporate Income Tax to pay from 1 July 2015 to 31 Dec 2015	26,625,498	-
Withholding tax	(20,855)	(6,762)
Other receivables / payables	2,287,384	1,974,498
	42,998,131	31,065,030

In 2016, the "Other receivable / payables" relates to the income tax payable by the Group's subsidiary located in Belgium.

The changes in the provision for additional tax liabilities during the six months period ended 30 June 2016 and the year ended 31 December 2015 were as follows (Note 11):

Amounts in Euro	2016	2015
As of 1 January	8,044,968	44,041,599
Increase	-	-
Transfers	-	-
Decrease	(12,254,723)	(13,820,597)
As of 30 June	(4,209,755)	30,221,002
Remaining quarters	-	-22,176,034
As of 31 December	-	8,044,968

As of 30 June 2016 and 31 December 2015 the additional tax liabilities include interest on deferred payments and are detailed as follows:

Amounts in Euro	30-06-2016	31-12-2015
Tax consolidation group	4,422,958	10,941,848
Recoverable VAT	(2,281,342)	(2,281,342)
Recoverable real estate transaction tax	(6,243,244)	(354,043)
Other	(108,127)	(261,495)
	(4,209,755)	8,044,968

23. IMPAIRMENT OF NON-CURRENT AND CURRENT ASSETS

The changes to impairment charges, during 2016 and 2015 were as follows:

Amounts in Euro	Impairments			
	Inventories (Note 20)	Trade Receivables (Note 21)	Other receivables	Total
Amount as of 1 January 2015	(65,053)	(987,872)	(1,565)	(1,054,490)
Increase (Note 6)	-	(134,092)	-	(134,092)
Reversal (Note 5)	4	29,591	-	29,595
Utilizations	-	-	-	-
Amount as of 30 June 2015	(65,049)	(1,092,373)	(1,565)	(1,158,987)
Increase (Note 6)	(50,000)	(646,223)	-	(696,223)
Reversal (Note 5)	(26,245)	3,113	-	(23,133)
Utilizations	-	(9,737)	-	(9,737)
Amount as of 31 December 2015	(141,294)	(1,745,220)	(1,565)	(1,888,080)
Increase (Note 6)	-	(39,644)	-	(39,644)
Reversal (Note 5)	3,198	409,228	-	412,426
Utilizations	-	(10,541)	-	(10,541)
Amount as of 30 June 2016	(138,096)	(1,386,177)	(1,565)	(1,525,838)

24. SHARE CAPITAL AND TREASURY SHARES

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

As at 30 June 2016, The Navigator Company's share capital was fully subscribed and paid for; it is represented by 717,500,000 shares with nominal value of 1 Euro each, of which 489,973 were held as treasury shares.

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

Amounts in Euro	2016		2015	
	Quant	Valor	Quant	Valor
Treasury shares held in January	50,489,973	96,974,466	50,489,973	96,974,466
Acquisitions				
January	-	-	-	-
February	-	-	-	-
March	-	-	-	-
April	(50,000,000)	(95,972,382)	-	-
May	-	-	-	-
June	-	-	-	-
	(50,000,000)	(95,972,382)	-	-
Treasury shares held in June	489,973	1,002,084	50,489,973	96,974,466
Remaining quarters	-	-	-	-
Treasury shares held in December	-	-	50,489,973	96,974,466

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 June 2016 amounted to Euro 1,231,792 (31 December 2015: Euro 181,763,903), corresponding to a unit value of Euro 2.514 (31 December 2015: Euro 3.60) and the market capitalization amounted to Euro 1,803,795,000 compared to an equity, net of non-controlling interests, of Euro 1,111,569,812.

As at 30 June 2016 and 31 December 2015, the shareholders with significant positions in the Company's share capital were as follows:

Entity	30-06-2016		31-12-2015	
	Nr. of shares	% Entity	Nr. of shares	% Entity
Seinpar Investments, BV	241,583,015	33.67%	241,583,015	31.48%
Semapa, SGPS, S.A.	256,033,284	35.68%	256,033,284	33.36%
Other Semapa Group companies	1,000	0.00%	1,000	0.00%
Treasury shares	489,973	0.07%	50,489,973	6.58%
Post-employment benefits - BPI bank	30,412,133	4.24%	36,875,907	4.80%
Norges Bank (the Central Bank of Norway)	25,360,219	3.53%	25,360,219	3.30%
Zoom Lux s.a.r.l.	15,349,972	2.14%	-	0.00%
Other shareholders	148,270,404	20.66%	157,156,602	20.48%
Total	717,500,000	100.00%	767,500,000	100.00%

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., registered in the Securities Market Commission and with the Offer period occurring between 6 July 2015 and 24 July 2015, Semapa delivered as compensation of the 24,864,477 own shares acquired, 84,539,108 shares of The Navigator Company. As a consequence of this exchange offer, Semapa reduced its participation in The Navigator Company to 497,617,299 shares, representative of 69.35% of The Navigator Company's share capital, of which 256,033,284 held by Semapa, SGPS, S.A..

25. RESERVES AND RETAINED EARNINGS

As at 30 June 2016 and 31 December 2015, this caption was detailed as follows:

Amounts in Euro	30-06-2016	31-12-2015
Fair value reserve	(8,363,100)	(1,869,064)
Legal reserve	99,709,036	91,781,112
Currency translation reserve	8,775,656	5,688,140
Net profit: prior years	209,483,757	273,081,975
	309,605,349	368,682,163

Fair value reserve

The fair value reserve of Euro (8,363,100) net of deferred charges of Euro 3,085,598 represents the decrease in the fair value of financial heading instruments as at 30 June 2016 valued at Euro 8,045,432, negative amount (Note 31), recorded as described in Note 1.12.

The movements occurred in this caption in 2016 and 2015, were detailed as follows:

Amounts in Euro	2016	2015
Revaluation reserve - fair value		
As of 1 January	(1,869,064)	(2,329,120)
Revaluation at fair value	(5,184,988)	1,400,930
Transfer to the income statement due to the maturity of the instruments (Note 10)	(1,309,048)	(3,654,234)
As of 30 June	(8,363,100)	(4,582,424)
Remaining quarters		2,713,360
As of 30 December		(1,869,064)

Legal Reserves

Under Portuguese Commercial Law, at least 5% of annual net profit must be transferred to the legal reserve until it reaches at least 20% of the Company's share capital. This reserve cannot be distributed unless The Navigator Company is liquidated but can be drawn on to absorb losses, after other reserves are exhausted, or incorporated in the share capital.

Currency Translation Reserve

This heading includes the exchange differences arising as a result of the conversion to Euros of the financial statements of the Group companies expressed in foreign currency, at the exchange rates prevailing at the date of the statement of financial position and are detailed as follows:

Amounts in Euro	30-06-2016	31-12-2015
Portucel Soporcel North América, Inc. (USD)	6,353,934	6,465,283
Navigator Switzerland, Ltd (CHF)	153,508	18,273
Navigator Paper Company UK, Ltd (GBP)	11,663	11,663
Navigator Eurasia (TYR)	799	799
Portucel Soporcel Afrique du Nord (MAD)	395	395
PortucelSoporcel Poland, SP Z o o (PLN)	(2,863)	(2,863)
Portucel Moçambique, S.A. (MZM)	2,407,535	(304,683)
Colombo Energy, Inc. (USD)	(149,315)	(500,727)
	8,775,656	5,688,140

Other reserves and Prior years' retained earnings

Under prevailing law, The Navigator Company's individual financial statements are prepared in accordance with the accounting principles generally accepted in Portugal (PGAAP). However, for the preparation of the consolidated financial statements, the Company follows IFRS as endorsed by the European Union.

As at 30 June 2016, the reconciliation between these two sets of accounts was as follows:

Amounts in Euro	30-06-2016		
	Equity / Retained earnings	Net Profit	Total
Individual financial statements (PGAAP)	811,447,568	121,636,070	933,083,638
Own shares	-	-	-
Revaluation of tangible assets	214,873,226	(36,387,052)	178,486,174
Financial investment grants	-	-	-
Non-controlling interests	8,681,369	217,529	8,898,898
Consolidated Financial Statements (IFRS)	1,035,002,163	85,466,547	1,120,468,710

As of 31 December 2015, the reconciliation between these two sets of accounts was as follows:

Amounts in Euro	31-12-2015		
	Equity / Retained earnings	Net Profit	Total
Individual financial statements (PGAAP)	838,208,952	158,558,483	996,767,435
Own shares	(6,286,718)	-	(6,286,718)
Revaluation of tangible assets	184,971,093	38,207,039	223,178,132
Financial investment grants	(8,017,951)	-	(8,017,951)
Non-controlling interests	8,983,605	(361,302)	8,622,303
Consolidated Financial Statements (IFRS)	1,017,858,981	196,404,220	1,214,263,201

As the individual financial statements are the relevant ones for the purpose of determining the ability to distribute the Group's results, this ability is measured with regard to the retained earnings and other reserves determined in accordance with Portuguese GAAP. It should be noted that the transition to IAS / IFRS was made in the consolidated financial statements with reference to 1 January 2005 whilst the conversion of the individual financial statements to the current Portuguese GAAP was made with reference to 1 January 2010. This, combined with different criteria and concepts between the two standards, justifies the difference in the equity of the two sets of financial statements.

On 30 June 2016 and 31 December 2015, the reserves available for distribution were detailed as follows:

Amounts in Euro	30-06-2016	31-12-2015
Retained earnings: prior years	366,068,432	470,752,918
Equity reserve in respect of treasury shares	(1,002,084)	(103,261,185)
	365,066,348	367,491,733
Net profit for the period	121,636,070	158,558,483
Legal reserves	(6,081,804)	(7,927,924)
	115,554,267	150,630,559
	480,620,615	518,122,292
Legal limitation resulting from the application of the provisions of the Portuguese Commercial Law (Código das Sociedades Comerciais)	(425,565,523)	(398,058,838)
Distributable amount	55,055,092	120,063,454

The calculation of distributable amount considers the limit foreseen in Article 297 of the Portuguese Commercial Law (Código das Sociedades Comerciais), which only allows the distribution of 50% of the net profit for the period as advances on dividends.

26. DEFERRED TAXES

As at 2016 and 2015, the changes in assets and liabilities as a result of deferred taxes were as follows:

Amounts in Euro	Income Statement				Equity	Other Liabilities	Change in the consolidation scope	30 June 2016
	1 January 2016	Increases	Decreases					
Temporary differences originating deferred tax assets								
Taxed provisions	257,908	1,118,830	(29,469)	-	-	-	-	1,347,268
Adjustments in fixed assets	99,675,505	-	(11,049,316)	-	-	-	-	88,626,189
Financial instruments	2,263,058	-	-	9,500,057	-	-	-	11,763,115
Deferred accounting gains on inter-group transactions	25,439,698	24,623,682	-	-	-	-	-	50,063,380
Valuation of biological assets	1,275,824	-	(1,275,824)	-	-	-	-	-
Government grants - Investment incentives	10,766,964	-	(729,446)	-	-	-	-	10,037,518
	139,678,958	25,742,512	(13,084,056)	9,500,057	-	-	-	161,837,470
Temporary differences originating deferred tax liabilities								
Revaluation of fixed assets	(6,748,157)	44	-	-	-	-	-	(6,748,114)
Retirement benefits	(2,137,958)	8,970,563	(197)	(6,867,159)	-	-	-	(34,750)
Derivative Financial Instruments at fair value	(234,446)	-	-	(542,760)	-	-	-	(777,207)
Valuation of biological assets	-	-	(8,317,596)	-	-	-	-	(8,317,596)
Government grants	(11,991,792)	-	-	124,655	-	-	-	(11,867,137)
Extension of useful lives of tangible fixed assets	(299,964,933)	20,211,170	-	-	-	-	-	(279,753,763)
	(321,077,287)	29,181,777	(8,317,793)	(7,285,265)	-	-	-	(307,498,566)
Amounts as presented on Consolidated Statement of Financial Position								
Deferred tax assets	38,411,713	7,079,191	(3,598,115)	2,612,516	-	-	-	44,505,304
Tax Incentives for Investment	12,522,612	-	(8,680,906)	-	-	-	-	3,841,706
	50,934,325	7,079,191	(12,279,022)	2,612,516	-	-	-	48,347,010
Deferred tax liabilities	(88,296,253)	8,024,989	(2,287,393)	(2,003,448)	-	-	-	(84,562,108)
	(88,296,253)	8,024,989	(2,287,393)	(2,003,448)	-	-	-	(84,562,108)

Amounts in Euro	Income Statement				Equity	Other Liabilities	Change in the consolidation scope	30 June 2015
	1 January 2015	Increases	Decreases					
Temporary differences originating deferred tax assets								
Tax losses carried forward	1,155,104	-	(1,155,104)	-	-	-	-	-
Taxed provisions	6,079,638	-	(5,821,730)	-	-	-	-	257,908
Adjustments in fixed assets	42,172,563	69,095,053	(11,592,110)	-	-	-	-	99,675,505
Derivative Financial Instruments	3,093,055	-	-	(829,997)	-	-	-	2,263,058
Deferred accounting gains on inter-group transactions	20,432,177	7,962,925	(2,955,405)	-	-	-	-	25,439,698
Valuation of biological assets	-	1,275,824	-	-	-	-	-	1,275,824
Government grants - Investment incentives	12,225,910	-	(1,458,946)	-	-	-	-	10,766,964
	85,158,448	78,333,803	(22,983,296)	(829,997)	-	-	-	139,678,958
Temporary differences originating deferred tax liabilities								
Revaluation of fixed assets	(7,462,129)	713,971	-	-	-	-	-	(6,748,157)
Retirement benefits	(1,110,760)	74,934	(7,929,697)	6,827,564	-	-	-	(2,137,958)
Derivative Financial Instruments at fair value	(144,728)	-	-	(89,718)	-	-	-	(234,446)
Deferred accounting losses on inter-group transactions	(3,068,885)	(358,958)	3,747,934	(320,092)	-	-	-	-
Government grants	-	-	-	-	-	-	(11,991,792)	(11,991,792)
Extension of useful lives of tangible fixed assets	(336,438,878)	(25,094,311)	65,321,140	(3,752,884)	-	-	-	(299,964,933)
Valuation of biological assets	(477,515)	-	477,515	-	-	-	-	-
	(348,702,895)	(24,664,363)	61,616,893	2,664,870	-	-	(11,991,792)	(321,077,287)
Amounts as presented on Consolidated Statement of Financial Position								
Deferred tax assets	23,418,573	21,541,796	(6,320,406)	(228,249)	-	-	-	38,411,713
Tax Incentives for Investment	-	-	(773,715)	-	13,296,327	-	-	12,522,612
	23,418,573	21,541,796	(7,094,121)	(228,249)	13,296,327	-	-	50,934,325
Deferred tax liabilities	(95,893,297)	(6,782,700)	16,944,647	732,839	-	-	(3,297,743)	(88,296,253)
	(95,893,297)	(6,782,700)	16,944,647	732,839	-	-	(3,297,743)	(88,296,253)

In the measurement of the deferred taxes as at 30 June 2016 and 31 December 2015, the corporate income tax rate used was 27.5%.

27. PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

27.1. 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, Empremedia 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, Empremedia, 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, Empremedia, 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.

Notwithstanding, following a negotiation process with its employees as a result of the aforementioned changes to the pension plans, Navigator Paper Figueira allowed its active employees as of 1 January 2014 to choose, until 16 January 2015, between the following alternatives:

- 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, in order to overcome 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.

In practical terms, 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.

In conclusion,

Given these changes, at the end of 2015, the defined benefit plan showed a deficit resulting, amongst other factors, from the changes on the actuarial and financial assumptions, namely from the review on the discount rates used in computing the actuarial liabilities.

Thus, in order to finance the net liabilities, the Group carried out additional contributions to the defined benefit plan in 2015.

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.

As at 30 June 2016 and 31 December 2015 the coverage of the companies' liabilities by the assets of the funds was as follows:

Amounts in Euro	30-06-2016	31-12-2015
Past service liabilities		
- Active Employees	57,215,040	59,309,768
- Former Employees	18,773,143	16,865,214
- Retired Employees	64,390,442	63,137,380
Market value of the pension funds	(140,151,433)	(143,067,688)
	227,192	(3,755,326)
Insufficient funds/ overfunding	227,192	(3,755,326)

The number of active employees that benefit from pension funds as at 30 June 2016 is 546 (31 December 2015: 604).

As at 30 June 2016 the amount of assigned responsibilities to plans for post-employment benefits relating to two members of the Board of the Navigator Group amounted to Euro 1,787,661 (31 December 2015: Euro 1,697,024).

27.2. 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 June 2016 and 31 December 2015 were based on the following assumptions:

	30-06-2016	31-12-2015	Real outcome	
			2016	2015
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	2.50%	2.50%	-	-
Return rate on plan assets	2.50%	2.50%	2.40%	2.40%
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 2011 to 2016 was as follows::

Amounts in Euro	2011	2012	2013	2014	2015	06-2016
Present value of liabilities	121,323,084	122,365,002	65,657,042	70,188,472	139,312,363	140,378,625
Fair value of plan assets	104,716,904	117,050,324	69,558,535	71,666,181	143,067,688	140,151,433
Surplus/(deficit)	(16,606,180)	(5,314,678)	3,901,493	1,477,709	3,755,326	(227,192)

27.3. Retirement and pension supplements

The movements in liabilities with retirement and pension plans in 2016 and 2015 were as follows:

Amounts in Euro	2016	2015
Opening balance	139,312,363	70,188,472
Changes in assumptions	-	11,389,677
Actuarial gains/(losses) (difference between actual and expected returns)	432,754	214,474
Curtailed	-	(1,122,580)
Costs recognised in the Income Statement	2,732,837	1,125,279
Pensions paid	(2,099,328)	(1,957,466)
As of 30 June	140,378,625	79,837,855
Remaining quarters		59,474,508
As of 31 December		139,312,363

The funds set up to cover the above mentioned liabilities had the following movement in 2016 and 2015:

Amount in Euro	2016	2015
Opening balance	143,067,688	71,666,181
Contributions made in the period	-	9,454,123
Expected return in the period	1,763,479	1,331,656
Actuarial gains/(losses) (difference between actual and expected returns)	(2,580,406)	921,866
Pensions paid	(2,099,328)	(1,957,466)
As of 30 June	140,151,433	81,416,360
Remaining quarters		61,651,328
As of 31 December		143,067,688

The detail of the fund's assets as at 30 June 2016 and 31 December 2015 was as follows:

Amounts in Euro	30-06-2016	31-12-2015
Bonds	80,435,580	93,910,935
Shares	34,239,665	33,529,971
Liquidity	25,461,282	15,476,813
Other short-term applications	-	135,287
Real estate	14,906	14,682
	140,151,433	143,067,688

As at 30 June 2016 and 31 December 2015, the effect in the income statement of these plans was as follows:

Amounts in Euro	6 months 30-06-2016	6 months 30-06-2015
Defined Benefit Plans		
Current services	1,050,803	47,173
Interest expenses	1,682,034	1,078,106
Return of the plan assets	(1,763,479)	(1,331,656)
Remission	-	911,204
Other	(15,935)	(966,581)
	953,423	(261,754)
Defined Contribution Plans		
Contribution to the plan	625,842	996,871
	625,842	996,871
Costs for the period	1,579,265	735,117

Costs with current services includes Euro 17,115, related to two non-executive Board members (2015: Euro 21,540).

28. PROVISIONS

At 2016 and 2015, changes in provisions were as follows:

Amounts in Euro	Legal Claims	Tax Claims	Other	Total
Amount as of 1 January 2015	2,943,469	24,107,664	14,097,671	41,148,804
Increases (Note 6)	19,910	-	-	19,910
Reversals (Note 6)	(52,236)	(478,730)	(5,479,658)	(6,010,624)
Transfers	1,281	5,980,570	-	5,981,851
Amount as of 30 June 2015	2,912,424	29,609,504	8,618,013	41,139,941
Increases (Note 6)	1,281	-	-	1,281
Reversals (Note 6)	-	-	(9,051,652)	(9,051,652)
Transfers	(287,657)	26,605,090	798,590	27,116,023
Amount as of 31 December 2015	2,626,049	56,214,594	364,951	59,205,593
Increases (Note 6)	291,007	-	2,770,107	3,061,114
Reversals (Note 6)	(965)	(1,662,828)	1,102	(1,662,691)
Transfers	(1,102)	(5,660,114)	309,927	(5,351,289)
Amount as of 30 June 2016	2,914,989	48,891,652	3,446,087	55,252,727

The amount shown as "Others" relates to provisions for multiple risks, which may originate cash outflows in the future.

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.

29. INTEREST-BEARING LIABILITIES AND OTHER LIABILITIES

29.1 Interest-bearing liabilities

As at 30 June 2016 and 31 December 2015, non-current interest-bearing debt comprised the following:

30-06-2016

Amounts in Euro	Available amount	Outstanding amount	Maturity	Interest rate	Current	Non-current
Bond loans						
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	Fixed rate	-	100,000,000
Charges		(2,016,490)				(2,016,490)
Bank loans						
Bank loan - NTR	17,062,503	17,062,503	July 2016	Variable rate indexed to Euribor	17,062,503	-
Bank loan - NTR	3,500,000	3,500,000	July 2016	Variable rate indexed to Euribor	3,500,000	-
European Investment Bank						
EIB Loan Ambiente A	23,214,285	23,214,285	December 2018	Variable rate indexed to Euribor	9,285,714	13,928,571
EIB Loan Ambiente B	16,666,667	16,666,667	June 2021	Variable rate indexed to Euribor	3,333,333	13,333,333
EIB Loan Energy	60,208,333	60,208,333	December 2024	Variable rate indexed to Euribor	7,083,333	53,125,000
EIB Loan Cacia	25,000,000	25,000,000	May 2028	Fixed rate	-	25,000,000
Commercial Paper Programme						
Commercial Paper 125M	125,000,000	125,000,000	May 2020	Variable rate indexed to Euribor	-	125,000,000
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	65,000,000		Variable rate indexed to Euribor	-	65,000,000
Commercial Paper 70M	70,000,000	70,000,000	May 2021	Fixed rate	-	70,000,000
Charges		(518,532)				(518,532)
Bank lines						
Short-term line 20M	20,000,000	6,300,000			6,300,000	-
Reimbursable subsidies						
Reimbursable subsidies	-	7,065,958			-	7,065,958
		841,482,724			46,564,884	794,917,840

31-12-2015

Amounts in Euro	Available amount	Outstanding amount	Maturity	Interest rate	Current	Non-current
Bond loans						
Portucel Senior Notes 5.375% 2020	150,000,000	150,000,000	May 2016	Fixed rate	-	150,000,000
Portucel 2015-2023	200,000,000	200,000,000	September 2023	Variable rate indexed to Euribor	-	200,000,000
Charges		(4,264,228)				(4,264,228)
Bank loans						
Bank loan - NTR	19,423,085	19,423,085	July 2021	Variable rate indexed to Euribor	3,249,996	16,173,089
Bank loan - NTR	3,833,333	3,833,333	July 2021	Variable rate indexed to Euribor	666,667	3,166,667
Bank loan - NTR	1,959,546	1,959,546	January 2016	Variable rate indexed to Euribor	1,959,546	-
Bank loan - 15M	15,000,000	15,000,000		Variable rate indexed to Euribor	15,000,000	-
European Investment Bank						
EIB Loan Ambiente A	27,857,143	27,857,143	December 2018	Variable rate indexed to Euribor	9,285,714	18,571,429
EIB Loan Ambiente B	18,333,333	18,333,333	June 2021	Variable rate indexed to Euribor	3,333,333	15,000,000
EIB Loan Energy	63,750,000	63,750,000	December 2024	Variable rate indexed to Euribor	7,083,333	56,666,667
Commercial Paper Programme						
Commercial paper 125M	125,000,000	125,000,000	May 2020	Variable rate indexed to Euribor	-	125,000,000
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	25,000,000	July 2020	Variable rate indexed to Euribor	-	25,000,000
Charges		(531,266)				(531,266)
Reimbursable subsidies						
Reimbursable subsidies	-	6,788,396			-	6,788,396
		727,149,343			40,578,590	686,570,753

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.

On 30 June 2016, the average cost of debt, considering interest rate, annual fees and hedging operations, was 1.8% (31 December 2015: 2.5%).

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

Amount in Euro	30-06-2016	31-12-2015
Non-current		
1 to 2 years	19,702,382	23,619,051
2 to 3 years	15,059,524	23,619,048
3 to 4 years	203,194,445	14,333,334
4 to 5 years	315,260,403	389,333,334
More than 5 years	244,236,108	240,461,480
	797,452,862	691,366,247
Charges	(2,535,022)	(4,795,494)
	794,917,840	686,570,753

On 30 June 2016 the Group had commercial paper programs and credit lines available but not used of Euro 48,700,000 (31 December 2015: Euro 145,450,714).

As at 30 June 2016 and 31 December 2015, current interest-bearing debt was as follows:

Amount in Euro	30-06-2016	31-12-2015
Interest-bearing liabilities		
Non-current	794,917,840	686,570,753
Current	46,564,884	40,578,590
	841,482,724	727,149,343
Cash and cash equivalents		
Cash	84,003	79,355
Short term bank deposits	9,296,406	35,024,398
Other	38,934,804	37,553,832
	48,315,213	72,657,585
Interest-bearing net debt	793,167,511	654,491,758

The Group has a strict policy of approval of its financial counterparts, limiting its exposure according to an individual risk analysis and previously approved plafonds. Beyond these limits, there is also a diversification policy applied to the number of the Group's counterparties. On 30 June 2016 the Group had no short term deposits in financial institutions. The amount of Euro 38,934,804 shown as other cash investments is invested in a portfolio of bonds from issuers with adequate rating.

The evolution of the Group's net debt in the six months periods ended 30 June 2016 and 2015 was as follows:

Amount in Euro	6 months 30-06-2016	6 months 30-06-2015	Remaining quarters	31-12-2015
<i>As of 1 January</i>	654,491,758	273,640,542	-	273,640,542
Variation in the consolidation scope	-	17,146,601	-	17,146,601
Expenses with the issue of bond loans	2,535,022	-	1,908,000	1,908,000
Interest paid	15,587,633	15,841,434	26,047,814	41,889,248
Interest received	(1,380,972)	(1,926,775)	693,390	(1,233,385)
Dividends paid and reserves distributed	170,004,583	310,465,342	129,993,918	440,459,260
Acquisition of treasury shares	-	-	-	-
Receipts related to investment activities	-	-	(14,113,127)	(14,113,127)
Payments related to acquisition of subsidiaries	-	40,949,794	-	40,949,794
Payments related to investment activities	48,214,720	23,662,735	130,187,240	153,849,975
Accumulated exchange rate differences	11,622,665	(123,991)	4,988,700	4,864,709
Dividend receipts	-	-	-	-
Net receipts of operating activities	(107,907,899)	(121,078,510)	(183,791,348)	(304,869,858)
	138,675,753	284,936,630	95,914,587	380,851,216
Closing Balance	793,167,511	558,577,172	95,914,587	654,491,758

Also, the movements in the Group's net debt in 30 June 2016 and 2015 were as follows:

Amount in Euro	6 months 30-06-2016	6 months 30-06-2015	Remaining quarters	31-12-2015
Net profit for the year	85,249,019	100,456,600	96,308,922	196,765,522
Depreciation, amortization and impairment losses	85,955,527	60,841,393	60,874,542	121,715,935
Net changes in provisions	1,398,423	(5,990,714)	(8,571,641)	(14,562,355)
	172,602,969	155,307,279	148,611,823	303,919,102
Change in working capital	(47,462,466)	56,845,626	(90,665,580)	(33,819,954)
Variation in the consolidation scope	-	(19,851,832)	-	(19,851,832)
Acquisitions of tangible fixed assets	(73,597,692)	(146,635,067)	(45,383,446)	(192,018,513)
Dividends paid and reserves distributed	(170,004,583)	(310,465,342)	(129,993,918)	(440,459,260)
Acquisition of treasury shares	-	-	-	-
Net changes in post-employment benefits	(227,192)	100,796	1,664,399	1,765,195
Other changes in equity	(9,038,916)	(11,021,013)	15,315,011	4,293,998
Expenses with the issue of bond loans	2,260,471	654,636	1,032,092	1,686,728
Other	(13,208,343)	(9,871,713)	3,505,032	(6,366,681)
Change in net debt (Free Cash Flow)	(138,675,753)	(284,936,630)	(95,914,586)	(380,851,216)

29.2 Other Liabilities

As at 30 June 2016 and 31 December 2015, the other non-current liabilities were as follows:

Amounts in Euro	30-06-2016	31-12-2015
Non-current		
Grants	34,672,194	37,215,981
Equipment	2,733,889	1,322,745
	37,406,083	38,538,726

Non-current grants correspond to investment grants as described in Note 9.

Finance leases – IFRIC 4

As at 30 June 2016 and 31 December 2015, the Group showed the following equipment under finance lease plans recognized under IFRIC 4:

Amounts in Euro	30-06-2016		
	Acquisition Value	Accumulated depreciation	Net book value
Equipment - Omya	14,000,000	(10,216,217)	3,783,783
	14,000,000	(10,216,217)	3,783,783

Amounts in Euro	31-12-2015		
	Acquisition Value	Accumulated depreciation	Net book value
Equipment - Omya	14,000,000	(9,459,460)	4,540,540
	14,000,000	(9,459,460)	4,540,540

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	30-06-2016	31-12-2015
Non-current		
Equipment	2,733,890	1,322,745
Current (Note 30)	2,656,952	3,995,996
	5,390,842	5,318,741

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.

30. PAYABLES AND OTHER CURRENT LIABILITIES

As at 30 June 2016 and 31 December 2015, “Payables and other current liabilities” were detailed as follows:

Amounts in Euro	30-06-2016	31-12-2015
Accounts payable to suppliers	132,368,631	139,127,591
Accounts payable to fixed assets suppliers	3,483,513	2,945,204
Accounts payable to fixed assets suppliers - leases (Note 29)	2,656,952	3,995,996
Accounts payable - Related parties (Note 32)	973,757	1,260,933
Derivative financial instruments (Note 31)	9,293,412	646,872
Other creditors - CO2 emissions	2,029,816	6,855,147
Sales commissions	197,733	137,740
Other creditors	825,998	2,778,493
Accrued costs	51,043,664	61,100,959
Deferred income	6,977,365	6,235,175
	209,850,841	225,084,110

On 30 June 2016 and 31 December 2015, accrued costs and deferred income were detailed as follow:

Amount in Euro	30-06-2016	31-12-2015
Accrued costs		
Payroll expenses - Annual Performance Bonus	6,841,209	15,688,962
Payroll expenses - Other	24,383,210	18,855,256
Interests payable, including compensatory interest	3,914,227	8,533,687
Other	15,905,019	18,023,054
	51,043,664	61,100,959
Deferred income		
Government grants (Note 9)	5,547,084	6,274,879
Grants - CO2 emission licenses	1,404,827	(26,680)
Other	25,454	(13,024)
	6,977,365	6,235,175

As at 30 June 2016 and 31 December 2015, deferred income on government grants was detailed as follows:

Amounts in Euro	30-06-2016	31-12-2015
AICEP investment contracts (Note 9)		
The Navigator Company, S.A.	-	10,668,532
Enerpulp, S.A.	9,620,778	-
Navigator Pulp Cacia, S.A.	16,455,963	17,424,719
Navigator Pulp Setúbal, S.A.	1,332,002	1,456,647
Navigator Pulp Figueira da Foz, S.A.	10,037,897	10,767,344
Navigator Parques Industriais, S.A.	2,196,101	2,225,779
Navigator Paper Figueira da Foz, S.A.	420,155	564,192
	40,062,896	43,107,213
Other		
Raiz	47,119	72,883
Viveiros Aliança, S.A.	667,964	711,342
	715,083	784,225
	40,777,980	43,891,438

During 2016 and 2015, the movements in Grants – CO2 emissions were as follows:

Amount in Euro	2016	2015
Grants - CO2 emissions		
Opening balance	-	-
Increase	2,849,117	3,197,487
Utilization	(1,444,290)	(1,783,216)
Closing balance June	1,404,827	1,414,271
Remaining quarters		(1,414,271)
Closing balance December		-

This amount regards the CO2 emission allowances granted for free to several group companies (2016: 504,595 and 498,008 for 2015).

31. FINANCIAL ASSETS AND LIABILITIES

As its activities are exposed to a variety of financial and operational risk factors, the Group adopts a proactive approach to risk management, as a way to mitigate the potential adverse effects associated with those risks, namely the risk arising from the price of pulp, foreign exchange rates risk and interest rate risk.

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

Amount in Euro	Financial Instruments - trading Note 31.2	Financial instruments- hedging Note 31.3	Loans and receivables Note 31.4	Financial asstes held-for-sale Note 19	Other interest-bearing liabilities Note 31.5	Non financial Assets/ liabilities
30-06-2016						
Assets						
Financial assets held-for-sale	-	-	-	260,487	-	-
Other non-current assets	-	-	-	-	-	1,861,704,293
Cash and cash equivalents	-	-	48,315,213	-	-	-
Current receivables	-	1,086,510	226,461,690	-	-	-
Other current assets	-	-	-	-	-	287,970,186
Total assets	-	1,086,510	274,776,903	260,487	-	2,149,674,479
Liabilities						
Non-current interest-bearing liabilities	-	-	-	-	794,917,840	-
Other liabilities	-	-	-	-	37,406,083	140,042,027
Current interest-bearing liabilities	-	-	-	-	46,564,884	-
State entities	-	-	-	-	-	76,547,994
Current payables	161,470	9,131,943	-	-	153,256,935	47,300,495
Total liabilities	161,470	9,131,943	-	-	1,032,145,742	263,890,516
31-12-2015						
Assets						
Financial assets held-for-sale	-	-	-	229,136	-	-
Other non-current assets	-	-	-	-	-	1,871,428,150
Cash and cash equivalents	-	-	72,657,585	-	-	-
Current receivables	287,102	1,414,365	213,669,049	-	-	-
Other current assets	-	-	-	-	-	270,197,750
Total assets	287,102	1,414,365	286,326,633	229,136	-	2,141,625,900
Liabilities						
Non-current interest-bearing liabilities	-	-	-	-	686,570,753	-
Other liabilities	-	-	-	-	38,538,726	147,501,846
Current interest-bearing liabilities	-	-	-	-	40,578,590	-
State entities	-	-	-	-	-	77,345,911
Current payables	646,872	-	-	-	156,654,578	67,782,660
Total liabilities	646,872	-	-	-	922,342,647	292,630,417

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

31.1. Fair value hierarchy

The following table presents the Group's assets and liabilities measured at fair value at 30 June 2016, according to the following fair value hierarchies:

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

Amounts in Euro	30-06-2016	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss				
Derivative financial instruments - trading	-	-	-	-
Interest rate hedging instruments	1,086,510	-	1,086,510	-
	1,086,510	-	1,086,510	-
Financial liabilities at fair value				
Amount in Euro				
	30-06-2016	Level 1	Level 2	Level 3
Financial liabilities at fair value through profit or loss				
Derivative financial instruments - trading	(965,697)	-	(965,697)	-
Interest rate hedging instruments	(9,131,943)	-	(9,131,943)	-
	(10,097,640)	-	(10,097,640)	-

31.2. Financial instruments held for trading

As at 30 June 2016 and 31 December 2015, the fair value of derivative financial instruments (Note 1.12) was as follows:

Amounts in Euro	30-06-2016			Net	31-12-2015
	Notional	Positive	Negative		Net
Trading					
CO2 emissions	-	-	(804,227)	(804,227)	57,667
Foreign Exchange Forwards	79,439,434	749,773	(911,243)	(161,470)	(417,437)
	79,439,434	749,773	(1,715,470)	(965,697)	(359,770)

The Group has a currency exposure on sales invoiced in foreign currencies, namely US dollars (USD) and pounds sterling (GBP). As the Group's financial statements are translated into Euro, it runs an economic risk on the conversion of these currency flows to the Euro. The 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 June 2016 is Euro 965,697 (31 December 2015: Euro 359,770).

In 2015, the Group proceeded to the purchase of 200,000 licenses for CO2 allowances for delivery in 2017-2018. In 2016 an additional purchase of over 50,000 licenses of CO2 was made, with the same maturity.

31.3. Derivative financial instruments designated as hedging instruments

As at 30 June 2016 and 31 December 2015, the fair value of derivative financial instruments designated as hedging instruments (Note 1.12) was as follows:

Amounts in Euro	30-06-2016			Net	31-12-2015
	Notional	Positive	Negative		Net
Hedging					
Interest rate swap for:	325,000,000	-	(8,908,845)	(8,908,845)	870,372
Commercial Paper issued	125,000,000	-	(1,587,889)	(1,587,889)	55,041
Bond loan	200,000,000	-	(7,320,956)	(7,320,956)	355,331
Foreign Exchange Forwards (net investment)	22,563,502	-	(223,098)	(223,098)	543,992
Foreign Exchange Forwards (future sales)*	175,800,000	1,086,510	-	1,086,510	-
	523,363,502	1,086,510	(9,131,943)	(8,045,432)	1,414,364

Net investment

The Group hedges the economic risk associated with exposure to the exchange rate of its participation in PortucelSoporcel North America. To this end, the Group has entered into a foreign exchange forward maturing in November 2016, with a notional outstanding of USD 25,050,000.

This instrument is designated as an hedging of the investment in the North America subsidiary of the Group, with fair value changes recognized in comprehensive income. As at 30 June 2016, the fair value reserve associated with this coverage was Euro 4,027,536 (31 December 2015: Euro 3,260,446) (Note 25).

Cash Flow Hedge – Exchange rate risk (EUR/USD)

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

In this context, throughout 2016, the Group contracted several financial structures in order to partially hedge its exposure to foreign currency on the estimated sales in USD for 2016. Derivative financial instruments contracted were options, globally amounting to USD 175.8 million, which reach their maturity on 31 January 2017.

Cash Flow Hedge – Interest Rate

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

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

31.4. 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 (Note 21, 23 and 29).

31.5. 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 (Note 29 and 30).

31.6. 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	30-06-2016	30-06-2015
Gain/ (loss) on loans and receivables	283,829	(335,297)
Gains / (losses) on financial instruments - hedging	(1,309,049)	(3,654,234)
Gains / (losses) on financial instruments - trading	255,967	1,106,737
Interest Income:		
From deposits and other receivables	1,381,327	692,606
Interest expense:		
Financial liabilities measured at amortized cost	(15,046,947)	(14,420,380)
Other	972,669	(1,236,786)
	(13,462,204)	(17,847,353)

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

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

	Change in fair value (Trading)	Change in fair value (Hedging)	Total
Amount as of 1 January 2015	(1,342,225)	(2,842,640)	(4,184,865)
Maturity (Note 10)	1,106,737	(3,654,234)	(2,547,497)
Increase/decrease in fair value	-	3,846,827	3,846,827
Amount as of 30 June 2015	(235,488)	(2,650,047)	(2,885,535)
Maturity (Note 10)	(181,949)	(4,300,491)	(4,482,440)
Increase/decrease in fair value	57,667	8,364,903	8,422,570
Amount as of 1 January 2016	(359,770)	1,414,365	1,054,596
Maturity (Note 10)	255,967	(1,309,049)	(1,053,082)
Increase/decrease in fair value	(861,894)	(8,150,749)	(9,012,643)
Amount as of 30 June 2016	(965,697)	(8,045,433)	(9,011,129)

As at 30 June 2016 and 31 December 2015, the derivative financial instruments previously summarized had the following maturities:

		Nominal value	Maturity	Type	31-06-2016	31-12-2015
					Fair Value	Fair Value
Exchange rate forwards	USD	71,000,000	27-oct-16	Trading	(911,243)	(646,872)
	GBP	12,800,000	14-nov-16	Trading	749,773	229,435
Future purchase of CO2 emission licences	EUR	1,931,000	15-mar-18	Trading	(804,227)	57,667
					(965,697)	(359,770)
Foreign Exchange forwards - Net Equity	USD	25,050,000	27-nov-16	Hedging	(223,098)	543,992
Hedging for future sales	USD	175,800,000	31-jan-17	Hedging	1,086,510	-
Interest rate swap for commercial Paper issued	EUR	125,000,000	26-may-20	Hedging	(1,587,889)	515,042
Interest rate swap for loans	EUR	200,000,000	22-sep-23	Hedging	(7,320,956)	355,332
					(8,045,433)	1,414,365
					(9,011,129)	1,054,596

32. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

The following is a breakdown of related parties' balances as at 30 June 2016 and 31 December 2015:

Amounts in Euro	30-06-2016			31-12-2015		
	Assets		Liabilities	Assets		Liabilities
	Customers	Other debtors (fiscal consolidation)	Payables	Customers	Other debtors (fiscal consolidation)	Payables
Semapa - Soc. De Investimento e Gestão, SGPS, S.A.	-	-	908,570	-	1,212,515	1,192,989
Secil - Companhia Geral Cal e Cimento, S.A.	14,760	-	108	15,265	-	297
Secil Britas, S.A.	-	-	17,525	-	-	9,132
Enermontijo, S.A.	558,474	-	4,670	433,951	-	4,982
Enerpar, SGPS, Lda.	-	-	36,035	-	-	46,694
Cimilonga - Imobiliária, S.A.	-	-	6,850	-	-	6,839
	573,234	-	973,757	449,216	1,212,515	1,260,933

On 30 June 2016 and 31 December 2015, transactions with related parties were as follows:

Amounts in Euro	30-06-2015			31-12-2015		
	Sales and services rendered	Interest received	Cosumed materials and services	Sales and services rendered	Interest received	Cosumed materials and services
Semapa - Soc. De Investimento e Gestão, SGPS, S.A.	-	-	4,482,437	2,218	-	7,741,519
Secil - Companhia Geral Cal e Cimento, S.A.	36,000	-	740	72,740	-	1,946
Secil Britas, S.A.	-	-	37,353	-	-	31,162
Enermontijo, S.A.	539,536	-	149,121	983,993	-	267,508
Enerpar, SGPS, Lda.	-	-	147,502	-	-	1,919,589
Cimilonga - Imobiliária, S.A.	-	-	145,057	-	-	66,856
	575,536	-	4,962,210	1,058,951	-	10,028,580

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

In 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 Group sells biomass. Enerpar SGPS, Lda. is a related party as its shareholders have family relations with a non-executive Board Member of the Group.

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

In the identification of the Group's related parties for the purpose of this report, the members of the Group's statutory bodies were considered as related parties (Note 7).

33. ENVIRONMENTAL RELATED EXPENDITURE

Environmental costs

As part of its business operations, the Group incurs in several environmental related expenditures which, depending on their nature, are capitalized or recognized as costs in the operating results for the year.

Environmental expenses incurred by the Group in order to preserve resources or to avoid or reduce future damage, are capitalized if they are expected to extend the useful life or to increase the capacity, safety or efficiency of other assets held by the Group.

The expenditure capitalized and expensed in the six months periods ended 30 June 2016 and 31 December 2015 was as follows:

Amounts capitalised in the period

Amounts in Euro	30-06-2016	31-12-2015
Non-condensable gases (NCG's) - Cacia	-	5,069,410
Recovery boiler	-	376,903
Improvement of facilities and security	-	56,693
Others	40,000	411,951
	40,000	5,914,956

Expenses affecting net income for the period

Amounts in Euro	30-06-2016	31-12-2015
Treatment of waste water	4,774,007	9,296,972
Recycling of materials	2,409	33,493
Water resources charges (Note 6)	775,933	1,777,091
Electrofilters	513,815	634,252
Solid waste landfill	12,315	40,469
Sewage network	90,659	411,108
Others	213,184	256,095
	6,382,322	12,449,480

34. AUDIT FEES

In the six months periods ended 30 June 2016 and 2015, expenses with statutory audits, other audit services and tax advisory services, were as follows:

Amounts in Euro	30-06-2016	30-06-2015
Statutory auditors services		
Statutory audit services	97,718	133,000
Audit of foreign subsidiaries	-	30,876
Tax advisory services		
Portugal	-	-
Foreign subsidiaries	24,250	15,776
Other assurance services	60,809	63,558
	182,777	243,210

Most of the "other assurance services" are related to opinions regarding management information systems, services rendered in the context of the Group's sustainability report and support in the acquisition of the Group's subsidiary Navigator Tissue Ródão, S.A. (previously named AMS-BR Star Paper, S.A.)

The Board of Directors believes there are adequate procedures safeguarding the independence of auditors through the audit committee process analysis of the work proposed and careful definition of the work to be performed by the auditors.

35. NUMBER OF EMPLOYEES

As at 30 June 2016 the number of employees working for the Group Companies was 3,058 (31 December 2015: 2,662), and were distributed by business segment as follows:

	MARKET PULP	UWF PAPER	TISSUE PAPER	OTHER	TOTAL
Industrial / Forest site					
Setúbal	-	984	-	269	1,253
Cacia	203	-	2	19	224
Figueira da Foz	-	886	-	43	929
Vila Velha de Ródão	-	-	197	-	197
Greenwood	-	-	-	58	58
Mozambique	-	-	-	265	265
	203	1,870	199	654	2,926
Commercial companies					
Europe	4	119	-	-	123
America	-	9	-	-	9
Overseas	-	-	-	-	-
	4	128	-	-	132
	207	1,998	199	654	3,058

36. COMMITMENTS

36.1. Commitments towards third-parties

As at 30 June 2016 and 31 December 2015, the Group had presented the following bank guarantees to the following entities:

Amounts in Euro	30-06-2016	31-12-2015
Customs clearance	1,835,250	2,723,960
Simria	338,829	327,775
IAPMEI	5,381,948	6,573,110
Spanish tax authorities	1,033,204	-
Other	664,968	605,540
	9,254,199	10,230,385

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 2,943,816), as per the terms and conditions defined in the Payment Standard applicable to projects approved under QREN Incentive Systems.

36.2. Purchase commitments

In addition to the commitments described in the preceding Note, purchase commitments assumed with suppliers at 30 June 2016 amounted to Euro 39,314,644 and referred to capital expenditure on Property, plant and equipment. In 31 December 2015 these commitments amounted to Euro 23,107,821.

On 30 June 2016 and 31 December 2015, the commitments relating to operating lease contracts comprised the following:

Amounts in Euro	30-06-2016	31-12-2015
2016	796,076	1,506,712
2017	1,406,513	1,202,577
2018	1,020,512	810,035
2019	640,402	434,663
2020	194,762	52,956
	4,058,266	4,006,943

As at 30 June 2016 and 31 December 2015, the undiscounted commitments relating to external group forestry land rents comprised the following:

Amounts in Euro	30-06-2016	31-12-2015
2016	2,455,436	4,583,742
2017	4,589,230	4,426,222
2018	4,425,559	4,149,697
2019	4,175,325	3,980,008
2020	3,855,626	3,657,728
Later	50,880,832	47,542,248
	70,382,008	68,339,646

37. CONTINGENT ASSETS

37.1. Tax matters

37.1.1. 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
The Navigator Company, S.A.						
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
		33,278,628	(8,210,546)	(2,468,472)	(477,678)	22,121,932
Navigator Paper Figueira, S.A.						
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)	-
		8,751,464	-	-	(497,669)	8,253,795
		42,030,092	(8,210,546)	(2,468,472)	(975,347)	30,375,727

37.1.2. Taxes paid in litigation

At 30 June 2016, the additional tax assessments that are paid and disputed by the group are summarized as follows:

Amounts in Euro	
Aggregate corporate income tax 2005	10,394,386
Aggregate corporate income tax 2006	8,150,146
Aggregate corporate income tax - result of the income tax calculation - 2010	4,448,387
Aggregate corporate income tax - result of the income tax calculation - 2011	2,208,268
	25,201,187

i) Group corporate income tax 2005 and 2006

Following the tax inspection to the 2005 tax year, in which the aggregate tax loss declared amounted to Euro 30,381,815, a correction to the taxable income amounting to Euro 74,478,109 was included in the final inspection report.

From the total amount corrected, Euro 73,453,776 regard losses on disposal of financial investments, including additional equity contributions, considered as equity by the tax authorities under the article 23 n^o5 of Portuguese Corporate Tax Law as it was in place as of that date.

The Group's understanding is different, in which it is supported by its advisors and lawyers, and is based both in the opinion of renowned teachers of accounting and law and in the letter of the law, especially in the wording introduced by the 2006 State Budget to article 42 of the Portuguese Corporate Income Tax Law, and in the prohibition of irrefutable presumptions as stated in Constitution of

the Portuguese Republic, in particular in its article 103, in what concerns article 23, nº5 and nº6 of the Portuguese Corporate Income Tax Law.

Following the adjustments made by the tax authorities to the 2005 taxable income, tax losses of Euro 30,381,815 reported by the group in 2005, which were used in 2006, could no longer be considered. As a consequence, the 2006 taxable income was corrected in that amount by the tax authorities. The Group has disputed this correction.

ii) Aggregate corporate income tax 2010 and 2011 – result of liquidation

In 2010, the Group deducted the available RFAI tax incentive up to 25% of the tax collection as permitted by the legislation that approved the tax regime. However, article 92 of the Portuguese Corporate Income Tax Law limits the utilization of tax benefits to 10% of the tax collection, conflicting with the 25% mentioned in RFAI. The deduction of this tax benefit in 2010 resulted in an additional income tax settlement of Euro 4,860,281, having the Group paid and disputed the mentioned amount. It is therefore the Group and Arbitral Court understanding that this amount can be used in following years.

The same situation occurred in 2011, having the Company paid the additional income tax settlement and disputed in the Arbitration Court. On 5 May 2015 the Court decided against the Group, having the Group appealed to the Constitutional Court, in particular regarding the deduction in 2011 of the RFAI tax incentive of 2009 and 2010, when the limit established in Article 92 of the Portuguese Income Tax Law was only 25% and not 10%.

37.2. Non-tax matters

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

37.2.2. Infrastructure enhancement and maintenance fee

Under the licensing process nº 408/04 related to the new paper mill project, the Setúbal 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.

38. EXCHANGES RATES

The assets and liabilities of the foreign subsidiaries and associated companies expressed in a functional currency other than Euro were translated to Euro at the exchange rate prevailing on 30 June 2016. The income statement transactions were translated at the average rate for the period. The differences arising from the use of these rates compared with the balance prior to the conversion were reflected under the Currency translation reserve in shareholders' equity.

The rates used at 2016 and 2015, against the Euro, were as follows:

	30-06-2016	31-12-2015	Valuation / (depreciation)
GBP (Sterling Pound)			
Average exchange rate for the period	0.7789	0.7259	-7.30%
Exchange rate at the end of the period	0.8265	0.7340	-12.60%
USD (American Dollar)			
Average exchange rate for the period	1.1159	1.1085	-0.67%
Exchange rate at the end of the period	1.1102	1.0887	-1.97%
PLN (Polish Zloti)			
Average exchange rate for the period	4.3674	4.1844	-4.37%
Exchange rate at the end of the period	4.4362	4.2639	-4.04%
SEK (Swedish Krona)			
Average exchange rate for the period	9.3014	9.3530	0.55%
Exchange rate at the end of the period	9.4242	9.1895	-2.55%
CZK (Czech Koruna)			
Average exchange rate for the period	27.0400	27.2804	0.88%
Exchange rate at the end of the period	27.1310	27.0230	-0.40%
CHF (Swiss Franc)			
Average exchange rate for the period	1.0961	1.0690	-2.54%
Exchange rate at the end of the period	1.0867	1.0835	-0.30%
DKK (Danish Krone)			
Average exchange rate for the period	7.4499	7.4588	0.12%
Exchange rate at the end of the period	7.4393	7.4626	0.31%
HUF (Hungarian Florin)			
Average exchange rate for the period	312.7372	309.9458	-0.90%
Exchange rate at the end of the period	317.0600	315.9800	-0.34%
AUD (Australian Dollar)			
Average exchange rate for the period	1.5214	1.4775	-2.97%
Exchange rate at the end of the period	1.4929	1.4897	-0.21%
MZM (Mozambique Metical)			
Average exchange rate for the period	57.8668	42.5652	-35.95%
Exchange rate at the end of the period	70.2000	49.3400	-42.28%
MAD (Moroccan Dirham)			
Average exchange rate for the period	10.9181	10.8606	-0.53%
Exchange rate at the end of the period	10.8980	10.8120	-0.80%
NOK (Norway Kroner)			
Average exchange rate for the period	9.4209	8.9516	-5.24%
Exchange rate at the end of the period	9.3008	9.6030	3.15%
TRY (Turkish Lira)			
Average exchange rate for the period	3.2585	3.0275	-7.63%
Exchange rate at the end of the period	3.2060	3.1765	-0.93%

39. 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
Portucel Florestal, S.A.	Setúbal	100.00	-	100.00
Navigator Parques Industriais, 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 Internacional Holding SGPS, S.A.	Setúbal	100.00	-	100.00
Portucel Moçambique - Sociedade de Desenvolvimento Florestal e Industrial, Lda	Moçambique	20.05	60.15	80.20
Portucel Florestal Brasil - Gestão de Participações, Lda	Brasil	25.00	75.00	100.00
Colombo Energy Inc.	EUA	-	100.00	100.00
Portucel Finance, Zoo	Polónia	25.00	75.00	100.00
Navigator Africa, SRL	Itália	-	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	Espanha	-	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	-	100.00	100.00
Portucel International GmbH	Alemanha	-	100.00	100.00
Navigator Paper Holding ,SGPS, 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
Portucel Soporcel North America Inc.	EUA	-	100.00	100.00
Navigator Sales & Marketing, S.A.	Bélgica	25.00	75.00	100.00
Navigator Lusa, Lda	Figueira da Foz	-	100.00	100.00
Navigator Fine Paper , S.A.	Setúbal	-	100.00	100.00
Navigator Sw itzerland Ltd.	Suiça	25.00	75.00	100.00
PortucelSoporcel Afrique du Nord	Marrocos	-	100.00	100.00
PortucelSoporcel España, S.A.	Espanha	-	100.00	100.00
Navigator Netherlands, BV	Holanda	-	100.00	100.00
PortucelSoporcel France, EURL	França	-	100.00	100.00
Navigator Paper Company UK, Ltd	Reino Unido	-	100.00	100.00
Navigator Italia, SRL	Itália	-	100.00	100.00
PortucelSoporcel Deutschland, GmbH	Alemanha	-	100.00	100.00
Navigator Paper Austria, GmbH	Austria	-	100.00	100.00
PortucelSoporcel Poland SP Z o o	Polónia	-	100.00	100.00
Navigator Eurasia	Turquia	-	100.00	100.00
Navigator Rus Company, LLC	Russia	-	100.00	100.00
Navigator Participações Holding ,SGPS, 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
Erma Cacia - Engenharia e Manutenção Industrial, ACE	Aveiro	-	91.15	91.15
Erma Setúbal - Engenharia e Manutenção Industrial, ACE	Setúbal	-	92.56	92.56
Erma Figueira da Foz- Engenharia e Manutenção Industrial, ACE	Figueira da Foz	-	91.47	91.47
Empremédia - Corretores de Seguros, S.A.	Lisboa	-	100.00	100.00
EucaliptusLand, S.A.	Setúbal	-	100.00	100.00
Headbox - Operação e Controlo Industrial, S.A.	Setúbal	-	100.00	100.00
Navigator Added Value, S.A.	Setúbal	-	100.00	100.00
Navigator Abastecimento de Madeira, ACE	Setúbal	-	100.00	100.00

40. SUBSEQUENT EVENTS

Until the date of issue of this report, no subsequent events occurred that may need to be disclosed in these present financial statements.

BOARD OF DIRECTORS

Pedro Mendonça de Queiroz Pereira

Chairman

Diogo António Rodrigues da Silveira

Vice President / CEO

Luis Alberto Caldeira Deslandes

Vice President

João Nuno de Sottomayor Pinto de Castello Branco

Vice President

António José Pereira Redondo

José Fernando Morais Carreira de Araújo

Nuno Miguel Moreira de Araújo Santos

João Paulo Araújo Oliveira

Adriano Augusto da Silva Silveira

Manuel Soares Ferreira Regalado

Paulo Miguel Garcês Ventura

José Miguel Pereira Gens Paredes

Ricardo Miguel dos Santos Pacheco Pires

Vitor Manuel Galvão Rocha Novais Gonçalves

Limited Review Report Prepared by Auditor Registered with the Securities Market Commission (CMVM) on the Consolidated Half Year Information

(Free translation from the original in Portuguese)

Introduction

1 In accordance with the Portuguese Securities Market Code (CVM), we present our limited review report on the consolidated financial information for the six-month period ended June 30, 2016 of The Navigator Company, S.A. included in the consolidated Directors' Report, consolidated statement of financial position (which shows total assets of Euro 2.425.798.380 and total shareholders' equity of Euro 1.120.468.710, including non-controlling interests of Euro 8.898.898 and a net profit of Euro 85.466.548), consolidated income statement by nature, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period then ended, and the corresponding notes to the accounts.

2 The amounts in the consolidated financial statements, as well as those in the additional financial information, are derived from the respective accounting records.

Responsibilities

3 It is the responsibility of the Board of Directors: (a) to prepare consolidated financial information which present fairly, in all material respects, the financial position of the companies included in the consolidation, the consolidated results and the consolidated comprehensive income of their operations, the changes in consolidated equity and the consolidated cash flows; (b) to prepare historical financial information in accordance with International Financial Reporting Standards as adopted by the European Union and which is complete, true, up-to-date, clear, objective and lawful as required by the CVM; (c) to adopt appropriate accounting policies and criteria; (d) to maintain appropriate systems of internal control; and (e) to disclose any significant matters which have influenced the activity, financial position or results.

4 Our responsibility is to verify the financial information included in the documents referred to above, namely as to whether it is complete, true, up-to-date, clear, objective and lawful, as required by the CVM, for the purpose of issuing an independent and professional report based on our work.

Scope

5 Our work was performed with the objective of obtaining moderate assurance about whether the financial information referred to above is free from material misstatement. Our work was performed in accordance with the Standards and Technical Recommendations issued by the Institute of Statutory Auditors, planned according to that objective, and consisted: (a) primarily, in enquiries and analytical procedures, to review: (i) the reliability of the assertions included in the financial information; (ii) the appropriateness and consistency of the accounting principles used, as applicable; (iii) the applicability, or not, of the going concern basis of accounting; (iv) the presentation of the financial information; (v) as to whether the consolidated financial information is complete, true, up-to-date, clear, objective and lawful; and (b) of substantive tests of unusual significant transactions.

6 Our work also covered the verification that the information included in the consolidated Directors' Report is consistent with the remaining documents referred to above.

7 We believe that the work performed provides a reasonable basis for the issue of this limited review report on the half year information.

Conclusions

8 Based on the work, which was performed with the objective of obtaining a moderate level of assurance, nothing has come to our attention that leads us to conclude that the consolidated financial information for the six-month period ended June 30, 2016 contain material misstatements that affect its conformity with International Financial Reporting Standards as adopted by the European Union and that it is not complete, true, up-to-date, clear, objective and lawful.

Report on other requirements

9 Based on the work, nothing has come to our attention that leads us to believe that the information included in the consolidated Directors' Report is not consistent with the consolidated financial information for the period.

August 12, 2016

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda
Registered in the Comissão do Mercado de Valores Mobiliários with no. 20161485
represented by:

António Alberto Henriques Assis, R.O.C.

(This is a translation, not to be signed)