

1<sup>ST</sup> QUARTER REPORT  
2017

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

**Share Capital:** 717 500 000 Euros

**Corporate Entity:** 503 025 798

Registered at the Commercial  
Register of Setúbal

**Headquarters:** Península de Mitrena  
Freguesia do Sado · Setúbal



THE  
**NAVIGATOR**  
COMPANY

## DIRECTORS' REPORT

### CONTENT

|  |           |
|--|-----------|
| <b>0. HIGHLIGHTS</b>                                     | <b>2</b>  |
| <b>1. LEADING INDICATORS</b>                             | <b>3</b>  |
| <b>2. ANALYSIS OF RESULTS</b>                            | <b>4</b>  |
| <b>3. MARKET ANALYSIS</b>                                | <b>6</b>  |
| <b>4. OPERATING INDICATORS</b>                           | <b>10</b> |
| <b>5. STRATEGIC DEVELOPMENT</b>                          | <b>11</b> |
| <b>6. COST CUTTING MEASURES</b>                          | <b>12</b> |
| <b>7. FINANCIAL PERFORMANCE</b>                          | <b>13</b> |
| <b>8. CAPITAL MARKETS</b>                                | <b>14</b> |
| <b>9. OUTLOOK</b>  | <b>15</b> |
| <b>10. CONSOLIDATED FINANCIAL STATEMENTS &amp; NOTES</b> | <b>17</b> |



**Highlights 1<sup>st</sup> Quarter 2017 (vs. 1<sup>st</sup> Quarter 2016)**

- **YoY drop in pulp and paper prices mitigated by cost reduction and increased sales volume**
- **Strong operating performance allows for 2.1% growth in turnover:**
  - Sharp increase in volume of pulp sales (90 thousand tons, vs. 65 thousand; up 40%)
  - High volume of paper sales (371 thousand tons vs. 377 thousand; down 1.7%)
  - Sound performance in tissue sales (14 thousand vs. 11 thousand tons; +24%)
  - 15% increase in power sales (449 Mwh vs. 389 Mwh)
- **Cost reduction programme continues**, with estimated impact on EBITDA of € 6 million
- **EBITDA stands at € 90.2 million** (vs. € 93.5 million), with an EBITDA/ Sales of 23% (vs. 24.3%)
- **Market conditions show significant improvement** over the quarter, with order books growing and upward movement in prices
- **Energy activity resumed with regular operations** at the renewable co-generation plants in Cacia and Setúbal
- **Group reduces net debt** to € 616.6 million, keeping Net Debt / EBITDA ratio at 1.6
- **Cost of borrowing down to 1.8%**, as compared to 2.5% at end of March 2016
- **New capital projects get under way in Figueira da Foz (increased pulp capacity) and Cacia (new tissue mill)**
- Board of Directors proposes dividends of € 170 million, 0.2371 euros per share, in line with previous year; **total proposed dividend including reserves of 0.3487€/share (9% dividend yield)**
- Government plans to limit eucalyptus plantations are negative for 400 thousand forestry producers and could damage competitiveness of the Pulp and Paper Industry, already forced to import wood costing around € 200 million each year.



## 1. SUMMARY OF LEADING INDICATORS – IFRS (UNAUDITED FIGURES)

|   | Q1           | Q1           | % Change       |
|---|--------------|--------------|----------------|
| in million euros                        | 2017         | 2016         | Q1 17/Q1 16    |
| <b>Total sales</b>                      | 392.7        | 384.6        | 2.1%           |
| <b>EBITDA <sup>(1)</sup></b>            | <b>90.2</b>  | <b>93.5</b>  | <b>-3.6%</b>   |
| <b>Operating profits</b>                | 52.0         | 56.4         | -7.8%          |
| <b>Financial results</b>                | - 3.9        | - 2.7        | 45.0%          |
| <b>Net earnings</b>                     | <b>35.6</b>  | <b>44.7</b>  | <b>-20.5%</b>  |
| <b>Cash flow</b>                        | 73.7         | 81.8         | -9.9%          |
| <b>Free Cash Flow <sup>(2)</sup></b>    | 24.2         | 18.0         | 6.1            |
| <b>Capex</b>                            | 14.3         | 49.0         | -34.7          |
| <b>Net debt <sup>(3)</sup></b>          | 616.6        | 636.4        | -19.9          |
| <b>EBITDA / Sales (%)</b>               | <b>23.0%</b> | <b>24.3%</b> | <b>-1.4 pp</b> |
| <b>ROS</b>                              | 9.1%         | 11.6%        | -2.6 pp        |
| <b>ROE</b>                              | 11.4%        | 14.5%        | -3.1 pp        |
| <b>ROCE</b>                             | 11.1%        | 12.0%        | -0.9 pp        |
| <b>Equity ratio</b>                     | 51.8%        | 51.1%        | 0.7 pp         |
| <b>Net Debt / EBITDA <sup>(4)</sup></b> | 1.6          | 1.6          |                |

|   | Q1           | Q4           | % Change      |
|---|--------------|--------------|---------------|
| in million euros                        | 2017         | 2016         | Q1 17/Q4 16   |
| <b>Total sales</b>                      | 392.7        | 422.0        | -7.0%         |
| <b>EBITDA <sup>(1)</sup></b>            | <b>90.2</b>  | <b>95.9</b>  | <b>-6.0%</b>  |
| <b>Operating profits</b>                | 52.0         | 52.3         | -0.6%         |
| <b>Financial results</b>                | - 3.9        | - 4.2        | -5.7%         |
| <b>Net earnings</b>                     | <b>35.6</b>  | <b>83.2</b>  | <b>-57.3%</b> |
| <b>Cash flow</b>                        | 73.7         | 126.8        | -41.9%        |
| <b>Free Cash Flow <sup>(2)</sup></b>    | 24.2         | 82.7         | -58.6         |
| <b>Capex</b>                            | 14.3         | 38.0         | -23.7         |
| <b>Net debt <sup>(3)</sup></b>          | 616.6        | 640.7        | -24.2         |
| <b>EBITDA / Sales (%)</b>               | <b>23.0%</b> | <b>22.7%</b> | <b>0.2 pp</b> |
| <b>ROS</b>                              | 9.1%         | 19.7%        | -10.7 pp      |
| <b>ROE</b>                              | 11.4%        | 27.8%        | -16.5 pp      |
| <b>ROCE</b>                             | 11.1%        | 11.1%        | -0.1 pp       |
| <b>Equity ratio</b>                     | 51.8%        | 51.2%        | 0.6 pp        |
| <b>Net Debt / EBITDA <sup>(4)</sup></b> | 1.6          | 1.6          | 0.0           |

(1) Operating profits + depreciation + provisions

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

(3) Interest-bearing net debt – liquid assets

(4) EBITDA corresponding to last 12 months

(5) Variation in figures not rounded up/down



## 2. ANALYSIS OF RESULTS

### 1<sup>st</sup> Quarter 2017 vs. 1<sup>st</sup> Quarter 2016

Turnover grew by 2.1% to € 392.7 million, thanks to strong operational performance in sales pulp, tissue and energy, while the paper business also recorded higher-than-expected sales.

Pulp sales grew by around 40% and stood at more than 90 thousand tons. This increase was made possible by strong demand over the quarter and increased availability of pulp for the market from the Cacia mill. The growth in sales allowed the Group to minimise the negative impact of lower prices, as PIX-BHKP index presented an average price in euros 6.1% down on the first quarter of 2016. As a result, the value of pulp sales rose by 24.7%, to 43.2 million euros.

Paper sales also reflected an improvement in market conditions, with order books significantly stronger in Europe and a reduction in the level of imports. In this environment, the Group sold 371 thousand tons of paper, slightly down from the record figure of Q1 2016 (377 thousand tons), whilst improving its product mix. However, average prices were below the level recorded in the same quarter last year, with the PIX-A4-Bcopy Index at 803€/ton (vs. 836 €/ton, the highest average quarterly price for the past 4 years), with the result that the value of paper sales was down by 4.8%, at 282.3 million.

Figures for tissue sales were similarly positive, with growth of 23.5% in volume, to approximately 14 thousand tons, benefiting from the expansion of production and converting capacity over the course of 2015. In value, tissue sales totalled € 18.1 million, thanks to the increase in quantities sold, combined with a slight decrease in the average sales price as a result of reel sales accounting for a larger proportion of sales (up by 14.4%).

Technical issues affecting the renewable co-generation turbines in Cacia and Setúbal were successfully overcome and power sales rose in value by around 22%. Sales of electricity also



benefited from the higher Brent prices in relation to the same quarter in 2016. Total gross power output in the first quarter of 2017 was up by 10.5% in relation to the same period in 2016. The two biomass power stations, exclusively dedicated to selling power to the national grid, recorded an increase in gross output of 6%, benefiting from the operational improvements at the Cacia site.

After progressing to continuous operation in the final quarter of 2016, the Group recorded the first sales of pellets in early 2017 from its US operation, Colombo Energy. The sales volume stood at approximately 15.4 thousand tons, which is still low, but is a natural consequence of the mill being still at the start-up phase. It should be noted that a number of non-recurrent costs (approximately € 2.0 million) were stated in the accounts in the first quarter in relation to the start-up of pellet production and marketing.

In this context, first quarter EBITDA totalled € 90.2 million, slightly down on the figure recorded in the previous year, reflecting an EBITDA/Sales margin of 23%.

The Group is pressing ahead with efforts to cut its total costs and to increase productivity. Progress on this front in the first quarter is estimated to have boosted EBITDA by around 6 million euros. By increasing the number of initiatives rolled out under the M2 programme, the Group has succeeded in cutting a variety of cost items. The impact has been particularly positive on packaging and chemicals (€ 1.9 million), power purchases (€ 0.7 million) and wood purchases (€ 0.7 million).

In its raw material costs, the Group recorded a reduction in the average cost of wood purchases, but this failed to bring down overall production costs due to an increase in specific consumption, reflecting the use of wood from sources offering lower standards of industrial performance.

The Group recorded a financial loss for the quarter of € 3.9 million, as compared with a loss of € 2.7 million in the first quarter of 2016. This performance was due essentially to



exchange rate losses of € 1.5 million, compared to a positive balance of € 1.0 million recorded in the same period last year. Significantly, as a result of the restructuring of the Group's debt completed in 2016, the cost of financing operations has continued to improve, having fallen by € 777 thousand.

Net income for the quarter totalled € 35.6 million, compared to net income of € 44.7 million in the first quarter of 2016, which had benefited from an effective corporation tax rate of 16.88%, brought down by contractual tax benefits which no longer apply. As a result, the effective tax rate in the period returned to 27.5%.

### **Q1 2017 vs. Q4 2016**

Comparison between the first quarter of 2017 and the final quarter of 2016 reflects seasonal factors in business at the end and at the start of each year. Turnover in the first quarter of 2017 was down by 7.0% in relation to the figure recorded in the previous quarter, due essentially to a drop in the volume of paper sales (down 14%) and also the need to replenish stocks at mills for operationally more appropriate levels.

As a result, the first quarter EBITDA of € 90.2 million was also 6% lower than in the previous quarter, whilst reflecting an increase in the margin to 23%, with the improvement in pulp and paper prices. EBIT held more or less steady between the two periods, at approximately € 52 million. Net income, at € 35 million in the first quarter, was significantly lower than the figure of € 83 million in the fourth quarter, which had benefited from a series of reversals of tax provisions in the final months of 2016.

## **3. MARKET ANALYSIS**

### **3.1 UWF Paper**

Over the past six months, and especially during the first quarter of 2017, demand for UWF paper grew in the emerging markets in Asia, the Middle East and Latin America. At the same



time, a sharp reduction in production capacity in India, Malaysia and, to an unquantified extent, in China, as result of a government programme to shut down industrial units causing severe pollution, has improved conditions in these regional markets, resulting in higher prices.

In Europe, apparent consumption fell by a further 2.8%, due essentially to a drop in imports, with deliveries by European manufacturers up by 0.4%. Indeed, with an EUR-USD exchange rate unfavourable to imports, and attractive prices for foreign manufacturers on their local markets, estimates suggest that the volume of imports into Europe fell by around 30%. These purchases were redirected to European manufacturers who, limited by their capacity, dispatched volumes 3% in excess of output and sought to respond to improving order books, to the chance to substitute imports and to interesting opportunities in markets outside Europe.

As a result, incoming orders in the European industry grew by 8% in the first quarter of 2017 in relation to the same period in 2016, up by 22% in international markets and 5% in European markets. Order books in the industry in Europe are now at levels only rarely attained in the sector's history. Stock at mills and in the paper distribution circuit were reported in the period to be at normal levels or even slightly below normal.

In the United States, apparent consumption in the first two months of the year dropped by around 4.8% in relation to the first quarter of 2016. However, the closure of one manufacturer's capacity during 2016 helped the capacity utilisation rate to stabilise at around 93%.

In the course of this process, certain major cost items for paper production (such as pulp prices) recorded significant increases, with the result that the dynamic of supply and demand, combined with cost factors, led to an upswing in prices on the European market (in February), in the Middle East and Northern Africa (in January). It is important to note that European market prices are at all-time low levels, especially when compared with prices in other regions.



In this context, the Navigator Company achieved a sales volume in line with forecasts and with the previous year, whilst achieving a small improvement in its product mix, with premium products continuing to account for 50% of total. The Group's own brands also started to climb back up as a proportion of total sales, in particular in the highly demanding European markets.

### **3.2 Tissue Paper**

Consumption in Western Europe remains closely tied to growth in GDP, whilst in recent years it has been observed that in southern European countries, namely Portugal, growth in tissue demand has clearly outstripped economic growth.

In this context, tissue business performed well during the first quarter of 2017, with growth of 23.5% in tons sold; as stated above, this was made possible by expansion in production and converting capacity over the course of 2015. Measured in value, sales rose by 15%, to 18.1 million euros. The Group's capacity utilisation rates were healthy, both in reels production, and in converting. Unit production costs were in line with the same quarter in 2016.

Navigator's sales on the Portuguese market totalled approximately € 11.6 million, whilst sales to the Spanish grew to 34% of total. In terms of the product mix, the away-from-home segment again represented the main destination for tissue sales (49%), whilst reel sales grew to around 13%, which was reflected in a reduction in the average sale price in relation to the first quarter of 2016.

### **3.3 BEKP Pulp**

As previously reported, the short fibre pulp market was affected by a combination of factors in the second half of 2016.



Stock levels diminished, in anticipation of the start-up of APP's twin lines in Indonesia, with combined annual capacity of 2.8 million tons. Successive delays in the start-up of these units, which have totalled more than six months, have caused stocks to reduce significantly around the world, especially in the Chinese market. At the same time, demand for pulp was fuelled by the closure of highly polluting pulp capacity in China, growing demand for tissue pulp in China, and increased demand for paper grade pulp for viscose.

Early 2017 saw the normal seasonal factors in paper consumption combine with an upturn in the global paper industry and the replenishment of paper stocks, which had dropped to extremely low levels throughout the supply chain over the course of 2016. The result was growth in demand for pulp from Chinese buyers, up 18.7% YTD February, in line with the growth in Chinese demand for BEKP in the period. Global BEKP demand surged by 11.2% in the first months of the year, allowing the industry to add 6 percentage points to its capacity utilisation rate in relation to the same period in 2016.

As a result, on the heels of a cycle of prices rises for pulp which started in China in September, with prices already up 34% for local pulps and 21% for imports, prices in Europe started to climb in late 2016, and have so far risen steadily from month to month; from January to May, the gross BEKP price in Europe is expected to be up by 140 USD/ton.

The Navigator Company's sales in the first quarter totalled 90 thousand tons, 40% up on the same period in 2016, thanks to favourable market conditions and the increased availability of pulp for the market, after the expansion of the Cacia mill in 2015. Efforts were stepped up over the period to optimise margins, due to significant price gaps in different regions of the world.



#### 4. OPERATING INDICATORS

##### Pulp and paper

| ( 000 tons)                | Q1 2016 | Q2 2016 | Q3 2016 | Q4 2016 | Q1 2017 |
|----------------------------|---------|---------|---------|---------|---------|
| BEKP Output                | 370.2   | 373.4   | 367.8   | 359.0   | 382.4   |
| BEKP Sales                 | 64.6    | 65.1    | 71.2    | 89.8    | 90.4    |
| UWF Output                 | 397.7   | 397.0   | 399.9   | 392.4   | 396.4   |
| UWF Sales                  | 377.8   | 397.7   | 380.0   | 431.3   | 371.3   |
| FOEX – BHKP Euros/ton      | 687     | 613     | 600     | 607     | 645     |
| FOEX – BHKP USD/ton        | 757     | 694     | 670     | 654     | 686     |
| FOEX – A4- BCopy Euros/ton | 836     | 830     | 820     | 807     | 803     |

##### Tissue

| ( 000 tons)                 | Q1 2016 | Q2 2016 | Q3 2016 | Q4 2016 | Q1 2017 |
|-----------------------------|---------|---------|---------|---------|---------|
| Reels Output                | 11.2    | 7.9     | 13.1    | 14.7    | 14.7    |
| Output of Finished products | 10.1    | 10.0    | 10.9    | 10.8    | 11.7    |
| Sales of Reels and goods    | 1.7     | 2.2     | 2.4     | 2.7     | 2.7     |
| Sales of Finished Products  | 9.7     | 10.7    | 10.7    | 10.8    | 11.3    |

##### Energy

|              | Q1 2016 | Q2 2016 | Q3 2016 | Q4 2016 | Q1 2017 |
|--------------|---------|---------|---------|---------|---------|
| Output (GWh) | 508.1   | 519.7   | 537.2   | 549.4   | 561.3   |
| Sales (GWh)  | 389.5   | 385.8   | 425.3   | 440.7   | 449.4   |



## 5. STRATEGIC DEVELOPMENT

Over the course of the quarter, the Group took the first steps towards implementing the capital projects announced at the start of 2017, for the construction of a tissue mill in Cacia and increasing pulp capacity at the Figueira da Foz mill.

As already reported, the Cacia project involves building a tissue production line and the respective converting facilities, with annual production capacity of around 70 thousand tons. Investment will total around € 121 million. The main equipment suppliers have already been selected and preliminary site preparation work is under way. The paper machine is planned to start up in August 2018.

At the Figueira da Foz pulp mill, the plans are designed to achieve improvements in production efficiency and environmental performance, and to boost capacity by 70 thousand tons, to total annual capacity of 650 thousand tons. The total investment is estimated at around € 85 million. Significant progress has already been made on the initial pile work and the civil construction contract has been adjudicated. The main plant is planned to be fitted in September 2017 and the company expected to start preliminary production trials after the maintenance stoppage programmed for March 2018.

As a result of these projects, total capital expenditure in the period stood at € 14.3 million, divided essentially between the project in Figueira da Foz (€ 8.9 million), pulp and paper business (€ 3.7 million) and tissue in Vila Velha de Rodão (€1.7 million).

### Mozambique

During the quarter, the Group successfully completed a pilot operation, launched in late 2016, which consisted of exporting 2 thousand tons of eucalyptus timber from Zambézia through the Port of Nacala. This was a necessary trial run and an important learning experience, which resulted in improved knowledge of local processes, agents, logistics,



certification procedures and the workings of the institutions involved in seeing through an operation of this kind.

In the meantime, the Group has welcomed the announcement of plans to build the Moatize-Macuse railway line and the port of Macuse, due for completion in 2021-22. This project is still at the pre-launch stage and financing has yet to be arranged; if it goes ahead, it will represent a gain in competitiveness for the operation based in Zambézia.

However, in line with the decision to slow the pace of its operations in Mozambique, the Group downsized its investment budget for 2017 to approximately € 10 million.

## 6. COST CUTTING MEASURES

During the first quarter of 2017, Navigator pressed ahead with its strategy of expanding the Lean System, starting work in Cacia, at the Paper Division in Figueira da Foz and at the Setúbal paper mill. In order to start spreading the lean culture to other areas of the organisation, work started on identifying opportunities in areas such as Nurseries and central departments involved in environmental and statistical processes, as well as extending projects to all other industrial divisions.

The Group started the process of implementing Lean methodology in its organisation by bringing in external consultants and currently has several members of staff dedicated exclusively to internalising Lean culture practices and methods.

### M2 Programme

The 3<sup>rd</sup> M2 (More and Better) programme has got under way in 2017 with significantly more initiatives than in the previous year: around 150 (up 50%). The estimated impact on EBITDA is accordingly greater than in 2016. A particularly important development has been the



inclusion in the programme of various initiatives for renegotiating prices for a range of supply contracts for raw materials and services, from purchases of power and natural gas to supplies of corrugated cardboard and wrapping paper for printing formats, as well as purchases of chemicals, such as sodium chlorate and starches.

In relation to industrial projects, other programmes have been carried over from previous year, featuring initiatives to improve efficiency aiming, for example, to increase the pace of production on paper machines 3 and 4 in Setúbal and to increase the capacity of rewinders in Figueira; other projects relate to boosting competitiveness, by cutting variable costs for certain paper products and optimising production allocations to paper machines.

## 7. FINANCIAL PERFORMANCE

At the close of the quarter, the Group's gross debt stood at € 707.1 million, and net debt at € 616.6 million, down by € 24.1 million on year-end 2016. Cash flow generation over the period was hit by a series of one-off disbursements of the kind typically made in the first quarter, relating to premiums and advances to clients and wood suppliers. Another constraint on cash flow was the increase in inventories, and especially the replenishment of wood stocks, with a strong flow of purchases on the Portuguese market thanks to the mild winder (in contrast to the severe weather experienced in 2016), on competitive terms. This was also accompanied by a natural recovery in stocks of finished products, which had fallen to low levels at the end of the year. In relation to the same period in 2016, the total value of inventories was slightly lower, despite the increase in the value of wood stocks and the value corresponding to pellet stocks, which had not previously existed.

The Net Debt / EBITDA ratio also improved, standing at 1.56 at the end of March, slightly lower than the figure of 1.61 recorded at year-end 2016.

In 2016, Navigator completed a radical overhaul of its borrowing, in a process that started in 2015 and resulted in longer debt maturities and lower costs, the full effects of which will be



felt in 2017. At the end of March the average maturity of Navigator's debt was 4.4 years, and the average all-in cost was 1.8%.

At the end of the quarter, the Group had a total of € 225.0 million in commercial paper programmes contracted but unused, with maturities in excess of one year, and liquid assets of € 90.5 million, showing that it continued to enjoy a comfortable level of liquidity.

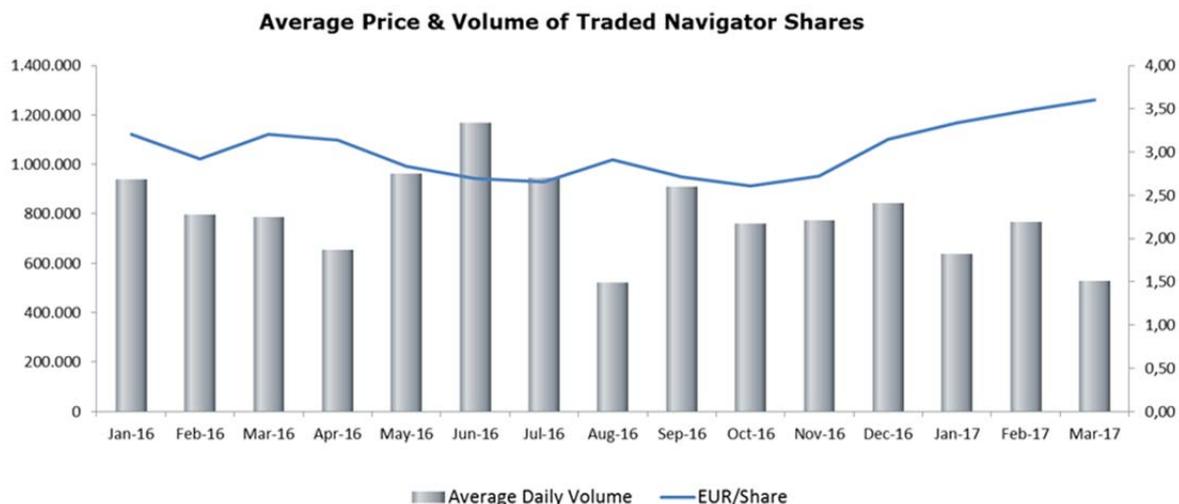
This reflects a financial profile which remains robust; this was further reinforced during the quarter when S&P and Moody's confirmed their long term ratings for the Group at BB and Ba2, both classifying the outlook as stable.

## 8. CAPITAL MARKETS

Despite the uncertainties surrounding political changes in the United States and the impact of the Brexit process on Europe, the capital markets were reasonably optimistic during the first quarter of 2017, with all equity markets recording gains. The Portuguese exchange reflected the wider European trends and ended the quarter up 7.0%.

Despite the recovery in the pulp and paper market, the performance of industry stocks varied significantly. European pulp and paper manufacturers enjoyed gains, especially in the case of Navigator, which recorded a total gain from the start of the year to the end of March of 15.3%, clearly outperforming the PSI20 and on a par with the top performing companies in the sector.





**9. OUTLOOK**

The global economy demonstrated renewed energy in late 2016, and this carried through into the early months of this year. In a financial context which remains favourable and propitious for growth, the IMF report published for the Spring Meetings adopted a more optimistic tone. In EMU countries, business and confidence indicators point to a significant rate of growth in the first quarter which, if confirmed, would add to the likelihood of a scenario of accelerating GDP this year.

In the short fibre pulp market, first quarter performance was strong with sharp growth in demand, low levels of stocks and upward pressure on prices. Several manufacturers have already announced price increases for the second quarter, and the months ahead may be expected to be fairly positive for the sector. However, concerns still persist in relation to new pulp capacity due to come onto the market as from the second half of the year and the impact this will have on the balance between supply and demand for pulp.

Tissue business in 2017 remains constrained by the general health of the economy, in



particular levels of employment and growth in earnings, as well as by a sharp increase in competition. The Group will continue to work on developing its sales, although increased pressure is expected on its margins due to the sharp rise in pulp prices and the arrival of new capacity on the market.

In the paper market, the Group has benefited from improving conditions in the market as from late 2016; this trend was maintained throughout the first quarter, and has resulted in record order books for this time of year. The sharp rise in pulp prices and production costs in general, combined with the low level of paper prices and evolution of the Euro/USD exchange rate, have made a global increase in UWF prices inevitable. After the close of the quarter, in April, the Group applied a further price rise for its products in Europe and in Middle Eastern and North African markets. Order books in the industry are at their strongest for seven years, and the strong conditions currently enjoyed by the sector are expected to continue over the second quarter.

Setúbal, 4 May 2017



## 10. CONSOLIDATED FINANCIAL STATEMENTS AND NOTES



**CONSOLIDATED INCOME STATEMENT**

FOR THE THREE MONTH PERIODS ENDED 31 MARCH 2017 AND 2016

| Amounts in Euro                                  | Notes | 3 months<br>31-03-2017<br>(Unaudited) | 3 months<br>31-03-2016<br>(Unaudited) |
|--|-------|---------------------------------------|---------------------------------------|
| Revenues   | 3     |                                       |                                       |
| Sales  |       | 391.254.865                           | 383.603.980                           |
| Services rendered                                |       | 1.402.109                             | 963.156                               |
| Other operating income                           | 4     |                                       |                                       |
| Gains on the sale of non-current assets          |       | 1.427                                 | 95.062                                |
| Other operating income                           |       | 4.250.654                             | 6.175.301                             |
| Change in the fair value of biological assets    | 14    | (502.582)                             | (271.889)                             |
| Costs  | 5     |                                       |                                       |
| Cost of inventories sold and consumed            |       | (181.731.681)                         | (182.637.816)                         |
| Variation in production                          |       | 15.764.876                            | 16.887.070                            |
| Cost of materials and services consumed          |       | (97.862.055)                          | (92.297.938)                          |
| Payroll costs                                    |       | (37.084.975)                          | (35.363.220)                          |
| Other costs and losses                           |       | (5.323.909)                           | (3.650.348)                           |
| Provisions                                       |       | (1.736)                               | (1.117.864)                           |
| Depreciation, amortization and impairment losses | 6     | (38.143.318)                          | (35.980.113)                          |
| <b>Operating results</b>                         |       | <b>52.023.674</b>                     | <b>56.405.381</b>                     |
| Net financial results                            | 7     | (3.936.664)                           | (2.715.629)                           |
| <b>Profit before tax</b>                         |       | <b>48.087.010</b>                     | <b>53.689.752</b>                     |
| Income tax                                       | 8     | (13.244.421)                          | (9.066.576)                           |
| <b>Net Income</b>                                |       | <b>34.842.589</b>                     | <b>44.623.176</b>                     |
| <b>Attributable to:</b>                          |       |                                       |                                       |
| Navigator Company's Shareholders                 |       | 35 573 405                            | 44 720 091                            |
| Non-controlling interests                        |       | ( 730 816)                            | ( 96 915)                             |
| Earnings per share                               |       |                                       |                                       |
| Basic earnings per share, Euro                   | 9     | 0,050                                 | 0,062                                 |
| Diluted earnings per share, Euro                 | 9     | 0,050                                 | 0,062                                 |

*The notes on pages 23 to 61 are an integral part of these financial statements*



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF 31 MARCH 2017 AND 31 DECEMBER 2016

| Amounts in Euro                        | Notes | 31-03-2017<br>(Unaudited) | 31-12-2016           |
|--|-------|---------------------------|----------------------|
| <b>ASSETS</b>                          |       |                           |                      |
| <b>Non-Current Assets</b>              |       |                           |                      |
| Goodwill                               | 11    | 377.339.466               | 377.339.466          |
| Other intangible assets                | 12    | 8.698.436                 | 4.300.642            |
| Plant, property and equipment          | 13    | 1.271.646.151             | 1.294.978.932        |
| Investment properties                  |       | 424.781                   | 426.838              |
| Biological assets                      | 14    | 125.110.366               | 125.612.948          |
| Other financial assets                 |       | 260.486                   | 260.486              |
| Deferred tax assets                    | 18    | 43.937.615                | 44.198.753           |
|  |       | <b>1.827.498.937</b>      | <b>1.847.199.702</b> |
| <b>Current Assets</b>                  |       |                           |                      |
| Inventories                            |       | 229.920.601               | 208.888.472          |
| Receivable and other current assets    | 15    | 221.928.761               | 215.877.823          |
| State and other public entities        | 16    | 67.886.287                | 69.619.349           |
| Cash and cash equivalents              | 21    | 90.508.419                | 67.541.588           |
|  |       | <b>610.244.068</b>        | <b>561.927.232</b>   |
| <b>Total Assets</b>                    |       | <b>2.437.743.005</b>      | <b>2.409.126.934</b> |
| <b>EQUITY AND LIABILITIES</b>          |       |                           |                      |
| <b>Capital and Reserves</b>            |       |                           |                      |
| Share capital                          | 17    | 717.500.000               | 717.500.000          |
| Treasury shares                        | 17    | (1.002.084)               | (1.002.084)          |
| Fair value reserves                    |       | (6.094.490)               | (7.571.781)          |
| Other reserves                         |       | 99.709.036                | 99.709.036           |
| Currency translation reserves          |       | 1.837.660                 | (779.369)            |
| Retained earnings                      |       | 424.892.070               | 205.639.863          |
| Net profit for the period              |       | 35.573.406                | 217.501.437          |
|  |       | <b>1.272.415.598</b>      | <b>1.230.997.102</b> |
| Non-controlling interests              |       | 1.145.816                 | 2.272.606            |
|  |       | <b>1.273.561.414</b>      | <b>1.233.269.708</b> |
| <b>Non-current liabilities</b>         |       |                           |                      |
| Deferred taxes liabilities             | 18    | 61.072.757                | 59.859.532           |
| Liability for defined benefits         | 19    | 5.301.580                 | 6.457.116            |
| Provisions                             | 20    | 28.385.919                | 31.048.808           |
| Interest-bearing liabilities           | 21    | 637.371.054               | 638.558.905          |
| Other non-current liabilities          | 21    | 31.401.026                | 33.301.140           |
|  |       | <b>763.532.336</b>        | <b>769.225.503</b>   |
| <b>Current liabilities</b>             |       |                           |                      |
| Interest-bearing liabilities           | 21    | 69.702.381                | 69.702.381           |
| Payables and other current liabilities | 22    | 252.820.886               | 255.831.284          |
| State and other public entities        | 16    | 78.125.988                | 81.098.059           |
|  |       | <b>400.649.255</b>        | <b>406.631.724</b>   |
| <b>Total liabilities</b>               |       | <b>1.164.181.591</b>      | <b>1.175.857.227</b> |
| <b>Total equity and liabilities</b>    |       | <b>2.437.743.005</b>      | <b>2.409.126.934</b> |

The notes on pages 23 to 61 are an integral part of these financial statements



**STATEMENT OF COMPREHENSIVE CONSOLIDATED INCOME**

FOR THE THREE MONTH PERIODS ENDED 31 MARCH 2017 AND 2016

| Amounts in Euro   | 3 months<br>31-03-2017 | 3 months<br>31-03-2016 |
|---|------------------------|------------------------|
| <b>Net profit for the period</b>  | <b>34,842,589</b>      | <b>44,623,176</b>      |
| <b>Items that can be reclassified subsequently to profit or loss</b>      |                        |                        |
| Fair value in derivative financial instruments                            | 1,679,195              | (3,857,818)            |
| Currency translation differences  | 2,617,030              | 1,708,634              |
| Tax on items above when applicable  | (201,904)              | 1,060,900              |
|   | <b>4,094,321</b>       | <b>(1,088,284)</b>     |
| <b>Items that will not be reclassified subsequently to profit or loss</b> |                        |                        |
| Share of other comprehensive income of associates                         | (11,736)               | 2,260,651              |
| Actuarial gains / (losses)  | 1,366,590              | 367,060                |
| Tax on items above when applicable  | (59)                   | (186,430)              |
|   | <b>1,354,796</b>       | <b>2,441,281</b>       |
|   | <b>5,449,117</b>       | <b>1,352,997</b>       |
| <b>Total recognized income and expense for the period</b>                 | <b>40,291,706</b>      | <b>45,976,173</b>      |
| <b>Attributable to:</b>   |                        |                        |
| The Navigator Company's shareholders                                      | 41,418,496             | 46,172,777             |
| Non-controlling interests   | (1,126,790)            | (196,602)              |
|   | <b>40,291,706</b>      | <b>45,976,175</b>      |

*The notes on pages 23 to 61 are an integral part of these financial statements*



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE THREE MONTH PERIODS ENDED 31 MARCH 2017 AND 2016

| Amounts in Euro               | 1 January 2017       | Gains/losses<br>recognized in the<br>period | Dividends paid and<br>reserves distributed | Early earnings | Application of prior<br>year's net profit<br>(Note 10) | 31 March 2017        |
|-------------------------------|----------------------|---|--|----------------|--|----------------------|
| Share capital                 | 717,500,000          | -   | -  | -              | -  | 717,500,000          |
| Treasury shares               | (1,002,084)          | -   | -  | -              | -  | (1,002,084)          |
| Fair value reserves           | (7,571,781)          | 1,477,291                                   | -  | -              | -  | (6,094,490)          |
| Other reserves                | 99,709,036           | -   | -  | -              | -  | 99,709,036           |
| Currency translation reserves | (779,369)            | 2,617,030                                   | -  | -              | -  | 1,837,661            |
| Retained earnings             | 205,639,863          | 1,750,769                                   | -  | -              | 217,501,437  | 424,892,069          |
| Net profit for the period     | 217,501,437          | 35,573,405                                  | -  | -              | (217,501,437)  | 35,573,405           |
| Early earnings                | -                    | -   | -  | -              | -  | -                    |
| <b>Total</b>                  | <b>1,230,997,102</b> | <b>41,418,496</b>                           | -  | -              | -  | <b>1,272,415,598</b> |
| Non-controlling interests     | 2,272,606            | (1,126,790)                                 | -  | -              | -  | 1,145,816            |
| <b>Total</b>                  | <b>1,233,269,708</b> | <b>40,291,706</b>                           | -  | -              | -  | <b>1,273,561,414</b> |

| Amounts in Euro               | 1 January 2016       | Gains/losses<br>recognized in the<br>period | Dividends paid and<br>reserves distributed | Early earnings | Application of prior<br>year's net profit<br>(Note 10) | 31 March 2016        |
|-------------------------------|----------------------|---|--|----------------|--|----------------------|
| Share capital                 | 767,500,000          | -   | -  | -              | -  | 767,500,000          |
| Treasury shares               | (96,974,466)         | -   | -  | -              | -  | (96,974,466)         |
| Fair value reserves           | (1,869,064)          | (2,796,918)                                 | -  | -              | -  | (4,665,982)          |
| Other reserves                | 91,781,112           | -   | -  | -              | -  | 91,781,112           |
| Currency translation reserves | 5,688,140            | 1,708,634                                   | -  | -              | -  | 7,396,774            |
| Retained earnings             | 273,081,975          | 2,540,970                                   | -  | (29,971,019)   | 196,404,220  | 442,056,146          |
| Net profit for the period     | 196,404,220          | 44,720,091                                  | -  | -              | (196,404,220)  | 44,720,091           |
| Early earnings                | (29,971,019)         | -   | -  | 29,971,019     | -  | -                    |
| <b>Total</b>                  | <b>1,205,640,898</b> | <b>46,172,777</b>                           | -  | -              | -  | <b>1,251,813,674</b> |
| Non-controlling interests     | 8,622,303            | (196,602)                                   | -  | -              | -  | 8,425,701            |
| <b>Total</b>                  | <b>1,214,263,201</b> | <b>45,976,175</b>                           | -  | -              | -  | <b>1,260,239,375</b> |

The notes on pages 23 to 61 are an integral part of these financial statements



**CONSOLIDATED STATEMENT OF CASH FLOWS**

FOR THE THREE MONTH PERIODS ENDED 31 MARCH 2017 AND 2016

| Amounts in Euro   | Notes | 31-03-2017          | 31-03-2016          |
|---|-------|---------------------|---------------------|
| <b>OPERATING ACTIVITIES</b>                                     |       |                     |                     |
| Payments from customers   |       | 423.661.575         | 407.476.759         |
| Payments to suppliers   |       | 344.995.551         | 345.108.162         |
| Payments to employees   |       | 24.067.577          | 22.062.827          |
| Cash flow from operations                                       |       | 54.598.448          | 40.305.770          |
| Income tax received / (paid)                                    |       | (15.136.406)        | -                   |
| Other receipts / (payments) relating to operating activities    |       | (1.134.606)         | 6.322.471           |
| <b>Cash flow from operating activities (1)</b>                  |       | <b>38.327.436</b>   | <b>46.628.241</b>   |
| <b>INVESTMENT ACTIVITIES</b>                                    |       |                     |                     |
| <b>Inflows</b>  |       |                     |                     |
| Interest and similar income                                     |       | 1.009.615           | 651.475             |
| Inflow s from investment activities (A)                         |       | 1.009.615           | 651.475             |
| <b>Outflows</b>   |       |                     |                     |
| Tangible assets   |       | 24.858.834          | 26.240.968          |
| Outflow s from investment activities (B)                        |       | 24.858.834          | 26.240.968          |
| <b>Cash flows from investment activities (2 = A - B)</b>        |       | <b>(23.849.219)</b> | <b>(25.589.493)</b> |
| <b>FINANCING ACTIVITIES</b>                                     |       |                     |                     |
| <b>Inflows</b>  |       |                     |                     |
| Borrow ings   |       | 12.000.000          | 135.000.000         |
| Inflow s from financing activities (C)                          |       | 12.000.000          | 135.000.000         |
| <b>Outflows</b>   |       |                     |                     |
| Borrow ings   |       | -                   | 168.673.116         |
| Interest and similar costs                                      |       | 3.511.386           | 3.443.054           |
| Outflow s from financing activities (D)                         |       | 3.511.386           | 172.116.170         |
| <b>Cash flows from financing activities (3 = C - D)</b>         |       | <b>8.488.614</b>    | <b>(37.116.170)</b> |
| <b>CHANGES IN CASH AND CASH EQUIVALENTS (1)+(2)+(3)</b>         |       | <b>22.966.831</b>   | <b>(16.077.422)</b> |
| <b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b> |       | <b>67.541.588</b>   | <b>72.657.585</b>   |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>       | 21    | <b>90.508.420</b>   | <b>56.580.163</b>   |

The notes on pages 23 to 61 are an integral part of these financial statements



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 MARCH 2017 AND 2016

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

### Company Identification

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

The Navigator group was created in the mid 1950’s, when a group of technicians from “Companhia Portuguesa de Celulose de Cacia” made this company the first in the world to produce bleached eucalyptus sulphate pulp.

In 1976 Portucel EP was created as a result of the nationalization of all of Portugal’s cellulose industry. As such, Portucel – Empresa de Celulose e Papel de Portugal, E.P. resulted from the merger with CPC – Companhia de Celulose, S.A.R.L. (Cacia), Socel – Sociedade Industrial de Celulose, S.A.R.L. (Setúbal), Celtejo – Celulose do Tejo, S.A.R.L. (Vila Velha de Ródão), Celnorte – Celulose do Norte, S.A.R.L. (Viana do Castelo) and Celuloses do Guadiana, S.A.R.L. (Mourão), being converted into a mainly public anonymous society by Decree- Law No. 405/90, of 21<sup>st</sup> December.

Years after, as a result of the restructuring of Portucel – Empresa de Celulose e Papel de Portugal, S.A., which was redenominated to Portucel, SGPS, S.A., towards to its privatization, Portucel S.A. was created, on 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, Portucel group started its activity in the Tissue segment with the acquisition of AMS- BR Star Paper, SA, a company that holds and explores a tissue paper mill, located in Vila Velha de Ródão.



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

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

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

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

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

Head Office: Mitrena, 2901-861 Setúbal

Share Capital: Euros 717 500 000

Registration No: 503 025 798

These consolidated financial statements were approved by the Board of Directors on 3 May 2017.

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

## 1. BASIS OF PREPARATION

The Navigator group's consolidated financial statements for the three period ended 31 March 2017 have been prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting.

The accompanying consolidated financial statements were prepared on a going concern basis from the accounting books and records of the companies included in the consolidation (Note 29), 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 24 and 14).

## 2. SUMMARY OF THE PRINCIPAL ACCOUNTING POLICIES

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



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

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 2017 and which the Navigator group decided not to early-adopt in the current period, as follows:

| <b>Standards and effective changes, on or after 1 January 2017, endorsed by EU</b> | <b>Effective Date *</b> |
|--|-------------------------|
| IFRS 9 – Financial instruments   | 1 January 2018          |
| IFRS 15 – Revenue from contracts with customers                                    | 1 January 2018          |

\* Periods beginning on or after

| <b>Standards and effective changes, on or after 1 January 2017, not yet endorsed by EU</b> | <b>Effective Date *</b>             |
|--|-------------------------------------|
| IAS 7 - Statement of Cash Flows  | 1 January 2017                      |
| IAS 12 - Income Taxes  | 1 January 2017                      |
| IAS 40 - Investment Property   | 1 January 2018                      |
| IFRS 2 – Share-based Payment   | 1 January 2018                      |
| IFRS 4 - Insurance Contracts   | 1 January 2018                      |
| Amendments to IFRS 15 – Revenue from contracts with customers                              | 1 January 2018                      |
| IFRS 16 - Leases   | 1 January 2019                      |
| Annual improvements to IFRSs 2014 - 2016   | 1 January 2017<br>or 1 January 2018 |
| IFRIC 22 – Foreign Currency Transactions and Advanced Consideration                        | 1 January 2018                      |

\* Periods beginning on or after

Up to the date of issuing this report, the Navigator group had not yet concluded the estimate of the effects of 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.

## 3. SEGMENT INFORMATION

In accordance to the approach defined in IFRS 8, operational segments should be identified based in the way internal financial information is organized and reported to the management. An operating segment is defined by IFRS 8 as a component of the Navigator 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 Navigator group has changed its segment reporting. Segment information is presented for business segments identified by the Navigator group, namely:

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

The segments Forestry and Energy became part of the segment "Other". This segment also includes the pellet 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.

Financial data by operational segment for the periods ended 31 March 2017 and 2016 is shown as follows:

|   | 3 months 31-03-2017 |                      |                   |                    |                              | TOTAL                |
|---|---------------------|----------------------|-------------------|--------------------|------------------------------|----------------------|
|   | PULP MARKET         | UWF PAPER            | TISSUE PAPER      | OTHERS             | ELIMINATIONS/<br>UNALLOCATED |                      |
| <b>REVENUE</b>                                    |                     |                      |                   |                    |                              |                      |
| Sales and services - external                     | 47,664,569          | 314,742,932          | 18,118,210        | 12,131,263         | -                            | 392,656,974          |
| Sales and services - intersegment                 | 3,600,686           | -                    | -                 | 176,423,403        | (180,024,089)                | -                    |
| <b>Total revenue</b>                              | <b>51,265,255</b>   | <b>314,742,932</b>   | <b>18,118,210</b> | <b>188,554,666</b> | <b>(180,024,089)</b>         | <b>392,656,974</b>   |
| <b>Profit/(loss)</b>                              |                     |                      |                   |                    |                              |                      |
| <b>Segmental Profit</b>                           | 10,800,293          | 55,460,097           | 1,237,445         | (15,474,161)       | -                            | <b>52,023,674</b>    |
| <b>Operating Profit</b>                           | -                   | -                    | -                 | -                  | -                            | <b>52,023,674</b>    |
| Net financial results                             | -                   | -                    | -                 | -                  | (3,936,664)                  | (3,936,664)          |
| Income tax  | -                   | -                    | -                 | -                  | (13,244,421)                 | (13,244,421)         |
| <b>Net profit before non-controlling interest</b> | -                   | -                    | -                 | -                  | -                            | <b>34,842,589</b>    |
| Non-controlling interest                          | -                   | -                    | -                 | -                  | 730,816                      | 730,816              |
| <b>Net profit</b>                                 | -                   | -                    | -                 | -                  | -                            | <b>35,573,405</b>    |
| <b>Other Information</b>                          |                     |                      |                   |                    |                              |                      |
| Capital expenditure                               | 1,644,153           | 11,727,768           | 262,411           | 712,158            | -                            | 14,346,490           |
| Depreciation and impairment                       | (2,759,860)         | (22,771,731)         | (2,297,657)       | (10,314,070)       | -                            | (38,143,318)         |
| Provisions  | -                   | -                    | -                 | -                  | (1,736)                      | (1,736)              |
| <b>Other Informations</b>                         |                     |                      |                   |                    |                              |                      |
| <b>SEGMENT ASSETS</b>                             |                     |                      |                   |                    |                              |                      |
| Plant, property and equipment                     | 124,535,508         | 715,953,407          | 63,278,038        | 367,879,197        | -                            | 1,271,646,151        |
| Biological assets                                 | -                   | -                    | -                 | 125,110,366        | -                            | 125,110,366          |
| Available-for-sale financial assets               | -                   | 260,486              | -                 | -                  | -                            | 260,486              |
| Inventories                                       | 15,955,437          | 132,942,533          | 9,130,015         | 71,892,616         | -                            | 229,920,601          |
| Receivable and other current assets               | 2,957,530           | 184,566,826          | 16,489,419        | 17,914,988         | -                            | 221,928,762          |
| Other assets                                      | 887,958             | 448,260,954          | 3,905,190         | 135,822,538        | -                            | 588,876,639          |
| <b>Total assets</b>                               | <b>144,336,433</b>  | <b>1,481,984,206</b> | <b>92,802,662</b> | <b>718,619,704</b> | -                            | <b>2,437,743,005</b> |
| <b>SEGMENT LIABILITIES</b>                        |                     |                      |                   |                    |                              |                      |
| Interest-bearing liabilities                      | 2,805,080           | -                    | 1,432,616         | 702,835,740        | -                            | 707,073,435          |
| Accounts Payable                                  | 12,176,849          | 112,278,527          | 8,087,711         | 120,277,799        | -                            | 252,820,886          |
| Other liabilities                                 | 29,888,355          | 109,022,696          | 1,860,803         | 63,515,416         | -                            | 204,287,270          |
| <b>Total liabilities</b>                          | <b>44,870,283</b>   | <b>221,301,222</b>   | <b>11,381,130</b> | <b>886,628,955</b> | -                            | <b>1,164,181,591</b> |

The Navigator group's energy sales are reported under different business segments. The amount corresponding to the total energy sales was Euro 42,509,780 in 2017 and Euro 34,701,495 in 2016. Energy sales originated in the cogeneration process, in the amount of Euro 36,934,259, are reported under the "Market Pulp" (Euro 4,461,062) and "UWF Paper"



(Euro 32,473,197) 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 5,575,521.

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

| Valores em Euros                                    | 31-03-2017         |
|---|--------------------|
| Forestry Lands                                      | 78,837,443         |
| Real estate - manufacturing site of Setúbal         | 58,307,433         |
| Real estate - manufacturing site of Cacia           | 12,221,468         |
| Real estate - manufacturing site of Figueira da Foz | 53,021,849         |
| Thermoelectric plant biomass                        | 36,948,534         |
| Pellets project - EUA                               | 103,665,598        |
| Mozambique project                                  | 7,325,686          |
| Others  | 17,551,187         |
|   | <b>367,879,197</b> |

Forest land and industrial real estate are reported in the individual financial statements as investment properties (Euro 202,388,192). The real estate property of Vila Velha de Ródão, in the amount of Euro 9,451,554, is included in the segment "Tissue Paper".

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

|   | 3 months 31-03-2016 |                      |                   |                    |                              | TOTAL                |
|---|---------------------|----------------------|-------------------|--------------------|------------------------------|----------------------|
|   | PULP MARKET         | UWF PAPER            | TISSUE PAPER      | OTHERS             | ELIMINATIONS/<br>UNALLOCATED |                      |
| <b>REVENUE</b>                                    |                     |                      |                   |                    |                              |                      |
| Sales and services - external                     | 36,041,064          | 325,684,230          | 15,842,531        | 6,999,311          | -                            | 384,567,136          |
| Sales and services - intersegment                 | -                   | -                    | -                 | 92,269,584         | (92,269,584)                 | -                    |
| <b>Total revenue</b>                              | <b>36,041,064</b>   | <b>325,684,230</b>   | <b>15,842,531</b> | <b>99,268,895</b>  | <b>(92,269,584)</b>          | <b>384,567,136</b>   |
| <b>Profit/(loss)</b>                              |                     |                      |                   |                    |                              |                      |
| <b>Segmental Profit</b>                           | 3,040,643           | 47,684,495           | 352,746           | 5,327,497          | -                            | <b>56,405,381</b>    |
| <b>Operating Profit</b>                           | -                   | -                    | -                 | -                  | -                            | <b>56,405,381</b>    |
| Net financial results                             | -                   | -                    | -                 | -                  | (2,715,629)                  | (2,715,629)          |
| Income tax  | -                   | -                    | -                 | -                  | (9,066,576)                  | (9,066,576)          |
| <b>Net profit before non-controlling interest</b> | -                   | -                    | -                 | -                  | -                            | <b>44,623,176</b>    |
| Non-controlling interest                          | -                   | -                    | -                 | -                  | 96,915                       | 96,915               |
| <b>Net profit</b>                                 | -                   | -                    | -                 | -                  | -                            | <b>44,720,091</b>    |
| <b>Other Information</b>                          |                     |                      |                   |                    |                              |                      |
| Capital expenditure                               | 1,400,626           | 10,164,851           | 79,513            | 34,733,528         | -                            | 46,378,517           |
| Depreciation and impairment                       | (2,593,100)         | (26,605,019)         | (2,398,872)       | (4,383,122)        | -                            | (35,980,113)         |
| Provisions  | -                   | -                    | -                 | -                  | (1,117,864)                  | (1,117,864)          |
| <b>Other Informations</b>                         |                     |                      |                   |                    |                              |                      |
| Segment assets                                    | 155,266,160         | 1,553,508,680        | 97,098,680        | 658,251,945        | -                            | 2,464,125,465        |
| Financial investments                             | -                   | 229,136              | -                 | -                  | -                            | 229,136              |
| <b>Total assets</b>                               | <b>155,266,160</b>  | <b>1,553,737,816</b> | <b>97,098,680</b> | <b>658,251,945</b> | -                            | <b>2,464,354,601</b> |
| Segment Liabilities                               | 44,024,739          | 238,154,977          | 36,221,579        | 885,713,931        | -                            | 1,204,115,226        |
| <b>Total liabilities</b>                          | <b>44,024,739</b>   | <b>238,154,977</b>   | <b>36,221,579</b> | <b>885,713,931</b> | -                            | <b>1,204,115,226</b> |



#### 4. OTHER OPERATING INCOME

Other operating income is detailed as follows for the three months periods ended 31 March 2017 and 2016:

| Amounts in Euro                                 | 3 months<br>31-03-2017 | 3 months<br>31-03-2016 |
|---|------------------------|------------------------|
| Supplementary income                            | 127,437                | 1,437,273              |
| Grants - CO2 Emission allowances                | 917,606                | 786,758                |
| Reversal of impairment losses in current assets | -                      | 258,437                |
| Gains on disposals of non-current assets        | 1,427                  | 95,062                 |
| Gains on inventories                            | 2,405,682              | 1,623,091              |
| Government grants                               | 1,509                  | 27,852                 |
| Own work capitalised                            | 43,004                 | 9,266                  |
| Other operating income                          | 755,415                | 2,032,624              |
|   | <b>4,252,080</b>       | <b>6,270,363</b>       |

The gains with CO2 licenses correspond to the recognition of the free allocation of licenses for 173,699 tons of CO2, at the average price of Euro 5.28 (134,149 tons in 31 March 2016, at average price of Euro 5.86).

#### 5. OPERATING EXPENSES

Operating expenses are detailed as follows for the three months periods ended 31 March 2017 and 2016:



| Amounts in Euro  | 3 months<br>31-03-2017 | 3 months<br>31-03-2016 |
|--|------------------------|------------------------|
| Cost of inventories sold and consumed                          | (181,731,681)          | (182,637,816)          |
| Variation in production  | 15,764,876             | 16,887,070             |
| Cost of services and materials consumed                        | (97,862,055)           | (92,297,938)           |
| <b>Payroll costs</b>   |                        |                        |
| <b>Remunerations</b>   |                        |                        |
| Statutory bodies - fixed                                       | (1,116,188)            | (1,272,303)            |
| Statutory bodies - variable                                    | (1,166,208)            | (1,148,580)            |
| Other remunerations  | (25,757,709)           | (24,418,401)           |
|  | <u>(28,040,104)</u>    | <u>(26,839,284)</u>    |
| <b>Social charges and other payroll cost</b>                   |                        |                        |
| Pension and retirement bonus - defined benefit plans (Note 19) | (218,015)              | (500,840)              |
| Pension costs - defined contribution plans (Note 19)           | (295,091)              | (275,951)              |
| Contributions to social security                               | (5,273,122)            | (5,478,950)            |
| Other payroll costs  | (3,258,642)            | (2,268,194)            |
|  | <u>(9,044,870)</u>     | <u>(8,523,935)</u>     |
|  | <u>(37,084,975)</u>    | <u>(35,363,220)</u>    |
| <b>Other costs and losses</b>                                  |                        |                        |
| Membership fees  | (180,930)              | (100,617)              |
| Losses in inventories  | (2,264,455)            | (521,900)              |
| Impairment losses in receivables                               | -                      | (1,082)                |
| Indirect taxes   | (247,020)              | (255,735)              |
| Shipment costs   | (1,002,789)            | (895,664)              |
| Water resources charges  | (392,212)              | (411,918)              |
| Cost with CO2 emissions  | (917,606)              | (992,393)              |
| Other operating costs  | (318,897)              | (471,039)              |
|  | <u>(5,323,909)</u>     | <u>(3,650,348)</u>     |
| Provisions (Note 20)   | (1,736)                | (1,117,864)            |
| <b>Total</b>   | <b>(306,239,479)</b>   | <b>(298,180,116)</b>   |

The costs with CO2 emissions correspond to the emission of 173,699 tons of CO2 at the average price of Euro 5.28 (31 March 2016: Euro 185,526 tons, at the average price of Euro 5.35).

For the three months periods ended 31 March 2017 and 2016 the consumed and sold inventory was detailed as follows:

| Amounts in Euro          | 3 months<br>31-03-2017 | 3 months<br>31-03-2016 |
|--------------------------|------------------------|------------------------|
| Wood / Biomass           | 80,025,529             | 80,391,287             |
| Natural gas              | 14,705,567             | 14,341,640             |
| Other fuels              | 4,241,396              | 4,906,227              |
| Water                    | 452,030                | 346,665                |
| Chemicals                | 35,089,378             | 35,976,642             |
| BEKP pulp                | 12,441,018             | 12,968,131             |
| UWF paper - subcontracts | 2,083,303              | 3,529,315              |
| Warehouse material       | 14,803,573             | 10,950,668             |
| Packaging material       | 17,480,323             | 18,727,778             |
| Other materials          | 409,563                | 499,464                |
|                          | <u>181,731,681</u>     | <u>182,637,816</u>     |



The cost of wood / biomass only relates to wood purchases to entities outside the Navigator group, either domestic or foreign, excluding self-supply.

For the three months periods ended 31 March 2017 and 2016 the cost of services and material consumed was detailed as follows:

| Amounts in Euro           | 31-03-2017        | 31-03-2016        |
|---------------------------|-------------------|-------------------|
| Communications            | 314,649           | 321,570           |
| Maintenance and repair    | 7,326,540         | 6,610,256         |
| Travel and accommodation  | 1,232,842         | 1,119,831         |
| Energy and fluids         | 28,266,824        | 24,592,163        |
| Fees                      | 1,130,585         | 903,639           |
| Materials                 | 2,203,056         | 913,195           |
| Advertising and marketing | 3,594,465         | 3,802,012         |
| Rentals                   | 4,077,775         | 3,115,302         |
| Insurance                 | 3,024,017         | 2,857,132         |
| Subcontrats               | 322,078           | 460,859           |
| Specialized services      | 18,249,858        | 18,791,867        |
| Transportation of goods   | 27,441,397        | 27,122,984        |
| Other                     | 677,970           | 1,687,127         |
|                           | <b>97,862,055</b> | <b>92,297,938</b> |

The increase shown in the caption Energy and fluids mainly regards the programmed maintenance carried out in the natural gas cogeneration during the first quarter of 2016. The increase is also explained by the entry into continuous labor of the pellet mill in the United States, during the last quarter of 2016.

For the three months periods ended 31 March 2017 and 2016, the costs incurred with investigation and research activities amounted to Euro 1,073,230 and Euro 847,897, respectively.

Other payroll costs are detailed as follows for the three months periods ended 31 March 2017 and 2016:

| Amounts in Euro | 2017             | 2016             |
|-----------------|------------------|------------------|
| Training        | 454,143          | 218,658          |
| Social Action   | 326,038          | 204,019          |
| Insurance       | 972,807          | 726,218          |
| Other           | 1,505,655        | 1,119,298        |
|                 | <b>3,258,642</b> | <b>2,268,194</b> |

The amount booked as "Others" essentially regards the compensation paid to the employees in the amount of Euro 1,042,806 (31 de March 2016: Euro 975,109) that adhered to the rejuvenation program initiated by the Navigator group in 2014.



## 6. DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES

For the three months periods ended 31 March 2017 and 2016, depreciation, amortization and impairment losses, net of the effect of investment grants recognized in the period were as follows:

| Amounts in Euro                                      | 3 months<br>31-03-2017     | 3 months<br>31-03-2016     |
|--|----------------------------|----------------------------|
| <b>Depreciation of property, plant and equipment</b> |                            |                            |
| Land   | -                          | -                          |
| Buildings  | (2,929,260)                | (2,758,769)                |
| Equipments   | (34,335,885)               | (31,720,518)               |
| Other tangible assets                                | (1,282,412)                | (1,271,237)                |
|  | <u>(38,547,557)</u>        | <u>(35,750,524)</u>        |
| Investment grants                                    | 1,472,449                  | 1,569,024                  |
|  | <u>(37,075,108)</u>        | <u>(34,181,500)</u>        |
| <b>Impairments</b>                                   |                            |                            |
| Mozambique impairment of lands                       | (1,068,210)                |                            |
| CO2 Emission allowances                              | -                          | (1,798,613)                |
|  | <u>(1,068,210)</u>         | <u>(1,798,613)</u>         |
|  | <b><u>(38,143,318)</u></b> | <b><u>(35,980,113)</u></b> |

An impairment loss regarding the project in Mozambique was recognized, following the assessment made by the Navigator group on those assets.

## 7. NET FINANCIAL RESULTS

Financial costs are detailed as follows for the three month periods ended 31 March 2017 and 2016:

| Amounts in Euro   | 3 months<br>31-03-2017    | 3 months<br>31-03-2016    |
|---|---------------------------|---------------------------|
| Interest paid on borrowings                                   | (2,420,619)               | (3,673,284)               |
| Interest earned on investments                                | 601,984                   | 651,479                   |
| Exchange rate differences                                     | (2,965,585)               | (962,477)                 |
| Gains / (losses) on financial instruments - trading (Note 24) | 1,851,119                 | 2,256,677                 |
| Gains / (losses) on financial instruments - hedging (Note 24) | (767,144)                 | (376,603)                 |
| Guarantees and bank charges                                   | (834,913)                 | (682,668)                 |
| Compensatory interest   | 617,148                   | 147,874                   |
| Other financial income / (expenses)                           | (18,653)                  | (76,627)                  |
|   | <b><u>(3,936,664)</u></b> | <b><u>(2,715,629)</u></b> |

## 8. CORPORATE INCOME TAX

Income tax is detailed as follows for the three month periods ended 31 March 2017 and 2016:



| Amounts in Euro                        | 3 months<br>31-03-2017 | 3 months<br>31-03-2016 |
|--|------------------------|------------------------|
| Current tax                            | 14,085,585             | 18,192,338             |
| Provision / (reversal) for current tax | (2,131,957)            | (5,438,520)            |
| Deferred tax (Note 15)                 | 1,290,793              | (3,687,242)            |
|  | <b>13,244,421</b>      | <b>9,066,576</b>       |

The current income tax includes Euro 13,214,150 (31 March 2016: Euro 18,002,922) due to the liability generated in fiscal consolidation scope.

For the three month periods ended 31 March 2017 and 2016, the reconciliation of the effective income tax rate was as follows:

| Amounts in Euro                       |               | 3 months<br>31-03-2017 |               | 3 months<br>31-03-2016 |
|---------------------------------------|---------------|------------------------|---------------|------------------------|
| <b>Profit before tax</b>              |               | <b>48,087,010</b>      |               | <b>53,689,752</b>      |
| Expected tax                          | 21.00%        | 10 098 272             | 21.00%        | 11,274,848             |
| Municipal surcharge                   | 1.73%         | 833 628                | 2.29%         | 1,099,387              |
| State surcharge                       | 2.99%         | 1 437 773              | 4.86%         | 2,337,113              |
| Differences (a)                       | 1.82%         | 874 748                | 1.71%         | 820,370                |
| Impairment and reversal of provisions | 0.00%         | -                      | (12.06%)      | (5,800,629)            |
| Tax benefits                          | 0.00%         | -                      | (1.38%)       | (664,513)              |
|                                       | <b>27.54%</b> | <b>13,244,421</b>      | <b>18.85%</b> | <b>9,066,576</b>       |

(a) This amount is made up essentially of:

|  | 3 months<br>31-03-2017 | 3 meses<br>31-03-2016 |
|--|------------------------|-----------------------|
| Capital gains / (losses) for tax purposes        | -                      | 3,535                 |
| Capital gains / (losses) for accounting purposes | -                      | (4,791)               |
| Taxable provisions                               | 3 203 794              | 1,118,830             |
| Tax benefits                                     | ( 91 656)              | (70,396)              |
| Effect of pension funds                          | 209 207                | 690,792               |
| Other  | ( 140 442)             | 1,245,195             |
|  | <b>3,180,904</b>       | <b>2,983,164</b>      |
| <b>Tax Effect (27,5%)</b>                        | <b>874,748</b>         | <b>820,370</b>        |

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.

However, the State Budget Law for 2017 (Law no. 42/2016, of 28 December) defined the obligation of coincidence between taxation and accounting periods.

Following the clarifications and guarantees requested by The Navigator Company, S.A., the competent authorities allowed the Navigator group companies (due to the new requirements introduced by The State Budget Law for 2017) to change their taxation period to its accounting period, thus maintaining its accounting and tax reporting periods coincident with the calendar year, even though the obligation to remain five years in the previous tax period had not yet been accomplished.



As so, the Navigator group companies changed, with effects from 1 January 2017, its taxation period from 1 July to 30 June to the period starting 1 January and ending 31 December of each year.

## 9. EARNINGS PER SHARE

Earnings per share were determined as follows:

| Amounts in Euro                                   | 3 months<br>31-03-2017 | 3 months<br>31-03-2016 |
|---|------------------------|------------------------|
| Profit attributable to the Company's shareholders | 35,573,405             | 44,720,091             |
| Total number of issued shares                     | 717,500,000            | 767,500,000            |
| Treasury shares - period average                  | (489,973)              | (50,489,973)           |
|   | <b>717,010,027</b>     | <b>717,010,027</b>     |
| Basic earnings per share                          | 0.050                  | 0.062                  |
| Diluted earnings per share                        | 0.050                  | 0.062                  |

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

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

|  | 3 months<br>31-03-2017 |                         | 3 months<br>31-03-2016 |                         |
|--|------------------------|-------------------------|------------------------|-------------------------|
|  | Quantity               | Quantity<br>Accumulated | Quantity               | Quantity<br>Accumulated |
| Treasury shares held on January                    |                        | 489,973                 |                        | 50,489,973              |
| Acquisitions                                       |                        |                         |                        |                         |
| January  | -                      | 489,973                 | -                      | 50,489,973              |
| February   | -                      | 489,973                 | -                      | 50,489,973              |
| March  | -                      | 489,973                 | -                      | 50,489,973              |
| <b>Treasury shares held on 31 March</b>            |                        | <b>489,973</b>          |                        | <b>50,489,973</b>       |
| <b>Average treasury shares held for the period</b> |                        | <b>489,973</b>          |                        | <b>50,489,973</b>       |

## 10. APPROPRIATION OF PREVIOUS YEARS' PROFIT

The application of the results for 2015 and 2014 is detailed 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         |
|   | <b>196,404,220</b> | <b>181,466,696</b> |

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.

## 11. GOODWILL

The Group annually computes the recoverable amounts of the cash generating units of its integrated paper production business in Figueira da Foz (Euro 376,756,383) and tissue production in Vila Velha de Ródão (Euro 583,083), to which Goodwill is allocated in the consolidated financial statements, by computing their value-in-use through a discounted cash flow model. The calculations are based on past performance and business expectations with the actual production structure, using the budget for next year and projected cash flows for the following 4 years, based on a constant sales volume. As a result of the calculations, up to this date no impairment losses have been identified.

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

|                         | 2017   | 2016   |
|-------------------------|--------|--------|
| Inflation Rate          | 1.00%  | 1.00%  |
| Discount rate(post-tax) | 6.77%  | 6.77%  |
| Production growth       | 0.00%  | 0.00%  |
| Perpetuity growth rate  | -1.00% | -1.00% |

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

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

The Navigator 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, having signed, for this purpose, in March 2014, 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, by meeting the contractually defined objectives, and tax grants in the amount 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 Navigator group's income statement would be as follows:

| Amounts in Euro | Financial incentives | Tax benefits     | Total            |
|-----------------|----------------------|------------------|------------------|
| 2015            | 252,300              | 306,192          | 558,492          |
| 2016            | 1,363,076            | 928,948          | 2,292,024        |
| 2017            | 335,754              | 229,500          | 565,254          |
|                 | <b>1,951,130</b>     | <b>1,464,640</b> | <b>3,415,770</b> |



## 12. OTHER INTANGIBLE ASSETS

During 2017 and 2016, the movement occurred in the caption of other intangible assets is detailed as follows:

| Amounts in Euro                                       | Industrial property<br>and other rights | CO2 emission<br>licenses | Total              |
|---|---|--------------------------|--------------------|
| <b>Acquisition costs</b>                              |   |                          |                    |
| <b>Amount as of 1 January 2016</b>                    | <b>1,100</b>                            | <b>4,957,006</b>         | <b>4,958,106</b>   |
| Acquisitions  | 3,300                                   | 3,230,781                | 3,234,081          |
| Disposals   | -                                       | -                        | -                  |
| Adjustments, transfers and write-off's                | -                                       | -                        | -                  |
| <b>Amount as of 31 March 2016</b>                     | <b>4,400</b>                            | <b>8,187,788</b>         | <b>8,192,188</b>   |
| Acquisitions  | -                                       | -                        | -                  |
| Disposals   | -                                       | -                        | -                  |
| Adjustments, transfers and write-off's                | -                                       | (3,888,139)              | (3,888,139)        |
| <b>Amount as of 31 December 2016</b>                  | <b>4,400</b>                            | <b>4,299,648</b>         | <b>4,304,048</b>   |
| Acquisitions  | -                                       | 4,397,896                | 4,397,896          |
| Disposals   | -                                       | -                        | -                  |
| Adjustments, transfers and write-off's                | -                                       | -                        | -                  |
| <b>Amount as of 31 March 2017</b>                     | <b>4,400</b>                            | <b>8,697,544</b>         | <b>8,701,944</b>   |
| <b>Accumulated depreciation and impairment losses</b> |   |                          |                    |
| <b>Amount as of 1 January 2016</b>                    | <b>(1,100)</b>                          | <b>(25,500)</b>          | <b>(26,600)</b>    |
| Amortizations and impairment losses                   | (1,998)                                 | (1,798,510)              | (1,800,508)        |
| Disposals   | -                                       | -                        | -                  |
| Adjustments, transfers and write-off's                | -                                       | -                        | -                  |
| <b>Amount as of 31 March 2016</b>                     | <b>(3,098)</b>                          | <b>(1,824,010)</b>       | <b>(1,827,108)</b> |
| Amortizations and impairment losses                   | (309)                                   | 1,825,905                | 1,825,596          |
| Disposals   | -                                       | -                        | -                  |
| Adjustments, transfers and write-off's                | -                                       | (1,895)                  | (1,895)            |
| <b>Amount as of 31 December 2016</b>                  | <b>(3,407)</b>                          | <b>-</b>                 | <b>(3,407)</b>     |
| Amortizations and impairment losses                   | (103)                                   | -                        | (103)              |
| Disposals   | -                                       | -                        | -                  |
| Adjustments, transfers and write-off's                | -                                       | -                        | -                  |
| <b>Amount as of 31 March 2017</b>                     | <b>(3,510)</b>                          | <b>-</b>                 | <b>(3,510)</b>     |
| <b>Net book value as of 1 January 2016</b>            | <b>-</b>                                | <b>4,931,506</b>         | <b>4,931,506</b>   |
| <b>Net book value as of 31 March 2016</b>             | <b>1,302</b>                            | <b>6,363,778</b>         | <b>6,365,081</b>   |
| <b>Net book value as of 31 December 2016</b>          | <b>993</b>                              | <b>4,299,648</b>         | <b>4,300,642</b>   |
| <b>Net book value as of 31 March 2017</b>             | <b>890</b>                              | <b>8,697,544</b>         | <b>8,698,435</b>   |

On 31 March 2017, the Group held 1,102,401 CO2 emission licenses with a market value as of that date of Euro 5,170,261 (31 December 2016: 596,516 licenses with a market value of Euro 3,847,526).

It also holds contracts for the right to acquire 300,000 CO2 emission licenses that were signed in 2017, amounting to Euro 1,407,000 as of 31 March 2017 (31 December 2016: 250,000 licenses with a value of Euro 1,612,500).



### 13. PROPERTY, PLANT AND EQUIPMENT

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

| Amounts in Euro                                       | Land               | Building and other constructions | Equipments and other tangibles | Assets under construction | Total                  |
|---|--------------------|----------------------------------|--------------------------------|---------------------------|------------------------|
| <b>Acquisition costs</b>                              |                    |                                  |                                |                           |                        |
| <b>Amount as of 1 January 2016</b>                    | <b>120,148,481</b> | <b>521,104,585</b>               | <b>3,403,601,831</b>           | <b>77,831,582</b>         | <b>4,122,686,481</b>   |
| Acquisitions  | -                  | -                                | 2,729,052                      | 43,649,466                | 46,378,517             |
| Disposals   | -                  | -                                | (216,795)                      | -                         | (216,795)              |
| Adjustments, transfers and write-off's                | (97)               | 97,569                           | 7,451,264                      | (7,747,922)               | (199,185)              |
| <b>Amount as of 31 March 2016</b>                     | <b>120,148,385</b> | <b>521,202,154</b>               | <b>3,413,565,352</b>           | <b>113,733,129</b>        | <b>4,168,649,018</b>   |
| Acquisitions  | 1,019,144          | 1,364,431                        | 8,478,125                      | 85,790,093                | 96,651,794             |
| Disposals   | -                  | (1,975,256)                      | (6,109,739)                    | -                         | (8,084,995)            |
| Impairment losses                                     | (2,960,025)        | -                                | -                              | (42,825,138)              | (45,785,163)           |
| Adjustments, transfers and write-off's                | 3,892,607          | 18,725,598                       | 109,052,455                    | (127,736,513)             | 3,934,146              |
| <b>Amount as of 31 December 2016</b>                  | <b>122,100,111</b> | <b>539,316,927</b>               | <b>3,524,986,193</b>           | <b>28,961,571</b>         | <b>4,215,364,799</b>   |
| Acquisitions  | -                  | -                                | -                              | 14,346,490                | 14,346,490             |
| Disposals   | -                  | -                                | (30,914)                       | -                         | (30,914)               |
| Impairment losses                                     | -                  | -                                | -                              | (1,068,107)               | (1,068,107)            |
| Adjustments, transfers and write-off's                | -                  | 200,466                          | (565,091)                      | (3,493,385)               | (3,858,010)            |
| <b>Amount as of 31 March 2017</b>                     | <b>122,100,111</b> | <b>539,517,393</b>               | <b>3,524,390,187</b>           | <b>38,746,569</b>         | <b>4,224,754,258</b>   |
| <b>Accumulated depreciation and impairment losses</b> |                    |                                  |                                |                           |                        |
| <b>Amount as of 1 January 2016</b>                    | <b>(95,652)</b>    | <b>(345,306,258)</b>             | <b>(2,456,485,485)</b>         | -                         | <b>(2,801,887,394)</b> |
| Amortizations and impairment losses                   | -                  | (2,680,938)                      | (33,069,585)                   | -                         | (35,750,524)           |
| Disposals   | -                  | -                                | 214,455                        | -                         | 214,455                |
| Adjustments, transfers and write-off's                | -                  | 12,756                           | 149,703                        | -                         | 162,459                |
| <b>Amount as of 31 March 2016</b>                     | <b>(95,652)</b>    | <b>(347,974,440)</b>             | <b>(2,489,190,912)</b>         | -                         | <b>(2,837,261,004)</b> |
| Amortizations and impairment losses                   | (75,000)           | (8,228,251)                      | (83,258,947)                   | -                         | (91,562,197)           |
| Disposals   | -                  | -                                | 3,731,677                      | -                         | 3,731,677              |
| Adjustments, transfers and write-off's                | -                  | 4,855,361                        | (149,702)                      | -                         | 4,705,659              |
| <b>Amount as of 31 December 2016</b>                  | <b>(170,652)</b>   | <b>(351,347,330)</b>             | <b>(2,568,867,884)</b>         | -                         | <b>(2,920,385,866)</b> |
| Amortizations and impairment losses                   | -                  | (2,928,849)                      | (29,353,613)                   | -                         | (32,282,462)           |
| Disposals   | -                  | -                                | 30,915                         | -                         | 30,915                 |
| Adjustments, transfers and write-off's                | -                  | -                                | (470,694)                      | -                         | (470,694)              |
| <b>Amount as of 31 March 2017</b>                     | <b>(170,652)</b>   | <b>(354,276,179)</b>             | <b>(2,598,661,277)</b>         | -                         | <b>(2,953,108,107)</b> |
| <b>Net book value as of 1 January 2016</b>            | <b>120,052,829</b> | <b>175,798,327</b>               | <b>947,116,346</b>             | <b>77,831,582</b>         | <b>1,320,799,087</b>   |
| <b>Net book value as of 31 March 2016</b>             | <b>120,052,733</b> | <b>173,227,714</b>               | <b>924,374,439</b>             | <b>113,733,129</b>        | <b>1,331,388,014</b>   |
| <b>Net book value as of 31 December 2016</b>          | <b>121,929,459</b> | <b>187,969,597</b>               | <b>956,118,309</b>             | <b>28,961,571</b>         | <b>1,294,978,933</b>   |
| <b>Net book value as of 31 March 2017</b>             | <b>121,929,459</b> | <b>185,241,215</b>               | <b>925,728,911</b>             | <b>38,746,569</b>         | <b>1,271,646,151</b>   |

As of 31 March 2017 "Assets under construction" included Euro 2,394,037 (31 December 2016: Euro 1,599,808), related to advance payments and supplies of Property Plant and Equipment, under the scope of the investment projects being developed by the Navigator group. These amounts are fully guaranteed by first demand bank guarantees, handed by the respective suppliers that are promoting the investments of the Navigator group companies, in accordance with the implemented policies for the mitigation of credit risk.

The remaining refers to investments associated with improvements in the production process in the Navigator group's several factories.

This caption is deducted from the impairment loss associated with the investment in Mozambique of Euro 43,893,245 (31 December 2016: 42,825,138).



Land includes Euro 117,273,207, classified in the individual financial statements as investment properties, from which Euro 78,837,443 relate to forest land and Euro 38,435,764 to land allocated to industrial sites leased to the Group. It also includes Euro 1,609,030 of land in which the new pellets plant in the USA is located and Euro 5,096,238 of capitalized expenditures with land preparation in Mozambique that is being depreciated over the period of the concession deducted from impairment losses of Euro 2,960,025, therefore with a net book value of Euro 2,136,213.

#### 14. BIOLOGICAL ASSETS

Over the three months period ended 31 March 2017 and the year 2016, changes in biological assets were as follows:

| Amounts in Euro                              | 2017               | 2016               |
|--|--------------------|--------------------|
| <b>Amount as of 1 January</b>                | <b>125,612,948</b> | <b>116,996,927</b> |
| Logging in the period                        | (5,200,046)        | (5,080,835)        |
| Growth                                       | 27,530             | 601,135            |
| New planted areas and replanting ( at cost ) | 614,630            | 451,382            |
| Other changes in fair value                  | 4,055,304          | 3,756,430          |
|  | <b>(502,582)</b>   | <b>(271,889)</b>   |
| <b>Amount as of 31 March</b>                 | <b>125,110,366</b> | <b>116,725,038</b> |
| Remaining quarters                           |                    | 8,887,910          |
| <b>Amount as of 31 December</b>              |                    | <b>125,612,948</b> |

The amounts shown as other changes in fair value correspond to planned and actual costs of forest asset management.

| Amounts in Euro           | 3 months<br>31-03-2017 | 3 months<br>31-03-2016 |
|---------------------------|------------------------|------------------------|
| Costs os assets mangement |                        |                        |
| Forestry                  | 534,638                | 366,394                |
| Structure                 | 738,733                | 691,893                |
| Fixed and variable rents  | 2,781,933              | 2,698,143              |
|                           | <b>4,055,304</b>       | <b>3,756,430</b>       |

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

| Amounts in Euro          | 31-03-2017         | 31-12-2016         |
|--------------------------|--------------------|--------------------|
| Eucalyptus (Portugal)    | 115,910,418        | 116,413,499        |
| Other Species (Portugal) | 1,821,306          | 1,820,807          |
| Eucalyptus (Mozambique)  | 7,378,642          | 7,378,642          |
|                          | <b>125,110,366</b> | <b>125,612,948</b> |

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



| Amounts in Euro  | 31-03-2017 | 31-12-2016 |
|--|------------|------------|
| Eucalyptus - m3 ssc'000 - Potencial Future of wood extraction k ton                  | 11,649     | 11,649     |
| Pine - wood - Ton'000 - Potencial Future of wood extraction k ton                    | 455        | 455        |
| Pine - cones - Ton'000 - Potencial Future of cones extraction k ton                  | n/a        | n/a        |
| Coark Oak - @'000 - Potencial Future of oak extraction k ton                         | 615        | 615        |
| Eucalyptus - m3 ssc'000 (Mozambique) - Potencial Future of wood extraction k ton (1) | 1,218      | 1,988      |

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

Concerning Eucalyptus in Portugal, the most relevant biological asset, for the nine months periods ended 31 March 2017 and 2016 the Group extracted 141,344 m3ssc and 137,693 m3ssc of wood from its owned and explored forests, respectively.

## 15. RECEIVABLES AND OTHER CURRENT ASSETS

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

| Amounts in Euro                                 | 31-03-2017         | 31-12-2016         |
|---|--------------------|--------------------|
| Accounts receivable                             | 175,524,274        | 181,828,460        |
| Accounts receivable - group companies (Nota 25) | -                  | 77,226             |
| Other receivables                               | 34,689,926         | 28,295,847         |
| Derivative financial instruments (Note 20)      | 1,295,278          | 901,050            |
| Accrued income                                  | 208,231            | 1,087,929          |
| Deferred costs                                  | 10,211,052         | 3,687,311          |
|   | <b>221,928,761</b> | <b>215,877,823</b> |

The receivables shown above are net of impairment losses.

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

| Amounts in Euro                 | 31-03-2017        | 31-12-2016        |
|---------------------------------|-------------------|-------------------|
| Advances to employees           | 574,953           | 654,170           |
| Advances to suppliers           | 3,191,369         | 263,153           |
| Financial incentives receivable | 58,870            | 58,870            |
| Department of Commerce (EUA)    | 28,741,654        | 26,369,181        |
| Other                           | 2,123,080         | 950,472           |
|                                 | <b>34,689,925</b> | <b>28,295,846</b> |

In 2015 the Group was subject to an investigation of alleged dumping practices in UWF imports to the United States of America, and an anti-dumping provisional tax rate was imposed over those sales, of 29.53%. On 11 January 2016, the US Department of Commerce settled the final duty rate at 7.8%. 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, S.A. 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.

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

The evolution of financial incentives to be received is detailed as follows:

| Amounts in Euro                 | 2017          | 2016          |
|---------------------------------|---------------|---------------|
| Amount as per 1 January         | 58,870        | -             |
| Increase/(decrease)             | -             | -             |
| Assignments                     | -             | 646,157       |
| Received in year                | -             | -             |
| <b>Amount as of 31 March</b>    |               |               |
| Remaining quarters              |               | (587,287)     |
| <b>Amount as of 31 December</b> | <b>58,870</b> | <b>58,870</b> |

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

| Amounts in Euro       | 31-03-2017        | 31-12-2016       |
|-----------------------|-------------------|------------------|
| <b>Accrued income</b> |                   |                  |
| Interest receivable   | -                 | -                |
| Other                 | 208,231           | 1,087,929        |
|                       | <b>208,231</b>    | <b>1,087,929</b> |
| <b>Deferred costs</b> |                   |                  |
| Rents                 | 3,257,836         | 3,157,699        |
| Insurance             | 5,958,790         | 483,582          |
| Other                 | 994,426           | 46,030           |
|                       | <b>10,211,052</b> | <b>3,687,311</b> |
|                       | <b>10,419,283</b> | <b>4,775,240</b> |

## 16. STATE AND OTHER PUBLIC ENTITIES

As at 31 March 2017 and 31 December 2016, 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   | 31-03-2017        | 31-12-2016        |
|---|-------------------|-------------------|
| <b>State and other public entities</b>                                    |                   |                   |
| Value added tax - refunds requested                                       | 49,474,035        | 49,556,436        |
| Value added tax - to recover  | 9,631,472         | 9,824,442         |
| Amounts pending repayment (tax proceedings decided in favor of the group) | 8,780,780         | 10,238,472        |
|   | <b>67,886,287</b> | <b>69,619,349</b> |



As at 31 March 2017, the outstanding VAT refunds requested comprised the following, by month and by company:

| Amounts in Euro             | Feb/2017          | Mar/2017          | Total             |
|-----------------------------|-------------------|-------------------|-------------------|
| The Navigator Company, S.A. | 18,617,673        | 23,951,327        | 42,569,000        |
| Bosques do Atlântico, S.L.  | -                 | 6,905,035         | 6,905,035         |
|                             | <b>18,617,673</b> | <b>30,856,362</b> | <b>49,474,035</b> |

Up to the date of issuing this report, Euro 18,617,673 of the amounts to be received as of 31 March 2017, had already been received.

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

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

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

### Current Liabilities

| Amounts in Euro                            | 31-03-2017        | 31-12-2016        |
|--|-------------------|-------------------|
| <b>State and other public entities</b>     |                   |                   |
| Corporate income tax                       | 40,740,327        | 42,155,907        |
| Personal income tax - withheld on salaries | 2,555,058         | 3,072,408         |
| Value added tax                            | 30,625,488        | 31,794,573        |
| Social security                            | 2,446,590         | 2,447,250         |
| Additional liabilities                     | 1,465,022         | 1,465,022         |
| Others                                     | 293,504           | 162,901           |
|  | <b>78,125,988</b> | <b>81,098,059</b> |

Corporate income tax is detailed as follows:

| Amounts in Euro  | 31-03-2017        | 31-12-2016        |
|--|-------------------|-------------------|
| Corporate income tax (Note 8)                                      | 14,085,585        | 41,728,178        |
| Payments on account of corporate income tax                        | (13,164,685)      | (950,333)         |
| Withholding Tax  | (18,409)          | (6,895)           |
| Corporate Income Tax to pay from previous periods                  | 28,590,934        | (11,058,747)      |
| Corporate income tax - Decree law n.º 66/2016 (Revaluation Regime) | 10,471,202        | 10,471,202        |
| Other receivables / payables                                       | 775,700           | 1,972,502         |
|  | <b>40,740,327</b> | <b>42,155,907</b> |

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

## 17. SHARE CAPITAL AND TREASURY SHARES

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



As at 31 March 2017, 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                         | 2017           |                  | 2016                |                     |
|---|----------------|------------------|---------------------|---------------------|
|   | Quant          | Value            | Quant               | Value               |
| <b>Treasury shares held in January</b>  | <b>489,973</b> | <b>1,002,084</b> | <b>50,489,973</b>   | <b>96,974,466</b>   |
| Acquisitions                            |                |                  |                     |                     |
| January                                 | -              | -                | -                   | -                   |
| February                                | -              | -                | -                   | -                   |
| March                                   | -              | -                | -                   | -                   |
| <b>Treasury shares held in March</b>    | <b>489,973</b> | <b>1,002,084</b> | <b>50,489,973</b>   | <b>96,974,466</b>   |
| Remaining quarters                      | -              | -                | <b>(50,000,000)</b> | <b>(95,972,382)</b> |
| <b>Treasury shares held in December</b> |                |                  | <b>489,973</b>      | <b>1,002,084</b>    |

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

The market value of the treasury shares held on 31 March 2017 amounted to Euro 1,845,238 (31 December 2016: Euro 1,599,762), corresponding to a unit value of Euro 3.766 (31 December 2015: Euro 3.265) and the market capitalization amounted to Euro 2,702,105,000 compared to an equity, net of non-controlling interests, of Euro 1,272,415,598.

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

| Entity                              | 31-03-2017         |                | 31-12-2016         |                |
|-------------------------------------|--------------------|----------------|--------------------|----------------|
|                                     | Nr. Of shares      | % Equity       | Nr. Of shares      | % Equity       |
| Seinpar Investments, BV             | 241,583,015        | 33.67%         | 241,583,015        | 33.67%         |
| Semapa, SGPS, S.A.                  | 256,033,284        | 35.68%         | 256,033,284        | 35.68%         |
| Other Semapa's Group companies      | 1,000              | 0.00%          | 1,000              | 0.00%          |
| Zoom Lux S.A.L.R.                   | 15,349,972         | 2.14%          | 15,349,972         | 2.14%          |
| Treasury Shares                     | 489,973            | 0.07%          | 489,973            | 0.07%          |
| Post-employment benefits - BPI Bank | 30,412,133         | 4.24%          | 30,412,133         | 4.24%          |
| Other Shareholders                  | 173,630,623        | 24.20%         | 173,630,623        | 24.20%         |
| <b>Total</b>                        | <b>717,500,000</b> | <b>100.00%</b> | <b>717,500,000</b> | <b>100.00%</b> |



## 18. DEFERRED TAXES

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

| Amounts in Euro   | 1 January 2017       | Income Statement    |                     | Equity             | 31 March 2017        |
|---|----------------------|---------------------|---------------------|--------------------|----------------------|
|   |                      | Increases           | Decreases           |                    |                      |
| <b>Temporary differences originating deferred tax assets</b>      |                      |                     |                     |                    |                      |
| Taxed provisions  | 1,328,771            | 3,203,794           | -                   | -                  | 4,532,565            |
| Adjustments in fixed assets                                       | 110,794,106          | -                   | (3,724,173)         | -                  | 107,069,933          |
| Financial instruments   | 8,859,457            | -                   | -                   | (734,195)          | 8,125,262            |
| Deferred accounting gains on inter-group transactions             | 30,432,332           | 4,024,624           | (3,354,958)         | -                  | 31,101,999           |
| Government grants - Investment incentives                         | 9,308,071            | -                   | (364,686)           | -                  | 8,943,385            |
|   | <b>160,722,738</b>   | <b>7,228,418</b>    | <b>(7,443,816)</b>  | <b>(734,195)</b>   | <b>159,773,144</b>   |
| <b>Temporary differences originating deferred tax liabilities</b> |                      |                     |                     |                    |                      |
| Revaluation of fixed assets                                       | (37,905)             | -                   | -                   | -                  | (37,905)             |
| Retirement benefits   | (16,361)             | (82)                | -                   | (214)              | (16,657)             |
| Derivative Financial Instruments at fair value                    | (144,728)            | -                   | -                   | -                  | (144,728)            |
| Valuation of biological assets                                    | (3,979,927)          | (69,386)            | -                   | -                  | (4,049,313)          |
| Deferred accounting losses on inter-group transactions            | (2,640,661)          | -                   | 2,640,661           | -                  | -                    |
| Government grants   | (1,270,679)          | (4,360,665)         | -                   | 66,879             | (5,564,465)          |
| Extension of useful lives of tangible fixed assets                | (209,580,756)        | (6,252,791)         | 3,563,869           | -                  | (212,269,678)        |
|   | <b>(217,671,019)</b> | <b>(10,682,923)</b> | <b>6,204,530</b>    | <b>66,665</b>      | <b>(222,082,747)</b> |
| <b>Amounts recognised in balance sheet</b>                        |                      |                     |                     |                    |                      |
| Deferred tax assets   | 44,198,753           | 1,987,815           | (2,047,050)         | (201,904)          | 43,937,615           |
|   | <b>44,198,753</b>    | <b>1,987,815</b>    | <b>(2,047,050)</b>  | <b>(201,904)</b>   | <b>43,937,615</b>    |
| Deferred tax liabilities  | (59,859,532)         | (2,937,804)         | 1,706,246           | 18,333             | (61,072,757)         |
|   | <b>(59,859,532)</b>  | <b>(2,937,804)</b>  | <b>1,706,246</b>    | <b>18,333</b>      | <b>(61,072,757)</b>  |
| <b>Income Statement</b>   |                      |                     |                     |                    |                      |
| Amounts in Euro   | 1 January 2016       | Increases           | Decreases           | Equity             | 31 December 2016     |
| <b>Temporary differences originating deferred tax assets</b>      |                      |                     |                     |                    |                      |
| Taxed provisions  | 257,908              | 1,118,830           | (47,967)            | -                  | 1,328,771            |
| Adjustments in fixed assets                                       | 99,675,505           | 32,178,197          | (21,059,596)        | -                  | 110,794,106          |
| Financial instruments   | 2,263,058            | -                   | -                   | 6,596,399          | 8,859,457            |
| Deferred accounting gains on inter-group transactions             | 25,439,698           | 5,078,787           | (86,153)            | -                  | 30,432,332           |
| Valuation of biological assets                                    | 1,275,824            | -                   | (1,275,824)         | -                  | -                    |
| Government grants - Investment incentives                         | 10,766,964           | -                   | (1,458,893)         | -                  | 9,308,071            |
|   | <b>139,678,958</b>   | <b>38,375,814</b>   | <b>(23,928,433)</b> | <b>6,596,399</b>   | <b>160,722,738</b>   |
| <b>Temporary differences originating deferred tax liabilities</b> |                      |                     |                     |                    |                      |
| Revaluation of fixed assets                                       | (6,748,157)          | -                   | 6,710,252           | -                  | (37,905)             |
| Retirement benefits   | (2,137,958)          | (394)               | 8,949,104           | (6,827,114)        | (16,361)             |
| Derivative Financial Instruments at fair value                    | (234,446)            | -                   | -                   | 89,718             | (144,728)            |
| Valuation of biological assets                                    | -                    | (3,979,927)         | -                   | -                  | (3,979,927)          |
| Deferred accounting losses on inter-group transactions            | -                    | (2,652,963)         | 12,301              | -                  | (2,640,661)          |
| Government grants   | (11,991,792)         | (319,179)           | 10,535,135          | 505,157            | (1,270,679)          |
| Extension of useful lives of tangible fixed assets                | (299,964,933)        | (9,290,037)         | 99,674,214          | -                  | (209,580,756)        |
| Fair value of biological assets                                   | -                    | -                   | -                   | -                  | -                    |
|   | <b>(321,077,287)</b> | <b>(16,242,499)</b> | <b>125,881,007</b>  | <b>(6,232,239)</b> | <b>(217,671,019)</b> |
| <b>Amounts recognised in balance sheet</b>                        |                      |                     |                     |                    |                      |
| Deferred tax assets   | 38,411,713           | 10,553,349          | (6,580,319)         | 1,814,010          | 44,198,753           |
| Tax Incentives for Investment                                     | 12,522,612           | -                   | (12,522,612)        | -                  | -                    |
|   | <b>50,934,325</b>    | <b>10,553,349</b>   | <b>(19,102,931)</b> | <b>1,814,010</b>   | <b>44,198,753</b>    |
| Deferred tax liabilities  | (88,296,253)         | (4,466,687)         | 34,617,277          | (1,713,868)        | (59,859,532)         |
|   | <b>(88,296,253)</b>  | <b>(4,466,687)</b>  | <b>34,617,277</b>   | <b>(1,713,868)</b> | <b>(59,859,532)</b>  |

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



## 19. PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

### 19.1 Introduction

Under the prevailing Social Benefits Regulation, permanent employees of The Navigator Company that chose not to move to the defined contribution plan (13 in 2017 and 2016), 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 Navigator Group completed the necessary procedures to convert the defined benefit plans of its subsidiaries The Navigator Company, Navigator Paper Figueira, Navigator Forest Portugal, Empremedia, S.A., RAIZ and Navigator Lusa, to defined contribution plans for the current employees, keeping the acquired benefits of former employees as defined benefit plans. The acquired rights attributable to former employees and retirees in case they leave the company or in case of a job change or retirement remains unchanged.

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

| Amounts in Euro                        | 31-03-2017       | 31-12-2016       |
|--|------------------|------------------|
| Past service liabilities               |                  |                  |
| - Active Employees                     | 63,187,589       | 62,591,075       |
| - Former Employees                     | 16,913,347       | 17,035,183       |
| - Retired Employees                    | 69,174,485       | 69,251,641       |
| Market value of the pension funds      | (143,973,840)    | (142,420,782)    |
|  | <b>5,301,580</b> | <b>6,457,116</b> |
| <b>Insufficient funds/ overfunding</b> | <b>5,301,580</b> | <b>6,457,116</b> |

From a total of 3,091 Employees (31 December 2016: 3,111), active employees that benefit from pension funds as at 31 March 2017 amount to 570 (31 December 2016: 570). Former employees and retirees amount to 88 and 443 respectively (2016: 88 and 443).

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

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



|                            | 31-03-2017 | 31-12-2016 | Real outcome |            |
|----------------------------|------------|------------|--------------|------------|
|                            |            |            | 31-03-2017   | 31-12-2016 |
| Disability Table           | EKV 80     | EKV 80     | -            | -          |
| Mortality Table            | TV 88/90   | TV 88/90   | -            | -          |
| Wage growth rate           | 1.00%      | 1.00%      | 1.00%        | 1.00%      |
| Technical interest rate    | 2.00%      | 2.00%      | -            | -          |
| Return rate on plan assets | 2.00%      | 2.00%      | 1.59%        | 3.74%      |
| Pensions growth rate       | 0.75%      | 0.75%      | 0.75%        | 0.75%      |

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

The following table presents the five-year historical information on the present value of liabilities, the market value of the funds, non-financed liabilities and net actuarial gains/(losses). This information from 2012 to 2016 and in the three-month period ended 31 March 2017, was as follows:

| Amounts in Euro              | 2012        | 2013       | 2014       | 2015        | 2016        | 03_2017     |
|------------------------------|-------------|------------|------------|-------------|-------------|-------------|
| Present value of liabilities | 122,365,002 | 65,657,042 | 70,188,472 | 139,312,363 | 148,877,899 | 149,275,420 |
| Fair value of plan assets    | 117,050,324 | 69,558,535 | 71,666,181 | 143,067,688 | 142,420,782 | 143,973,840 |
| Surplus/(deficit)            | (5,314,678) | 3,901,493  | 1,477,709  | 3,755,326   | (6,457,117) | (5,301,580) |

### 19.3 Retirement and pension supplements

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

| Amounts in Euro                          | 2017               | 2016               |
|--|--------------------|--------------------|
| Opening Balance                          | 148,877,899        | 139,312,363        |
| Changes in assumptions                   | 245,202            | 238,289            |
| Individual Accounts                      | -                  | (1,990,100)        |
| Costs recognised in the Income Statement | 1,244,163          | 1,367,175          |
| Pensions paid                            | (1,091,843)        | (1,195,553)        |
| <b>As of 31 March</b>                    | <b>149,275,420</b> | <b>137,732,174</b> |
| Remaining quarters                       |                    | 11,145,725         |
| <b>As of 31 December</b>                 |                    | <b>148,877,899</b> |

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

| Amounts in Euro   | 2017               | 2016               |
|---|--------------------|--------------------|
| Opening balance   | 142,420,782        | 143,067,688        |
| Expected return in the period   | 1,033,109          | 882,332            |
| Actuarial gains/(losses) (difference between actual and expected returns) | 1,611,791          | 291,568            |
| Pensions paid   | (1,091,843)        | (1,195,553)        |
| Other   |                    | (2,001,400)        |
| <b>As of 31 March</b>   | <b>143,973,840</b> | <b>141,044,636</b> |
| Remaining quarters  |                    | 1,376,146          |
| <b>As of 31 December</b>  |                    | <b>142,420,782</b> |



Assuming assets under the defined contribution of € 52.2 million, pension fund assets are managed by Schroders (25%), BlackRock (23%), Credit Suisse (25%) and BMO (27%), as detailed below:

| Amounts in Euro                   | 2017               | 2016               |
|-----------------------------------|--------------------|--------------------|
| <b>Defined Benefit:</b>           |                    |                    |
| Occidental - Pensions             | 179,002            | 509,857            |
| Schroders                         | 49,334,386         | 48,380,746         |
| BlackRock                         | 45,969,841         | 45,254,916         |
| Account 1 - Credit Suisse         | 48,490,611         | 48,275,263         |
| <b>Total Defined Benefit</b>      | <b>143,973,840</b> | <b>142,420,782</b> |
| <b>Defined Contribution:</b>      |                    |                    |
| Defensive Sub-Fund                | 7,939,723          | 9,592,386          |
| Conservative Sub-Fund             | 24,672,436         | 26,890,076         |
| Dynamic Sub-Fund                  | 14,702,409         | 14,673,272         |
| Agressive Sub-Fund                | 4,889,111          | 4,739,254          |
| <b>Total Defined Contribution</b> | <b>52,203,679</b>  | <b>55,894,988</b>  |
|                                   | <b>196,177,519</b> | <b>198,315,770</b> |

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

| Amounts in Euro               | 31-03-2017         | 31-12-2016         |
|-------------------------------|--------------------|--------------------|
| Bonds                         | 100,602,637        | 91,637,090         |
| Shares                        | 37,664,588         | 31,060,558         |
| Liquidity                     | 5,527,631          | 19,213,277         |
| Other short-term applications | 164,503            | 495,530            |
| Real Estate                   | 14,481             | 14,327             |
|                               | <b>143,973,840</b> | <b>142,420,782</b> |

Of the assets that compose the fund, all the shares and obligations presented are quoted on the regulated market.

As at 31 March 2017 and 31 December 2016, the effect in the income statement of these plans was as follows:

| Amounts in Euro                   | 3 months<br>31-03-2017 | 3 months<br>31-03-2016 |
|-----------------------------------|------------------------|------------------------|
| <b>Defined Benefit Plans</b>      |                        |                        |
| Current services                  | 534,513                | 525,401                |
| Interest expenses                 | 709,650                | 841,774                |
| Return of the plan assets         | (1,033,109)            | (882,332)              |
| Other                             | 6,962                  | 15,996                 |
|                                   | <b>218,015</b>         | <b>500,840</b>         |
| <b>Defined Contribution Plans</b> |                        |                        |
| Contribution to the plan          | 295,091                | 275,951                |
|                                   | <b>295,091</b>         | <b>275,951</b>         |
| <b>Costs for the period</b>       | <b>513,106</b>         | <b>776,791</b>         |



## 20. PROVISIONS

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

| Amounts in Euro                      | Legal Claims     | Tax Claims        | Other            | Total             |
|--------------------------------------|------------------|-------------------|------------------|-------------------|
| <b>Amount as of 1 January 2016</b>   | <b>2,626,049</b> | <b>56,214,594</b> | <b>364,951</b>   | <b>59,205,593</b> |
| Increases                            | -                | -                 | 1,118,830        | 1,118,830         |
| Reversals                            | (965)            | -                 | -                | (965)             |
| Transfers                            | (1,102)          | (5,800,629)       | -                | (5,801,731)       |
| <b>Amount as of 31 March 2016</b>    | <b>2,623,982</b> | <b>50,413,965</b> | <b>1,483,781</b> | <b>54,521,726</b> |
| Increases                            | 1,853,060        | 1,118,830         | (1,118,830)      | 1,853,060         |
| Reversals                            | (2,550,149)      | -                 | -                | (2,550,149)       |
| Transfers                            | 373,451          | (22,784,331)      | (364,951)        | (22,775,831)      |
| <b>Amount as of 31 December 2016</b> | <b>2,300,344</b> | <b>28,748,464</b> | <b>-</b>         | <b>31,048,808</b> |
| Increases                            | -                | 1,736             | -                | 1,736             |
| Reversals                            | -                | -                 | -                | -                 |
| Transfers                            | -                | (2,664,625)       | -                | (2,664,625)       |
| <b>Amount as of 31 March 2017</b>    | <b>2,300,344</b> | <b>26,085,575</b> | <b>-</b>         | <b>28,385,919</b> |

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

## 21. INTEREST-BEARING LIABILITIES AND OTHER LIABILITIES

### 21.1 Interest-bearing liabilities

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

| 31-03-2017                         | Available amount | Outstanding amount | Maturity       | Interest rate                    | Current           | Non-current        |
|------------------------------------|------------------|--------------------|----------------|----------------------------------|-------------------|--------------------|
| <b>Bond Loans</b>                  |                  |                    |                |                                  |                   |                    |
| Portucel 2015-2023                 | 200,000,000      | 200,000,000        | September 2023 | Variable rate indexed to euribor | -                 | 200,000,000        |
| Portucel 2016-2021                 | 100,000,000      | 100,000,000        | May 2021       | Flat rate                        | -                 | 100,000,000        |
| Portucel 2016-2021                 | 45,000,000       | 45,000,000         | August 2021    | Variable rate indexed to euribor | -                 | 45,000,000         |
| Commissions                        | -                | (444,300)          | -              | -                                | -                 | (444,300)          |
| <b>European Bank of Investment</b> |                  |                    |                |                                  |                   |                    |
| Loan BEI Ambiente A                | 18,571,429       | 18,571,429         | December 2018  | Variable rate indexed to euribor | 9,285,714         | 9,285,714          |
| Loan BEI Ambiente B                | 15,000,000       | 15,000,000         | June 2021      | Variable rate indexed to euribor | 3,333,333         | 11,666,667         |
| Loan BEI Energia                   | 56,666,667       | 56,666,667         | December 2024  | Variable rate indexed to euribor | 7,083,333         | 49,583,333         |
| Loan BEI Cacia                     | 25,000,000       | 25,000,000         | May 2028       | Flat rate                        | -                 | 25,000,000         |
| <b>Commercial Paper Program</b>    |                  |                    |                |                                  |                   |                    |
| Commercial Paper Program 125M      | 125,000,000      | 125,000,000        | May 2020       | Variable rate indexed to euribor | -                 | 125,000,000        |
| Commercial Paper Program 70M       | 70,000,000       | 70,000,000         | May 2021       | Flat rate                        | -                 | 70,000,000         |
| Commercial Paper Program 50M       | 50,000,000       | 50,000,000         | November 2017  | Variable rate indexed to euribor | 50,000,000        | -                  |
| Commercial Paper Program 75M       | 75,000,000       | -                  | July 2020      | Variable rate indexed to euribor | -                 | -                  |
| Commercial Paper Program 50M       | 50,000,000       | -                  | July 2020      | Variable rate indexed to euribor | -                 | -                  |
| Commercial Paper Program 100M      | 100,000,000      | -                  | March 2020     | Variable rate indexed to euribor | -                 | -                  |
| Commissions                        | -                | (1,958,056)        | -              | -                                | -                 | (1,958,056)        |
| <b>Bank Lines</b>                  |                  |                    |                |                                  |                   |                    |
| Short term line 20M                | 20,450,714       | -                  | -              | -                                | -                 | -                  |
| <b>Reimbursable grants</b>         |                  |                    |                |                                  |                   |                    |
| Reimbursable grants                | -                | 4,237,695          | -              | -                                | -                 | 4,237,695          |
|                                    |                  | <b>707,073,435</b> |                |                                  | <b>69,702,381</b> | <b>637,371,054</b> |



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

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

On 31 March 2017, the average cost of debt, considering interest rate, annual fees and hedging operations, was 1.8% (31 March 2016: 2.3%).

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

| Amounts in Euro   | 31-03-2017         | 31-12-2016         |
|-------------------|--------------------|--------------------|
| Non-current       |                    |                    |
| 1 to 2 years      | 19,702,382         | 19,702,382         |
| 2 to 3 years      | 11,805,556         | 11,805,556         |
| 3 to 4 years      | 138,194,445        | 138,194,445        |
| 4 to 5 years      | 230,765,473        | 232,220,642        |
| More than 5 years | 239,305,554        | 239,305,554        |
|                   | <b>639,773,410</b> | <b>641,228,579</b> |

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

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



| Amounts in Euro                     | 31-03-2017         | 31-12-2016         |
|-------------------------------------|--------------------|--------------------|
| <b>Interest-bearing liabilities</b> |                    |                    |
| Non-current                         | 637,371,054        | 638,558,905        |
| Current                             | 69,702,381         | 69,702,381         |
|                                     | <b>707,073,435</b> | <b>708,261,286</b> |
| <b>Cash and cash equivalents</b>    |                    |                    |
| Cash                                | 94,808             | 82,184             |
| Short term bank deposits            | 49,892,499         | 15,535,486         |
| Other                               | 40,521,112         | 51,923,918         |
|                                     | <b>90,508,419</b>  | <b>67,541,588</b>  |
| <b>Interest-bearing net debt</b>    | <b>616,565,016</b> | <b>640,719,698</b> |

The Navigator 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 31 March 2017 the Navigator Group had no short term deposits in financial institutions. The amount of Euro 40,521,112 shown as other cash investments is invested in a portfolio of bonds from issuers with adequate rating (31 December 2016: Euro 39,992,710).

The evolution of the Navigator Group's net debt in the three months periods ended 31 March 2017 and 2016 was as follows:

| Amounts in Euro                                 | 3 months<br>31-03-2017 | 3 months<br>31-03-2016 | Remaining<br>quarters | 12 months<br>2016  |
|---|------------------------|------------------------|-----------------------|--------------------|
| <i>As of 1 January</i>                          | 640,719,698            | 654,491,758            | -                     | 654,491,758        |
| Expenses with the issue of bond loans           | 2,402,355              | -                      | 2,669,675             | 2,669,675          |
| Interest paid                                   | 3,511,386              | 3,443,054              | 21,072,827            | 24,515,881         |
| Interest received                               | (1,009,615)            | (651,475)              | (4,254,737)           | (4,906,212)        |
| Dividens paid and reserves distributed          | -                      | -                      | 170,004,583           | 170,004,583        |
| Acquisition of treasury shares                  | -                      | -                      | -                     | -                  |
| Receipts related to investment activities       | -                      | -                      | (4,438,520)           | (4,438,520)        |
| Payments related to acquisition of subsidiaries | -                      | -                      | -                     | -                  |
| Payments related to investment activities       | 24,858,834             | 26,240,968             | 54,944,309            | 81,185,277         |
| Accumulated exchange rate differences           | (3,590,207)            | (447,825)              | 11,209,120            | 10,761,295         |
| Dividend receipts                               | -                      | -                      | -                     | -                  |
| Net receipts of operating activities            | (50,327,435)           | (46,628,241)           | (246,935,798)         | (293,564,039)      |
| Liquid debt variation                           | (24,154,682)           | (18,043,518)           |                       | (13,772,060)       |
|   | <b>616,565,016</b>     | <b>636,448,240</b>     |                       | <b>640,719,698</b> |

Also, the movements in the Navigator Group's net debt in 31 March 2017 and 2016 were as follows:



| Amounts in Euro                                  | 31-03-2017        | 31-03-2016        | Remaining<br>quarters | 31-12-2016         |
|--|-------------------|-------------------|-----------------------|--------------------|
| Net profit for the year                          | 34,842,589        | 44,623,176        | 172,206,603           | 216,829,779        |
| Depreciation, amortization and impairment losses | 38,143,318        | 35,980,113        | 130,681,010           | 166,661,123        |
| Net changes in provisions                        | 1,736             | 1,117,864         | (697,088)             | 420,776            |
|  | <b>72,987,643</b> | <b>81,721,154</b> | <b>302,190,524</b>    | <b>383,911,678</b> |
| Change in working capital                        | (34,670,679)      | (7,966,323)       | (17,715,621)          | (25,681,944)       |
| Variation in the consolidation scope             | -                 | -                 | -                     | -                  |
| Acquisitions of tangible fixed assets            | (14,810,434)      | (44,770,427)      | (96,095,630)          | (140,866,057)      |
| Dividends paid and reserves distributed          | -                 | -                 | (170,004,583)         | (170,004,583)      |
| Acquisition of treasury shares                   | -                 | -                 | -                     | -                  |
| Net changes in post-employment benefits          | 1,155,537         | (162,724)         | (9,537,296)           | (9,700,020)        |
| Other changes in equity                          | 5,449,116         | 1,452,686         | (23,593,337)          | (22,140,651)       |
| Expenses with the issue of bond loans            | 267,319           | 2,654,752         | (528,933)             | 2,125,819          |
| Other  | (6,223,821)       | (14,885,599)      | 11,013,417            | (3,872,182)        |
| <b>Change in net debt (Free Cash Flow)</b>       | <b>24,154,682</b> | <b>18,043,519</b> | <b>(4,271,459)</b>    | <b>13,772,060</b>  |

## 21.2 Other Liabilities

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

| Amounts in Euro    | 31-03-2017        | 31-12-2016        |
|--------------------|-------------------|-------------------|
| <b>Non-current</b> |                   |                   |
| Grants             | 29,760,090        | 31,202,382        |
| Equipment          | 1,640,936         | 2,098,759         |
|                    | <b>31,401,026</b> | <b>33,301,140</b> |

The amount of grants corresponds to the investment grants received in order to support the investment projects carried out by the group in the past, with regard to its non-current component.

## Finance leases – IFRIC 4

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

| Amounts in Euro  | 31-03-2017           |                             |                   |
|------------------|----------------------|-----------------------------|-------------------|
|                  | Acquisition<br>Value | Accumulated<br>depreciation | Net book<br>value |
| Equipment - Omya | 14,000,000           | (11,351,352)                | 2,648,648         |
|                  | <b>14,000,000</b>    | <b>(11,351,352)</b>         | <b>2,648,648</b>  |
| Amounts in Euro  | 31-12-2016           |                             |                   |
|                  | Acquisition<br>Value | Accumulated<br>depreciation | Net book<br>value |
| Equipment - Omya | 14,000,000           | (10,972,973)                | 3,027,027         |
|                  | <b>14,000,000</b>    | <b>(10,972,973)</b>         | <b>3,027,027</b>  |



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

| Amounts in Euro          | 31-03-2017       | 31-12-2016       |
|--------------------------|------------------|------------------|
| <b>Non-current</b>       |                  |                  |
| Equipment                | 1,664,804        | 2,098,759        |
| <b>Current (Note 22)</b> | 1,771,221        | 1,771,221        |
|                          | <b>3,436,025</b> | <b>3,869,980</b> |

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

## 22. PAYABLES AND OTHER CURRENT LIABILITIES

As at 31 March 2017 and 31 December 2016, “Payables and other current liabilities” were detailed as follows:

| Amounts in Euro   | 31-03-2017         | 31-12-2016         |
|---|--------------------|--------------------|
| Accounts payable to suppliers                                 | 146,470,632        | 145,702,873        |
| Accounts payable to fixed assets suppliers                    | 7,577,902          | 13,929,955         |
| Accounts payable to fixed assets suppliers - leases (Note 21) | 3,997,866          | 1,771,221          |
| Accounts payable - Related parties                            | 849,611            | 1,281,101          |
| Derivative financial instruments                              | 4,251,306          | 7,726,140          |
| Other creditors - CO2 emissions                               | 5,979,305          | 4,816,632          |
| Sales Commissions   | 256,830            | 245,291            |
| Tax Consolidation (Semapa)                                    | 7,431,351          | 7,296,382          |
| Other creditors   | 1,500,326          | 1,268,749          |
| Accrued costs   | 66,278,746         | 65,409,507         |
| Deferred income   | 8,227,011          | 6,383,433          |
|   | <b>252,820,886</b> | <b>255,831,284</b> |

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

| Amounts in Euro                                    | 31-03-2017        | 31-12-2016        |
|--|-------------------|-------------------|
| <b>Accrued costs</b>                               |                   |                   |
| Payroll expenses - Annual Performance Bonus        | 19,029,519        | 14,884,168        |
| Payroll expenses - Other                           | 25,256,219        | 22,125,937        |
| Interests payable, including compensatory interest | 2,665,926         | 3,308,196         |
| Rate of water resources                            | 1,834,313         | 1,442,101         |
| Others   | 17,492,769        | 23,649,104        |
|  | <b>66,278,746</b> | <b>65,409,506</b> |
| <b>Deferred income</b>                             |                   |                   |
| Government grants                                  | 5,916,385         | 5,926,517         |
| Grants - CO2 emission licenses                     | 1,733,671         | (28,650)          |
| Other  | 576,955           | 485,566           |
|  | <b>8,227,011</b>  | <b>6,383,433</b>  |



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

| Amounts in Euro                            | 31-03-2017        | 31-12-2016        |
|--|-------------------|-------------------|
| <b>AICEP investment contracts (Note 9)</b> |                   |                   |
| Enerpulp, S.A.                             | 8,359,106         | 8,746,163         |
| Navigator Pulp Cacia, S.A.                 | 14,558,209        | 15,102,403        |
| Navigator Pulp Setúbal, S.A.               | 830,150           | 897,543           |
| Navigator Pulp Figueira, S.A.              | 8,943,765         | 9,308,451         |
| Navigator Parques Industriais, S.A.        | 2,151,583         | 2,166,423         |
| Navigator Paper Figueira, S.A.             | 241,402           | 276,120           |
|  | <b>35,084,216</b> | <b>36,497,103</b> |
| <b>Other</b>                               |                   |                   |
| Raiz                                       | 8,327             | 9,933             |
| Viveiros Aliança, SA                       | 583,932           | 621,863           |
|  | <b>592,259</b>    | <b>631,796</b>    |
|  | <b>35,676,475</b> | <b>37,128,899</b> |

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

| Amounts in Euro                 | 2017             | 2016             |
|---------------------------------|------------------|------------------|
| <b>Grants - CO2 emissions</b>   |                  |                  |
| Opening balance                 | -                | -                |
| Increase                        | 2,570,570        | 4,280,610        |
| Utilization                     | (834,779)        | (2,123,366)      |
| <b>Amount as of 31 March</b>    | <b>1,735,791</b> | <b>2,157,244</b> |
| Remaining quarters              |                  | (2,157,244)      |
| <b>Amount as of 31 December</b> |                  | <b>-</b>         |

This amount regards the CO2 emission allowances granted for free to several group companies (2017: 479,584 and 504,595 for 2016).

## 23. FINANCIAL ASSETS AND LIABILITIES

As its activities are exposed to a variety of financial and operational risk factors, the Navigator 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.

### 23.1 Financial instruments held for trading

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

| Amounts in Euro           | 31-03-2017        |          |                 |                 | 31-12-2016         |
|---------------------------|-------------------|----------|-----------------|-----------------|--------------------|
|                           | Notional          | Positive | Negative        | Net             | Net                |
| <b>Trading</b>            |                   |          |                 |                 |                    |
| Foreign Exchange Forwards | 71,310,006        | -        | (92,283)        | (92,283)        | (1,943,402)        |
|                           | <b>71,310,006</b> | <b>-</b> | <b>(92,283)</b> | <b>(92,283)</b> | <b>(1,943,402)</b> |



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

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

The net fair value of trading instruments – forwards – as at 31 March 2017 is Euro 92,283 (31 March 2016: Euro 1,943,402).

### 23.2 Derivative financial instruments designated as hedging instruments

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

| Amounts in Euro  | Currency | Notional           | 31-03-2017       |                    | Net                | 31-12-2016         |
|--|----------|--------------------|------------------|--------------------|--------------------|--------------------|
|  |          |                    | Positive         | Negative           |                    | Net                |
| <b>Hedging</b>   |          |                    |                  |                    |                    |                    |
| Foreign Exchange Forwards (net investment)                       | USD      | 25,050,000         | 11,528           |                    | 11,528             | (249,275)          |
| Foreign Exchange Forwards (future sales)                         | USD      | 347,000,000        | 1,283,750        | (338,659)          | 945,091            | 901,050            |
| Interest rate swap for commercial Paper issued                   | EUR      | 125,000,000        |                  | (801,962)          | (801,962)          | (976,674)          |
| Swaps used to hedge the exposure to changes in the interest rate | EUR      | 200,000,000        |                  | (3,018,401)        | (3,018,401)        | (4,556,790)        |
|  |          | <b>697,050,000</b> | <b>1,295,278</b> | <b>(4,159,023)</b> | <b>(2,863,744)</b> | <b>(4,881,689)</b> |

#### Net investment

The Navigator Group hedges the economic risk associated with exposure to the exchange rate of its participation in Navigator North America. To this end, the Group has entered into a foreign exchange forward maturing in May 2017, 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 31 March 2017, the fair value reserve associated with this coverage was Euro 4,093,255 (31 December 2016: Euro 4,354,058).

#### Cash flow hedge – Exchange rate risk EUR/USD

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

In this context, during the last quarter of 2016, the Navigator Group contracted several financial structures in order to partially hedge its exposure to foreign currency on the estimated sales in USD for 2017. Derivative financial instruments contracted were options,



globally amounting to USD 200 million, which reach their maturity on 31 January 2017. In 2017, the financial instrument was reinforced with an additional contracting of USD 80 million through Options and Zero Cost Collar, with maturity until January 2018.

### Cash flow hedge – Interest Rate

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

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

### 23.3 Credit and receivables

These amounts are initially recognized at fair value, and subsequently measured at amortized cost less any impairment losses identified during the course of the credit risk analysis of the credit portfolios held (Note 16).

### 23.4 Other financial liabilities

These items are recognized at their amortized cost, corresponding to the value of the respective cash flows discounted at the effective interest rate associated with each of the liabilities (Note 22).

### 23.5 Net gains on financial assets and liabilities

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

| Amounts in Euro                                     | 31-03-2017         | 31-03-2016         |
|---|--------------------|--------------------|
| Gain/ (loss) on loans and receivables               | (2,965,585)        | (962,477)          |
| Gains / (losses) on financial instruments - hedging | (767,144)          | (376,603)          |
| Gains / (losses) on financial instruments - trading | 1,851,119          | 2,256,677          |
| Interest Income:                                    |                    |                    |
| From deposits and other receivables                 | 601,984            | 651,479            |
| Interest expense:                                   |                    |                    |
| Financial liabilities measured at amortized cost    | (2,420,619)        | (3,673,284)        |
| Other   | (236,418)          | (611,421)          |
|   | <b>(3,936,664)</b> | <b>(2,715,629)</b> |

The fair value of derivative financial instruments is included in "Receivables and other current assets" (Note 16) and "Payables and other current liabilities" (Note 23).

The movement in the balances recognized in the statement of financial position (Notes 16 and 23) related with financial instruments was as follows:



|                                      | Change in fair value (Trading) | Change in fair value (Hedging) | Total              |
|--------------------------------------|--------------------------------|--------------------------------|--------------------|
| <b>Amount as of 1 January 2016</b>   | <b>(359,770)</b>               | <b>1,414,365</b>               | <b>1,054,596</b>   |
| Maturity (Note 10)                   | (1,525,965)                    | (2,691,337)                    | (4,217,302)        |
| Increase/decrease in fair value      | (57,667)                       | (3,604,717)                    | (3,662,384)        |
| <b>Amount as of 31 December 2016</b> | <b>(1,943,402)</b>             | <b>(4,881,689)</b>             | <b>(6,825,091)</b> |
| Maturity (Note 10)                   | 1,851,119                      | (767,144)                      | 1,083,975          |
| Increase/decrease in fair value      | -                              | 2,785,088                      | 2,785,088          |
| <b>Amount as of 31 March 17</b>      | <b>(92,283)</b>                | <b>(2,863,745)</b>             | <b>(2,956,027)</b> |

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

|  |     | Nominal value | Maturity  | Type                | 31-03-2017         | 31-12-2016         |
|--|-----|---------------|-----------|---------------------|--------------------|--------------------|
|  |     |               |           |                     | Fair Value         | Fair Value         |
| Exchange rate forward                          | USD | 62,300,000    | 15-ago-17 | Held for trading    | (139,128)          | (1,778,650)        |
|  | GBP | 10,680,000    | 10-ago-17 | Held for trading    | 46,845             | (164,752)          |
| Future purchase of CO2 emission licences       | EUR | 3,328,500     | 16-mar-20 | Held for trading    | -                  | -                  |
|  |     |               |           |                     | <b>(92,283)</b>    | <b>(1,943,402)</b> |
| Foreign Exchange forward - Net Equity          | USD | 25,050,000    | 30-mai-17 | Hedging Instruments | 11,528             | (249,275)          |
| Hedging for future sales                       | USD | 347,000,000   | 31-jan-18 | Hedging Instruments | 945,091            | 901,050            |
| Interest rate swap for commercial paper issued | EUR | 125,000,000   | 26-mai-20 | Hedging Instruments | (801,962)          | (976,674)          |
| Interest rate swap for loans                   | EUR | 200,000,000   | 22-set-23 | Hedging Instruments | (3,018,401)        | (4,556,790)        |
|  |     |               |           |                     | <b>(2,863,744)</b> | <b>(4,881,689)</b> |
|  |     |               |           |                     | <b>(2,956,027)</b> | <b>(6,825,091)</b> |

## 24. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

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

|  | 31-03-2017    |                |  | 31-12-2016    |                  |  |
|--|---------------|----------------|--|---------------|------------------|--|
|  | Assets        | Liabilities    |  | Assets        | Liabilities      |  |
| Amounts in Euro                                    | Customers     | Payables       | Other creditors (fiscal consolidation) | Customers     | Payables         | Other creditors (fiscal consolidation) |
| Semapa - Soc. De Investimento e Gestão, SGPS, S.A. | -             | 862,982        | 7,431,351                              | -             | 909,341          | 7,296,382                              |
| Secil - Companhia Geral Cal e Cimento, S.A.        | 14,760        | 329            | -                                      | 10,455        | 370,019          | -                                      |
| Secil Britas, S.A.                                 | -             | 4158.5         | -                                      | -             | 8,731            | -                                      |
| Enermontijo, S.A.                                  | 48,489        | -              | -                                      | 66,771        | 6,708            | -                                      |
| Enerpar, SGPS, Lda.                                | -             | -              | -                                      | -             | -                | -                                      |
| Cimilonga - Imobiliária, S.A.                      | -             | (13,700)       | -                                      | -             | (13,700)         | -                                      |
|  | <b>63,249</b> | <b>849,611</b> | <b>7,431,351</b>                       | <b>77,226</b> | <b>1,281,099</b> | <b>7,296,382</b>                       |

On 31 March 2017 and 2016, transactions with related parties were as follows:

| Amounts in Euro                                    | 31-03-2017                  |                                 | 31-03-2016                  |                                 |
|--|-----------------------------|---------------------------------|-----------------------------|---------------------------------|
|  | Sales and services rendered | Consumed materials and services | Sales and services rendered | Consumed materials and services |
| Semapa - Soc. De Investimento e Gestão, SGPS, S.A. | -                           | 3,077,807                       | 571                         | 1,844,645                       |
| Secil - Companhia Geral Cal e Cimento, S.A.        | 18,927                      | 301,414                         | 18,000                      | 328                             |
| Secil Britas, S.A.                                 | -                           | 8,317                           | -                           | 12,116                          |
| Enermontijo, S.A.                                  | 42,957                      | 65,445                          | 293,999                     | 47,167                          |
| Enerpar, SGPS, Lda.                                | -                           | 58,964                          | -                           | 85,398                          |
| Cimilonga - Imobiliária, S.A.                      | -                           | 65,653                          | -                           | 86,060                          |
|  | <b>61,884</b>               | <b>3,577,602</b>                | <b>312,570</b>              | <b>2,075,714</b>                |



On 1 February 2013, a contract to render administrative and management services was signed between Semapa - Sociedade de Investimentos e Gestão, SGPS, S.A. 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 nine 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.

## 25. NUMBER OF EMPLOYEES

As at 31 March 2017 the number of employees working for the Navigator Group Companies was 3,091 (31 December 2016: 3,111), and were distributed by business segment as follows:

|                                 | MARKET PULP | UWF PAPER    | TISSUE PAPER | OTHER      | TOTAL        |
|---------------------------------|-------------|--------------|--------------|------------|--------------|
| <b>Industrial / Forest site</b> |             |              |              |            |              |
| Setúbal                         | -           | 968          | -            | 241        | 1,209        |
| Cacia                           | 232         | -            | 2            | 62         | 296          |
| Figueira da Foz                 | -           | 878          | -            | 84         | 962          |
| Vila Velha de Ródão             | -           | -            | 188          | -          | 188          |
| Greenwood                       | -           | -            | -            | 66         | 66           |
| Moçambique                      | -           | -            | -            | 235        | 235          |
|                                 | <b>232</b>  | <b>1,846</b> | <b>190</b>   | <b>688</b> | <b>2,956</b> |
| <b>Commercial companies</b>     |             |              |              |            |              |
| Europe                          | 6           | 119          | -            | -          | 125          |
| America                         | -           | 9            | -            | -          | 9            |
| Overseas                        | -           | 1            | -            | -          | 1            |
|                                 | <b>6</b>    | <b>129</b>   | <b>-</b>     | <b>-</b>   | <b>135</b>   |
|                                 | <b>238</b>  | <b>1,975</b> | <b>190</b>   | <b>688</b> | <b>3,091</b> |



## 26. COMMITMENTS

### 26.1 Commitments towards third-parties

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

| Amounts in Euro          | 31-03-2017       | 31-12-2016        |
|--------------------------|------------------|-------------------|
| Spanish state tax agency | 1,033,204        | 1,033,204         |
| Customs clearance        | 1,835,250        | 2,868,454         |
| Simria                   | 338,829          | 338,829           |
| IAPMEI                   | 5,018,156        | 5,209,320         |
| Other                    | 718,675          | 677,601           |
|                          | <b>8,944,114</b> | <b>10,127,408</b> |

The guarantees in favor of IAPMEI were provided under the investment contracts celebrated between the Portuguese State and Navigator Pulp Cacia, S.A. (Euro 2,438,132) and Navigator Tissue Ródão, S.A. (Euro 2,580,023), as per the terms and conditions defined in the Payment Standard applicable to projects approved under QREN Incentive Systems.

### 26.2 Purchase commitments

In addition to the commitments described in the preceding note, purchase commitments assumed with suppliers at 31 March 2017 amounted to Euro 106,375,873 and referred to capital expenditure on Property, plant and equipment. In 31 December 2015 these commitments amounted to Euro 75,321,090.

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

| Amounts in Euro        | 31-03-2017       | 31-12-2016       |
|------------------------|------------------|------------------|
| <b>Settlement date</b> |                  |                  |
| 2017                   | 1,292,448        | 1,676,818        |
| 2018                   | 1,383,447        | 1,296,734        |
| 2019                   | 1,009,608        | 911,759          |
| 2020                   | 525,448          | 431,452          |
| 2021                   | 125,467          | 59,830           |
| Later                  | 64,955           | 7,543            |
|                        | <b>4,401,374</b> | <b>4,384,136</b> |

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

| Amounts in Euro | 31-03-2017        | 31-12-2016        |
|-----------------|-------------------|-------------------|
| 2017            | 3,000,005         | 4,068,372         |
| 2018            | 3,859,817         | 3,757,512         |
| 2019            | 3,704,341         | 3,600,680         |
| 2020            | 3,385,726         | 3,232,701         |
| 2021            | 3,196,077         | 3,112,802         |
| Later           | 37,261,986        | 35,720,215        |
|                 | <b>54,407,953</b> | <b>53,492,281</b> |



## 27. CONTINGENT ASSETS

### 27.1 Tax matters

#### 27.1.1 Public Debt Settlement Fund

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

| Amounts in Euro                           | Period    | Requested amounts | 1st Refund         | Decrease due to RERD | Processes decided in favour of the Group | Outstanding       |
|---|-----------|-------------------|--------------------|----------------------|--|-------------------|
| <b>Proceedings confirmed in court</b>     |           |                   |                    |                      |  |                   |
| VAT - Germany                             | 1998-2004 | 5,850,000         | (5,850,000)        | -                    | -  | -                 |
| Corporate Income Tax                      | 2001      | 314,340           | -                  | -                    | (314,340)                                | -                 |
| Corporate Income Tax                      | 2002      | 625,033           | (625,033)          | -                    | -  | -                 |
| Corporate Income Tax                      | 2002      | 18,923            | -                  | -                    | -  | 18,923            |
| 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                      | 2003      | 5,725,771         | -                  | -                    | -  | 5,725,771         |
| Corporate Income Tax (Withheld)           | 2004      | 3,324             | -                  | -                    | -  | 3,324             |
| Corporate Income Tax                      | 2004      | 766,395           | -                  | -                    | (139,023)                                | 627,372           |
| Stamp Duty                                | 2004      | 497,669           | -                  | -                    | (497,669)                                | -                 |
| Corporate Income Tax (Withheld)           | 2005      | 1,736             | (1,736)            | -                    | -  | -                 |
| Expenses                                  |           | 314,957           | -                  | -                    | -  | 314,957           |
|   |           | <b>15,876,240</b> | <b>(8,210,546)</b> | -                    | <b>(975,347)</b>                         | <b>6,690,347</b>  |
| <b>Proceedings not confirmed in court</b> |           |                   |                    |                      |  |                   |
| VAT                                       | 2003      | 2 509 101         | -                  | -                    | -  | 2 509 101         |
| Corporate Income Tax                      | 2005      | 11 754 680        | -                  | (1 360 294)          | -  | 10 394 386        |
| Corporate Income Tax                      | 2006      | 11 890 071        | -                  | (1 108 178)          | -  | 10 781 893        |
|   |           | <b>26 153 852</b> | -                  | <b>(2 468 472)</b>   | -  | <b>23 685 380</b> |
|   |           | <b>42,030,092</b> | <b>(8,210,546)</b> | <b>(2,468,472)</b>   | <b>(975,347)</b>                         | <b>30,375,727</b> |

#### 27.1.2 Taxes paid in litigation

At 31 March 2017, the additional tax assessments that are paid and disputed by the group are summarized as follows:

| Amounts in Euro  |                   |
|--|-------------------|
| VAT 2003   | 2,509,101         |
| 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 | 4,984,425         |
| Aggregate corporate income tax - result of the income tax calculation - 2011 | 6,647,918         |
| Aggregate corporate income tax 2012  | 4,422,958         |
|  | <b>37,108,934</b> |



**27.2 Non-tax matters****27.2.1 Public Debt Settlement Fund**

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

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

**27.2.2 Infrastructure enhancement and maintenance fee**

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

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

**28. SUBSEQUENT EVENTS**

By decision of the Executive Committee of May 2017, a defined contribution pension plan was created in the current year, for all employees of the subsidiaries About The Future, S.A., Atlantic Forests, S.A. Eucaliptusland, S.A., Navigator Added Value, S.A., Navigator Paper Setúbal, S.A., Navigator Pulp Figueira, S.A., Navigator Pulp Cacia, S.A., Navigator Tissue Ródão, S.A. and Viveiros Aliança, S.A.. Each of the companies will contribute to these funds with an amount equivalent to 1% of the base remuneration of each employee, with effects from 1 January 2017.



## 29. COMPANIES INCLUDED IN THE CONSOLIDATION

| Company  | Head office         | Share equity owned |            |        |
|--|---------------------|--------------------|------------|--------|
|  |                     | Directly           | Indirectly | Total  |
| Parent-Company:  |                     |                    |            |        |
| The Navigator Company, S. A.   | Setúbal             | -                  | -          | -      |
| Subsidiaries:  |                     |                    |            |        |
| Navigator Paper Figueira, S.A.   | Figueira da Foz     | 100,00             | -          | 100,00 |
| Navigator Parques Industriais, S.A.  | Setúbal             | 100,00             | -          | 100,00 |
| Navigator Products & Technology, S.A.  | Setúbal             | 100,00             | -          | 100,00 |
| Enerpulp – Cogeração Energética de Pasta, S.A.   | Setúbal             | 100,00             | -          | 100,00 |
| About Balance - SGPS, S.A.   | Lisboa              | 100,00             | -          | 100,00 |
| Navigator Tissue Cacia, S.A.   | Aveiro              | -                  | 100,00     | 100,00 |
| Navigator Tissue Rodão, SA   | Vila Velha de Ródão | -                  | 100,00     | 100,00 |
| Navigator Internacional Holding SGPS, S.A.   | Setúbal             | 100,00             | -          | 100,00 |
| Portucel Moçambique - Sociedade de Desenvolvimento Florestal e Industrial, Lda         | Moçambique          | 20,05              | 60,15      | 80,20  |
| Colombo Energy Inc.  | EUA                 | 25,00              | 75,00      | 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              | 99,93              | 0,07       | 100,00 |
| Portucel International GmbH  | Alemanha            | -                  | 100,00     | 100,00 |
| Navigator Paper Holding ,SGPS, S.A.  | Setúbal             | 100,00             | -          | 100,00 |
| Navigator Cartolinas , 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 Switzerland 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 |
| Portucel Florestal, S.A.   | Setúbal             | -                  | 100,00     | 100,00 |
| Arboser – Serviços Agro-Industriais, S.A.  | Setúbal             | -                  | 100,00     | 100,00 |
| EMA21 - Engenharia e Manutenção Industrial Século XXI, S.A.                            | Setúbal             | -                  | 100,00     | 100,00 |
| Ema Cacia - Engenharia e Manutenção Industrial, ACE                                    | Aveiro              | -                  | 92,60      | 92,60  |
| Ema Setúbal - Engenharia e Manutenção Industrial, ACE                                  | Setúbal             | -                  | 91,30      | 91,30  |
| Ema Figueira da Foz- Engenharia e Manutenção Industrial, ACE                           | Figueira da Foz     | -                  | 88,70      | 88,70  |
| Empremédia - Corretores de Seguros, S.A.   | Lisboa              | -                  | 100,00     | 100,00 |
| EucaliptusLand, S.A.   | Setúbal             | -                  | 100,00     | 100,00 |
| Headbox - Operação e Contolo Industrial, S.A.  | Setúbal             | -                  | 100,00     | 100,00 |
| Navigator Added Value, S.A.  | Setúbal             | -                  | 100,00     | 100,00 |
| Navigator Abastecimento de Madeira, ACE  | Setúbal             | -                  | 100,00     | 100,00 |



## BOARD OF DIRECTORS

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Executive Board Member

José Fernando Morais Carreira de Araújo  
Executive Board Member

Nuno Miguel Moreira de Araújo Santos  
Executive Board Member

João Paulo Araújo Oliveira  
Executive Board Member

Adriano Augusto da Silva Silveira  
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Board Member

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