ANNUAL REPORT 2018

THE NAVIGATOR COMPANY

In every action, in every decision, in every gesture, we can think about our contribution to a more sustainable society by being more responsible, more fair and more balanced. By protecting natural resources and people alike. From the foundation of a development model that ensures our planet's future.

For The Navigator Company, sustainability is a part of responsible business management. It is present in our daily actions and decisions. From the forest, a natural and renewable source of raw material to paper, our final product.

From a sustainability perspective, the functional solutions for producing paper from raw materials become vitally important.
For this reason, The Navigator Company's Annual Report and Accounts and the Sustainability Report 2018 were developed taking into consideration the Company's commitment to sustainability.

In this way, and following a circular economy model, we reduce and use biodegradable materials, seeking to return this medium of communication to nature with the aim of renewal.

This form uses paper in perfect symbiosis with Mother Nature (source of raw material), people (everything we do must be with and for people) and technology (where science and engineering meet), as we combine research and resources with the best techniques available on the market to obtain a product of very high quality.

Our Report represents an organic document. It was made with paper from sustainably managed forests, plant-based, with low-density inks, cotton fibre and biodegradable glue.

If this Report were planted in the ground, it would be returned to the natural world, and the cycle would continue.

PAPER.LIFE.FUTURE

THE NAVIGATOR COMPANY

ANNUAL REPORT 2018

Property
of The Navigator
Company

CONTENTS

NOTE
The non-financial information required by Decree-Law 89/2017 is included in the 2018 Sustainability Report.

A Judas tree (*Cersis siliquastrum*) in bloom, in the arboretum at Quinta de São Francisco – RAIZ

01 VISION, VALUES AND CULTURE

MISSION AND VALUES

Our mission is to be a global company, admired for the innovative and sustainable way it transforms the forest into products and services that contribute to people's well-being.

VISION

Extend to other business areas the leadership achieved in printing and writing paper and so raise Portugal's international profile.

VALUES

Trust
We believe in people, we accept everyone's contribution and we respect their identity: we are committed to development, cooperation and communication.

Integrity
We are guided by principles of transparency, ethics and respect when dealing with each other and with others.

Entrepreneurship
We are passionate about what we do, we like to get out of our comfort zone, we have the courage to take decisions and accept risks in a responsible way.

Innovation
By expanding our knowledge and creative potential, we can together achieve the impossible.

Sustainability
Industrial, social and environmental sustainability is our business model.

Excellence
We believe in quality, efficiency, safety and rigour in everything we do.

Tree in the Quinta
de São Francisco
– RAIZ

02

MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

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MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

Dear Shareholders,

Continuing down a long path of growth and good results, 2018 was a truly successful year for The Navigator Company, bearing out the positive expectations we had foreseen. Your Group is stronger and better prepared to keep facing the challenges along this path with success.

In a sector of high environmental sensitivity such as ours, it is truly gratifying to know that we work in such a responsible way. This has once again been proven, this time by the Group's recognition as an A-List Company – the highest possible ranking in sustainability – by the prestigious international "CDP" (Carbon Disclosure Project) organisation, acknowledging the Group's contribution towards fighting climate change.

These results stem from our constant commitment of reconciling our goals of growth and profitability with being a socially responsible Company, using a policy of openness with the community, to which it likes to report regularly about its business through its Sustainability Report, published once again this year.

Balancing its desire to move forward with the utmost respect for increasingly stricter environmental norms, the Group has decided to make frequent major investments, always safeguarding its necessary financial soundness. As a result of this policy, the Navigator's industrial facilities rank among the technologically most sophisticated in its sector, capable of manufacturing the products it exports to nearly 130 countries worldwide with a high degree of quality and productivity.

Also in the forestry sector, it has done much work geared towards improving productivity, an ongoing need made even more imperative by prevailing regulatory restrictions. These efforts can especially be seen in the assets managed directly by the Group, but are also directed – through cooperation with associations and other bodies representing the forestry business – at boosting the sector's overall efficiency, benefiting thousands of independent producers who are largely responsible for providing raw materials, since Navigator's level of self-supply falls short of twenty percent.

These pursuits are part of a constant search to streamline our entire organisation, an essential requirement for preserving our competitiveness in the various regions where we operate. This persisting practice,

(Continues on page 10)

coupled with innovation in all operating areas, has strengthened the Group's flexibility and resilience, allowing it to pass relatively unscathed through periods of greater uncertainty and hardship arising from the global economy and cyclical crises in the sector. The barriers to free international trade which, in various ways, have intensified in recent years, have forced us to tirelessly enhance every competitive factor constituting a distinctive feature of the Group.

I would, of course, like to wrap up this message with some heartfelt words to remember the loss, in August 2018, of Pedro Queiroz Pereira, the founder and main inspiration of what is now The Navigator Company, paying him his due respect and tribute here.

Pedro Queiroz Pereira truly knew how to combine his indomitable desire for achievement with an ability to assess risks at every major strategic turn. This is why the Group always grew with ambition, but also with prudence. He saw each success as an incentive for taking on something new, and viewed the results not as an end in and of itself, but as the leverage needed to climb to a new level.

He did not view the Group as a personal project, but instead as a place of achievement for everyone giving their very best, each and every day. He got great satisfaction out of leading a solid, dynamic Portuguese group with such a good reputation and international scope, contributing solidly towards the nation's added value, exports and employment.

He was, indeed, a businessman with solid values and deep social concerns. His example will continue to inspire us.

I know that Pedro Queiroz Pereira would brush aside compliments, and that the only tribute he might accept would be our commitment to enthusiastically move forward with the work we can be so proud of today. It is this commitment I would like to express here, with the certainty I am doing so on behalf of everyone who is part of The Navigator Company.

Setúbal, 12 March 2019

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

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

Dear Stakeholders,

2018 was unfortunately marked by the passing away of Pedro Queiroz Pereira, the Chairman of our Board of Directors and a key shareholder. We lost our Chairman, who built one of the biggest Portuguese industrial groups, and who will always be remembered for the values which inspired and guided his conduct, together with his unique sense of daring, management style and proximity to everyone he worked with.

There were several other completely unexpected negative occurrences during the year, which we only overcame thanks to the dedication and expertise of our teams:

- In August, we were given an anti-dumping duty of 37.34% for our sales of paper to the United States from August 2015 to February 2017. Thanks to the efforts of our various teams involved in defending the Company, this duty was lowered to 1.75% in October;

- In October, Hurricane Leslie caused extensive property damages in Figueira da Foz. The recovery work, which allowed production to quickly resume, serves as an example of the fighting spirit and solidarity of Navigator's Employees.

- Also in the area of operations, the performance of our factories fell short of our normal capabilities due to operating issues which have been and will be duly evaluated by our teams, giving us the opportunity to learn from these difficulties, with the expectation of re-achieving our normal industrial performance in 2019.

Despite the hardships of the above unforeseeable events and the challenges faced by production, our annual results were the best of all time:

A record turnover of € 1.692 billion was also achieved;

EBITDA also achieved a record (€ 455.2 million), up 12.8% over 2017 (€ 403.8 million), with an EBITDA/Sales margin of 26.9% versus 24.7% in 2017. The recurring EBITDA, excluding the non-recurring impacts for the sale of the pellet business and anti-dumping duties, would be € 461 million (+14%), with an EBITDA/Sales margin of 27.2%.

The net results were also the best ever (€ 225 million).

(Continues on page 16)

Free cash flow generation of € 211.1 million, due to positive operating performance and the initial inflow from the sale of the pellet business, although limited by the high CapEx of € 216.5 million, allowing a dividend payment of € 200 million and a € 10 million reduction to net debt.

We proactively continued with the M2 operating excellence and cost savings programme, with a positive YoY impact on EBITDA of € 21 million.

These robust, sustainable financial results – which benefited from highly favourable developments in pulp and paper prices, offsetting the loss in the available volume for sale from scheduled and unscheduled shutdowns – are also due to the efforts of our people who, under both positive and negative outside circumstances, have demonstrated their ability to surpass goals and make the most out of current circumstances.

Fully aware of the importance of Employee motivation and achievement, we continued our policy of solid focus and investment in our people in 2018. We restructured our commercial and corporate areas, continuing to focus on diagnosing the potential of our Employees. In the area of training, we had several leadership training initiatives, and reinforced our focus on technical training by developing the Learning Centre.
We successfully strengthened our internal mobility, thanks to the work done in talent management. We also continued our rejuvenation programme to support senior Company Employees with a desire to start a new phase in their life. In recent years, under this rejuvenation programme, the average age of the Company's Employees has dropped by around four years, with a positive balance of 955 new Employees.

Navigator's vision, mission and values are our defining attributes; for this reason, they must be known and embraced by our Employees. Along these lines, over the course of 2018, we held 54 "multiplier effect" sessions involving more than 2,000 Employees to work on the values of excellence, trust and sustainability.

The policy we have pursued – entailing solid investment and special attention on the management, motivation and personal and professional enhancement of people – has been the key in our ability to overcome difficulties and achieve our economic and financial results, since more motivated people with ongoing technical and leadership training are clearly a decisive factor in companies' success, especially in a global world such as the one we now live in.

In tandem with our investments in managing people, 2018 also saw the expansion of our industrial complex, with the completion of the investment in our new tissue paper mill in Aveiro, allowing us to double our production capacity in this segment and positioning us as the leading player in Portugal and third largest player on the Iberian Peninsula, an investment of around € 125 million, plus an investment of around € 80 million in modernising our Figueira da Foz industrial complex, equipping it with more and better technology, increasing our pulp production capacity by 70,000 tonnes and significantly improving our environmental impact.

Also in Setúbal, we reconverted paper machine 3 to produce heavyweights, positioning us as a producer with a complete range on the market, and serving as a key competitive advantage.

In the area of research, we laid the groundwork, in conjunction with the Universities of Coimbra and Aveiro, for cutting-edge work in technology research and development to boost our future competitiveness and work in new business areas, such as the bioeconomy, based on the natural resource of the forest. The Inpactus project, under the responsibility of the RAIZ research institute, is the biggest R&D investment ever made in Portugal. With a budget of € 15.3 million and 180 researchers, including 41 scholarship holders, this mission reinforces our Company's ties to universities and other key partners from the world of science and new technology development.

2018 also saw the Company's entry into new business areas and the bioeconomy. A solid focus on diversifying business in areas of the bioeconomy, by developing processes to use fibre in new products such as essential oils and bioethanol, is now a reality at the Company, allowing us to be promoters and partners in new business pursuits.

The year also saw a solid focus on sustainability, one of the cornerstones of our business involving our Company and each and every one of our Employees. Along with existing partnerships with outside entities such as the Nature and Forest Conservation Institute, Nature Protection League, Calouste Gulbenkian Foundation and others, our constant aim is to uphold the so-called "social licence to operate" through initiatives such as “Love the Forest”, our corporate volunteer programme in which many of our Employees participated, proactively engaging a number of local communities.

Once again, we stand before our stakeholders with the satisfaction of mission accomplished and financial results unparalleled in our Company’s history.

We have resisted major adversities and are now even better prepared. Our people are highly committed, rejuvenated and capable of facing the challenges of the future. On the Company’s agenda, in a decisive manner, is a solid focus on motivating and training our people, bolstering our investments in research, and taking the first steps in developing new businesses. And ever more demanding future can be seen every day. With this decisive focus on people and innovation, we will be able to overcome the challenges of an increasingly more demanding world.

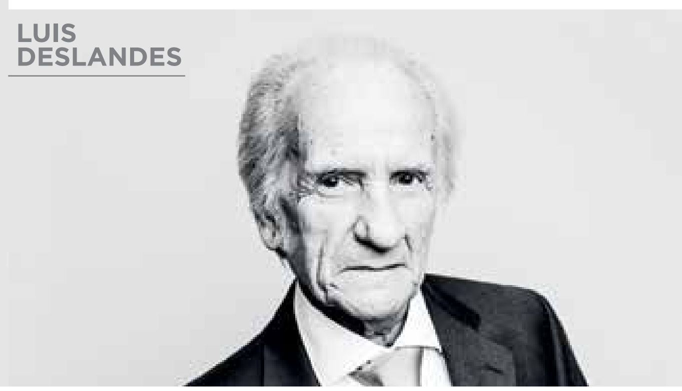
Setúbal, 12 March 2019

Diogo da Silveira
Chief Executive Officer

BOARD OF DIRECTORS


JOÃO CASTELLO BRANCO


DIOGO DA SILVEIRA


LUIS DESLANDES

ANTÓNIO REDONDO

FERNANDO ARAÚJO

NUNO SANTOS

JOÃO PAULO OLIVEIRA

ADRIANO SILVEIRA

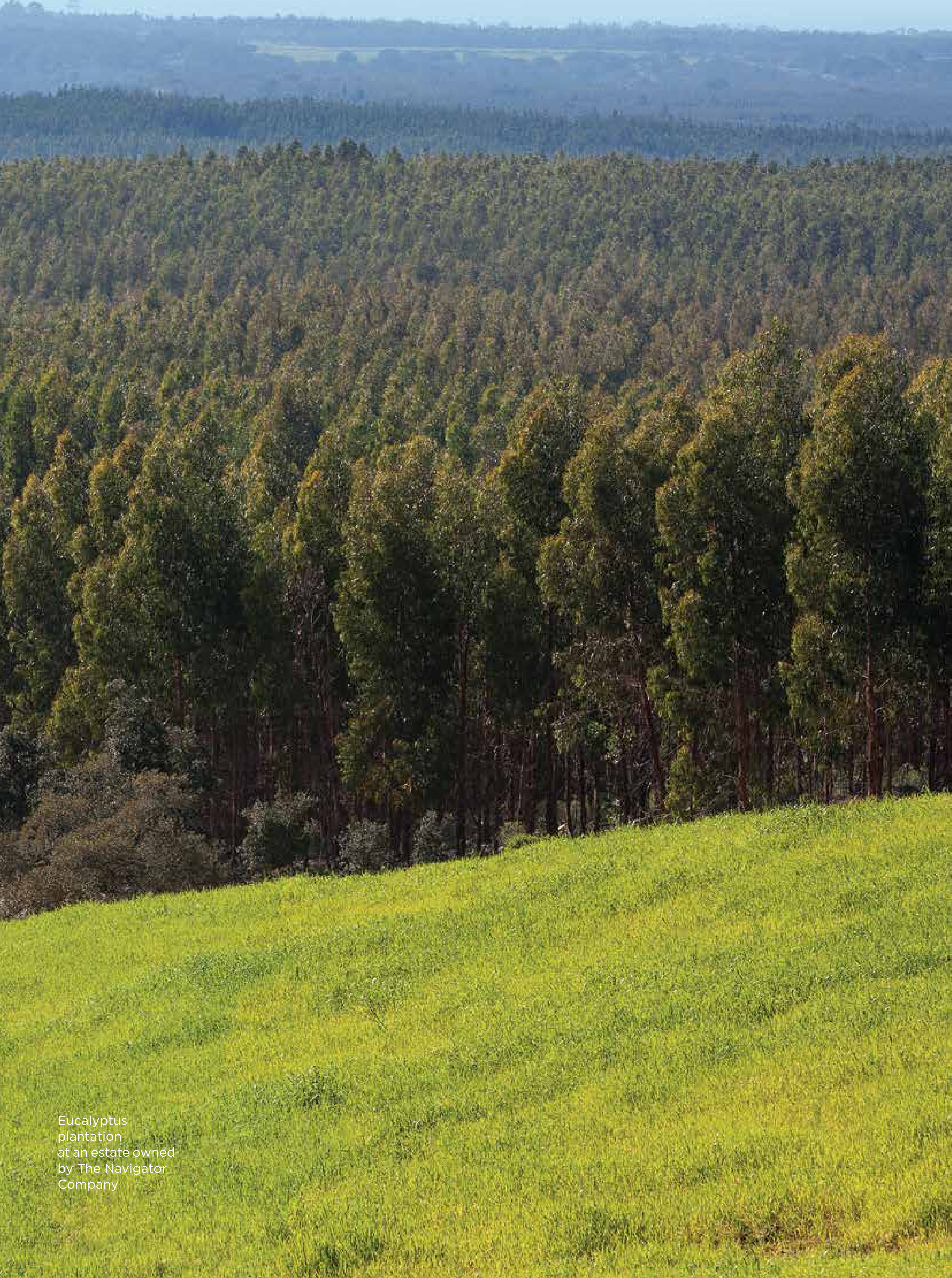
MANUEL REGALADO

JOSÉ MIGUEL PAREDES

MIGUEL VENTURA

RICARDO PIRES

VITOR NOVAIS GONÇALVES



Eucalyptus plantation at an estate owned by The Navigator Company

03

NAVIGATOR IN 2018

2018 saw highly positive financial performance compared to 2017:

Turnover of
€ 1,692 million (+3.3%)

EBITDA of
€ 455 million
and EBITDA/Sales margin of 26.9%

Net results of
€ 225.1 million
(+8.4%)

Free cash flow of
€ 211.1 million
(+€ 13 million)

CapEx of
€ 216.5 million
(+€ 101.8 million)

€ 200 million
in dividends paid

Net Debt/EBITDA of
1.5 x

ROE of
19.0%

ROCE of
16.2%

The Group's business had the following milestones:

Sale of the pellet business in the USA in the first quarter, with a **positive impact** of

€ 13.3 million

on EBITDA

Planned and unplanned production shutdowns over the year, with impacts on available volumes for sale

Passage of **Hurricane Leslie** through Figueira da Foz in October, resulting in a mill shutdown lasting nearly one week

Rising pulp prices in the international market hit record highs

Leadership of four **UWF** paper price increases in Europe

Signing of an MoU with the **Mozambican government** in July

Impact of changes of **anti-dumping** duty on paper sales to the USA in August, with a final duty amount for the first period of 1.75% as of October

Completion of the 2018 **cost savings** programme, with savings of € 21 million

Completion of the growth and **development plan** for 2018 with a total annual CapEx of around

€ 216.5 million

including € 129 million in expansion:

increased pulp capacity in Figueira da Foz to 70,000 tonnes, completed in May

completion and **launch of the new tissue mill** in Aveiro, with the launch of converting lines in May and July, and reel production in September

partial reconversion of PM3 in Setúbal to **heavyweights** in December

Cork oak plantation at an estate owned by the Company

04
BUSINESS MODEL AND VALUE CREATION

The Navigator Company is an integrated forestry, pulp, paper, tissue and energy producer whose business is rooted in large-scale modern factories with cutting-edge technologies, serving as a benchmark in quality for the sector. The Company's business model revolves around a raw material of excellence – Eucalyptus globulus – whose intrinsic features allow a strategy of differentiation to be pursued, based on high-quality products which today are an international benchmark in this sector.

Leader in uncoated woodfree paper production

With a total production capacity of 1.6 million tonnes of paper per year, the Group is Europe's biggest producer of uncoated woodfree (UWF) printing and writing paper, and the sixth largest in the world. The Navigator Company is also Europe's top manufacturer of bleached eucalyptus pulp (BEKP), producing 1.6 million tons each year, of which roughly 80% is integrated into paper production. The Company recently entered into the tissue business, and currently as a production capacity of 65,000 tonnes of finished product per year at the Vila Velha de Ródão Industrial Complex, and 55,000 tonnes the new Aveiro Industrial Complex. The Group is also a key producer of energy, producing around 2.5 Twh of electricity each year, and accounting for around 4% of Portugal's power production and 52% of energy produced from biomass.

With sustainability as a central pillar of its operations

The Company is Portugal's third largest exporter, accounting for approximately 1% of GDP and 2.4% of all Portuguese exports of goods. The Navigator Company has more than 110,000 hectares of woodlands under its management and Europe's largest certified nursery facility, able to produce 12 million plants a year. With a vertically integrated forestry

The Navigator Company belongs to an elite group of companies with an 'A' rating in climate change

The Navigator Company was recognised by the Carbon Disclosure Project (CDP) as a world leader in the field of corporate climate response, achieving a prominent place on this organisation's 'A' list of climate change leaders.

The Company was acknowledged for its work over the past year to reduce emissions, decrease climate risks and develop an economy with a low carbon impact, according to 2018 data published by the CDP.

Although Navigator is truly proud of this international recognition by the CDP, it strives to go even further, since its goal is to be a carbon-neutral Company by 2035.

In turn, the CDP reiterated that, as the seriousness of environmental risks to the business is becoming increasingly clearer, these are the companies positioning themselves as the providers of solutions. In fact, they are companies which are taking advantage of new market opportunities and are working towards a transition to a sustainable economy.

The CDP publishes the 'A' list of climate change leaders every year, along with similar lists for leadership in forest protection and water security. Note that the CDP evaluates companies for the scope of their dissemination, their awareness and management of environmental risks, their best environmental leadership practices and their setting of significant and ambitious targets.

business, the Group has its own Forestry Research Institute, called RAIZ, a worldwide benchmark in the genetic improvement of Eucalyptus globulus and manages vast tracts of Portuguese woodlands, 100% certified under the international FSC® (FSC C010852) and PEFC™ (PEFC/13-23-001) schemes.

At the start of 2019, The Navigator Company was rated by the Carbon Disclosure Project (CDP) as a world leader in fighting climate change, achieving a prominent place on this organisation's "A" list. The Company was recognised for its efforts, in 2018, to reduce emissions, decrease climate risks and develop an economy with a low carbon impact, and was the only Portuguese Company to receive the highest rating.

The Navigator Company is also an excellent example of the circular economy since it uses renewable resources in an efficient way, on a cascade basis. The wood used in the Company's processes is sourced from forests under certified management which are constantly renewed. Furthermore, 90% of the raw materials used are renewable, including forestry raw materials, and roughly

70% of the energy consumed is derived from forestry biomass. Navigator also has a policy for preventing waste production, while the waste which is produced is, for the most part, recovered. In 2018, approximately 79% of waste from biological sludge of the WWTP was integrated and treated at the Figueira da Foz Industrial Complex Recovery Boiler.

Its products are sold all over the world

With a turnover of approximately € 1.6 billion, roughly 91% of the Group's pulp, paper and tissue products are sold outside Portugal and shipped to approximately 130 countries. The Company's main markets are Europe (64%), Africa (12%), the Middle East (10%) and North America (9%). The Navigator Company has pursued a successful strategy of innovation and of developing proprietary brands and premium products, which has resulted in a Western European market share of 19% for UWF, with roughly 54% in the premium segment and with proprietary brands accounting for 69% of its sales.

Developing new opportunities for growth and diversification

As part of its growth and development strategy, the Company purchased the Portuguese tissue manufacturer AMS, located in Vila Velha de Ródão, in 2015. At the start of 2017, the Company decided to move forward with a new tissue line with a 70,000 tonne production capacity, incorporated into the Aveiro pulp mill, which was launched starting in the second half of 2018. One of the expansion and development projects completed in 2018 was increasing the pulp capacity at Figueira da Foz by roughly 70,000 tonnes. Following the construction of a chip mill, the Company also has a long-term project to create a forestry base in Mozambique, including the option of building a high-capacity pulp mill.

Listed on Euronext Lisbon since 1995, The Navigator Company has stock market capitalisation of approximately € 2.6 billion (at year-end 2018); its majority shareholder is Semapa SGPS, with a holding of 69.4%.

Company Directors Forum

Our organisation

Group throughout the world

■ SUBSIDIARIES

● OFFICES

▲ INDUSTRIAL UNITS

● R&D AND NURSERIES

EUROPE:
Amsterdam
Aveiro
Cologne
Figueira da Foz
London
Madrid
Moscow
Paris
Setúbal
Verona
Vila Velha de Ródão
Vienna
Warsaw

USA & SOUTH AMERICA:
Dallas
Mexico City
Norwalk

ASIA:
Dubai
Istanbul

AFRICA:
Casablanca
Maputo

R&D AND NURSERIES:
Caniceira Nurseries
Espirra Nurseries
Ferreiras Nurseries
Luá-Gurué Nurseries
RAIZ

BUSINESS AREAS

Research and Development | Agro-forestry | Pulp Production and Sales | Paper Production and Sales | Tissue Production and Sales | Energy

Organização interna

R&D + i

Aveiro | RAIZ | Forest and Paper Research Institute

Forest

110,000 ha
Forests with certified management in 165 municipalities

12 million
Plants at the nurseries in Espirra, Caniceira and Ferreiras

Pulp

Setúbal and Figueira da Foz *(integrated pulp)*
Aveiro *(Market pulp)*

1.6 million tons
(of which 20% is Market Pulp)

UWF Paper

Setúbal
Figueira da Foz

1.6 million tons

Tissue Paper

Vila Velha de Ródão | 65,000 t of finished product

Aveiro | 55,000 t of finished product

Energy

2.5 TWh
Electricity

International Project Mozambique

Mozambique

173,327 ha
in Zambézia province

182,886 ha
in Manica province

12 million
plants at Luá Nurseries

Note: The above figures refer to the annual production capacity

ECONOMIC AND FINANCIAL INDICATORS

MILLION EUROS

	2014	2015	2016	2017	2018
Total sales	1 542,3	1 628,0	1 577,4	1 636,8	1 691,6
EBITDA (1)	328,4	390,0	397,4	403,8	455,2
Operating earnings (EBIT)	218,3	282,9	230,4	255,0	303,2
Financial earnings	-34,2	-50,3	-20,8	-7,7	-22,5
Net Profit	181,5	196,4	217,5	207,8	225,1
Cash Flow (2)	291,6	303,6	384,6	356,6	377,2
Investment	50,3	148,5	138,6	114,7	216,5
Net debt (3)	273,6	654,5	640,7	692,7	683,0
Net assets	2 708,3	2 429,9	2 409,1	2 427,6	2 549,8
Liabilities	1 254,6	1 215,6	1 175,9	1 248,0	1 362,6
Equity	1 453,7	1 214,3	1 233,3	1 179,6	1 187,2
Gross Debt	773,2	727,1	708,3	818,1	763,8
Cash and Cash equivalents	499,6	72,7	67,6	125,3	80,9
Treasury stock (market value) (5)	155,8	181,6	1,6	2,1	3,1
Own shares held on Dec-31st	50,5	50,5	0,5	0,5	0,9

	2014	2015	2016	2017	2018
EBITDA / Sales (%)	21,3%	24,0%	25,2%	24,7%	26,9%
ROS (%)	11,8%	12,1%	13,8%	12,7%	13,3%
ROE (%)	12,4%	14,7%	17,8%	17,2%	19,0%
ROCE (%) (4)	12,4%	15,7%	12,3%	13,6%	16,2%
Equity to assets ratio	53,7%	50,0%	51,2%	48,6%	46,5%
Net debt / EBITDA	0,83	1,68	1,61	1,72	1,50

MILLION EUROS

	2014	2015	2016	2017	2018
Net earnings per share	0,253	0,274	0,303	0,290	0,314
Nº of market shares (million)	717,0	717,0	717,0	717,0	716,6
Cash flow per share	0,407	0,423	0,536	0,714	0,526
EBITDA per share	0,458	0,544	0,554	0,808	0,635
Dividend per share (6)	0,280	0,614	0,237	0,349	0,279
Book value per share	2,027	1,694	1,720	2,362	2,378
Share price at year end	3,085	3,596	3,265	4,226	3,600

(1) Operating results + depreciation + provisions
(2) Net profits + depreciation + provisions
(3) Interest-bearing liabilities - Cash and cash equivalents
(4) Operating results / (average equity + average net debt)
(5) During 2016, 50 million of own share were cancelled through the reduction of share capital
(6) On December 2015, the Group anticipated a dividend payment of 130 million euros relative to 2016 (equivalent to 0.1813 euros per share); if adjusted, dividends would be 0.433 euros per share in 2015 and 0.4184 euros per share in 2016


NAVIGATOR
Universal
Office Paper Solutions
80

05 BUSINESS DEVELOPMENTS • MARKET STATUS

OUR RESULTS IN 2018

MILLION **EUROS**

	YEAR 2018	YEAR 2017	% CHANGE[8] YEAR 2018 /YEAR 2017
Total Sales	**1 691,6**	**1 636,8**	**3,3%**
Published EBITDA [1]	**455,2**	**403,8**	**12,7%**
Recurring EBITDA [2]	**460,0**	**403,8**	**13,9%**
Operating earnings (EBIT)	303,2	255,0	18,9%
Financial Results	- 22,5	- 7,7	-
Net Profit	**225,1**	**207,8**	**8,4%**
Cash Flow	377,2	356,6	20,6
Free Cash Flow [3]	211,1	198,1	13,0
Investment	216,5	114,7	101,8
Net debt [4]	**683,0**	**692,7**	**- 9,8**
EBITDA/Sales	**26,9%**	**24,7%**	**2,24**
ROS	13,3%	12,7%	0,62
ROE [5]	19,0%	17,2%	1,80
ROCE [6]	16,2%	13,6%	2,58
Equity to assets ratio	46,5%	48,6%	-2,03
Net debt/EBITDA [7]	**1,50**	**1,72**	**-0,22**

[1] Operating results + depreciation + provisions
[2] Recurrent EBITDA excludes the impact of the sale of pellets business + anti-dumping duty
[3] Net debt + dividends + purchase of own shares
[4] Interest-bearing net debt – liquid assets
[5] ROE = Annualized net profit / Average Shareholders' Funds last 12 months
[6] Annualized operating profit / Average Capital Employed last 12 months
[7] EBITDA corresponding to last 12 months
[8] Variation in figures not rounded up/down

In 2018, The Navigator Company had turnover of € 1,692 million, achieving record sales, and up 3.3% over 2017. With sales of € 1,248 million, the paper segment accounted for 74% of turnover, with energy coming in at 10% (€ 172 million), pulp around 10% as well (€ 167 million), and the tissue business at 5% (€ 91 million). The period saw a positive upswing in the prices of UWF paper, BEKP pulp and tissue, with lower volumes available for sale due primarily to production shutdowns during the year.

5.1. UWF PAPER

The sale price of paper benefited from an improved product mix

In the paper business, UWF sales totalled 1,513,000 tonnes, down 4% year-over-year, primarily due to production deviations from unscheduled shutdowns. In the wake of several price increases over the year in Europe and other regions, Navigator benefited from an 8.5% increase in the average price compared to 2017, quantitatively offsetting the lower sales volumes, and resulting in a sales increase of 4% to € 1,248 million. This increase is higher than the changes in the European reference index – FOEX A4 B-copy – which was up 7.1% to € 873/t in 2018, and was positively influenced by the important improvement to the product mix in terms of quality (54% premium sales versus 49%) and the weight of proprietary brands (69% versus 62%), and negatively impacted by changes in the EUR/USD exchange rate (averaging 1.1815 in the period compared to 1.1292 in the previous year).

Europe continues to be Navigator's main market, where 58% of sales occurred in the premium segment in 2018 even though, in pursuit of its goal of diversifying customers and regions, the Company had channelled more than 40% of its sales to markets outside of Europe in 2018, where the premium segment accounted for 49% of sales. Globally, Navigator sold paper to more than 130 countries and autonomous territories.

Its ongoing focus on product innovation led Navigator to invest in expanding its range of grammages produced in-house by upgrading paper machine #3 in Setúbal to produce heavyweights at the end of the year.

In 2018, global UWF demand was down slightly compared to the previous year (around 1%), due to the negative performance of demand in Europe and the USA, down roughly 4.3% and 1.9%, respectively, while benefiting from growth of around 1% in demand from emerging markets. In view of the high price of paper pulp in the first three quarters of the year, every region in the world saw price increases during this same time, with a downward correction in Asia in the last months of the year.

With regard to supply, major disinvestments occurred in the USA, namely in the second quarter, with the end of UWF production at the Georgia-Pacific Camas mill and subsequent announcement of its complete withdrawal from the UWF business in 2019. Conversely, Chenming launched two paper machines in China in the summer of 2018 with a total annual capacity of 1 million tonnes.

PAPER

IN THOUSANDS OF **tAD**

	2015	2016	2017	2018
Figueira da Foz	765	767	771	744
Setúbal	806	820	822	791
Total Paper Output	**1,571**	**1,587**	**1,593**	**1,535**
Total Paper Sales	**1,555**	**1,587**	**1,578**	**1,513**
FOEX – A4- BCopy Eur/t	**822**	**824**	**815**	**873**

5.2. BEKP PULP

The positive upswing in pulp prices offset lower production available for sale

In the second quarter of 2018, Navigator began an extended shutdown of the pulp line at the Figueira da Foz mill for the purpose of maintenance, and to finish the planned increase to installed capacity and change the pulp production process. This was coupled with several shutdowns to the Setúbal pulp line in the first quarter for maintenance, requiring a production stoppage lasting longer than planned. The high number of lost days required (re-)stockpiling, namely to support paper production and put inventories back to adequate operating levels after hitting a record low in December 2017.

Production constraints strongly impacted the availability of pulp for sale over the year, particularly in the first nine months of 2018. In October, the passage of Hurricane Leslie through Figueira da Foz forced another production shutdown, although this mill was able to recover part of this volume in the fourth quarter. As such, Navigator's sales in 2018 were 253,000 tonnes, down 18.5% compared to 2017.

This lower volume was completely offset by the higher sales price, so that sales were quantitatively up 1% at around € 167 million.

The net sales price increase was due to market conditions – the average reference price index in the period, the FOEX BHKP Europe, rose 21% (€ 880/tonne versus € 729/tonne) – together with the higher weight of sales in value-added segments (décor and specialty papers) from 62% in 2017 to 73% in 2018. Because of this sales mix, the percent change in Navigator's average sale price surpassed that of the market (+25%).

Global market conditions for chemical pulp were positive in the first nine months of 2018, with demand for pulp for market exceeding 2% according to data from the Pulp and Paper Products Council (PPPC). This trend was reversed in the last quarter of the year, with demand shrinking around 2% year-over-year (December 2018 estimate).

Global demand for BEKP pulp was up more than 5%, particularly in China (on the order of 14%), primarily driven by new investments in tissue capacity, estimated at 1.3 million tonnes in 2018.

In terms of demand, there were some conditioning factors (planned and unplanned shutdowns) which withdrew an estimated 1.9 million tonnes of hardwood pulp and 1.0 million tonnes of softwood pulp from the market.

PULP

IN THOUSANDS OF **tAD**

	2015	2016	2017	2018
Aveiro	296	341	354	358
Figueira da Foz	580	586	593	575
Setúbal	548	543	542	519
Total Pulp Output	**1,424**	**1,470**	**1,489**	**1,452**
Total Pulp Sales	**253**	**291**	**311**	**253**
FOEX – BHKP Eur/t	**705**	**628**	**729**	**880**
FOEX – BHKP USD/t	**784**	**696**	**819**	**1,038**

5.3. TISSUE

The tissue business saw an upward adjustment to the average sales price compared to 2017 (+7.5%) due to an improved product mix, with fewer reels and a higher percentage of finished product, together with implemented price increases. The sales volume was 63,000 tonnes, up 14% over 2017, including the sale of finished product from the Aveiro Industrial Complex. Tissue sales for the year thus totalled around € 91 million, up 22% over 2017. The higher average tissue price was not enough, however, to absorb the 30% rise in production costs due to pricing developments in several chemical products and, in particular, changes in the price of hardwood pulp (which impacted the Vila Velha de Ródão Industrial Complex) as well as softwood pulp.

The European tissue market is one of the most mature, with a CAGR of 1% in line with GDP.

The installed capacity of tissue reel production on the Iberian Peninsula has grown by around 300,000 tonnes in the past two years (82,000 tonnes in 2017 and 218,000 tonnes in 2018), aimed at three different purposes: reducing the dependency on converting external reels (outsourcing of paper raw materials in reels); higher capacity and efficiency of converting to Iberian sales, and higher reel exporting capacity (primarily to the United Kingdom).

The higher sales volume has resulted in growth in several markets, particularly international markets such as France and Spain, the latter up 30% in 2018 and accounting for 35%

of Navigator's tissue sales. In the Portuguese market, the Group saw 20% growth, representing a weight of 50% of sales (down from 60% in 2017).

In terms of segments, Navigator grew in two major channels – At Home and Away From Home –, with 71% growth in the At Home Consumer channel, accounting for 40% of sales.

TISSUE

IN THOUSANDS OF **tAD**

	2015	2016	2017	2018
Reels output	33	47	56	72
Finished product output	35	42	49	66
Sales of reels and merchandise	2	9	7	2
Finished product sales	37	42	48	61
Total tissue sales	**39**	**51**	**55**	**63**

5.4. ENERGY

Energy business benefits from higher sales price

In the energy business, the Group saw a 3,5% increase in electricity sold to € 173 million, primarily due to the higher sales price, since electricity associated with operating natural gas combined-cycle power plants benefited from the sharp rise in the Brent reference price compared to the previous year, around 32%, directly impacting the sales reference rate. Despite this increase, Navigator's total gross electricity production in 2018 was down 1.6% year-over-year, mostly due to unplanned shutdowns, although reaching a total production amount of 2.19 TWh.

2018 also saw the commissioning of the Herdade de Espirra solar power plant, with nearly 350 solar panels operating on a self-consumption basis, with installed capacity of 112.6 kW in an approximate area of 1,250 m2. This represents one more step in Navigator's objectives to produce power from renewable sources, having already established the largest photovoltaic plant in 2016 in an in industrial environment in Portugal at the ATF (About the Future) Setúbal paper mill, with 8,800 solar panels and output of 2.2 MW.

ENERGY

IN**Gwh**

	2015	2016	2017	2018
Output (Gwh)	2,292	2,114	2,227	2,191
Sales (Electricity)	1,961	1,641	1,785	1,762

5.5. FINANCIAL PERFORMANCE

Navigator's EBITDA grows 13%

In 2018, Navigator had an EBITDA of € 455.2 million, compared to € 403.8 million in 2017, up 12.7%, together with an EBITDA/sales margin of 26.9% (versus 24.7%). The EBITDA in this period includes the positive impact of the sale of the pellet business in the USA (around € 13.3 million, net of adjustment costs) and the negative impact of the anti-dumping duty (around € 18 million). Without these impacts, the 2018 EBITDA would be € 460 million (+14%), with an EBITDA/Sales margin of 27.2%.

The accounting impact of anti-dumping negatively affected EBITDA by € 18 million and includes € 3.6 million for the retroactive application of the 1.75% rate on sales from the first period of revision between August 2015 and February 2017. The total impact of anti-dumping also includes an additional € 14 million for the application of a new estimated rate for the second and third periods of revision, which the Company prudently decided to reflect in its results.

Production costs are still negatively affected by the negative trend in chemical products (cumulatively € 10 million), impacting the variable unit costs for pulp, paper and tissue production. Fibre costs also rose by around € 14 million, primarily due to the acquisition of short fibre for tissue production at the Vila Velha de Ródão Industrial Complex, as well as the acquisition of long fibre. In the area of fixed costs, the item "Staff" had the most significant increase (+€ 9.2 million), due to higher estimated performance bonuses from the Group's positive performance, the higher number of Employees with the new tissue project in Aveiro and the rejuvenation programme in progress.

In this context, Navigator proactively continued with the M2 operating excellence and cost savings programme, with a positive YoY impact on EBITDA of € 20.8 million. Approximately 99 new cost savings initiatives were developed since the start of the year, with 84 contributing positively towards this impact. Some of this year's more noteworthy initiatives involve the reduction of long fibre consumption at the Figueira da Foz Industrial Complex, resulting from operational control and team awareness activities, with an impact of € 2.5 million during the year, and the new scrap pile management system at this same industrial complex, which generated associated savings of € 2 million by reducing the specific consumption of wood. In addition, there were projects involving the entire Group to optimise logistical routes for maritime and road transport, contributing towards a savings of € 2.2 million.

Financial results negatively impacted by exchange results

The financial results were € -22.5 million (versus € -7.7 million). Despite the positive progress in the cost of the Group's financing transactions, a number of factors negatively affected the financial results, including: (i) negative impact of € 10 million from the exchange results in relation to the 2017 result, due to hedging programmes carried out by the Company, largely offset by the value of sales, (ii) negative impact of € 3.3 million of the results of surplus liquidity transactions, in the context of an overall downturn in the financial markets, and (iii) recognition, at the end of the first quarter, of € -1.5 million from the difference between the nominal value and present value of the pending receivable from the sale of the pellet business ($45 million).

Solid cash flow generation

The free cash flow generated, totalling € 211.1 million (versus € 198.1 million), was supported by positive operating performance, together with the initial inflow from the sale of the pellet business in the first quarter (in the amount of € 67.6 million). Conversely, it was limited by high CapEx, which was € 216,5 million (versus € 114.7 million), largely due to the construction of the new tissue mill in Aveiro and the expansion of capacity at the Figueira da Foz pulp mill.

Therefore, at year's end, the Group's net debt was € 683.0 million, representing a decrease of € 9.8 million compared to the end of 2017 (€ 692.7 million), which occurred despite the payment of € 200 million in dividends and carrying out of the above-mentioned investments.

The results before taxes were € 280.7 million (versus € 247.4 million), with taxes for the period negatively affected by the higher results (including the gain associated with the sale of the pellet business), the establishment of a collection of tax risk provisions and an increase in the local state tax.

In this way, the Group's 2018 net results were € 225.1 million, up 8% over 2017 (€ 207.8 million).

Capital market performance

2018 was a challenging year for the world's stock markets. With the exception of the Brazilian exchange, which was up roughly 15%, the majority of other exchanges were down more than 3%.

Worldwide trade tensions between the USA and countries such as China and Canada, the instability experienced in the Euro Area and ensuing slowdown of its economies, Brexit, social uprisings in France and political swings in Italy were just some of the factors which fed this negative atmosphere over the year.

In the pulp and paper sector, positive developments in prices and generally high prices over most of the year, particularly for pulp, positively affected the stock market

performance of producers. However, at the end of the year, a slowdown in global industrial activity – particularly in China – negatively impacted the sector and ultimately led to a general correction in stock performance.

In this backdrop, Navigator's stock price saw an upward trend in the first half of the year, hitting a record high of € 6.011/share on 13 June, right before the Company's payment of € 200 million in dividends. In the second half of the year, shares underwent a significant correction starting in August, after learning about the anti-dumping duty of 37.34% applicable to the Group's sales in the North American market, whose rate was later rolled back to 1.75%.

As such, Navigator's shares closed 2018 with a 15.33% loss from year-end 2017, and an average daily transaction volume of 811,000 shares, a transaction volume 25% higher than 2017.

At year's end, Navigator began to purchase treasury shares, having acquired around 374,000 shares as of 31 December 2018 for a total treasury share portfolio of 864,049.

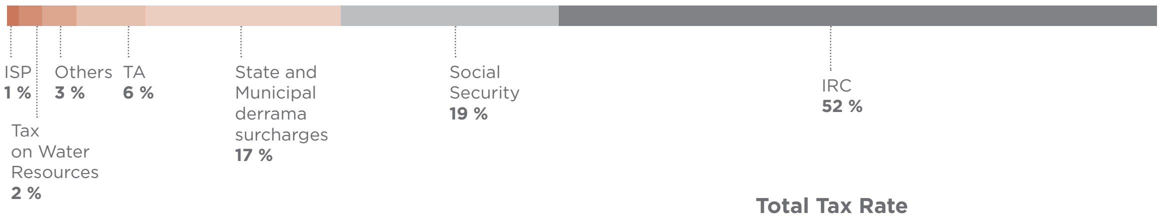
Navigator's contribution to tax revenue

Tax policy has a significant impact on the business community, affecting the entire value chain. In effect, within the scope of the activity carried out by companies within the Navigator Group, such entities incur a multitude of taxes, fees and contributions, with the Group representing an important national funder of public needs.

Aware of the role that it represented in the Portuguese business community, and as required from a transparency perspective by its stakeholders, Navigator in recent years has sought to determine its tax footprint, identifying the level of taxes it incurs economically and the values of tax that it collects and administers on behalf of the State or third parties.

As illustrated in the graph below, in 2018 there were more than 22 taxes, fees and contributions, as the Group's expense in that regard totalled € 101.7 million (2017: € 93.2 million), equivalent to an effective tax burden of 31.12% (2017: 32.84%) on pre-tax profit. This tax impact largely pertained to the Corporate Income Tax (IRC, including derrama surcharges (municipal and state) and Social Security contributions, which totalled € 70.6 million (2017: 56.2 million) and € 19.7 million (2017: 19 million), respectively.

SUPPORTED TAXS



Total Tax Rate

↑ 31,12%

It should be noted that the abovementioned value includes environmental taxes (including Tax on Petroleum Products, Tax on Water Resources/Fee on Public Maritime Domain and Fee on Public Water Domain, the Special Electricity Consumption Tax, the Special Contribution on the Energy Sector, Motor Vehicle and CO_2 Tax), with a reduction of approximately 50% from the previous year (€ 3.6 million versus 2017: € 6.46 million).

Navigator collected € 1,057 million (2017: € 590 million) on behalf of the State, with VAT once again accounting for the largest portion of that category (2018: € 1,018 million and 2017: € 551 million).

Also worth of mention is the stabilisation of the labour tax rate indicator (2018: 17.59% and 2017: 17.78%), corresponding to the ratio between tax on the labour factor (Social Security contributions by both the Company and Employees and Personal Income Tax [IRS] withholdings on revenue from employed work) and pre-tax profit.
In order to determine this information, some € 9.1 million in Social Security contributions made by Employees (2017: € 9 million) and € 28.7 million in IRS withholdings at source (2017: € 27.4 million), essentially on salaries, were also determined.

With respect to the geographic distribution in national territory of the taxes borne, including with respect to the municipal derrama surcharge, Municipal Real Estate Tax (IMI), Real Estate Transfer Tax (IMT) and municipal fees, the Group has the largest obligations in the regions of Setúbal, Coimbra, Aveiro and Castelo Branco, incurring taxes of € 2.4 million, € 1.1 million, € 0.8 million and € 0.1 million, respectively.

The Tax Footprint report assumes special importance with respect to the new era of tax digitalisation, to the extent that it contributes to the compilation and analysis of the main indicators and data that are reported for tax purposes. Accordingly, this trend facilitates the reduction of the tax burden on companies, and also brings the Company in line with the high level of investment in Tax Authority systems, reducing the risk of reporting information in a non-prudent manner.

Finally, the continuation of country-by-country tax reporting is worthy of mention, demonstrating that in 2017, the Company paid 93.78% of IRC in Portugal (2016: 93.62%), with obligations corresponding to 17 (2017: 16) jurisdictions in which the Company operates.

5.6. TRANSPORT AND LOGISTICS

With regard to outbound logistics in 2018 (paper, pulp and tissue paper), the Company transacted around 1.9 million tonnes transported between its industrial complexes and customers, to roughly 130 countries and 4,800 delivery points across five continents, along with around 200,000 tonnes from local logistics platforms for customers, primarily in the USA.

Of the 1.9 million tonnes shipped, mostly in paper, around 65% was via maritime transport by container (Europe around 40%) and 35% by road transport. Juxtaposed with these percentages in the paper business, the pulp business had around 92% via maritime transport and 8% via road transport (Spain), while the tissue business had 98% via road transport, mostly to Portugal, Spain and France. This commitment to maritime transport, mainly in the form of containerised cargo, has made The Navigator Company the leading export of containerised cargo in Portugal and very probably in the Iberian Peninsula, accounting in 2018 for approximately 6% of all cargo of this type exported through Portuguese ports.

5.7. CUSTOMERS

A close relationship with customers is a key factor in Navigator's strategy and value chain. Along these lines, the Company continued to implement several tools in 2018 to gauge the degree of customer satisfaction and thereby respond to them more effectively and assertively. Multidisciplinary work groups were also set up with several of Navigator's European Customers, including members from Navigator and these Customers, for the main purposes of finding collaborative strategies of mutual benefit, solving problems and analysing new opportunities.

In terms of international markets, there were 67 new UWF paper Customers, with a clear focus on bolstering the sales team in regions with the highest growth potential, such as Africa, the Middle East and Latin America. Navigator's strategy was also based on promoting and selling its proprietary brands and premium products in these markets, together with new products such as inkjet reels, paper for bags and heavyweights' papers.

In the area of paper pulp, 2018 was a year of consolidating the Company's position as a leading supplier of short-fibre pulps for the décor sector, in particular for the Munskjo Group, which has a solid relationship with the Company. Maintaining high quality standards, a differentiated proposition in terms of the end product and efficient service are key elements for Navigator in strengthening and improving its relationship with its customers.

Customer satisfaction survey

Navigator assesses customer satisfaction by regularly using confidential questionnaires in surveys conducted by independent bodies.

Among tissue Customers, for instance, the general degree of satisfaction remained above 60%, with noteworthy international growth, particularly in markets outside of the Iberian Peninsula, which accounted for 50% of the overall growth in this segment.

With regard to European Customers – in addition to the normal outstanding ratings for Navigator's product quality – the work, follow-up and proximity of the Navigator team also received very high scores.


Our estates
are home to an
exemplary range
of biodiversity

06 STRATEGIC PRIORITIES

6.1. FOREST AND RURAL ECONOMY

The forest and the sustainability of the forestry sector are a central strategic priority for Navigator, where the Company aims to promote best forestry and forest exploration practices, both in the area it manages and in other Portuguese forests.

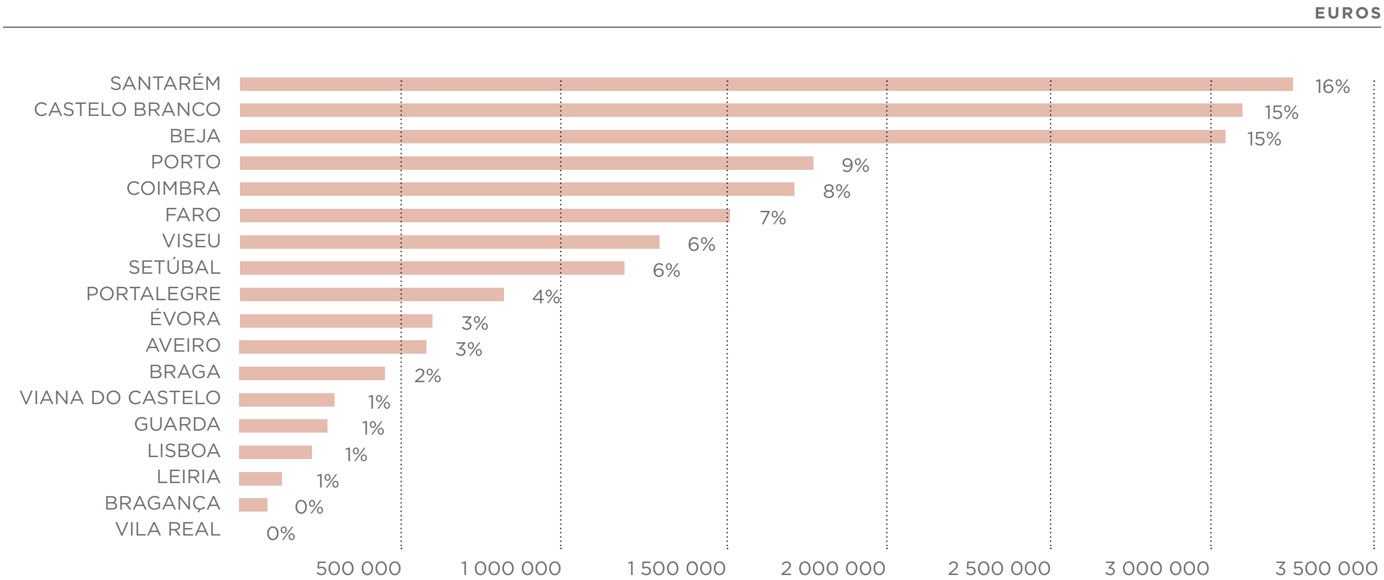
Its commitment to sustainable development, embraced by a simultaneous search for the economic prosperity of Navigator and the rural communities where it operates, environmental responsibility and social equity are decisive cornerstones in the strategy of the entire Company.

Navigator plays a vital role as a driver of wealth in the regions where it is found, managing more than 110,000 hectares of forest across the entire country (55% under its ownership and 45% under lease).

In this way, fostering the rural economy is a prevailing reality, promoting the management and enhancement of rural spaces (particularly those in its custody), and galvanising regional activities through the planting, running and exploration of these spaces.

In 2018, Navigator directly invested around € 28 million in this value chain in the 18 districts where it is found on mainland Portugal, with roughly 61% of these investments made in interior regions of the country.

VALUE CHAIN: NAVIGATOR INVESTMENT IN 18 DISTRICTS OF MAINLAND PORTUGAL



With regard to the nearly 50,000 hectares leased, fostering the rural economy not only entails land retribution for associated forested spaces, but also the work carried out by a number of local companies used by The Navigator Company to provide forestry and exploration services. Except when no local providers exist, all of the Company's management services for owned and leased areas are outsourced to local companies, thereby helping to develop a service provision sector revolving around the forest, which subsequently allows the provision of services to The Navigator Company and to third parties.

In 2018, the number of forestry and exploration service providers increased from 209 to 212.

Navigator 2018 forest management

110,425

total hectares of forest area

81,600
hectares of eucalyptus

1,600
hectares of cork oak

3,000
hectares of pine

900
hectares
of other species

8,500
hectares
of infrastructures

2,755
hectares of
other allocations

Genetic improvement enhances quality

Navigator has a collection of internal best practices for the genetic improvement of Eucalyptus globulus which contribute towards the success of eucalyptus plantations. 2018 was a turning point in this area, with major investments by the Group to share this knowledge with its outside partners.

The production of forest and ornamental plants at The Navigator Company's Aliança Nurseries is an important means of leveraging the productivity of forests managed by the Company, giving them outstanding growth rates and performance in the field. However, the quality of our clones, the upshot of 30 years of research and experimentation conducted by RAIZ, was still not enough to address the market's needs. This led the Company to invest in boosting the capacity of its nurseries in 2018, which went from 6 million clonal eucalyptus plants to 8.5 million per year.

All of the resulting added production will be directed towards the market, improving the genetic material available for planting. Furthermore, Navigator has also aimed to develop partnerships with other nurseries and implement collaboration programmes to give it access to better genetic material and better plant production techniques.

iPlant

The iPlant project will provide new genetic eucalyptus materials which are more productive, diversified and tolerant to adverse climate conditions, with wood properties suited to the production of pulp and paper using improved clonal material.

The project also includes an innovative system for producing medium/mini eucalyptus shoots from an operating standpoint, improving the productivity of the mother plants, the rooting of the shoots and the quality of the plants leaving the nursery.

Wood supply

The Navigator Company is the biggest private forestry producer in Portugal, efficiently and responsibly managing more than 110,000 hectares of owned and leased forested areas. With its own forestry policy and Code of Best Forest Practices, the Company demonstrates its concern for preserving forest spaces, which lie at the very heart of its business.

Its industrial complexes are supplied with wood from the areas it owns in the national territory, together with wood from leased areas in Portugal (which the Company is currently expanding into Spain), a supply source which the Company wishes to grow. This entails the leasing of new woodlands from owners not wishing to manage their own properties. This additional leasing will also allow The Navigator Company to make a major expansion to its presence in the national territory.

A second supply source, accounting for more than 50% of all wood delivered to its industrial complexes, is the domestic market, this time by means of thousands of independent producers who sell Eucalyptus globulus to Navigator. This is followed by Galicia and Andalusia in the Spanish market, and finally the market outside of the Iberian Peninsula, particularly Latin America.

This purchasing cycle in the domestic market is yet another example with relevant impacts on the rural economy, since two thirds of the raw materials consumed by the Company originate from national sources, and only 12% from the areas under the Company's management.

A question of logistics

Because of its major weight on the final cost of wood, managing the logistical chain is one of the main concerns of Navigator which, throughout 2018, has worked on improving the entire process by reducing the number of kilometres travelled by this raw material.

With three destination industrial complexes and an extremely varied range of points of origin, the Company has determined, based on origin, the wood delivery location to reduce kilometres travelled. From an economic standpoint, there have been countless advantages, starting with cost optimisation,

The Nurseries of Navigator have a capacity of production of 12 million of forest and ornamental plants /year, including 6 million eucalyptus clonal, 30 forest species, 130 species ornamental and 5 varieties of Olive tree.

but also including a reduction to the carbon footprint and corresponding emissions.

Technology advancements have also played a key role from a logistical standpoint, where The Navigator Company has used a navigation system to more effectively manage kilometres travelled. This technology has provided insights into the origin of wood, eliminating the need for checkpoints, and allowing it to move on directly to the respective industrial complex.

Railway comes to Aveiro

The Navigator Company's Aveiro Industrial Complex, further north in the country, previously had no means of railway transport for the delivery of wood. This gap was bridged in 2018, opening a new gateway for the receipt of raw material, in this case originating from Galicia.

A business which goes beyond borders

Navigator's business strategy is strongly rooted in Portugal, but also involves other points of the globe. Right next door in Spain, there are two strategic regions for the procurement of wood: Galicia and Andalusia.

Because of its great proximity, and because its forested lands have characteristics quite similar to those of northern Portugal, Galicia was the target of a specific project in 2018 which, once completed, will have major impacts on this region's rural economy. Navigator will begin managing forested lands in Galicia, much like in Portugal, through leasing from land owners. In this way, the Company will export its knowledge to Galicia, making its forest management more professional and even more productive.

Promoting forestry certification

The Company's forest management model has been certified since 2007, for all its woodland holdings in Portugal, in a commitment which is renewed annually. The Navigator Company's forest management is endorsed under two leading international schemes: the Forest Stewardship Council® (FSC®[1]) and the Programme for the Endorsement of Forest Certification schemes™ (PEFC™[2]).

At the same time, Navigator works to promote certified forest management in areas not under its direct management. This incentive programme for the use of FSC and PEFC forestry certification systems, which began some time ago, in areas not directly managed by the Company, is aimed at more widespread use of best forest management practices, as recognised through certification. 2018 was a year of strengthening and doubling efforts in this domain, with the purchase of wood under certified management increasing from 27% in 2017 to 42% in 2018.

This undertaking is accomplished through partners. Reaching forestry producers is essential; this has been possible by galvanising the intermediaries involved in wood acquisition through specific business incentives and cooperation agreements with forestry producer organisations, certification groups and other entities. As such, working together, it has been possible to finance a set of dissemination initiatives, improve technical services and train human resources, done by associations with greater reach among forestry producers, while simultaneously

[1] Licence no. FSC C010852

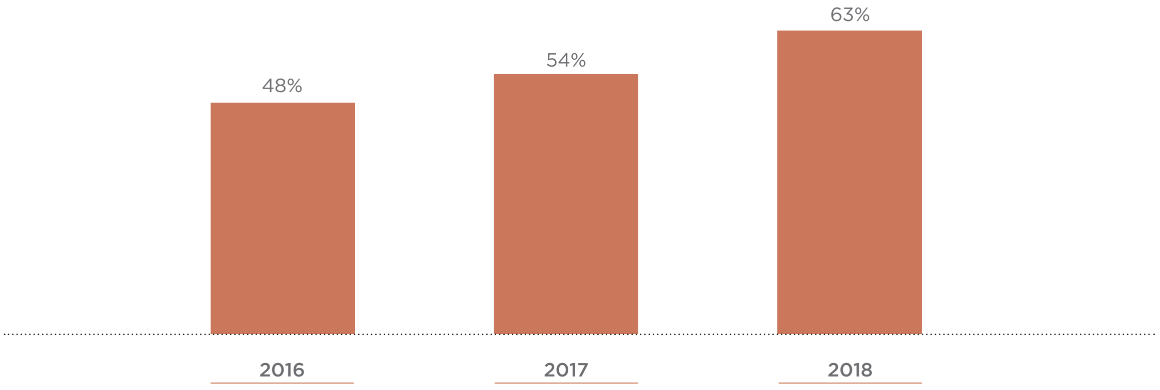
[2] PEFC/13-23-001

promoting the local economy and further stabilising local communities.

Also in the area of forestry certification, the experience in Spain has been quite different, where 99.9% of the wood purchased in Galicia and 75% of the wood purchased in Andalusia by Navigator has a seal of certification. From one side of the border to the other, The Navigator Company carried out a number of initiatives in 2018 to foster forestry certification and encourage its adoption among landowners. The "Outgrowers" project is a good example, although limited to the national territory, since it combines market needs with concepts highly suited to forestry and the need for good forest management. Launched in 2018, Outgrowers aims to educate different target audiences, particularly less informed forest owners, about the importance of effective forest certification and management of their properties through the use of best forestry practices. The advantages for landowners not only include support from Navigator over the entire certification process, but also the sale of raw materials at a higher price.

Find out that... Navigator's certificate forest management system among several objectives has one, which aims to contracting services to local entities

CHANGES IN THE PERCENTAGES OF CERTIFIED WOOD RECEIVED AT NAVIGATOR'S INDUSTRIAL COMPLEXES



"Limpa e Aduba" ("Clean and Fertilise") Programme

In partnership with the Paper Industry Association (CELPA), Navigator has promoted greater proximity with local forestry producers by providing them with technical knowledge and best forestry and forest management certification practices. The "Limpa e Aduba" ("Clean and Fertilise") programme began in 2018 by identifying landowners to approach for the purpose of better forest management, decreasing the risk of fire and improving productivity. The idea entails maintenance practices for private eucalyptus, including the cleaning of sporadic vegetation and more effective selection of basal shoots. In return, Navigator financed the fertilising of their properties. Although 6,000 hectares were added to this programme in 2018, the medium-term plan is to include 100,000 hectares, thereby covering a significant portion of the market.

e-globulus

The e-globulus project is an online platform for transferring technical and scientific knowledge and customised eucalyptus recommendations for forestry producers. Developed by the RAIZ - Forest and Paper Research Institute from 2017 to 2018, the purpose of this innovative, user-friendly free platform is to stimulate technical planning for rural properties and carry out sustainable forestry operations from a technical, environmental and economic standpoint. Among other types of content, this tool considers forestry practice recommendations covering the various development phases of eucalyptus stands – installation, maintenance and coppicing until the cutting season.

Percentage of wood certification in the total market

Wood with certification in the national market:

42%

Total Wood with certification:

63%

Ongoing prevention

Forest management plays a predominant role in preventing fires, requiring careful, ongoing management of forests. Scientific research and practices in the field show that poorly managed forest stands accumulate fuels and react to fire in a very similar manner, regardless of the tree species.

In areas lacking care, more fires are sparked, while in areas with professional eucalyptus management, fires are less frequent and have fewer consequences. The burnt area of plantations with professional management, namely those owned by industrial companies involved in eucalyptus, has been less than 1% of the total managed area. Proactive management – i.e. human efforts to clean and care for the forest – significantly reduces the fire hazard. To this end, The Navigator Company invested more than € 3.3 million in 2018 in forest fire prevention and control through its involvement with Afocelca.

A series of key initiatives to decrease, prevent and mitigate the risk of fires once again occurred in 2018, including vegetation control and reducing the fuel load on the ground, suspension of operating activities on days with high weather hazards and maintaining water points, paths and firebreaks. These initiatives are carried out year-round by Navigator's production and forest management teams in coordination with local communities and agents (municipalities, fire-fighters, the National Republican Guard and other entities).

In an area exceeding 110,000 hectares, these efforts require an extensive team of technicians; when Navigator's resources are insufficient to carry out this management, outside resources must be employed. Dozens of companies have been hired throughout the entire country, increasing the number of people working with Navigator in this forest preparation to many hundreds. These are people who are familiar with the properties, previously involved in other related activities such as planting and fertilising, who now do this vegetation control work and, during the summer, are part of the fire-fighting teams of Afocelca (an incorporated joint venture of The Navigator Company and the ALTRI Group), whose mission is to help fight forest fires at the properties of the associated companies, in close coordination and cooperation with the National Civil Protection Authority.

These initiatives also have a truly important economic and social impact. On the topic of forest abandonment, there is much dialogue about the lack of life opportunities in the country's interior, which can be offset with this model. In other words, periodic structural prevention work and the work to fight forest fires can guarantee local employment and income throughout the entire year.

Prevention in numbers

In 2018, Navigator invested

€ 3.3 million

in wildfire defence

of which € 2 million *was spent on prevention (€ 1.05 million on cleaning and controlling undergrowth over 9,500 hectares and € 290,000 on conserving 3,150 km of forest tracks).*

6.2. BIOECONOMY

Bioeconomy, the future being built today

The use of forest biomass as a raw material for other industries has been a concrete reality for a long time. In the laboratories of RAIZ and partner universities of The Navigator Company, a number of experiments conducted prove that it is possible to replace products of petrochemical origin with others which are more sustainable, using waste from the pulp and paper industry. A number of projects are associated with this area, always tied to new uses of forest biomass, a raw material whose association has gone far beyond the paper industry for quite some time.

The search for value-added applications for a lower portion of waste generated is a constant concern from the perspective of a circular economy, whose goal will always be to capitalise on these wastes as raw materials for other industries.

In fact, this is ultimately the essence of the bioeconomy, which is aimed at finding alternative routes to the petrochemical industry; the answer may lie in products such as cellulose, hemicellulose and lignin. This strategy is already rooted in specific projects, to be implemented for the present day, such as RAIZ at the forefront and involved, for example, in developing the pulp and paper industry biorefinery, always in partnership with other entities.

Below are some projects in the area of the bioeconomy:

– Biocomposites

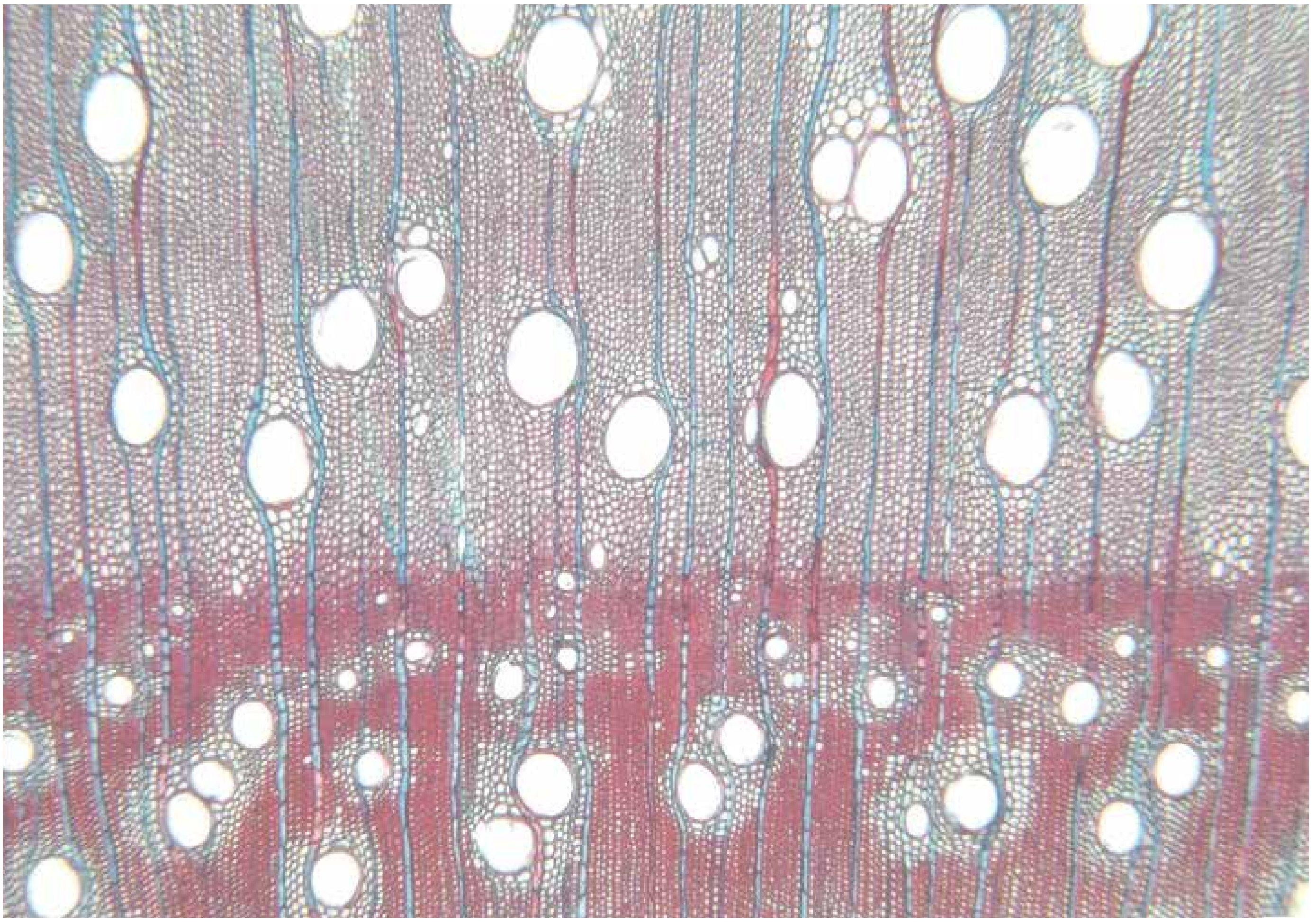
The incorporation of cellulosic fibre in thermoplastic materials has been researched by RAIZ and its academic partners. The biocomposites obtained, in addition to good mechanical properties, can reduce or completely eliminate the use of plastics of petrochemical origin. The new biocomposites are already being produced on a pilot scale for the purpose of technical and economic assessment and market testing.

Application: Packaging, 3D printing, plastic moulding/injection

– Biofuels

For several years, Navigator has been testing second-generation bioethanol production. In an initial phase, extracted from the sugars of wood scrap, then by using the primary sludge from its mills and, for roughly four years, through a project using different residual forest biomasses available in Portugal. At this time, RAIZ is testing and optimising processes, now from the standpoint of developing an industrial unit.

Application: Beginning in 2021, the EU will require the mandatory increased incorporation of advanced biofuels – of cellulose origin (second-generation) in petrochemical fuels



Wood cross section
of Eucalyptus (X40)

Other projects under development:

- Biomass deconstruction processes
- Bioactive composts made from forest biomass
- Wood-derived prebiotics
- Lignin-based polyurethane foams
- Nanocelluloses and bacterial cellulose
- Paper biosensors

– Essential Oils

With the recent mechanisation of forest biomass collection and a number of synergies among pulp mills, the essential eucalyptus oil industry may take on new relevance. Extracted from the leaves, these oils have applications in countless pharmaceutical products, cosmetics, perfumes, antiseptics, disinfectants and air fresheners.

Application: Cosmetics and pharmaceuticals

RAIZ receives European certification from the Business Innovation Centre

2018 was a truly important year for RAIZ which, after becoming an associate member of the European Business Network (EBN) in August 2018, was awarded European Business Innovation Centre certification.

This is the European Commission's only innovation certification on a global scale. It recognises organisations which implement procedures, processes and best practices in innovation, making RAIZ a benchmark of excellence in entrepreneurship, innovation, technology and knowledge, ranking it among an elite group of organisations worldwide, with a mission acknowledged by the European Commission of galvanising regional and national ecosystems of innovation in the domain of forestry and the bioeconomy.

Navigator's research and development centre implements methodology, with patent request submitted

Recognised as an entity of the National Science and Technology System and as an Interface Centre - Technology Transfer and Enhancement Centre, the RAIZ institute has dedicated part of its research work to studying the impact of eucalyptus plantations on water resources, the soil and biodiversity, in parallel with RDI (research, development and innovation) on the bioeconomy. Through RAIZ, The Navigator Company makes a large part of its research and development investments in the eucalyptus pulp and paper industry, a consistent work which promotes connections between industry and the academic community.

In 2018, RAIZ also pursued a set of measures to improve and optimise its work processes, decision-making and impact assessment of Technology Research and Innovation Programmes at Organisations.

As a result of these efforts, it implemented a new methodology for which RAIZ also submitted a patent request last year – a multi-level, dynamic, flexible/adjustable and comprehensive methodology for managing and acessing the value created by innovative activities, research and development, capable of identifying economic value, intangible assets, by foreseeing and measuring efficiency and effectiveness. This differentiated tool will support managers in decision-making, allowing them to focus on more relevant projects and activities for their operational pursuits, based on analyses and real data which are constantly assessed, providing the necessary consistency between corporate strategy and medium/long-term decisions.

The methodology underpins the leadership role of corporate strategy in decisions involving innovation, research and development, and consists of four sequential, interconnected steps:

- pre-assessment of the programme at the time of its submission;
- weighting of the annual increase of key performance assessment indicators for the organisation (scorecard);
- assessment of the programme at its end; and
- impact assessment of all RDT (research, development and technology) activities in the medium/long term, with a frequency of 2.5 to 5 years.

Also in the area of research and development is the Inpactus project for the development of new products, technologies and services in the industrial areas of the pulp business, UWF paper, tissue paper and biorefinery, in conjunction with the Universities of Coimbra and Aveiro and in partnership with various other entities from the domestic and international science and technology world, a project involving an overall investment of roughly € 15 million. This project – hugely significant because of its scale – involves a highly experienced team and will allow the Company to press ahead with developing new products, and biorefinery products in particular.

Did you know that...
... the Bioeconomy has the potential to create 1 million green jobs worldwide by 2030?

Inpactus has made...
... "one step towards a green, global, sustainable and competitive Bioeconomy in Portugal, based on the paste and paper industry derived from eucalyptus ", Carlos Pascoal Neto, Director-General of RAIZ.

Inpactus in numbers

180 researchers and technicians from universities, RAIZ and The Navigator Company will be dedicated full-time to this project

50 research scholarship
recipients will be contacted from among the students of the universities involved

€ 15.3 million
is the overall investment, for a four-year period

€ 8.6 million
of the investment comes from public funding

€ 2 million
is The Navigator Company's direct investment in equipment, scholarships, researchers and "guest chairs" for the project

100 scientific articles
will be published as a result of the project at the end of the four years

50 conferences
will be held over the project's duration

10 patents
will be registered by the consortium involved in the project

17 PhDs
will result from research conducted during the project

6.3. ORGANIC GROWTH IN 2018

Navigator's overall investments totalled € 216.5 million. The Aveiro tissue project accounted for € 83.4 million, the increased capacity at Figueira da Foz accounted for around € 37.3 million, and the recurring investment in the pulp and paper businesses totalled around € 95.8 million. The latter amount includes the PM3 reconversion project in Setúbal (€ 8.2 million) together with the capitalisation of several costs for production shutdowns and damages from Hurricane Leslie at the Figueira da Foz Industrial Complex.

New tissue mill in Aveiro

The completion of the Group's new tissue mill in Aveiro is a major step in the development strategy laid out by the Group in 2015, and now positions Navigator as the Iberian Peninsula's third largest tissue producer, with a total production capacity of 130,000 tonnes of reels and 120,000 tonnes of converting (finished product). This new mill, equipped with large-scale, sophisticated industrial assets, benefits from upstream pulp integration, giving it competitive advantages in terms of production costs, using high-quality eucalyptus pulp produced in Aveiro, and benefiting as well from its proximity to the port of Aveiro, allowing it to sell its products to more distant markets. Its various processing lines were launched during the second and third quarters, with the domestic line starting production in May and the industrial and napkin lines in June. The production of reels began in September and is still in a growth phase.

The Mill

€ 125 million
– investment made in the new tissue paper mill in Aveiro

34,000 m²
– construction area of the industrial unit in a project with 188 000 m²

70,000 tonnes
– tissue paper manufacturing capacity

55,000 tonnes
– tissue paper processing capacity

140 *jobs created*

The Machine

€ 24 million
– tissue paper machine investment

800 tonnes
– weight

36 metres
– length

5.67 metres
– maximum width that each paper reel can have

2.50 metres
– standard width of reels produced

40 reels
– average daily production of tissue paper

6 tonnes
– average weight of each reel leaving machine

2,000 metres
– paper produced per minute

Increased pulp capacity in Figueira da Foz

2018 was marked by the completion and launch of the so-called "PO3" (Optimisation 3) project to increase the pulp production capacity at Figueira da Foz from a nominal capacity of 580,000 tonnes/year to 650,000 tonnes/year. The project also includes several important environmental improvements with significant overall impacts on the Figueira da Foz industrial complex. One of the goals was to streamline the pulp production process by specifically reducing the wood and chemical consumption, along with implementing best environmental practices, namely by incorporating oxygen delignification to reduce effluents, as well as investing in an integrated non-condensable gas burner in the recovery boiler to reduce odours to extremely low, nearly imperceptible levels.

The Group took out a loan of € 40 million with the European Investment Bank to fund this project, whose goals of boosting efficiency and significantly improving the environmental component are clearly in line with the institution's aim of fighting climate change. The loan has a 10-year maturity from its issue date, which did not occur until 2019.

Hurricane Leslie affects operations at Figueira da Foz

The passage of Hurricane Leslie through Portugal in October ultimately caused damages to the Figueira da Foz Industrial Complex, resulting in shutdowns to electricity, water and telecommunications. Because of this, local operations had to be suspended.

All work needed to repair the damages was able to begin quickly, thanks to the efforts and great performance of the teams installed there, together with the support and involvement of several of the Group's multidisciplinary teams. In this way, the downtime of the Figueira da Foz Industrial Complex was kept to a minimum, with the pulp line and paper machines 1 and 2 quickly resuming operation.

Reconversion of PM3 to heavyweights in Setúbal

The fourth quarter saw the completion of the conversion project for Paper Machine 3 at the Setúbal industrial complex, equipping it to produce paper with a grammage of 135 to 300 g/m2, in an investment totalling € 11.8 million. Transforming this paper machine to produce heavyweights required the installation of new equipment and modification of other equipment to ensure that the paper produced was top-of-the-line in terms of quality for the high-grammage market.

The heavyweight segment supplements grammages of 60-120 g/m^2, particularly in the graphic segment, and accounts for around one third of UWF paper consumption in Europe and 7% of all UWF consumption. Navigator's ability to produce its own heavyweights will open the doors to new business opportunities, supplementing the current portfolio with premium heavyweights, allowing Navigator to develop its position in a market niche with positive growth prospects. The goal is to produce around 35,000 tonnes at the time of full operation.

The Figueira da Foz Industrial Complex went from a nominal pulp production capacity of 580,000 tonnes per year to 650,000 tonnes per year, and the Group's total capacity has now risen to 1.6 million tonnes.

Mozambique

On 09 July 2018, Portucel Moçambique and the Mozambican government signed a memorandum of understanding to reformulate their investment project, which will unfold in two phases. Initially, a forest base of around 40,000 hectares will be created, covering the supply of one eucalyptus wood chip production unit (to be built) for exporting of around 1 million tonnes per year, in a total estimated investment of $140 million.

A joint team was established between Portucel Moçambique and the government to work on laying the necessary groundwork to move forward with the investment, which will include the logistical infrastructures needed for wood chip exporting. The project's first phase, however, is conditional upon resolving several prerequisites in the memorandum of understanding signed with the Mozambican government, which as of the end of 2018 has not occurred.

Since there is no active eucalyptus wood market in Mozambique, and since the conditions have not been met for the groundbreaking of a wood chip mill, an impairment was recorded for the fair value of the biological assets installed in the Zambezia Province, totalling € 6.7 million.

Even though the above-mentioned memorandum of understanding with the Mozambican government provides for a commitment of "improved efforts" to meet these conditions by 31 December of last year, this could not be achieved, with both sides continuing to work towards meeting this goal. In view of this, Navigator has decided – as deemed prudent by the current conditions, and in addition to the respective impairments – to establish an additional provision of € 12 million in its accounts at the end of 2018 to cope with the project's current development status.

6.4. NEW PROJECTS

... one of the possible uses of the bag paper produced by the Company is to produce regular shopping bags, which must be able to carry up to a maximum weight of 15 kg.

In recent years, Navigator has made great strides not only in launching new products, constantly introducing innovation into its processes and equipment, redefining a more transversal culture geared to operational excellence, but also in the way in which it seeks to position itself in the market and in the value it brings to the economy. The investment in new sectors such as biotechnology, biorefineries or biofuels represents a commitment in the Company's current strategy as it looks into the future.

Based on this strategy are concrete projects to be implemented in early 2019, such as the integration of a bioethanol industry in a eucalyptus pulp mill that will lead to the first bioethanol production unit in Portugal. It is on this diversification of business that Navigator's strategy will be focused in the coming years, drawing on the natural resources available to develop new production areas and at the same time responding to the environmental and cultural challenges we face today.

New Products

The Navigator Company has extensive experience in the production of fine printing and writing paper and paper pulp, but also has a strong research and development component which has led the Company to work on the creation and launch of new products.

In this field, the year 2018 was marked by a strong focus on the production of paper for bags. This business arises with the market's growing need to replace the traditional plastic bags by other more environmentally friendly options. To this end, Navigator and its team have tried to understand the critical characteristics of this type of application in a growing market, and to discover where their know-how could add value to the business.

Traditional paper bags are mostly made from long fibre (pine) due to their known mechanical strength. In contrast, Navigator has sought to innovate, relying upon its know-how and using short eucalyptus fibre for the production of the same type of products, matching bag paper to the products already on the market and with the same mechanical resistance, once again demonstrating the versatility of Eucalyptus globulus as its raw material of excellence.

Drawing from its expertise in the office and offset printing areas, The Navigator Company sought to exploit these characteristics in its bag paper, offering a product with high mechanical resistance and greater added value in terms of visual perception - colour and quality. The characteristic white of Navigator's printing and writing paper, replicated on bag paper, makes it possible to explore the image and logos of the brands/ companies seeking this product, using less ink and resources.

The latest issue of the newspaper Expresso in a paper bag

Although it only saw the light of day on the first Saturday of 2019, the partnership between The Navigator Company and Express to deliver the newspaper under that name in a paper bag after 26 years began in 2018. The change was preceded by a collaboration between the two companies and their teams, delivering a resistant and versatile product to the consumer. The first paper was delivered with the participation and design of the plastic artist Joana Vasconcelos.

But there are other partnerships that allow the Company to sell its paper for the production of bags, most notably Calzedonia in Italy, and Zara in Spain, in addition to a wide range of other recognised brands.

Paper as an alternative

There is an increasing demand for alternative products to plastic and consumers are becoming more and more demanding in this regard. Concerns about climate change and responsibility towards our planet mean that companies that have a social and environmental responsibility to bring alternative and environmentally friendly products to the market must take a stand.

The search for new business segments is therefore a plan for 2019, with Navigator having already begun to study a number of possibilities at the end of 2018. These include:

– Disposable paper cups;
– Straws;
– Cotton buds;
– Chupa-chupa lollipops;

The development of new uses for paper, with greater mechanical resistance, produced from a sustainably managed forest, depends only on market requirements. At The Navigator Company, we have the knowledge and entrepreneurial capacity to rely on the support of RAIZ, a key partner in the development of products capable of responding to market demands.

07
OUR PEOPLE

Corporate Responsibility

"*Working at The Navigator Company is learning to fly alongside the best professionals in the market.*"

As part of its strategy of renewing the brand and constantly adapting to the needs of the market in which it operates, The Navigator Company has developed a series of specific actions and programmes in which people play a central role.

After 2017, which was marked by a clear focus on consolidation of the new Navigator Company identity, 2018 was a year in which people were brought even closer together and integrated into the Company's culture.

All the work carried out in the area of career management by Navigator professionals has gained special importance over the last year, with a strong training strategy, spanning 213,852 hours, being pursued as a means of ensuring the effective development of internal resources. As this is clearly a challenge with medium and long-term impact, The Navigator Company's ultimate goal is to ensure that a number of people are made available internally for critical functions, whenever necessary.

New job opportunities with tissue operation in Aveiro

The Navigator Company's entry into the tissue business and the production of the new line of products in this segment at the Aveiro Industrial Complex in 2018 led to the need to recruit a large number of qualified professionals capable of responding to the demands of this industrial site. In order to overcome this reality, more than 100 professionals were recruited for the plant,

Anticipating the profile of people and the needs that the Company may have is the greatest motivation that lies ahead for Navigator.

most of them associated with the functions of operational technicians, but also various staff. In this field, recruitment difficulties emerged at two levels: because it is an area where there is a high scarcity of resources, it became more difficult to find qualified professionals; on the other hand, deadlines were quite demanding and training had to be planned and made available in record time.

Aveiro was not the only place to receive new professionals, with a high level of hiring arising from the recruiting needs inherent to the rejuvenation programme, and also due to new areas which have emerged within The Navigator Company.

The Navigator Universe in numbers

* values referring to the universe of Employees of 3,126, excluding Mozambique

3,282 Employees

346 new Employees in 2018*

Gender Diversity in the Group:

2017	2018
86% **male***	85% **male***
14% **female***	15% **female***

Between Middle and Senior Management:

2017	2018
74% **male**	72% **male**
26% **female**	28% **female**

Employees by Age:

2018 12% < 30 years; 56%/30-50 years; 32% > 50 years*

2017 10% < 30 years; 56%/30-50 years; 34% > 50 years*

Divided between the following Industrial/Operational Complexes:

Figueira da Foz Industrial Complex:	**Setúbal** Industrial Complex:	**Aveiro** Industrial Complex:	**Vila Velha de Ródão** Industrial Complex:	**Other locations** in Portugal:	**International** sales offices:	Portucel **Moçambique**:
1011	1147	460	204	216	88	156

Gender Diversity in **Mozambique**:

75% **male** 25% **female**

A leading Company to work for

Through the Employer Branding Programme, Navigator achieved greater proximity to universities, taking part in virtually all major events in the Engineering and Management areas, in order to promote internship and trainee programmes to young students. As this is a recruitment and professional development programme which enables The Navigator Company to build up a pool of talent to support the future filling of critical positions, the next steps have already been taken: to strengthen its presence in polytechnics and technical schools, so that Navigator can be identified as a leading Company to work for.

Mixed teams are more balanced

Parity between men and women is one of The Navigator Company's objectives, but it is not always easy to achieve. The Company is strongly committed to the creation of mixed teams that are much more balanced, but when it comes to recruiting this is still a predominantly male universe. It is strategic for Navigator to continue to have more women on its staff and to create internal conditions for them, in a long-term process, so that they can grow into management positions.

Organizational culture and mobilization

The Navigator Company's culture and internal communication were strengthened in 2018. Considering the importance of the motivation and sense of belonging of its Employees, the Company has developed an internal communication policy of proximity, focused on people, simultaneously with the implementation of a set of programmes to promote "people engagement".

The Experience of Vision, Mission and Values is a clear example of Navigator's commitment to the greater involvement of its Employees. Launched in 2018, this project aims to enable everyone to get to know and internalise the values that characterise the Company, adopting them in their daily life.

The Debriefing Sessions of Vision, Mission and Values, conducted throughout 2018, involved the participation of both national Employees and international offices. In this first phase, the values of Trust, Excellence and Sustainability were worked on, as well as the respective behaviours. In a second phase, the remaining three values will be worked on: Leadership, Integrity and Entrepreneurship.

These sessions were designed so that everyone could have time exclusively devoted to learning about and familiarising themselves with Navigator's values, at a time when knowledge and experience are being shared between Employees across different geographies, functions and hierarchical levels.

Living the values
the results in 2018

The sessions took place in
4 **industrial sites** and in the **Lisbon Base**

Three values and their behaviours were worked on:
Sustainability, Trust and Excellence

54 **Sessions** Held

The Program had a total of
2,204 **participants**

Participation Rate
82%

Satisfaction Rate
87%

18 **Key Focal Points** drove the sessions

46 **facilitators**

Volunteering in the Company

The social dimension of The Navigator Company was one of the areas of improvement identified by employees in 2018, which, together with the internal desire to strengthen the Company's involvement with local communities, led to the creation of the Love The Forest Corporate Volunteering Programme. In addition to helping to consolidate Navigator's social responsibility, this programme is also a way of boosting Employees' sense of belonging and pride.

The programme began with two pilot editions: the first took place in the Bussaco forest and consisted of the control of acacias, an invasive species that, after the forest fires and the felling of some pine trees affected by the nematode, has been growing spontaneously in the central part of the country.

The second intervention site was Serra da Arrábida, where the volunteers made a difference in terms of protecting local biodiversity. In this sense, in several plots, near the Creiro beach, the volunteers removed approximately 3 tonnes of Senecio plants and 120 kg of garbage from the forest that vacationers had left.

Love The Forest is now moving into 2019 with new actions planned, throughout the country, where Navigator's Employees can make a difference in defending the forest, which belongs to everyone.

Love the Forest up close

Two volunteer actions in 2018
Places of intervention: **Mata do Bussaco** and **Serra da Arrábida**

100
volunteers involved

and

16
internal coordinators
(forest area)

97% satisfaction

Learning Center

The Navigator Company's Employee training programme was marked by growth at the Learning Centre in 2018. Structured by areas of knowledge, the project arises from the integration of the Management Academy (which aims to develop management and leadership skills) with the Technical Academy (which aims to develop and update technical skills), but also by raising awareness of the ageing population and the potential loss of technical knowledge in industrial sites.

Thus, the Learning Center helps to ensure the retention of technical knowledge, the systematization and preparation of training content and the development of new generations of professionals. This training project is structured by areas of knowledge, including: management, leadership, behavioural, industrial (pulp, paper, tissue, energy and maintenance), commercial (sales, marketing, logistics and supply chain), forestry, safety and onboarding, in a total of 17 different areas.

But this is also a step forward in the Company's digitisation and in the way it approaches new technologies, since the Learning Centre has its own Portal, introduced in 2018, which allowed the introduction of other training modalities such as eLearning, bLearning and Learning video. In this Portal, all Employees can access their training history, consult the available calendar and schedule actions of particular interest or even learn, at any time and anywhere, via the mobile version.

The Learning Center portal is also available in English; in this way, the Learning Center reaches all of the Company's Employees no matter where they are, from industrial sites to international offices around the world.

Industrial Challenge stands out for its scope

The former Operator Training Week has given way to the Industrial Challenge Programme which completely reshapes the first one. In 2018, this programme, which began in Setúbal, was extended to The Navigator Company's four industrial sites, with a total of 32 editions last year alone and more than 2,000 Employees in the industrial area involved.

Closely associated with safety issues, one of Navigator's key pillars, a number of team-building activities were carried out, as well as visits to nurseries and the RAIZ Research Institute, promoting a genuine sharing of experiences and knowledge. The Program continues in 2019, in what will be its second edition.

Learning Center 2018

No. of **courses** held
567

No. of **enrolments**
14 305

Training volume (h)
202 962

No. of **Employees** involved
3 070

Average hours **per Employee**
65

Rejuvenation Project

Four critical functions identified:
***Pulp production operator, paper production operator, mechanical maintenance technician* and *electrical maintenance technician*;**

Specific training actions created in partnership with Atech;

Duration of training: 9 months

Scholarship awarded by The Navigator Company

50 **young people trained**;

Retention rate: more than 90%

For a safer 2018 – Horizonte Seguro 2020 Programme

In addition to health, safety is one of Navigator's main concerns with regard to the well-being of its workforce, and in 2018 the Navigator safety team developed a series of initiatives as part of the Horizonte Seguro 2020 programme, in two areas: Behavioural and Operational. With the objective outlined at the beginning of the year of reducing the number of accidents, the Horizonte Seguro 2020 Program gave rise to the following actions:

- **"Safety Talks"** and the **"Safety Moment"**, which starts off every meeting of Employees (internal and external). Additionally, the Company started to post on the Intranet several suggestions of topics that can be addressed in these Safety Moments. A **"Pre-Task Hazard Assessment (PTHA)"** has also been introduced, allowing the team to assess the risks and define measures to minimise them before each operation begins.

- A **"Subcontractor Management"** procedure was developed in order to improve their performance and commitment to Safety.

- At the same time, the Company made progress with the dissemination of a catalogue, in printed and digital versions, containing information on all the **Personal Protective Equipment (PPE)** as well as a platform for its management. The main objective of this initiative was to ensure the existence of equipment which minimizes the risks inherent in Navigator's activities, by raising all Employees' awareness of the importance of these supports as a means of protecting their safety and physical integrity. To this end, it was also important to share information on all PPE made available by the Company, as well as their respective standardisation with all the advantages in terms of safety and comfort for Employees.

- Based on Navigator's goal of "Zero Accidents", 2018 was also marked by the launch of the **Small Book of Major Commitments**, aimed at positioning the Executive Board and the first and second line directors with regard to the Company's Safety Culture. In this regard, each Officer and Director identified 3 commitments for 2018/2019 that gave rise to the development of this book distributed to all Employees.

In addition to these initiatives, billboards and other communication supports with information and signage were also installed in order to increase visibility.

Safety in Numbers:

- 5,934 Safety Talks held
- + 2,500 PTHAs
- 43 Safety Commitments (Executive Committee and Directors)
- + 11 million hours worked and
- Overall Frequency Index of 6

Estate owned by the Company in southern Portugal

08 CORPORATE SOCIAL RESPONSIBILITY

The year 2018 marked the 12th anniversary of its Community Engagement Policy, a fundamental pillar of its Corporate Social Responsibility. Since 2006, the Company has been committed to a clear programme of cooperation, dialogue and support for the local community, a philosophy which is all the more important given that Navigator is in a phase of growth for new business areas.

Believing that social responsibility is increasingly an important part of the Group's corporate culture and a priority for its development, in 2018 Navigator undertook a series of new social and educational initiatives in the regions where its industrial sites and forestry areas are located, supporting projects and organizations or sharing knowledge, particularly with regard to good forestry practices and environmental principles.

These initiatives are based on The Navigator Company's current strategy of bringing the Company closer to its different stakeholders, in the form of a series of projects in realms ranging from school children to forestry producers and the arts community.

Also in the context of raising awareness of the reality of Navigator in all its aspects, the Company received 2,902 visitors, 81% more than in 2017, as part of the Navigator Tour programme – a programme which regularly opens the doors of its industrial sites to both internal and external audiences.

In 2018:
2,902 visitors.
+81% than in 2017.

In a world where knowledge and information are propagated at the speed of the internet, Navigator has the knowledge to share, all the more so because the lack of communication is the most direct shortcut to preconceived ideas and the most fertile ground for mistakes. And there is no communication without strong, trusting ties.

Give the Forest a Hand, a project of continuity

The Navigator Company is currently running the Give the Forest a Hand project, for a target audience aged between four and ten years old, because it believes that this is the audience where it can make a difference, creating a foundation for greater environmental awareness. By raising children's awareness of the need to protect and enhance Portuguese forests and fostering the values of environmental awareness, sustainability, friendship, respect, solidarity and optimism, it is disseminating values in which it believes, seeking to create roots for education and awareness of sustainability.

In 2018, Give the Forest a Hand promoted far-reaching actions that resulted in multiple street activities, roadshows in schools with theatre shows and paper puppets, as well as events in commercial spaces, the Zoo and the Monsanto park in Lisbon.

In terms of communication, this project launched a monthly magazine, with a circulation of 11,000 copies distributed to Club members' homes, a blog and also Facebook and Instagram pages.

Key figures of the initiative in 2018

more than 9,000 primary school children

#MYPLANET

A project born in 2018 that communicates The Navigator Company's sustainability values to an adult urban audience through a message of harmony with nature encompasses the objectives of the #MYPLANET objectives.

We wanted to slow down and bring the pace and reality of the countryside to the city, as well as to shape some less healthy habits.

Among the proposed activities are reading moments, yoga classes, art workshops and plant adoption. At the end of the year, #MYPLANET premiered a weekly television programme under its own name on a national channel, which tells stories of those who embraced a more balanced life. It also launched #MYPLANET magazine's first issue, published quarterly and free of charge, with articles on the importance of a more balanced life, and the website #MYPLANET (www.myplanet.pt).

Main numbers of the initiative in 2018

approximately 6,000 participants

8.1. MOZAMBIQUE

At the international level, Mozambique is one of the markets in which the Group is committed to growth, through Portucel Moçambique. The Company is owned by The Navigator Company and has a partnership with the World Bank, through the International Finance Corporation (IFC). The project has benefited from IFC's know-how, internationally recognised as robust for projects involving access to land and community rights, always in a context of sustainable and inclusive development with communities. This partnership and the learning of the project underpin a socio-economic dimension of high standards in the context of the Group's operations in the country.

Representing a long-term commitment, which aims to develop an important forestry base in Mozambique, the project is based on a strong commitment to local communities, as an integral part of the economic and social progress promoted directly and indirectly by the Company, with the underlying conviction that only the sharing of value will make the business project sustainable. The environmental and social impact studies carried out were the basis for defining the three priorities of the Social Development Program (PDSP), which are also opportunities for growth:

- **Food safety and diversity**, associated with an income generation component. In this context, and among other actions, the Company distributed improved seeds (around 123,000 kg in the 2017/2018 campaign - mainly corn and beans), and provided training in conservation agriculture techniques, which increases soil resilience and productivity and improves food safety; 65,000 cassava stems were distributed (varieties resistant to common diseases and with higher productivity).

- **Opportunities for growth and economic promotion** by supporting the creation of conditions for the stimulation and dynamization of the local economy. In 2018, two pilot projects were launched to generate income: assembling 250 hives to produce honey on a commercial scale and training seed producers to sell to the market. Also reinforced was the program started in 2017 to distribute 3 kids (baby goats) per family for breeding and sharing the first two groups of offspring (180 families covered).

- **Supporting the quality of life of families**, working on different dimensions such as health, education, access and other variables that can provide greater quality of life to the populations involved. In 2018 around 1,500 solar lamps were delivered with the aim of raising awareness of the use of renewable energy, being a source of lighting, providing energy to charge devices such as a mobile phone and allowing children to study when there is no longer sunlight. At the end of 2018, Portucel was responsible for more than 5,000 km of new or repaired roads and paths.

At the end of 2018, Portucel Moçambique's range of achievements and benefits included more than six thousand families in the project areas. In 2018, the PDSP sought to develop the second and third pillars, particularly with regard to the introduction of new crop species, such as soybeans, a product with high economic value and a lot of market to exploit, similar to what had already occurred with sesame.

One of the most important projects, as part of the objective of generating additional income, was the introduction of hives next to eucalyptus plantation areas. The development and enhancement of this process is implemented through a partnership with a Company in the sector that distributes the hives and ensures the purchase of honey production. Each household is responsible for supervising a beehive, receiving, at the end, a payment for each kilo of honey produced.

The objective is to promote self-sufficiency so that families can develop this activity independently. It should be noted that eucalyptus flower honey is a highly valued variety and its production is still low.

Within the scope of Social Development, the Company established as a priority action to implement a plan for opening and repairing water holes. Since the end of 2017, a total of 20 water boreholes have been drilled and another 20 existing boreholes have been repaired in the Zambezia province. With a view to sustainable use, the Company promoted the creation of "water management committees", which are responsible for ensuring responsible management of use, maintenance, cleaning and sanitation, and carried out independent laboratory tests that attest to the suitability of water for human consumption.

Did you know that...

...in 2018, Portucel Moçambique helped open 20 new water holes and recover 20 others.

Workers and business partners

At the level of Portucel Moçambique's employees, the Company promotes professional training and the transfer of knowledge to Mozambican workers. The creation of 2,000 and 8,000 jobs, respectively, in the first and second phases of the project, is expected in line with the international consensus that every 20 hectares of plantation creates on average one job.

Business partners are a fundamental part of Portucel's work, which seeks to give priority to hiring Mozambican companies and to promote the development of local entrepreneurial skills. Portucel Moçambique's portfolio includes around 550 domestic suppliers, to whom around USD 67 million (around € 60 million) have been paid since 2010. In occasional work, the Company has already invested more than USD 10 million (about € 9 million).

The communities in the project area are also part of this strategy, which have the opportunity to develop small businesses associated with agricultural development and Portucel Moçambique's activities, as well as being associated with forestry development, which is one of the areas to be developed.

Portucel Moçambique in figures

PEOPLE

24,000 Number of households identified, in total, residing in the project area;

Six thousand Number of families already covered by a wide range of benefits included in the Social Development Programme;

5,000 km Extension of repaired or new roads and paths for which Portucel Moçambique is responsible.

LAND

Total area under concession: **356,213 hectares** Of Wich...

173,327 ha in Zambezia province

182,886 ha in Manica province

200 ha Total new areas planted in the province of Manica throughout 2018.

Eucalyptus in bloom at a property owned by the Company. They are an attraction for bees, much to the delight of bee-keepers

09 PERFORMANCE

9.1. RISK MANAGEMENT

The Company regards Risk Management as a core process in its business activities. A system for permanent monitoring of risk management has therefore been implemented at Navigator, involving all organisational units, the Risk Management Division and the Audit Board.

This system is based on a systematic and explicit assessment of business risks by all organisational divisions in the Group and identification of the main controls in place in all business processes. A foundation that will allow the Company to assess on an ongoing basis the extent to which its internal control system is appropriate to the risks regarded as most critical from time to time.

In the course of its business, the Group is exposed to a variety of economic, financial and legal risks, with a selection of the main risks identified below:

RISK (NON-EXHAUSTIVE SELECTION)	SUMMARY DESCRIPTION
Industrial workplace accidents	Risk of the occurrence of accidents at work potentially resulting in injuries, incapacity or fatalities.
Increase in transport costs	Risk of increase in pulp, paper or tissue transport costs, which may result in a reduction in sales margins or the need to increase prices charged to customers.
Higher demand for raw materials (wood)	Risk associated with an increase in demand for raw material (wood) due to competitors expanding their capacity, triggering an increase in wood prices and a consequent increase in production costs.
Foreign exchange	Risk of variation in the exchange rate between the Euro and other currencies, which can significantly affect the Group's results, either through revenues (sales) or costs (purchases).
Environmental consequences of operations	Risk of occurrences with adverse environmental consequences, directly or indirectly attributed to industrial activities, potentially resulting in a breach of environmental legislation or customer and stakeholder dissatisfaction, namely as regards the local community.
Forest damage	Risk of forest damage resulting from natural or man-made causes, which may jeopardise the quantity of raw material needed for the Group's activities and consequently lead to increased costs or loss of revenues.
Energy business less competitive due to regulatory issues	Risk of less competitive terms for power sales, caused to a certain extent by the regulatory environment; volatility in regulation of sector may lead to sudden loss (total or partial) of the contribution from this business to the Group's profitability.
Reduction in paper demand due to technological substitution	Risk associated with a reduction in demand for the products sold by the Group, which may result in a significant reduction in sales.
Failure in wood supplies	Risk of failure in wood supplies, which may result in production stoppages and consequent increase in costs or lost revenues.
Plant failure	Risk of failure in production plant, which may result in production stoppages and consequent increase in costs or lost revenues.
Data security failures	Risk of failures in data security relating to the confidentiality, availability and integrity of data over the process of acquisition, processing, communication, storage and destruction, potentially leading to information losses/leaks, fraud, discontinuity of operations.
Shortage of certified raw material	Risk associated with inability to obtain certified raw material, potentially resulting in a loss of value in end product and consequently in sales values.
Fraud	Risk of fraud in processes involving movements in funds/valuables, causing losses to the Group.
Supplier management	Risk of inefficiency in management of relationship with critical suppliers for the business, or over-dependence on these supplies, compromising the quality of services provided, limiting Group operations or potentially leading to operational inefficiencies.
Non-compliance with legislation and regulations	Risk of non-compliance with legislation on tax, employment, environmental, accounting and/or other matters or with industry regulations. Non-compliance with accounting standards.
Irregularities in purchases and payments	Risk of inefficient or inappropriate processes in purchases of materials and services critical for the business, resulting in items being out of stock, financial losses, non-performance by and in relation to suppliers or occurrence of situations of fraud.
Occurrence of fires or natural disasters	Risk of loss of assets or even personal injury due to fires or other natural phenomena.
Loss of new business/product/process opportunities	Risk of failing to capture opportunities to develop new business, products or processes due to ineffective R&D or technology scouting.
Loss of Forestry Yields	Risk of not being able to achieve full production potential of plantations due to failure to apply best available forestry practices.
Losses on client credit	Risk of credit granted to clients, which may result in uncollectable debts and a consequent increase in costs.
Paper pulp price	Risk associated with pulp price fluctuations, which may result in losses for the Group.
Product quality	Risk associated with product quality, potentially resulting in consumer dissatisfaction and a consequent drop in sales and lost revenues.
Reduction in paper price	Risk of pressure of competition, which may result in a drop in sales or reduction of market share.
Environmental restrictions on industrial production	Risk of environmental restrictions on industrial production, which may result in changes being required in the production process, thereby increasing costs.
Legal restrictions on forestry production	Risk of legal restrictions being imposed on forestry production, which may result in a reduction in raw material output and a consequent increase in acquisition costs.
Legal restrictions on paper imports	Risk of restriction on paper imports in producer countries through the erection of customs barriers, potentially resulting in a reduction in sales.
Sustainability of forestry operations	Risk of compromising the future operations of the organisation or of local society and the business community, in general, due to over-use or irrational use of the natural resources involved in forestry operations.
Sustainability of industrial operations	Risk of soil contamination or excess atmospheric emissions of noxious gases, resulting directly or indirectly from the process of supply, sanitation or processing of solid urban waste (e.g. accidents, breakdowns, techniques used) or from natural causes such as floods or droughts at intake points or serious pollution accidents.
Variation in energy prices	Risks associated with changes in the purchase and sale price of energy, resulting in additional costs and lost revenues.

Many of the risk factors identified are beyond The Navigator Group's control, including, for example, in the case of market factors which can have a fundamental and negative effect on the market price of Navigator's shares, irrespective of the Group's operational and financial performance.

The Group regards risk management as an essential decision-making tool, involving permanent monitoring of the risks to which it is exposed. In this sense, the Group operates based on a risk culture that includes both a perspective of avoiding and assuming the risks inherent to the operation in a positive way.

At the same time, the different divisions/areas benefit from risk management insofar as it allows them to anticipate situations of uncertainty, mitigating the risks of adverse consequences and making the most of risks which offer opportunities. Risk management also provides the Group with greater and more sustained decision-making capability with regard to risk events, allowing it to respond in a coordinated and integrated manner to risks with causes, impacts or vulnerabilities which extend across more than one area.

9.2. COST OPTIMISATION AND REDUCTION PROGRAMME

The Navigator Company's cost reduction has its own dynamic, with an internal structure that gives life and substance to this area. The reduction of waste and the creation of a culture of cost reduction already present in the Group's modus operandi a few years ago emerged over 2018 supported by three vectors:

– Operational Excellence;
– Expansion of the Partner Ecosystem to improve performance;
– Transformation of knowledge into business opportunities.

Operational excellence

Although it has always invested heavily in optimising its operations as a factor of competitiveness, since 2015 The Navigator Company has had an Operational Excellence Programme designed to systematically reduce costs and sustainably improve its performance - M2. During 2018, it contemplated the development of more than 150 projects in various areas of the Company, with an impact of approximately € 21 million in the result of the operation.

The year 2018 was one of consolidation and convergence. In this context, a significant investment was made in the integration between the work carried out in the M2 Programme and the Lean Management front - focused on the implementation of good operational management practices using the Kaizen Institute's methodologies and instruments. The effort made it possible to ensure greater alignment, robustness and the ability to generate value. The main focus of operations were the industrial areas due to the nature of the processes, relevance of the assets and materiality associated with the intervention.

Thus, the exercise carried out in accordance with the guidelines of the Executive Committee, enabled the creation of a more rigorous rational definition of benchmarks, challenging the Company to identify a more ambitious and wide range of strategically aligned initiatives and defining the order of merit while creating conditions for a systematic monitoring of the implementation of the programme in the medium and long term - five-year horizon. To this end, a systematic exercise was started to compare the Company's performance in cash costs with the assets considered a worldwide benchmark in this dimension.

The balance of the implementation of the programme in 2018 is extremely positive, due to its results, the diversity of implementation opportunities addressed and, very importantly, the involvement of the teams of the entire Company in the dynamic of permanent orientation towards efficiency and quality. As an instrument to motivate Employees, a significant investment was also made in communication associated with Operational Excellence, in highly visible channels and forums.

The Navigator Company's ambition is to continue to invest in this area, by setting increasingly demanding and ambitious benchmarks of operational excellence, creating value for all its main stakeholders – shareholders, Employees and the communities in which it operates.

... in 2018, structural costs were reduced by €21 million

Industry 4.0

The concept associated with Industry 4.0 has been developed over the last few years in several areas. Supported by principles such as real-time operational capacity, virtualisation and decentralisation, and fundamental pillars such as security, the internet of things, and big data, many experts believe that we are on the verge of a new industrial revolution.

This is a new way of managing the industry and business processes, much more digitalized and associated with the potential brought by new technologies in areas such as artificial intelligence and robotics, mobility and the new applications that derive from it.

In spite of its state-of-the-art technology, Navigator is still able to derive added value from Industry 4.0 throughout its value chain, particularly in terms of efficiency gains and productivity gains. The new technologies and the digitalisation required allow the Company to increase the level of excellence of its industrial sites while working on a clear improvement in its forestry and commercial business processes.

Expansion of the partner ecosystem

With the creation of an Industry 4.0 Division, a roadmap was designed defining the main Navigator partners and reference technologies.

Along with a number of other companies Navigator has partnered with in the year 2018, IBM has developed four proofs of concept in particular areas, helping to realize where technology could be an effective asset:

- **Forecast of available wood**: Using the potential of advanced data analysis, an algorithm was created capable of predicting, with a margin of error of 3%, the wood available in the Company over the next 12 months. As this is a resource that has an important weight in the Group's cost structure, this initiative is of enormous importance as it helps to reduce investment in working capital.

- **Make procurement more effective**: A second project covered the procurement front for which a system was developed that allows the evaluation of structured and unstructured information from various sources, and from there bring knowledge to improve the Company's business conditions. Procurement represents € 250 million/year in Navigator's cost structure, and the knowledge available is crucial to greater purchasing discipline.

- **Preventive maintenance**: In the area of prevention, an algorithm has been created to anticipate a potential machine malfunction by 10 days. The impact is ultimately great not only at the mitigation level of such shutdown, but also in the design of a proactive maintenance strategy.
- **Better customer service**: An algorithm has been created for customer service, which makes it possible to measure the time of delivery of the product; based on the make to order concept, this algorithm allows The Navigator Company to significantly improve its relationship with Clients.

More knowledge, better business

Transforming knowledge into business opportunities, crossing internal innovation and the work of RAIZ is the third pillar of 2018 in terms of cost reduction. The result was the creation of a new division called the Bioeconomy and Partnerships Division.

The aim is to give substance to all the innovation that exists within The Navigator Company and transform it into business opportunities.

In partnership with the Pedro Nunes Institute, The Navigator Company worked on changing innovation cycles, and strengthened the intensity and dedication of internal teams. A lactose-free flour made from the cellulose produced by Navigator is just one of the ideas to come out of these innovation cycles.

Navigator in Simplex mode

February 2018 marked the end of the analysis phase of the Simplex Project at Navigator, in partnership with an external consultant. This has led to a series of initiatives aimed at addressing how The Navigator Company can improve its work, overcoming the difficulties mentioned in the Simplex Project. One of these initiatives led to the creation of a Project Management Office (PMO) area with tools to enhance projects while another pertained to the whole issue of budget management and the processing of key data, concluding with the idea that the Company is rich in data, but poor in its processing.

9.3. SUPPLIERS

From the point of view of the supply of raw materials, the year 2018 was characterised by great pressure on the level of chemicals justified, on the one hand, by the implementation of more restrictive environmental policies in China with significant repercussions on a shortage of supply of some products at global level and, on the other hand, by an increasingly restrictive European legislation for the chemical industry leading to the closure of four caustic soda production units, for failure to convert the mercury-based production process.

The combination of these factors led to an imbalance between supply and demand for chemicals and even to some price speculation by suppliers, directly impacting the costs of Navigator's operations. Also with a significant increase in prices were our petrochemical fuels, directly affected by the consecutive increases in oil prices that occurred throughout 2018. In terms of pallets, we also highlight the impact of the major fires that occurred in 2017 in the pine forest areas of Portugal, creating uncertainty in the markets consuming this type of wood and also leading to some price speculation.

In order to counteract this market trend in chemicals, Navigator has implemented a joint project with the Altri Group for the joint acquisition of the largest pulp chemicals, allowing us to increase our supply base, boost our negotiating capacity through greater purchasing volumes and optimise the fixed cost structure of these materials. The Company PulpChem Logistics, A.C.E. was thus formed and made operational.

In terms of Navigator's supply base structure, given the restructuring which took place at the end of 2017 and which led to the merging of the areas of procurement areas those for materials purchasing and production services and warehouse management in the Materials Management Division (DMM), the supplier base under Navigator's responsibility has been drastically expanded, allowing for better management of these areas, in a way which cuts across the organisation and in a more coordinated manner.

Supplement - SUPPLIER'S DAY – "Collaboration to Innovate"

Navigator's Supplier's Day began in 2015 with the aim of bringing its main partners together closer together and sharing relevant information about the Company.

With the motto "Collaboration to Innovate", Supplier's Day in 2018 was attended by 120 partners, up from 20% from the last edition. Once again, the event was attended by suppliers from Navigator's three main purchasing areas: wood, logistics and raw materials/industrial services. Of note is the strong presence of wood suppliers, representing about 35% of the total volume of supply in 2018, highlighted by the participation of 100% of the non-Iberian market.

This edition was characterised by an active participation of our partners in the design of innovative projects. Twenty-two projects from different areas were proposed and 6 were selected for discussion on the day of the event. The objective was to promote discussion with each of the six partners and establish, if the project was considered appropriate, an implementation plan. In 2018, two of the six projects discussed were implemented, one relating to the use of paper transport trucks with greater capacity, with a significant reduction in CO_2 emissions, and the other associated with the optimisation of lubrication routines at industrial sites in order to avoid errors.

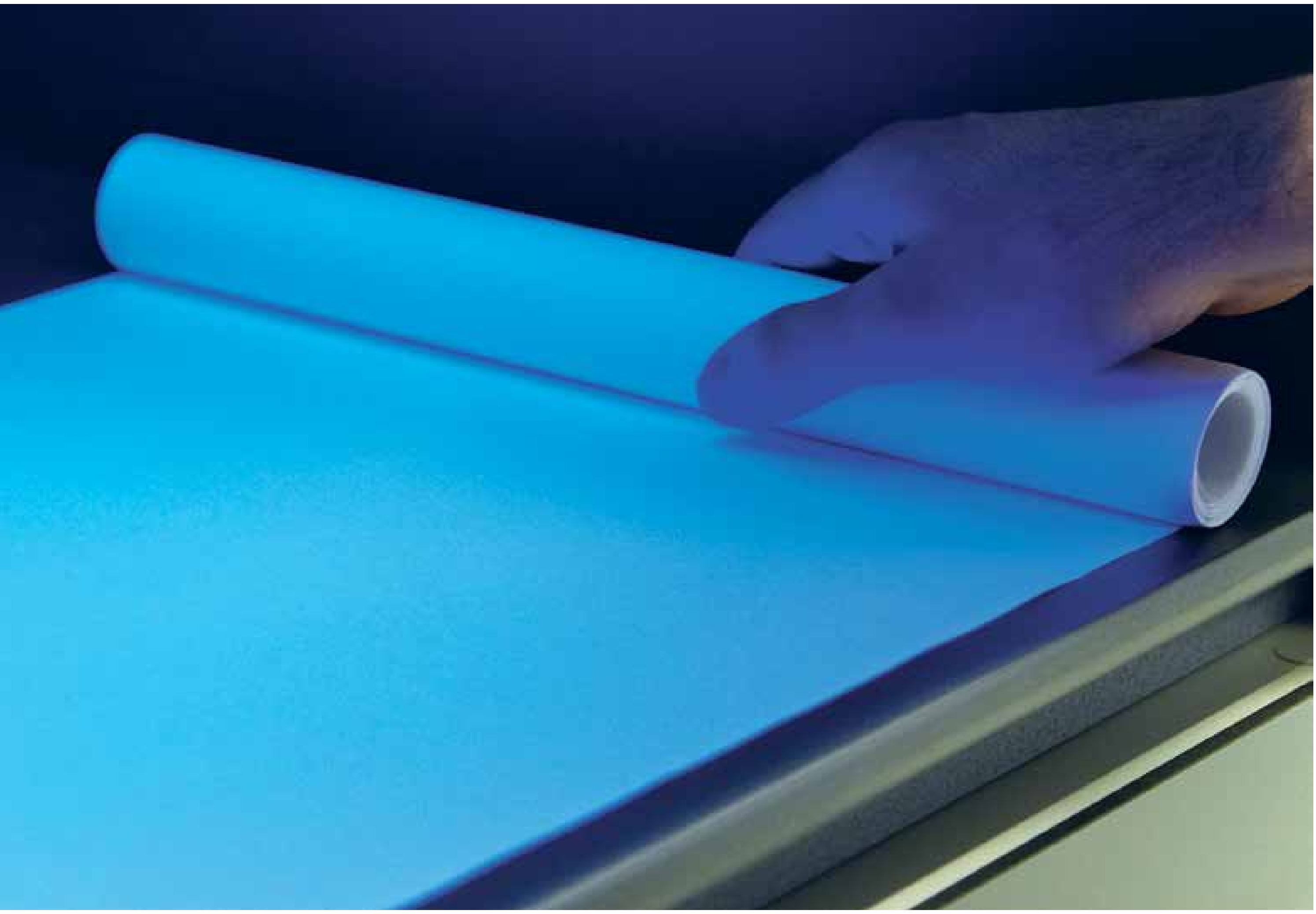
Purchase-to-Pay improves processing of Navigator invoices

The main objective of the purchase-to-pay (P2P) project, jointly designed by The Navigator Company and Deloitte, is to improve the processing of invoices within the Group, through a reduction of invoicing backlog and better control over the entire P2P process.

In fact, in most recent years, the invoicing backlog increased significantly, with Navigator processing approximately 110,000 invoices on an annual basis. In this context, the Company felt the need to identify areas of improvement related to the integrated P2P cycle. Such cycle spans from the identification of needs to payment of an invoice for the good or service itself.

The main categories were defined whose purchase-to-pay processes are most representative and relevant to Navigator and key critical points in each of them were identified; from that juncture the work team determined the points of improvement throughout the process.

With the project still underway, the results achieved are important, with a reduction of about 45% in the total number of invoices in backlog and with the average resolution time of pending situations down by approximately 90%. The project is expected to end this year.



Finished product
(tissue) in the
Aveiro production
unit

10
PROPOSED ALLOCATION OF RESULTS

The Board of Directors proposes the net income of individual accounts, in the amount of € 228,252,756.82, calculated according to IFRS standards, with the following allocation:

– Dividends for shares outstanding (*)	€ 200,003,438.93 (€ 0.27943/share)
– Retained Earnings:	€ 5,249,317,89
– Employee profit sharing (**) up to	€ 23,000,000

* the number of own treasury shares considered as of the presentation date of this proposal is 1,744,931; if, at the payment date, such amount is changed, the overall amount of dividends payable will be adjusted, with the value payable per share remaining unchanged.

** In 2018, employee profit sharing for the same universe was € 17,197,556

Research Centre
– RAIZ

11

DECLARATION REFERRED TO UNDER ARTICLE 245(1)(C) OF THE SECURITIES CODE

Article 245(1)(c) of the Securities Code provides that each of the persons responsible of issuers must make a set of declarations as set forth therein. A uniform declaration was adopted in the case of Navigator, which reads as follows:

I hereby declare under the terms and for the purposes of article 245(1)(c) of the Securities Code, that to the best of my knowledge, the annual report, annual accounts, statutory audit and other reporting documents of The Navigator Company, S.A., all related to the 2018 financial year, were prepared according to applicable accounting standards, providing a true and fair view of assets and liabilities, the financial situation and results of such companies and the companies included in the scope of consolidation, and that the annual report faithfully reflects the evolution of the business, performance and position of such Company and the companies included in the scope of consolidation, containing a description of the main risks and uncertainties faced.

Considering that members of the Supervisory Board and the Statutory Auditor sign an equivalent declaration within the scope of the documents under their responsibility, the independent declaration with such text was signed only by members of the Board of Directors, because it was only considered that members of statutory bodies are included under the concept of "responsible parties of the issuer". Under the terms of the cited legal provision, the following is a list of the names of the subscribing persons and their duties:

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

Diogo António Rodrigues da Silveira
Chief Executive Officer

Luís Alberto Caldeira Deslandes
Non-Executive Director

António José Pereira Redondo
Executive Director

José Fernando Morais Carreira Araújo
Executive Director

Nuno Miguel Moreira de Araújo Santos
Executive Director

João Paulo Araújo Oliveira
Executive Director

Adriano Augusto da Silva Silveira
Non-Executive Director

Manuel Soares Ferreira Regalado
Non-Executive Director

José Miguel Pereira Gens Paredes
Non-Executive Director

Paulo Miguel Garcês Ventura
Non-Executive Director

Ricardo Miguel dos Santos Pacheco Pires
Non-Executive Director

Vitor Manuel Galvão Rocha Novais Gonçalves
Non-Executive Director

Forest regeneration occurring at estates owned by The Navigator Company

Governing Bodies

At 31 December 2018, the Company officers of The Navigator Company S.A. elected for the four-year term from 2015 to 2018, were as follows:

OFFICERS OF THE GENERAL MEETING

Chairman
Francisco Xavier Zea Mantero
Secretary
Rita Maria Pinheiro Ferreira

BOARD OF DIRECTORS

Chairman
João Nuno de Sottomayor Pinto de Castello Branco
Vice-presidents
Diogo António Rodrigues da Silveira
Luís Alberto Caldeira Deslandes
Members
António José Pereira Redondo
José Fernando Morais Carreira de Araújo
Nuno Miguel Moreira de Araújo Santos
João Paulo Araújo Oliveira
Adriano Augusto da Silva Silveira
Manuel Soares Ferreira Regalado
José Miguel Pereira Gens Paredes
Paulo Miguel Garcês Ventura
Ricardo Miguel dos Santos Pacheco Pires
Vitor Manuel Galvão Rocha Novais Gonçalves

EXECUTIVE BOARD

Chairman
Diogo António Rodrigues da Silveira
Members
António José Pereira Redondo
José Fernando Morais Carreira de Araújo
Nuno Miguel Moreira de Araújo Santos
João Paulo Araújo Oliveira

COMPANY SECRETARY

Full
António Pedro Gomes Paula Neto Alves
Alternate
António Alexandre de Almeida e Noronha da Cunha Reis

AUDIT BOARD

Chairman
José Manuel Oliveira Vitorino
Full members
Gonçalo Nuno Palha Gaio Picão Caldeira
Maria da Graça Torres Ferreira da Cunha Gonçalves

REMUNERATION COMMITTEE:

Chairman
José Gonçalo Maury
Members
João Rodrigo Appleton Moreira Rato
Frederico José da Cunha Mendonça e Meneses

STATUTORY AUDITOR

Full
KPMG & Associados – Sociedade de Revisores Oficiais de Contas, S.A., represented by the Statutory Auditor Paulo Alexandre Martins Quintas Paixão, registered in the Certified Auditors' Association with the nr. 1427
Alternate
Vítor Manuel da Cunha Ribeirinho, registered in the Certified Auditors' Association with the nr. 1081.)

Eucalyptus globulus Bark

12

CORPORATE GOVERNANCE REPORT

PARTE I – Information on shareholder structure, organisation and corporate governance

A. SHAREHOLDER STRUCTURE

I. CAPITAL STRUCTURE

1. Capital structure (share capital, number of shares, capital distribution among shareholders, etc.), including indication of shares not admitted to trading, different categories of shares, rights and duties attached to the same, and the percentage of the capital represented by any such category (article 245-A(1) a)).

The Navigator Company, S.A. has a share capital of 500,000,000 euros, fully paid up, represented solely by 715,500,000 ordinary shares, without nominal value, the same rights and duties being attached to all shares.

All shares representing the Company's share capital are listed on the regulated Euronext Lisbon market, managed by Euronext Lisbon – Sociedade Gestora de Mercados Regulamentados, S.A.

The Company re-analysed its shareholder base at the end of 2018, identifying and characterising its main institutional shareholders.

In addition to the Semapa Group, the majority shareholder owning 69.4% of Navigator's share capital, approximately 217 institutional shareholders were identified and classified, accounting for approximately 21.4% of the capital.

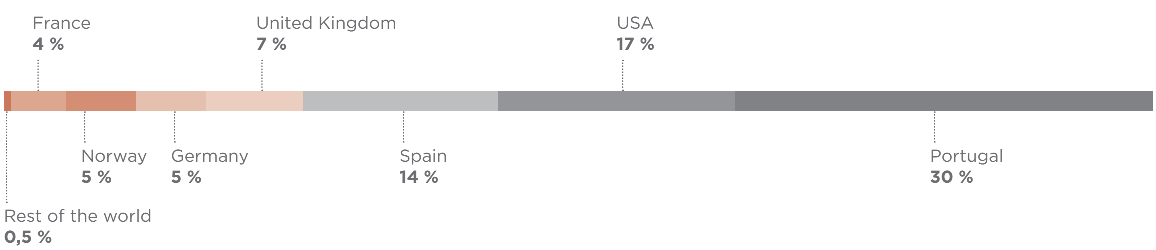
The following shareholder composition was identified:

According to this new study, and excluding the majority holding and own shares, Navigator's institutional shareholders are mostly European. Portuguese investors are the largest group, holding around 30% of shares, with a 14% of shareholders based in Spain, approximately 7% in the United Kingdom, 5% in Germany, around 4% in France and 5% in Norway. Shareholders based in the United States accounted for 17% of the identified institutional investors.

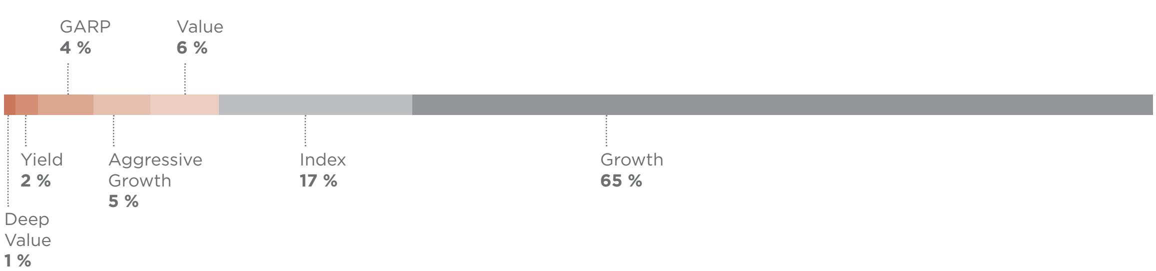
In addition, a breakdown by investment style shows that around 65% of shares are held by institutional investors with a growth--oriented strategy, whilst approximately 17% of investors pursue an Index Funds strategy and 6% a value-focussed strategy. Investors with types of strategies such as Yield, Aggressive Growth and GARP (Growth at a Reasonable Price) accounted for only around 11% investors.

The geographic distribution and investment styles of institutional shareholders had the following breakdown:

GEOGRAPHIC DISTRIBUTION OF INSTITUTIONAL SHAREHOLDERS



DESCRIPTION OF INVESTMENT STYLE: TYPE OF STRATEGY



2. Restrictions on the transferability of shares, such as consent clauses for disposal, or limitations on ownership of shares (article 245-A(1) b)).

All Navigator shares are freely transferable.

3. Number of own shares, corresponding percentage of share capital and percentage of voting rights which would correspond to own shares (article 245-A(1) a)).

On 31 December 2018, Navigator held 864,049 of its own shares, corresponding to 0.12048% of its share capital and 864,049 votes at the General Meeting.

4. Significant agreements to which the Company is a party and which take effect, are amended or terminate in the event of a change in the control of the Company as a result of a takeover bid, together with the respective effects, unless, due to its nature, disclosure of such agreements would be seriously detrimental to the Company, except if the Company is specifically required to disclose such information by other mandatory provision of law (article 245-A(1) j)).

The Company is not a party to significant agreements entering into effect, being amended or terminating in the event of a change to the Company's control following a takeover bid.

The Company and certain subsidiaries are party to a number of financing agreements and debt issue transaction which contain clauses for ongoing control by the shareholder SEMAPA – Sociedade de Investimento e Gestão, SGPS, S.A., and allow for the option of requesting early repayment of the loan in the event of change to shareholder control, in line with standard market practice.

5. Rules applicable to the renewal or revocation of defensive measures, in particular those providing for limits on the number of votes which can be held or cast by a single shareholder individually or in a concerted manner with other shareholders.

No defensive measures exist in the Company, particularly those providing for limits on the number of votes which can be held or cast by a single shareholder individually or in a concerted manner with other shareholders.

6. Shareholders' agreements known to the Company or which might lead to restrictions on the transfer of securities or voting rights (article 245-A(1) g)).

The Company is not aware of the existence of any shareholders' agreement which might lead to restrictions on the transfer of securities or voting rights.

II. HOLDINGS OF SHARES AND BONDS

7. Identification of persons and organisations who, directly or indirectly, own qualifying holdings (articles 245-A(1)(c), 245-A(1) (d) and 16), detailing the attributable percentage of the share capital and votes and the respective grounds.

QUALIFYING HOLDINGS CALCULATED IN ACCORDANCE WITH ARTICLE 20 OF THE PORTUGUESE SECURITIES MARKET CODE ON 20 NOVEMBER 2018

Entity	ATTRIBUTION	NO. OF SHARES	% CAPITAL	% VOTING RIGHTS NOT SUSPENDED
Semapa – Soc. de Investimento e Gestão, SGPS, S.A.	Direct	256 034 284	35,6842%	35,7086%
Seinpar Investments B.V.	Indirect through Controlled Company	241,583,015	33.6701%	33.6931%
Total attributable to SEMAPA		**497,617,299**	**69.3543%**	**69.4017%**

8. Indication of the number of shares and bonds held by members of the management and supervisory bodies.

[NOTE: information should be provided in accordance with article 447 (5) of the Companies Code]

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

9. Special powers of the management board, in particular concerning resolutions to increase capital (article 245-A(1) i)) indicating, with regard to these, the date on which they were granted, the period during which such powers may be exercised, the upper limit for the increase in share capital, shares already issued under the powers granted and the manner in which the powers granted are implemented.

The Company's Articles of Association do not authorise the Board of Directors to adopt resolutions approving increases in share capital.

10. Information on the existence of significant dealings of a commercial nature between holders of qualifying holdings and the Company.

On 1 February 2013, a service agreement was concluded between Semapa – Sociedade de Investimentos e Gestão, SGPS, S.A. and Navigator under the terms of article 4 of Decree-Law 495/88 of 30 December, which was subject to the favourable opinion of the Supervisory Board, after prior assessment of possible contingencies.

This contract establishes a remuneration system based on equitable criteria which do not create a bureaucratic burden for the parties in their ongoing relationship of collaboration and assistance, assuring maximum objectivity in the setting of remuneration and abiding by the rules applicable to commercial dealings between companies in the same group. In 2018, the value of services provided under this contract was 9,038,268.00 Euros.

B. STATUTORY BODIES AND COMMITTEES

I. GENERAL MEETING

A) COMPOSITION OF THE GENERAL MEETING*

11. Officers of the General Meeting and their term of office (starting and ending dates).

The Chairman of the General Meeting is Dr. Francisco Xavier Zea Mantero, and the office of secretary to the General Meeting is held by Dr. Rita Maria Pinheiro Ferreira.

The officers of the General Meeting were elected for a term of office starting on 1 January 2015 and ending on 31 December 2018.

B) EXERCISE OF VOTING RIGHTS

12. Any restrictions on voting rights, such as limitations on the exercise of voting rights based on the ownership of a given number or percentage of shares, time limits for exercising voting rights, or systems for detaching voting rights from ownership rights (article 245-A(1) f)).;

12.1. Exercise of voting rights

The Company considers that there are no limits, in the Company, to the exercise of voting rights by the respective shareholders.

The Company has no procedures in place which result in mismatching between the right to receive dividends or to subscribe new securities and the right attached to each ordinary share.

In effect, the Articles of Association enshrine the one-share-one-vote rule and a General Meeting may only be held and pass resolutions on the first call when shareholders holding no less than half the share capital plus one share are present or represented.

In addition, the Articles of Association make no provision for votes not to be counted above a given limit, and there are no categories of non-voting shares.

* over the reporting period

12.2. Postal and online voting.

The Company's Articles of Association also permit postal and online voting, and all the necessary procedures for this are explained in the notice of General Meetings.

Postal or online votes are only considered if the shareholders casting them provide evidence of the ownership of their shares, in accordance with the general rules. Votes are only considered when received by the day prior to the General Meeting, inclusive.

Forms for postal or online voting are available for shareholders on the website (http://www.thenavigatorcompany.com/).

12.3. Attendance and representation at General Meetings.

In order to attend General Meetings shareholders are required to provide proof of their status and voting rights by the registration date, corresponding to 0 hours (GMT) on the 5th (fifth) trading day prior to the date of the General Meeting ("Registration Date").

Shareholders wishing to attend the Company's General Meeting are required to convey this intention, by notice addressed, respectively, to the Chairman of the General Meeting and to the Financial Intermediary where they have their individual registration account, no later than the day prior to the registration date, in other words by the day prior to the 5th (fifth) trading day prior to the General Meeting.

By the end of the 5th (fifth) trading day prior to the General Meeting, the Financial Intermediary is required to send to the Chairman of the General Meeting information on the number of shares registered in the name of the shareholder of whose intention to attend the General Meeting it has been informed, indicating also the registration date of these shares; this notice may also be provided by email to the address indicated on the notice of meeting.

In addition, shareholders who, on a professional basis, hold shares in their own name but on behalf of clients and who wish to cast conflicting votes are required to submit to the Chairman of the General Meeting within the time limit indicated in the preceding paragraph, and with sufficient and proportionate evidence, in addition to the declaration of their intention to attend the General Meeting and the sending, by the respective Financial Intermediary of the information on the number of shares registered in their client's name, (i) identification of each client and the number of shares with voting rights to be exercised on their behalf, and also (ii) the specific voting instructions issued by each client for each item on the agenda. Shareholders may also appoint a proxy to represent them at the General Meeting, and may download a proxy form from the Company's website (http://www.thenavigatorcompany.com/) or obtain a form on request from the head office.

Without prejudice to the rule on the unity of votes established in article 385 of the Companies Code, any shareholder may appoint different proxies for shares it holds in different securities accounts.

Proxy forms for both individual and corporate shareholders must be delivered to the Chairman of the General Meeting, so as to be received by five days prior to the date of the General Meeting, and may also be sent by email.

There are no further restrictions on the exercise of voting rights, insofar as attendance of General Meetings and exercise of voting rights are not prejudiced by the transfer of shares subsequent to the Registration Date, and do not require the shares to be blocked from the Registration Date to the date of the General Meeting.

Considering the arrangements described above for attendance and voting at General Meetings, the Company complies in full with Recommendation I.1 of the CMVM (Portuguese Securities Market Commission) Corporate Governance Code, by providing for shareholder participation through online, postal and proxy voting, in accordance with the law and Articles of Association, and in view of the one-share-one-vote rule established in the Articles of Association.

13. Indication of the maximum percentage of the voting rights which can be exercised by a single shareholder or by shareholders connected in any of the forms envisaged in article 20(1).

There are no provisions to this effect in the Articles of Association.

14. Identification of shareholder resolutions which, under the Articles of Association, can only be adopted with a qualified majority, in addition to those provided for in law, and details of the majorities required.

The Company's Articles of Association contain no specific rules on a quorum for adoption of resolutions by the General Meeting, meaning that the legal rules established in the Companies Code apply.

II. MANAGEMENT AND SUPERVISION

(Board of Directors, Executive Committee and General and Supervisory Board)

A) COMPOSITION*

15. Identification of the governance model adopted.

The Company's Articles of Association provide for a unitary management model, with a Board of Directors comprising executive and non-executive members and a Supervisory Board, in accordance with article 278(1)(a) of the Companies Code.

16. Rules in the Articles of Association on procedural and material requirements applicable to the appointment and replacement of members, as the case may be, of the Board of Directors, the Executive Committee and the General and Supervisory Board (article 245-A(1) h)). Diversity Policy.

In accordance with the Articles of Association, the Company's statutory bodies comprise the General Meeting, the Board of Directors, the Supervisory Board and a statutory auditor or audit firm. The General Meeting has powers to elect the members of the Board of Directors, the members of the Supervisory Board and the statutory auditor or audit firm.

The Board of Directors comprises three to seventeen members, elected by the General Meeting of Shareholders. Under the law and the Articles of Association, members are elected to the Board of Directors on the terms set out in the motion approved by the General Meeting. In other words, the shareholders have the authority to appoint the directors (as well as the supervisory body).

The General Meeting which elects the Board of Directors also designates its chairman, and may elect alternate Board member up to the limit established in the law. If the number of directors is not expressly established by the General Meeting, such number is deemed to correspond to the number of directors effectively elected.

However, the Articles of Association establish that a Director may be elected individually if there are proposals subscribed and tabled by groups of shareholders, provided none of these groups holds shares representing more than twenty per cent and less than ten per cent of the share capital. No shareholder shall sign the proposal form for more than one list. Each proposal shall identify no less than two electable persons. If there are various proposals signed by different shareholders or shareholder groups, the voting shall apply to the collection of these lists.

The Articles of Association further state that the Board of Directors may delegate the day-to-day management of the Company to a Director, or even to an Executive Committee comprised of three to nine members.

In the event of the temporary or definitive absence or impediment of the Chairman of the Board of Directors, the Board shall appoint another of its members to take his place.

However, in the event of the definitive absence, for any reason whatsoever, of a board member elected as Chairman with a profile appropriate to perform such duties, in accordance with the rule described above, the General Meeting is required to hold a new election to appoint the Chairman of the Board of Directors.

With respect to the preparation of a diversity policy, Navigator decided to not proceed with its formal approval on the basis of a set of legal and operational circumstances rather than the conviction that diversity is not positive within the scope of the respective statutory bodies.

Indeed, although there is an absence of both a diversity policy and requirements and criteria formally adopted concerning the profile of new members of the corporate bodies, as to what is deemed to be adequate vis-à-vis the functions to be performed, the company believes that individual attributes such as competence, independence and experience, as well as diversity requirements, contribute to improving the performance of the corporate bodies.

Since Portuguese legislative system entrusts shareholders with the composition of boards of companies and given the nature of the group in which Navigator is integrated, with a concentration of capital structure in a group of familiar nature and members of Boards of Directors common to several related companies, management believes that the judgment on the options for composition of statutory bodies should be referred to shareholders.

17. Composition, as the case may be, of the Board of Directors, the Executive Committee and the General and Supervisory Board, detailing the provisions of the Articles of Association concerning the minimum and maximum number of directors, duration of term of office, number of full members, and the date when first appointed and the end of their terms of office for each member.

As stated above, the Articles of Association establish that the Board of Directors comprises three to seventeen members appointed for a renewable four-year term. On 29 April 2015, the Company's General Meeting approved a resolution electing the members of the Board of Directors for a four-year term from 2015 to 2018.

Therefore, on 31 December 2018, the Board of Directors included thirteen members: one Chairman, two Deputy Chairman and ten Members.

Name	DATE OF FIRST APPOINTMENT AND END DATE OF TERM OF OFFICE
Pedro Mendonça de Queiroz Pereira	(2004 - 2018)
João Nuno de Sottomayor Pinto de Castello Branco	(2015 - 2018)
Diogo António Rodrigues da Silveira	(2014 - 2018)
Luís Alberto Caldeira Deslandes	(2001 - 2018)
António José Pereira Redondo	(2007 - 2018)
José Fernando Morais Carreira de Araújo	(2007 - 2018)
Nuno Miguel Moreira de Araújo Santos	(2015 - 2018)
João Paulo Araújo Oliveira	(2015 - 2018)
Adriano Augusto da Silva Silveira	(2007 - 2018)
José Miguel Pereira Gens Paredes	(2011 - 2018)
Manuel Soares Ferreira Regalado	(2004 - 2018)
Paulo Miguel Garcês Ventura	(2011 - 2018)
Ricardo Miguel dos Santos Pacheco Pires	(2015 - 2018)
Vítor Manuel Galvão Rocha Novais Gonçalves	(2015 - 2018)

Mr. Pedro Mendonça de Queiroz Pereira ceased his functions as Chairman of the Board of Directors, due to his death on 19 August 2018.

The composition of the Board of Directors is freely available at the Company's website at http://www.thenavigatorcompany.com/Investidores/Governo-da-Sociedade#modulo878.

18. Distinction between executive and non-executive members of the Board of Directors and, in relation to non-executive directors, identification of those who can be regarded as independent or, if applicable, identification of the independent members of the General and Supervisory Board.

18.1. The independence of the members of the General and Supervisory Board and members of the Audit Committee shall be assessed in accordance with the law in force. The other members of the Board of Directors are considered independent if the member is not associated with any specific group of interests in the Company nor is under any circumstance likely to affect their impartiality of analysis or decision, particularly due to:

a. Having been an Employee at the Company or at a related or group company in the past three years;

b. Having, in the past three years, provided services or established a significant commercial relationship with the Company or a related or group company, either directly or as a partner, board member, manager or director of a legal person;

c. Being the beneficiary of remuneration paid by the Company or by a related or group company, other than the remuneration deriving from a directorship;

d. Living with a life partner or a spouse, relative or any first degree next of kin and up to and including the 3rd degree of collateral affinity of directors or natural persons that are direct and indirectly holders of qualifying holdings;

e. Being a qualifying shareholder or representative of a qualifying holding

At 31 December 2018 and at the present date, five members of the Board of Directors are executive directors and form an Executive Committee, which was elected and whose powers are delegated by the Board of Directors, and the other eight Board members are non-executive.

The executive members of the Board of Directors belong to the Executive Committee and are identified below in item 28; the other members are non-executive. However, Mr. Pedro Mendonça de Queiroz Pereira, chairman of the Board of Directors until he passed away, on 19 August 2018, was significantly involved in importante decisions on the Company's operations.

Taking also in consideration the profile, age, career, professional experience and integrity of the board members, we understand that the Company has a number of non-executive members which is appropriate to the nature and size, namely considering the stability of its capital structure, its family-owned nature, and the complexity of the risks inherent in its business, is sufficient to ensure efficiently the functions assigned to it and oversee, supervise, monitor and assess the activities of the executive directors.

As described in item 18.1 above, the non-executive directors of the Board of Directors identified above cannot be regarded as independent. However, the Non-Executive Directors, although not independent in accordance with the criteria set out above, offer the necessary good standing and proven professional experience and expertise to contribute to and optimise the management of the Company with a view to creating value, and also to ensure that the interests of all shareholders are effectively defended and to guarantee unbiased, impartial, independent and objective oversight and assessment of the Executive Directors, whilst also ensuring that no conflicts of interest exist between the shareholders and the Company.

The Rules of Procedure of the Executive Committee, approved by the Board of Directors, establishes the action scheme of executive directors. On the other hand, the Rules of Procedure of the Board of Directors (article 24) regulates the exercise of other administrative functions by executive and non-executive directors in entities outside the business group in which the Company is integrated.

19. Professional qualifications and other relevant biographical details of each member, as applicable, of the Board of Directors, the General and Supervisory Board and the Executive Committee.

Pedro Mendonça de Queiroz Pereira
Pedro Queiroz Pereira completed his secondary education in Lisbon and then studied at the Instituto Superior de Administração. He lived in Brazil from 1975 to 1987, during which time he held administrative positions at various companies tied to industry, trade, tourism and agriculture. After returning to Portugal, he continued to hold administrative positions at various companies controlled by the Queiroz Pereira family. In 1995, when the Queiroz Pereira family's interests expanded in to the cement industry, he was appointed chairman of the Board of Directors of Secil and Semapa, as well as Chief Executive Officer of Semapa, a post he held until July 2015. He also has served as chairman of the Board of Directors of The Navigator Company since 2004.

João Nuno de Sottomayor Pinto de Castello Branco
João Castello Branco holds a degree in mechanical engineering from Instituto Superior Técnico and an MBA from INSEAD. Since July 2015, he has served as Chief Executive Officer of Semapa, having been a Managing Partner of McKinsey & Company – Iberian Office until this date. He joined McKinsey in 1991 and worked there in a wide range of industries, serving several leading institutions in Portugal as well as Spain. He also worked in these sectors in Europe, Latin America and the United States. He also lead several works at McKinsey on competitiveness, productivity and innovation in Portugal as well as Spain. Prior to joining McKinsey, he worked at the Renault engine development centre in France. In 2017, he was appointed as a member of the General Council of AEM – Associação de Empresas Emitentes de Valores Cotados em Mercado. Since 2015, he has also served as director of the Navigator Company and Secil, having been appointed as Chairman of the Board of Directors at the end of 2018.

Diogo António Rodrigues da Silveira
Diogo da Silveira has a Diplôme d'Ingénieur from École Centrale de Lille, in France (1984), was a Research Scholar at UC Berkeley University in the United States (1984), and has an MBA from INSEAD, in France (1989). He started his professional career in the Technicatome/AREVA Group, in France in 1984, and then joined the Japanese industrial group Shin Etsu Handtotal, in 1985. He joined McKinsey & Company in 1989, where he worked in the financial institutions sectors, as consultant in the Iberian office (4 years) and in France (5 years) and was a partner, from 1996 to March 1998. In 1998, he became Executive Director and Group CFO of Sonae Investimentos, having held the position of Chief Operating Officer of Sonae Distribuição between 1998 and 1999. He became CEO of Novis Telecom and a management member of Sonaecom from 1999 to 2001, as well as CEO of Isoroy, from the Sonae Indústria Group, between June 2001 and March 2005. He was then CEO of ONI from March 2005 to February 2007. He held the post of Chief Operating Officer at Banif, from April 2007 to January 2008, and from February 2008 to March 2014 he was Chief Executive Officer of Açoreana Seguros. He has been Deputy Chairman of Navigator's Board of Directors and Chief Executive Officer since April 2014.

Luís Alberto Caldeira Deslandes
Luís Deslandes graduated in chemical engineering from Instituto Superior Técnico de Lisboa and brewery engineering from Institut Supérieur D'Agronomie de Louvain. He began his career in 1966 at the company Central de Cervejas, where he worked as Industrial Manager until 1975. He was Deputy Chairman of Central de Cervejas from 1975 to 1978, Managing Director of CICER from 1976 to 1980, and Executive Chairman of Central de Cervejas from 1979 to 1980. He held the position of Executive Chairman of Portucel from 1980 to 1983 and chairman of the Executive Committee of Soporcel from 1984 to 1990. He was Chairman of the Executive Committee of SAL – Sociedade da Água do Luso from 1984 to 1989. He was Managing Director of Soporcel from 1990 to 2001. He is an honorary member of ACFPI (FAO) – Advisory Committee on Sustainable Forest-based Industries. He was chairman of ACEL, CELPA, the Portuguese-Chinese Chamber of Commerce, CEPAC – Groupement des Celluloses and CEPI from 1998 to 2000. He was also a member of the Board of Directors of CIP – Confederação da Indústria Portuguesa and the Board of Directors of the Lisbon Stock Exchange. He has been Deputy Chairman of the Board of Directors of The Navigator Company, S.A. since 2001, having held various administrative positions at Navigator Group companies since this same year.

António José Pereira Redondo
António Redondo holds a degree in chemical engineering from the Science and Technology Faculty of the University of Coimbra (1987); he attended 4th year in Business Management at Universidade Internacional

and has an MBA specialising in marketing, from the Portuguese Catholic University (1998). He joined Soporcel in 1987 and until December 1998 held a series of posts in technical, production, marketing and sales management areas of the company. He was marketing manager of Soporcel from January 1998 to December 2002, and was then appointed sales manager for the Navigator Group (then called the Portucel Soporcel Group) from January 2003 to March 2007. He has been an executive director of the Company since April 2007.

José Fernando Morais Carreira de Araújo
Fernando Araújo has a degree in accountancy and management from Instituto Superior de Contabilidade e Administração do Porto (ISCAP-1986) and a specialist diploma in financial control from Instituto Superior de Contabilidade e Administração do Porto (ISCAP-1992). He has been a statutory auditor (chartered accountant) since 1995. He has a degree in law from Universidade Lusíada do Porto (2000). He has post-graduate qualifications in advanced financial accounting (ISCTE – 2002/2003), in tax law (Lisbon Faculty of Law – 2002/2003) and in corporate governance (Instituto Superior de Economia e Gestão de Lisboa – 2006/2007). He concluded an MBA in Corporate Reporting at INDEG – IUL in 2016. He started his professional career in 1987, with Sportrade, and was subsequently head of accounts at Eurofer from 1988 to 1991. From 1991 to 2001 he worked in the field of tax management at KPMG, and was Senior Tax Manager from 1993 to 2001. He was head of Tax Management and Accounts at Secil, from 2001 to 2005, at SEMAPA from 2002 to 2006, and in the Company from 2006 to 2007. He has been an executive director of the Company since April 2007.

Nuno Miguel Moreira de Araújo Santos
Nuno Santos has a degree in civil engineering from Instituto Superior Técnico (1993) and an MBA from INSEAD (1996). He began his professional career at McKinsey & Company in 1993, and until March 2015 was a Senior Partner (Manager) and the leader of the area of Energy, Commodities & Industry of the McKinsey & Company's Iberian Office. He also belonged to the Leadership Committee of the Global Division of Energy, Commodities & Industry of McKinsey & Company and led the Client Committee of the Global Division of Energy/Utilities at McKinsey & Company. He has been an executive director of the Company since April 2015.

João Paulo Araújo Oliveira
João Paulo Oliveira has a degree in industrial engineering from the Faculty of Science and Technology, Universidade Nova de Lisboa (1988) and an MBA in Commercial Engineering and Management from AEP – ESADE, Spain (1994). He began his career at the Bosch Group in 1989. He was industrial manager for Bosch in China from 1994 to 1996. Subsequently, he was involved in an acquisition project for a company in Chile, and also held positions in the Bosch Group's operations in France and Germany. From 2002 to 2015, he was Managing Director of Bosch Termotecnologia S.A. In his last 8 years at the Bosch Group, he was Chairman of the Group's Hot Water Business Unit, whose global competence centre is located in Aveiro. He was chairman of the Portuguese-German Chamber of Commerce and Industry from 2009 to 2012. He also sits on the General Council of the University of Aveiro, the AICEP Advisory Board and the Supervisory Board of the Fraunhofer Institute in Portugal. He has been an executive director of the Company since July 2015.

Adriano Augusto da Silva Silveira
Adriano Silveira has a degree in chemical engineering from the University of Porto. He began his career at the Environmental Studies Service, having been part of Empresa Nacional de Urânio (1979) and Empresa Minas de Jales (1983). He joined Soporcel in 1983, where he held several positions of responsibility in the areas of energy recovery, pulp and paper production, project management, maintenance and engineering. He has been a member of the Company's Board of Directors since 2007, serving as an Executive Director from April 2007 to July 2015.

José Miguel Pereira Gens Paredes
José Miguel Paredes has a degree in economics from Universidade Católica Portuguesa, and began his professional career in 1985, at the Directorate-General of Competition and Prices. In the following years, he worked at transport provider Rodoviária Nacional, Trader Interbiz, in the Foreign Lending Division of Companhia de Seguros de Crédito Cosec, in the Commercial Department and in the Treasury/Forex Room of Generale Bank, Portugal branch, and in the Finance Department of United Distillers in Portugal. In 1994, he became Financial Director of Semapa and other related companies. He was Executive Director at Enersis, a company that operated in the renewable energies area and which was held by the Semapa Group. From 2004

to 2018, he served as a Market Relations Representative of Semapa, and has been a Semapa Executive Director since 2006. In 2008, he became a director of ETSA and has served as Chairman of the Board of Directors of such company since 2010. Since 2011 and 2012, respectively, he has served as director of The Navigator Company and Secil. And he has been a director of Sonagi since 2018.

Manuel Soares Ferreira Regalado
Manuel Regalado has a degree in finance from Instituto Superior de Economia e Gestão (ISEG) in Lisbon (1972), and completed the Senior Executive Programme of the London Business School (1997). He began his professional career in 1971, holding various internal auditing, management control and planning and investment project analysis positions from this year until 1984. From 1984 to 1994, and from 1998 to 2004, he was appointed to a variety of management positions and directorships in a range of sectors, including banking, insurance, manufacturing and energy, in Edinfor, COSEC, IAPMEI and Hidroelétrica de Cahora-Barra and Banco BPI (in Portugal, Africa and Latin America). Between 1994 and 1998, he served on the Board of Directors of Portucel, and was also part of the statutory bodies of INAPA and CELPA. He has sat on the Board of Directors of The Navigator Company since 2004, and was an executive director until 2016.

Paulo Miguel Garcês Ventura
Miguel Ventura has a degree in law, and completed the INSEAD IEP ‘08 July and COL ‘15 Dec. courses, as well as Governance Programmes in 2018. He began his professional career as an attorney in 1995. Starting in 1997, he served on the presiding boards of the General Meetings of various subsidiaries of Cimigest, Sodim and Semapa, and was also appointed as Semapa’s Secretary. From 2005 to 2007, he was a member of the Lisbon District Council of the Portuguese Bar Association (Ordem dos Advogados). Since 2006, he has been an Executive Director of Semapa and various related companies. In 2007, he was also appointed Deputy Chairman of the General Meeting of REN (a position he held until the end of 2014) and of Infraestruturas de Portugal. Since 2011 and 2012, respectively, he has been a director of The Navigator Company and Secil. In 2014 he was appointed as a member of the General Council of AEM – Associação de Empresas Emitentes de Valores Cotados em Mercado, a position which he held until the end of 2016, and was also appointed as a managing member of this same association in 2017. He has been a director of Sonagi since 2018.

Ricardo Miguel dos Santos Pacheco Pires
Ricardo Pires is a graduate in business administration from the Portuguese Catholic University, with a specialisation in Corporate Finance from ISCTE and an MBA in business management from Universidade Nova de Lisboa. He began his career in management consulting between 1999 and 2002, first at BDO Binder and later at GTE Consultores. From 2002 to 2008, he worked at the Corporate Finance Department of ES Investment, where he carried out a number of M&A and capital market projects in the sectors of Energy, Pulp & Paper and Food & Beverages. Since 2008 he has worked at Semapa, initially as a Strategic Planning and New Business Manager and later, starting in 2011, as Head of the Office of the Chairman of the Board of Directors. He has been a Semapa Executive Director since 2014, as well as holding positions at other related companies. Since 2015, he has performed management duties at The Navigator Company and at Secil. Since 2017, he is CEO of SEMAPA Next.

Vítor Manuel Galvão Rocha Novais Gonçalves
Vítor Novais Gonçalves has a degree in business management from ISC-HEC in Brussels and has more than 30 years of professional experience with executive management responsibilities in the Consumer Products, Telecommunications and Finance sectors, respectively. He began his professional career in 1984 at Unilever as a Management Trainee, and subsequently as a Product Manager and Market Manager. From 1989 to 1992, he worked at Citibank Portugal, initially as a Venture Capital Business Manager and later as head of Corporate Finance and member of the Management Committee. Between 1992 and 2000, he worked in the financial area of the José de Mello Group, served as director at several companies and serving, among other things, as Strategic Marketing and Development Manager of Banco Mello and General Manager of Companhia de Seguros Império. From 2001 to 2009, he worked in the telecommunications area of the SGC Group as a director of SGC Comunicações, and was in charge of strategic marketing and international business development. Among other positions, he has been a Director at Zoom Investment, Semapa and The Navigator Company.

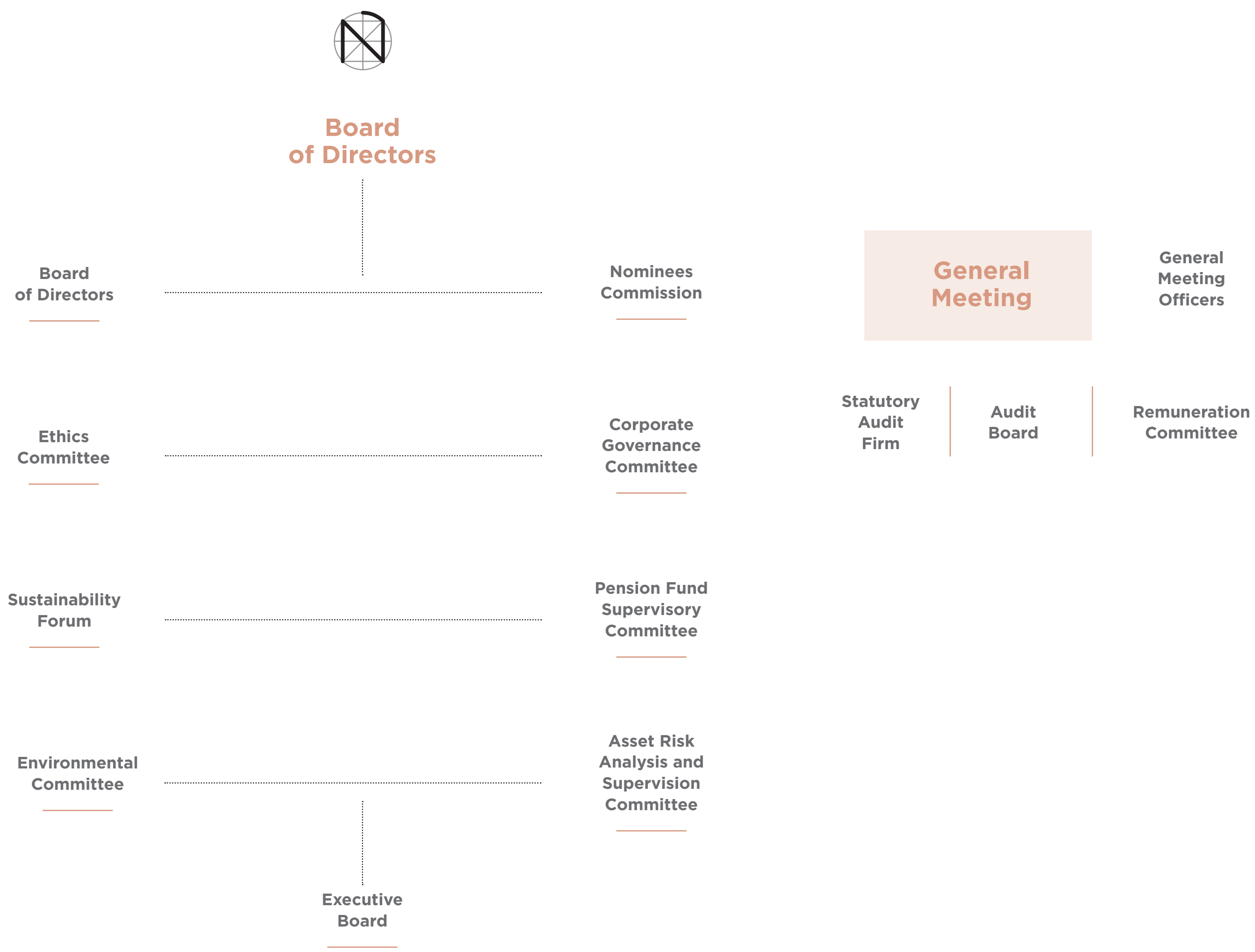
20. Regular and significant family, professional or business relationships of the members, as applicable, of the Board of Directors, General and Supervisory Board and Executive Committee with shareholders with qualified holdings exceeding 2% of voting rights.

Among the members of the Company's Board of Directors, in the course of 2018, directors Pedro Mendonça de Queiroz Pereira, João Nuno de Sottomayor Pinto de Castello Branco, José Miguel Pereira Gens Paredes, Paulo Miguel Garcês Ventura, Ricardo Miguel dos Santos Pacheco Pires were also directors of shareholder SEMAPA. Director Vítor Manuel Galvão Rocha Novais Gonçalves was also a representative of ZOOM LUX S.À.R.L., a company that had a qualified shareholding position in Navigator until November 2018.

21. Organisational or functional charts showing the division of powers between the different corporate boards, committees and/or company divisions, including information on delegated powers, in particular with regard to delegation of the management of the Company.

We present below the organisational and functional charts showing the division of responsibilities between the different Company bodies, committees and divisions.

Organisational Chart of Committees within the Society



Nominees Commission

Executive Board

Diogo da Silveira
António Redondo
Fernando Araújo
João Paulo Oliveira
Nuno Santos

PORTUCEL Moçambique

João Lé
Paulo Silva

Chief of Staf

António da Cunha Reis

Investor Relations

Joana Lã Appleton

Research & Development

Forest & Paper Research
Carlos Pascoal Neto

Forest Area

Forest Management
Nuno Neto

Wood Supply
Hermano Mendonça

Tissue Area

Tissue Commercial
Nuno Anjo e Silva

Tissue Operations
José Miranda*

V.V. Ródão Tissue Industrial Complex
Joaquim Belfo

Aveiro Tissue Industrial Complex
Paulo Santos

Direção Supply Chain Tissue Management Area
Fernando Gaga

Industrial Area

Setúbal Industrial Complex
José Nordeste

Figueira da Foz Industrial Complex
Pedro Matos Silva

Figueira da Foz Industrial Complex
João Paulo Oliveira

Engeneering
Guilherme Pedroso

Environment & Energy
Óscar Arantes

Central Technical Direction
Carlos Brás

* Até 31 de Dezembro de 2018

Comercial Area

Marketing
António Quirino Soares

Logistics
Gonçalo Vieira

Logistics
Vitor Crespo

Pulp Commercial
José Tátá Anjos

Paper Commercial

Sales Europe
Vitor Coelho

Sales International
Mário França

Supply Chain
Eduardo Veiga

Corporate Area

Risc
Gonçalo Veloso de Sosua

Communication & Brand
Rui Pedro Batista

Talent, Management & Organisational Development
Paula Castelão

Human Resources
João Ventura

Innovation and Internal Consulting
Miguel Faria

Business Development
Vasco Ferreira

Sustainability
António Porto Monteiro

Legal Services
António Neto Alves

Financial Office
Manuel Arouca

Management & Control
João Escobar Henriques

Information Systems
Adriano Serrano

Tax & Accounting
Carla Guimarães

Insurance – Empremédia
Alexandra Fernandes

Materials Management
Pedro Sousa

EXECUTIVE COMMITTEE

As stated above, on 31 December 2017, the Executive Committee comprised five members, with responsibilities divided between its members as follows::

Diogo António Rodrigues da Silveira:
- Risk Management Division
- Communication and Brand Division
- Talent Management and Organisational Development Division
- Human Resources Division
- Innovation and Internal Consultancy Division
- Business Development Division
- Sustainability Division
- Investor Relations

António José Pereira Redondo:
- Pulp Commercial Division
- Paper Commercial Division
- Marketing Division
- Logistics Division
- Technical Product Division

José Fernando Morais Carreira de Araújo:
- Legal Services Division
- Financial Division
- Management Control Division
- Information Systems Division
- Accounting and Tax Division
- Insurance / Empremédia

Nuno Miguel Moreira de Araújo Santos:
- Forestry Management Division
- Wood Supply Division
- Tissue Commercial Division
- Tissue Operations Division
- Portucel Mocambique
- Colombo Energy

João Paulo Araújo Oliveira:
- Forestry and Paper Research Institute
- Setubal Industrial Division
- Figueira da Foz Industrial Division
- Aveiro Industrial Division
- Central Engineering Division
- Environment and Energy Division
- Materials Management Division

The following powers are delegated to the Executive Committee:

a) To propose the Company's policies, aims and strategies to the Board of Directors;

b) To propose to the Board of Directors operating budgets and medium and long term investment and development plans, and to implement the same once approved;

c) To approve budget alterations during the year, including transfers between cost centres not exceeding twenty million euros each year;

d) To approve contracts for the acquisition of goods and services of a value each year no greater than twenty million euros;

e) To approve financing contracts, to apply for bank guarantees, or to accept any other liabilities which represent increased indebtedness, totalling no more than twenty million euros each year;

f) To acquire, dispose of or encumber the Company's fixed assets of a value, in each individual case, of up to five per cent of the paid up share capital;

g) To lease or let any immoveable property;

h) To represent the Company in or out of court, as claimant or respondent, and to bring or follow up any judicial or arbitral actions, confess or desist, settle or agree to arbitration;

i) To acquire, dispose of or encumber holdings in other companies, of a value of no more than twenty million euros each year;

j) To resolve on executing acquisition and disposal of own shares, when this has been resolved on by the General Meeting, in keeping with the terms of such resolution;

k) To manage holdings in other companies, jointly with the Chairman of the Board of Directors, namely by designating, with the latter's agreement, the representatives to sit on the respective company boards, and setting guidelines for the acts of these representatives;

l) To enter into, amend and terminate employment contracts;

m) To open, transact and close bank accounts;

n) To appoint Company attorneys;

o) In general, all powers which may lawfully be delegated, with any limitations deriving from the provisions of the preceding paragraphs.

Jointly with the Chairman of the Board of Directors, the Executive Committee may also resolve on the matters indicated in sub-paragraphs c), d), e) and i) above when the respective values, calculated on the terms set out therein, are greater than twenty million euros but no greater than fifty million euros.

The Chairman of the Board of Directors has the powers assigned to him by Law and the Articles of Association. The Executive Committee may discuss all matters within the sphere of competence of the Board of Directors, notwithstanding that it may only resolve on matters delegated to it. All matters dealt with by the Executive Committee, even when they fall within the scope of its delegated powers, are to be reported to the non-executive directors, who have access to the respective minutes and supporting documents. The Board of Directors is informed on a permanent basis of all resolutions of the Executive Committee through the minutes of the respective meetings, which are systematically drawn up and sent, in writing, to the Board of Directors. In addition, the Chairman of the Executive Committee sends notices and minutes of the respective meetings to the Chairman of the Board of the Directors and the Chairman of the Audit Board.

The powers to alter any terms of contracts previously concluded and covered by the provisions of c), d), e) and i) lie with the body or bodies who would have powers to enter into them.

All decisions relating to definition of Company strategy, and to the Company's general policies and the corporate structure of The Navigator Group, shall be the sole province of the Board of Directors, and the Executive Committee has no delegated powers to this effect.

B) FUNCTIONING

22. Existence of the rules of procedure of the Board of Directors, the General and Supervisory Board and the Executive Committee, as the case may be, and place where these may be consulted.

The Internal Rules of Procedure of the Board of Directors of Navigator are published the Company's website, in the investor relations/ Corporate Governance area, and are therefore freely available for consultation at http://www.thenavigatorcompany.com/Investors/Governance.

The Internal Rules of Procedure of the Board of Directors governs the exercise of the functions, chairman, frequency of the meetings, functioning and framework of duties of its members.

In accordance with these Rules of Procedure, and the applicable legislation:

- The directors may have access to all Company information and staff for assessing performance, the situation and the outlooks on the development of the Company, including, namely, minutes, documents supporting decisions taken, convening notices and records on the meetings of other corporate bodies, without prejudice to access to all other documents or persons who may be called upon to provide clarifications.

- The Board of Directors must ensure the timely and suitable flow of information, especially regarding the respective calls for meetings and minutes, required for the performance of the functions, determined by law and the bylaws, of each of the remaining corporate bodies and committees.

- Non-executive directors should participate in the definition, by the managing body, of the strategy, main policies, business structure and decisions that should be deemed strategic for the company due to their amount or risk, as well as in the assessment of the accomplishment of these actions.

- The directors in the Executive Committee may not perform executive functions in entities outside of the Company's group, except if the activity of such entities is deemed to be ancillary or complementary to the group's activity or is not very time-consuming.

- The directors who are not in the Executive Committee may perform management functions (executive or not) in entities outside of the Company's group, where such companies do not carry out activities that compete with that of the Company, or in companies directly or indirectly held by the Company, and the Chairman of the Board of Directors must be notified before the start of such functions.

- The following matters may not be generally delegated: a) The definition of the strategy and main policies of the Company, although the Board of Directors may delegate to the Executive Committee the drafting of the preliminary strategic plan and investment policy, subject to the approval of the Board of Directors; b) the organisation and coordination of the business structure; and c) matters that should be considered strategic, by virtue of the amounts involved, the risk, or special characteristics.

- The Board of Directors shall evaluate its performance annually, as well as the performance of the Executive Committee and of other Committees and managing directors, if any, taking into account the compliance with the Company's strategic plan and budget, risk management, its internal operation and the contribution of each member to that purpose, and the functioning between the Company's Bodies and Committees, identifying the ways in which such performance may be improved.

23. Number of meetings held and rate of meeting attendance of each member, as applicable, of the Board of Directors, General and Supervisory Board and Executive Committee.

During 2018, the Board of Directors held twelve meetings, minutes of which were duly drawn up. All members of the Board of Directors attended all eleven meetings in person, corresponding to an attendance rate of 100%, except Nuno Santos, whose absence from a meeting was duly justified.

Detailed minutes are drawn up for the Board of Directors' meetings, in accordance with its Rules of Procedure.

The number of meetings of the Board of Directors is freely available at the Company's website at http://www.thenavigatorcompany.com/Investidores/Governo-da-Sociedade.

24. Indication of the company bodies empowered to assess the performance of executive directors.

The Remuneration Committee decides how the system works and makes all the arrangements for assessing the executive directors. It is also responsible for final confirmation of the performance factors and their impact on remuneration, as well as for the overall coherence of the system. However, the actual assessment of each individual's performance is the responsibility of the person leading the team, in the case of the members of the Executive Committee, and of the Chairman of the Board of Directors, in the case of the Chief Executive Officer, in both cases with the participation of other non-executive directors as the person conducting the assessment sees fit to involve.

The Rules of Procedure of the Board of Directors approved in December 2018 also provide that the Board of Directors should annually evaluate its performance, as well as the performance of its committees and the directors appointed, accounting for the fulfilment of the company's strategic plan and budget, the management of risks, its internal operations and the contribution of each member to that end, in addition to the relationship between the company's boards and committees.

Therefore, although the assessment of executive directors already takes place annually, the self-assessment of the Board of Directors and its Commissions will take place in 2019 concerning performance in 2018.

25. Predetermined criteria for assessing the performance of executive directors.

The basic criteria for assessing the performance of executive directors are those defined in item 2 of chapter VI of the Remuneration Policy Statement for setting the variable remuneration component. These criteria are applied by using a system of KPIs that encompass quantitative and qualitative components, and individual and joint components. The joint quantitative components considered are EBITDA, net profit and cash flow.

26. Availability of each of the members of the Board of Directors, the General and Supervisory Board and the Executive Committee, as the case may be, indicating office held simultaneously in other companies, inside and outside the Group, and other relevant activities carried out by the members of these bodies during the period.

The members of the Board of Directors have the appropriate availability to perform the duties entrusted to them. The Directors' other activities, outside the business group to which Navigator belongs, do not impede their availability for performing their duties within the Navigator Group.

In addition to the activities listed in item 19, the directors also hold corporate office in other companies as detailed below:

Pedro Mendonça de Queiroz Pereira[1]

OFFICES HELD IN NAVIGATOR GROUP COMPANIES:

» Chairman of the Board of Directors of The Navigator Company, S.A.

OFFICES HELD IN OTHER COMPANIES/ENTITIES:

» Chairman of the Board of Directors of Celcimo, S.L.
» Chairman of the Board of Directors of Semapa Next, S.A.
» Chairman of the Board of Directors of Seinpart – Participações, SGPS, S.A.
» Chairman of the Board of Directors of Seminv – Investimentos, SGPS, S.A.
» Chairman of the Board of Directors of Cimigest, SGPS, S.A.
» Chairman of the Board of Directors of Ciminpart – Investimentos e Participações, SGPS, S.A.
» Chairman of the Board of Directors of Hotel Ritz, S.A.
» Chairman of the Board of Directors of Secil – Companhia Geral de Cal e Cimento, S.A.
» Chairman of the Board of Directors of Semapa – Sociedade de Investimento e Gestão, SGPS, S.A.
» Chairman of the Board of Directors of Sodim SGPS, S.A.

João Nuno de Sottomayor Pinto de Castello Branco

OFFICES HELD IN NAVIGATOR GROUP COMPANIES:

» Chairman of the Board of Directors of The Navigator Company, S.A.[2]

OFFICES HELD IN OTHER COMPANIES/ENTITIES:

» Chairman of the Board of Directors of APHELION, S.A.
» Member of the General Council of AEM – Associação de Empresas Emitentes de Valores Cotados em Mercado.
» Member of the Board of Directors of CIMIGEST, SGPS, S.A.
» Chairman of the Board of Directors of CIMIPAR – Sociedade Gestora de Participações Sociais, S.A.[3]
» Chairman of the Board of Directors of Administração da Longapar, SGPS, S.A.[4]
» Deputy Chairman of the Board of Directors of SECIL – Companhia Geral de Cal e Cimento, S.A.[5]
» Chairman of the Board of Directors of SEINPART – Participações, SGPS, S.A.[6]
» Chairman of the Board of Directors of SEMAPA NEXT, S.A.
» Member of the Board of Directors and Chief Executive Officer of SEMAPA – Sociedade de Investimento e Gestão, SGPS, S.A.
» Member of the Board of Directors of SODIM, SGPS, S.A.

[1] Offices held up to 19-08-2018.
[2] Served as Deputy Chairman of the Board of Directors up to 20 November 2018, having started as Chairman after such date.
[3] Company acquired by Cimigest, SGPS, S.A. on 27 December 2018.
[4] Company acquired by Cimo – Gestão de Participações, SGPS, S.A. on 27 December 2018.
[5] Served as Deputy Chairman of the Board of Directors until 21 November 2018 and started as Chairman after such date.
[6] Company dissolved on 30 November 2018.

Diogo António Rodrigues da Silveira

OFFICES HELD IN NAVIGATOR GROUP COMPANIES:

» Chairman of the Board of Directors of About The Future – Empresa Produtora de Papel, S.A.
» Chairman of the Board of Directors of Magellan Holdings, INC.[7]
» Chairman of the Board of Directors of Eucaliptusland – Sociedade de Gestão de Património Florestal, S.A.
» Chairman of the Board of Directors of Navigator Africa, S.R.L.
» Chairman of the Board of Directors of Navigator Financial Services SP. Z.O.O.
» Chairman of the Board of Directors of Navigator Fine Paper, S.A.
» Chairman of the Board of Directors of Navigator International Holding, SGPS, S.A.
» Chairman of the Board of Directors of Navigator Paper Figueira, S.A.
» Chairman of the Board of Directors of Navigator Paper World, S.A.[8]
» Chairman of the Board of Directors of Navigator Parques Industriais, S.A.
» Chairman of the Board of Directors of Navigator Participações Holding, SGPS, S.A.
» Chairman of the Board of Directors of Navigator Pulp Cacia, S.A.
» Chairman of the Board of Directors of Navigator Pulp Figueira, S.A.
» Chairman of the Board of Directors of Navigator Pulp Setúbal, S.A.
» Chairman of the Board of Directors of Navigator Tissue Cacia, S.A.
» Chairman of the Board of Directors of Navigator Tissue Ródão, S.A.
» Chief Executive Officer and Deputy Chairman of the Board of Directors of The Navigator Company, S.A.

OFFICES HELD IN OTHER COMPANIES/ENTITIES:

» Member of the Board of Directors of Shilling Capital Partners, SGPS, S.A.
» Deputy Chairman of CEPI – Confederation of European Paper Industries
» Member of the Executive Committee of WBCSD – World Business Council for Sustainable Development
» Member of the Senior Board of Forestis (Portuguese Forestry Association)
» Deputy Chairman of CIP (Confederation of Portuguese Business)
» Deputy Chairman in Portugal of the Counsellors of Foreign Trade of France, with the Embassy in Portugal
» Member of the Advisory Board of Instituto Superior Técnico

[7] Formerly called Colombo Energy, Inc., and dissolved on 31-12-2018

[8] Formerly called Navigator Switzerland, Ltd.

Luís Alberto Caldeira Deslandes

OFFICES HELD IN NAVIGATOR GROUP COMPANIES:

» Deputy Chairman of the Board of Directors of The Navigator Company, S.A.

OFFICES HELD IN OTHER COMPANIES/ENTITIES:

» Honorary member of ACFPI (FAO) – Advisory Committee on Sustainable Forest-based Industries.

António José Pereira Redondo

OFFICES HELD IN NAVIGATOR GROUP COMPANIES:

» Member of the Board of Directors of About The Future – Empresa Produtora de Papel, S.A.
» Member of the Board of Directors and the Executive Committee of Magellan Holdings, Inc.[9]
» Member of the Board of Directors of Eucaliptusland – Sociedade de Gestão de Património Florestal, S.A.
» Member of the Board of Directors of Navigator Africa S.R.L.
» Manager of Navigator Afrique du Nord, SARLAU.
» Member of the Board of Directors of Navigator Deutschland, GMBH.
» Chairman of the Board of Directors of Navigator Eurasia Kagit Ve Kagit Ürünleri Sanayi Ve Ticaret Anonim Sirke.
» Member of the Board of Directors of Navigator Fine Paper, S.A.
» Chairman of the Management Board of Navigator France, SAS.
» Member of the Board of Directors of Navigator International Holding, SGPS, S.A.
» Member of the Management Board of Navigator International Trading, GMBH.
» Chairman of the Board of Directors of Navigator Itália, S.R.L.
» Chairman of the Board of Directors of Navigator Netherlands B.V.
» Chairman of the Board of Directors of Navigator North America, Inc.
» Member of the Board of Directors of Navigator Paper Austria GMBH.
» Member of the Board of Directors of Navigator Paper Company, UK, Ltd.
» Chairman of the Board of Directors of Navigator Paper España, S.A.
» Member of the Board of Directors of Navigator Paper Figueira, S.A.
» Manager of Navigator México S. De R.L. de C.V.
» Member of the Board of Directors of Navigator Parques Industriais, S.A.
» Member of the Board of Directors of Navigator Participações Holding, SGPS, S.A.
» Chairman of the Management Board of Navigator Poland Paper Spółka Z Ograniczona Odpowiedzialnoscia.
» Member of the Board of Directors of Navigator Pulp Cacia, S.A.
» Member of the Board of Directors of Navigator Pulp Figueira, S.A.
» Member of the Board of Directors of Navigator Pulp Setúbal, S.A.
» Member of the Board of Directors of Navigator Rus Company, LLC.
» Member of the Board of Directors of Navigator Paper World, S.A.
» Member of the Board of Directors of Navigator Tissue Cacia, S.A.
» Member of the Board of Directors of Navigator Tissue Ródão, S.A.
» Member of the Board of Directors and the Executive Committee of The Navigator Company, S.A.

OFFICES HELD IN OTHER COMPANIES/ENTITIES:

» On 31 December 2018 held no office in other companies/entities.

[9] Formerly called Colombo Energy, Inc., and dissolved on 31-12-2018

José Fernando Morais Carreira de Araújo

OFFICES HELD IN NAVIGATOR GROUP COMPANIES:

» Member of the Board of Directors of About The Future – Empresa Produtora de Papel, S.A.
» Chairman of the Board of Directors of Bosques do Atlântico, S.L.
» Member of the Board of Directors and the Executive Committee of Magellan Holdings, Inc.[10]
» Member of the Board of Directors of Eucaliptusland – Sociedade de Gestão de Património Florestal, S.A.
» Chairman of the Board of Directors of Navigator Added Value, S.A.
» Member of the Board of Directors of Navigator Africa S.R.L.
» Manager of Navigator Afrique du Nord, SARLAU.
» Member of the Board of Directors of Navigator Deutschland, GMBH.
» Deputy Chairman of the Board of Directors of Navigator Eurasia Kagit Ve Kagit Ürünleri Sanayi Ve Ticaret Anonim Sirketi.
» Member of the Board of Directors of Navigator Financial Services SP Z.O.O.
» Member of the Board of Directors of Navigator Fine Paper, S.A.
» Member of the Management Board of Navigator France, SAS.
» Member of the Board of Directors of Navigator International Holding, SGPS, S.A.
» Chairman of the Management Board of Navigator International Trading, GMBH.
» Member of the Board of Directors of Navigator Itália, S.R.L.
» Member of the Management Board of Navigator Lusa, Unipessoal, Lda.
» Member of the Board of Directors of Navigator Netherlands B.V.
» Deputy Chairman of the Board of Directors of Navigator North America Inc.
» Member of the Board of Directors of Navigator Paper Austria GMBH.
» Member of the Board of Directors of Navigator Paper Company UK, Ltd.
» Member of the Board of Directors of Navigator Paper España, S.A.
» Member of the Board of Directors of Navigator Paper Figueira, S.A.
» Manager of Navigator México S. De R.L. de C.V.
» Member of the Board of Directors of Navigator Parques Industriais, S.A.
» Member of the Board of Directors of Navigator Participações Holding, SGPS, S.A.
» Member of the Management Board of Navigator Poland Paper Spółka Z Ograniczona Odpowiedzialnoscia.
» Member of the Board of Directors of Navigator Pulp Cacia, S.A.
» Member of the Board of Directors of Navigator Pulp Figueira, S.A.
» Member of the Board of Directors of Navigator Pulp Setúbal, S.A.
» Member of the Board of Directors of Navigator Rus Company, LLC.
» Member of the Board of Directors of Navigator Paper World, S.A.[11]
» Member of the Board of Directors of Navigator Tissue Cacia, S.A.
» Member of the Board of Directors of Navigator Iberica, S.A.
» Member of the Board of Directors of Navigator Tissue Ródão, S.A.
» Member of the Board of Directors of Portucel Moçambique – Sociedade de Desenvolvimento Florestal e Industrial
» Member of the Board of Directors and the Executive Committee of The Navigator Company, S.A.

OFFICES HELD IN OTHER COMPANIES/ENTITIES:

» Chairman of the General Meeting of CELPA – Associação da Indústria Papeleira.

[10] Formerly called Colombo Energy, Inc., and dissolved on 31/12/2018

[11] Formerly called Navigator Switzerland, Ltd.

Nuno Miguel Moreira de Araújo Santos

OFFICES HELD IN NAVIGATOR GROUP COMPANIES:

» Member of the Board of Directors of About The Future – Empresa Produtora de Papel, S.A.
» Chairman of the Board of Directors of Atlantic Forests – Comércio de Madeiras, S.A.
» Deputy Chairman of the Board of Directors and member of the Executive Committee of Magellan Holdings, Inc.[12]
» Member of the Board of Directors of Eucaliptusland – Sociedade de Gestão de Património Florestal, S.A.
» Member of the Management Board of Navigator Abastecimento de Madeira, ACE.
» Member of the Board of Directors of Navigator Africa S.R.L.
» Member of the Board of Directors of Navigator Financial Services SP Z.O.O.
» Member of the Board of Directors of Navigator Fine Paper, S.A.
» Chairman of the Board of Directors of Navigator Forest Portugal, S.A.
» Member of the Board of Directors of Navigator International Holding, SGPS, S.A.
» Member of the Board of Directors of Navigator Paper Figueira, S.A.
» Member of the Board of Directors of Navigator Parques Industriais, S.A.
» Member of the Board of Directors of Navigator Participações Holding, SGPS, S.A.
» Member of the Board of Directors of Navigator Pulp Cacia, S.A.
» Member of the Board of Directors of Navigator Pulp Figueira, S.A.
» Member of the Board of Directors of Navigator Pulp Setúbal, S.A.
» Member of the Board of Directors of Navigator Paper World, S.A.[13]
» Member of the Board of Directors of Navigator Tissue Cacia, S.A.
» Member of the Board of Directors of Navigator Iberica, S.A.
» Member of the Board of Directors of Navigator Tissue Ródão, S.A.
» Chairman of the Board of Directors of Portucel Moçambique – Sociedade de Desenvolvimento Florestal e Industrial, S.A.
» Chairman of the Board of Directors of Sociedade de Vinhos da Herdade de Espirra – Produção e Comercialização de Vinhos, S.A.
» Chairman of the Board of Directors of Viveiros Aliança – Empresa Produtora de Plantas, S.A.
» Member of the Board of Directors and the Executive Committee of The Navigator Company, S.A.

OFFICES HELD IN OTHER COMPANIES/ENTITIES:

» Member of the General Council of CELPA – Associação da Indústria Papeleira, representing Navigator Forest Portugal, S.A. and Navigator Pulp Cacia, S.A.

[12] Formerly called Colombo Energy, Inc., and dissolved on 31/12/2018

[13] Formerly called Navigator Switzerland, Ltd.

João Paulo Araújo Oliveira

OFFICES HELD IN NAVIGATOR GROUP COMPANIES:

» Member of the Board of Directors of About The Future – Empresa Produtora de Papel, S.A.
» Chairman of the Board of Directors of Arboser – Serviços Agro-Industriais, S.A.
» Member of the Board of Directors and the Executive Committee of Megellan Holdings, Inc.[14]
» Chairman of the Board of Directors of EMA21 – Engenharia e Manutenção Industrial Século XXI, S.A.
» Chairman of the Board of Directors of Enerpulp – Cogeração Energética de Pasta, S.A.
» Member of the Board of Directors of Eucaliptusland – Sociedade de Gestão de Património Florestal, S.A.
» Chairman of the Board of Directors of Headbox – Operação e Controlo Industrial, S.A.
» Member of the Board of Directors of Navigator Africa S.R.L.
» Member of the Board of Directors of Navigator Financial Services SP Z.O.O.
» Member of the Board of Directors of Navigator International Holding, SGPS, S.A.
» Member of the Board of Directors of Navigator Paper Figueira, S.A.
» Member of the Board of Directors of Navigator Paper Setúbal, S.A.
» Member of the Board of Directors of Navigator Parques Industriais, S.A.
» Member of the Board of Directors of Navigator Participações Holding, SGPS, S.A.
» Member of the Board of Directors of Navigator Pulp Cacia, S.A.
» Member of the Board of Directors of Navigator Pulp Figueira, S.A.
» Member of the Board of Directors of Navigator Pulp Setúbal, S.A.
» Member of the Board of Directors of Navigator Sales & Marketing, S.A.
» Member of the Board of Directors of Navigator Paper World, S.A.[15]
» Member of the Board of Directors of Navigator Tissue Cacia, S.A.
» Member of the Board of Directors of Navigator Tissue Ródão, S.A.
» Member of the Board of Directors of Pulpchem Logistics, ACE.
» Member of the Board of Directors and the Executive Committee of The Navigator Company, S.A.

OFFICES HELD IN OTHER COMPANIES/ENTITIES:

» Member of the General Council of CELPA – Associação da Indústria Papeleira, representing About the Future, S.A.
» Member of the General Council, University of Aveiro
» Member of the Advisory Board of AICEP
» Member of the Supervisory Board of Fraunhofer Institute in Portugal

Adriano Augusto da Silva Silveira

OFFICES HELD IN NAVIGATOR GROUP COMPANIES:

» Chairman of the Management Board of RAIZ – Instituto de Investigação da Floresta e do Papel
» Member of the Board of Directors of The Navigator Company, S.A.

OFFICES HELD IN OTHER COMPANIES/ENTITIES:

» Member of the management of APIGEE, representing The Navigator Company, S.A.

[14] Formerly called Colombo Energy, Inc., and dissolved on 31-12-2018

[15] Formerly called Navigator Switzerland, Ltd.

José Miguel Pereira Gens Paredes

OFFICES HELD IN NAVIGATOR GROUP COMPANIES:

» Member of the Board of Directors of The Navigator Company, S.A.

OFFICES HELD IN OTHER COMPANIES/ENTITIES:

» Chairman of the Board of Directors of ABAPOR – Comércio e Indústria de Carnes, S.A.
» Member of the Board of Directors of APHELION, S.A.
» Member of the Board of Directors of Aprovechamiento Integral de Subprodutos Ibéricos, S.A.
» Manager of BIOLOGICAL – Gestão de Resíduos Industriais, Lda.
» Member of the Board of Directors of CELCIMO, S.L.
» Chairman of the Board of Directors of ETSA Investimentos, SGPS, S.A.
» Chairman of the Board of Directors of ETSA LOG, S.A.
» Chairman of the Board of Directors of I.T.S. – Indústria Transformadora de Subprodutos, S.A.
» Chairman of the Board of Directors of SEBOL – Comércio e Indústria de Sebo, S.A.[16]
» Member of the Board of Directors of SEINPART – Participações, SGPS, S.A.
» Member of the Board of Directors of SEMAPA NEXT, S.A.
» Member of the Board of Directors of SEMINV – Investimentos, SGPS, S.A.[17]
» Member of the Board of Directors of CIMIGEST, SGPS, S.A.
» Member of the Board of Directors of CIMIPAR – Sociedade Gestora de Participações Sociais, S.A.[18]
» Member of the Board of Directors of CIMO – Gestão de Participações, SGPS S.A.
» Member of the Board of Directors of HOTEL RITZ, S.A.[19]
» Member of the Board of Directors of LONGAPAR, SGPS, S.A. [20] [21]
» Member of the Board of Directors of MOR ON-LINE – Gestão de Plataformas de Negociação de Resíduos On-Line, S.A. [22]
» Member of the Board of Directors of SECIL – Companhia Geral de Cal e Cimento, S.A.
» Member of the Board of Directors and Executive Committee of SEMAPA – Sociedade de Investimento e Gestão, SGPS, S.A.
» Member of the Board of Directors of SODIM, SGPS, S.A.
» Member of the Board of Directors of SONAGI, SGPS, S.A.

Manuel Soares Ferreira Regalado

OFFICES HELD IN NAVIGATOR GROUP COMPANIES:

» Member of the Board of Directors of The Navigator Company, S.A.

OFFICES HELD IN OTHER COMPANIES/ENTITIES:

» On 31 December 2018 held no office in other companies/entities.

[16] Company dissolved on 30 November 2018.
[17] Company dissolved on 28 September 2018.
[18] Company acquired by Cimigest, SGPS, S.A. on 27 December 2018.
[19] Office held until 23 March 2018..
[20] Served as Chairman of the Board of Directors until 28 May 2018.
[21] Company acquired by Cimo – Gestão de Participações, SGPS, S.A. on 27 December 2018.
[22] Office held until 27 June 2018.

Paulo Miguel Garcês Ventura

OFFICES HELD IN NAVIGATOR GROUP COMPANIES:

» Member of the Board of Directors of The Navigator Company, S.A.

OFFICES HELD IN OTHER COMPANIES/ENTITIES:

» Member of the Board of Directors of ABAPOR – Comércio e Indústria de Carnes, S.A.
» Member of the Board of Directors of APHELION, S.A.
» Member of the Board of Directors of Aprovechamiento Integral de Subprodutos Ibéricos, S.A.
» Manager of BIOLOGICAL – Gestão de Resíduos Industriais, Ld.ª
» Member of the Board of Directors of CELCIMO, S.L.
» Member of the Board of Directors of ETSA Investimentos, SGPS, S.A.
» Member of the Board of Directors of ETSA LOG, S.A.
» Member of the Board of Directors of I.T.S. – Indústria Transformadora de Subprodutos, S.A.
» Member of the Board of Directors of SEBOL – Comércio e Indústria de Sebo, S.A.
» Member of the Board of Directors of SEINPART – Participações, SGPS, S.A.[23]
» Member of the Board of Directors and Executive Committee of SEMAPA – Sociedade de Investimento e Gestão, SGPS, S.A.
» Member of the Board of Directors of SEMAPA Inversiones, S.L.
» Member of the Board of Directors of SEMAPA NEXT, S.A.
» Member of the Board of Directors of SEMINV – Investimentos, SGPS, S.A.[24]
» Member of the Management of AEM – Associação de Empresas Emitentes de Valores Cotados em Mercado.
» Member of the Board of Directors of CIMIGEST, SGPS, S.A.
» Chairman of the Board of Directors of CIMIPAR – Sociedade Gestora de Participações Sociais, S.A.[25, 26]
» Member of the General Council of FUNDAÇÃO NOSSA SENHORA DO BOM SUCESSO.
» Member of the Board of Directors of HOTEL RITZ, S.A.
» Member of the Board of Directors of LONGAPAR, SGPS, S.A.[27]
» Chairman of the Board of Directors of OEM – Organização de Empresas, SGPS, S.A.
» Member of the Board of Directors of SECIL – Companhia Geral de Cal e Cimento, S.A.
» Member of the Board of Directors of SODIM, SGPS, S.A.
» Member of the Board of Directors of SONAGI, SGPS, S.A.
» Chairman of the General Meeting of ANTASOBRAL – Sociedade Agropecuária, S.A.
» Chairman of the General Meeting of BEIRA-RIO – Sociedade Construtora de Armazéns, S.A.
» Chairman of the General Meeting of GALERIAS RITZ – Imobiliária, S.A.[28]
» Deputy Chairman of the General Meeting of INFRAESTRUTURAS DE PORTUGAL, S.A.
» Chairman of the General Meeting of LONGAVIA – Imobiliária, S.A.[29]
» Chairman of the General Meeting of PARQUE RITZ – Imobiliária, S.A.
» Chairman of the General Meeting of REFUNDOS – Sociedade Gestora de Fundos de Investimento Imobiliário, S.A.
» Member of the Board of Directors and Executive Committee of SEMAPA – Sociedade de Investimento e Gestão, SGPS, S.A.
» Chairman of the General Meeting of SONAGI – Imobiliária, S.A.[30]
» Chairman of the General Meeting of SONAGI, SGPS, S.A.[31]
» Chairman of the General Meeting of VÉRTICE – Gestão de Participações, SGPS, S.A.
» Chairman of the General Meeting of Sociedade Agrícola da Quinta da Vialonga, S.A.

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[23] Company dissolved on 30 November 2018.
[24] Company dissolved on 28 September 2018.
[25] Office held until 28 May 2018.
[26] Company acquired by Cimigest, SGPS, S.A. on 27 December 2018.
[27] Company acquired by Cimo – Gestão de Participações, SGPS, S.A. on 27 December 2018.
[28] Office held until 29 May 2018.
[29] Company acquired by Cimilonga – Imobiliária, S.A. on 1 August 2018, which changed its name to Sonagi – Imobiliária, S.A.
[30] Company acquired by Cimilonga – Imobiliária, S.A. on 1 August 2018, which changed its name to Sonagi – Imobiliária, S.A.
[31] Office held until 30 May 2018.

Ricardo Miguel dos Santos Pacheco Pires

OFFICES HELD IN NAVIGATOR GROUP COMPANIES:

» Member of the Board of Directors of The Navigator Company, S.A.

OFFICES HELD IN OTHER COMPANIES/ENTITIES:

» Member of the Board of Directors of APHELION, S.A.
» Member of the Board of Directors of SEINPART – Participações, SGPS, S.A.[32]
» Member of the Board of Directors of SEMAPA NEXT, S.A.
» Member of the Board of Directors of SEMINV – Investimentos, SGPS, S.A.[33]
» Member of the Board of Directors of CIMIGEST, SGPS, S.A.
» Member of the Board of Directors of CIMIPAR – Sociedade Gestora de Participações Sociais, S.A.[34]
» Member of the Board of Directors of CIMO – Gestão de Participações, SGPS S.A.
» Member of the Board of Directors of HOTEL RITZ, S.A.[35]
» Member of the Board of Directors of LONGAPAR, SGPS, S.A.[36]
» Member of the Board of Directors of PYRUS AGRICULTURAL LLC.
» Member of the Board of Directors of PYRUS INVESTMENTS LLC.
» Member of the Board of Directors of PYRUS REAL ESTATE LLC.
» Member of the Board of Directors of SECIL – Companhia Geral de Cal e Cimento, S.A.
» Member of the Board of Directors and Executive Committee of SEMAPA – Sociedade de Investimento e Gestão, SGPS, S.A.
» Member of the Board of Directors of SODIM, SGPS, S.A.
» Member of the Board of Directors of UPSIS S.A.

Vítor Manuel Galvão Rocha Novais Gonçalves

OFFICES HELD IN NAVIGATOR GROUP COMPANIES:

» Member of the Board of Directors of The Navigator Company, S.A.

OFFICES HELD IN OTHER COMPANIES/ENTITIES:

» Member of the Board of Directors of BELDEVELOPMENT, S.A.
» Member of the Board of Directors of EXTRASEARCH SGPS S.A.
» Manager of MAGALHÃES e GONÇALVES – Consultoria e Gestão, Lda.
» Director of QUALQUER PONTO – Sociedade Imobiliária, S.A.
» Manager of QUALQUER PRUMO – Sociedade Imobiliária, Lda.
» Member of the Board of Directors of SEMAPA – Sociedade de Investimento e Gestão, SGPS, S.A.
» Manager of VANGUARDINTEGRAL, Lda.
» Member of the Board of Directors of VRES – Vision Real Estate Solutions, S.A.
» Member of the Board of Directors of ZOOM INVESTMENT, SGPS, S.A.
» Member of the Board of Directors of ZOOM INVESTMENT TURISMO, S.A.
» Member of the Board of Directors of 2FOR VENTURE, SGPS, S.A.

[32] Company dissolved on 30 November 2018.
[33] Company dissolved on 28 September 2018.
[34] Company acquired by Cimigest, SGPS, S.A. on 27 December 2018.
[35] Office held until 23 March 2018
[36] Company acquired by Cimo – Gestão de Participações, SGPS, S.A. on 27 December 2018

In accordance with the Rules of Procedure of the Board of Directors, approved in December 2018, the Directors on the Executive Committee cannot serve as executive directors in entities outside the business group in which the company is integrated unless the activities of such entities is considered as accessory or complementary to the group's activity or if such duties do not involve a significant expenditure of time, and executive directors shall not hold in other companies that do not meet the aforementioned criteria.

The same Rules of Procedure provide that directors who are not on the Executive Committee can serve as directors (executive or non-executive) in entities outside the business group in which the company is integrated whenever they do not pertain to companies that perform an activity that competes with that of the company or companies held directly or indirectly thereby. The Chairman of the Board of Directors must be informed prior to the start of such duties. Non-executive directors of the company shall not perform duties in other companies that do not fulfil the aforementioned requirements.

C) COMMITTEES BELONGING TO THE MANAGEMENT OR SUPERVISORY BODIES AND MANAGING DIRECTORS

27. Identification of committees set up by the Board of Directors, the General and Supervisory Board and the Executive Committee, as the case may be, and place where the rules of procedure may be consulted.

The following committees report to the Company's Board of Directors:

- Executive Committee
- Corporate Governance Committee
- Sustainability Forum
- Pension Fund Supervisory Board
- Property Risks Analysis and Monitoring Committee
- Ethics Committee
- Environmental Board (instituted by the Articles of Association)
- Remuneration Committee
- Appointment Committee

The Operating Rules of these committees make reference to their respective powers, presidency, meeting frequency, functioning and duties of the members, with detailed minutes of their meetings drawn up, available at the Company's website at http://www.thenavigatorcompany.com/Investidores/Governo-da-Sociedade.

The composition and number of annual meetings of internal committees are published at the Company's website at http://www.thenavigatorcompany.com/Investidores/Governo-da-Sociedade.

In accordance with their respective Operating Rules, internal committees must ensure a timely and adequate flow of information, as from their respective meeting notices and minutes, as needed to exercise the powers under the law and Articles of Association of each of the remaining boards and committees.

28. Composition, if applicable, of the Executive Committee and/or identification of the Managing Director(s).

On 31 December 2018, the Executive Committee comprised the following directors:

Chairman
Diogo António Rodrigues da Silveira

Members
António José Pereira Redondo
José Fernando Morais Carreira de Araújo
Nuno Miguel Moreira de Araújo Santos
João Paulo Araújo Oliveira

29. Indication of the powers of each of the committees created and summary of the activities carried on the exercise of these responsibilities.

Executive Committee

The powers of the Executive Committee are described in item 21 of this report.

The Executive Committee is the Company's executive management body, and has performed its duties by exercising the powers entrusted to it by the Board of Directors. This Committee meets regularly and whenever required by the evolution of the Company's affairs and to monitor its business activities; a total of 40 meetings were held in 2018. In addition to members of the Executive Committee, meetings are attended by non-executive directors, directors of group companies and members of the Company's management staff, whenever justified by the matters under discussion.

Corporate Governance Committee

The Corporate Governance Committee comprises three members: Luís Deslandes, Fernando Araújo and António Neto Alves.

The Corporate Governance Committee oversees application of the Company's corporate governance rules and the Code of Ethics and Conduct, with the following specific responsibilities:

a) To assist the Board of Directors when so required by the same, assessing and submitting to it proposals for strategic guidelines in the field of corporate responsibility;

b) To constantly monitor and oversee matters related to corporate governance, social responsibility, the environment and ethics; the business sustainability of the Navigator Group, Internal Codes of Ethics and systems for evaluating and resolving conflicts of interest, namely with regard to relationships between the Company and its shareholders or other stakeholders.

In the exercise of its responsibilities, the Corporate Governance Committee is required in particular:

a) To submit to the Board of Directors the corporate governance policy to be adopted by the Company;

b) To monitor, review and assess the adequacy of the Company's governance model and its consistency with national and international recommendations, standards and best practice in the field of corporate governance, addressing to the Board of Directors the recommendations it sees fit to this end;

c) To propose and submit to the Board of Directors changes to the Company's corporate governance model, including to the organisational structure, functioning, responsibilities and rules of procedure of the Board of Directors;

d) To monitor the Company's corporate links with the organisational structure of the other companies in the Navigator Group;

e) To oversee compliance with and the correct application of the principles and rules relating to corporate governance contained in law, regulations and the articles of association, in coordination with the activities of the Board of Directors, the Executive Committee, the Official Auditor and the External Auditor, sharing and requesting the exchange of information necessary for this purpose;

f) To define the parameters of the Company's governance report to be included in its annual Report and Accounts;

g) To monitor the work of the Ethics Committee and the activities of the divisions of Navigator Group companies relating to matters within the scope of its responsibilities;

h) To monitor on an ongoing basis, assess and supervise internal procedures relating to matters of conflicts of interest, and also the effectiveness of the systems for assessment and resolution of conflicts of interest;

i) To give its opinion on transactions between the Company and its Directors, and also between the Company and its shareholders, whenever materially relevant;

j) Whenever so requested by the Board of Directors, to issue opinions on the application to the Company's statutory bodies of the rules on incompatibility and independence;

k) To further and strengthen the operation of the Company as a sustainable undertaking, gaining it recognition for this, both internally and externally;

l) To ensure compliance, by the members of the Board of Directors and other persons concerned, of the securities market rules applicable to their conduct;

m) To develop a transversal strategy of corporate sustainability, integrated and consistent with the Company's strategy;

n) To promote, develop and supervise the internal measures required for the Company to achieve sustained growth, as regards the business, environmental and social aspects of its operations;

o) To prepare and monitor decision-making by statutory bodies and committees on matters relating to corporate governance and sustainability or which give rise to conflicts of interest between the Company, shareholders and officers;

p) To monitor inspections conducted by the Portuguese Securities Market Commission

(CMVM) in relation to corporate governance issues.

The Committee met three times in 2018 to discuss the following matters: Approval of the 2017 Corporate Governance Report; Corporate Governance Code published by the Portuguese Corporate Governance Institute (IPCG) and IPCG Corporate Governance Code monitoring model; Analysis of proposal to be submitted to the Board of Directors to adopt the IPCG Corporate Governance Code, and internal regulations and measures to be reviewed or adopted by Navigator in this regard.

Sustainability Forum

In recognition of the fundamental role of sustainability in its strategic development, in 2015 the Navigator Group created the Sustainability Forum.

The main aim of the Forum is to allow the Navigator Group to work hand-in-hand with experts and leaders within its sphere of activity, from NGOs and universities to social and labour organisations as well as clients and suppliers.

It is an initiative aimed at strengthening dialogue with its main stakeholders, encouraging proactive listening and discussion on topics relevant to the Company and to society.

The Sustainability Forum meets twice per year: one session dedicated to permanent members, and another session extended to various stakeholders. The sessions have a core topic to be discussed and explored in greater depth, helping to shape corporate and strategic policies on matters involving social and environmental responsibility, thereby enabling platforms of understanding and cooperation between the Navigator Group and its main stakeholders.

The Sustainability Forum comprises external members and internal members from the Navigator Group, and is chaired by the Chief Executive Officer, Diogo da Silveira, with Manuel Gil Mata as General Secretary until 31/03/2018 and Dr. Manuel Regalado starting on this date.

In addition to the Chairman and the General Secretary, the internal members are the executive directors, the members of the Environmental Board and the Company's senior consultants for this purpose appointed by the Executive Committee.

In 2018, the following participated as internal members: Diogo da Silveira (Chairman), Manuel Gil Mata (General Secretary until 31/03/2018), Dr. Manuel Regalado (General Secretary starting 01/04/2018), António Redondo, Dr. Fernando Araújo, Nuno Santos and João Paulo Oliveira (Executive Committee), Adriano Silveira (Board of Directors), Dr. Fernando Santana, Dr. Casimiro Pio, Dr. Maria da Conceição Cunha and Dr. Margarida Tomé (Environmental Board).

In the same year, its executive members – key personalities tied to the activities of the Company's main stakeholders – were Dr. Filipe Duarte Santos, João Proença, Jorge Loureiro, José Júlio Norte, Luís Neves da Silva, Dr. Margarida Santos-Reis, Nuno Ribeiro da Silva, Dr. Rosário Alves, Dr. Teresa Presas, Tito Rosa (until April 2018) and Winfried Brüeggmann.

The Forum had two sessions in 2018. The first, held on 3 April, was meant exclusively for permanent members for the purpose of sharing the most recent business developments at Navigator in the area of tissue paper, the Company's community ties and investments made in forest and technology R&D. The purpose of the second session, held on 30 October, was to discuss with local and national stakeholders the sustainable development model laying the future groundwork for the Cacia plant. Topics included how to invest in tissue paper, partnerships and the unit's contribution towards community development.

Pension Fund Supervisory Board

The current Pension Fund Supervisory Board was appointed in 2016. The members are António Cunha Reis, João Ventura and Manuel Arouca, and two representatives of the fund beneficiaries, Alberto Vale Rego and Fernando Dias Amaral. The committee's responsibilities include checking compliance with the rules applicable to the pension plan and to management of the respective pension fund, issuing opinions on proposals for transferring management and other significant changes in the contractual arrangements for the fund and its management, and on the winding up of the pension fund or of part thereof.

In 2018, the Pension Fund Supervisory Board held two meetings in which, among other topics, it evaluated the creation of a new contribution plan, which will cover Employees from other companies not having the benefit, together with a status report on the performance of Pension Fund asset management.

Property Risks Analysis and Monitoring Committee

The Company has a Property Risks Analysis and Monitoring Committee, coordinated by the directors responsible for financial affairs, risk and assets, respectively Fernando Araújo and João Paulo Oliveira. The Committee also comprises the Plant Managers, who on 31 December 2018 were Pedro Silva, Carlos Brás, José Nordeste and José Miranda, the Environment and Energy Director, Óscar Arantes, the Financial Director, Manuel Arouca, and the Risk Management Director, Gonçalo Veloso de Sousa. Meetings have also been regularly attended by Alexandra Fernandes, the manager responsible for the operations of Empremédia.

This committee meets whenever necessary to give its opinion on systems for preventing property risk in effect at the Company, mainly measures taken to address recommendations from inspections performed by reinsurers, as well as give its opinion on the suitability of the scope, type of coverages and insured values purchased by the Navigator Group; to discuss and issue opinions or recommendations on policies, procedures, significant risks, risk limits and extraordinary situations in terms of property risk; and to monitor and keep track of the most significant risks involving property, in close connection with the risk governance system in effect at the Navigator Group.

In 2018, the Property Risks Analysis and Monitoring Committee held one meeting where it analysed a number of topics, including a review of recommendations addressed to each factory complex in view of their associated risk level categories, together with their implementation status per information from plant managers; identifying and quantifying accident claims from the past 10 years; and reviewing a summary table of risks, capital, deductibles and compensation limits of the policy entering into effect in 2018.

Ethics Committee

Following on from the drafting and approval of the Code of Ethics by the Executive Committee in the course of 2010, an Ethics Committee has been established, to issue an annual report on compliance with the provisions of the new code. This report will detail all irregularities which the Committee has detected, and the findings and follow-up proposals emerging from the various cases examined. This report is included in Annex IV to this Corporate Governance Report.

The Ethics Committee is required to monitor, impartially and independently, the conduct of the Company's bodies and officers as regards disclosure and compliance with the Code of Ethics and Conduct in all companies in the Navigator Group. In the course of its duties, the Ethics Committee has the following particular responsibilities:

a) Confirm that the Code of Ethics and Conduct is integrated in the regular internal control mechanisms of the Company, notably in the Risk Management Division (DGR);

b) Assess the conclusions of the DGR in any audits carried out in respect of matters regarding the Code of Ethics and Conduct;

c) Ensure the appropriate operation of a mechanism for reporting breaches of the Code of Ethics and Conduct, as a part of the rules of procedure governing the reporting of irregularities of the Group;

d) Appraise and assess any situation which arises in relation to compliance with the requirements of the Code of Ethics and Conduct involving any company officer;

e) Submit to the Corporate Governance Committee the adoption of any measures it deems fit in this respect, including the review of internal procedures, jointly with proposals for amendment of the Code of Ethics and Conduct of the Group;

f) Submit to the Board of Directors, when it deems to be necessary, amendments to the Code of Ethics and Conduct of the Group;

g) Draw up an annual report on its activities in what concerns compliance with the rules set out in the Code of Ethics and Conduct of the Group.

In 2018, the Ethics Committee had three members: Júlio Castro Caldas, Rui Gouveia and Jaime Falcão.

It held one meeting, in which it analysed a summary of the activities carried out in 2017, including the revision of the Company's ethics and conduct codes, an update of a process submitted for Ethics Committee consultation (subject to the Committee's opinion), together with a review of the Risk Management Division's activities in 2017 on the investigation of irregularities. The Ethics Committee's activity report for the year ending 31 December 2017 was also discussed and approved.

Environmental Board

In view of the specific nature of the Group's business and the corresponding environmental concerns, in 2008 the Board of Directors decided to set up an Environmental Board to monitor and issue its opinion on environmental aspects of the Company's operations, and to make recommendations concerning the environmental impact of its main projects, paying special attention to legal requirements, licensing terms and the Navigator Group's policy in this area. The Environmental Board is currently comprised of four members: Dr. Fernando Santana, from Universidade Nova, (Chairman), Dr. Casimiro Pio, from the University of Aveiro, Dr. Maria da Conceição Cunha, from the University of Coimbra and Dr. Maria Margarida Tomé, from the University of Lisbon, all independent academic personalities of known scientific and technical expertise, particularly in the most important domains of the environmental concerns of the Navigator Group as it is currently configured.

The Environmental Board is in direct contact with the Navigator Group's business world through meetings held at its industrial facilities, main forest plantations and its research institute, "RAIZ".

In the course of 2018, the Environmental Board held two meetings, where the following topics were addressed:

a) Environmental status of industrial activities at the Navigator Group's manufacturing facilities;

b) Forest fires: prevention, fighting and monitoring – community relations;

c) "Carbon Neutral Company" project – Navigator's contribution towards a global response to the threat of climate change;

d) Clean energy package for Europe – National Energy and Climate Plan;

e) Current challenges for Portugal's forestry business – a reflection on the political, media, scientific and business atmosphere;

f) Reduction of emissions from biomass boilers – investment plan to minimise the use of fossil fuels;

g) Reduction in water use at Setúbal Industrial Complex;

h) Cellulosic ethanol project at Navigator.

Remuneration Committee

The Remuneration Committee is responsible for drafting and presenting the annual remuneration policy statement for members of the Board of Directors and Supervisory Board and for setting the remuneration of members of statutory bodies. The Remuneration Committee also takes an active part in the performance appraisal process, in particular for the purpose of setting the variable remuneration of executive directors.

The Committee had three members in 2018: José Gonçalo Maury, João Moreira Rato and Frederico Meneses. Over the course of 2018, and in view of its responsibilities, the Remuneration Committee held a meeting to decide on variable remuneration to be given to directors for the year 2017, together with the updating of fixed remuneration for executive directors.

With a view to providing information and clarifications to shareholders, the members of the Remuneration Committee are in attendance at the General Meeting or any others whose agenda includes matters related to the remuneration of members of the Company's boards and committees, or when their attendance has been requested by shareholders.

Within the Company's budgetary limits, the Remuneration Committee may freely decide on the Company's hiring of consultancy services, as needed or appropriate for the performance of its duties. The Remuneration Committee must ensure that these services are provided independently, and that their providers will not be hired to provide any other services to the Company or to other companies in a group or control relationship with it, without the Committee's express authorisation.

Appointment Committee

In 2018, the Company established an Appointment Committee. In accordance with its Rules of Procedure, the Appointment Committee is in charge of monitoring and supporting appointments to the management staff for the Company and the Navigator Group.

The Appointment Committee must make its terms of reference available and, to the extent of its powers, ensure transparent selection processes which include effective means of identifying potential candidates, proposing those with the most merit, the highest degree of suitability to the position's requirements, and promoting diversity within the organisation, including gender diversity.

In addition to other duties expressly assigned by the Board of Directors, the Appointment Committee is responsible for:

(a) Giving its opinion on internal policies and procedures involving the selection, hiring, remuneration, dismissal and continuous evaluation of management staff, associated remuneration policies and incentives, and a corresponding succession plan, making recommendations deemed appropriate in this regard;

(b) Monitoring, assisting and issuing its opinion on selection processes for management staff of the Company and the Navigator Group;

(c) Being informed of the appointment and dismissal of management staff;

(d) Receiving proposals for potential candidates to fill management staff vacancies for evaluation;

(e) Representing the Appointment Committee in relation to the statutory and other bodies of the Company.

The Appointment Committee is comprised of three members, including a majority of directors without executive functions, one of which will be Chairman, designated by the Board of Directors for a four-year term coinciding with the term of office of the Board of Directors. Since there will be an elective General Meeting in 2019, the members of the Appointment Committee will be designated afterwards.

III. AUDITING

(*Supervisory Board, Audit Committee or General and Supervisory Board*)

A) COMPOSITION*

30. Identification of the supervisory body (Supervisory Board, Audit Committee or General Supervisory Board) corresponding to the model adopted.

Under the single-tier management model adopted, the Company's supervisory body is the Supervisory Board.

31. Composition, as applicable, of the Supervisory Board, the Audit Committee, the General and Supervisory Board or the Committee for Financial Affairs, indicating the minimum and maximum numbers of members and duration of their term of office, as established in the Articles of Association, number of full members, date of first appointment and end date of the term of office of each member; reference may be made to the item in the report where this information is contained in accordance with paragraph 18.

In 2018, the Company's Supervisory Board had the following members:

Chairman
– José Manuel Oliveira Vitorino*
(*member until 30 June 2018, Chairman beginning on 1 July 2018*)
– Miguel Camargo de Sousa Eiró*
(*until 30 June 2018*)
Full members
– Gonçalo Nuno Palha Gaio Picão Caldeira
– Maria da Graça Torres Ferreira da Cunha Gonçalves*
(*beginning on 1 July 2018*)
Alternate member
– Ana Isabel Moraes Nobre de Amaral Marques

Under the Articles of Association, the Company's audit body comprises three full members, one of whom is Chairman, and two alternate members, elected by the General Meeting for a four-year term.

As such, Dr. Miguel Camargo de Sousa Eiró was elected as member in 2007, for the term from 2007 to 2010 and as Chairman in 2011 and 2015, for the terms running from 2011 to 2014 and from 2015 to 2018.

Dr. José Manuel Oliveira Vitorino was elected as alternate member on 29 April 2015. On 2 July 2015, Dr. José Manuel Oliveira Vitorino took the position of full member of the Supervisory Board for the 2015-2018 term of office, replacing full member Duarte Nuno d'Orey da Cunha following his resignation. In the ordinary General Meeting of 19 April 2016, Dr. José Manuel de Oliveira Vitorino was appointed as a full member of the Supervisory Board, until the end of the current term of office of the other members of statutory bodies.

However, since the composition of Navigator's Supervisory Board and its majority shareholder Semapa – Sociedade de Investimento e Gestão, SGPS, S.A. have been coinciding; since an election was held in 2018 for the 2018-2022 term of office of the Semapa Supervisory Board, thereby changing its composition; and given the intent expressed by the Chairman of the Supervisory Board, Dr. Miguel Camargo de Sousa Eiró, to also resign from Navigator in the General Meeting of 23 May 2018, Dr. José Manuel Oliveira Vitorino, previously a full member of the Supervisory Board, was appointed to the position of Chairman of the Supervisory Board until the end of the current term of office of other members of statutory bodies.

Dr. Gonçalo Nuno Palha Gaio Picão Caldeira was elected as a full member of the Supervisory Board for the first time with effect as from the start of the term running from 2007 to 2010, and was re-elected for the terms from 2011 to 2014 and 2015 to 2018.

Dr. Maria da Graça Torres Ferreira da Cunha Gonçalves was appointed a full member of the Supervisory Board in the General Meeting on 23 May 2018, until the end of the current term of office of the other members of statutory bodies.

Dr. Ana Isabel Moraes Nobre de Amaral Marques was appointed as alternate member of the Supervisory Board on 19 April 2016, until the end of the current term of office of the other members of statutory bodies.

As a result of the changes made to the composition of the Supervisory Board during the year, at 31 December 2018 the Board consisted of a Chairman, two full members and one alternate member.

The Company believes that the number of members of the Supervisory Board is perfectly adequate in view of its size and the complexity of risks inherent to its activity, efficiently ensuring the duties entrusted to them.

32. Identification, as applicable, of the members of the Supervisory Board, the Audit Committee, the General and Supervisory Board or the Committee for Financial Affairs who are deemed independent, in accordance with article 414(5) of the Companies Code; reference may be made to the item in the report where this information is contained in accordance with item 19.

The Company considers that all the members of the Supervisory Board at 31 December 2018 can be regarded as independent, on the terms defined in article 414(5) of the Companies Code.

During the period in which he served as Chairman of the Supervisory Board, Dr. Miguel Camargo de Sousa Eiró was considered independent according to applicable legal criteria.

33. Professional qualifications, as applicable, of each of the members of the Supervisory Board, the Audit Committee or the General and Supervisory Board or the Committee for Financial Affairs and other relevant biographical details; reference may be made to the item in the report where this information is contained in accordance with item 21.

Miguel Camargo de Sousa Eiró
(*Chairman of the Supervisory Board)*
(until 30 June 2018)
Miguel Eiró graduated in law from the Faculty of Law of the University of Lisbon in 1971, and has been registered with the Portuguese Bar Association since 28 June 1973, having sat on the Association's Lisbon District Council from 1982 to 1984 and on its General Council for the terms 1999/2002 and 2002/2004. He is an Official Industrial Property Agent and attended a mediation course. He has practised law since graduating, in 1971, and is a partner and director of his current firm, Correia Moniz & Associados – Sociedade de Advogados, R.L. From 1972 to 1975 he was on military service in the Navy, as a Legal Officer. He was a director of the Portuguese Bar Association's Arbitration Centre from 1997 to 1999. He was an Arbitrator at the Automobile Disputes Resolution Centre in 2004 and has served as arbitrator in a variety of other arbitrations. He sat on the Board of Directors of Brisa – Auto Estradas de Portugal, S.A. from 1975 to 1980, and over the course of his career has been involved as manager of other companies. He has sat on the Supervisory Board of Semapa from 2006 to 2018 and on that of The Navigator

Company from 2007 to 2018, serving as Chairman of such oversight bodies since 2010 and 2011, respectively. He also served as Chairman of the Supervisory Board from 2013 to 2018.

José Manuel Oliveira Vitorino
(*Chairman of the Supervisory Board*)
(*beginning on 1 June 2018*)
José Manuel Vitorino graduated in business administration and organisation from the University of Lisbon's Instituto Superior de Economia. He is qualified as a statutory auditor, and in the executive training programme of Universidade Nova de Lisboa. He lectured at the Faculty of Economics, University of Coimbra, where he remained until 1980, having then joined PricewaterhouseCoopers, where he divided his time between audit and financial consultancy work, both in Portuguese and foreign companies and groups, and also on projects where he worked with international teams. After several years as a partner, he left PricewaterhouseCoopers in 2013, as he reached the age limit for his position. He also served as Chairman of the Supervisory Board of Novo Banco, S.A. until 2017 and currently serves as a member of the Supervisory Board of ANA – Aeroportos de Portugal, S.A. He has served as a member of the Supervisory Board of The Navigator Company since 2015 and that of Semapa and Secil since 2016, while performing duties as Chairman of such oversight bodies since 2018.

Gonçalo Nuno Palha Gaio Picão Caldeira
(*Full member of the Supervisory Board*)
Gonçalo Picão Caldeira has a degree in law and has been registered with the Portuguese Bar Association since 1991, after completing his legal internship. He holds an MBA from Universidade Nova de Lisboa and also attended a property management and valuation course at ISEG. He has worked in property management and development through family companies since 2004. Prior to this, he worked for the BCP Group from 1992 to 1998, and with the Sorel Group from October 1998 to March 2002. He also worked for Semapa from April 2002 to February 2004. He has sat on the Company's Supervisory Board since 2007, and on the Supervisory Boards of Semapa, since 2006, and of Secil, since 2013.

Maria da Graça Torres Ferreira da Cunha Gonçalves
(*Full member of the Supervisory Board*)
Maria da Graça Torres Ferreira da Cunha Gonçalves has a degree in business administration and organisation from Instituto de Ciências do Trabalho e da Empresa (ISCTE), and is a chartered accountant. From June 1978 to November 1985, she held various positions in the areas of general accounting, analytical accounting, and financial planning and analysis at Magnetic Peripherals Inc. Portugal. She was a financial analyst at Shell Portuguesa, S.A. from December 1985 to November 1989. From December 1989 to July 1994, she was controller and CFO, in charge of the entire financial, IT and purchasing area. From August 1994 to July 1995, she was CFO of ITT Automotive Europe GmbH, in charge of the entire financial and staffing area. From August 1995 to June 2015, she was Back Office Director at Pernod Ricard Portugal, in charge of the areas of finance, management control, purchasing, logistics, production, human resources and legal. In 2001 and 2002, she was in charge of the acquisition process of Seagram (Sandeman & Co.) in Portugal. Subsequently, in 2005 and 2006, she was in charge of the areas of finance and human resources in the acquisition process of Allied Domecq (Cockburn Smithes & C.ª). She was Deputy Chairperson at the sector's association, ACIBEV, as a representative of Allied Domecq. She has sat on the Company's Supervisory Board, and on the Supervisory Boards of Semapa and Secil, since 2018.

Ana Isabel Moraes Nobre Amaral Marques
(*Alternate member of the Supervisory Board*)
Ana Isabel Amaral Marques has a degree in law from the Faculty of Law, University of Lisbon. She has practiced law since 1997, both on a freelance basis and at law firms. She currently belongs to the Credit Recovery Division of Caixa Central de Crédito Agrícola Mútuo, C.R.L. She is an alternate member of the Semapa Supervisory Board.

B) OPERATION

34. Existence of operating regulations, and place where they can be consulted, as applicable, of the Supervisory Board, the Audit Committee, the General and Supervisory Board or the Committee for Financial Affairs; reference may be made to the item in the report where this information is contained in accordance with item 24.

The Company's Supervisory Board has internal operating regulations, which are published at the Company's website in the investors' area (corporate governance section), freely available for consultation at http://www.thenavigatorcompany.com/Investidores/Governo-da-Sociedade.

The annual report issued by the Supervisory Board on its work during the year is published in conjunction with the Report & Accounts, and is available at the Navigator Group's website.

35. Number of meetings held and rate of attendance at meetings of the Supervisory Board, the Audit Committee or the General and Supervisory Board and the Committee for Financial Affairs, as the case may be; reference may be made to the item in the report where this information is contained in accordance with item 25.

In 2018 the Supervisory Board held fourteen meetings. The relevant agendas and minutes were forwarded to the Chairman of the Board of Directors, and made available to the Risk Management Division.

Its members were in attendance at all meetings held during the performance of their duties, resulting in an attendance rate of 100%.

The number of meetings of the Supervisory Board is freely available at the company's website at http://www.thenavigatorcompany.com/Investidores/Governo-da-Sociedade.

Detailed minutes are drawn up for the Supervisory Board's meetings, in accordance with its Rules of Procedure.

36. Availability of each of the members of the Supervisory Board, the Audit Committee or the General and Supervisory Board and the Committee for Financial Affairs, as the case may be, indicating offices held simultaneously in other companies, inside and outside the group, and other relevant activities carried on by the members of these bodies during the period; reference may be made to the item in the report where this information is contained in accordance with item 26.

This information is available in item 33 on the professional qualifications and other relevant biographical details of each member of the above statutory bodies.

The members of the Supervisory Board have the appropriate availability to perform the duties entrusted to them.

In addition to the activities listed in item 33, the members of the Supervisory Board also hold corporate office in other companies as detailed below:

Miguel Camargo de Sousa Eiró

OFFICES HELD IN NAVIGATOR GROUP COMPANIES:

No offices held in other companies belonging to the same group as Navigator.

OFFICES HELD IN OTHER COMPANIES/ENTITIES:

» Chairman of the Supervisory Board of SECIL – Companhia Geral de Cal e Cimento, S.A.* (until 10 August 2018)
» Chairman of the Supervisory Board of SEMAPA – Sociedade de Investimento e Gestão, SGPS, S.A.* (until 25 June 2018)

José Manuel Oliveira Vitorino

OFFICES HELD IN NAVIGATOR GROUP COMPANIES:

No offices held in other companies belonging to the same group as Navigator.

OFFICES HELD IN OTHER COMPANIES/ENTITIES:

» Member of the Supervisory Board of ANA Aeroportos de Portugal, S.A.
» Chairman of the Supervisory Board of SECIL – Companhia Geral de Cal e Cimento, S.A.
» Chairman of the Supervisory Board of SEMAPA – Sociedade de Investimento e Gestão, SGPS, S.A.

Gonçalo Nuno Palha Gaio Picão Caldeira

OFFICES HELD IN NAVIGATOR GROUP COMPANIES:

No offices held in other companies belonging to the same group as Navigator.

OFFICES HELD IN OTHER COMPANIES/ENTITIES:

» Manager of LINHA DO HORIZONTE – Investimentos Imobiliários, Lda.
» Manager of LOFTMANIA – Gestão Imobiliária, Lda.
» Member of the Supervisory Board of SECIL – Companhia Geral de Cal e Cimento, S.A.
» Member of the Supervisory Board of SEMAPA – Sociedade de Investimento e Gestão, SGPS, S.A.

Maria da Graça Torres Ferreira da Cunha Gonçalves

OFFICES HELD IN NAVIGATOR GROUP COMPANIES:

No offices held in other companies belonging to the same group as Navigator.

OFFICES HELD IN OTHER COMPANIES/ENTITIES:

» Member of the Supervisory Board of SECIL – Companhia Geral de Cal e Cimento, S.A.
» Member of the Supervisory Board of SEMAPA – Sociedade de Investimento e Gestão, SGPS, S.A.

C) POWERS AND RESPONSIBILITIES

37. Description of applicable procedures and criteria for the supervisory

body's involvement in hiring additional services from the external auditor.

In accordance with the rules in article 77, paragraphs 10 and 11 of the Bylaws of the Association of Statutory Auditors (Ordem dos Revisores Oficiais de Contas), approved by Law no. 140/2015, of 7 September, the Rules of Procedure of the Supervisory Board and the Rules of Procedure for the approval of services beyond the scope of auditing, the hiring of services other than auditing which are not required by law nor constitute prohibited services, from the external auditor and the Statutory Auditor, or any member of its network, by Navigator or by companies in a group or control relationship with it, is subject to the prior approval of Navigator's Supervisory Board, on duly justified grounds.

As such, proposals submitted are handed over to the Supervisory Board for analysis and validation, with a view to essentially ensuring (i) that the services in question are permitted, (ii) that the provision of services will not affect the independence and impartiality of the external auditor, as needed to provide auditing services, (iii) that the combined value of fees for the provision of services other than auditing services does not exceed the limit of the Bylaws of the Association of Statutory Auditors (EOROC), and (iv) that the additional services in question are provided with a high degree of quality and autonomy.

38. Other duties of the supervisory bodies and, if applicable, of the Committee for Financial Affairs.

1. The functions and duties of the Audit Board are expressly set out in its Internal Rules of Procedure, which governs the exercise of the functions, the chairman, the frequency of the meetings, functioning and framework of duties of its members and determines that detailed minutes of its meetings are written. These Rules are published the Company's website, at http://en.thenavigatorcompany.com/Investors/Governance.

In accordance with the Rules of Procedure, amended on December 2018, the Audit Board ensures the timely and suitable flow of information, especially regarding the respective calls for meetings and minutes, required for the performance of the functions, determined by law and the bylaws, of each of the remaining corporate bodies and committees.

2. In the performance of its duties, without prejudice to other powers assigned to it by law, in particular by Article 420 of the Companies Code, the Audit Board has the following powers, in accordance with its Rules of Procedure, the Audit Board has the following functions and powers:

a) To supervise the management of the Company, including, in this regard, an annual assessment of compliance with the Company's strategic plan and budget, risk management, the internal operation of the Board of Directors and its committees, and the relation between the different corporate bodies and committees of the Company;

b) To ensure compliance with the law and the articles of association;

c) To verify that books, accounting records and the respective supporting documents are in order;

d) To verify, when it deems to be appropriate and as it sees fit, the state of cash and inventories of any type of goods or assets belonging to the Company or received by the same as security, deposit or on another basis;

e) To verify the accuracy of the financial statements;

f) To verify that the accounting policies and valuation criteria adopted by the Company lead to a correct valuation of the Company's assets and results;

g) To draw up an annual report on its audit activities and issue its opinion on the report, accounts and proposals submitted by the directors;

h) To convene the general meeting when the chairman of the meeting fails to do so;

i) To monitor, evaluate and issue its opinion on the strategic lines and the risk policy defined by the Board of Directors;

j) To supervise the effectiveness of the risk management system, the internal control system and the internal audit system, if any, proposing the adjustments deemed to be necessary;

k) To issue its opinion on the work plans and resources allocated to the internal audit services, including control of compliance with the rules applicable to the Company and internal audit;

l) To receive reports of irregularities (whistleblowing) submitted by shareholders, collaborators of the Company or others;

m) To contract the provision of services by experts to assist one or more of its members in the exercise of their functions; whereas the contracts with and remuneration to be paid to such experts shall be in line with the importance of the matters entrusted to them and the economic situation of the Company;

n) To perform any other duties established in law or the articles of association;

o) To supervise the appropriateness of the procedure for preparation and disclosure of financial information by the Board of Directors, including the adequacy of the accounting policies, estimates, evaluations, relevant disclosures and a consistent implementation thereof in each year, that shall be fully documented and communicated;

p) To propose to the general meeting the appointment of the statutory auditor and its remuneration, indicating the criteria which governed the selection of the statutory auditor and describing the auditor's selection procedure it conducted;

q) To propose to the general meeting the dismissal of the statutory auditor or the termination of the services provision agreement, whenever there are justifiable grounds for that purpose;

r) To supervise the auditing of the Company's financial statements and reports;

s) To supervise the independence of the statutory auditor, namely with regard to the provision of additional services, and assess, yearly, the work carried out by the statutory auditor and its suitability for the performance of the tasks assigned to it;

t) To confirm if the disclosed report on the corporate governance structure and practices includes the information listed in Article 245-A of the Portuguese Securities Code;

u) To issue a previous and binding opinion on the Regulation on Conflicts of interests and Related Party Transactions to be drawn up and approved by the Board of Directors or, in the absence of such Regulation, on the definition by the Board of the type, scope and minimum amount, separate or aggregate, of related party transactions which: (i) must be previously approved by the Board of Directors; and (ii) due to involving higher amounts, are also subject to prior favorable opinion of the Audit Board;

v) To issue prior opinion on any business with related parties submitted to its approval, including on those which, in accordance with the final part of the previous paragraph, require its prior favorable opinion.

3. Concerning its powers, in the performance of its functions, and without prejudice to other powers assigned to it by law, members of the Audit Board may, acting jointly or separately:

a) Obtain from the management, for examination and certification, any books, records and documents belonging to the Company, and verify the existence of any type of assets, namely cash, securities and commodities;

b) Obtain from the management or any of the directors, information or clarifications on the course of operations or activities of the Company or on any of its businesses;

c) Have access to all Company information and staff for assessing performance, the situation and the outlooks on the development of the Company, including, namely, minutes, documents supporting decisions taken, convening notices and records on the meetings of other corporate bodies, without prejudice to access to all other documents or people who may be called upon to provide clarifications;

d) Receive the reports made by the internal control and internal audit of the company, in particular reports concerning matters related to financial statements, the identification or resolution of conflicts of interest and the detection of potential irregularities;

e) Receive from the Company's statutory auditor the clarifications which are necessary for the annual assessment, by the Audit Board, of the work carried out by the statutory auditor, and of its independence and its suitability for the performance of the tasks assigned to it;

f) To obtain from third parties who have carried out transactions on behalf of the Company any information required for proper clarification of such transactions;

g) Attend meetings of the Board of Directors, whenever it deems appropriate.

In order to perform their duties, the Audit Board may be assisted by a technical team specially appointed for this purpose and also by a specialized audit firm, and may contract the provision of services by experts, to assist one or more of its members in the exercise of their duties.

4. In the performance of its functions, without prejudice to other powers assigned to it by law, members of the Audit Board have the following duties:

a) To inform themselves and prepare Audit Board meetings diligently;

b) To participate in the Board meetings and attend General Meetings and meetings of the Board of Directors to which they are summoned by the Chairman or in which the accounts for the financial year are to be discussed;

c) To exercise a conscientious and impartial supervision;

d) To keep confidential any facts and information which come to their knowledge by virtue of their functions, without prejudice to the duties enshrined in paragraphs 2 and 3 of this Article;

e) To inform the Board of Directors of any verifications, inspections and verifications, supervisions and measures undertaken and the results thereof;

f) To report, at the first general meeting held, all irregularities and inaccuracies verified by this Board and whether it obtained all clarifications required for the performance of its functions;

g) To record in writing all checks, inspections, complaints received and measures taken and their outcome;

h) To inform the Board of Directors of the results of the statutory audit and explain how this has contributed to the integrity of the procedure for preparing and disclosing financial information, as well as the role that the audit body played in this process;

i) To monitor the process for preparation and disclosure of the financial information and submit recommendations or proposals to ensure their integrity;

j) To supervise the effectiveness of the internal quality control and risk management systems and, if applicable, of the internal audit, with regard to the procedure for preparing and disclosing financial information, while preserving its independence;

k) To monitor the statutory audit of annual individual and consolidated accounts, namely the execution thereof;

l) To check and monitor the audit firm's independence and, in particular, verify its appropriateness and approve the provision of other services and relevant terms, in addition to the audit services by the statutory auditor to the Company and other entities included in the Company's group;

m) To select audit firms to submit to the General Shareholders Meeting for election and justifiably recommend one of them for approval;

n) To treat in confidence any documents of the Company which they have access to in the exercise of their functions, including the content of the Board meetings and of the other corporate bodies in which they participate and the preparatory information of the meetings; and,

o) To provide other corporate bodies and committees, in accordance with legal statutory requirements, with all necessary information and documents required for the exercise of legal and statutory functions of such bodies and committees.

The members of the Audit Board must refer to the Public Prosecution Office any criminal offences that they are aware of and which constitute a public crime.

5. If any of the members of the Audit Board becomes aware of any difficulties in the pursuit of its corporate purpose, he must inform the statutory auditor immediately.

It should also be stressed that it is the responsibility of the Audit Board to define criteria and selection procedure for the Statutory Auditor and Chartered Accountant of the Company, in accordance with its Internal Rules, as mentioned above. The implementation of such criteria and the specific definition of the terms and conditions of the applicable selection procedure shall take place by resolution of the Audit Board for each selection procedure, as occurred in the last selection process for the Statutory Auditor and Chartered Accountant of the Company.

In addition, the Audit Board is the main correspondent of the Statutory Auditor and Chartered Accountant of the Company, and has access to and direct knowledge of the activities carried out by it. The Company believes that this supervisory activity by the audit Board, without any interference from the Board of Directors, of the works of the Statutory Auditor and Chartered Accountant, provided it does not jeopardize the timely and adequate knowledge of the Board of Directors, ultimate responsible for company matters and financial statements, in what concerns these tasks. In compliance with this principle, reports of the Statutory Auditor and Chartered Accountant are addressed to the Audit Board and discussed in joint meetings of the audit Board with a member of the Board of Directors, where the Audit Board informs, notably, of the results of the statutory audit, ensuring that conditions required to provide audit services exist within the Company. It is also a responsibility of the Audit Board to propose and monitor, with support from internal divisions of the Company, the fees of the Statutory Auditor and Chartered Accountant.

The Statutory Auditor and Chartered Accountant also cooperates with the Audit Board, provising, immediately and in accordance with applicable laws and regulations, information on irregularities relevant for the exercise of its functions that the Audit Board has detected, as well as any issues arising in the exercise of its duties.

IV. STATUTORY AUDITOR

39. Identification of the statutory audit firm and the partner and statutory auditor representing the same.

The Company's acting Statutory Auditor is KPMG & Associados – Sociedade de Revisores Oficiais de Contas, S.A., registered with the Association of Statutory Auditors (Ordem dos Revisores Oficiais de Contas) under no. 189 and registered with the Portuguese Securities Market Commission (CMVM) under no. 20161489, represented by Paulo Alexandre Martins Quintas Paixão (statutory auditor [ROC] no. 1427).

The alternate Statutory Auditor is Vítor Manuel da Cunha Ribeirinho (statutory auditor [ROC] no. 1081).

40. Indication of the consecutive number of years for which the statutory audit firm has held office in the Company and/or Group.

The Statutory Auditor referred to in item 39 has been working with the Company since 2018.

41. Description of other services provided by the statutory auditor to the company.

In addition to the statutory auditing services provided to the Company and its subsidiaries, the Statutory Auditor also provided other assurance services, pursuant to Law 140/2015, of 7 September.

The amounts paid for these services over the course of 2018 are detailed in items 46 and 47 below.

V. EXTERNAL AUDITOR

42. Identification of the external auditor appointed for the purposes of article 8 and the partner and statutory auditor representing such firm in the performance of these duties, together with their respective registration number with the Portuguese Securities Market Commission.

The Company's external auditor is KPMG & Associados – Sociedade de Revisores Oficiais de Contas, S.A., registered with the Association of Statutory Auditors (Ordem dos Revisores Oficiais de Contas) under no. 189 and registered with the Portuguese Securities Market Commission (CMVM) under no. 20161489, represented in the performance of these duties by partner Paulo Alexandre Martins Quintas Paixão (statutory auditor [ROC] no. 1427).

43. Indication of the consecutive number of years for which the external auditor and the respective partner and statutory auditor representing the same in the performance of these duties has held office in the Company and/or Group.

The external auditor and its partner statutory auditor representing it in the performance of these duties were appointed by the General Meeting in September 2017 to provide services beginning on 1 January 2018. As such, 2018 is their first year serving the Company and/or the Group.

44. Policy on rotation of the external auditor and the respective partner and statutory auditor representing the same in the performance of these duties, and the respective frequency of rotation.

The Statute of the Chamber of Statutory Auditors, approved by Law 140/2015, of 7 September, took effect on 1 January 2016 and established new mandatory legal rules on the rotation of statutory auditors in companies of public interest, such as the Company, which previously had no policy requiring the statutory auditor or its representative to be rotated.

Under the new legal rules, PricewaterhouseCoopers & Associados – SROC, Lda. had reached the time limit on serving as statutory auditor to the main shareholder Semapa – Sociedade de Investimento e Gestão, SGPS, S.A., with which the Company consolidates its accounts, in 2017, the Audit Board, supported by the management and divisions of the companies involved, conducted an organised procedure, open to a number of firms, for selecting the Statutory Auditor, for 2018, until the end of term in office of the other corporate bodies. The tenders submitted were analysed and assessed by the Audit Board on the basis of the criteria adopted in the selection process.

As a result of this selection procedure, the Audit Board submitted to the shareholders a recommendation and proposal to appointment KPMG & Associados – Sociedade de Revisores Oficiais de Contas, S.A. as external auditor, which was by the shareholders at the General Meeting.

45. Indication of the body responsible for assessing the external auditor and the intervals at which this assessment is conducted.

Within the scope of its oversight and auditing function for the Company's accounting documents, the Supervisory Board continuously evaluates the external auditor and the Statutory Auditor, particularly with regard to the preparatory work for its Report and Opinion on the annual accounts.

In addition to its responsibility for proposing the appointment of the statutory auditor and its respective remuneration to the General Meeting, the Supervisory Board is responsible for assessing and monitoring all audit work conducted by the external auditor on an ongoing basis, and has the possibility of proposing its dismissal with due cause at General Meetings, when the proper formalities are complied with. To this end, the Supervisory Board holds frequent meetings during the year with the statutory auditor and external auditor, and a permanent and established relationship is established between the Board and the auditor, the Board being the final recipient of the auditor's reports. At these meetings the Supervisory Board is able to assess all the accounting and financial information it deems necessary at any time, and is able to request from them any information it deems necessary for its supervisory functions.

In addition, in the exercise of its supervisory duties and in its audit of the Company's accounts, the Supervisory Board conducts an annual appraisal of the performance of the external auditor in connection with the preparatory work on its Report and Opinion on the annual accounts, and also verifies its independence, by obtaining written confirmation of the independence of the auditor as provided for in article 62 of the Bylaws of the Association of Statutory Auditors (EOROC), confirmation of compliance with requirements for rotation of the partner responsible and identifying threats to independence and safeguards adopted to mitigate these threats.

Along these lines, the Supervisory Board has unrestricted access to the documentation produced by the Company's auditors, and may request that they provide any additional information deemed necessary. It is also the first recipient of the final reports prepared by the external auditors.

Pursuant to article 420(2)(b) of the Companies Code, the Supervisory Board is responsible for proposing the appointment of the Company's Statutory Auditor to the General Meeting.

46. Identification of work, other than auditing, done by the external auditor for the company and/or for companies in a control relationship with it, together with internal procedures for approving the hiring of such services, specifying the reasons for doing so.

As described in items 41 and 47, in the year ending 31 December 2018, the audit firm and other entities belonging to its network billed fees for the statutory auditing of the annual accounts, the limited review of the interim accounts and other assurance services. The breakdown of the billing for the services is detailed in item 47 below.

Services indicated as "other assurance services" correspond to the issuance of reports on financial information.

Services indicated as "other services" were provided outside of the scope of statutory auditing, but are permitted under the rules of independence laid out in the EOROC, always with the approval of the Supervisory Board in accordance with applicable legal norms and internal procedures for this purpose.

Services provided by the Statutory Auditor and Chartered Accountant, other than audit services, were always approved by the Audit Board, in compliance with applicable laws and internal procedures set out to that effect.

The Board of Directors and Audit Board believe that the occasional hiring of such services is justified by the experience of the external auditor and Statutory Auditor accumulated in the sectors where the Company does business, the quality of its work and the carefully defined scope of the requested work, supported by the Supervisory Board in the analysis and internal opinions of the services.

The Board of Directors believes there are sufficient procedures for safeguarding the auditors' independence through compliance with the internal norm on approving services beyond the scope of auditing, of June 2016, and the Supervisory Board's processes for analysing and overseeing the proposed work and its careful definition in terms of hiring.

As proof of this, per article 2 of its Rules of Procedure, the Supervisory Board is responsible for the powers, functions and duties referred to above in subitems 38(2), 38(3) and 38(4).

Furthermore, in providing other services beyond the scope of auditing, our auditors have established internal rules to ensure their independence, which have been followed while providing these services, subject to monitoring by the Company, in particular by the Supervisory Board.

47. Indication of the annual remuneration paid by the company and/or controlled, controlling or group entities to the auditor and other individuals or organisations belonging to the same network, specifying the percentage relating to the following services (for the purposes of this information, the concept of network is as defined in Commission Recommendation No C [2002] 1873 of 16 May 2002):

	BY THE COMPANY		BY ENTITIES BELONGING TO THE NAVIGATOR GROUP (INCLUDING THE COMPANY ITSELF)	
	AMOUNT	%	AMOUNT	%
Value of statutory audit/limited audit services	32.067,00	59%	95.760,00	81%
Value of other assurance services	4.500,00	8%	4.500,00	4%
Value of other services	17.800,00	33%	17.800,00	15%
Total	**54.367,00**	**100%**	**118.060,00**	**100%**

In 2018, services other than audit services invoiced to the company or entities in a group relationship with it by the Statutory Auditor and Chartered Accountant, including entitites in a participating interest or in the same network, represented 19% of the services provided.

In 2018, PricewaterhouseCoopers & Associados – SROC, Lda invoiced 332,860 euros in fees for the provision of statutory audit services for the year 2017.

I. ARTICLES OF ASSOCIATION

48. Rules applicable to amendment of the Company's Articles of Association (article 245-A(1)(h)).

The Company's Articles of Association contain no specific rules on amendments of the articles, and accordingly the General Meeting has powers to resolve on any proposed amendments, as established in the Companies Code.

Proposed amendments to the Articles of Association should therefore be tabled by the Company's shareholders to be voted on at a General Meeting. The meeting in question may only be held on the first call if shareholders representing no less than one third of the share capital are present; on the second call the meeting can adopt resolutions on amendments without being subject to any specified quorum.

A proposed amendment to the Articles of Association can only be approved by two thirds of the votes cast, at either the first or second call of the General Meeting.

II. REPORTING OF IRREGULARITIES (WHISTLEBLOWING)

49. Means and policy for reporting of irregularities (whistleblowing) occurring in the company.

The Company has "Whistleblowing Regulations" designed to provide a procedure and rules for communication by any stakeholders, be they Employees, clients, suppliers, partners or any other organisations or individuals which have dealings with the Company or its subsidiaries, of any irregularities allegedly occurring in the Navigator Group.

In these Regulations, "irregularity" is defined as any alleged breach of provisions under the law, regulations and/or Articles of Association occurring at the Navigator Group. Irregularities also include non-compliance with ethical principles and duties per the Company's Code of Ethics.

These Regulations lay out the general obligation of reporting alleged irregularities, and establish a multidisciplinary team in charge of handling them. The rules of procedure of the company's boards and committees also foresee the adoption of and compliance with such regulations.

This multidisciplinary team, comprised of Legal Services and the Risk Management Division, must investigate all facts needed to properly assess the alleged irregularity. This process ends with the report being filed or submission to the Board of Directors or the Executive Committee, depending on whether a member of a statutory body is implicated or not, of a proposal for application of the measures most appropriate in the light of the irregularity in question. The Supervisory Board must also be informed of all reports received.

The Regulations also contain other provisions, namely with regard to ensuring the confidentiality of whistleblowing, the non-prejudicial treatment of reporting stakeholders and the dissemination of the respective scheme at the Company.

In the course of 2018, reports were received of 7 potential irregularities. All reports were duly followed up by evaluation of the facts reported, investigation and a decision on any measures to be taken. Such whistleblowing procedures may be summarised as follows:

- Of the 3 complaints from 2017 still pending, one was closed with regard to the commercial practices of a business partner. The matter was adequately resolved among all of the parties involved, with an assessment by the Ethics Committee (in 2019). The other two cases, given their particular complexity, remain pending.

- These two cases under investigation, as they involve related issues, were supplemented by two more reports in 2018, which also remain under investigation.

- One situation reported a potential case of bullying in one of the Group's divisions. The case was investigated using interviews and an extensive documentary analysis, with no conclusions as to the justification of the complaint. However, warnings were given by the hierarchy with regard to situations considered inappropriate, although without disciplinary implications.

- One situation referred non-specifically to the intent to cut down forests of high conservation value, with alleged negative impacts on the affected populations. With no information on any specific operations, the informant was made aware of the Company's means of ensuring that all forestry operations respect local populations at all times.

- Two reports referred to alleged irregularities in contests and promotions done by the Company's brands. The situations were analysed, with information provided to the informant in one case on the process for handing out awards, without further measures, while in the other case the informant was given clarifications on the list of winners.

- One report referred to the purchase of a ream of paper allegedly of an irregular size. The Technical Product Division was informed to take the necessary measures.

It should also be noted that, in the annual process of reviewing all claims received, there were situations in which the conclusions of the investigations were not notified to the informants/whistle-blowers in a timely manner. They were immediately contacted, making note of our mistake, and conveying the relevant information.

III. INTERNAL CONTROL AND RISK MANAGEMENT

50. People, bodies or committees responsible for internal audits and/or implementation of internal control systems.

The Company regards Risk Management as a core process in its business activities. A system for permanent monitoring of risk management has therefore been implemented in the Navigator Group, involving all organisational units, DGR and the Supervisory Board.

This system is based on a systematic and explicit assessment of business risks by all organisational divisions in the Navigator Group and identification of the main controls in place in all business processes. This platform will allow the Company to assess on an ongoing basis the extent to which its internal control system is appropriate to the risks regarded as most critical from time to time.

As part of this periodic assessment, an annual internal audit programme has been instituted, to be implemented by DGR in conjunction with each division involved, to monitor the appropriateness of the internal control system to the perceived risks and to help the organisation to implement programmes to improve this system.

This risk governance system is headed by the Supervisory Board and the Board of Directors, as detailed below.

Board of Directors

The Board of Directors has the following responsibilities:
- Review and approve the risk policy defined for the Navigator Group, including risk appetite and tolerance;
- Set goals with regard to the assumption of risks, and ensure that they are achieved;
- Approve the risk governance model adopted by the Navigator Group;
- Oversee application of the risk policy in the Navigator Group;
- Discuss and approve the Company's risk policy and strategic plan, including the determination of acceptable risk levels;
- Approve strategies for dealing with risks, especially very high risks;
- Promote a risk culture within the Navigator Group.

Supervisory Board

The Supervisory Board has the following responsibilities:
- Monitor the effectiveness of the risk management system, the internal control system and the internal audit system;
- Assess and propose improvement to the risk management model, processes and procedures;
- Oversee execution of the activities plans in connection with risk management;
- Take due note of the risk management monitoring reports issued by the Risk Management Division.

Chief Executive Officer

The Chief Executive Officer has the following responsibilities:
- Define the Navigator Group's risk policy, including its risk appetite;
- Take the risk policy into account when setting the Navigator Group's strategic objectives;
- Provide the means and resources to assure that risk management is effective and efficient;
- Approve the risk management model, processes and procedures;
- Define the risk management governance model to be adopted by the Group, including the division of responsibilities;
- Approve activities plans in the field of risk management;
- Ensure that the main risks to which the Navigator Group is exposed are identified and reduced to acceptable levels, in line with the risk appetite and tolerance defined;
- Discuss and approve options for handling risks where the residual risk level is in excess of the risk tolerance levels;
- Oversee and review the work of the Risk Management Division, in the field of risk management;
- Report on results to the Board of Directors.

Risk Management Division

The Risk Management Division has the following responsibilities in this area:
- Define the risk management model, processes and procedures;
- Draw up activities plans in the field of risk management;
- Identify and implement the means and resources (human, procedural and technological) to facilitate risk identification, analysis and management;
- Warn of potential risks when strategic and operational objectives are being defined;
- Help define risk appetite and risk tolerance;
- Help decide on the division of responsibilities in the field of risk management;
- Help identify and characterise risks;
- Monitor risk indicators;
- Help design risk mitigation measures;
- Assess the effectiveness of risk mitigation measures;
- Assess compliance with risk tolerance;
- Ensure compliance with action plans for mitigating risks;
- Draw up risk management monitoring reports.

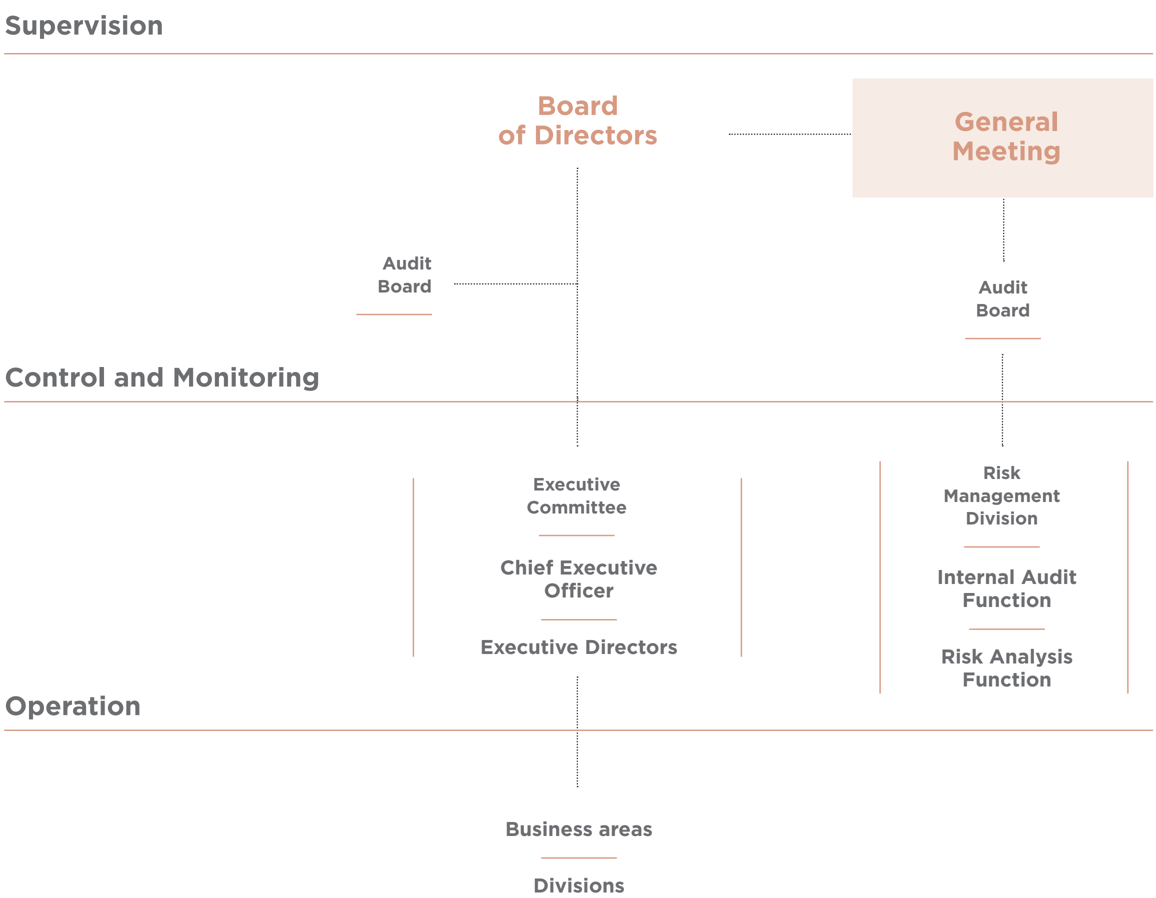
Business Areas/Divisions

Business areas/divisions have the following responsibilities:
- Define risk tolerance;
- Identify and characterise risks;
- Define and monitor risk indicators;
- Define, implement and execute risk mitigation measures, in keeping with the risk mitigation action plans;
- Conduct risk assessments and controls.

51. Description of the lines of command in this area in relation to other bodies or committees; an organisational chart may be used to provide this information.

It follows clearly from the previous section that risk management in the Company is the responsibility of the entire organisation; specific duties are detailed above.

In terms of the hierarchical and functional structure, it should be noted that, in addition to reporting to the Chief Executive Officer, the Internal Audit Division (Risk Management Division) also reports to the Supervisory Board, thereby providing the support needed for the Board to exercise its responsibilities. The following chart illustrates the reporting and functional relations within the Company:



52. Existence of other divisions with responsibilities in the field of risk control.

The Company has committees which complement the work of the Supervisory Board and the Chief Executive Officer with regard to control and monitoring of specific risks:

- **Risks Analysis and Monitoring Committee** – pronounces on asset risk prevention systems in place in the Company, in close connection with the risk governance system in the Group; and assesses the suitability of asset risk insurance policies in force in the Navigator Group, and the individual policies.

- **Corporate Governance Committee** – oversees application of the Group's corporate governance rules, and also the Code of Ethics and Conduct, as well as supervising internal procedures relating to matters of conflicts of interest, in particular with regard to relations between the Group and its shareholders or other stakeholders.

- **Sustainability Forum** – implements corporate and strategic policy on questions of social and environmental responsibility, and prevention of potential risks in these areas.

- **Ethics Committee** – oversees compliance with the requirements of the Code of Ethics and Conduct and identifies situations which constrain compliance with this code.

53. Identification of the main risks (economic, financial and legal) to which the company is exposed in the course of its business.

In the course of its activity, the Navigator Group is exposed to a variety of economic, financial and legal risks. As part of the process described above for review of the risk management system, the list of the main risks to which the Navigator Group is subject was revised. The following is a selection of the principal risks identified:

RISK (NON-EXHAUSTIVE SELECTION)	SUMMARY DESCRIPTION
Industrial workplace accidents	Risk of the occurrence of accidents at work potentially resulting in injuries, incapacity or fatalities.
Increase in transport costs	Risk of increase in pulp, paper or tissue transport costs, which may result in a reduction in sales margins or the need to increase prices charged to customers.
Higher demand for raw materials (wood)	Risk associated with an increase in demand for raw material (wood) due to competitors expanding their capacity, triggering an increase in wood prices and a consequent increase in production costs.
Foreign exchange	Risk of variation in the exchange rate between the Euro and other currencies, which can significantly affect the Group's results, either through revenues (sales) or costs (purchases).
Environmental consequences of operations	Risk of occurrences with adverse environmental consequences, directly or indirectly attributed to industrial activities, potentially resulting in a breach of environmental legislation or customer and stakeholder dissatisfaction, namely as regards the local community.
Forest damage	Risk of forest damage resulting from natural or man-made causes, which may jeopardise the quantity of raw material needed for the Group's activities and consequently lead to increased costs or loss of revenues.
Energy business less competitive due to regulatory issues	Risk of less competitive terms for power sales, caused to a certain extent by the regulatory environment; volatility in regulation of sector may lead to sudden loss (total or partial) of the contribution from this business to the Group's profitability.
Reduction in paper demand due to technological substitution	Risk associated with a reduction in demand for the products sold by the Group, which may result in a significant reduction in sales.
Failure in wood supplies	Risk of failure in wood supplies, which may result in production stoppages and consequent increase in costs or lost revenues.
Plant failure	Risk of failure in production plant, which may result in production stoppages and consequent increase in costs or lost revenues.
Data security failures	Risk of failures in data security relating to the confidentiality, availability and integrity of data over the process of acquisition, processing, communication, storage and destruction, potentially leading to information losses/leaks, fraud, discontinuity of operations.
Shortage of certified raw material	Risk associated with inability to obtain certified raw material, potentially resulting in a loss of value in end product and consequently in sales values.
Fraud	Risk of fraud in processes involving movements in funds/valuables, causing losses to the Group.
Supplier management	Risk of inefficiency in management of relationship with critical suppliers for the business, or over-dependence on these supplies, compromising the quality of services provided, limiting Group operations or potentially leading to operational inefficiencies.
Non-compliance with legislation and regulations	Risk of non-compliance with legislation on tax, employment, environmental, accounting and/or other matters or with industry regulations. Non-compliance with accounting standards.
Irregularities in purchases and payments	Risk of inefficient or inappropriate processes in purchases of materials and services critical for the business, resulting in items being out of stock, financial losses, non-performance by and in relation to suppliers or occurrence of situations of fraud.
Occurrence of fires or natural disasters	Risk of loss of assets or even personal injury due to fires or other natural phenomena.
Loss of new business/product/process opportunities	Risk of failing to capture opportunities to develop new business, products or processes due to ineffective R&D or technology scouting.
Loss of Forestry Yields	Risk of not being able to achieve full production potential of plantations due to failure to apply best available forestry practices.
Losses on client credit	Risk of credit granted to customers, which may result in uncollectable debts and a consequent increase in costs.
Pulp price	Risk associated with pulp price fluctuations, which may result in losses for the Group.
Product quality	Risk associated with product quality, potentially resulting in consumer dissatisfaction and a consequent drop in sales and lost revenues.
Reduction in paper price	Risk of pressure of competition, which may result in a drop-in sales or reduction of market share.
Environmental restrictions on industrial production	Risk of environmental restrictions on industrial production, which may result in changes being required in the production process, thereby increasing costs.
Legal restrictions on forestry production	Risk of legal restrictions being imposed on forestry production, which may result in a reduction in raw material output and a consequent increase in acquisition costs.
Legal restrictions on paper imports	Risk of restriction on paper imports in producer countries through the erection of customs barriers, potentially resulting in a reduction in sales.
Sustainability of forestry operations	Risk of compromising the future operations of the organisation or of local society and the business community, in general, due to over-use or irrational use of the natural resources involved in forestry operations.
Sustainability of industrial operations	Risk of soil contamination or excess atmospheric emissions of noxious gases, resulting directly or indirectly from the process of supply, sanitation or processing of solid urban waste (e.g. accidents, breakdowns, techniques used) or from natural causes such as floods or droughts at intake points or serious pollution accidents.
Variation in energy prices	Risks associated with changes in the purchase and sale price of energy, resulting in additional costs and lost revenues.

Many of the risk factors identified are beyond the Navigator Group's control, especially in the case of market factors which can have a fundamental and negative effect on the market price of the Company's shares, irrespective of the Navigator Group's operational and financial performance.

54. Description of the process of identification, assessment, monitoring, control and management of risks.

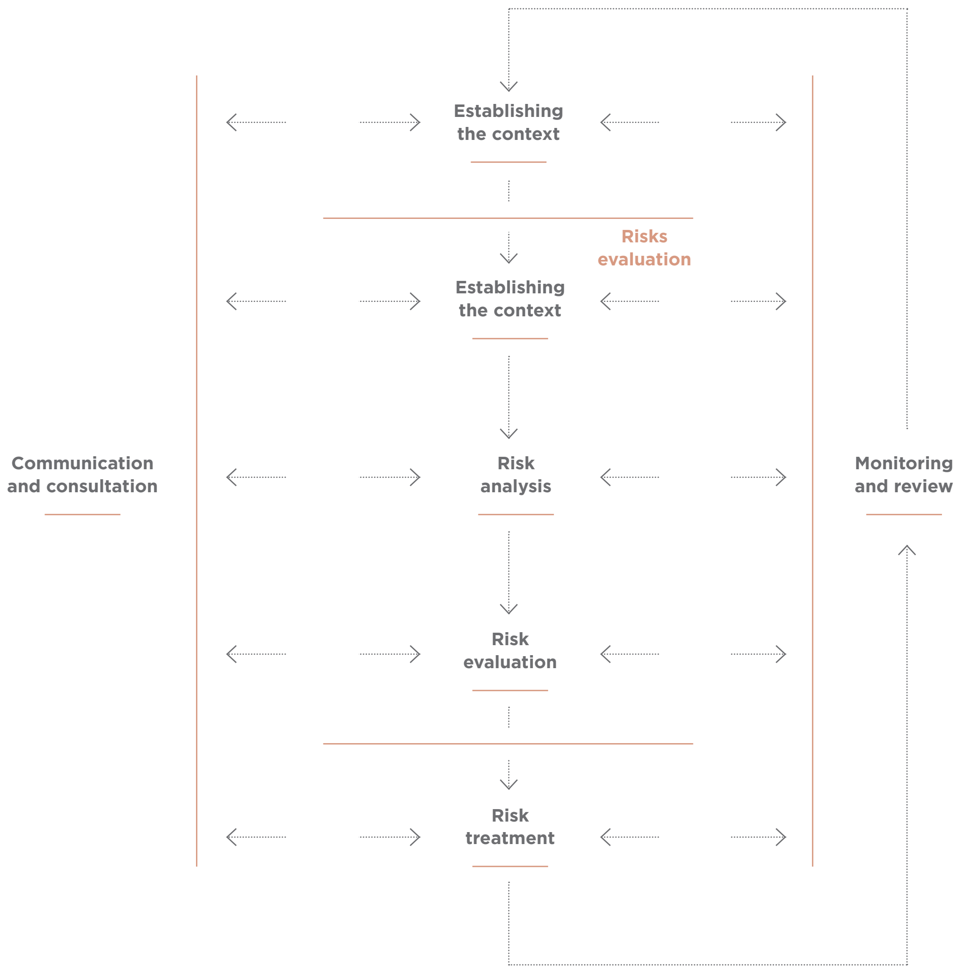
The Navigator Group regards risk management as an essential decision-making tool, involving permanent monitoring of the risks to which it is exposed, raising awareness throughout the Navigator Group of a risk culture which seeks to avoid risks but also includes a positive approach to risk-taking.

At the same time, the different divisions/areas benefit from risk management insofar as it allows them to anticipate situations of uncertainty, mitigating the risks of adverse consequences and making the most of risks which offer opportunities. Risk management also provides the Navigator Group with greater and more sustained decision-making capability with regard to risk events, allowing it to respond in a coordinated and integrated manner to risks with causes, impacts or vulnerabilities which extend across more than one area.

Lastly, risk management is especially important for internal auditing and the control environment, as it offers the possibility of ongoing assessment of the Navigator Group's risk profile and a higher level of internal control. Risk management also makes an important contribution to Internal Auditing, pointing it to areas/processes where business risks and concerns are greater – "Risk-based Internal Audit". As an immediate result of this approach, it will be possible to plan and execute audits which take into consideration the risks most relevant to the Navigator Group, by using an audit planning methodology.

The Navigator Group's risk management process follows the best internationally accepted risk management practices, models and frameworks, including the "COSO II – Integrated framework for Enterprise Risk Management", the "AS/NZS 4360 Risk Management Standard" and the ISO 31000 standard.

In putting together the risk management process, the ISO 31000 standard was taken into account with regard to its main phases, while COSO II was used to organise and structure risks. This process comprises a series of seven inter-related phases, which together comprise an interactive process of ongoing improvement. This takes the form of a process of communication and consultation, and a process of monitoring and review. The diagram below illustrates the flow for the risk management process.



The entire process is built on a computer tool disseminated throughout the Company.

KPMG is in charge of external auditing. The Company's External Auditor checks, in particular, the application of remuneration policies and systems, and the effectiveness and functioning of internal control procedures through the information and documents provided by the Company. The respective findings are reported by the External Auditor to the Supervisory Board which then reports the shortcomings detected, if any.

In view of the main risks identified, the Risk Management Division has retained its monitoring and control function, which it exercises by conducting internal control.

Along these lines, 3 internal control audits were conducted in 2018, with follow-ups on pending matters from previous audits. In particular, the work this year was primarily focused on the Group's wood receiving areas, purchasing management and waste processing at several manufacturing facilities.

55. Main components of internal control and risk management systems implemented at the company for the disclosure of financial information (article 245-A(1)(m)).

The Company has an internal control system for the preparation and disclosure of financial information, operated by the Supervisory Board, in conjunction with other Divisions/Business Areas in the Company, in particular the Accounting and Tax Division, the Management Control Division, the Risk Management Division and the Investor Relations Office. In connection with this system, the Supervisory Board assesses financial information each quarter on the basis of reports from the Division preparing them and with support from the opinions formulated by the statutory and external auditors. Meetings are held for this purpose with the Risk Management Division, members of the Executive Committee, the Statutory Auditor and external auditor and the staff in charge of accounts and management planning and control, in order to monitor the processes underway. The elements of the internal control and risk management system are described in item 54.

IV. INVESTOR SUPPORT

56. Office responsible for investor support, composition, functions, information provided and contact details.

The Company has had an Investor Relations Office since November 1995, whose mission is to plan, manage and coordinate all the activities needed to handle contacts, on a permanent and appropriate basis, with the financial community – investors, shareholders, financial analysts and regulatory authorities – and to publish the Company's financial reports and any other information of relevance to the stock market performance of Navigator shares, in keeping with principles of coherence, regularity, fairness, credibility and opportunity.

In keeping with the principles of coherence, integrity, regularity, fairness, credibility and opportunity, the office helps to facilitate the investment decision-making process and sustained value creation for shareholders.

The mission of the Investor Relations Office is to comply with its legal obligations of reporting to the regulator and to the market, and in particular to disclose the Group's profits and activities, reply to information requests from investors, financial analysis and other agents and also to support the Executive Committee in making public The Navigator Company's strategy for growth and development.

As such, this office adequately and rigorously handles the production, processing and timely disclosure of information to the management, shareholders, investors, other stakeholders, financial analysts and the market in general.

The Investor Relations Office comprises a single person, who also acts as market relations officer and whose contact details are provided in the following item.

All mandatory disclosures, such as information on the Company name, its status as a public company, registered offices and other detailed required by article 171 of the Companies Code, are available on the Navigator Group's website, at http://www.thenavigatorcompany.com/. Also available in the investors' section of the Navigator website, in Portuguese and English, are disclosures of quarterly results, half-yearly and annual reports and accounts, together with the respective statements and press releases, description of statutory bodies, the financial calendar, the Company's Articles of Association, notices of General Meetings, and all motions tabled for discussion and vote at General Meetings, resolutions approved and statistics relating to attendance, together with relevant developments.

57. Market Relations Officer.

The Company's Market Relations Officer is Joana de Avelar Pedrosa Rosa Lã Appleton who may be contacted by telephone (+351) 219 017 434 or by email: joana.la@thenavigatorcompany.com. These contact details are supplied on Navigator's website, in the investors' section.

58. Information on the proportion and response time to information requests during the year or pending from previous years.

Information requests to the Investor Relations Office are primarily done by email, although some phone calls are also received. All requests are answered or forwarded to the appropriate areas, with an average response time of less than three working days.

On 31 December 2018, all information requests received were considered addressed, thus with no pending requests as of this date.

V. WEBSITE

59. Address(es).

Navigator's website is at: http://www.thenavigatorcompany.com/.

60. Location information on the company name, public company status, registered office and other items referred to in article 171 the Companies Code.

The above information is available in the investors' area of Navigator's website at http://www.thenavigatorcompany.com/Investidores/Accao-Navigator.

61. Location of the articles of association and operating regulations of boards and/ or committees.

The above information is available in the investors' area (corporate governance section) of Navigator's website at http://www.thenavigatorcompany.com/Investidores/Governo-da-Sociedade.

62. Location of information on the identities of members of statutory bodies, the market relations officer and the investor support office or equivalent structure, and their respective duties and means of access.

The above information is available in the investors' area (specifically in the corporate governance section) as well as in the area entitled "Profile" of Navigator's website, respectively, at http://www.thenavigatorcompany.com/Investidores/Governo-da-Sociedade and http://www.thenavigatorcompany.com/ Investidores/Contactos.

63. Address for consultation of financial statements and reports, which must be accessible for no less than five years, together with the six-monthly corporate diary, disclosed at the start of each semester, including, amongst other things, General Meetings, disclosure of annual, half-yearly and (if applicable) quarterly accounts.

Navigator's quarterly, half-yearly and annual results, published since 2003, are available in the investors' area (in the section entitled "Financial information"), at http://www.thenavigatorcompany.com/Investidores/Informacao-Financeira. There is a specific tab in the investors' area for the corporate diary for the current year, available at http://www.thenavigatorcompany.com/Investidores/Calendário.

64. Location for publishing the meeting notice for the General Meeting and all preparatory and subsequent information related to it.

General Meeting notices and all related preparatory and subsequent information are available in the investors' area (in a separate tab entitled "General Meetings") at http://www.thenavigatorcompany.com/ Investidores/Assembleias-Gerais.

65. Location for publishing a historical archive of decisions made at the company's general meetings, share capital representation and voting results for the 3 preceding years.

The above information is available at the same location as information on General Meetings, i.e. in the investors' area (in a separate tab entitled "General Meetings") at http://www.thenavigatorcompany.com/Investi-dores/Assembleias-Gerais.

D. REMUNERATION

I. POWERS TO DETERMINE REMUNERATION

66. Indication of the powers for determining the remuneration of statutory bodies, members of the executive committee or managing director and company managers.

The Remuneration Committee is responsible for the remuneration policy of statutory bodies, which it reviews annually and submits to the General Meeting, attended by at least one Remuneration Committee representative, for approval.

The remuneration policy submitted to the ordinary General Meeting of 23 May 2018 can be found in item 70 of this report.

II. REMUNERATION COMMITTEE

67. Composition of the Remuneration Committee, including identification of individuals or organisations contracted to provide support, and declaration regarding the independence of each member and adviser.

The Remuneration Committee only comprises the following members:

Chairman
– José Gonçalo Ferreira Maury
Members
– João Rodrigo Appleton Moreira Rato
– Frederico José da Cunha Mendonça e Meneses

The company believes that the composition of the remuneration committee ensures its independence with regard to management given that all of its members are independent, notwithstanding the CMVM's interpretation to the contrary within the scope of applying the recommendation contained in the CMVM Code of Corporate Governance, with respect to Mr. Frederico da Cunha. With respect to that member, we provide the following clarification:

Firtly, his connection with the Navigator results from being a non-executive director of Semapa until 2005, and from currently having a pension fund due to the duties he performed. However, it is the Company's belief that, since these were non-executive duties, given the amount of time elapsed, and given that entitlement to a pension is acquired regardless of the will of SEMAPA's management, his impartiality of analysis and decision is in no way conditional. Secondly, from June 2013 to May 2014, he performed management functions in Sodim, a company wchich holds approximately 72% of voting rights in SEMAPA, a shareholder of Navigator, a fact which the Company also believes does not jeopardize his impartiality or decision making capacity. In fact, and taking into consideration that what is at stake is independence from executive board members, Navigator believes that this member of the Remuneration Committee carries out his functions independently.

Within the company the Remuneration Committee provides all information or clarifications to shareholders in the respective Annual General Meetings or in any other general meetings if the respective agenda includes a matter related to the remuneration of members of boards and committees of the company or if such presence is requested by shareholders, doing so through the presence of at least one of its members. This is what occurred in the annual general meeting of 23 May 2018, in which all of its members were present.

In accordance with its Internal Rules, the Remuneration Committee may freely decide on the hiring by the Company of consultancy services necessary or convenient to the exercise of its duties, requiring the assurance that such services are provided independently and that the respective providers will not be hired to provide any other services to the Company or to other entities that are in a controlling or group relations without the express authorisation of the Committee.

In the course of 2018, no one was hired to provide support for the Committee.

68. Expertise and experience of the members of the Remuneration Committee in the field of remuneration policy.

All of the Remuneration Committee's members have extensive experience in and knowledge of matters concerning remuneration for members of statutory bodies, due to the positions they have held over the course of their professional careers. Furthermore, from 1990 to 2014, Mr. José Maury, Chairman of this Committee was a representative of a multinational company specialising in human resource procurement, particularly executive positions, which entails in-depth knowledge of assessment procedures and criteria and associated compensation packages.

III. REMUNERATION STRUCTURE

69. Description of the remuneration policy for members of the management and supervisory bodies as referred to in article 2 of Law 28/2009 of 19 June.

The remuneration policy for members of the Company's management and supervisory bodies is set out in the Remuneration Policy Statement issued by the Remuneration

Committee, approved at the beginning of each mandate and confirmed annually, and set out in Annex II to this Report, as described in the following item, and there is no deviation in the procedure for implementation of the approved remuneration policy.

70. Information on the means of structuring remuneration to align the interests of managing board's members with the long-term interests of the company, and how this is based on performance assessment, discouraging the assumption of excessive risk.

The means of structuring remuneration and how it is based on the management's performance assessment is clearly demonstrated by the Remuneration Committee Remuneration Policy Statement, namely chapter VI, sections 1 and 6.

In developing these principles, various KPIs are used to determine the exact variable remuneration component which, as stated in item 25 above, quantitatively include EBITDA, net income and cash flow.

Long-term alignment of interests and sustained performance are achieved to a certain extent due to the fact that EBITDA KPIs establish a relationship for the medium term; however, this aim is more significantly assured by the fact that membership of Navigator's Executive Committee has been extremely stable over time. This stability has the natural result of alignment with longer-term goals, also in the salary component, as future results influence future remuneration, in relation to which expectations exist.

The same can be said for the assumption of excessive risk. The company has no independent remuneration tool for this specific purpose. Risk is an intrinsic characteristic of any act of management and, as such, is unavoidably and continuously considered in all management decisions. The qualitative or quantitative assessment of risks as good or bad cannot be conducted in isolation, but has to be seen in its impact on Company performance over time; this process is therefore indistinguishable from long-term interests, and benefits from the general incentives for long term alignment described above.

71. Reference, if applicable, to the existence of a variable remuneration component and information on any impact on this from performance assessments.

The remuneration of executive directors effectively includes a variable component which depends on a performance assessment, as described in the Remuneration Policy Statement, in particular in item 2 of chapter VI.

The performance assessment has an impact on approximately 50% of the variable remuneration component, on an individual and qualitative basis.

In the case of non-executive directors, althouth it only includes a fixed part, it may be differenciated as a result of an accumulation of enhanced responsibilities.

There are no maximum remuneration limits, except for the limit on management profit-sharing, pursuant to the Articles of Association and no mechanism has been set up allowing the Company to ask for the return of paid up variable compensation.

The remuneration of Audit Board members has no variable component.

72. Deferred payment of the variable remuneration component, with reference to the deferral period.

No deferred variable remuneration component exists at the Company, notwithstanding the existece of a specific index – one of EBITDA's components is not determined in relation to a year but to a specific theoretic EBITDA determined by reference to a mid-term plan – which ascertains mid-term sustainable development.

73. Criteria applied in allocating variable remuneration in shares and on the continued holding by executive directors of these shares, on any contracts concluded with regard to these shares, specifically hedging or transferring risk, the respective limits and the respective proportion represented of total annual remuneration.

In the Company, the variable remuneration includes no component consisting of shares.

74. Criteria applied in allocating variable remuneration in options and indication of the deferral period.

In the Company, the variable remuneration includes no component consisting of options.

75. Main parameters and grounds for any annual bonus system and any other non-cash benefits.

The criteria for setting annual bonuses are those relating to the variable remuneration as described in item 2 of chapter VI of the Remuneration Policy Statement, and in item 25 above, and no other non-cash benefits are allocated.

76. Main features of complementary or early retirement schemes for directors, and the date of approval by the General Meeting for each individual.

There are no early retirement arrangements for directors.

Pursuant to the Regulations of the Pension Plan of The Navigator Company (former Portucel S.A. Pension plan) in effect, eligible Company Directors who have completed at least one term of office pursuant to the Articles of Association are entitled, upon retiring or becoming disabled during their term of office, to a monthly pension supplement for retirement due to old age or disability, respectively.

If the disability occurs after the term of office, the members in question of the Board of Directors will only be entitled to the disability pension supplement if they are awarded the corresponding disability pension by the Social Security authority with which they are enrolled, and if so requested from the Company.

This complementary pension is set on the basis of a formula which considers gross monthly remuneration and length of service; no less than 10 years' service is required and no more than 30 years' service will be considered.

On 31 December 2018, Manuel Soares Ferreira Regalado was the only Director who benefited from The Navigator Company's Pension Plan.

In addition, the Board members António José Pereira Redondo and Adriano Augusto da Silva Silveira are participants in the pension plan of Navigator Paper Figueira, SA, one of the Company's subsidiaries, in their capacity as Employees of that company.

Due to the specific nature of the Navigator Group's pension plan, to date, the General Meeting has in no way intervened in approving the main characteristics of the specific rules applicable to Directors' retirement.

Along these lines, note that the Company was a public company until 1991, whose business and means of operation were governed by a special law applicable to this type of company; it was during this time that the specific rules for the retirement of members of the Board of Directors were approved.

It should be noted, however, that the retirement pension plans in effect at the Company are described in item 27 in the Notes to the Consolidated Annual Accounts, which are part of the Annual Report and Accounts subject to approval by the General Meeting.

IV. DISCLOSURE OF REMUNERATION

77. Indication of the annual remuneration earned from the Company, on an aggregate and individual basis, by the members of the Company's management bodies, including fixed and variable remuneration and, in relation to the latter, reference to the different components.

Below is set out the amount of compensation paid to board members in 2018, whereas variable compensation was paid in 2018 but concerns performance in 2017, by Company directors, from Navigator. Fixed and variable components are indicated, but not the different components which originated the variable compensation, since the variable component is defined as a whole, considering the elements explained in the Remuneration Policy of the Remuneration Committee, not identifying components.

Board of Directors	FIXED REMUNERATION		VARIABLE REMUNERATION	
	VALUE	%	VALUE	%
Pedro Mendonça de Queiroz Pereira	**689,200.05**	**41.61%**	**967.061,00**	**58.39%**
Navigator	0	0.00%	767.061,00	100.00%
Subsidiaries	689,200.05	77.51%	200.000,00	22.49%
Diogo António Rodrigues da Silveira	**517,713.00**	**45.48%**	**620.627,00**	**54.52%**
Navigator	517,713.00	80.55%	125.000,00	19.45%
Subsidiaries	0	0.00%	495.627,00	100.00%
Luís Alberto Caldeira Deslandes	**117,579.00**	**100.00%**	**0**	**0.00%**
Navigator	117,579.00	100.00%	0	0.00%
Subsidiaries	0	0.00%	0	0.00%
António José Pereira Redondo	**314,485.78**	**37.53%**	**523.551,00**	**62.47%**
Navigator	0	0.00%	25.000,00	100.00%
Subsidiaries	314,485.78	38.68%	498.551,00	61.32%
José Fernando Morais Carreira de Araújo	**314,495.72**	**39.12%**	**489.410,00**	**60.88%**
Navigator	0	0.00%	25.000,00	100.00%
Subsidiaries	314,495.72	40.38%	464.410,00	59.62%
Nuno Miguel Moreira de Araújo Santos	**314,481.58**	**35.86%**	**562.493,00**	**64.14%**
Navigator	314,481.58	67.71%	150.000,00	32.29%
Subsidiaries	0	0.00%	412,493.00	100.00%
João Paulo Araújo Oliveira	**314,481.58**	**40.80%**	**456,349.00**	**59.20%**
Navigator	314,481.58	80.74%	75,000.00	19.26%
Subsidiaries	0	0.00%	381,349.00	100.00%
Manuel Soares Ferreira Regalado	**77,000.00**	**100.00%**	**0**	**0.00%**
Navigator	77,000.00	100.00%	0	0.00%
Subsidiaries	0	0.00%	0	0.00%
Adriano Augusto da Silva Silveira	**397,108.00**	**100,00%**	**0**	**0.00%**
Navigator	0	0.00%	0	0.00%
Subsidiaries	397,108.00	100,00%	0	0.00%
Vítor Manuel Galvão Rocha Novais Gonçalves	**98,000.00**	**100.00%**	**0**	**0.00%**
Navigator	98,000.00	100.00%	0	0.00%
Subsidiaries	0	0,00%	0	0,00%

This information is in the proposal for a Statement on the Remuneration Policy, of the remuneration Committee to be submitted to the annual General Meeting of Shareholders, to take place this year.

78. Amounts paid on any basis by other controlled, controlling or group companies or companies under common control.

It should be clarified that the amounts referred to in this item relate only to companies not controlled by the Company. They also include amounts over which the Company and its officers have no control, as they are the concern of its shareholders, the shareholders of shareholders and other companies controlled by shareholders, where a controlling relationship is involved.

The total amount paid in 2018 by all companies controlled by or controlling Navigator, and by companies belonging to the same group or under common control, is 5,337,731.64 euros. Remuneration was received from other companies in a control relationship, or from companies subject to common control, by Directors Pedro Mendonça de Queiroz Pereira, João Nuno de Sottomayor Pinto de Castello Branco, Dr. José Miguel Pereira Gens Paredes, Dr. Paulo Miguel Garcês Ventura, Dr. Ricardo Miguel dos Santos Pacheco Pires and Dr. Vítor Manuel Galvão Rocha Novais Gonçalves, totalling 1,267,442.14 euros, 1,423,610.25 euros, 880,433.50 euros, 857,636.50 euros, 830,784.25 euros and 77,825.00 euros, respectively. In addition, it is noted that members of the Board of Directors did not earn remuneration in other companies in a group relationship, and that this information is in the proposal for a Statement on the Remuneration Policy, of the remuneration Committee to be submitted to the annual General Meeting of Shareholders, to take place this year.

79. Remuneration paid in the form of profit sharing and/or payment of bonuses, and the grounds on which these bonuses and/or profit sharing were granted.

There was no remuneration in the Company in the form of profit sharing during the period in question. The remuneration policy establishes the criteria in force to assigning variable remuneration, and annual bonuses are assigned on the basis of the Company's results in each period, in conjunction with the merit and performance assessment of each specific director.

80. Compensation paid or due to former executive directors for their dismissal during the year.

No compensation was paid during the year, nor is any compensation due, to former executive directors for their dismissal.

81. Indication of the annual remuneration earned, on an aggregate and individual basis, by the members of the Company's supervisory bodies, for the purposes of Law 28/2009 of 19 June.

Audit Board	FIXED REMUNERATION		VARIABLE REMUNERATION	
	VALUE	RELATIVE PERCENTAGE	VALUE	RELATIVE PERCENTAGE
Miguel Camargo de Sousa Eiró	31,956.78	100%	0	0%
José Manuel Vitorino	19,854.00	100%	0	0%
Gonçalo Picão Caldeira	16,002.00	100%	0	0%
Maria Graça Gonçalves	9,398.50	100%	0	0%

The chart above indicates the annual amount corresponding to the period in which members of the Audit Board performed their functions.

This information is in the proposal for a Statement on the Remuneration Policy, of the remuneration Committee to be submitted to the annual General Meeting of Shareholders, to take place this year.

82. Indication of remuneration earned in the reporting period by the Chairman of the General Meeting.

The Chairman of the General Meeting only receives a fixed remuneration. In 2018, the Chairman of the General Meeting earned remuneration of 3,000 euros (three thousand euros).

This information is in the proposal for a Statement on the Remuneration Policy, of the remuneration Committee to be submitted to the annual General Meeting of Shareholders, to take place this year.

V. AGREEMENTS WITH IMPLICATIONS FOR REMUNERATION

83. Contractual limits on severance pay for directors, and the respective relationship with the variable remuneration component.

As stated in Annex II to this Report, no agreements exist or have ever been established by the Remuneration Committee on severance pay for the Company's directors, with or without just cause. Accordingly, termination of functions before the end of the mandate does not originate, directly or indirectly, payment of any amount to the board member other than those provided for by Law.

84. Reference to the existence and description of agreements between the Company and directors or managers, as defined by article 248-B(3) of the Securities Code, which provide for compensation in the event of resignation, dismissal without due cause or termination of employment contract as a result of a change of control of the Company, indicating the amounts involved (article 245-A(1)(l)).

There are no agreements between the Company and Board members or managers, as defined by article 248-B(3) of the Securities Code, which provide for compensation in the event of resignation, dismissal without due cause or termination of employment contract as a result of a change of control of the Company.

VI. STOCK OR STOCK OPTION PLANS

85. Identification of plan and beneficiaries.

Does not apply, since no remuneration is paid through stocks or stock option plans.

86. Description of plan (terms of allocation, non-transfer of share clauses, criteria on the price of shares and the price of exercising options, the period during which the options may be exercised, the characteristics of the shares to be distributed, the existence of incentives to purchase shares and/or exercise options).

Does not apply, since no remuneration is paid through stocks or stock option plans.

87. Stock-option rights for which the company's workers and Employees are the beneficiaries.

Does not apply, since no remuneration is paid through stocks or stock option plans.

88. Control mechanisms in an employee ownership scheme insofar as voting rights are not directly exercised by Employees (article 245-A(1)(e)).

Does not apply, since no remuneration is paid through stocks or stock option plans.

E. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST

I. CONTROL PROCEDURES

89. Procedures implemented by the Company for controlling related party transactions (reference is made for this purpose to the concept deriving from IAS 24).

On 13 December 2018, the Board of Directors approved, with a favourable opinion from the Supervisory Board, through which the rules were defined relating to conflicts of interest and transactions with related parties, to which the Company is party, and creating new rules in this domain. These Regulations supplement internal mechanisms which the Company has in place for the purposes of complying with international accounting standards (IAS 24 - Related Party Disclosures), and shall apply notwithstanding the obligations of the Company and its managers with regard to insider information, the legal scheme for company business deals with directors and rules of procedure relating to the Internal Whistleblowing Regulations and other legislation applicable in this regard.

Such regulations are available for consultation of the company website.

For the purposes of these Regulations on Conflict of Interest and Related Party Transactions, transactions between the company and related party classified as such under the terms and for purposes of the international accounting standard IAS 24 are subject to the following procedures of approval:

The following Related Party Transactions are Significant Transactions:

(a) Those done with companies controlled by the company, and which consolidate accounts with the company which:

- (i) individually account for 1% or more of consolidated turnover in the company's last consolidated accounts approved by shareholders; or
- (ii) make up, in relation to the same related party in the same year, a cumulative total equivalent to or greater than twice the amount of the above criterion;

(b) Those done with entities outside of the company Group referred to in the above sub-paragraph, with individual or combined values equivalent to or greater than one fifth of those referred to in the sub-paragraph above.

All remaining Related Party Transactions not included in the above paragraphs are considered Non-Significant Transactions and Related Party Transactions may only take place if the company has a justified interest.

Significant Transactions may only be approved by decision of the Board of Directors, preceded by a favourable opinion from the Supervisory Board. Non-Significant Transactions require no opinion from the Supervisory Board, and are approved by the Board of Directors, or by the Executive Committee if their individual or combined value is less than two hundred and fifty thousand euros.

The Board of Directors and Supervisory Board must be informed on a semi-annual basis of resolutions relating to related party transactions in which they have not participated. Managers of the company involved in approving Related Party Transactions also have the obligation to ensure that these transactions undergo the prior decisions required by regulations. Furthermore, the approval and enforcement of Related Party Transaction decisions is subject to special monitoring by the Executive Committee.

Until approval of the cited regulations, the rules and criteria set out in the latest corporate governance reports shall be in force, as described in item 91 below and which were applicable to transactions with qualifying shareholders, particularly the following procedures:

a) The Board of Directors was obliged to obtain the assessment and prior opinion of the Supervisory Board for transactions between the company and qualifying shareholders or entities with which they were in any relationship, in accordance with article 20 of the Portuguese Securities Market Code, whenever they would meet any of the following criteria by reference to each financial year:

   (i) They individually would have a value of at least 1% of the company's consolidated turnover relating to the previous financial year;
   (ii) In relation to the same qualifying shareholder or entities in any relationship with such shareholder, they would make up a cumulative value of at least double the value resulting from application of the criteria cited in the preceding sub-paragraph.

With respect to procedures applicable with respect to conflicts of interest, the cited regulations provide that a situation of conflict exists whenever there is any decision-maker or participate in the decision-making process (manager) in a position that, viewed objectively, is likely to compromise his/her independence and in his/her judgment influence interests other than those of the Company, whether they be financial interests or otherwise, his/her own or those of other parties, for purposes of their adequate prevention, identification and resolution, the manager should:

a) Report the existence of a conflict of interest, even if potential, to his/her hierarchical superior or, if a member of a collective body, to the entity in question, under the terms of the respective operating rules, and

b) Refrain from interfering or participating in the decision-making process whenever there is a conflict of interest, and indicate such impediment in the form of minutes or other written document that records the decision, without prejudice to the duty to report and clarifications that the entity in question and the respective members request from the manager.

It is further provided that all of the operating rules of corporate boards and internal committees establish provisions on conflicts of interests in accordance with the rules described above.

Therefore, there is a very significant change with respect to the procedures previously applicable to related party transactions, with the expansion of applicable operations and the involvement of bodies with competence in these matters, and the approval of a new regime for control of potential conflicts of interest between members of the statutory bodies and the respective committees and the company.

90. Indication of transactions subject to control in the reporting period.

In 2018, there were no other transactions subject to control given that, in accordance with the criteria referred to in item 91 below, none of the Company's transactions with qualifying shareholders or any other related entities, under article 20 of the Securities Code, were subject to prior clearance by the Supervisory Board. There were no transactions between the Company and qualifying shareholders not on an arm's length basis.

91. **Description of the procedures and criteria applicable to intervention by the supervisory body for the purposes of prior evaluation of transactions to be carried out between the Company and qualifying shareholders or related entities, under article 20 of the Securities Code.**

The procedures and criteria applicable to intervention by the supervisory body for the purposes of prior evaluation of transactions to be carried out between the Company and qualifying shareholders or related entities, under article 20 of the Securities Code, are described in item 89.

II. DETAILS OF TRANSACTIONS

92. **Indication of the place in the financial reports and account where information is available on related party transactions, in accordance with IAS 24, or, alternatively, reproduction of this information.**

The information available on related party transactions is included in the Company's Report and Accounts, in no. 36 of the Notes to the Consolidated Financial Statements.

PART II – Assessment of Corporate Governance

1. IDENTIFICATION OF THE CORPORATE GOVERNANCE CODE ADOPTED.

In 2018, Navigator adopted the Corporate Governance Code of the Portuguese Institute of Corporate Governance ("Instituto Português de Corporate Governance", or "IPCG") of 2018, taking into consideration the revocation of CMVM's Corporate Governance Code (CMVM Regulation no. 4/2013) which the Company had adopted.

The adopted Code is disclosed by IPCG and may be consulted on its website, at https://cgov.pt/images/ficheiros/2018/codigo_de_governo_das_sociedades_ipcg_vf.pdf.

2. ANALYSIS OF COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE ADOPTED

The table below includes a list of recommendations adopted and not adopted. In respect of adopted recommendations, there is reference to the section of this report where the subject matter is described. In respect of not adopted recommendations, after this chart there is a justification of non-adoption thereof and possible alternative mechanism adopted.

RECOMMENDATIONS	ADOPTION	COMMENTS
Chapter I – GENERAL PROVISIONS		
General Principle:		
Corporate Governance should promote and enhance the performance of companies, as well as of the capital markets, and strengthen the trust of Investors, Employees and the general public in the quality and transparency of management and supervision, as well as in the sustained development of the companies.		
I.1. Company's relationship with investors and disclosure		
Principle:		
Companies, in particular its directors, should treat shareholders and other investors equitably, namely by ensuring mechanisms and procedures are in place for the suitable management and disclosure of information.		
Recommendation:		
I.1.1. The Company should establish mechanisms to ensure, in a suitable and rigorous form, the production, management and timely disclosure of information to its governing bodies, shareholders, investors and other stakeholders, financial analysts, and to the markets in general.	Adopted	Part I no. 21, 22, 38 and 56 to 65.
I.2. Diversity in the composition and functioning of the company's governing bodies		
Principles:		
I.2.A *Companies ensure diversity in the composition of its governing bodies, and the adoption of requirements based on individual merit, in the appointment procedures that are exclusively within the powers of the shareholders*		
I.2.B *Companies should be provided with clear and transparent decision structures and ensure a maximum effectiveness of the functioning of their governing bodies and commissions.*		
Recommendations:		
I.2.1. Companies should establish standards and requirements regarding the profile of new members of their governing bodies, which are suitable according to the roles to be carried out. Besides individual attributes (such as competence, independence, integrity, availability, and experience), these profiles should take into consideration general diversity requirements, with particular attention to gender diversity, which may contribute to a better performance of the governing body and to the balance of its composition.	Not adopted	Explanation of Recommendations not adopted below
I.2.2. The company's managing and supervisory boards, as well as their committees, should have internal regulations — namely regulating the performance of their duties, their Chairmanship, periodicity of meetings, their functioning and the duties of their members –, and detailed minutes of the meetings of each of these bodies should be carried out.	Adopted	Part I no. 21, 22, 23, 27, 34, 35 and 38.
I.2.3. The internal regulations of the governing bodies — the managing body, the supervisory body and their respective committees — should be disclosed, in full, on the company's website.	Adopted	Part I no. 22, 27, 34 and 61
I.2.4. The composition, the number of annual meetings of the managing and supervisory bodies, as well as of their committees, should be disclosed on the company's website.	Adopted	Part I no. 17, 23, 27, 29, 31 and 35, 67
I.2.5. The company's internal regulations should provide for the existence and ensure the functioning of mechanisms to detect and prevent irregularities, as well as the adoption of a policy for the communication of irregularities (whistleblowing) that guarantees the suitable means of communication and treatment of those irregularities, but safeguarding the confidentiality of the information transmitted and the identity of its provider, whenever such confidentiality requested.	Adopted	Part I no. 49

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RECOMMENDATIONS	ADOPTION	COMMENTS
I.3. Relationships between the company bodies		
Principle:		
Members of the company's boards, especially directors, should create, considering the duties of each of the boards, the appropriate conditions to ensure balanced and efficient measures to allow for the different governing bodies of the company to act in a harmonious and coordinated way, in possession of the suitable amount of information in order to carry out their respective duties.		
Recommendations:		
I.3.1. The bylaws, or other equivalent means adopted by the company, should establish mechanisms that, within the limits of applicable laws, permanently ensure the members of the managing and supervisory boards are provided with access to all the information and company's collaborators, in order to appraise the performance, current situation and perspectives for further developments of the company, namely including minutes, documents supporting decisions that have been taken, calls for meetings, and the archive of the meetings of the managing board, without impairing the access to any other documents or people that may be requested for information.	Adopted	Part I no. 21, 22 and 38
I.3.2. Each of the company's boards and committees should ensure the timely and suitable flow of information, especially regarding the respective calls for meetings and minutes, necessary for the exercise of the competences, determined by law and the bylaws, of each of the remaining boards and committees.	Adopted	Part I no. 21, 22, 27 and 38
I.4. Conflicts of interest		
Principle:		
The existence of current or potential conflicts of interest, between members of the company's boards or committees and the company, should be prevented. The non-interference of the conflicted member in the decision process should be guaranteed.		
Recommendations:		
I.4.1. The duty should be imposed, to the members of the company's boards and committees, of promptly informing the respective board or committee of facts that could constitute or give rise to a conflict between their interests and the company's interest.	Adopted	Part I no. 89
I.4.2. Procedures should be adopted to guarantee that the member in conflict does not interfere in the decision-making process, without prejudice to the duty to provide information and other clarifications that the board, the committee or their respective members may request.	Adopted	Part I no. 89
I.5. Related party transactions		
Principle:		
Due to the potential risks that they may hold, transactions with related parties should be justified by the interest of the company and carried out under market conditions, subject to principles of transparency and adequate supervision.		
Recommendations:		
I.5.1. The managing body should define, in accordance with a previous favourable and binding opinion of the supervisory body, the type, the scope and the minimum individual or aggregate value of related party transactions that: (i) require the previous authorization of the managing board, and (ii) due to their increased value require an additional favourable report of the supervisory body.	Adopted	Part I no. 38 and 89 to 91
I.5.2. The managing body should report all the transactions contained in Recommendation 1.5.1. to the supervisory body, at least every six months.	Adopted	Part I no. 89 and 91
Chapter II – SHAREHOLDERS AND GENERAL MEETINGS		
Principles:		
II.A As an instrument for the efficient functioning of the company and the fulfilment of the corporate purpose of the company, the suitable involvement of the shareholders in matters of corporate governance is a positive factor for the company's governance.		
II.B The company should stimulate the personal participation of shareholders in general meetings, which is a space for communication by the shareholders with the company's boards and committees and also of reflection about the company itself.		
II.C The company should also allow the participation of its shareholders in the general meeting through digital means, postal votes and, especially, electronic votes, unless this is deemed to be disproportionate, namely taking into account the associated costs.		
Recommendations:		
II.1. The company should not set an excessively high number of shares to confer voting rights, and it should make its choice clear in the corporate governance report every time its choice entails a diversion from the general rule: that each share has a corresponding vote.	Adopted	Part I no. 12 and 13
II.2. The company should not adopt mechanisms that make decision making by its shareholders (resolutions) more difficult, specifically, by setting a quorum higher than that established by law.	Adopted	Part I no. 14
II.3. The company should implement adequate means for the exercise of voting rights through postal votes, including by electronic means.	Adopted	Part I no. 12
II.4. The company should implement adequate means in order for its shareholders to be able to digitally participate in general meetings.	Not adopted	Explanation of Recommendations not adopted below

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RECOMMENDATIONS	ADOPTION	COMMENTS
II.5. The bylaws, which specify the limitation of the number of votes that can be held or exercised by a sole shareholder, individually or in coordination with other shareholders, should equally provide that, at least every 5 years, the amendment or maintenance of this rule will be subject to a shareholder resolution — without increased quorum in comparison to the legally established — and in that resolution, all votes cast will be counted without observation of the imposed limits.	Not applicable	Part I no. 5, 13 and 14
II.6. The company should not adopt mechanisms that imply payments or assumption of fees in the case of the transfer of control or the change in the composition of the managing body, and which are likely to harm the free transferability of shares and a shareholder assessment of the performance of the members of the managing body.	Adopted	Part I no. 4, 83 and 84
Chapter III – NON-EXECUTIVE MANAGEMENT, MONITORING AND SUPERVISION		
Principles:		
III.A The members of governing bodies who possess non-executive management duties or monitoring and supervisory duties should, in an effective and judicious manner, carry out monitoring duties and incentivise executive management for the full accomplishment of the corporate purpose, and such performance should be complemented by committees for areas that are central to corporate governance.		
III.B The composition of the supervisory body and the non-executive directors should provide the company with a balanced and suitable diversity of skills, knowledge, and professional experience.		
III.C The supervisory body should carry out a permanent oversight of the company's managing body, also in a preventive perspective, following the company's activity and, in particular, the decisions of fundamental importance.		
Recommendations:		
III.1. Without prejudice to question the legal powers of the chair of the managing body, if he or she is not independent, the independent directors should appoint a coordinator (lead independent director), from amongst them, namely, to: (i) act, when necessary, as an interlocutor near the chair of the board of directors and other directors, (ii) make sure there are the necessary conditions and means to carry out their functions; and (iii) coordinate the independent directors in the assessment of the performance of the managing body, as established in recommendation V.1.1.	Not adopted	Explanation of Recommendations not adopted below
III.2. The number of non-executive members in the managing body, as well as the number of members of the supervisory body and the number of the members of the committee for financial matters should be suitable for the size of the company and the complexity of the risks intrinsic to its activity, but sufficient to ensure, with efficiency, the duties which they have been attributed.	Adopted	Explanation of Recommendations not adopted below
III.3. In any case, the number of non-executive directors should be higher than the number of executive directors.	Adopted	Part I, no. 18
III.4. Each company should include a number of non-executive directors that corresponds to no less than one third, but always plural, who satisfy the legal requirements of independence. For the purposes of this recommendation, an independent person is one who is not associated with any specific group of interest of the company, nor under any circumstance likely to affect his/her impartiality of analysis or decision, namely due to: i. Having carried out functions in any of the company's bodies for more than 9 years, either on a consecutive or non-consecutive basis; ii. Having been a prior staff member of the company or of a company which is considered to be in a controlling or group relationship with the company in the last three years; iii. Having, in the last three years, provided services or established a significant business relationship with the company or a company which is considered to be in a controlling or group relationship, either directly or as a shareholder, director, manager or officer of the legal person; iv. Having been a beneficiary of remuneration paid by the company or by a company which is considered to be in a controlling or group relationship other than the remuneration resulting from the exercise of a director's duties; v. Having lived in a non-marital partnership or having been the spouse, relative or any first degree next of kin up to and including the third degree of collateral affinity of company directors or of natural persons who are direct or indirect holders of qualifying holdings, or vi. Having been a qualified holder or representative of a shareholder of qualifying holding.	Not adopted	Explanation of Recommendations not adopted below
III.5. The provisions of (i) of recommendation III.4 does not inhibit the qualification of a new director as independent if, between the termination of his/her functions in any of the company's bodies and the new appointment, a period of 3 years has elapsed (cooling-off period).	Not applicable	Part I no. 18
III.6. Non-executive directors should participate in the definition, by the managing body, of the strategy, main policies, business structure and decisions that should be deemed strategic for the company due to their amount or risk, as well as in the assessment of the accomplishment of these actions.	Adopted	Part I no. 21 and 22
III.7. The supervisory body should, within its legal and statutory competences, collaborate with the managing body in defining the strategy, main policies, business structure and decisions that should be deemed strategic for the company due to their amount or risk, as well as in the assessment of the accomplishment of these actions.	Not applicable	Not applicable
III.8. The supervisory body, in observance of the powers conferred to it by law, should, in particular, monitor, evaluate, and pronounce itself on the strategic lines and the risk policy defined by the managing body.	Adopted	Part I no. 38

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RECOMMENDATIONS	ADOPTION	COMMENTS
III.9. Companies should create specialised internal committees that are adequate to their dimension and complexity, separately or cumulatively covering matters of corporate governance, remuneration, performance assessment, and appointments.	Adopted	Part I no. 27 and 29
III.10. Risk management systems, internal control and internal audit systems should be structured in terms adequate to the dimension of the company and the complexity of the inherent risks of the company's activity.	Adopted	Part I no. 50, 51, 52, 53, 54 and 55
III.11. The supervisory body and the committee for financial affairs should supervise the effectiveness of the systems of risk management, internal control and internal audit, and propose adjustments where they are deemed to be necessary.	Adopted	Part I no. 38, 50 and 54
III.12. The supervisory body should provide its view on the work plans and resources of the internal auditing service, including the control of compliance with the rules applied to the company (compliance services) and of internal audit, and should be the recipient of the reports prepared by these services, at least regarding matters related with approval of accounts, the identification and resolution of conflicts of interest, and the detection of potential irregularities.	Adopted	Part I no. 37, 38, 45, 49 and 50

Chapter IV – EXECUTIVE MANAGEMENT

Principles:

IV.A *As way of increasing the efficiency and the quality of the managing body's performance and the suitable flow of information in the board, the daily management of the company should be carried out by directors with qualifications, powers and experience suitable for the role. The executive board is responsible for the management of the company, pursuing the company's objectives and aiming to contribute towards the company's sustainable development.*

IV.B *In determining the number of executive directors, it should be taken into account, besides the costs and the desirable agility in the functioning of the executive board, the size of the company, the complexity of its activity, and its geographical spread.*

Recommendations:

RECOMMENDATIONS	ADOPTION	COMMENTS
IV.1. The managing body should approve, by internal regulation or equivalent, the rules regarding the action of the executive directors and how these are to carry out their executive functions in entities outside of the group.	Adopted	Part I no. 18, 22 and 26
IV.2. The managing body should ensure that the company acts consistently with its objects and does not delegate powers, namely, in what regards: i. the definition of the strategy and main policies of the company; ii. the organisation and coordination of the business structure; iii. matters that should be considered strategic in virtue of the amounts involved, the risk, or special characteristics.	Adopted	Part I no. 21 and 22
IV.3. In matters of risk assumption, the managing body should set objectives and look after their accomplishment.	Adopted	Part I no. 38 and 50
IV.4. The supervisory board should be internally organised, implementing mechanisms and procedures of periodic control that seek to guarantee that risks which are effectively incurred by the company are consistent with the company's objectives, as set by the managing body.	Adopted	Part I no. 38 and 50

Chapter V – EVALUATION OF PERFORMANCE, REMUNERATION AND APPOINTMENT

V.1 Annual evaluation of performance

Principle:

The company should promote the assessment of performance of the executive board and of its members individually, and also the assessment of the overall performance of the managing body and its specialized committees.

Recommendations:

RECOMMENDATIONS	ADOPTION	COMMENTS
V.1.1. The managing body should annually evaluate its performance as well as the performance of its committees and delegated directors, taking into account the accomplishment of the company's strategic plans and budget plans, the risk management, the internal functioning and the contribution of each member of the body to these objectives, as well as the relationship with the company's other bodies and committees.	Partially adopted	Part I no. 22, 24 and 25 Explanation of Recommendations not adopted below
V.1.2. The supervisory body should supervise the company's management, especially, by annually assessing the accomplishment of the company's strategic plans and of the budget, the risk management, the internal functioning and the contribution of each member of the body to these objectives, as well as the relationship with the company's other bodies and committees.	Adopted	Part I no. 24, 25, 38 and 50

V.2 Remuneration

Principle:

The remuneration policy of the members of the managing and supervisory boards should allow the company to attract qualified professionals at an economically justifiable cost in relation to its financial situation, induce the alignment of the member's interests with those of the company's shareholders — taking into account the wealth effectively created by the company, its financial situation and the market's — and constitute a factor of development of a culture of professionalization, promotion of merit and transparency within the company.

Recommendations:

RECOMMENDATIONS	ADOPTION	COMMENTS
V.2.1. The remuneration should be set by a committee, the composition of which should ensure its independence from management.	Adopted	Part I no. 27, 66 and 67

(...)

(...)

RECOMMENDATIONS	ADOPTION	COMMENTS
V.2.2. The remuneration committee should approve, at the start of each term of office, execute, and annually confirm the company's remuneration policy for the members of its boards and committees, including the respective fixed components. As to executive directors or directors periodically invested with executive duties, in the case of the existence of a variable component of remuneration, the committee should also approve, execute, and confirm the respective criteria of attribution and measurement, the limitation mechanisms, the mechanisms for deferral of payment, and the remuneration mechanisms based on the allocation of options and shares of the company.	Partially adopted	Part I no. 69 to 75, Annex II Explanation of Recommendations not adopted below
V.2.3. The statement on the remuneration policy of the managing and supervisory bodies, pursuant to article 2 of Law no. 28/2009, 19th June, should additionally contain the following:		
i. The total remuneration amount itemised by each of its components, the relative proportion of fixed and variable remuneration, an explanation of how the total remuneration complies with the company's remuneration policy, including how it contributes to the company's performance in the long run, and information about how the performance requirements were applied;	Adopted	Part I no. 77, 81 and 82
ii. Remunerations from companies that belong to the same group as the company;	Adopted	Part I no. 78
iii. The number of shares and options on shares granted or offered, and the main conditions for the exercise of those rights, including the price and the exercise date;	Not applicable	Part I no. 73, 74, 85, 86, Annex II
iv. Information on the possibility to request the reimbursement of variable remuneration;	Adopted	Part I no. 69 and 71 and Annex II
v. Information on any deviation from the procedures for the application of the approved remuneration policies, including an explanation of the nature of the exceptional circumstances and the indication of the specific elements subject to derogation;	Adopted	Part I no. 69 and Annex II
vi. Information on the enforceability or non-enforceability of payments claimed in regard to the termination of office by directors.	Adopted	Part I no. 69, 80 and Annex II
V.2.4. For each term of office, the remuneration committee should also approve the directors' pension benefit policies, when provided for in the bylaws, and the maximum amount of all compensations payable to any member of a board or committee of the company due to the respective termination of office.	Not applicable	Part I no. 70, 76 and 80
V.2.5. In order to provide information or clarifications to shareholders, the chair or, in case of his/her impediment, another member of the remuneration committee should be present at the annual general meeting, as well as at any other, whenever the respective agenda includes a matter linked with the remuneration of the members of the company's boards and committees or, if such presence has been requested by the shareholders.	Adopted	Part I no. 29 and 66
V.2.6. Within the company's budgetary limitations, the remuneration committee should be able to decide, freely, on the hiring, by the company, of necessary or convenient consulting services to carry out the committee's duties. The remuneration committee should ensure that the services are provided independently and that the respective providers do not provide other services to the company, or to others in controlling or group relationship, without the express authorization of the committee.	Adopted	Part I no. 29 and 67

V.3 Director remuneration

Principle:

Directors should receive compensation:

i) that suitably remunerates the responsibility taken, the availability and the competences placed at the disposal of the company;
ii) that guarantees a performance aligned with the long-term interests of the shareholders, as well as others expressly defined by them; and
iii) that rewards performance.

Recommendations:

V.3.1. Taking into account the alignment of interests between the company and the executive directors, a part of their remuneration should be of a variable nature, reflecting the sustained performance of the company, and not stimulating the assumption of excessive risks.	Adopted	Parte I n.º 70, 71 e 75 Anexo II
V.3.2. A significant part of the variable component should be partially deferred in time, for a period of no less than three years, thereby connecting it to the confirmation of the sustainability of the performance, in the terms defined by a company's internal regulation.	Not adopted	Explanation of Recommendations not adopted below
V.3.4. When variable remuneration includes the allocation of options or other instruments directly or indirectly dependent on the value of shares, the start of the exercise period should be deferred in time for a period of no less than three years.	Not applicable	Part I no. 73 and 74
V.3.5. The remuneration of non-executive directors should not include components dependent on the performance of the company or on its value.	Adopted	Part I no. 71
V.3.6. The company should be provided with suitable legal instruments so that the termination of a director's time in office before its term does not result, directly or indirectly, in the payment to such director of any amounts beyond those foreseen by law, and the company should explain the legal mechanisms adopted for such purpose in its governance report.	Adopted	Part I no. 83 and 84

(...)

(...)

RECOMMENDATIONS	ADOPTION	COMMENTS
V.4. Appointments		
Principle:		
Regardless of the manner of appointment, the profile, the knowledge, and the curriculum of the members of the company's governing bodies, and of the executive staff, should be suited to the functions carried out.		
Recommendations:		
V.4.1. The company should, in terms that it considers suitable, but in a demonstrable form, promote that proposals for the appointment of the members of the company's governing bodies are accompanied by a justification in regard to the suitability of the profile, the skills and the curriculum vitae to the duties to be carried out.	Not adopted	Not adopted
V.4.2. The overview and support to the appointment of members of senior management should be attributed to a nomination committee, unless this is not justified by the company's size.	Adopt-ed	Not adopted
V.4.3. This nomination committee includes a majority of non-executive, independent members.	Not adopted	Explanation of Recommendations not adopted below
V.4.4. The nomination committee should make its terms of reference available, and should foster, to the extent of its powers, transparent selection processes that include effective mechanisms of identification of potential candidates, and that those chosen for proposal are those who present a higher degree of merit, who are best suited to the demands of the functions to be carried out, and who will best promote, within the organisation, a suitable diversity, including gender diversity.	Adopted	Not adopted
Chapter VI – RISK MANAGEMENT		
Principle		
Based on its mid and long-term strategies, the company should establish a system of risk management and control, and of internal audit, which allow for the anticipation and minimization of risks inherent to the company's activity.		
Recommendations:		
VI.1. The managing body should debate and approve the company's strategic plan and risk policy, which should include a definition of the levels of risk considered acceptable.	Adopted	Parte I n.º 50, 54
VI.2. Based on its risk policy, the company should establish a system of risk management, identifying (i) the main risks it is subject to in carrying out its activity; (ii) the probability of occurrence of those risks and their respective impact; (iii) the devices and measures to adopt towards their mitigation; (iv) the monitoring procedures, aiming at their accompaniment; and (v) the procedure for control, periodic evaluation and adjustment of the system.	Adopted	Part I no. 38, 50, 53 and 54.
VI.3. The company should annually evaluate the level of internal compliance and the performance of the risk management system, as well as future perspectives for amendments of the structures of risk previously defined.	Not adopted	Part I no. 38, 50, 53 and 54..
Chapter VII – FINANCIAL STATEMENTS AND ACCOUNTING		
VII.1 Financial Information		
Principles:		
VII.A *The supervisory body should, with independence and in a diligent manner, ensure that the managing body complies with its duties when choosing appropriate accounting policies and standards for the company, and when establishing suitable systems of financial reporting, risk management, internal control, and internal audit.*		
VII.B *The supervisory body should promote an adequate coordination between the internal audit and the statutory audit of accounts.*		
Recommendations:		
VII.1.1. The supervisory body's internal regulation should impose the obligation to supervise the suitability of the preparation process and the disclosure of financial information by the managing body, including suitable accounting policies, estimates, judgments, relevant disclosure and its consistent application between financial years, in a duly documented and communicated form.	Adopted	Part I no. 38
Legal review and auditing		
Principle:		
The supervisory body should establish and monitor clear and transparent formal procedures on the form of selection of the company's statutory auditor and on their relationship with the company, as well as on the supervision of compliance, by the auditor. with rules regarding independence imposed by law and professional regulations.		
Recommendations:		
VII.2.1. Through the use of internal regulations, the supervisory body should define:		
i. The criteria and the process of selection of the statutory auditor;	Adopted	Part I no. 38
ii. The methodology of communication between the company and the statutory auditor;	Adopted	Part I no. 38
iii. The monitoring procedures destined to ensure the independence of the statutory auditor;	Adopted	Part I no. 37, 38 and 46
iv. The services, besides those of accounting, which may not be provided by the statutory auditor.	Adopted	Part I no. 46

(...)

(...)

RECOMMENDATIONS	ADOPTION	COMMENTS
VII.2.2. The supervisory body should be the main interlocutor of the statutory auditor in the company and the first recipient of the respective reports, having the powers, namely, to propose the respective remuneration and to ensure that adequate conditions for the provision of services are ensured within the company.	Adopted	Part I no. 38
VII.2.3. The supervisory body should annually assess the services provided by the statutory auditor, their independence and their suitability in carrying out their functions, and propose their dismissal or the termination of their service contract by the competent body when this is justified for due cause.	Adopted	Part I no. 38
VII.2.4. The statutory auditor should, within their powers, verify the application of policies and systems of remuneration of governing bodies, the effectiveness and the functioning of the mechanisms of internal control, and report any irregularities to the supervisory body.	Adopted	Part I no. 54
VII.2.5. The statutory auditor should collaborate with the supervisory body, immediately providing information on the detection of any relevant irregularities as to the accomplishment of the duties of the supervisory body, as well as any difficulties encountered whilst carrying out their duties.	Adopted	Part I no. 38

Recommendation I.2.1. *Companies should establish standards and requirements regarding the profile of new members of their governing bodies, which are suitable according to the roles to be carried out. Besides individual attributes (such as competence, independence, integrity, availability, and experience), these profiles should take into consideration general diversity requirements, with particular attention to gender diversity, which may contribute to a better performance of the governing body and to the balance of its composition.*

Please refer to section 16, Part 1 above for the explanation for the not adoption of this recommendation.

Recommendation II.4. *The company should implement adequate means in order for its shareholders to be able to digitally participate in general meetings.*

Taking into consideration the lack of any request or expression of interest, until the date hereof, by any shareholders, concerning the implementation of systems that allow for the digital participation in general meetings and since the Company has implemented mechanisms for voting by electronic mail and, conversely, such meetings have extended disclosure deadlines and flexible participation requirements – whereas it is estimated that, notably, where one vote corresponds to one share and short deadlines to evidence the position as shareholder and constitute attorneys – the Company believes that shareholders rights to be present in general meetings are already fully guaranteed and in very flexible terms.

Due to the above mentioned reasons, the Company believes that presently the adoption of this recommendation is not justified, since the objectives underlying it have already been materially attained and the uncertainty as to the results of suh system will not justify incurring in an addition administrative burden.

Recommendation III.1. *Without prejudice to question the legal powers of the chair of the managing body, if he or she is not independent, the independent directors should appoint a coordinator (lead independent director), from amongst them, namely, to: (i) act, when necessary, as an interlocutor near the chair of the board of directors and other directors, (ii) make sure there are the necessary conditions and means to carry out their functions; and (iii) coordinate the independent directors in the assessment of the performance of the managing body, as established in recommendation V.1.1.*

Taking into consideration the size and specificities of the Company, notably its capital concentration and family owned nature, and the total number of non-executive directors, and the characteristics and position of the current Chairman of the Board of Directors, the Company believes that the appointment of a lead independent director would not be appropriate and would simply aim for the mere formal adoption of this recommendation, with which the company does not agree.

In fact, and as has been mentioned in this report, the Company has implemented several rules and mechanisms which allow for a close and regular liaison between different members of the Board of Directors, notably in what concerns the Chairman and other directors, and the existence of required conditions and means for the performance of their functions.

Therefore, this recommendation is not formally adopted by the Company, although all its objectives are attained.

Recommendation III.4. *Each company should include a number of non-executive directors that corresponds to no less than one third, but always plural, who satisfy the legal requirements of independence*

The Company does not adopt fully the criteria for ascertaining the Independence of board members, for it does not have independent directors. However, it is considered that non-executive directors, which correspond to 61% of the board, have the required suitability, experience and professional expertise evidenced to ensure an effective supervision of the activities of executive board members, in an unbiased, impartial, independent and objective manner and the lack of conflicts of interests between the position of shareholders and the company. In addition, the governance model adopted by the company ("monista"), in what concerns the composition of the Board of Directors, does not require the inclusion of directors with supervision functions, in addition to management functions, which results from the lack of any legal rule governing independence requirements based on an adequate proportion of independent members of management bodies.

Conversely, it should be noted that the Company has adopted a corporate structure that comprises two supervision levels. Therefore, it instituted an Audit Board, which members are independent, and one is a chartered accountant, and subject to a demanding level of responsibility – joint with management. In parallel, in accordance with the by-laws, an independent Statutory Auditor has been appointed, whose functions also have as an objective the supervision of management activities.

Accordingly, it is understood that the objectives pursued by this IPCG Recommendation are duly and fully provided for, and the Company ensures the existence of necessary conditions for a supervisory function within the Company with a high level of impartiality, objectivity and independence.

Recommendation V.1.1. *The managing body should annually evaluate its performance as well as the performance of its committees and delegated directors, taking into account the accomplishment of the company's strategic plans and budget plans, the risk management, the internal functioning and the contribution of each member of the body to these objectives, as well as the relationship with the company's other bodies and committees.*

Although the assessment of executive directors takes place annually, self-assessment by other board members and its committees will only take place in 2019, in relation to performance in 2018, and the same is established in the Internal Rules of the Board of Directors, approved in 2018.

Recommendation V.2.2. *The remuneration committee should approve, at the start of each term of office, execute, and annually confirm the company's remuneration policy for the members of its boards and committees, including the respective fixed components. As to executive directors or directors periodically invested with executive duties, in the case of the existence of a variable component of remuneration, the committee should also approve, execute, and confirm the respective criteria of attribution and measurement, the limitation mechanisms, the mechanisms for deferral of payment, and the remuneration mechanisms based on the allocation of options and shares of the company.*

This recommendation is adopted in all its aspects, save for indication of the amounts of the fixed component of remuneration. This option is due to the fact that it is understood that in this respect shareholders should only approve principles and assign the specific definition to the committee. It is noted that there is total transparency in respect of this matter, since fixed compensation is disclosed annually.

Recommendation V.3.2. *A significant part of the variable component should be partially deferred in time, for a period of no less than three years, thereby connecting it to the confirmation of the sustainability of the performance, in the terms defined by a company's internal regulation.*

The explanation for the non-adoption of this recommendation is set out in the statement on the remuneration policy in force, which corresponds to Annex II to this Report, and reads as follows:

"Several writings sustain profusely the deferral of the payment of the variable part of remuneration to a later time, which will enable the establishment of a direct relation between remuneration and the impact of management on the Company over a longer period.

We accept this principle as theoretically sound, but there are two facts that prevent us from adopting that option for the time being, notwithstanding a specific indicator assessing the medium term sustainable performance, as mentioned in paragraph 2 in this chapter. The first fact is historical, regarding the practice that has been followed successfully for years without the element of deferral, and the second are prior history of stability of staff in management positions of the Company that, inevitably, binds them to a medium and long term commitment that earnings will continue to condition their remuneration."

The recommendation is thus not adopted by the Company, albeit it guarantees the substance which would justify it even more than it would with its adoption.

In addition, it is noted that Navigator's yearly consolidated results has always been, repeatedly and consistently, highly positive, evidencing the sustainability in performance that the Recommendation seeks to preserve. As a result thereof, the possible partial deferment, for a period of not less than three years, of the variable component of remuneration would have no impact on the right to a variable component of Navigator directors.

Recommendation V.4.1. *The company should, in terms that it considers suitable, but in a demonstrable form, promote that proposals for the appointment of the members of the company's governing bodies are accompanied by a justification in regard to the suitability of the profile, the skills and the curriculum vitae to the duties to be carried out.*

As a result of the Portuguese legal framework, which assigns to shareholders the composition of corporate bodies and the nature of the Navigator Group, which has a capital concentration with a family owned structure, and common board members in different connected companies, management believes that the decision on the options to form corporate bodies must be assigned to shareholders.

Recommendation V.4.3. *This nomination committee includes a majority of nonexecutive, independent members.*

Please refer to the explanation for Recommendation III.4 for the explanation for the not adoption of this recommendation.

PART III. Other disclosures

There are no other disclosures or additional information which would be relevant to an understanding to the governance model and practices adopted.

ANNEX I

1. DISCLOSURES REFERRED TO IN ARTICLES 447 AND 448 OF THE COMPANIES CODE AND PARAS. 6 AND 7 OF ARTICLE 14 OF REG. 5/2008 OF THE SECURITIES MARKET COMMISSION (WITH REFERENCE TO 2017).

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

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

b) **Securities (*) issued by companies controlled by or controlling The Navigator Company held by company officers, in the sense defined in Article 447 of the Companies Code and Article 248-B of the Securities Code (*):**

José Miguel Pereira Gens Paredes:
70 "Obrigações 2014/2019"
José Fernando Morais Carreira de Araújo:
100 "Obrigações 2014/2019"
Undivided estate of Maria Rita de Carvalhosa Mendes de Almeida de Queiroz Pereira:
1,000 shares in The Navigator Company, S.A.

c) **Securities issued by the Company and controlled and controlling companies held by companies in which board members and auditors hold corporate office in the sense defined in Article 447 of the Companies Code and Article 248-B of the Securities Code:**

» Cimigest, SGPS, S.A. – 3,185,019 shares in Semapa – Sociedade de Investimento e Gestão, SGPS, S.A.

» Cimo – Gestão de Participações, SGPS, S.A. – 38,959,431 shares in Semapa – Sociedade de Investimento e Gestão, SGPS, S.A.

» Sodim, SGPS, SA – 15,252,726 shares in Semapa – Sociedade de Investimento e Gestão, SGPS, S.A.

d) **Acquisition, disposal, encumbrance or pledge of securities issued by the Company, controlled companies or companies in the same group by company officers:**

In 2018, there was no acquisition, disposal, encumbrance or pledge of securities issued by Navigator, controlled or controlling companies or companies in the same group by company officers and the companies referred to in item c) above.

2. INFORMATION ON OWN SHARES

(required by Articles 66 and 324.2 of the Companies Code)

In accordance with article 66, no. 5, paragraph d) of the Companies' Code, Navigator hereby informs that in the course of 2018 it acquired the following shares in its share capital:

- 24/12/2018: **17,586 shares at an average price of 3.51971 euros;**
- 27/12/2018: **205,000 shares at an average price of 3.49285 euros;**
- 28/12/2018: **101,490 shares at an average price of 3.52727 euros:**
- 31/12/2018: **50,000 shares at an average price of 3.58517 euros.**

After such acquisitions, Navigator holds 864,049 own shares corresponding to 0.120% of its share capital.

(*) The bonds issued by Semapa called "Obrigações SEMAPA 2014/2019" correspond to the company's bonds, with a floating rate corresponding to the EURIBOR 6 month rate, as published on the next TARGET business day immediately prior to the starting date of each interest period, plus 3.25% per annum, maturing in 2019.

ANNEX II

Statement on the Remuneration Policy of Members of the Board of Directors and Supervisory Body of the Navigator Company presented at the Shareholders' Meeting held on 23rd May 2018.

Law no. 28/2009, dated 19 June 2009, asserts that the Remuneration Committee must annually submit a statement on the remuneration policy of the administrative and supervisory bodies for approval at the General Shareholders' Meeting. This was the case in 2018 with the presentation of a proposal to this effect to the shareholders, and the statement on remuneration policy was approved, the content of which is depicted here.

I. INTRODUCTION

The Company's Remuneration Committee drew up a remuneration policy statement for the first time in 2008, successfully submitting it for approval by the Company's General Meeting that year. This statement was drafted at that time in line with a recommendation issued on this matter by the Securities Market Commission (Comissão de Mercado de Valores Mobiliários).

The Remuneration Committee declared at this time that it felt that the options set out in the statement should be maintained until the end of the term of office of the Company's officers then underway. This term ran from 2007 to 2010.

It was then necessary to review the statement in 2010 in the light of the provisions of Law 28/2009, of 19 June, requiring the Remuneration Committee to submit a remuneration policy statement each year to the General Meeting.

This Committee continues to believe that, due to its nature as a set of principles, the remuneration policy statement should be mostly stable throughout the term of office of the Company officers, which is why the content of this year's statement will remain unchanged.

There is a significant divide between the two most common systems for setting the remuneration of Company officers. The first is for such remuneration to be set by the General Meeting; this solution is rarely adopted, being rather impractical for a variety of reasons. The second is for remuneration to be set by a Remuneration Committee, which decides in keeping with criteria on which the shareholders have had not always had the opportunity to pronounce.

The solution now before us amounts to an intermediate system whereby the shareholders can appraise a remuneration policy to be followed by the Committee. This seeks to draw on the best features of both theoretical systems, as we propose to do in this document, reasserting the position we have previously defended whilst also including the contribution from the additional experience and expertise acquired by the Company, and complying with the legal requirements in this field.

II. LEGAL FRAMEWORK AND RECOMMENDATIONS

This statement is issued in the legal framework formed by Law 28/2009, of 19 June (as referred to above), and the recommendations of the Securities Market Commission (2013).

In addition to rules on the frequency with which the statement must be issued and approved and on disclosure of its content, this law also stipulates that this content should include information on:

a) Procedures to permit directors' interests to be aligned with those of the Company;

b) The criteria for setting the variable component of remuneration;

c) The existence of share bonus and share option plans for directors and auditors;

d) The possibility of the variable remuneration component, if any, being paid, in full or in part, after the accounts for the periods corresponding to the entire term of office having been drawn up;

e) Procedures for capping variable remuneration, in the event of the results showing a significant deterioration in the Company's performance in the last period for which accounts have been reported or when such a deterioration may be expected in the period under way.

The current recommendations of the Securities Market Commission make the following requirements:

II.3.3. The statement on the remuneration policy for the management and supervisory bodies referred to in Article 2 of Law No. 28/2009 of 19 June, shall also contain the following:

a) Identification and details of the criteria for determining the remuneration paid to the Company officers;

b) Information regarding the maximum potential amount, in individual terms, and the maximum potential amount, in aggregate form, to be paid to members of corporate bodies, and identify the circumstances in which these maximum amounts may be payable;

c) Information on whether payments are due for the dismissal or termination of appointment of board members.

III. RULES DERIVING FROM LAW AND THE ARTICLES OF ASSOCIATION

Any remuneration system must inevitably take into account both the general legal rules and the specific rules established in the Articles of Association, if any.

The legal rules for the directors are basically established in Article 399 of the Companies Code, from which it follows that:

» Remuneration is to be set by the General Meeting of Shareholders or by a committee appointed at such meeting.

» The remuneration is to be fixed in accordance with the duties performed and the Company's state of affairs.

» The remuneration may be fixed or may consist in part of a percentage of the profits of the period, but the maximum percentage for distribution to directors must be authorized by a clause in the articles of association, and shall not apply to the amounts allocated to reserves or to any portion of the profits not legally available for distribution to the shareholders.

For the members of the Audit Board and the officers of the General Meeting, the law lays down that the remuneration shall consist of a fixed sum, which shall be determined in the same way by the General Meeting of Shareholders or by a committee appointed by the same, taking into account the duties performed and the state of the Company's affairs.

A specific clause in the Company's Articles of Association (article no. 21) provides that the remuneration of directors may be differentiated. The second paragraph of this clause lays down that the General Meeting may issue rules on pension plans and complementary pension schemes for directors.

This is the formal framework to be observed in defining remuneration policy.

IV. HISTORICAL BACKGROUND

From the Company's transformation into a public anonymous society in 1991 and through to 2004, the remuneration of all of the directors consisted of a fixed component, payable fourteen times a year, and set by a Remuneration Committee, and of a variable component, determined annually, depending on the specific circumstances, by decision of the State, as shareholder.

After the second phase of privatization in 2004, the formal principle was first instituted of remuneration being divided into fixed and variable components, the latter being based on the Company's results and the specific performance of each director.

This procedure has been repeated annually since 2004, with directors receiving fixed remuneration and also a variable component.

It should be noted that the allocation of a percentage of profits is not applied directly, but rather as an indicator, and also as a limit, in line with the articles of association, on amounts which are determined in a more involving process, taking into account the factors set out in the remuneration policy statement in force and the KPIs referred to below.

There has therefore been a constant procedure since 2004, with the directors' remuneration comprising a fixed component and a variable component.

Since the incorporation of the Company, members of the Audit Board have received fixed monthly remuneration. Since the officers of the General Meeting started to receive remuneration, this has been set on the basis of the number of meetings actually held.

V. GENERAL PRINCIPLES

The general principles to be observed when setting the remuneration of the Company officers are essentially those which in very general terms derive from the law: on the one hand, the duties performed and on the other the state of the Company's affairs. If we add to these the general market terms for similar situations, we find that these appear to be the three main general principles:

a) Duties performed.
It is necessary to consider the duties performed by each Company officer not only in the formal sense, but also in the broader sense of the work carried out and the associated responsibilities. Not all the executive board members are in the same position, and the same is also true, for example, for the members of the audit board. Duties have to be assessed in the broadest sense, taking into account criteria as varied as, for example, responsibility, time dedicated, or the added value to the Company resulting from a given type of intervention or representation of a given institution.

The fact that time is spent by the officer on duties in other controlled companies also cannot be taken out of the equation, due, on the one hand, to the added responsibility this represents, and, on the other hand, to the existence of another source of income.

It should be noted that Navigator's experience has shown that the directors of this Company, contrary to what is often observed in other companies of the same type, have not always been neatly split into executive and non-executive. There are a number of directors with delegated powers and who are generally referred to as executive directors, but some of the directors without delegated powers have been closely involved in the life of the Company in a variety of ways. Namely regarding the allocation of variable remuneration, the position of the Chairman of the Board of Directors is especially relevant here; although he is not a member of the Executive Committee, he is closely involved in major decisions taken regarding the Company's day-to-day affairs.

b) The state of the Company's affairs.
This criterion must also be understood and interpreted with caution. The size of the Company and the inevitable complexity of the associated management responsibilities, is clearly one of the relevant aspects of the state of affairs, understood in the broadest sense. There are implications here for the need to remunerate a responsibility which is greater in larger companies with complex business models and for the capacity to remunerate management duties appropriately.

c) Market criteria.
It is unavoidably necessary to match supply to demand when setting any level of pay, and the officers of a corporation are no exception. Only respect for market practices makes it possible to retain professionals of a calibre required for the complexity of the duties performed and the responsibilities shouldered, thereby assuring not only their own interests but essentially those of the Company, and the generation of value of all its shareholders. In the case of this Company, in view of its characteristics and size, the market criteria to be considered are those prevailing internationally, as well as those to be observed in Portugal.

VI. COMPLIANCE WITH LEGAL REQUIREMENTS AND RECOMMENDATIONS

Having described the historical background and the general principles adopted, we shall now consider the issue of compliance by these principles with the relevant legal requirements.

1. Article 2 a) of Law 28/2009. Alignment of interests

The first requirement that Law 28/2009 regards as essential in terms of the information in this statement is for a description of the procedures which assure that the directors' interests are aligned with those of the Company.

We believe that the remuneration system adopted in the Company is successful in assuring such alignment. Firstly, because the remuneration sets out to be fair and equitable in the light of the principles set out, and secondly because it links board members to results by means of a variable remuneration component which is set primarily in the light of these results.

2. Article 2 b) of Law 28/2009. Criteria for the variable component.

The second requirement established by the law is for information on the criteria used to determine the variable component.

The variable remuneration is set on the basis of a target amount applicable to each board member and is paid according to the individual's performance and performance of the Company, that correspond to the expectations and the criteria defined beforehand. The target amount is weighted by the aforementioned principles – market, specific functions, state of the Company –, in particular comparable market circumstances in positions equivalent in function.

Another relevant factor used in setting targets is the Company's policy of not offering stock or stock option schemes.

Actual performance compared to the expectations and goals, which determine target variations, is weighted against a set of quantitative and qualitative KPIs of the Company's performance and of the relevant board member, which include in particular EBITDA, net income and cash flow.

In addition to those criteria, in accordance with commitments undertaken by the Company within its sustainability strategy and recognizing the importance of an efficient use of energy, and the need to reduce fossil CO_2 emissions from its economic activities, the implementation of a corporate program for energy efficiency, approved in 2016, is also included in the weighing.

3. Article 2 c) of Law 28/2009. Share or option plans.

The decision whether or not to provide share or option plans is structural in nature. The existence of such a plan is not a simple add-on to an existing remuneration system, but rather an underlying to change to the existing system, at least in terms of the variable remuneration.

Although a remuneration system of this type is not incompatible with the Company's articles of association, we feel that the wording of the relevant provisions in the articles and the historical background to the existing system argue in favour of maintaining a remuneration system without any share or option component.

This is not to say that we see no merits in including a share or option component in directors' remuneration, nor that we would not be receptive to restructuring directors' remuneration to incorporate such a plan. However, such a component is not essential in order to promote the principles we defend and, as we have said, we do not believe that this was the fundamental intention of the Company's shareholders.

4. Article 2 d) of Law 28/2009. Date of payment of variable remuneration.

Specialists in this field have drawn attention to significant advantages in deferring payment of the variable component of remuneration to a date when the entire period corresponding to the term of office can in some way be appraised.

We accept this principle as theoretically sound, but it appears to us to offer few advantages in the specific case of the Company and other similar companies.

One of the main arguments supporting this system is that directors should be committed to achieving sustainable medium-term results, and that the remuneration system should support this, avoiding a situation where remuneration is pegged simply to one financial year, which may not be representative, and which may present higher profits at the cost of worse results in subsequent years.

However, whilst this danger is real and is worth safeguarding against by means of systems such as this in companies where the capital is completely dispersed and the directors may be tempted to take a short term view, maximizing quick results by sacrificing long term potential, this does not correspond to the situation in a company such as the Company, with a stable shareholder structure and management, where these concerns are inherently less of an issue.

5. Article 2 e) of Law 28/2009. Procedure limiting variable remuneration.

Procedures of this kind are designed to limit variable remuneration in the event of the results showing a significant deterioration in the Company's performance in the last reporting period or when such deterioration may be expected in the period under way.

This type of provision also reflects a concern that good performance in the short term, which may boost directors' remuneration, could be achieved at the cost of future performance.

Also in this case, even more so, the arguments presented above also apply here. It should also be noted that a system of this kind would have little practical effect if not combined with significant deferral of remuneration, which is not proposed for the Company.

6. Recommendation II.3.3. a) Criteria for setting remuneration.

The criteria for setting the remuneration for the Company officers are those deriving from the principles set out in chapter V above and, in relation to the variable component of directors' remuneration, those described in item 2 of chapter VI above.

In addition to these, there are no other mandatory pre-set criteria in the Company for setting remuneration.

7. Recommendation II.3.3. b). Potential maximum value of remuneration, on an individual and aggregate basis.

There are no numerical upper limits on remuneration, notwithstanding the limitation resulting from the principles set out in this document.

8. Recommendation II.3.3. c). Severance or termination pay

This Committee has never adopted any agreements concerning severance pay for the Company's directors.

There are no agreements, and no such provisions have been defined by this Committee, on payments by the Company relating to dismissal or termination of Board Members' duties.

This fact is the natural result of the particular situations existing in the Company, and not a position of principle taken by this Committee against the existence of agreements of this nature.

The supplementary legal rule in this matter applies here.

VII. SPECIFIC OPTIONS

The specific options for the remuneration policy we propose may therefore be summarized as follows:

1. The remuneration of the executive members of the Board of Directors and of the Chairman of the Board of Directors, as stated in item a) of Chapter V, will comprise a fixed part and a variable component.

2. The remuneration of non-executive members of the Board of Directors will comprise only a fixed component, which may be complemented when these directors accumulate additional responsibilities.

3. The remuneration of the members of the Audit Board and the officers of the General Meeting shall comprise a fixed component only.

4. The fixed component of the remuneration of directors shall consist of a monthly amount payable fourteen times a year or of a pre-set amount for each meeting of the Board of Directors attended.

5. A monthly rate shall be set for the fixed component of the remuneration of directors for all those who are members of the Executive Committee and those who, although not members of such Board, perform duties or carry out specific work of a repeated or ongoing nature.

6. The pre-set amount for participation in meetings by members of the Board of Directors shall be fixed for those who have duties which are essentially advisory and supervisory.

7. The fixed remuneration of the members of the Audit Board shall consist in all cases of a pre-set amount paid fourteen times a year.

8. The fixed remuneration of the officers of the General Meeting shall consist in all cases of a pre-set amount for each meeting, the remuneration for second and subsequent meetings being lower than that for the first General Meeting of the year.

9. In setting all remuneration, including in particular the distribution of the total amount allocated to the variable remuneration of the Board of Directors, the general principles established above shall be observed: the duties performed, the state of the Company's affairs and market criteria.

27 April 2018

The Remuneration Committee

Chairman
José Gonçalo Ferreira Maury

Member
Frederico José da Cunha Mendonça e Meneses
Member
João Rodrigo Appleton Moreira Rato

CODE OF ETHICS AND CONDUCT

I. GENERAL OBJECTIVES AND VALUES

1. The Code of Ethics and Conduct as the basis of the culture of The Navigator Group

The pursuit of the aims set out in this Code of Ethics and Conduct, respect for its values and compliance with its rules of conduct together form the professional ethos of The Navigator Group business universe.

The Code of Ethics and Conduct is to be viewed as setting standards of conduct interpreted as a benchmark for behaviour, which The Navigator Group and all its Collaborators should follow and respect.

2. Fundamental Mission and Objectives

The Navigator Group aspires to extend the leadership earned in the printing and writing paper business to other businesses, thereby asserting Portugal in the world, as a global company, renown for developing, in an innovative and sustainable manner, the forest and providing products and services which contribute to the prosperity of individuals.

The fundamental aims pursued by The Navigator Group are based on the sustained creation of value and the protection of shareholders' interests, with an appropriate level of investor return, by offering the highest standards of quality in the supply of goods and services to customers, and through the recruitment, motivation and development of the most able and highly skilled professionals. The Navigator Group will always promote a meritocratic culture which allows the personal and professional development of its Collaborators and, through their commitment, position the Group at the forefront of the markets in which it operates, maintaining a policy on the sustainable management of natural resources, mitigation of environmental impacts and fostering social development in the areas in which it carries on its business operations.

Due to their being core principles and of a general nature, the matters governed in the Code of Ethics and Conduct may be detailed in internal guidelines, policies and procedures, or in specific codes of conduct.

3. Values

The principles and rules of conduct set out in the Code of Ethics and Conduct result from the establishment of values deemed to be fundamental to The Navigator Group, and which should be permanently pursued within its corporate activity, in particular:

(a) **Trust** – We believe in people, we welcome everyone's contribution, we respect their identity, promoting development, cooperation and communication;

(b) **Integrity** – We are guided by principles of transparency, ethics and respect in our dealings amongst ourselves and with others;

(c) **Entrepreneurship** – We are passionate about what we do, we like to get out of our comfort zone, we have the courage to take decisions and to accept risks in a responsible way;

(d) **Innovation** – We seek to bring out everyone's skills and creative potential to do the impossible;

(e) **Sustainability** – Corporate, social and environmental sustainability is our business model;

(f) **Excellence** – In our work we focus on quality, efficiency, safety and getting it right.

II. SCOPE OF APPLICATION AND INTERPRETATION

4. Scope of Application

The Code of Ethics and Conduct applies to all Collaborators of all entities in The Navigator Group.

The rules set out herein should govern the ethical and professional conduct of all those working in The Navigator Group, in the pursuance of its corporate activity and in their relationships with third parties, and are an essential tool of the corporate policy and culture followed and fostered by The Navigator Group.

5. Interpretation

For the purposes of this Code of Ethics and Conduct, the following defined terms shall have the following meanings:

(a) Collaborators – all persons who work in or provide services, in a permanent or merely casual form, to companies in The Navigator Group, including, notably, members of corporate bodies, Employees, service providers, representatives and auditors or consultants;

(b) Clients – natural or legal entities to which companies in The Navigator Group supply their products or provide their services;

(c) Suppliers – natural or legal entities which supply products or provide services to The Navigator Group companies;

(d) Stakeholders – natural or legal entities with which The Navigator Group companies deal in their business, institutional or social activities, including shareholders, members of corporate bodies, Collaborators, Clients, Suppliers, business partners or members of the communities with whom The Navigator Group interacts.

III. RULES OF CONDUCT

6. Compliance with Legislation and Regulation

The activity of The Navigator Group and its Collaborators shall be based on strict compliance with legal, statutory and regulatory regulations, applicable to the activity and companies of The Navigator Group, in the jurisdictions of the countries where they operate.

7. **Public Authorities**

The activity of The Navigator Group and its Collaborators shall be based on a permanent collaboration with public authorities, notably with regulatory bodies, complying with requests legitimately made to them and which are at their reach and adopting the behavior which permits these authorities to exercise their powers.

8. Integrity

The practice of corruption and bribery is forbidden, in all active or passive forms, through act or omission, by creating or maintaining situations of favouritism or other irregularities, or adopting behaviours which may create, in their counterparts, expectations of favouritism in their relations with The Navigator Group.

9. Transparency

The Navigator Group is committed to reporting is performance in a transparent way, taking into consideration applicable legal duties and good practices of the capital and financial markets.

10. Confidentiality

10.1. Collaborators must keep the confidentiality of all information concerning The Navigator Group, other Collaborators, Clients, Suppliers or Stakeholders, of which they have knowledge by virtue of carrying out their functions and which are not publicly known or notorious. Such information is restricted and only for internal use in The Navigator Group.

10.2. Collaborators must maintain confidential the information mentioned in the previous paragraph, even after termination of their functions in The Navigator Group and regardless of the cause of such termination.

10.3. Confidential information may only be disclosed to third parties in accordance with legal requirements or provided disclosure thereof is previously authorized, in writing, by the Board of Directors.

11. Securities trading

Any Collaborators who are in possession of information relating to The Navigator Company, of a precise nature, which has not been made public, and which, if it were made public, would be likely to have a significant effect on the prices of The Navigator Company shares and other related financial instruments, may not, in the period prior to disclosure of such information, trade securities issued by The Navigator Company, its strategic partners or companies involved in transactions or dealings with The Navigator Company, not disclose same information to third parties.

In particular, estimates of results, decisions on significant acquisitions, sales or partnerships and winning or losing of important contracts constitute forms of inside information.

12. Conflicts of Interest

12.1. The Navigator Group undertakes to adopt measures which ensure impartiality of decision making processes, in cases of a potential conflict of interests involving The Navigator Group or its Collaborators.

12.2. Collaborators may not pursue private objectives in competition with The Navigator Group and obtain benefits, advantages or personal favors by virtue of the position held or the functions performed.

12.3. Collaborators must promptly inform their immediate superior of any situation which might create a conflict of interests, notably if, as part of their functions, they are called on to intervene in procedures or decisions which involve, directly or indirectly, organisations, entities or persons with whom they collaborate or have collaborated, or with whom they have a relation, by virtue of family ties, proximity or influence. In addition, they may also make such communication in any other cases where their impartiality may be questioned.

13. Relations with Shareholders

13.1. The primary objectives of The Navigator Group are the protection of shareholders and investors and a quest to create value for Shareholders.

13.2. The Navigator Company undertakes to respect the principle of equal treatment of Shareholders, taking into consideration the proportion of their holdings in the share capital of The Navigator Company, notably ensuring the timely provision of information, in accordance with the applicable legal duties.

14. Competition

The competition practices of The Navigator Group shall comply strictly with applicable competition laws, in accordance with market rules and criteria, and with a view to promoting fair competition.

15. Intellectual and Industrial Property

The Navigator Group and its Collaborators must respect Intellectual and Industrial Property of Suppliers, Clients and Stakeholders.

16. Relations with Clients, Suppliers, Services Providers and Third Parties

16.1. The Navigator Group shall ensure that the conditions of sale of products to its Clients are clearly defined, and all companies in The Navigator Group and its Collaborators must ensure compliance with such conditions.

16.2. Suppliers and providers of services to The Navigator Group shall be selected on the basis of objective criteria, taking into consideration the terms proposed, guarantees effectively provided and the overall optimization of advantages for The Navigator Group.

16.3. Suppliers and services providers of The Navigator Group must comply with the provisions of The Code of Ethics and Conduct for Suppliers and services providers of The Navigator Group.

16.4. The Navigator Group and its Collaborators shall always negotiate in compliance with the principle of good faith and applicable legal obligations and good practices.

17. Relations with Political Parties and Movements

Dealings between The Navigator Group and its Collaborators with political parties or movements shall be conducted in compliance with applicable legal rules, and in the course of such dealings Collaborators may not invoke their relation with The Navigator Group.

18. Social Responsibility and Sustainable Development

18.1. The Navigator Group accepts its social responsibility to the communities in which it carries on its business activities, as a means of contributing to their advancement and well-being.

18.2. The Navigator Group undertakes to adopt, comply with and promote a Policy on sustainability and environment protection.

19. Safety and Working Conditions

19.1. The Navigator Group will never employ child or forced labor, nor will it ever collude with such practices, and it shall adopt the measures deemed appropriate to combat such situations, notably by public denunciation, whenever they come to its attention.

19.2. The health and safety of its Collaborators is a priority for The Navigator Group, and accordingly all Collaborators shall seek to know and comply with the legislation in force and with internal rules and recommendations on such matters.

19.3. Collaborators must give immediate notice of any accident or hazard to hygiene, safety and health in the workplace, in accordance with the above mentioned rules, and the necessary or advisable preventative measures shall be adopted.

20. Professional development and progression

20.1. The Navigator Group provides appropriate training activities to its Collaborators and fosters their continued training, as a driver of their motivation and improved performance, recognizing the added value of their professional and personal development.

20.2. The Navigator Group values and holds responsible Collaborators in the performance of their functions, taking into consideration their individual merit, allowing them to assume the level of independence and responsibilities associated with their skills and commitment.

20.3 The Navigator Group policies on selection, hiring, remuneration and professional progression are based on merit criteria and reference market practices.

20.4 The Navigator Group shall ensure equality of opportunities in recruitment, hiring and professional development, attaching value only to professional aspects. To that effect, all Collaborators shall adopt the measures deemed appropriate to combat and prevent any form of discrimination or differentiated treatment on the basis of, notably, ethnic or social origin, religious beliefs, nationality, gender, marital status, sexual orientation or physical disability.

21. Respect

In their relations with other Collaborators and Suppliers, counterparts, Clients and Stakeholders, all Collaborators shall proactively act in a correct, respectful, loyal and civil manner.

22. Non-discrimination and harassment

22.1. Collaborators may not act in a discriminatory manner in relation to other Collaborators or other persons, notably based on race, religion, gender, sexual orientation, origin, age, language, territory of origin, political or ideological convictions, economic situation, social and economic situation or type of contract, and must foster respect for human dignity as one of the basic principles of the culture and policy of The Navigator Group.

22.2. Any practice which may correspond to a form of harassment, notably through personal offence, mobbing, moral or sexual harassment or bullying is strictly forbidden.

23. Use of Assets

23.1. Collaborators shall make sensible and reasonable use of the working resources at their disposal, avoiding waste and undue use.

23.2. Collaborators shall care for the property of The Navigator Group, and not behave willfully or negligently in any manner which might undermine its state of repair.

24. Personal Data Protection

24.1. The Navigator Group understands the key role of privacy and protection of personal data of its Clients, Stakeholders, Suppliers, Collaborators or any other natural persons or collaborators of any other entities. Accordingly, The Navigator Group and its Collaborators undertake to use such information in a responsible manner, in strict compliance with laws and regulations governing the protection of personal data.

24.2 Collaborators must not collect personal data, create lists of personal data or process or transfer personal data without prior consultation and authorisation from the division which is responsible for data protection.

25. External Communication – Media and Advertising

Information provided by The Navigator Group and its Collaborators to the media, including for advertising purposes, shall:

(a) Be released exclusively by management and divisions authorised for that purpose and to act as representative or spokesman of The Navigator Group;

(b) To comply with the principles of legality, accuracy, opportunity, objectivity, truthfulness and clarity;

(c) Protect the secrecy and confidentiality of the information, in order to protect the interests of The Navigator Group;

(d) Respect cultural and ethical parameters of the community and human dignity;

(e) Contribute to an image of consistency, creation of value and dignity of The Navigator Group, promoting its good name in society.

26. Communicating in social networks and media

Collaborators are fully aware that the new forms of communication, which are continually evolving, may have a strong impact on The Navigator Group and its Collaborators and that the dissemination and distribution of information through those channels may easily represent loss of control over those contents.

Accordingly, Collaborators undertake as their commitment that, when using social networks and means of communication (both traditional and recent), they:

(a) Shall act in an ethically responsible way, contributing to the creation of value and dignity of The Navigator Group and to reinforce its image in society;

(b) Shall respect, comply with and reflect the principles, values and rules of conduct established in this Code of Ethics and Conduct;

(c) Shall not post or otherwise disclose confidential or internal information of The Navigator Group;

(d) Shall not communicate, identifying themselves as Collaborators of The Navigator Group, without authorization for that purpose.

IV. SUPERVISION, DEFAULT AND COMMUNICATION

27. Non-compliance

Failure to comply with the rules of conduct established in this Code of Ethics and Conduct shall constitute serious misconduct, subject to disciplinary proceedings, in addition to any possible civil, administrative or criminal liability, in accordance with applicable laws and regulations.

28. Reporting

28.1 Collaborators should report the occurrence of any conduct which is not compatible with the rules set out in this Code of Ethics and Conduct, of which they are aware or justifiably suspicious, in a timely and efficient way, through the proper channels, in accordance with the internal rules of procedure governing the reporting of irregularities.

28.2. The Navigator Group guarantees the confidentiality of information conveyed in reports, in accordance with the internal rules of procedure governing the reporting of irregularities.

28.3. The Navigator Group shall not retaliate, in any way, against a person who reports any non-compliance with the Code of Ethics and Conduct or another irregularity, shall ensure a fair treatment of the persons addressed therein and will not allow the resulting detrimental treatment where a Collaborator has acted in good faith, thoughtfully and diligently.

28.4. In accordance with the general terms of the law, misuse or abuse of the arrangements for reporting irregularities may render the author of a report liable to disciplinary measures and/or legal proceedings.

29. Doubts and Queries

Collaborators may place doubts and queries in respect of the interpretation or application of the Code of Ethics and Conduct, to the Risk Management Division or to the Legal Services Division. The Navigator Group also establishes a permanent arrangement for communications, direct and confidential, through the Board of Directors, to which any Collaborator may resort, through the internal rules of procedure governing the reporting of irregularities.

30. Procedure

30.1. All reports received by The Navigator Company will be dealt with in accordance with the internal rules of procedure governing the reporting of irregularities.

30.2. The Executive Committee and the Audit Board will be informed of all reports received which concern a member of the Board of Directors or of the Audit Board.

31. Annual Report

31.1. The Ethics Committee shall draw up an annual report on compliance with the rules established in this Code of Ethics and Conduct, detailing all irregularities of which it is aware, and setting out the conclusions and follow-up proposals adopted in the different cases which it examined.

31.2. For the purposes of the preceding paragraph, the Risk Management and Legal Services Divisions shall report to the Ethics Committee all relevant facts which come to their attention.

V. COMMUNICATION

32. Communication of the Code of Ethics and Conduct

32.1. The Code of Ethics and Conduct of The Navigator Group shall be published on the company's website and as an appendix to the annual account reporting documents, so that they may be known by Shareholders, Clients, Suppliers, Stakeholders, investors and other entities with whom the Group relates.

32.2. The Navigator Group shall make the Code of Ethics and Conduct available to all Collaborators and promote its disclosure and general awareness and mandatory compliance with its provisions.

[Lisbon, 25th October 2017]

The Board of Directors

ANNEX IV

Ethics Committee report on activities during the period ended on 31 December 2018

In the course of the year, the Ethics Committee reviewed the drafts of the Code of Ethics and Conduct, the Suppppliers' Code of Conduct, the Whistleblowing Procedure and the Ethics Committee Rules of Procedure, which were subsequently approved by the Board of Directors.

The Ethics Committee also considered and replied to a question and a request for an opinion from the Risk Management Division.

The Committee is pleased to report that the Company's governance bodies have functioned correctly and issues this report in accordance with and for the purposes of the provisions of Article 2 g) of the Ethics Committee Rules of Procedure.

Lisbon, 29 january 2019

The Ethics Committee

Chairman
Júlio de Lemos de Castro Caldas

Members
Jaime Falcão
Rui Tiago Trindade Ramos Gouveia

Our estates
are home to an
exemplary range
of biodiversity

13

ACCOUNTS AND NOTES TO THE ACCOUNTS

CONSOLIDATED ACCOUNTS AND NOTES TO THE FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

for the periods ended at 31 December 2018 and 2017

EURO

	NOTE	2018	2017	4TH QUARTER 2018 (unaudited)	4TH QUARTER 2017 (unaudited)
Revenue	5 and 6				
Sales		1 687 173 462	1 632 127 611	438 632 726	426 000 882
Services rendered		4 454 032	4 706 825	691 157	1 037 416
Other operating income	7				
Gains on the sale of non-current assets		18 397 088	1 686 738	502 525	1 071 951
Other operating income		28 512 739	28 339 792	15 456 981	15 999 601
Changes in the fair value of biological assets	21	(9 782 369)	3 783 988	(11 339 516)	597 982
Operating expenses	8				
Costs of inventories sold and consumed		(700 242 350)	(652 186 373)	(178 019 102)	(157 327 770)
Variation in production		44 687 130	(25 301 241)	13 542 273	(23 891 687)
Cost of materials and services consumed		(414 924 552)	(407 745 075)	(110 192 735)	(106 854 036)
Payroll costs		(161 630 782)	(156 044 826)	(36 064 541)	(44 864 710)
Other expenses and losses		(41 426 865)	(25 529 350)	(18 595 221)	(7 981 688)
Provisions		(13 546 948)	(4 084 555)	(15 288 165)	(1 029 336)
Depreciation, amortisation and impairment losses	10	(138 510 647)	(144 703 899)	(40 746 444)	(33 174 673)
Operating results		**303 159 936**	**255 049 635**	**58 579 937**	**69 583 932**
Financial income	12	1 956 327	13 867 638	114 306	6 387 794
Financial expenses	12	(24 443 953)	(21 564 608)	(6 064 724)	(7 596 020)
Net financial results		**(22 487 626)**	**(7 696 970)**	**(5 950 418)**	**(1 208 226)**
Share of net profit of associates and joint ventures		-	-	-	-
Profit before tax		**280 672 310**	**247 352 665**	**52 629 519**	**68 375 706**
Income tax	13	(55 534 992)	(39 583 528)	742 796	(6 407 661)
Net profit for the period		**225 137 318**	**207 769 137**	**53 372 315**	**61 968 044**
Attributable to:					
Navigator Company's Shareholders		225 135 403	207 770 604	53 368 427	61 975 958
Non-controlling interests	15	1 915	(1 467)	3 888	(7 914)
Earnings per share					
Basic earnings per share, Euro	14	0,314	0,290	0,078	0,086
Diluted earnings per share, Euro	14	0,314	0,290	0,078	0,086

The notes on pages 179 to 271 are an integral part of these Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as of 31 December 2018 and 2017

			EURO
	NOTES	31-12-2018	31-12-2017
Assets			
Non-current assets			
Goodwill	17	377 339 466	377 339 466
Other intangible assets	18	2 886 251	3 878 245
Property, plant and equipment	19	1 239 008 735	1 171 125 052
Investment properties	20	97 527	99 174
Biological assets	21	119 614 567	129 396 936
Other financial assets	22	63 168 912	424 428
Deferred tax assets	30	71 006 775	44 727 571
		1 873 122 233	**1 726 990 872**
Current assets		-	
Inventories	23 and 26	222 376 871	187 795 595
Receivables and other current assets	24 and 26	307 750 689	237 704 322
State and other public entities	25	79 751 430	75 076 422
Cash and cash equivalents	33	80 859 784	125 331 036
		690 738 774	**625 907 375**
Non-current assets held for sale			
Non-current assets held for sale	27	-	86 237 049
		-	**86 237 049**
Total Assets		**2 563 861 007**	**2 439 135 296**
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	28	500 000 000	500 000 000
Treasury shares	28	(2 317 915)	(1 002 084)
Fair value reserves	29	(5 633 483)	(3 020 990)
Legal reserve	29	100 000 000	109 790 475
Free reserves	29	197 292 250	217 500 000
Currency translation reserves	29	(20 575 294)	(13 966 898)
Retained earnings	16 and 29	192 512 197	167 388 264
Net profit for the period		225 135 403	207 770 604
		1 186 413 158	**1 184 459 371**
Non-controlling interests	15	204 263	420 277
		1 186 617 421	**1 184 879 648**
Non-current liabilities			
Deferred tax liabilities	30	66 123 135	83 023 517
Pension liabilities	31	7 324 279	5 090 242
Provisions	32	43 065 470	19 536 645
Interest-bearing liabilities	33	652 025 122	667 851 880
Other liabilities	33	82 324 405	25 466 139
		850 862 411	**800 968 424**
Current liabilities			
Interest-bearing liabilities	33	111 805 556	150 205 591
Payables and other current liabilities	34	323 800 570	259 509 848
State and other public entities	25	90 775 049	43 571 785
		526 381 175	**453 287 224**
Total Liabilities		**1 377 243 586**	**1 254 255 647**
Total Equity and Liabilities		**2 563 861 007**	**2 439 135 296**

The notes on pages 179 to 271 are an integral part of these Financial Statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the periods ended at 31 December 2018 and 2017

EURO

	2018	2017	4TH QUARTER 2018 (unaudited)	4TH QUARTER 2017 (unaudited)
Net profit for the period	**225 137 318**	**207 769 137**	**53 372 314**	**61 968 045**
Itens that can be reclassified subsequently to profit or loss				
Fair value in derivative financial instruments	(3 603 439)	6 861 624	(1 137 514)	(1 642 325)
Currency translation differences	(6 608 395)	(13 187 529)	(3 870 950)	(12 692 525)
Tax on items above when applicable	990 946	(2 310 833)	924 097	(232 122)
Tax on conventional capital remuneration	-	3 388 000	-	(847 000)
	(9 220 888)	**(5 248 738)**	**(4 084 367)**	**(15 413 972)**
Itens that will not be reclassified subsequently to profit or loss				
Other changes in shareholders' equity of subsidiaries	(182 788)	(32 063)	(4 594 686)	(922 808)
Post-employment benefits (actuarial deviations)	(12 617 390)	989 841	(7 715 071)	151 431
Tax on items above when applicable	(59 870)	(10 320)	(72 692)	(8 324)
	(12 860 048)	**947 458**	**(12 382 449)**	**(779 701)**
	(22 080 936)	**(4 301 280)**	**(16 466 816)**	**(16 193 674)**
Total recognised income and expense for the period	**203 056 382**	**203 467 857**	**36 905 498**	**45 774 372**
Attributable to:				
The Navigator Company's shareholders	203 272 396	203 469 324	36 908 394	45 904 034
Non-controlling interests	(216 014)	(1 467)	(2 896)	(129 662)
	203 056 382	**203 467 857**	**36 905 498**	**45 774 372**

The notes on pages 179 to 271 are an integral part of these Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the periods ended as at 31 December 2018 and 2017

	1 JANUARY 2018	GAINS AND LOSSES RECOGNISED IN THE PERIOD	TRANSACTIONS WITH NON-CONTROLLING INTERESTS	DIVIDENDS PAID AND RESERVES DISTRIBUTED (NOTE 16)
Share capital	500 000 000	-	-	-
Treasury shares	(1 002 084)	-	-	-
Fair value reserves	(3 020 990)	(2 612 493)	-	-
Legal reserve	109 790 475	-	-	-
Free reserves	217 500 000	1 475	-	(29 999 700)
Currency translation reserve	(13 966 898)	(6 608 395)	-	-
Retained earnings	167 388 264	(12 643 594)	-	(170 003 077)
Net profit for the period	207 770 604	225 135 403	-	-
Total	**1 184 459 371**	**203 272 396**	**-**	**(200 002 777)**
Non-controlling interests	420 277	(216 014)	-	-
Total	**1 184 879 648**	**203 056 382**	**-**	**(200 002 777)**

	1 JANUARY 2017	GAINS AND LOSSES RECOGNISED IN THE PERIOD	TRANSACTIONS WITH NON-CONTROLLING INTERESTS	DIVIDENDS PAID AND RESERVES DISTRIBUTED (NOTE 16)
Share capital	717 500 000	-	-	-
Treasury shares	(1 002 084)	-	-	-
Fair value reserves	(7 571 781)	4 550 791	-	-
Legal reserve	99 709 036	-	-	-
Free reserves	-	-	-	-
Currency translation reserve	(779 369)	(13 187 529)	-	-
Retained earnings	205 639 864	4 335 458	-	(250 007 056)
Net profit for the period	217 501 437	207 770 604	-	-
Total	**1 230 997 102**	**203 469 324**	**-**	**(250 007 056)**
Non-controlling interests	2 272 606	(1 467)	(1 850 862)	-
Total	**1 233 269 708**	**203 467 857**	**(1 850 862)**	**(250 007 056)**

The notes on pages 179 to 271 are an integral part of these Financial Statements.

EURO

ACQUISITION OF OWN SHARES (NOTE 28)	APPLICATION OF PRIOR PERIOD'S NET PROFIT (NOTE 16)	CAPITAL DECREASE	BONUS TO EMPLOYEES	31 DECEMBER 2018
-	-	-	-	500 000 000
(1 315 831)	-	-	-	(2 317 915)
-	-	-	-	(5 633 483)
-	(9 790 475)	-	-	100 000 000
-	9 790 475	-	-	197 292 250
-	-	-	-	(20 575 293)
-	214 770 604	-	(7 000 000)	192 512 197
-	(207 770 604)	-	-	225 135 403
(1 315 831)	**7 000 000**	**-**	**(7 000 000)**	**1 186 413 158**
-	-	-	-	204 263
(1 315 831)	**7 000 000**	**-**	**(7 000 000)**	**1 186 617 421**

EUROS

ACQUISITION OF OWN SHARES (NOTE 28)	APPLICATION OF PRIOR PERIOD'S NET PROFIT (NOTE 16)	CAPITAL DECREASE	BONUS TO EMPLOYEES	31 DECEMBER 2017
-	-	(217 500 000)	-	500 000 000
-	-	-	-	(1 002 084)
-	-	-	-	(3 020 990)
-	10 081 439	-	-	109 790 475
-	-	217 500 000	-	217 500 000
-	-	-	-	(13 966 898)
-	214 419 998	-	(7 000 000)	167 388 264
-	(217 501 437)	-	-	207 770 604
-	**7 000 000**	**-**	**(7 000 000)**	**1 184 459 371**
-	-	-	-	420 277
-	**7 000 000**	**-**	**(7 000 000)**	**1 184 879 648**

CONSOLIDATED STATEMENT OF CASH FLOWS
for the periods as at 31 December 2018 and 2017

EURO

	NOTES	2018	2017	4TH QUARTER 2018 (unaudited)	4TH QUARTER 2017 (unaudited)
OPERATING ACTIVITIES					
Receipts from customers		1 729 662 775	1 710 590 465	526 241 150	434 585 703
Payments to suppliers		1 261 605 850	1 269 538 220	300 265 025	309 474 663
Payments to employees		124 990 220	121 790 121	26 775 495	33 482 332
Cash flow from operations		**343 066 705**	**319 262 125**	**199 200 630**	**91 628 709**
Income tax received/ (paid)		(27 807 156)	(67 285 321)	(4 014 717)	(15 835 186)
Other receipts/ (payments) relating to operating activities		44 895 841	53 925 125	(89 437 909)	5 047 735
Cash flow from operating activities (1)		**360 155 390**	**305 901 929**	**105 748 004**	**80 841 258**
INVESTMENT ACTIVITIES					
Inflows:					
Other non current assets		74 410 845	-	5 384 687	-
Interest and similar income		-	2 131 516	-	258 732
Inflows from investment activities (A)		**74 410 845**	**2 131 516**	**5 384 687**	**258 732**
Outflows:					
Financial investments	22	-	-	-	-
Property, plant and equipment		209 311 719	98 863 395	53 667 519	35 057 613
Outflows from investment activities (B)		**209 311 719**	**98 863 395**	**53 667 519**	**35 057 613**
Cash flows from investment activities (2 = A - B)		**(134 900 874)**	**(96 731 879)**	**(48 282 832)**	**(34 798 881)**
FINANCING ACTIVITIES					
Inflows:					
Borrowings		100 000 000	155 503 210	(23 046 352)	(379 496 790)
Inflows from financing activities (C)		**100 000 000**	**155 503 210**	**(23 046 352)**	**(379 496 790)**
Outflows:					
Borrowings		150 205 591	44 702 381	38 942 804	(350 148 809)
Interest and similar expense		18 123 511	12 174 374	5 808 853	2 911 493
Acquisition of own shares*	28	1 315 831	-	1 315 831	-
Dividends paid and reserves distributed*	16	200 002 777	250 007 056	-	-
Outflows from financing activities (D)		**369 647 711**	**306 883 811**	**46 067 488**	**(347 237 317)**
Cash flows from financing activities (3 = C - D)		**(269 647 711)**	**(151 380 601)**	**(69 113 840)**	**(32 259 473)**
CHANGES IN CASH AND CASH EQUIVALENTS (1)+(2)+(3)		(44 393 194)	57 789 449	(11 648 669)	13 782 905
CHANGES IN CASH AND CASH EQUIVALENTS FOR OTHER QUARTERS		-	-	(32 462 290)	44 006 544
EFFECT OF EXCHANGE RATE DIFFERENCES		(78 058)	-	(360 294)	-
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		125 331 036	67 541 588	125 331 036	67 541 588
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	33	**80 859 784**	**125 331 036**	**80 859 784**	**125 331 036**

*see CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

The notes on pages 179 to 271 are an integral part of these Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the periods as at 31 December 2018 and 2017

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

The Navigator Group ("Group") comprises The Navigator Company, S.A. (formerly designated as Portucel, S.A.) and its subsidiaries.

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

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

Years after, as a result of the restructuring of Portucel – Empresa de Celulose e Papel de Portugal, S.A., which was redenominated to Portucel, SGPS, S.A., towards to its privatization, Portucel S.A. was created, on 31 May 1993, through Decree-law No. 39/93, of 13 February, with the former assets of the two main companies, based in 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 Portucel Soporcel Group (currently Navigator Group), which is currently the largest European and one of the world's largest producers of bleached eucalyptus pulp and uncoated wood-free paper (UWF), with a capacity of 1.5 and 1.6 millions of tons, respectively, and it sells approximately 254 thousand tons of pulp, integrating the remainder in the production of UWF paper and tissue paper.

In June 2004, the Portuguese State sold a 30% stake of Portucel's equity, which was acquired by Semapa Group. In September 2004, Semapa launched a public acquisition offer tending to assure the Group's control, which was accomplished by guaranteeing a 67.1% stake of Portucel's equity.

In November 2006, the Portuguese State concluded the third and final stage of the sale of Portucel, S.A., and Párpublica SGPS, S.A. (formerly Portucel SGPS, S.A.) sold the remaining 25.72% it still held.

From 2009 to July 2015, more than 75% of the company's share capital was held directly and indirectly by Semapa – Sociedade de Investimento e Gestão SGPS, S.A. (excluding treasury shares) having the percentage of voting rights been reduced to 70% following the conclusion of the offer for the acquisition, in the form of an exchange offer, of the ordinary shares of Semapa, SGPS, S.A., in July 2015.

In February 2015, the Group started its activity in the tissue segment with the acquisition of AMS-BR Star Paper, S.A. (currently denominated Navigator Tissue Ródão, S.A.), a company that holds and explores a tissue paper mill, located in Vila Velha de Ródão. A new industrial facility was built in Aveiro, in August 2018, being operated by Navigator Tissue Cacia, S.A., which is currently the largest Portuguese producer and the third in the Iberian Peninsula, with a production and transformation capacity of 130 thousand tons and 120 thousand tons, respectively.

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, which was sold in February 2018.

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

On 6 February 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 19 April 2016, Portucel S.A. changed its designation to The Navigator Company, S.A.

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

Head Office: Mitrena, 2901-861 Setúbal
Share Capital: Euros 500 000 000
Registration No.: 503 025 798

These consolidated financial statements were approved by the Board of Directors on 12 March 2019.

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 Group's consolidation perimeter.

1. SUMMARY OF MAIN ACCOUNTING POLICIES

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

The policies related to brands, held-to-maturity financial instruments and investments in associates are currently not applicable to these financial statements, but are, however, included for reasons of policy standardization with the parent company – the Semapa Group.

1.1. Basis of preparation

The Group's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards endorsed by the European Union (IFRS – formerly International Accounting Standards – IAS) issued by the International Accounting Standards Board (IASB) and Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC), in force at the date of preparation of these Financial Statements.

The notes to the financial statements were prepared on a going concern basis from the books and accounting records of the companies included in the consolidation (Note 4), and based on historical cost, except for available-for-sale financial assets, financial instruments derivatives and biological assets, which are recorded at fair value (Notes 36.2, 36.3 and 21).

Non-current assets held for sale and groups of assets held for sale are recorded at the lower of their book amount or fair value less their selling costs. The liability for defined benefit obligations is recognized at the present value of the net obligation of the value of the fund.

The preparation of the Financial Statements requires the use of relevant estimates and judgments in the application of the Group's accounting policies. The main assertions involving a higher level of judgment or complexity, or the most significant assumptions and estimates for the preparation of these Financial Statements, are disclosed in Note 3.

Under the terms of IFRS 3 – Business Combinations, if the initial acquisition price of assets, liabilities and contingent liabilities acquired ("purchase price allocations") is identified as provisional, the acquiring entity shall, in the 12 months period subsequent to a business combination, allocate the purchase price of the fair values of assets, liabilities and contingent liabilities acquired. These adjustments with impact on goodwill previously recorded, determine the restatement of comparative information, and their effect is reflected in the financial position statement, with reference to the date of the merger of business activities.

1.2. Basis of consolidation

1.2.1. SUBSIDIARIES

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

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

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

These companies' equity and net earnings corresponding to the third-party investment in such companies are presented under non-controlling interests in the consolidated statement of financial position (in a separate component of equity) and in the consolidated income statement. The companies included in the consolidated financial statements are detailed in Note 4.

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

The identifiable assets and liabilities acquired and contingent liabilities assumed in a business combination are initially measured at fair value on the date of acquisition, irrespective of the existence of non-controlling interests. The excess of the acquisition cost relative to the fair value of the Group's share of the identifiable assets and liabilities acquired is recorded as goodwill, as described in Note 17.

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

Transaction costs directly attributable to the acquisition are immediately expensed.

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

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

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

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

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

In case of disposals resulting in a loss of control over a subsidiary, any remaining interest is revalued to its market value at the date of disposal. Gains or losses resulting from such revaluations as well as gains or losses resulting from the disposal are recorded in the income statement.

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

1.2.2. ASSOCIATES

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

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

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

Costs directly attributable to the transaction are immediately expensed.

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

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

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

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

1.3. Segmental reporting

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

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

Four operating segments have been identified by the Group: bleached eucalyptus kraft pulp – BEKP for sale, uncoated printing and writing paper (UWF), tissue paper, and others, including, forestry, energy and pellets business, until its disposal in February 2018.

The Group has four industrial plants. BEKP, energy and UWF paper are produced in two plants located in Figueira da Foz and Setúbal. BEKP energy and tissue paper are also produced in a plant located in Aveiro and the fourth plant, located in Vila Velha de Ródão, only produces tissue paper. The Group had a fifth site in Greenwood (USA) where, from July 2016 until February 2018, it produced p ellets.

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

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

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

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

Segmental information is disclosed in Note 5.

1.4. Foreign Currency Translation

1.4.1. FUNCTIONAL AND REPORTING CURRENCY

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

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

1.4.2. BALANCES AND TRANSACTIONS EXPRESSED IN FOREIGN CURRENCIES

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

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

1.4.3. GROUP COMPANIES

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

(i) The assets and liabilities of each Statement of financial position are translated at the exchange rates prevailing at the date of the Consolidated Statement of financial position;

(ii) Equity balances are translated at the historical exchange rate;

(iii) The income and expenses disclosed in the Income Statement are converted at the exchange rate prevailing at the dates of the transactions. When this is not possible or when benefits do not arise from the use of this procedure, income and expenses are translated at the average exchange rate of the period.

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

1.4.4. EXCHANGE RATES USED

Exchange rates used to translate the balances and financial statements to foreign currencies are as follows:

	31-12-2018	31-12-2017	INCREASE/(DECREASE)
GBP (Pound sterling)			
Average exchange rate for the period	0,88	0,88	-0,96%
Closing exchange rate for the period	0,89	0,89	-0,82%
USD (US dollar)			
Average exchange rate for the period	1,18	1,13	-4,58%
Closing exchange rate for the period	1,15	1,20	4,53%
PLN (Polish zloty)			
Average exchange rate for the period	4,26	4,26	-0,10%
Closing exchange rate for the period	4,30	4,18	-2,98%
SEK (Swedish krona)			
Average exchange rate for the period	10,26	9,64	-6,46%
Closing exchange rate for the period	10,25	9,84	-4,18%
CZK (Czech koruna)			
Average exchange rate for the period	25,65	26,33	2,60%
Closing exchange rate for the period	25,72	25,54	-0,74%
CHF (Swiss franc)			
Average exchange rate for the period	1,15	1,11	-3,91%
Closing exchange rate for the period	1,13	1,17	3,70%
DKK (Danish krone)			
Average exchange rate for the period	7,45	7,44	-0,20%
Closing exchange rate for the period	7,47	7,44	-0,30%
HUF (Hungarian forint)			
Average exchange rate for the period	318,89	309,25	-3,12%
Closing exchange rate for the period	320,98	310,33	-3,43%
AUD (Australian dollar)			
Average exchange rate for the period	1,58	1,47	-7,23%
Closing exchange rate for the period	1,62	1,53	-5,70%
MZM (Metical)			
Average exchange rate for the period	71,96	72,20	0,33%
Closing exchange rate for the period	70,95	71,48	0,74%
MAD (Moroccan Dirham)			
Average exchange rate for the period	10,88	10,96	0,75%
Closing exchange rate for the period	11,05	11,22	1,52%
NOK (Norway Kroner)			
Average exchange rate for the period	9,60	9,33	-2,87%
Closing exchange rate for the period	9,95	9,84	-1,10%
MXN (Mexican peso)			
Average exchange rate for the period	22,70	21,33	-6,43%
Closing exchange rate for the period	22,49	23,66	4,94%
AED (United Arab Emirates Dirhams)			
Average exchange rate for the period	4,33	3,95	-9,60%
Closing exchange rate for the period	4,21	4,12	-2,03%
CAD (Canadian dollar)			
Average exchange rate for the period	1,53	1,44	-5,87%
Closing exchange rate for the period	1,56	1,48	-5,55%
ZAR (South African rand)			
Average exchange rate for the period	15,62	15,04	-3,82%
Closing exchange rate for the period	16,46	14,81	-11,17%
RUB (Russian roubles)			
Average exchange rate for the period	74,04	65,89	-12,37%
Closing exchange rate for the period	79,72	69,39	-14,88%
BRL (Brazilian real)			
Average exchange rate for the period	4,31	3,61	-19,52%
Closing exchange rate for the period	4,44	3,97	-11,86%
TRY (Turkish lira)			
Average exchange rate for the period	5,71	4,12	-38,56%
Closing exchange rate for the period	6,06	4,55	-33,27%

1.5. Intangible assets

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

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

1.5.1. CO_2 EMISSION RIGHTS

CO_2 emission rights attributed to the Group within the European Union Emissions Trading Scheme (EU ETS) for the assignment of CO_2 emission licenses at no cost, gives rise to an intangible asset for the allowances, a government grant and a liability for the obligation to deliver allowances equal to the emissions that have been made during the compliance period.

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

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

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

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

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

1.5.2. BRANDS

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

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

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

1.5.3. INTANGIBLE ASSETS DEVELOPED INTERNALLY

Development expenses are only recognised as intangible assets to the extent that the technical capacity to complete the development of the asset is demonstrated and that it is available for own use or commercialization. Expenses that do not meet these requirements, namely research expenses, are recorded as costs when incurred.

1.6. Goodwill

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

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

1.7. Investment properties

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

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

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

1.8. Property, plant and equipment

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

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

Subsequent costs are recognised as assets, as appropriate, only when it is probable that future economic benefits will flow to the Navigator Company Group and the respective cost can be reliably measured.

Planned maintenance costs are considered part of the assets' acquisition cost and are therefore entirely depreciated until the date of the next forecasted maintenance event or if they occur after the date of acquisition, capitalised if the useful life exceeds 12 months.

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

Navigator recognises its spare parts according to IAS 16. The strategic parts, whose use is not intended for consumption within the productive process and whose use is expected to extend for more than two years and the maintenance parts considered as "critical replacement parts" are recognised in non-current assets as Property, plant and equipment.

Respecting this classification, spare parts are depreciated from the moment they become available for use and are assigned a useful life that follows the nature of the equipment where they are expected to be integrated, not exceeding the remaining useful life of these.

Maintenance parts whose values are considered immaterial and whose use is expected to be under 2 years are classified as inventory.

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

	AVERAGE USEFUL LIFE (IN YEARS)
Land (site of preparation for forestry)	50
Buildings and other constructions	12 - 30
Basic equipment	6 - 25
Transportation equipment	4 - 9
Tools	2 - 8
Administrative equipment	4 - 8
Other property, plant and equipment	4 - 10

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

If the book value of the asset is higher than the asset's realisable value, then the estimated recoverable amount is written down by recognising an impairment loss (Note 1.10).

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

1.9. Non-current assets held for sale

Non-current assets (and the set of assets and liabilities to sell related with these) are classified as held for sale if it is expected that their book value will be recovered through the sale and not through their continued use. This condition is only considered fulfilled when the sale is highly probable and the asset (and the set of assets and liabilities to sell related with these) is available for immediate sale under the current conditions. In addition, must be in progress the actions that allow concluding that it is expected that the sale will occur within 12 months after the date of classification in this caption.

Non-current assets held for sale could be a separate asset (e.g.: tangible assets or investments in subsidiaries with loss of control), or a group for disposal that includes assets and liabilities (e.g.: full business sale).

Non-current assets (and the group of assets and liabilities to sell related with these) classified as held for sale are measured at the lower of their book value or fair value less costs to sell. The assets with a finite useful life cease the amortisation since the date they are classified as held for sale, until the date of the sale transaction or the date that transaction will not be probable.

When, due to changes in Group circumstances, the non-current assets and/or disposal groups cease the conditions the be classified as held for sale, the assets or disposal groups will be reclassified according to the underlying nature and re-measured at the lower of: i) the net book value before the held for sale classification, adjusted from any depreciation/amortisation expenses, or revaluation values that were recognised if that assets had not been classified as held for sale; and ii) the recoverable amount at the date of they would be reclassified according to the underlying nature. These adjustments are recognised in the income statement.

1.10. Impairment of non-current assets

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

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

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

The reversal of impairment losses is recognised in the income statement as other operating income, unless the asset has been revalued, in which case the reversal will represent a portion of the total of the revaluation reserve. However, an impairment loss is reversed only up to the limit of the amount that would be recognised (net of amortisation or depreciation) if it had not been recognised in prior periods.

1.11. Biological assets

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

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

The costs incurred with the site preparation before the first forestation are recognised as a tangible asset and depreciated in line with its expected useful lives corresponding to the concession period for assets deployed in concession areas.

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

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

At the time of harvest, wood is recognised at fair value less estimated costs at point of sale, which corresponds to the initial carrying amount of the inventory.

1.12. Financial instruments

IFRS 9 introduced a classification model for financial assets based on the business model used in its management (business model test) and on the characteristics of the contractual cash flows (SPPI test) with the previous requirements which determined the classification in the categories of financial assets of IAS 39 being replaced. The Group classifies its financial instruments at the time of acquisition, in accordance with the aforementioned requirements introduced by IFRS 9.

1.12.1. DEBT INSTRUMENTS

A financial asset is measured at amortised cost if (i) it is held for collection of contractual cash flows; and (ii) the underlying contractual cash flows represent solely payments of principal and interest (SPPI). Assets classified within this category are initially recognised at fair value and subsequently measured at amortised cost.

A financial asset is measured at fair value through other comprehensive income if (i) the inherent objective of the business model used is achieved either by collecting contractual cash flows or by selling financial assets; and (ii) the underlying contractual cash flows represent solely payments of principal and interest (SPPI). Assets classified within this category are initially and subsequently measured at fair value, and changes in their carrying amount shall be recorded against other comprehensive income, except for the recognition of impairment losses, interest and foreign exchange gains and losses, situations recorded against the income statement. When the financial asset is derecognised, the gain or loss accumulated in other comprehensive income is reclassified against the income statement.

For the assessment of the underlying business model, the Group may choose to classify a financial asset at fair value through profit or loss if inconsistencies are eliminated at its recognition and measurement (accounting mismatch).

1.12.2. EQUITY INSTRUMENTS AT FAIR VALUE

Equity instruments are always measured at fair value. Equity instruments held for trading are measured at fair value through profit or loss. For all other equity instruments, management may choose, on an individual basis and at initial recognition, to present all fair value changes under other comprehensive income.

In cases where this last option occurs, all changes in fair value, with the exception of dividends that comprise a return on investment, are recognised in other comprehensive income. In such case, when the asset is derecognised (for example, by its disposal), the accumulated gain or loss is not recognised as a profit or loss of the period and, at that time, is transferred to retained earnings.

1.12.3. IMPAIRMENT OF DEBT INSTRUMENTS

From 1 January 2018, The Group evaluates, on a prospective basis, the expected credit losses associated with its financial assets measured at amortized cost and at fair value through other comprehensive income, in accordance with IFRS 9.

Therefore, the Group recognizes the expected credit losses over the respective duration of the financial instruments that have significant increases in credit risk since the initial recognition, assessed on an individual or collective basis, considering all reasonable information, including available prospective information.

If, at the reporting date, the credit risk associated with a financial instrument has not increased significantly since the initial recognition, the Group measures the impairment of that financial instrument by an amount equivalent to the expected credit losses within a period of 12 months.

When measuring impairment, the Group applies the simplified method and recognises expected losses until maturity for all its accounts receivable. Expected losses were calculated based in the experience of historical real losses throughout the statistically relevant period, calculating rates for estimated losses by company and customer type.

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

1.13. Derivative financial instruments and hedge accounting

1.13.1. DERIVATIVE FINANCIAL INSTRUMENTS

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

Although the derivatives contracted by Navigator Company Group represent effective economic hedges of risks, not all of them qualify as hedging instruments in accounting terms to satisfy the rules and requirements of IAS 39. As permitted by IFRS 9, the Navigator Group has chosen to continue to apply the hedge accounting requirements of IAS 39, in order to avoid a partial application of the new standard´s hedge accounting. Instruments that do not qualify as hedging instruments are recognised as trading instruments and are recorded on the statement of financial position at fair value and any changes in that value are recognised as financial income or expense in the income statement.

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

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

i) At acquisition date, there is formal designation and documentation of the hedging relationship, namely regarding the hedged item, the hedging instrument and the company's evaluation of the hedging effectiveness;

ii) There is an expectation that the hedging relationship will be highly effective, at the beginning date of the operation and throughout its life;

iii) The effectiveness of the hedge may be measured at the beginning of the operation and while it is running;

iv) For cash flow hedges, the realization of the cash flows must be highly probable.

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

In the selection of the hedging instruments, are essentially valued the characteristics, regarding the coverage of economic risks. Management also evaluates the impact of each additional derivative financial instrument to its portfolio, namely in the volatility of earnings.

1.13.2. CASH FLOW HEDGING (INTEREST RATE, PRICE AND EXCHANGE RATE RISK)

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

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

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

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

1.13.3. NET INVESTMENT HEDGING (EXCHANGE RATE RISK)

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

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

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

1.14. Corporate Income Tax

1.14.1. CURRENT AND DEFERRED TAX

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

Deferred taxes are calculated using the liability method, based on the temporary differences between the book values of the assets and liabilities and their respective tax base. The income tax rate expected to be in force in the period in which the temporary differences are reversed using the tax rate approved or substantially approved at the date of preparation of the financial statements.

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

Deferred taxes are recorded as gain or loss for the period, except when they result from amounts recorded directly under shareholders' equity, in which case deferred tax is also recorded under the same caption.

Tax benefits granted under contractual investment projects to be developed by the Navigator Company Group are treated as government grants using the "deferral method of accounting" instead of the "flow through method", according to which the tax credit is deducted to the tax amount recognised in the income statement. When there is a reasonable assurance that the Navigator Company Group will comply with all required conditions, it recognises (i) a deferred tax asset and (ii) a liability for the investment grant. In this recognition model, the deferred tax assets are realised whenever there are taxable profits against which they can be offset, while the liability will be recognised as an income over the estimated useful life of the asset, as a deduction to depreciation expenses.

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

1.14.2. TAXATION GROUP

The Navigator Company is covered by the special tax regime for groups of companies, comprising all the companies located in Portugal in which the Group holds an interest or voting right of at least 75% and which are subject to Corporate Income Tax ("IRC"). In 2018, a tax group was also established in Spain, which includes the three subsidiaries of the group based in that country, held by more than 90%.

These companies calculate income taxes as if they were taxed independently. However, the determined liabilities are recognised as due to the leader of the taxation group (The Navigator Company, S.A., in Portugal and Bosques do Atlântico, S.L. in Spain), who will proceed with the overall computation and the settlement of the income tax.

1.15. Inventories

Inventories are valued in accordance with the following criteria:

i) Goods and raw materials

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

ii) Finished and intermediate products and work in progress

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

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

1.16. Accounts receivable

The Group adopted the simplified approach set forth in IFRS 9 to establish and recognise impairment losses on trade accounts receivable, assets resulting from contracts. It considers the balances receivable resulting from transactions under IFRS 15, applying the simplified method and recording the expected losses, for their accounts receivable. Estimated expected losses are calculated based on the experience of actual losses over a period that, by product or type of customer, will be considered statistically significant and representative of the specific characteristics of the underlying credit risk.

1.17. Cash and cash equivalents

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

1.18. Share capital and Treasury shares

Ordinary shares are classified in shareholders' equity.

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

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

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

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

1.19. Interest-bearing liabilities

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

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

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

1.20. Borrowing costs

Financial costs on loans (generic and specific) directly related to acquisition, construction or production of qualified assets (assets whose construction or production period exceeds one year), are capitalised as part of the asset's cost. Capitalisation of these charges begins once preparations are started for the construction or development of the asset and is suspended after its utilisation begins or when the respective project is suspended.

Other borrowing costs relating to loans are usually recognised as financial costs in income statement.

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

1.21. Provisions

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

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

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

1.22. Pensions and other employments benefits

1.22.1. DEFINED CONTRIBUTION PENSION PLANS

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

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

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

1.22.2. DEFINED BENEFITS PENSION PLANS

Until 2013, the majority of the Group subsidiaries have assumed the commitment to make payments to their Employees in the form of complementary retirement pensions, disability, early retirement and survivors' pensions, having constituted defined-benefit plans, as applicable.

As referred in Note 31, the Group set up autonomous Pension Funds as a means of funding most of the commitments for such payments.

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

The discount rate used in this calculation is determined based on market rates associated with bonds of high rating companies denominated in the currency in which the benefits will be paid and with maturity similar to the expiry date of the plan's obligations.

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

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

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

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

1.22.3. HOLIDAY PAY, ALLOWANCES AND BONUSES

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

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

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

1.23. Payables and other current liabilities

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

1.24. Government grants

Government grants are recognised only when there is a reasonable assurance that the grant will be received and the Group will comply with all required conditions, namely, the Navigator Company Group makes the eligible investments and grants will be received.

Government grants received to offset capital expenditure are reported under Property, plant and equipment, including those allocated as tax credits (Note 1.13.1) and are recognised under Current and non-current payables during the estimated period of recognition, and are recognised in the income statement, during the estimated useful life of the asset being financed, by deducting the value of its amortisation.

Government grants related to operating costs, including the attribution of $C0_2$ emission rights allowances (Note 1.5.1.), are systematically recognised in the income statement over the period that matches the costs with the compensating grants, as well as the accumulated amounts prior to the initial recognition.

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

1.25. Leases

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

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

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

1.25.1. LEASES INCLUDED IN CONTRACTS ACCORDING TO IFRIC 4

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

1.26. Dividends distribution

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

1.27. Accrual basis

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

Differences between the amounts received and paid and its costs and income are recognised as Receivables and other current assets and Payables and other current liabilities (Notes 24 and 34, respectively).

1.28. Revenue

The Group recognises revenue in accordance with IFRS 15, which establishes that an entity will recognise revenue to depict the transfer of promised goods or services to Customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, based on the 5-step model framework:

1. Identify the contract(s) with a customer;

2. Identify the performance obligations in the contract;

3. Determine the transaction price;

4. Allocate the transaction price to the performance obligations in the contract; and

5. Recognise revenue when (or as) the entity satisfies a performance obligation.

As at 31 December 2018, the Group's revenue is broken down into the following business lines: 11% sale of pulp, 82% sale of UWF; 5% sale of tissue and 2% sale of other products.

Revenue is recognised net of bonuses, taxes and discounts (e.g. trade and quantity discounts), and refers to consideration received or receivable from goods and services sold in line with the group business typologies identified above.

Trade agreements with Customers essentially concern to the sale of goods and to an extent limited to the transportation underlying those goods, when applicable and according to the reported segments. Revenue is recognised by the amount of the satisfied performance obligation.

Regarding the transaction price, this is a fixed component depending on the quantities sold.

The control transfer occurs to the same extent that the associated risks are transferred, in accordance with the contractual conditions established. The transfer of control of the goods usually takes place when the goods are delivered at the customer's premises.

For variable consideration, the Group recognises revenue only to the extent that it is highly probable that there will be no significant reversal in the amount of recognised revenue when uncertainty about such consideration is resolved.

When analysing the terms of each contract with Customers, the Group considers all facts and circumstances by applying the requirements that determine the recognition and measurement of revenue in a harmonised manner, when dealing with contracts with similar characteristics and circumstances.

1.29. Contingent assets and liabilities

Contingent liabilities in which the probability of an outflow of funds affecting future economic benefits is not likely are not recognised in the consolidated financial statements, and are disclosed in the notes to the financial statements, unless the probability of an outflow of funds affecting future economic benefits is remote, in which case these are not disclosed. Provisions are recognised for liabilities which meet the conditions described in Note 1.21.

Contingent assets are not recognised in the consolidated financial statements but are disclosed in the notes when it is probable that a future economic benefit will arise from them (Note 38).

1.30. Subsequent events

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

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

2. IFRS ADOPTED AND TO BE ADOPTED

2.1. New Standards, changes and interpretations to standards adopted by the Group

As at 1 January 2018, the Navigator Group adopted for the first time the following standards, changes and interpretations:

STANDARDS AND EFFECTIVE AMENDMENTS, ON OR AFTER 1 JANUARY 2018	EFFECTIVE DATE *
IFRS 9 – Financial instruments	1 January 2018
IFRS 15 – Revenue from contracts with customers	1 January 2018
IFRS 2 – Shared-based payments	1 January 2018
2014 – 2016 Improvements to standards	1 January 2018
IAS 40 – Investment property	1 January 2018
IFRIC 22 – Foreign currency transactions and advance consideration	1 January 2018

* Periods beginning on or after

IFRS 9 – Financial Instruments

IFRS 9 was endorsed by the Commission Regulation (EU) No. 2067/2016 of 22 November 2016, with an effective date of mandatory application for periods beginning on or after 1 January 2018, (early adoption allowed). Except for hedge accounting, retrospective application is mandatory, although without the need for disclosure of comparative information. For hedge accounting, requirements are generally applied prospectively, with some exceptions.

IFRS 9 includes three distinct areas: classification and measurement of financial instruments, impairment of financial assets and hedge accounting.

The Group adopted this standard on the date of mandatory application and did not restate comparative information, as provided for therein. With regard to hedge accounting, the Group has chosen to continue to apply the hedge accounting requirements in IAS 39, as referred to in Note 1.13.

The Group analysed the changes arising from the adoption of IFRS 9 in its financial assets and liabilities, in order to identify and evaluate the qualitative and quantitative impacts of the adoption of the Standard. Accordingly, qualitative changes are presented in accounting policies, as referred to in Note 1.12 and 1.13., and quantitative impacts were presented in Note 37.2.4 (credit risk).

IFRS 15 – Revenue from Contracts with Customers

The International Accounting Standards Board (IASB) issued IFRS 15 – Revenue from contracts with Customers on 28 May 2014 and was amended in April 2016 (endorsed by the European Commission Regulation No. 1905/2016 of 22 September 2016). This standard replaces the current requirements for revenue recognition and has an effective date of mandatory application for periods beginning on or after 1 January 2018 (early adoption allowed).

The Group adopted IFRS 15 using the modified retrospective approach, with impacts arising from the initial application of the standard recognised at the date of initial application (1 January 2018). Thus, the Group, as permitted by the standard, did not restate comparative information.

The Group analysed the changes resulting from the adoption of IFRS 15 in order to identify and assess the qualitative and quantitative impacts of this Standard. Accordingly, the qualitative changes are disclosed in the accounting policies, as referred to in Notes 1.16 e 1.28. No quantitative impacts were determined.

2.2. New Standards, changes and interpretations to standards not yet adopted by the Group

2.2.1. NEW STANDARDS AND INTERPRETATIONS WITH MANDATORY APPLICATION IN EUROPEAN UNION

The interpretations and amendments to the existing standards identified below, are mandatory by the European Union, for the periods starting on or after 1 January 2019:

STANDARDS AND EFFECTIVE AMENDMENTS, ON OR AFTER 1 JANUARY 2019, ALREADY ENDORSED BY THE EU	EFFECTIVE DATE *
IAS 9 (amended) – Financial instruments	1 January 2019
IFRIC 23 – Uncertainty over income tax treatments	1 January 2019
IFRS 16 – Leases	1 January 2019

* Periods beginning on or after

Regarding the standards presented above, for which the mandatory entry into force has not yet occurred, except for IFRS 16 – Leases detailed below, the Group had not yet concluded the calculation of the effects regarding changes arising from the adoption of these standards, for which it decided not to early-adopt them.

IFRS 16 – Leases

i) Nature of the change

In January 2016, the International Accounting Standards Board (IASB) issued IFRS 16 – Leases, which is effective for annual reporting periods beginning on or after 1 January 2019.

IFRS 16 defines the principles for recognising, measuring and presenting leases, replacing IAS 17 – Leases and its interpretative guidance. The main objective is to ensure that lessors and lessees report useful information to the users of the financial statements, especially regarding the effect that leases have on financial positions, financial performance and cash flows.

The main aspects covered by IFRS 16 are:

– Addition of some considerations in order to distinguish leases from service agreements, based on the existence of control over an asset at the time it becomes available for use;

– Introduction of a unique accounting model that requires the lessee to recognise the assets and liabilities for all leases with a duration longer than 12 months (except for leases of assets with a limited amount). The lessee shall recognise the right to use the respective asset and the liability associated with the payments to be made, and also recognise the financial costs and the depreciation separately; and

– Difference between the total amount paid between capital and interest (presented as financing activities) in the consolidated statement of cash flows.

In accordance with IFRS 16, rights-of-use assets will be tested for impairment in accordance with IAS 36 – Impairment of Assets. This treatment will replace the previous requirement for recognition of a provision for onerous lease contracts.

ii) Impact

The Navigator Group has already performed the inventory of existing leases, considering the provisions of IFRS 16. The standard will mainly affect the accounting of the Group's operating leases.

Impacts of the new lease definition

The Group has assessed the practical case of the transition to IFRS 16 from not reassessing whether a contract is or contains a lease, having made an overall assessment of the new definition and evaluating the totality of contracts it has executed or modified before 1 January 2019.

The change in the lease definition essentially concerns the concept of control. IFRS 16 distinguishes lease services on based of whether or not there is control over the customer's use of an identifiable asset. Control is considered to exist if the Customer has, cumulatively:

– The right to obtain substantially all economic benefits from the use of a specific identified asset; and

– The right to direct the use of this specific asset.

The Group shall apply the lease definition established in IFRS 16 and its applicable guidance to all lease agreements in which has entered into as lessor or lessee, including all agreements on or after 1 January 2019.

The Group has developed an implementation project in the preparation for the first application of IFRS 16. The project has demonstrated that the new lease definition will not significantly change the scope of contracts that meet the lease definition for the Group.

At the balance sheet date, the Navigator Group has non-cancellable operating lease commitments in the amount of Euro 54,500,000 (Note 39). From these commitments, approximately Euro 3,100,000 refer to short-term leases and Euro 5,000 to low-value leases, both of which will be recognized on a straight-line basis as expenses in the income statement.

For the remaining lease commitments, as at 1 January 2019, the Group expects to recognize assets under right of use of approximately EUR 50,000,000 and a corresponding lease liability in the same amount.

The Group expects 2019 net profit for the period to decrease by approximately Euro 600,000 as a result of the adoption of the new standards. EBITDA should increase between Euro 6,500,000 and Euro 7,200,000, since, unlike the expense related to operating leases that were included in EBITDA, depreciation of assets under right of use and interest on lease liabilities are excluded from this indicator.

Cash flows from operating activities will increase and cash flows from financing activities will decrease until Euro 7,600,000, since repayment of the main portion of the lease liabilities will be classified as cash flows from financing activities.

The Group's activities as lessor are not material and, therefore, the Group does not expect significant impacts on its financial statements.

The Group also reviewed its information systems in order to adapt them to the requirements of the standard.

iii) Adoption date

The Navigator Group will apply the standard from the date of mandatory adoption on 1 January 2019. The Group intends to apply the simplified transition approach set forth in its paragraphs IFRS 16: C3(b), C7 and C8 and will not restate the comparative amounts for the period prior to the first adoption. Assets under right of use will be measured by the amount of the lease liability on the date of adoption of the standard.

2.2.2. NEW STANDARDS AND INTERPRETATIONS WITHOUT MANDATORY APPLICATION IN EUROPEAN UNION

Standards, amendments and interpretations issued but not yet effective for the Group (regardless of the effective date of application, have not yet been endorsed by the European Union), can be analysed as follows:

STANDARDS AND EFFECTIVE AMENDMENTS, ON OR AFTER 1 JANUARY 2019, NOT YET ENDORSED BY THE EU	EFFECTIVE DATE *
2015 – 2017 Improvements to standards	1 January 2019
IAS 19 (amended) - Plan amendment, curtailment and settlement	1 January 2019
IAS 28 (amended) - Investments in associates and joint ventures	1 January 2019
IFRS 3 (amended) - Business Combinations	1 January 2020
Amendments to the conceptual framework in IFRS	1 January 2020
IFRS 17 - Insurance contracts	1 January 2021

* Periods beginning on or after

3. MAIN ESTIMATES AND JUDGMENTS

The preparation of consolidated financial statements requires Management to use judgments and estimates that affect income, expenses, assets, liabilities and disclosures at the date of the statement of financial position. The actual effects may differ from these estimates and judgments.

These estimates are determined according to the Management's judgments, which are based on: (i) the best information and knowledge of current events and in some cases in reports of independent experts and (ii) in the actions that the Company considers to be able to develop in the future. However, at the date of completion of the operations, the results may differ from these estimates.

Estimates and assumptions that present a risk of material adjustment in the book value of assets and liabilities in the following period are presented below.

Considering that in many situations there are alternatives to the accounting treatment adopted by the Group, the reported results could be different if a different treatment had been chosen. The Board of Directors considers that the choices made are appropriate and that the financial statements present in an appropriate way the Group's operations in all materially relevant aspects.

3.1. Recoverability of Goodwill

Goodwill is tested annually for impairment, registered in its Statement of Financial Position, in accordance with the accounting policy of Note 1.6. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

As at 31 December 2018, a possible increase of 0.5% in the discount rate used (6.59%) in the impairment test of this asset – Goodwill allocated to the cash-generating unit Figueira da Foz integrated Paper – would imply a decrease in the assessment in the amount of Euro 184,312,770 (31 December 2017: Euro 137,805,537), which is still substantially above the book value of this cash-generating unit.

3.2. Recoverability of Property, plant and equipment

The recoverability of property, plant and equipment requires Management to use estimates and assumptions, namely, whenever applicable, regarding the determination of the value in use for impairment tests to the Group's cash-generating units. Additionally, property, plant and equipment present the most significant component of the Group's total assets. These assets are subject to systematic depreciation for the period that is perceived as their economic useful life.

The determination of assets useful lives and the depreciation method to be applied is essential to determine the amount of depreciation to be recognised in the income statement of each period.

These two parameters are defined according to the best judgment of the Board of Directors for the assets and businesses concerned and also considering the practices adopted by the companies of the sector on an international level.

Since this estimate is so important, the Group regularly uses external and independent technicians to assess the adequacy of the estimates used, namely regarding the technical useful life of machines and the replacement value.

3.3. Taxes and tax matters

The Group recognises liabilities for additional settlements that may result from tax authorities' revisions. When the final result of these situations is different from the amounts initially recorded, the differences will have an impact on income tax and tax provisions in the period in which they occur.

There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Different interpretations and estimates would result in a different level of income taxes, current and deferred, recognised in the period.

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

The Board of Directors considers that any corrections to those declarations as a result of reviews/inspections by the tax authorities will not have a significant impact in the consolidated financial statements as at 31 December 2018, although the years up to and including 2014 have already been reviewed. The 2015 revision is currently under way.

As at 31 December 2018, if the effective tax rate corresponded to the nominal rate of 27.5%, there would be an increase in expenses with income taxes in the amount of Euro 21,649,894 (31 December 2017: Euro 22,823,637). However, it should be noted that the effective rate for the period includes adjustments from previous periods.

3.4. Actuarial assumptions

Liabilities related to defined benefit pension plans are calculated based on certain actuarial assumptions, estimated rates of return on investments, discount rates and growth rates. Changes in these assumptions can have a significant impact on those liabilities.

As at 31 December 2018, a change in the discount rate used (2.0%) in the calculation of pension liabilities of 0.5% would result in an increase in liabilities of approximately Euro 11,248,165 (31 December 2017: Euro 9,886,984).

3.5. Fair value of biological assets

The fair value of biological assets is estimated through the present value of discounted cash flows, considering assumptions that correspond to the nature of the assets assessed (Note 1.11). Changes in these assumptions may imply the appreciation/depreciation of these assets.

As at 31 December 2018, a 0.5% increase in the discount rate used (5.01%, at nominal values) would imply a depreciation of the Portuguese forest assets of approximately Euro 4,545,000 (31 December 2017: Euro 4,912,000).

As at 31 December 2018, a 3% decrease in the forward price would imply a depreciation of the Portuguese forest assets of approximately Euro 8,885,000 (31 December 2017: Euro 8,711,000).

3.6. Provisions

On a regular basis, the Group analyses eventual liabilities that may occur as a result from past events and that should be recognized or disclosed. The subjectivity in determining the probability and amount of internal resources needed for the settlement of those liabilities may lead to significant adjustments, either due to changes in assumptions or future recognition of provisions previously disclosed as contingent liabilities.

4. COMPANIES INCLUDED IN THE CONSOLIDATION PERIMETER

4.1. Consolidation Perimeter

Name	HEAD OFFICE
Parent-Company	
The Navigator Company, S. A.	Setúbal
Subsidiaries:	
Navigator Paper Figueira, S.A.	Figueira da Foz
Navigator Parques Industriais, S.A.	Setúbal
Navigator Products & Tecnology, S.A.	Setúbal
Pulpchem Logistics, A.C.E.	Figueira da Foz
RAIZ - Instituto de Investigação da Floresta e Papel	Aveiro
Enerpulp – Cogeração Energética de Pasta, S.A.	Setúbal
Navigator Pulp Figueira, S.A.	Figueira da Foz
Navigator Pulp Setúbal, S.A.	Setúbal
Navigator Pulp Cacia, S.A.	Aveiro
Navigator International GmbH	Germany
Navigator Tissue Cacia, S.A.	Aveiro
Navigator Tissue Ródão , S.A.	Vila Velha de Ródão
Navigator Tissue Iberica , S.A.	Spain
Navigator Internacional Holding SGPS, S.A.	Setúbal
Portucel Moçambique - Sociedade de Desenvolvimento Florestal e Industrial, Lda	Mozambique
Colombo Energy Inc. *	USA
Portucel Finance, Zoo	Poland
Navigator Forest Portugal, S.A.	Setúbal
Sociedade de Vinhos da Herdade de Espirra - Produção e Comercialização de Vinhos, S.A.	Setúbal
Gavião - Sociedade de Caça e Turismo, S.A.	Setúbal
Afocelca - Agrupamento complementar de empresas para protecção contra incêndios, ACE	Portugal
Viveiros Aliança - Empresa Produtora de Plantas, S.A.	Palmela
Atlantic Forests, S.A.	Setúbal
Bosques do Atlantico, SL	Spain
About the Future - Empresa Produtora de Papel, S.A.	Setúbal
Navigator Fine Paper , S.A.	Setúbal
Navigator North America Inc.	USA
Navigator Sales & Marketing, S.A. *	Belgium
Navigator Africa, SRL	Italy
Navigator Participações Holding ,SGPS, S.A.	Setúbal
Arboser – Serviços Agro-Industriais, S.A.	Setúbal
EMA21 - Engenharia e Manutenção Industrial Século XXI, S.A.	Setúbal
Ema Cacia - Engenharia e Manutenção Industrial, ACE	Aveiro
Ema Setúbal - Engenharia e Manutenção Industrial, ACE	Setúbal
Ema Figueira da Foz- Engenharia e Manutenção Industrial, ACE	Figueira da Foz
Empremédia - Corretores de Seguros, S.A.	Lisboa
EucaliptusLand, S.A.	Setúbal
Headbox - Operação e Contolo Industrial, S.A.	Setúbal
Navigator Added Value, S.A.	Setúbal
Navigator Paper World, S.A.	Switzerland
Navigator Afrique du Nord	Morocco
Navigator España, S.A.	Spain
Navigator Netherlands, BV	Netherlands
Navigator France, EURL	France
Navigator Paper Company UK, Ltd	United Kingdom
Navigator Italia, SRL	Italy
Navigator Deutschland, GmbH	Germany
Navigator Paper Austria, GmbH	Austria
Navigator Paper Poland SP Z o o	Poland
Navigator Eurasia	Turkey
Navigator Rus Company, LLC	Russia
Navigator Paper Mexico	Mexico
Navigator Middle East Trading DMCC	Dubai
Navigator Abastecimento de Madeira, ACE	Setúbal

* Companies liquidated in 2018

SHARE EQUITY OWNED			MAIN BUSINESS ACTIVITY
DIRECT	INDIRECT	TOTAL	
-	-	-	Sale of paper and cellulose pulp
100,00	-	100,00	Paper production
100,00	-	100,00	Management of industrial real estate assets
100,00	-	100,00	Sale of products, technology and engineering services
50,00	-	50,00	Purchase of materials, consumables and services used in the pulp and paper production processes
97,00	-	97,00	Research in the field of pulp and paper and forestry activity
100,00	-	100,00	Energy production
100,00	-	100,00	Production of cellulose pulp
100,00	-	100,00	Production of cellulose pulp
100,00	-	100,00	Production of cellulose pulp
100,00	-	100,00	Sale of cellulose pulp
100,00	-	100,00	Production of paper tissue
-	100,00	100,00	Production of paper tissue
-	100,00	100,00	Sale of paper tissue
100,00	-	100,00	Management of shareholdings
20,05	60,15	80,20	Forest production
25,00	75,00	100,00	Energy production
25,00	75,00	100,00	Financial services
100,00	-	100,00	Forest production
-	100,00	100,00	Wine production
-	100,00	100,00	Management of hunting resources
-	64,80	64,80	Rendering of services to prevent and fight forest fires
-	100,00	100,00	Plant production in nurseries
-	100,00	100,00	Rendering of services within the forestry activity and wood trade
-	100,00	100,00	Wood, biomass and forestry trade
100,00	-	100,00	Paper and energy production
-	100,00	100,00	Rendering of services related to the sale of paper and pulp
-	100,00	100,00	Sale of paper
25,00	75,00	100,00	Rendering of marketing and sales brokerage services
25,00	75,00	100,00	Management of shareholdings
100,00	-	100,00	Management of shareholdings
-	100,00	100,00	Rendering of forestry and pulp related services
-	100,00	100,00	Rendering of industrial maintenance, engineering, quality, environment and safety services
-	95,00	95,00	Rendering of industrial maintenance services
-	89,91	89,91	Rendering of industrial maintenance services
-	90,72	90,72	Rendering of industrial maintenance services
-	100,00	100,00	Insurance brokerage and advisory
-	100,00	100,00	Management of forest real estate
-	100,00	100,00	Prestação de serviços de operação de equipamentos industriais
-	100,00	100,00	Rendering of administration, management and internal advisory services
-	100,00	100,00	Rendering of administration and management services and management of shareholdings
-	100,00	100,00	Rendering of sales brokerage services
-	100,00	100,00	Rendering of sales brokerage services
-	100,00	100,00	Rendering of sales brokerage services
-	100,00	100,00	Rendering of sales brokerage services
-	100,00	100,00	Rendering of sales brokerage services
-	100,00	100,00	Rendering of sales brokerage services
-	100,00	100,00	Rendering of sales brokerage services
-	100,00	100,00	Rendering of sales brokerage services
-	100,00	100,00	Rendering of sales brokerage services
-	100,00	100,00	Rendering of sales brokerage services
-	100,00	100,00	Rendering of sales brokerage services
-	100,00	100,00	Rendering of sales brokerage services
-	100,00	100,00	Rendering of sales brokerage services
97,00	3,00	100,00	Sale of wood

4.2. Changes in the consolidation perimeter

During the period ended 31 December 2018, the consolidation perimeter was changed by the following merger operations:

– Merger by incorporation of AboutBalance SGPS, S.A. in the Navigator Tissue Cacia, S.A.

– Merger by incorporation of Navigator Paper Setúbal, S.A. in the Navigator Tissue Cacia, S.A.

– Merger by incorporation of Navigator Floresta, SGPS, S.A. in The Navigator Company, S.A.

– Merger by incorporation of Navigator Paper Holding, SGPS, S.A. in the About The Future, S.A.

– Merger by incorporation of Portucel Florestal, S.A. in the Eucaliptusland, S.A.

5. SEGMENT INFORMATION

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

(i) that engages in business activities from which it may earn revenues and incur expenses;

(ii) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and

(iii) for which discrete financial information is available.

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

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

- Market pulp;
- UWF paper;
- tissue paper; and
- Other.

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

Financial data by operational segment for the periods ended 31 December 2018 and 2017 is presented as follows:

	31-12-2018					
	PULP MARKET	UWF PAPER	TISSUE PAPER	OTHERS	ELIMINATIONS/ UNALLOCATED	TOTAL
REVENUE						
Sales and services - external	184 437 505	1 380 370 745	91 139 602	35 679 642	-	1 691 627 494
Sales and services - intersegment	193 494 823	-	-	655 070 530	(848 565 353)	-
Total Revenue	**377 932 328**	**1 380 370 745**	**91 139 602**	**690 750 172**	**(848 565 353)**	**1 691 627 494**
PROFIT/ (LOSS)						
Segmental profit	**55 035 913**	**281 763 979**	**(12 204 636)**	**(21 435 320)**	**-**	**303 159 935**
Operating profit	**-**	**-**	**-**	**-**	**-**	**303 159 935**
Financial results	-	-	-	-	(22 487 626)	(22 487 626)
Income tax	-	-	-	-	(55 534 992)	(55 534 992)
Profit after income tax	**-**	**-**	**-**	**-**	**-**	**225 137 318**
Non-controlling interests	-	-	-	-	(1 915)	(1 915)
Net profit	**-**	**-**	**-**	**-**	**-**	**225 135 403**
OTHER INFORMATION						
Capital expenditure	16 367 108	93 484 407	94 474 968	12 132 880	-	216 459 363
Depreciation and impairment	(11 800 576)	(94 727 574)	(14 430 732)	(17 551 766)	-	(138 510 648)
Provisions ((increases) / reversal)	-	(2 557 159)	498 217	(11 488 006)	-	(13 546 948)
OTHER INFORMATION						
SEGMENT ASSETS						
Property, plant and equipment	129 678 430	708 143 228	169 899 620	231 287 457	-	1 239 008 735
Biological assets	-	-	-	119 614 567	-	119 614 567
Other financial assets	29 670	29 434 120	48 087	33 657 035	-	63 168 912
Inventories	20 395 852	114 920 430	25 214 053	61 846 536	-	222 376 871
Trade receivables	26 873 048	162 041 043	27 257 253	9 847 839	-	226 019 183
Other receivables	441 479	3 542 378	42 166 636	35 581 013	-	81 731 506
Other assets	-	416 727 593	11 515 870	183 697 771	-	611 941 234
Total assets	**177 418 479**	**1 434 808 792**	**276 101 519**	**675 532 217**	**-**	**2 563 861 007**
SEGMENT LIABILITIES						
Interest-bearing liabilities	-	-	-	763 830 678	-	763 830 678
Trade payables	47 409 487	73 164 938	17 654 845	47 216 533	-	185 445 803
Other payables	6 918 463	49 242 932	7 566 146	74 627 226	-	138 354 767
Other liabilities	21 169 784	65 948 732	78 222 387	124 271 435	-	289 612 338
Total liabilities	**75 497 734**	**188 356 602**	**103 443 378**	**1 009 945 872**	**-**	**1 377 243 586**

The Group's energy sales are reported under different business segments. The amount corresponding to the total energy sales was Euro 172,502,382 in 2018 and Euro 166,693,591 in 2017. Energy sales originated in the cogeneration process, in the amount of Euro 150,131,681 (31 December 2017: Euro 145,196,631) are reported under the "Market Pulp" (2018: Euro 17,411,211; 2017: Euro 16,194,907) and "UWF Paper" (2018: Euro 132,720,470; 2017: Euro 129,001,724) 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 22,370,701 (2017: Euro 21,496,960).

The capital expense during the period is related to the already announced investments in progress, namely the pulp capacity increase in Figueira da Foz (Euro 37,311,593), the building of the new tissue facility in Aveiro (Euro 83,391,441) and other regular investments of pulp, paper and tissue production (Euro 95,756,329), especially the PM3 reconversion project in Setúbal (Euro 8,181,708), as well as the capitalization of other assets (Euro 12,461,995).

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

		EURO
	31-12-2018	31-12-2017
Forrestry lands	73 910 838	76 310 837
Real estate - manufacturing site of Setúbal	57 823 999	57 035 598
Real estate - manufacturing site of Aveiro	11 651 760	13 718 317
Real estate - manufacturing site of Figueira da Foz	46 427 845	50 129 128
Thermoelectric plant biomass	28 098 931	32 753 698
Others	13 374 083	13 665 184
	231 287 457	**243 612 762**

Forest land and industrial real estate in a total amount of Euro 189,814,443, consolidated amounts, are reported in the individual financial statements as investment properties. The real estate property of Vila Velha de Ródão, in the amount of Euro 11,361,490, 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.

	31-12-2017					
	PULP MARKET	UWF PAPER	TISSUE PAPER	OTHERS	ELIMINATIONS/ UNALLOCATED	TOTAL
REVENUE						
Sales and services - external	180 497 850	1 328 554 225	74 385 809	53 396 552	-	1 636 834 437
Sales and services - intersegment	164 003 597	-	-	710 103 259	(874 106 856)	-
Total revenue	**344 501 448**	**1 328 554 225**	**74 385 809**	**763 499 811**	**(874 106 856)**	**1 636 834 437**
PROFIT/ (LOSS)						
Segmental profit	**35 047 157**	**270 732 323**	**4 655 209**	**(55 385 054)**	**-**	**255 049 635**
Operating profit	**-**	**-**	**-**	**-**	**-**	**255 049 635**
Financial results	-	-	-	-	(7 696 970)	(7 696 970)
Income tax	-	-	-	-	(39 583 528)	(39 583 528)
Profit after income tax	**-**	**-**	**-**	**-**	**-**	**207 769 137**
Non-controlling interests	-	-	-	-	1 467	1 467
Net profit	**-**	**-**	**-**	**-**	**-**	**207 770 604**
OTHER INFORMATION						
Capital expenditure	12 508 349	61 036 775	32 967 754	8 201 816	-	114 714 693
Depreciation and impairment	(10 711 941)	(82 319 848)	(9 213 309)	(42 458 802)	-	(144 703 899)
Provisions ((increases) / reversal)	-	-	-	-	(4 084 555)	(4 084 555)
OTHER INFORMATION						
SEGMENT ASSETS						
Property, plant and equipment	127 411 445	710 708 222	89 392 624	243 612 762	-	1 171 125 052
Assets available for sale	-	-	-	86 237 049	-	86 237 049
Biological assets	-	-	-	129 396 936	-	129 396 936
Financial investments	-	424 428	-	-	-	424 428
Inventories	12 846 525	101 810 198	11 384 762	61 754 110	-	187 795 595
Trade receivables	14 845 542	139 738 469	17 634 347	3 443 446	-	175 661 804
Other receivables	1 737 775	43 398 334	3 888 752	13 017 657	-	62 042 518
Other assets	768 543	414 122 619	683 037	210 877 715	-	626 451 914
Total assets	**157 609 830**	**1 410 202 269**	**122 983 523**	**748 339 675**	**-**	**2 439 135 296**
SEGMENT LIABILITIES						
Interest-bearing liabilities	2 805 080	-	1 432 615	813 819 776	-	818 057 471
Trade payables	9 046 170	81 224 361	6 946 967	57 152 301	-	154 369 800
Other payables	4 567 186	36 175 888	1 656 992	62 739 982	-	105 140 048
Other liabilities	25 489 452	77 394 837	7 571 656	66 232 384	-	176 688 328
Total liabilities	**41 907 887**	**194 795 086**	**17 608 231**	**999 944 444**	**-**	**1 254 255 647**

6. REVENUE

The impacts of the initial adoption of IFRS 15 are described in Note 2.1.

6.1. Breakdown of customer contract revenue

Commercial contracts with Customers refer essentially to the sale of goods and to an extent limited to the transportation inherent to these goods, when applicable, and according to the reported segments: Pulp market, UWF paper, tissue paper and Others (Note 5), as follows:

	31-12-2018					
	PULP MARKET	UWF PAPER	TISSUE PAPER	OTHERS	ELIMINATIONS/ UNALLOCATED	TOTAL
REVENUE RECOGNITION						
Total Revenue	377 932 328	1 380 370 745	91 139 602	690 750 172	(848 565 353)	1 691 627 494
Intersegment Revenue	(193 494 823)	-	-	(655 070 530)	848 565 353	-
Revenue from external customers	**184 437 505**	**1 380 370 745**	**91 139 602**	**35 679 642**	**-**	**1 691 627 494**
Revenue recognition						
At a certain moment	184 437 505	1 380 370 745	91 139 602	35 679 642	-	1 691 627 494
During the period	-	-	-	-	-	-
	184 437 505	**1 380 370 745**	**91 139 602**	**35 679 642**	**-**	**1 691 627 494**

	31-12-2017					
	PULP MARKET	UWF PAPER	TISSUE PAPER	OTHERS	ELIMINATIONS/ UNALLOCATED	TOTAL
REVENUE RECOGNITION						
Total Revenue	344 501 448	1 328 554 225	74 385 809	763 499 811	(874 106 856)	1 636 834 437
Intersegment Revenue	(164 003 597)	-	-	(710 103 259)	874 106 856	-
Revenue from external customers	**180 497 850**	**1 328 554 225**	**74 385 809**	**53 396 552**	**-**	**1 636 834 437**
Revenue recognition						
At a certain moment	180 497 850	1 328 554 225	74 385 809	53 396 552	-	1 636 834 437
During the period	-	-	-	-	-	-
	180 497 850	**1 328 554 225**	**74 385 809**	**53 396 552**	**-**	**1 636 834 437**

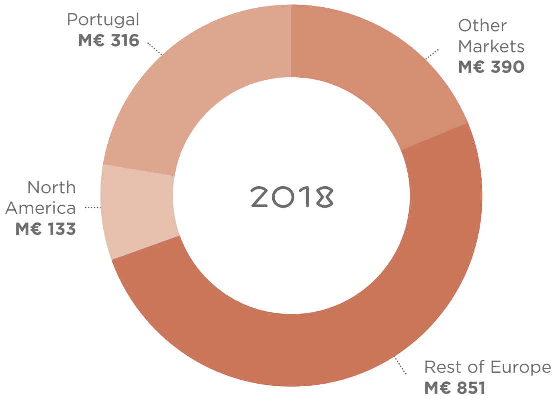
The transfer of control occurs to the same extent that the associated risks are transferred, in accordance with the contractual conditions established. Transfer of control of the goods occurs in general when the goods are delivered at the customer's premises.

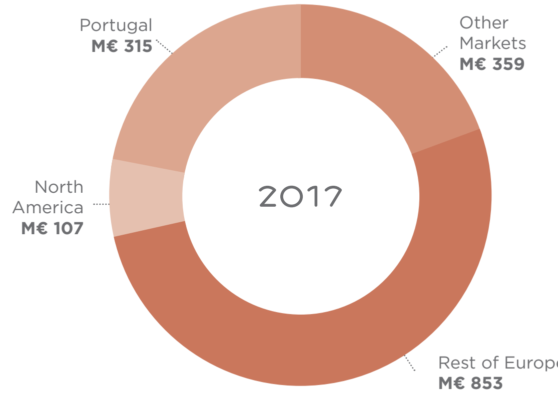
6.2. Sales and services rendered by region

	31-12-2018	31-12-2017
		EURO
PORTUGAL		
UWF Paper (includes energy)	206 800 097	207 293 993
Pulp (includes energy)	28 033 379	23 437 745
Tissue	46 348 456	46 237 571
Others (includes energy)	34 962 043	38 821 345
	316 143 975	**315 790 653**
REST OF EUROPE		
UWF Paper	669 051 867	677 007 998
Pulp	138 985 944	134 816 383
Tissue	43 063 645	26 981 889
Pellets	717 599	14 575 208
	851 819 056	**853 381 478**
NORTH AMERICA		
UWF Paper	133 654 677	107 902 080
Pulp	-	-
	133 654 677	**107 902 080**
OTHER MARKETS		
UWF Paper	370 864 103	336 350 154
Pulp	17 418 182	22 243 723
Tissue	1 727 502	1 166 349
	390 009 787	**359 760 226**
	1 691 627 494	**1 636 834 437**

The geographical distribution of Sales and Services rendered is presented according with the reporting segments shown above.

Figures presented graphically:





7. OTHER OPERATING INCOME

Other operating income is detailed as follows for the periods ended 31 December 2018 and 2017:

EURO

	2018	2017
Supplementary gains	4 541 822	1 373 065
Grants - CO_2 Emission alllowances (Note 8)	3 984 112	2 388 002
Reversal of adjustments in current assets (Note 26)	158 513	243 781
Gains on disposals of non-current assets	18 407 588	1 686 738
Gains on inventories	614 117	1 309 311
Government grants	2 570 090	436 948
Own work capitalised	655 727	9 738 928
Insurance compensation	-	7 572 160
Other operating income	15 977 858	5 277 597
	46 909 827	**30 026 530**

Gains with CO_2 licenses correspond to the recognition of the free allocation of licenses for 477,139 tons of CO_2, at the average price of Euro 8.35 (495,037 tons in 31 December 2017, at the average price of Euro 5.36).

Gains on disposals of non-current assets includes Euro 15,765,258 regarding the gain generated with the sale of the pellets business concluded in February 2018 (see note 17), as well as Euro 2,617,093 regarding the sale of forest lands.

The "insurance compensation" in 2017 included the compensation received as result of the turbine generator failure in the Setúbal plant and the Vila Velha de Ródão fire.

8. OPERATING EXPENSES

Operating expenses are detailed as follows for the periods ended 31 December 2018 and 2017:

EURO

	2018	2017
Cost of inventories sold and consumed	(700 242 350)	(652 186 373)
Variation in production	44 687 130	(25 301 241)
Cost of services and materials consumed	(414 924 552)	(407 745 075)
Payroll costs		
Remunerations		
Statutory bodies - fixed	(3 932 113)	(4 417 767)
Statutory bodies - variable	(3 687 783)	(3 997 833)
Other remunerations	(117 556 502)	(104 977 756)
	(125 176 398)	**(113 393 355)**
Social charges and other payroll costs		
Costs with defined benefit plans (Note 31)	(1 864 257)	(2 172 473)
Costs with defined contribution plans (Note 31)	(1 454 128)	(1 345 265)
Contributions to social security	(22 386 393)	(20 965 177)
Other payroll costs	(10 749 606)	(18 168 556)
	(36 454 384)	**(42 651 471)**
	(161 630 782)	**(156 044 826)**
Other expenses and losses		
Membership fees	(589 746)	(892 290)
Losses in inventories	(3 807 016)	(7 055 746)
Impairment losses in receivables (Note 23)	(562 765)	(63 530)
Impairment losses in inventories (Note 23)	(5 118 983)	(112 924)
Indirect taxes	(10 596 655)	(3 324 546)
Shipment costs	(500 567)	(4 990 371)
Water resources charges	(1 635 252)	(1 191 968)
Costs with CO_2 emissions	(11 623 353)	(3 316 735)
Other operating costs	(6 992 528)	(4 581 241)
	(41 426 865)	**(25 529 350)**
Provisions (Note 32)	**(13 546 948)**	**(4 084 555)**
Total	**(1 287 084 368)**	**(1 270 891 420)**

The increase in Payroll costs recorded in 2018 is mainly explained by the increase of Employees related with the new tissue project in Aveiro and by the increase in estimated bonuses to be paid to Employees.

Other Payroll costs are detailed as follows during the periods ended 31 December 2018 and 2017:

EURO

	2018	2017
Training	2 469 521	1 555 430
Social action	1 038 381	1 020 200
Insurance	4 180 574	4 138 415
Compensation	2 675 772	6 578 510
Others	385 358	4 876 000
	10 749 606	**18 168 555**

In 2017, inventory losses were due to the beginning of pellets production, whose initial plant start-up problems resulted in stock losses in the amount of Euro 3,563,754, compared with the amount of Euro 246,716 registered in 2018, and also from the loss of plants in the Mozambique nursery in the amount of Euro 2,791,786. In 2018, inventory losses also include the amount of Euro 2,200,000 related to write-offs in UWF paper stock, Euro 531,391 related to losses in tissue paper wastes and also Euro 556,700 related to losses in nurseries in Portugal.

The impairment losses in inventories registered in 2018 are related to adjustments in the stock of UWF and tissue paper.

The costs with CO_2 emissions correspond to the emission of 774,410 tons of CO_2 (31 December 2017: 740,247 tons). The increase in this caption when compared to 2017 was due to the strong increase in CO_2 quotations.

The increase in Indirect taxes is due to the recognition of Euro 9,240,720 related to costs associated with the anti-dumping process in the United States of America, from which Euro 3,565,971 are related to the retroactive application of the 1.75% rate in sales for the first review period from August 2015 to February 2017. The remainder concerns the application of an estimated rate for the second period review, which began in March 2017 and ended in February 2018, and that the Group prudently decided to reflect on its results.

For the periods ended 31 December 2018 and 2017 the consumed and sold inventory was detailed as follows:

EURO

	2018	2017
Wood / Biomass	269 642 711	232 896 508
Natural gas	53 019 167	54 475 437
Other fuels	13 963 208	15 369 197
Water	2 007 219	1 948 705
Chemicals	157 004 037	141 725 131
BEKP pulp	18 130 167	19 428 304
Pine pulp	55 395 333	47 266 458
Paper (heavyweight)	7 336 412	7 447 261
Tissue paper - subcontracts	339 307	801 476
Consumables / warehouse material	49 934 597	60 326 494
Packaging material	71 159 411	69 492 278
Other materials	2 310 782	1 009 124
	700 242 350	**652 186 373**

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

During this period, there was an unfavorable evolution in the prices of some chemical products, namely caustic soda, whose unit price has considerably deteriorated in the period.

For the periods ended 31 December 2018 and 2017, the cost of Services and Material Consumed was detailed as follows:

EURO

	2018	2017
Energy and fluids	122 325 381	115 275 763
Transportation of goods	115 407 871	111 555 475
Specialised services	75 122 123	71 899 037
Maintenance and repair	29 454 299	32 106 447
Rentals	16 620 413	17 108 005
Advertising and marketing	15 333 989	17 299 719
Insurance	11 897 504	11 622 352
Other	7 375 475	8 228 119
Travel and accommodation	6 404 384	5 281 838
Fees	6 382 149	6 364 141
Subcontracts	3 376 898	3 448 171
Materials	3 131 147	5 438 510
Communications	2 092 919	2 117 497
	414 924 552	**407 745 075**

The increase in Services and Material Consumed in 2018 is related with the increase in costs with Energy and fluids, Transportation of goods and Specialised services.

The increase in Energy and fluids is due to the substitution of the consumption of fuel by the consumption of natural gas, whose cost is indexed to Brent.

During the periods ended 31 December 2018 and 2017, the costs incurred with investigation and research activities amounted to Euro 5,605,366 and Euro 4,469,547, respectively, excluding the increase in RAIZ Capital occurred in 2017 in the amount of Euro 3,500,000.

9. REMUNERATION OF CORPORATE BODIES

Remuneration of corporate bodies is detailed as follows for the periods ended 31 December 2018 and 2017:

		EURO
	2018	2017
Board of Directors	3 530 654	4 074 269
Statutory auditor	314 425	260 659
Audit Committee	46 284	46 284
General Meeting Board	4 000	12 000
Environmental Impacto Committee	36 750	24 555
	3 932 113	**4 417 767**

For the periods ended 31 December 2018 and 2017, pension liabilities for past services of two non-executive Directors were also recognised, as described in Note 31.

10. DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES

For the periods ended 31 December 2018 and 2017, depreciation, amortisation and impairment losses, net of the effect of investment grants recognised in the period were as follows:

		EURO
	2018	2017
Depreciation of property, plant and equipment		
Land	-	-
Buildings	(11 616 071)	(11 849 468)
Equipments	(128 543 816)	(127 693 685)
Other tangible assets	(3 967 447)	(5 030 579)
	(144 127 334)	**(144 573 731)**
Investment grants (Note 11)	5 619 098	5 909 725
	(138 508 236)	**(138 664 007)**
Impairment losses		
Mozambique land's impairment	-	(6 039 449)
Investment properties	(1 646)	-
Industrial property and other rights	(765)	(444)
	(2 411)	**(6 039 893)**
	(138 510 647)	**(144 703 900)**

11. CHANGES IN GOVERNMENT GRANTS

The movement in Government grants liabilities was as follows:

EURO

	2018			2017		
	FINANCIAL	TAX	TOTAL	FINANCIAL	TAX	TOTAL
Government grants						
Opening balance	27 036 892	4 289 080	31 325 972	32 298 019	4 830 880	37 128 899
Charge-off/recognition	(5 077 298)	(541 800)	(5 619 098)	(5 367 925)	(541 800)	(5 909 725)
Assignments	4 924 216	26 502 330	31 426 546	-	-	-
Increase/(decrease)	(541 932)	-	(541 932)	106 798	-	106 798
Balance at 31 December (Note 31)	**26 341 878**	**30 249 610**	**56 591 488**	**27 036 892**	**4 289 080**	**31 325 972**

As at 31 December 2018, the Company holds non-current liabilities in the amount of Euro 41,997,203 (31 December 2017: Euro 25,533,156). The remaining amount of Euro 14,594,285 (31 December 2017: Euro 5,792,816) is presented as a current liability (Note 34).

The assignment of financial government grants mainly includes Euro 3,748,000 regarding the non-interest bearing repayable subsidy granted by AICEP – Agency for Investment and Foreign Trade of Portugal, to support the investment to increase the production capacity of Aveiro´s new pulp mill (see note 24).

The recognition in the income statement will occur as follows:

EURO

	FINANCIAL	TAX	TOTAL
2019	7 301 401	3 642 379	10 943 780
2020	7 168 881	3 601 231	10 770 112
2021	2 789 222	3 560 084	6 349 305
2022	1 455 613	3 560 084	5 015 697
2023	1 434 306	3 560 084	4 994 390
Later	6 192 454	12 325 750	18 518 204
	26 341 878	**30 249 610**	**56 591 488**

As duly disclosed to the Market on 18 June 2014, the Group's subsidiary, Pulp Cacia, S.A. (former CelCacia – Celulose de Cacia, SA.), signed two financial and tax incentive agreements with the AICEP – *Agência para o Investimento e Comércio Externo de Portugal* (Agency for Investment and Foreign Trade of Portugal) to support the investment to be promoted by that company in the capacity increase project of Cacia pulp mill, with a total amount of Euro 49.3 million. The grants approved amount to Euro 9,264 million (repayable) and Euro 5,644 million (tax incentive) to be used until 2024, being fully used since the end of 2016. The contract includes an achievement bonus, which corresponds to the conversion of the repayable grant in a non-repayable grant, up to a limit of 75% (Euro 6,947,450), subject to compliance with the objectives established in the contract. The recognition of these grants in the income statement (through the decrease of depreciation) was as follows:

EURO

	FINANCIAL INCENTIVES	TAX INCENTIVES	TOTAL
2015	333 488	270 900	604 388
2016	1 780 516	541 800	2 322 316
2017	1 762 004	541 800	2 303 804
2018	1 757 747	541 800	2 299 547
	5 633 755	**1 896 300**	**7 530 055**

On 13 December 2017, the Group's subsidiary, Tissue Cacia Group, S.A. signed an investment agreement with AICEP – *Agência para o Investimento e Comércio Externo de Portugal* (Agency for Investment and Foreign Trade of Portugal), for the construction of the new tissue factory in Aveiro. This agreement comprises a financial incentive under the form of a refundable incentive, which includes a grace period of two years, without payment of interest, up to the maximum amount of Euro 42,166,636, corresponding to 35% on the amount of expenses considered eligible, which were estimated at Euro 120,476 million. On 20 April 2018, the same entity was also awarded with a tax incentive granted through the compliance of contractually defined requirements, whose maximum amount will be Euro 11,515,870, corresponding to 10% of the expenses associated with the project investment.

On 27 December 2018, the Group's subsidiary, Pulp Figueira, S.A. signed a tax investment agreement with AICEP – *Agência para o Investimento e Comércio Externo de Portugal* (Agency for Investment and Foreign Trade of Portugal), related to the investment associated with the increase of pulp production capacity in Figueira da Foz, which includes a tax incentive up to the maximum amount of Euro 17,278,657 (31 December 2018: Euro 14,986,460), corresponding to 19.5% of the investment made, through the fulfillment of the contractually defined objectives.

12. NET FINANCIAL RESULTS

Financial results are detailed as follows for the periods ended 31 December 2018 and 2017:

		EURO
	2018	2017
Financial income		
Interest earned on financial investments	866 218	1 706 696
Favourable exchange rate differences	139 957	-
Gains on financial instruments - trading (Note 35)	-	3 771 523
Gains on financial instruments - hedging (Note 35)	875 067	6 823 059
Gains on compensatory interest	46 286	1 554 886
Other income and financial gains	28 799	11 474
	1 956 327	**13 867 638**
Financial expenses		
Interest paid on borrowings	(7 871 768)	(10 374 291)
Unfavourable exchange rate differences	-	(3 857 581)
Losses on financial instruments - trading (Note 35)	(983 693)	-
Losses on financial instruments - exchange rate hedging (Note 35)	(3 057 893)	-
Losses on financial instruments - interest rate hedging (Nota 35)	(2 271 039)	(2 121 098)
Guarantees and bank charges	(3 376 407)	(3 259 657)
Accrual for option premiums	(2 072 320)	(1 891 916)
Losses on compensatory interest	(779 762)	(6 288)
Other expenses and financial losses	(4 031 070)	(53 778)
	(24 443 953)	**(21 564 608)**
Financial results	**(22 487 626)**	**(7 696 970)**

By adopting an active risk approach, there was an increase in Losses with Financial Instruments – hedging. This caption covers the amounts settled in the financial instruments exchange rate hedges throughout 2018 (net impact of Euro 2,182,826) and the amounts referring to interest rate swaps to cover interest.

Other expenses and financial losses include Euro 2,404,116 regarding the recognition of the difference between the nominal amount and the present amount to be received in respect of the sale of the pellets business (USD 45 million). Over the nominal amount yet to be received will be calculated interests at a 2.5% rate. This amount is reflected in the interest received in the amount of Euro 866,218.

13. INCOME TAX

Income tax is detailed as follows for the periods ended 31 December 2018 and 2017.

EURO

	2018	2017
Current tax (Note 25)	72 039 659	47 755 492
Provision/ (reversal) for current tax	(827 004)	(33 732 638)
Deferred tax (Note 30)	(15 677 663)	25 560 673
	55 534 992	**39 583 528**

As at 31 December 2018, current tax includes Euro 67,611,049 (31 December 2017: Euro 44,820,537) regarding the liability created under the aggregated income tax regime of The Navigator Company S.A. described in Note 1.14.2.

Provision/ (reversal) for current tax includes Euro 9,812,925 regarding excess of corporate income tax for the period and Euro 10,013,530 of provision for tax contingencies (Note 32).

For the periods ended 31 December 2018 and 2017, the reconciliation of the effective income tax rate was as follows:

EURO

	2018		2017	
Profit before tax		**280 672 310**		**247 352 665**
Expected tax	21,00%	58 941 186	21,00%	51 944 060
Municipal surcharge	1,38%	3 879 385	1,28%	3 158 091
State surcharge	4,88%	13 683 036	3,56%	8 796 153
Differences (a)	(3,97%)	(11 155 691)	(6,96%)	(17 222 957)
Excess of income tax estimate	(3,50%)	(9 812 925)	(2,87%)	(7 091 819)
Tax benefits	0,00%	-	0,00%	-
	19,79%	**55 534 992**	**16,00%**	**39 583 528**

(a) This amount includes essentially:

	2018	2017
Gains/(losses) for tax purposes	51 493 486	695 719
Gains/(losses) for accounting purposes	(122 241 014)	(1 751 789)
Taxable provisions	44 288 058	(69 784 846)
Tax benefits	(5 936 644)	(5 660 453)
Employee benefits	(12 493 829)	(363 492)
Other	4 323 793	14 235 928
	(40 566 150)	**(62 628 934)**
Tax effect (27.5%)	**(11 155 691)**	**(17 222 957)**

The amount regarding excess of corporate income tax is due to the final calculation of SIFIDE after the year-end in the amount of Euro 7,106,016 (2017: Euro 4,080,122).

14. EARNINGS PER SHARE

Earnings per share were determined as follows:

		EURO
	2018	2017
Profit attributable to the Company's shareholders	225 135 403	207 770 604
Total number of issued shares	717 500 000	717 500 000
Treasury shares - period average	(521 146)	(489 973)
	716 978 854	**717 010 027**
Basic earnings per share	0,314	0,290
Diluted earnings per share	0,314	0,290

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

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

				EURO
	2018		2017	
	QUANTITY	ACCUMULATED QUANTITY	QUANTITY	ACCUMULATED QUANTITY
Treasury shares held on January		489 973		489 973
Acquisitions				
January	-	489 973	-	489 973
February	-	489 973	-	489 973
March	-	489 973	-	489 973
April	-	489 973		489 973
May	-	489 973	-	489 973
June	-	489 973	-	489 973
July	-	489 973	-	489 973
August	-	489 973	-	489 973
September	-	489 973	-	489 973
October	-	489 973	-	489 973
November	-	489 973	-	489 973
December	374 076	864 049	-	489 973
Treasury shares held on 31 December 2018		**864 049**		**489 973**
Average treasury shares held for the period		**521 146**		**489 973**

15. NON-CONTROLLING INTERESTS

The movement in Non-controlling interests for the 2018 and 2017 periods is as follows:

		EURO
	2018	2017
Opening balance	420 277	2 272 606
Profit for the period	1 915	(1 467)
Other differences	(217 929)	(1 850 862)
Balance on 31 December	**204 263**	**420 277**

As at 31 December 2018 and 2017, Non-controlling interests presented in the Consolidated Statement of financial position were as follows:

	EURO	
	EQUITY	
	31-12-2018	31-12-2017
RAIZ – Instituto de Investigação da Floresta e Papel	204 263	420 277
Portucel Moçambique	-	-
	204 263	**420 277**

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

In 2014, the Group signed agreements with the International Finance Corporation for the entry of this institution into the share capital of the subsidiary Portucel Moçambique, S.A., thus ensuring the construction phase of the Group's forestry project in Mozambique. In 2015, this company performed a capital increase from MZM 1 000 million to MZM 1,680,798 million subscribing MZM 332,798 million corresponding to 19.98% of the capital at that date, although it has not yet realised the entire counter value in Euros of that capital increase. Accordingly, the unrealised amount was reclassified to equity of the parent company's shareholders.

The Non-controlling interests presented in the Income Statement, for the periods ended 31 December 2018 and 2017, are as follows:

	EURO	
	PROFIT	
	2018	2017
RAIZ – Instituto de Investigação da Floresta e Papel	1 915	(1 467)
Portucel Moçambique	-	-
	1 915	**(1 467)**

16. APPROPRIATION OF PREVIOUS YEARS' PROFIT AND RETAINED EARNINGS

The application of the results for 2017 and 2016 is detailed as follows:

		EURO
	2018	2017
Distribution of dividends (excluding treasury shares)	170 003 077	170 003 077
Legal reserve		10 081 439
Bonus to employees (balance bonus)	7 000 000	7 000 000
Retained earnings	30 767 527	30 416 921
	207 770 604	**217 501 437**

The resolution for the appropriation of the net profit for the period ended 31 December 2017, approved at the Navigator Company's General Meeting held on 23 May 2018, was based on the net profit for the year as defined by the IFRS. The difference in the net profit (individual and consolidated), in the amount of Euro 3,354,501, was transferred to Retained earnings.

As a complement of the proposed 2017 net income distribution at the Navigator

Company's General Meeting, it was also approved the distribution of free reserves in the amount of Euro 0.04184 per share, in the total amount of Euro 29,999,700, distributed in 19 June 2018.

It was also approved the release of the legal reserve surplus, in the amount of Euro 9,790,475 and its transfer to free reserves.

17. GOODWILL

Navigator Paper Figueira, S.A.

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

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

The book value of goodwill amounts to Euro 376,756,383 as it was amortised up to 31 December 2003 (date of transition to IFRS: 1 January 2004). As of that date, the accumulated depreciation amounted to Euro 51,375,871 From that date on, depreciation ceased and was replaced by annual impairment tests. If this amortisation had not been interrupted, the net book value of the Goodwill as at 31 December 2018 would amount to Euro 119,877,025 (31 de December 2017: Euro 137,002,317).

Navigator *Tissue* Ródão, S.A.

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

To the initial acquisition difference, of Euro 21,337,916, was deducted the AICEP's investment subsidy and the fair value of the acquired tangible assets, with a goodwill amounting to Euro 583,083.

Goodwill Impairment Analysis

Every year, the Navigator Company Group calculates the recoverable amount of each business, based on value-in-use calculations, in accordance with the Discounted Cash Flow method. The calculations are based on past performance and business expectations with the actual production structure, using the budget for 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:

EURO

	2018	2017
Inflation rate	2,00%	2,00%
Discount rate (post-tax)	6,59%	6,84%
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 9.09% (31 December 2017: 9.60%) and has been calculated in accordance with the WACC (Weighted Average Cost of Capital) methodology, based in the following assumptions:

	2018	2017
Risk free interest rate (spread included)	2,55%	2,39%
Equity risk premium (market and Equity)	5,00%	5,00%
Tax rate	27,50%	29,50%
Debt risk premium	3,11%	2,89%

18. OTHER INTANGIBLE ASSETS

During 2018 and 2017, the movement occurred in other intangible assets is detailed as follows:

EURO

	INDUSTRIAL PROPERTY AND OTHER RIGHTS	CO_2 EMISSION LICENCES	TOTAL
Acquisition cost			
Balance as of 1 January 2017	**4 400**	**4 299 649**	**4 304 049**
Acquisitions	1 870	1 062 000	1 063 870
Disposals	-	-	-
Adjustments, transfers and write-offs	-	(1 485 824)	(1 485 824)
Balance as of 31 December 2017	**6 270**	**3 875 825**	**3 882 095**
Acquisitions	165	3 984 111	3 984 276
Disposals	-	-	-
Adjustments, transfers and write-offs	(3 300)	(4 975 303)	(4 978 603)
Balance as of 31 December 2018	**3 135**	**2 884 633**	**2 887 768**
Accumulated depreciation and impairment losses			
Balance as of 1 January 2017	**(3 407)**	**-**	**(3 407)**
Amortisations and impairment losses	(444)	-	(444)
Disposals	-	-	-
Adjustments, transfers and write-offs	-	-	-
Balance as of 31 December 2017	**(3 850)**	**-**	**(3 850)**
Amortisations and impairment losses	(765)	-	(765)
Disposals	-	-	-
Adjustments, transfers and write-offs	3 098	-	3 098
Balance as of 31 December 2018	**(1 517)**	**-**	**(1 517)**
Net book value as of 1 January 2017	**993**	**4 299 649**	**4 300 642**
Net book value as of 31 December 2017	**2 420**	**3 875 825**	**3 878 245**
Net book value as of 31 December 2018	**1 618**	**2 884 633**	**2 886 251**

As at 31 December 2018, the Group held 442,145 CO_2 emission licenses with a market value as of that date of Euro 10,496,522 (31 December 2017: 561,148 licenses with a market value of Euro 3,366,888).

This amount includes forwards related to 250 000 emission licenses, acquired in 2016 and 2017, amounting to Euro 1,397,500 as at 31 December 2018 (31 de December 2017: 500,000 emission licenses with an amount of Euro 3,328,500) (Nota 35.2).

19. PROPERTY, PLANT AND EQUIPMENT

During 2018 and 2017, changes in Property, plant and equipment, as well as the respective depreciation and impairment losses, were as follows:

EURO

	LAND	BUILDINGS AND OTHER CONSTRUCTIONS	EQUIPMENTS AND OTHER TANGIBLES	ASSETS UNDER CONSTRUCTION	TOTAL
Acquisition costs					
Balance as of 1 January 2017	**122 100 111**	**532 141 814**	**3 250 316 665**	**28 961 567**	**3 933 520 157**
Acquisitions	2 868 315	-	-	111 846 378	114 714 693
Impairment losses (Note 8)	(5 004 528)	-	-	(1 034 921)	(6 039 449)
Disposals	(2 547 432)	(488 735)	(1 568 450)	-	(4 604 617)
Adjustments, transfers and write-offs	230 302	8 222 743	28 308 733	(34 711 878)	2 049 900
Assets held for sale (Note 27)	(1 609 029)	(32 887 566)	(77 847 177)	(924 392)	(113 268 164)
Balance as of 31 December 2017	**116 037 739**	**506 988 256**	**3 199 209 772**	**104 136 754**	**3 926 372 520**
Acquisitions	-	-	11 616 791	204 842 572	216 459 363
Disposals	(3 182 445)	(7 359)	(93 489)	-	(3 283 293)
Adjustments, transfers and write-offs	1 190 712	26 943 506	217 910 213	(247 390 579)	(1 346 148)
Balance as of 31 December 2018	**114 046 006**	**533 924 403**	**3 428 643 288**	**61 588 747**	**4 138 202 442**
Accumulated depreciation and impairment losses					
Balance as of 1 January 2017	**(170 652)**	**(308 120 634)**	**(2 330 249 939)**	**-**	**(2 638 541 225)**
Depreciation and impairment losses	-	(11 849 468)	(132 724 264)	-	(144 573 731)
Disposals	-	1 280	1 056 044	-	1 057 324
Adjustments, transfers and write-offs	-	(87 004)	(937 090)	-	(1 024 094)
Assets held for sale (Note 27)	-	2 055 473	25 778 785	-	27 834 258
Balance as of 31 December 2017	**(170 652)**	**(318 000 353)**	**(2 437 076 464)**	**-**	**(2 755 247 469)**
Depreciation and impairment losses	-	(11 251 641)	(132 875 693)	-	(144 127 334)
Disposals	-	5 838	4 605	-	10 443
Adjustments, transfers and write-offs	170 652	-	-	-	170 652
Balance as of 31 December 2018	**-**	**(329 246 156)**	**(2 569 947 552)**	**-**	**(2 899 193 708)**
Net book value as of 1 January 2017	**121 929 459**	**224 021 180**	**920 066 726**	**28 961 567**	**1 294 978 933**
Net book value as of 31 December 2017	**115 867 087**	**188 987 903**	**762 133 308**	**104 136 754**	**1 171 125 052**
Net book value as of 31 December 2018	**114 046 006**	**204 678 247**	**858 695 736**	**61 588 747**	**1 239 008 735**

As at 31 December 2018, “Assets under construction” includes investments in projects under development already announced, in particular related with the paper tissue business segment, in the amount of Euro 6,069,535, with the highlight of the current tissue operation in Vila Velha de Ródão.

In the pulp business segment, assets under construction amount to Euro 15,526,541, which include the acquisition of a new pulp washer (Euro 1,955,307), the environmental plans of Aveiro and Setúbal (Euro 5,259,550), as well as improvements in the productive process.

Assets under construction associated with the paper segment amount to Euro 39,145,302 and are mainly related with the PM3 reconversion project for heavier paper in Setúbal (Euro 8,181,708), as well as other other investments in productive process improvements (Euro 30,963,594).

In “Others” segment are included investments under development in the amount of Euro 847 369 which are expected to be fulfilled until the end of the year.

Lands includes Euro 113,118,109 (2017: Euro 114,746,601) classified in the individual financial statements as investment properties, from which Euro 73,910,838 (2017: Euro 76,310,837) relate to forest land and Euro 39,207,271 (2017: Euro 38,435,764) to land allocated to industrial sites leased to the Group.

20. INVESTMENT PROPERTIES

As at 31 December 2018 and 2017, the Group had the following assets classified as investment properties:

EURO

	LAND	BUILDINGS AND OTHER CONSTRUCTIONS	TOTAL
Acquisition costs			
Balance as of 1 January 2017	**424 744**	**82 307**	**507 051**
Acquisitions	-	-	-
Impairment losses	-	-	-
Disposals	-	-	-
Adjustments, transfers and write-offs	-	-	-
Balance as of 31 December 2017	**424 744**	**82 307**	**507 051**
Acquisitions	-	-	-
Impairment losses	-	-	-
Disposals	-	-	-
Adjustments, transfers and write-offs	-	-	-
Balance as of 31 December 2018	**424 744**	**82 307**	**507 051**
			-
			-
Accumulated depreciation and impairment losses			
Balance as of 1 January 2017	**(75 000)**	**(6 859)**	**(81 859)**
Depreciation and impairment losses	(324 372)	(1 646)	(326 018)
Disposals	-	-	-
Adjustments, transfers and write-offs	-	-	-
Balance as of 31 December 2017	**(399 372)**	**(8 505)**	**(407 877)**
Depreciation and impairment losses	-	(1 646)	(1 646)
Disposals	-	-	-
Adjustments, transfers and write-offs	-	-	-
Balance as of 31 December 2018	**(399 372)**	**(10 151)**	**(409 523)**
Net book value as of 1 January 2017	**349 744**	**75 448**	**425 192**
Net book value as of 31 December 2017	**25 372**	**73 802**	**99 174**
Net book value as of 31 December 2018	**25 372**	**72 156**	**97 528**

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

21. BIOLOGICAL ASSETS

During 2018 and 2017, changes in biological assets were as follows:

EURO

	2018	2017
Balance as of 1 January	129 396 936	125 612 949
Logging in the period	(20 580 687)	(21 192 882)
Growth	14 030 666	12 358 248
New planted areas and replanting (at cost)	2 948 334	2 682 277
Other changes in fair value	(6 180 682)	9 936 344
	(9 782 369)	**3 783 988**
Balance as of 31 December	**119 614 567**	**129 396 936**

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

		EURO
	31-12-2018	31-12-2017
Costs of assets management		
Forestry	3 648 331	3 278 190
Structure	4 431 804	4 451 938
Fixed and variable rents	10 765 078	10 391 180
Impairment in Mozambique's project	(6 969 492)	-
	11 875 721	**18 121 308**
Changes in expectations		
Price of wood	(4 849 200)	(683 000)
Cost-of-capital rate	3 568 300	6 012 590
Variations in other species	(850 935)	5 709 283
Impact of forest fires	(1 793 848)	(6 996 837)
Other changes in expectations	(14 130 719)	(12 227 000)
	(18 056 402)	**(8 184 964)**
	(6 180 682)	**9 936 344**

Given the fact that there is no active market for Eucalyptus in Mozambique and the conditions for the beginning of construction of a chip factory have not yet been created, the Group decided to record an impairment related to the fair value of the biological assets implanted in Zambézia, in the amount of Euro 6,969,492.

As at 31 December 2018 and 2017, biological assets, by species, were detailed as follows:

		EURO
	31-12-2018	31-12-2017
Eucalyptus (Portugal)	112 935 412	115 198 626
Pine (Portugal)	4 590 452	5 136 610
Coark oak (Portugal)	1 848 841	2 167 541
Other species (Portugal)	239 861	225 939
Eucalyptus (Mozambique)	-	6 668 220
	119 614 567	**129 396 936**

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

		EURO
	31-12-2018	31-12-2017
Eucalyptus (Portugal) - Potential future of wood extractions k m^3ssc	9 571	9 943
Pine (Portugal) - Potential future of wood extractions k ton	389	413
Pine (Portugal) - Potential future of pine extractions k ton	n/a	n/a
Coark Oak (Portugal) - Potential future of coark extractions k @	611	644

Concerning Eucalyptus in Portugal, the most relevant biological asset in the financial statements for the period ended 31 December 2018 and 2017, the Group extracted 596,777 m3ssc and 577,526 m3ssc of wood from its owned and explored forests, respectively.

In addition, as at 31 December 2018 and 2017 (i), there are no amounts of biological assets whose property is restricted and/or pledged as guarantee for liabilities, nor there are non-reversible commitments related to the acquisition of biological assets, and (ii) there are no government subsidies related to biological assets recognized in the Group's consolidated financial statements.

22. OTHER FINANCIAL ASSETS

As at 31 December 2018 and 2017, Other Financial Assets were as follows:

	EURO	
	31-12-2018	31-12-2017
Enviva Pellets Greenwood, LLC (EUA)	33 448 788	-
Department of Commerce (EUA)	25 597 410	-
Other receivables	3 600 967	31 410
Other investments	521 747	393 018
	63 168 912	**424 428**

22.1. Financial assets at fair value through profit or loss

This caption, in the amount of Euro 521,747, includes the percentage held by the Group in Liaison Technologies, originally acquired in 2005 (Euros 229,136), through the exchange of shares of Express Paper. Until 2012, the Group held 1.52% of the capital of this subsidiary and, in 2013, sold shares representing 0.85% of the share capital, generating a capital gain of Euro 182,911. The Group wants to sell the remaining shares of Liaison.

22.2. Other non-current assets

Other non-current assets include:

i) The amount of Euro 33,448,788 relating to the current amount receivable for the sale of the pellets business (USD 45 million, of which USD 42,5 are non-current). The nominal amount receivable shall bear interest at the rate of 2.5%;

ii)The amount of Euro 25,597,410 relating to the amount receivable from the US Department of Commerce.

In 2015 the Group was subject to an investigation for alleged dumping practices on UWF exports to the United States of America and an anti-dumping definitive tax rate of 1.75% was applied last October for the review period from August of 2015 to February 2017. The Group is entitled to a reimbursement in the amount of Euro 25,597,410, as a result of the higher rates (29.53% and 7.8%), applied over the same period.

Once the complainants took legal action over the settling of the 1.75% rate, it is expected that the reimbursement will occur more than 12 months after the balance sheet date, which is the reason why this amount was reclassified, in the period, to non-current assets (see Note 24).

iii) The amount of Euro 3,600,967, relating to other non-current receivables.

23. INVENTORIES

As at 31 December 2018 and 2017, Inventories were as follows:

	EURO	
	31-12-2018	31-12-2017
Raw materials	109 522 231	115 091 141
Finished and semi-finished goods	104 746 298	51 094 352
Work in progress	3 378 298	16 721 820
By-products and waste	4 426 039	4 888 266
Goods	304 005	16
	222 376 871	**187 795 595**

The increase in Finished and semi-finished goods resulted, on the one hand, from increases in the production capacity in Aveiro and Figueira da Foz and, on the other hand, on the need to (re) build stocks given the high number of shut-down days of pulp mills, in particular to support the production of paper and to restore stocks to appropriate levels of operation, after the historical lowest level reached in December 2017.

As at 31 December 2018 and 2017, finished and semi-finished goods were located in the following countries:

		EURO
	31-12-2018	31-12-2017
Portugal	84 546 576	35 274 421
USA	10 076 678	8 446 772
Germany	3 512 656	2 329 792
United Kingdom	2 245 012	1 919 678
Netherlands	2 919 387	1 761 121
Mozambique	-	558 329
France	700 915	417 798
Spain	421 355	277 402
Italy	89 758	89 886
Switzerland	12 246	11 883
Poland	221 716	7 269
	104 746 298	**51 094 352**

The amounts presented are net of adjustments, in accordance with the policy described in Note 1.15 and whose detail is described in Note 26 and the Portuguese amounts include Euro 14,857,665 (31 December 2017: Euro 14,229,243) regarding inventories whose invoices had already been issued but whose transfer of risks and rewards to Customers had not yet been transferred to Customers, which is why the corresponding revenue was not recognised at the date of the statement of financial position.

The inventory amount by business segment is detailed in Note 5.

24. RECEIVABLES AND OTHER CURRENT ASSETS

As at 31 December 2018 and 2017, Receivables and other current assets were detailed as follows:

		EURO
	31-12-2018	31-12-2017
Trade receivables	225 803 124	175 579 498
Trade receivables - Group companies (Note 36)	216 059	82 306
Other receivables	56 333 921	34 334 922
Derivative financial instruments (Note 35)	465 825	3 644 395
Accrued income	19 229 947	19 198 044
Deferred costs	5 701 813	4 865 157
	307 750 689	**237 704 322**

The amounts receivable shown above are net of adjustments, in accordance with the policy described in Note 1.16 and whose detail is described in Note 26. The detail by business segment can be analysed in Note 5.

As at 31 December 2018 and 2017, Other receivables were detailed as follows:

		EURO
	31-12-2018	31-12-2017
Advances to employees	565 027	513 293
Advances to suppliers	163 004	172 466
Financial incentives receivable	51 271 101	42 105
Department of Commerce (USA) (Note 22.2)	-	29 846 612
Other debtors	4 334 789	3 760 446
	56 333 921	**34 334 922**

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:

		EURO
	2018	2017
Balance as of 1 January	42 105	58 870
Increase/(decrease)	700 010	-
Assignments	50 930 086	-
Received in the period	(401 100)	(16 765)
Balance as of 31 December	**51 271 101**	**42 105**

The balance as at 31 December 2018 refers to the financial incentives assigned, in which the financial incentive negotiated with AICEP – *Agência para o Investimento e Comércio Externo de Portugal*, for the construction of the new tissue factory in Aveiro is highlighted. This incentive, under the form of a repayable incentive, includes a grace period of two years, without payment of interest and up to the maximum amount of Euro 42,166,636, corresponding to 35% of expenses deemed to be eligible (Note 11).

This balance as at 31 December 2018 also includes the assignment of financial incentives granted within several research and development projects, namely the Inpactus project (Euro 5,585,300) and others (Euro 3,519,165), whose expectation of the Group is that all the conditions precedent to its receipt are guaranteed.

As at 31 December 2018 and 2017, Accrued income and deferred costs were detailed as follows:

		EURO
	31-12-2018	31-12-2017
Accrued income		
Interest receivable	2 139 566	1 288 638
Energy sales	15 981 121	15 320 310
Other	1 109 260	2 589 096
	19 229 947	**19 198 044**
Deferred costs		
Rents	4 127 809	3 604 994
Insurance	1 396 919	1 061 073
Other		199 090
	5 701 813	**4 865 157**
	24 931 759	**24 063 201**

25. STATE AND OTHER PUBLIC ENTITIES

As at 31 December 2018 and 2017, there were no overdue debts to the State and other public entities.

The balances with these entities were as follows:

EURO

Current assets	31-12-2018	31-12-2017
State and other public entities		
Value added tax - reimbursement requests	49 093 762	59 020 670
Value added tax - to recover	14 119 222	3 335 694
Amounts pending repayment (tax proceedings decided in favor of the group)	16 538 446	12 720 057
	79 751 430	**75 076 422**

As at 31 December 2018 and 2017, the amount of reimbursement requests comprised the following, by month and by company:

EURO

	NOV/2018	DEC/2018	TOTAL
The Navigator Company, S.A.	-	20 408 801	20 408 801
About The Future, S.A.	-	12 301 663	12 301 663
Enerpulp, S.A.	-	10 000 000	10 000 000
Bosques do Atlântico, S.L.	-	5 256 623	5 256 623
Navigator Forest Portugal, S.A.	400 000	-	400 000
Navigator Paper Setúbal, S.A.	-	200 000	200 000
Gavião - Sociedade de Caça e Turismo, S.A.	-	189 272	189 272
Eucaliptusland, S.A.	-	195 612	195 612
Sociedade de Vinhos da Herdade de Espirra, S.A.	-	77 718	77 718
Arboser, S.A.	-	64 073	64 073
	400 000	**48 693 762**	**49 093 762**

Up to the date of issuing this report, Euro 18,018,245 of the amounts to be received as at 31 December 2018, had already been received.

As at 31 December 2017, the amount of reimbursement requests comprised the following, by month and by company:

EURO

	SEP/2017	OCT/2017	NOV/2017	DEC/2017	TOTAL
The Navigator Company, S.A.	-	9 138 486	21 047 339	20 558 615	50 744 439
Navigator Abastecimento de Madeira, ACE	1 779 313	-	-	-	1 779 313
Navigator Tissue Cacia, S.A.	1 909 225	-	-	-	1 909 225
Bosques do Atlântico, S.L.	-	-	-	4 587 693	4 587 693
	3 688 537	**9 138 486**	**21 047 339**	**25 146 308**	**59 020 670**

All these amounts were received during the first semester of 2018.

As at 31 December 2018 and 2017, the amounts pending repayment from tax proceedings decided in favour of the Group, were as follows:

		EURO
	2018	2017
2013 Corporate income tax (RETGS)	8 715 786	-
2012 Corporate income tax - Proceeding 727/2016-T	4 422 958	4 422 958
2003 Value added tax	2 281 342	2 281 342
Other	1 118 361	6 015 758
	16 538 446	**12 720 057**

As part of the tax inspection process for the 2013 period, The Navigator Company, SA was notified regarding the Final Tax Inspection Report, dated 4 September 2017, which, among other things, contained a correction to the income tax calculation, in the amount of Euro 17,727,402 relating to the improper use of RFAI (*Regime Fiscal de Apoio ao Investimento*) carried forward with respect to previous periods.

Navigator did not agree with the identified correction and decided to contest it providing a bank guarantee in the amount of Euro 26,022,893 in order to suspend the tax execution procedure, following several litigation processes already presented on that matter since 2012.

Following a favorable decision on one of the most relevant cases presented and, as a result of Navigator's insistence throughout this litigation and in particular the litigation initiated at the end of 2017, regarding the change of the Portuguese Tax Authorities (AT) internal understanding on one of the key issues under discussion (i.e., the admissibility of the RFAI reporting), at the end of 2018, AT allowed the deduction of the entire RFAI recognised by Navigator during the periods between 2009 and 2013.

On this basis, AT will reimburse the corresponding tax paid in the 2010, 2011 and 2012 periods by accepting a higher deduction of RFAI, in the total amount of Euro 10,801,901, of which Euro 8,715,786 are still pending reimbursement. In addition, Navigator is required to pay, by reference to 2013, the additional RFAI deduction agreed between 2010 and 2012 because it is no longer available for reporting and deduction purposes in that same year, in the amount of Euro 10,813,923.

		EURO
Current liabilities	31-12- 2018	31-12-2017
State and other public entities		
Corporate income tax	31 939 851	7 120 857
Personal income tax	2 332 455	2 158 253
Value added tax	41 832 900	30 150 781
Social security contributions	2 271 807	2 525 854
Additional tax liabilities	12 277 050	1 463 127
Other	120 985	152 913
	90 775 049	**43 571 785**

As previously mentioned, since 1 July 2015, The Navigator Company and its subsidiaries were part of the taxation group led by The Navigator Company, S.A. Therefore, although each group company calculated its income taxes as if it was taxed independently, the determined liabilities were recognised as due to the leader of the taxation group who proceeded with the overall computation and the settlement of the income tax (Note 13).

Corporate income tax is detailed as follows:

		EURO
	31-12-2018	31-12-2017
Corporate income tax (Note 13)	72 039 659	47 755 492
Payments on account	(39 807 135)	(45 087 168)
Withholding tax	(22 886)	(895 346)
Corporate income tax - Decree-Law No. 66/2016 (Revaluation Regime)	-	5 235 601
Other receivables/ (payables)	(269 786)	112 278
Closing balance	**31 939 851**	**7 120 857**

The changes in additional tax liabilities as at 31 December 2018 and 2017 were as follows:

		EURO
	2018	2017
As of 1 January	**1 463 127**	**1 465 022**
Increases	10 813 923	-
Decreases	-	(1 895)
As of 31 December	**12 277 050**	**1 463 127**

As at 31 December 2018 and 2017, the additional tax liabilities are detailed as follows:

		EURO
	31/31/2018	31-12-2017
Bosques do Atântico	1 463 127	1 463 127
2013 Corporate income tax (RETGS)	10 813 923	-
	12 277 050	**1 463 127**

26. IMPAIRMENT IN NON-CURRENT AND CURRENT ASSETS

During 2018 and 2017, the changes in this caption were as follows:

				EURO
	IMPAIRMENTS			
	INVENTORIES (NOTE 23)	TRADE RECEIVABLES (NOTE 24)	OTHER DEBTORS	TOTAL
Balance as of 1 January 2017	**(238 868)**	**(2 395 281)**	**(1 565)**	**(2 635 714)**
Increase (Note 8)	(112 924)	(63 530)	-	(176 454)
Reversals (Note 7)	225 477	18 304	-	243 781
Charge-off	-	35	104 310	104 345
Balance as of 31 December 2017	**(126 315)**	**(2 440 472)**	**102 745**	**(2 464 042)**
Increase (Note 8)	(5 118 983)	(562 765)	-	(5 681 748)
Reversals (Note 7)	1 221	157 292	-	158 513
Charge-off	9 592	1 603 883	(61 210)	1 552 265
Balance as of 31 December 2018	**(5 234 487)**	**(1 242 062)**	**41 535**	**(6 435 013)**

27. NON-CURRENT ASSETS HELD FOR SALE

On December 2017, The Navigator Company celebrated a sale agreement related with its pellets business in the United States of America with a joint venture managed and operated by an associate of Enviva Holdings, LP, in the amount of USD 135 million.

As a result, in the consolidated statement of financial position at 31 December 2017, the referred assets were identified as "Non-current assets held for sale" and are composed as follows:

EURO

	31-12-2018	31-12-2017
Property, plant and equipment	-	85 433 905
Inventories	-	803 143
	-	**86 237 049**

This operation was concluded on February 2018.

28. SHARE CAPITAL AND TREASURY SHARES

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

As at 31 December 2018, The Navigator Company's share capital of Euro 500,000,000 was fully subscribed and paid for being represented by 717,500,000 shares without nominal value.

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

These shares were mainly acquired during 2008 and 2012 as well as in 2018, and the changes in the period were as follows:

EURO

	2018		2017	
	QUANTITY	AMOUNT	QUANTITY	AMOUNT
Treasury shares held in January	**489 973**	**1 002 084**	**489 973**	**1 002 084**
Acquisitions				
January	-	-	-	-
February	-	-	-	-
March	-	-	-	-
April	-	-	-	-
May	-	-	-	-
June	-	-	-	-
July	-	-	-	-
August	-	-	-	-
September	-	-	-	-
October	-	-	-	-
November	-	-	-	-
December	374 076	1 315 831	-	-
	374 076	**1 315 831**	**-**	**-**
Treasury shares held in December	**864 049**	**2 317 915**	**489 973**	**1 002 084**

Treasury shares are stated at acquisition cost.

The market value of the treasury shares held on 31 December 2018 amounted to Euro 3,110,576 (31 December 2017: Euro 2,083,365), corresponding to a unit value of Euro 3.60 (31 December 2017: Euro 4.252) and the market capitalization of the Company at this date amounted to Euro 2,583,000,000 (2017: Euro 3,050,810,000) compared to an equity, net of non-controlling interests, of Euro 1,186,413,158 (2017: Euro 1,184,459,371).

As at 31 December 2018, the shareholders with qualified shareholdings in the Company's capital were as follows:

	31-12-2018	
Entity	NO. OF SHARES	CAPITAL %
Seinpar Investments, BV	241 583 015	33,67%
Semapa, SGPS, S.A.	256 033 284	35,68%
Other entities from Semapa's Group	1 000	0,00%
Treasury shares	864 049	0,12%
Remaining shareholders	219 018 652	30,53%
Total shares	**717 500 000**	**100,00%**

As at 31 December 2017, the detail was as follows:

	31-12-2017	
Entity	NO. OF SHARES	CAPITAL %
Seinpar Investments, BV	241 583 015	33,67%
Semapa, SGPS, S.A.	256 033 284	35,68%
Other entities from Semapa's Group	1 000	0,00%
Zoom Lux S.A.L.R.	15 349 972	2,14%
Treasury shares	489 973	0,07%
Fundo de Pensões do Banco BPI	30 412 133	4,24%
Norges Bank (the Central Bank of Norway)	15 498 902	2,16%
Remaining shareholders	158 131 721	22,04%
Total shares	**717 500 000**	**100,00%**

29. RESERVES AND RETAINED EARNINGS

As at 31 December 2018 and 2017, reserves and retained earnings were as follows:

		EURO
	31-12-2018	31-12-2017
Fair value reserve	(5 633 483)	(3 020 990)
Legal reserve	100 000 000	109 790 475
Free reserves	197 292 250	217 500 000
Currency exchange reserve	(20 575 294)	(13 966 898)
Retained earnings	192 512 197	167 388 264
	463 595 670	**477 690 851**

Fair value reserves

The amount of Euro 2,612,493, net of deferred taxes in the amount of Euro 990,946 represents the decrease in the fair value of financial hedging instruments that, at 31 December 2018, were valued at Euro 4,502,399 (Note 35.3) and were accounted for in accordance with Note 1.13.

The changes in this reserves in 2018 and 2017 were as follows:

EURO

	2018	2017
Fair value reserve		
Balance as of 1 January	(3 020 990)	(7 571 781)
Fair value revaluation	2 716 439	1 740 747
Transferred to the income statement due to the maturity of instruments (Note 12)	(5 328 932)	2 810 045
Balance as of 31 December	**(5 633 483)**	**(3 020 990)**

The closing balance of the fair value reserve, by financial instrument, is as follows:

EURO

	31-12-2018			31-12-2017		
	GROSS AMOUNT	DEFERRED TAX	NET AMOUNT	GROSS AMOUNT	DEFERRED TAX	NET AMOUNT
Hedged interest rate risk	(4 840 967)	1 331 266	(3 509 701)	(2 874 971)	790 617	(2 084 354)
Hedged exchange rate risk	(17 532)	4 822	(12 710)	680 940	(187 258)	493 682
Hedged exchange rate risk - Navigator North America	(2 911 823)	800 751	(2 111 072)	(1 972 852)	542 534	(1 430 318)
	(7 770 322)	**2 136 839**	**(5 633 483)**	**(4 166 883)**	**1 145 893**	**(3 020 990)**

Legal reserve

The Portuguese Commercial Companies Code (*Código das Sociedades Comerciais*) establishes that at least 5% of the annual net profit must be used to increase the legal reserve until it represents at least 20% of the capital. This reserve cannot be distributed unless Navigator is liquidated but can be drawn on to absorb losses, after other reserves are exhausted, or incorporated in the share capital.

Reserve for Treasury shares

According to Article 324 of the Portuguese Commercial Companies Code (*Código das Sociedades Comerciais*), the Group constitutes an unavailable reserve of an amount equal to the book value of the treasury shares held in the individual accounts.

Currency exchange reserve

This caption includes the exchange differences arising as a result of the conversion of all assets and liabilities of the Group expressed in foreign currency to Euros, using the closing mid-market exchange rates in force at the statement of financial position and is as follows:

EURO

	31-12-2018	31-12-2017
Navigator North América (USD)	(2 218 047)	4 636 173
Navigator Switzerland (CHF)	(497 240)	(735 556)
Navigator Paper Mexico (MXN)	(30 964)	-
Navigator Rus Company, LLC (RUB)	(21 425)	-
Navigator Middle East Trading DMCC (AED)	(11 729)	-
Navigator Paper Company UK (GBP)	5 528	11 663
Navigator Eurasia (TYR)	799	799
Navigator Afrique du Nord (MAD)	395	395
Navigator Paper Poland (PLN)	(2 863)	(2 863)
Portucel Moçambique (MZM)	(17 799 748)	(16 363 010)
Colombo Energy Inc. (USD)	-	(1 514 499)
	(20 575 294)	**(13 966 898)**

Other reserves and retained earnings

At 31 December 2018 and 2017, the amounts available for distribution were detailed as follows:

	31-12-2018	31-12-2017
		EURO
Retained earnings and free reserves	498 171 448	553 912 508
Reserve assigned to treasury shares	(2 317 915)	(1 002 084)
	495 853 533	**552 910 424**
Net profit for the period	228 252 757	204 416 383
Minimum legal reserve	-	-
Profit/ (loss) not yet materialised arising from the application of the Equity method	**(223 614 231)**	**(134 107 631)**
	4 638 526	70 308 752
	500 492 059	**623 219 176**
Legal limitation arising from the application of the provisions of *Código das Sociedades Comerciais*	(138 904 644)	(186 121 138)
Amount available for distribution	**361 587 415**	**437 098 038**

If the profit for the period of The Navigator Company S.A., generated by the equity method, is paid-up, through the approval of the subsidiaries net profit distribution, the amount available for distribution will be Euro 585,201,646 (2017: Euro: 571,205,669).

30. DEFERRED TAXES

During 2018 and 2017, the changes in assets and liabilities as a result of deferred taxes were as follows:

EURO

	1 JANUARY 2018	INCOME STATEMENT		EQUITY	OTHER LIABILITIES	31 DECEMBER 2018
		INCREASES	DECREASES			
Temporary differences originating deferred tax assets						
Conventional capital remuneration	12 320 000	-	(3 080 000)	-	-	9 240 000
Taxed provisions	1 336 534	114 470	(11 208)	-	-	1 439 796
Adjustments in property, plant and equipment	100 829 491	21 310 027	(17 963 850)	-	-	104 175 669
Financial instruments	3 885 952	-	-	3 603 439	-	7 489 391
Deferred accounting gains on inter-group transactions	36 424 408	7 805 659	(4 944 168)	-	-	39 285 900
Government grants	7 849 328	-	(7 645 740)	-	-	203 588
	162 645 714	**29 230 156**	**(33 644 965)**	**3 603 439**	**-**	**161 834 345**
Temporary differences originating deferred tax liabilities						
Retirement benefits	(117 966)	319 261	-	(217 740)	-	(16 445)
Derivative financial instruments at fair value	(144 728)	-	-	-	-	(144 728)
Valuation of biological assets	(10 246 504)	(6 996 837)	3 273 362	-	-	(13 969 979)
Extension of useful lives of property, plant and equipment	(232 993 493)	(2 319 688)	26 430 239	-	-	(208 882 941)
Deferred accounting losses on inter-group transactions	(49 497 874)	(10 191 596)	49 694 961	-	-	(9 994 509)
Government grants	(8 903 132)	-	1 214 788	249 185	-	(7 439 159)
	(301 903 697)	**(19 188 860)**	**80 613 351**	**31 444**	**-**	**(240 447 761)**
Amounts recognised in balance sheet						
Deferred tax assets	44 727 571	8 038 293	(9 252 365)	990 946	-	44 504 445
Tax incentives for investment	-	-	-	-	26 502 330	26 502 330
	44 727 571	**8 038 293**	**(9 252 365)**	**990 946**	**26 502 330**	**71 006 775**
Deferred tax liabilities	(83 023 517)	(5 276 936)	22 168 671	8 647	-	(66 123 135)
	(83 023 517)	**(5 276 936)**	**22 168 671**	**8 647**	**-**	**(66 123 135)**

EURO

	1 JANUARY 2017	INCOME STATEMENT INCREASES	INCOME STATEMENT DECREASES	EQUITY	31 DECEMBER 2017
Temporary differences originating deferred tax assets					
Conventional capital remuneration	-	-	(3 080 000)	15 400 000	12 320 000
Taxed provisions	1 328 771	-	7 763	-	1 336 534
Adjustments in property, plant and equipment	110 794 106	-	(9 964 615)	-	100 829 491
Financial instruments	8 859 457	-	-	(4 973 505)	3 885 952
Deferred accounting gains on inter-group transactions	30 432 332	10 064 988	(4 072 912)	-	36 424 408
Valuation of biological assets	-	-	-	-	-
Government grants	9 308 071	-	(1 458 743)	-	7 849 328
	160 722 738	**10 064 988**	**(18 568 507)**	**10 426 495**	**162 645 714**
Temporary differences originating deferred tax assets					
Revaluation of property, plant and equipment	(37 905)	-	37 905	-	-
Retirement benefits	(16 361)	(63 649)	(428)	(37 527)	(117 966)
Derivative financial instruments at fair value	(144 728)	-	-	-	(144 728)
Valuation of biological assets	(3 979 927)	(6 266 577)	-	-	(10 246 504)
Deferred accounting losses on inter-group transactions	(2 640 661)	(49 680 286)	2 823 074	-	(49 497 874)
Government grants	(1 270 679)	(7 881 690)	-	249 237	(8 903 132)
Extension of useful lives of property, plant and equipment	(209 580 756)	(25 007 195)	1 594 457	-	(232 993 493)
	(217 671 019)	**(88 899 397)**	**4 455 008**	**211 710**	**(301 903 697)**
Amouns recognised in balance sheet					
Deferred tax assets	44 198 753	2 767 872	(5 106 340)	2 867 286	44 727 571
Tax incentives for investment	-	-	-	-	-
	44 198 753	**2 767 872**	**(5 106 340)**	**2 867 286**	**44 727 571**
Deferred tax liabilities	(59 859 532)	(24 447 334)	1 225 127	58 220	(83 023 517)
	(59 859 532)	**(24 447 334)**	**1 225 127**	**58 220**	**(83 023 517)**

In the measurement of the deferred taxes as at 31 December 2018 and 2017, the corporate income tax rate used was 27.50%.

31. PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

31.1. Introduction

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

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

A. Pension plan – Defined benefit

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

B. Pension Plan – Defined contribution

As at 31 December 2018, two Defined Contribution plans were in force, which covered 1,116 Employees, excluding Employees who chose to maintain a benefit safeguard clause.

In order to cover a wider group of Employees, the Group proposed the creation of a new plan. On 28 December 2018, the Supervisory Authority (ASF) approved the setting-up of a new defined contribution plan, aiming to cover Group Employees who did not have access to a pension fund, more than 1,500 Employees. This new plan has retroactive effects as of 1 January 2017, or 1 January 2018, according to the associate. The expected cost with the accumulated liabilities amounts to Euro 393,222.

31.2. Defined benefit plan

As at 31 December 2018 and 2017, the coverage of the companies' liabilities by the assets of the funds was as follows:

EURO

	NO. OF BENEFICIARIES	31-12-2018	NO. OF BENEFICIARIES	31-12-2017
Past service liabilities				
- Active employees, including individual accounts	506	57 373 503	529	57 986 022
- Former employees	125	21 042 206	123	20 527 177
- Retired employees	506	76 040 531	492	72 686 537
Market value of the pension funds		(147 131 961)		(146 109 493)
	1 137	**7 324 279**	**1 144**	**5 090 242**
Insufficient funds/overfunding		**7 324 279**		**5 090 242**

The number of active Employees that benefit from defined benefit plans on 31 December 2018 is 506 (31 December 2017: 529) compared to a total of 3,282 total Employees (3,191 in 2017).

As at 31 December 2018, the amount of liabilities related to the post-employment benefit plans of one non-executive Director of the Navigator Group amounted to Euro 1,025,289 (31 December 2017: Euro 1,701,096).

31.2.1. ASSUMPTIONS USED IN THE VALUATION OF THE LIABILITIES

The actuarial studies developed by an independent entity for determine the accumulated liabilities as at 31 December 2018 and 2017 were based on the following assumptions:

			REAL OUTCOME	
	31-12-2018	31-12-2017	2018	2017
Disability table	EKV 80	EKV 80	-	-
Mortality table	TV 88/90	TV 88/90	-	-
Wage growth rate	1,00%	1,00%	1,65%	1,00%
Technical interest rate	2,00%	2,00%	-	-
Return rate on plan assets	2,00%	2,00%	-3,84%	4,31%
Pensions growth rate	0,75%	0,75%	1,24%	0,75%

The discount rates used in this calculation were selected by reference to the yield rates of a set of high-quality corporate bonds. Bonds whose maturity and rating were considered appropriate were selected, considering the amount and the timing of the cash flows associated with the payment of benefits to Employees.

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 2014 to 2018 is as follows:

EURO

	2014	2015	2016	2017	2018
Present value of liabilities	70 188 472	139 312 363	148 877 898	151 199 735	154 456 240
Fair value of plan assets	71 666 181	143 067 688	142 420 782	146 109 493	147 131 961
Surplus/(deficit)	**1 477 709**	**3 755 326**	**(6 457 116)**	**(5 090 242)**	**7 324 279**

Assuming that a substantial change in the assumptions considered will not occur, the expected contribution for the next year will be similar to the normal expense, approximately Euro 2 million.

31.2.2. CHANGES IN LIABILITIES WITH RETIREMENT AND PENSION PLANS

The movements in liabilities with retirement and pension plans in 2018 and 2017 were as follows:

EURO

	2018	2017
Liabilities in the beginning of the period	151 199 735	148 877 898
Remeasurement (actuarial deviations)	3 551 788	2 160 640
Costs recognised in the Income Statement	4 790 565	4 984 116
Pensions paid	(5 085 848)	(4 822 919)
Amounts as of 31 December	**154 456 240**	**151 199 735**

31.2.3. CHANGES IN THE FUND'S ASSETS

The funds set up to cover the above mentioned liabilities presented the following movements in 2018 and 2017:

EURO

	2018	2017
Opening balance	146 109 493	142 420 782
Contribution for the period	12 000 000	2 500 000
Expected income for the period	2 926 308	2 848 036
Remeasurement (actuarial deviations)	(9 065 603)	3 564 578
Pensions paid	(5 085 848)	(4 822 919)
Other	247 611	(400 984)
Balance as of 31 December	**147 131 961**	**146 109 493**

The impact of Euro 9,065,603 is due to the lower profitability of assets when compared with the profitability rates considered in the assumptions.

The assets of the pension fund related to the defined benefit plan are under the management of Schroders, BlackRock and Credit Suisse, as detailed below:

EURO

	2018	2017
Defined Benefit and *Conta 1*		
Ocidental - Pensions	10 279 422	2 485 748
Schroders	47 959 790	51 431 292
BlackRock	46 386 780	46 377 470
Conta 1 - Credit Suisse	42 505 969	45 814 983
Total Defined Benefit and Conta 1	**147 131 961**	**146 109 493**

The detail of the fund's assets as at 31 December 2018 and 2017 was as follows:

EURO

	31-12-2018	31-12-2017
Bonds	97 880 071	97 117 383
Shares	34 189 195	40 107 415
Liquidity	5 052 752	6 799 931
Other short-term investments	10 000 000	2 074 821
Property	9 943	9 943
	147 131 961	**146 109 493**

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

It should be noted that the amount of Euro 10,000,000 not invested in the "Ocidental – Pensions" account relates to the contribution made by the Group at the end of the year, which was not yet invested as at 31 December 2018.

31.3. Defined Contribution Plan

As at 31 December 2018, two defined contribution plans were in force for a group of Employees.

The assets of the pension fund that finance the defined contribution plans are under the management of the BMO, as detailed below:

EURO

	NO. OF BENEFICIARIES	% PROFITABILITY	2018	NO. OF BENEFICIARIES	% PROFITABILITY	2017
Defined Contribution (BMO):						
Defensive sub-fund	116	(1,81%)	8 983 980	124	1,79%	8 681 076
Conventional sub-fund	336	(2,51%)	20 884 122	368	2,73%	25 263 764
Dynamic sub-fund	480	(3,79%)	13 649 515	480	4,30%	14 498 707
Aggressive sub-fund	184	(5,51%)	4 416 753	201	6,22%	4 835 586
Total Defined Contribution	**1 116**		**47 934 370**	**1 173**		**53 279 133**
			195 066 331			**199 388 626**

31.4. Impact on the income statement for the period

The effect of these plans in the income statement for the period ended 31 December 2018 and 2017 was as follows:

EURO

	2018	2017
Defined Benefit Plans		
Current services	1 958 545	2 138 051
Interest expenses	2 832 020	2 846 064
Return of the plan assets	(2 926 308)	(2 848 036)
Waiver of liabilities	-	36 394
	1 864 257	**2 172 474**
Defined Contribution Plan		
Contributions of the period	1 454 128	1 345 265
	1 454 128	**1 345 265**
Costs for the period	**3 318 385**	**3 517 739**

32. PROVISIONS

In 2018 and 2017, changes in provisions were as follows:

	LEGAL CLAIMS	TAX CLAIMS	OTHER	TOTAL
Balance as of 1 January 2017	**2 300 344**	**28 748 464**	**-**	**31 048 808**
Increases (Note 8)	1 887 990	649 264	1 547 301	4 084 555
Transfer/Adjustments	(29 177)	(15 567 540)	-	(15 596 717)
Balance as of 31 December 2017	**4 159 157**	**13 830 188**	**1 547 301**	**19 536 646**
Increases (Note 8)	1 111 546	-	15 109 286	16 220 832
Reversals (Note 8)	(453 074)	(673 509)	(1 547 301)	(2 673 884)
Transfer/Adjustments	(31 654)	10 013 530	-	9 981 876
Balance as of 31 December 2018	**4 785 975**	**23 170 209**	**15 109 286**	**43 065 470**

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

The amount of provisions stated as "Tax claims" results from the Navigator Group's judgment at the Statement of financial position date, about the potential disagreement with the Portuguese Tax Authorities, considering most recent updates about this events.

The amounts included in the item Transfers/Adjustments include approximately Euro 10 million related to the establishment of provisions in 2018, which were recorded against income tax expense.

Increases recorded under the caption "Other provisions" include Euro 12 million related to the Mozambique project. As communicated to the market on 9 July 2018, Portucel Moçambique and the Mozambican Government signed a Memorandum of Understanding (MoU) regarding the reformulation of the investment project that will start being developed in two phases.

In a first moment will occur the creation of a forestry of approximately 40,000 hectares which will ensure the supply of a unit (to be built) to produce eucalyptus wood chips for export, around 1 million tons per year, representing a total estimated investment of USD 140 million.

Although the Memorandum of Understanding (MoU) signed with the Mozambican Government in July 2018 provided for a "best effort" commitment to create the necessary conditions to carry out the investment until last 31 December, that was not possible, and both parties continued to work towards that goal. In this context and given the current conditions, Navigator prudently decided to record an additional provision in its accounts, at the end of 2018, in the amount of Euro 12 million, in addition to impairments already recorded (see Note 21), in order to reflect the current development stage of the project.

33. INTEREST-BEARING LIABILITIES AND OTHER LIABILITIES

33.1. Interest-bearing liabilities

As at 31 December 2018 and 2017, interest-bearing liabilities comprised the following:

EURO

31-12-2018	AVAILABLE AMOUNT	OUTSTANDING AMOUNT	MATURITY	INTEREST RATE	CURRENT	NON CURRENT
Bond loans						
Navigator 2015-2023	200 000 000	200 000 000	September 2023	Variable rate indexed to Euribor	-	200 000 000
Navigator 2016-2021	100 000 000	100 000 000	April 2021	Flat rate	-	100 000 000
Navigator 2016-2021	45 000 000	45 000 000	August 2021	Variable rate indexed to Euribor	-	45 000 000
Commissions		(1 495 701)				(1 495 701)
European Bank Investment						
Loan BEI Ambiente A	-	-	-	-	-	-
Loan BEI Ambiente B	8 333 333	8 333 333	June 2021	Variable rate indexed to Euribor	3 333 333	5 000 000
Loan BEI Energia	42 500 000	42 500 000	December 2024	Variable rate indexed to Euribor	7 083 333	35 416 667
Loan BEI Aveiro	25 000 000	25 000 000	May 2028	Flat rate	1 388 889	23 611 111
Loan BEI Figueira	40 000 000	-	February 2029	-	-	-
Commercial Paper Program						
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	April 2021	Flat rate	-	70 000 000
Commercial Paper Program 50M	50 000 000	50 000 000	July 2020	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 100M	100 000 000	-	March 2020	Variable rate indexed to Euribor	-	-
Commercial Paper Program 100M	35 000 000	35 000 000	January 2019	Variable rate indexed to Euribor	35 000 000	-
Commercial Paper Program 100M	35 000 000	35 000 000	January 2019	Variable rate indexed to Euribor	35 000 000	-
Commercial Paper Program 100M	30 000 000	30 000 000	January 2019	Variable rate indexed to Euribor	30 000 000	-
Commissions		(506 955)				(506 955)
Bank lines						
Short-term line 20M	20 450 714	-			-	-
		763 830 678			**111 805 556**	**652 025 122**

EURO

31-12-2017	AVAILABLE AMOUNT	OUTSTANDING AMOUNT	MATURITY	INTEREST RATE	CURRENT	NON CURRENT
Bond loans						
Portucel 2015-2023	200 000 000	200 000 000	September 2023	Variable rate indexed to Euribor	-	200 000 000
Portucel 2016-2021	100 000 000	100 000 000	April 2021	Flat rate	-	100 000 000
Portucel 2016-2021	45 000 000	45 000 000	August 2021	Variable rate indexed to Euribor	-	45 000 000
Commissions		(1 703 383)				(1 703 383)
European Bank Investment						
Loan *BEI Ambiente A*	9 285 714	9 285 714	December 2018	Variable rate indexed to Euribor	9 285 714	-
Loan *BEI Ambiente B*	11 666 666	11 666 666	June 2021	Variable rate indexed to Euribor	3 333 333	8 333 333
Loan *BEI Energia*	49 583 333	49 583 333	December 2024	Variable rate indexed to Euribor	7 083 333	42 500 000
Loan *BEI Aveiro*	25 000 000	25 000 000	May 2028	Flat rate	-	25 000 000
Commercial Paper Program						
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	April 2021	Flat rate	-	70 000 000
Commercial Paper Program 50M	50 000 000	50 000 000	July 2020	Variable rate indexed to Euribor	-	50 000 000
Commercial Paper Program 25M	25 000 000	25 000 000	December 2018	Variable rate indexed to Euribor	25 000 000	-
Commercial Paper Program 75M	75 000 000	-	July 2020	Variable rate indexed to Euribor	-	-
Commercial Paper Program 100M	100 000 000	-	March 2020	Variable rate indexed to Euribor	-	-
Commissions		(515 766)				(515 766)
Financing						
Short-term financing 50M	50 000 000	50 000 000	February 2018	Variable rate indexed to Euribor	50 000 000	-
Short-term financing 50M	50 000 000	50 000 000	April 2018	Variable rate indexed to Euribor	50 000 000	-
Bank lines						
Short-term line 20M	20 450 714	-			-	-
Short-term line USD	10 000 000	5 503 210			5 503 210	
Reimbursable grants						
Reimbursable grants	-	4 237 695				4 237 695
		818 057 471			**150 205 591**	**667 851 880**

Like 2017, in 2018 The Navigator Company has continued to place short-term commercial paper issues on an auction basis.

The Navigator Group maintains a long-term rating "BB" and "Ba2" awarded by the rating agencies S&P and Moody's, respectively, both revealing a "stable" perspective.

As at 31 December 2018, the average cost of debt, considering interest rate, the annual fees and hedging operations, was 1.6% (31 December 2017: 1.6%).

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

EURO

	31-12-2018	31-12-2017
Non-current		
1 to 2 years	188 194 445	12 337 297
2 to 3 years	226 527 778	191 421 157
3 to 4 years	9 861 111	227 007 018
4 to 5 years	209 861 111	9 861 111
Above 5 years	19 583 333	229 444 444
	654 027 778	**670 071 028**
Commissions	(2 002 656)	(2 219 148)
	652 025 122	**667 851 880**

As at 31 December 2018, the Group had Commercial Paper programs and credit lines available, but not used, in the amount of Euro 195,450,714 (31 December 2017: Euro 195,450,714).

As at 31 December 2018 and 2017, the Group's interest-bearing net debt was as follows:

EURO

	31-12-2018	31-12-2017
Interest-bearing liabilities		
Non-current	652 025 122	667 851 880
Current	111 805 556	150 205 591
	763 830 678	**818 057 471**
Cash and cash equivalents		
Cash	49 393	81 795
Short-term bank deposits	38 273 375	71 125 699
Other short-term investments	42 537 016	54 123 542
	80 859 784	**125 331 036**
Interest-bearing net debt	**682 970 893**	**692 726 434**

The reconciliation of the interest-bearing gross debt to the statement of cash flows is as follows:

EURO

	31-12-2018	31-12-2017
Balance as of 1 January	**818 057 471**	**708 261 286**
Borrowings - outflows	(150 205 591)	(44 702 381)
Borrowings - inflows	100 000 000	155 503 210
Reimbursable grants	(4 237 694)	(1 455 171)
Variation of changes with the issuance of loans	216 493	450 527
Variation of interest-bearing debt	**(54 226 793)**	**109 796 185**
Interest-bearing gross debt as of 31 December	**763 830 678**	**818 057 471**

The difference between the amount of Euro 54,226,793 and the amount of Euro 9,755,541 is due to the changes in cash and cash equivalents effect.

The Navigator Company Group has a strict policy of approval of its financial counterparts, limiting their exposure according to an individual risk analysis and previously approved ceilings. Beyond these limits, there is also a diversification policy applied to the number of the Navigator Company Group's counterparties. At 31 December 2018, "Other short-term investments" included an amount of Euro 42,537,016 related with short-term highly liquid investments with a proper rating.

The fair value of the bond loans, considering the date and respective contractual conditions, determined according to level 2 of the fair value hierarchy, does not differ substantially from its book value.

The evolution of the Group's interest bearing net debt for the periods ended as at 31 December 2018 and 2017 was as follows:

EURO

	2018	2017
Balance as of 1 January	**692 726 434**	**640 719 698**
Payments with debt issuance	2 002 656	2 219 148
Interest paid	18 123 511	12 174 374
Interest received	-	(2 131 516)
Dividends paid and reserves distributed	200 002 777	250 007 056
Acquisition of own shares	1 315 831	-
Receipts related to investment activities	(74 410 845)	-
Payments related to investments	-	-
Payments related to property, plant and equipment	209 311 719	98 863 395
Accumulated exchange rate differences	(5 945 800)	2 779 418
Net receipts from operating activities	(360 155 390)	(311 905 139)
Change in net debt	**(9 755 542)**	**52 006 737**
Balance as of 31 December	**682 970 893**	**692 726 435**

Also, the movements in the Navigator Group's interest bearing net debt for the periods ended as at 31 December 2018 and 2017 was as follows:

EURO

	31-12-2018	31-12-2017
Net profit for the period	225 137 318	207 769 137
Depreciation, amortisation and impairment losses	138 510 647	144 703 899
Net changes in provisions	13 546 948	4 084 555
	377 194 914	**356 557 592**
Changes in working capital	(2 191 335)	(40 841 549)
Net changes of property, plant and equipment	(206 394 329)	(106 283 481)
Dividends paid and reserves distributed	(200 002 777)	(250 007 056)
Acquisition of own shares	(1 315 831)	-
Net changes in post-employement benefits	(2 234 037)	1 366 874
Other changes in equity	17 779 656	(11 189 401)
Expenses with the issue of bond loans	216 493	450 526
Other changes in non current assets and liabilities	26 702 789	(2 060 242)
Change in net debt (Free CashFlow)	**9 755 541**	**(52 006 737)**

33.2. Other liabilities

As at 31 December 2018 and 2017, other non-current liabilities were as follows:

EURO

	31-12-2018	31-12-2017
Non-current		
Grants	41 997 203	25 466 139
Repayable subsidies	40 327 202	-
	82 324 405	**25 466 139**

The amount of grants corresponds to the non-current component of the investment grants received as described in Note 11.

As at 31 December 2018, non-current repayable subsidies mainly include the repayable subsidy granted by AICEP – Agency for Investment and Foreign Trade of Portugal, to support the construction of the new tissue pulp mill in Aveiro (see Note 24).

Finance leases – IFRIC 4

As at 31 December 2018 and 2017, the Group used the following equipment under finance lease plans recognised under IFRIC 4 in the statement of financial position:

EURO

	31-12-2018		
	ACQUISITION VALUE	ACCUMULATED DEPRECIATION	NET BOOK VALUE
Equipment - Omya	14 000 000	(14 000 000)	-
	14 000 000	**(14 000 000)**	**-**

	31-12-2017		
	ACQUISITION VALUE	ACCUMULATED DEPRECIATION	NET BOOK VALUE
Equipment - Omya	14 000 000	(12 486 487)	1 513 513
	14 000 000	**(12 486 487)**	**1 513 513**

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

EURO

	31-12-2018	31-12-2017
Non-current		
Equipment	-	-
Current (Note 34)	**14 125**	**2 213 644**
	14 125	**2 213 644**

34. PAYABLES AND OTHER CURRENT LIABILITIES

As at 31 December 2018 and 2017, "Payables and other current liabilities" are detailed as follows:

EURO

	31-12-2018	31-12-2017
Suppliers	125 409 905	88 917 184
Suppliers invoices pending - Logistics	7 785 095	13 346 881
Suppliers invoices pending - Other	49 593 816	54 953 985
Fixed asset suppliers	6 185 960	5 115 782
Finance leases (Note 33)	14 125	2 213 644
Suppliers - Related parties (Note 36)	2 656 988	71 753
Derivative financial instruments (Note 35)	4 826 363	3 256 492
Other creditors - emission allowances CO_2	11 283 965	4 420 178
Sales commissions	252 649	138 682
Tax consolidation (Semapa)	8 992 798	7 429 319
Other creditors	9 664 156	2 475 273
Accrued costs	71 398 905	65 934 375
Deferred income	25 735 845	11 236 298
	323 800 570	**259 509 848**

As at 31 December 2018 and 2017, accrued costs and deferred income are detailed as follows:

EURO

	31-12-2018	31-12-2017
Accrued costs		
Payroll expenses - Performance Bonus	22 670 195	17 414 930
Payroll expenses - Other costs	19 682 882	22 670 683
Interest payable	3 241 812	2 687 393
Wood suppliers bonus	8 340 388	7 761 518
Water resource rate	2 414 504	2 011 427
Rent liabilities	8 624 589	6 716 206
Other	6 424 535	6 672 218
	71 398 905	**65 934 375**
Deferred income		
Government grants (Note 11)	14 594 285	5 859 834
Grants - emission licenses CO_2	-	261 097
Other grants	7 216 756	1 190 564
Other deferred income - ISP	3 924 802	3 924 802
	25 735 845	**11 236 298**

As at 31 December 2018 and 2017, deferred income on government grants, by company, was detailed as follows:

EURO

	31-12-2018	31-12-2017
AICEP invesment contracts (Note 11)		
The Navigator Company, S.A.	-	10 132
Enerpulp, S.A.	11 609 639	7 197 936
Navigator Pulp Cacia, S.A.	10 499 052	12 798 599
Navigator Pulp Setúbal, S.A.	513 978	694 637
Navigator Pulp Figueira, S.A.	15 182 598	7 849 708
Navigator Parques Industriais, S.A.	2 047 709	2 107 066
Navigator Paper Figueira, S.A.	663 059	137 250
Navigator Tissue Cacia, S.A.	15 263 870	
	55 779 905	**30 795 328**
Other		
RAIZ	527 776	60 506
Viveiros Aliança, SA	283 807	470 139
	811 583	**530 645**
	56 591 488	**31 325 972**

During 2018 and 2017, the movements in Grants – CO_2 emission licenses were as follows:

		EURO
	2018	2017
Grants - emission licenses CO_2		
Opening balance	-	-
Increase	3 984 110	2 388 002
Charge-off	(3 984 110)	(2 388 002)
Balance as of 31 December	**-**	**-**

These amounts correspond to the CO_2 emission allowances granted for free to several Group companies (2018: Euro 477,139 and 2017: Euro 495,037).

35. FINANCIAL ASSETS AND LIABILITIES

Since its activities are exposed to a variety of financial and operating risk factors, the Group adopts a proactive approach to risk management, as a way to mitigate the potential adverse effects associated with those risks, namely the foreign exchange rate risk and interest rate risk.

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

EURO

31-12-2018	FINANCIAL INSTRUMENTS HELD FOR TRADING NOTE 35.2	DERIVATIVE HEDGING INSTRUMENTS NOTE 35.3	LOANS AND AMOUNTS RECEIVABLE NOTE 35.4	OTHER NON-CURRENT FINANCIAL ASSETS NOTE 22	OTHER FINANCIAL LIABILITIES NOTE 35.5	NON-FINANCIAL ASSETS/ LIABILITIES
Assets						
Available for sale financial assets	-	-	-	521 747	-	-
Other non-current assets	-	-	-	62 647 165	-	-
Cash and cash equivalents	-	-	80 859 784	-	-	-
Current receivables	141 860	323 965	307 284 864	-	-	302 128 301
Total Assets	**141 860**	**323 965**	**388 144 648**	**63 168 912**	**-**	**302 128 302**
Liabilities						
Non-current interest-bearing liabilities	-	-	-	-	652 025 122	-
Other liabilities	-	-	-	-	82 324 405	116 512 884
Current interest-bearing liabilities	-	-	-	-	111 805 556	
State	-	-	-	-	-	90 775 049
Current payables	-	4 826 363	-	-	221 839 457	97 134 749
Total Liabilities	**-**	**4 826 363**	**-**	**-**	**1 067 994 541**	**304 422 682**

31-12-2018						
Assets						
Available for sale financial assets	-	-	-	424 428	-	-
Cash and cash equivalents	-	-	125 331 036	-	-	-
Current receivables	1 828 121	1 816 274	234 059 928	-	-	263 675 160
Total Assets	**1 828 121**	**1 816 274**	**359 390 964**	**424 428**	**-**	**263 675 160**
Liabilities						
Non-current interest-bearing liabilities	-	-	-	-	667 851 880	-
Other liabilities	-	-	-	-	25 466 139	107 650 404
Current interest-bearing liabilities	-	-	-	-	150 205 591	
State	-	-	-	-	-	43 571 785
Current payables	-	3 256 492	-	-	176 234 432	80 018 923
Total Liabilities	**-**	**3 256 492**	**-**	**-**	**1 019 758 042**	**231 241 112**

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

35.1. Fair value hierarchy

The following table presents the Group's assets and liabilities measured at fair value at 31 December 2018, according to the following fair value hierarchies:

i) Level 1: Fair value of financial instruments is based on prices available on active, liquid markets at the date of the statement of financial position;

ii) Level 2: Fair value of financial instruments is not determined on the basis of active market prices, but rather resorting to valuation models. The main inputs of the models used are observable in the market; and

iii) Level 3: Fair value of financial instruments is not determined on the basis of active market prices, but rather resorting to valuation models, the main inputs of which are not observable in the market.

EURO

	31-12-2018	LEVEL 1	LEVEL 2	LEVEL 3
Financial assets at fair value through profit or loss				
Trading derivatives	141 860	-	141 860	-
Financial instruments - Hedging	323 965	-	323 965	-
Assets measured at fair value				
Biological assets	119 614 567	-	-	119 614 567
	120 080 392	**-**	**465 825**	**119 614 567**

	31-12-2018	LEVEL 1	LEVEL 2	LEVEL 3
Financial assets at fair value through profit or loss				
Trading derivatives	-	-	-	-
Financial instruments - Hedging	(4 826 365)	-	(4 826 365)	-
	(4 826 365)	**-**	**(4 826 365)**	**-**

35.2 Derivative financial instruments held for trading

As at 31 December 2018 and 2017, the fair value of derivative financial instruments (Note 1.12) is as follows:

EURO

		31/12/2018				31-12-2017
		NOTIONAL	POSITIVE	NEGATIVE	NET	NET
Trading						
Foreign exchange forwards	USD	69 500 000	113 278	-	113 278	669 733
Foreign exchange forwards	GBP	12 150 000	28 582	-	28 582	8 407
Forward Anti-Dumping	USD	-	-	-	-	1 149 981
CO_2 emission licenses	EUR	1 397 500	-	-	-	-
		83 047 500	**141 860**	**-**	**141 860**	**1 828 121**

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 and with due dates close to that exposure. The nature of the risk hedged is the change in the carrying amount 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 fair value of trading instruments – forwards – as at 31 December 2018 amounts to Euro 141,860 (31 December 2017: Euro 1,828,121).

During 2018, the Group did not acquire any CO_2 licenses.

35.3. Derivative financial instruments designated as hedging instruments

As at 31 December 2018 and 2017, the fair value of derivative financial instruments designated as hedging instruments (Note 1.12) was as follows:

EURO

	31-12-2018					31-12-2017
	CURRENCY	NOTIONAL	POSITIVE	NEGATIVE	NET	NET
Hedging						
Hedging (net investment)	USD	-	-	-	-	114 914
Hedging (future sales)	USD	360 666 667	-	(117 913)	(117 913)	1 701 360
Hedging (future sales)	GBP	67 166 667	323 965	-	323 965	-
Interest rate swap for commercial paper issued	EUR	125 000 000	-	(645 368)	(645 368)	(746 982)
Interest rate swap for bond loans	EUR	200 000 000	-	(4 063 084)	(4 063 084)	(2 509 510)
			323 965	**(4 826 365)**	**(4 502 399)**	**(1 440 218)**

Net investment

The Navigator Group hedged the economic risk associated with exposure to the exchange rate of its participation in Navigator North America until May 2018. To this purpose, the Group has entered into a foreign exchange forward maturing in May 2018, with a notional outstanding of USD 25,050,000.

This instrument was designated as hedge of the investment made in the North American subsidiary of the Group, with changes in fair value recognised under comprehensive income of the period.

Cash flow hedge – Exchange rate risk EUR/USD

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

In this context, during the last quarter of 2018, the Group contracted several financial structures to cover a portion of the net foreign exchange exposure of estimated sales in USD for 2019. The derivative financial instruments in force at 1 January 2019 are Options and Zero Cost Collar, in a total amount of USD 346,666,667 and GBP 67,166,667, reaching maturity between 31 December 2019 and 31 January 2020, for USD and February 2020 for GBP. As early as 2019, the financial instruments were strengthened through the additional contracting of GBP 57,000,000 divided between Options and Zero Cost collar maturing in December 2019.

Cash flow hedge – Interest rate risk

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.

35.4. Loans and receivables

These amounts are initially recognised at fair value, and subsequently measured at amortised cost less any impairment losses identified during the course of the credit risk analysis of the credit portfolios held (Notes 24, 26 and 33).

35.5. Other financial liabilities

These items are recognised at their amortised cost, corresponding to the value of the respective cash flows discounted at the effective interest rate associated with each of the liabilities (Notes 27 and 33).

35.6. Net gains on financial assets and liabilities

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

EURO

	31-12-2018	31-12-2017
Foreign exchange gains/ (losses) on loans and receivables	139 957	(3 857 581)
Gains/ (losses) on financial instruments – hedging	(6 526 185)	2 810 045
Gains/ (losses) on financial instruments – trading	(983 693)	3 771 523
Interest income:		
From deposits and other receivables	870 070	1 706 696
Interest expense:		
Financial liabilities measured at amortised cost	(7 871 768)	(10 374 291)
Other	(8 116 007)	(1 753 362)
	(22 487 626)	**(7 696 970)**

The fair value of derivative financial instruments is included in "Receivables and other current assets" (Note 24) and "Payables and other current liabilities" (Note 34).

The movement in the balances recognised in the statement of financial position (Notes 24 and 34) related with financial instruments are detailed as follows:

	"CHANGE IN FAIR VALUE (TRADING)"	"CHANGE IN FAIR VALUE (HEDGING)"	TOTAL
Balance as of 1 January 2017	**(1 943 402)**	**(4 881 689)**	**(6 825 091)**
Maturity (Note 12)	3 771 523	2 810 045	6 581 567
Increase/ decrease in fair value	-	631 426	631 426
Balance as of 1 January 2018	**1 828 121**	**(1 440 218)**	**387 902**
Maturity (Note 12)	(983 693)	(6 526 185)	(7 509 878)
Increase/ decrease in fair value	(702 568)	3 464 004	2 761 436
Balance as of 31 December 2018	**141 860**	**(4 502 399)**	**(4 360 539)**

As at 31 December 2018 and 2017, the derivative financial instruments had the following maturities:

					31-12-2018	31-12-2017
		NOMINAL VALUE	MATURITY	TYPE	FAIR VALUE	FAIR VALUE
Exchange rate forwards	USD	69 500 000	29/April/19	Trading	113 278	669 733
	GBP	12 150 000	10/May/19	Trading	28 582	8 407
Future acquisition of CO_2 licenses	EUR	1 397 500	16/Mar/20	Trading	-	-
Foreign exchange hedging - Cash ANTI-Dumping	USD	-	31/Oct/18	Trading	-	1 149 981
					141 860	**1 828 121**
Foreign exchange hedging - Investment in subsidiary	USD	-	29/May/18	Hedging	-	114 914
Hedging for future sales	USD	360 666 667	31/Jan/20	Hedging	(117 912)	1 701 360
Hedging for future sales	GBP	67 166 667	28/Feb/20	Hedging	323 965	-
Interest rate swap for commercial paper issued	EUR	125 000 000	26/May/20	Hedging	(645 368)	(746 982)
Interest rate swap for bond loans	EUR	200 000 000	22/Sep/23	Hedging	(4 063 084)	(2 509 510)
					(4 502 399)	**(1 440 218)**
					(4 360 539)	**387 902**

36. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

As at 31 December 2018 and 2017, the balances with group companies and associated companies is presented as follows:

EURO

	31-12-2018			31-12-2017		
	ASSETS	LIABILITIES		ASSETS	LIABILITIES	
	CUSTOMERS	SUPPLIERS	OTHER CREDITORS (TAX CONSOLIDATION)	CUSTOMERS	SUPPLIERS	OTHER CREDITORS (TAX CONSOLIDATION)
Semapa - Soc. de Investimento e Gestão, SGPS, S.A.	-	2 620 044	8 992 798	-	(33)	7 429 319
Secil - Companhia Geral Cal e Cimento, S.A.	150 582	231	-	27 650	298	-
Secil Britas, S.A.	-	4 005	-	-	10 125	-
Secil Prebetão, S.A.	-	846	-	-	-	-
CMP - Cimentos Maceira e Pataias, S.A.	-	575	-	-	-	-
Enermontijo, S.A.	65 477	20 430	-	54 656	12 551	-
Enerpar, SGPS, Lda.	-	-	-	-	21 598	-
Cimilonga - Imobiliária, S.A.	-	-	-	-	27 216	-
Unibetão, S.A.	-	10 857	-	-	-	-
Refundos - Soc. Gestora de Fundos de Inv. Imobiliário, S.A.	-	-	-	-	-	-
	216 059	**2 656 988**	**8 992 798**	**82 306**	**71 753**	**7 429 319**

The transactions with group companies and associated companies for the periods ended 31 December 2018 and 2017 were as follows:

EURO

	31-12-2018		31-12-2017	
	SALES AND SERVICES RENDERED	ACQUISITION OF GOODS AND SERVICES	SALES AND SERVICES RENDERED	ACQUISITION OF GOODS AND SERVICES
Semapa - Soc. de Investimento e Gestão, SGPS, S.A.	105	9 038 263	-	7 731 493
Secil - Companhia Geral Cal e Cimento, S.A.	182 424	1 478	83 537	302 290
Secil Britas, S.A.	-	34 555	-	37 559
Secil Prebetão, S.A.	-	85 552	-	-
CMP - Cimentos Maceira e Pataias, S.A.	-	467	-	-
Enermontijo, S.A.	409 768	522 676	218 205	102 499
Enerpar, SGPS, Lda.	-	17 401	-	222 120
Sonagi Imobiliária, S.A.	-	206 922	-	279 559
Hotel Ritz, S.A.	-	20 745	-	5 821
Unibetão, S.A.	-	1 332 284	-	-
Refundos - Soc. Gestora de Fundos de Inv. Imobiliário, S.A.	-	523 368	-	384 057
	592 296	**11 783 711**	**301 743**	**9 065 397**

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

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 since 2008, annually producing 80,000 tons 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 SGPS, SA headquarters' building, in Lisbon.

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

The operations performed with the Secil Group arise from normal market operations.

In the identification of the Navigator Company Group's related parties for the purpose of financial reporting, the members of the Navigator Company Group's Board of Directors and other statutory bodies were considered as related parties (additionally see note 9).

37. RISK MANAGEMENT

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

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

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

i) Specific risks inherent to the sectors of activity in which the Navigator Group operates:

- Risks associated with the forestry sector;
- Risks associated with the production and

sale of BEKP pulp, UWF paper and tissue paper;
- Risks associated with the energy generation;
- Human Resources and talent management;
- Information systems;
- General context risks.

ii) Navigator Group risks and the way it performs its activities:

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

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

37.1. Specific risks in business sectors in which the Navigator Group operates

37.1.1. SIGNIFICANT RISKS FROM THE FORESTRY

On 31 December 2018, the Navigator Group managed approximately 110 thousand hectares distributed in mainland Portugal and the Azores in about 1,300 Management Units in 165 municipalities, in accordance with the principles stated in its Forestry Policy. Eucalyptus and areas under ongoing afforestation with these sort of species occupy 75% of this area, namely the *Eucalyptus globulus* species, deemed to have the perfect fiber for high-quality papers. For the remainder and in addition to conservation areas that account for about 10% of the total area under management, pine and cork oak forests are among the largest privately owned national producers.

The Navigator Group was allocated with 356,210 hectares located in Mozambique, in the provinces of Manica and Zambezia, made available under an Investment Agreement signed with the Mozambican Government, of which approximately 13.6 thousand hectares are planted. The agreement also provides for the construction of an industrial BEKP production unit meant for the production of BEKP pulp and generation of electric energy in that country. In July 2018, the Mozambican Government and Portucel Mozambique signed a Memorandum of Understanding through which they agreed on a set of preceding requirements necessary for the progress of the investment, which will be developed in two phases. At first, a forestry base of approximately 40,000 hectares will be created, which will guarantee the supply of a unit (to be built) for the production of eucalyptus wood chips for export (approximately 1 million tons per year), in an estimated global investment of USD 140 million.

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

The main risk factor threatening the eucalyptus forests lies in the low productivity of Portuguese forest and in the worldwide demand for certified products, considering that only a small proportion of the forests are certified. It is expected that this competitive pressure will remain in the future. As an example, the forestry area managed by the Navigator Group represents nearly 3% of Portugal's total forested area, 41% of all certified Portuguese forests according with PEFC standards and 26% of all certified Portuguese forests according with FSC standards.

In order to address these issues, the Group initiated in 2016 a project aiming to promote forest certification in areas owned by private owners, seeking to guarantee that, by 2020, eucalyptus wood processed by the Group will be provided by partners with a certified activity. In 2018, 42% of wood from national sources, excluding self-sufficiency, already came from properties that had their forest management certified (2017: 27%).

In 2018, this increase allowed, for the first time in the Group's history, to record more than 50% of the total wood acquired by the Group to be from certificated management forest properties. It should also be noted that, within this initiative, the Group has seen a significant increase in the number of wood supplier chain of custody certification, representing a step further on the development of a supplier's portfolio with certificated management forest properties.

In addition, the Group is working to proactively promote good forest management practices to help improve the productivity of third-party forest areas. This effort, which has been developed through CELPA (*Associação da Indústria Papeleira*, representing the main industrial groups in the industry) with the Best Eucalyptus Program was reinforced in 2018 with additional supporting measures, in addition to the technical support already provided.

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

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

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

i) Destruction of current and future wood inventory, belonging to the Navigator Group as well as to third parties

ii) Increasing costs of forestry and subsequent land preparation for plantation.

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

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

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

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

i) Increase the productivity of its woodlands through the use of the best agro-forestry practices adjusted to local conditions and compatible with the environment and the demand for biodiversity;

ii) Establish and improve the network of forestry infrastructures to enable the required accessibility for management, whilst making them compatible with the forestry protection measures against wildfires;

iii) Ensure compliance with the water-cycle functions, promoting, whenever possible, the rehabilitation and qualitative protection of water resources.

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

i) To improve the productivity of eucalyptus forests;

ii) To enhance the quality of the fiber produced from that wood;

iii) To implement a sustained forestry management program from an economic, environmental and social perspectives;

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

37.1.2. RISKS ASSOCIATED WITH THE PRODUCTION AND SALE OF BEKP PULP, UWF PAPER AND TISSUE PAPER

Supply of raw materials

The self-supply of BEKP pulp production represents less than 15% of the Group's needs, meaning that the Navigator Group needs to buy wood in the market since the national market is insufficient to cover their needs. Therefore, imports from the Spanish and non-Iberian markets are made structurally.

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

The planting of new forest plantations is subject to the authorization of the relevant entities which may limit the national productive potential, despite the initiatives taken to increase the productivity of existing areas and consequently the availability of raw materials.

In the event of insufficient domestic production, in quantity and quality terms, namely of certified wood, the Navigator Group may have to increase the quantity of imported wood, both from Spain and outside Iberia, for which the Group is also taking initiatives that ensure the supply in the short- and medium-term.

Regarding imports of wood, there is a risk underlying its shipment from the place of origin to the harbors supplying the Group's plants. This transportation risk is mitigated by the purchasing conditions agreed with non-Iberian suppliers and the ownership of raw materials is transferred at the port of arrival. In addition, an insurance is taken to cover any supplying losses arising from any transportation accident that may affect the supplying of wood.

The Navigator Group seeks to maximize the added value of its products, particularly through increased integration of certified wood in these products which is supported by ongoing initiatives in the national market that aim to increase the certified area and consequently the certified wood supply. These initiatives aim to respond to the growing demand for products – paper and pulp – certified by the various markets where the Navigator Group operates.

On 31 December 2018, a 10% decrease in the cost per m^3 of eucalyptus wood consumed in BEKP pulp production would have had a negative impact in the Navigator Group's operating results of approximately Euro 29,900,000 (31 December 2017: Euro 30,500,000).

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

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

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

Finally, another resource required for the production process is water. The concern with the use of this resource that the Navigator Group assumes as finite is significant. Over the past few years, investments have been made aimed at reducing the use of water in the process, which, in fact, decreased more than 20% between 2005 and 2018. In addition, effluent treatment efficiency is also relevant, with effluent volumes reduced by 24% between 2005 and 2018,

Market Price for UWF paper, BEKP pulp and tissue paper

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

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

On 31 December 2018, a 10% drop in the price per ton of BEKP pulp and of 5% in the price per ton of UWF paper and tissue paper sold by the Navigator Group in the period, would have represented an impact on its operating results of approximately Euro 16,700,000 and Euro 66,900,000, respectively (31 December 2017: Euro 16,400,000 and Euro 63,700,000, respectively).

Demand for the Navigator Group's products

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

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

Naturally, the performance of the Navigator Group also depends on the evolution of demand in the various markets in which it operates.

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

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

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

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

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

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

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

Energy

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

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

Country risk – Mozambique

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

At this moment, the Mozambique project is essentially a forestry project, with an option to develop an industrial project. The planned investment will be implemented in two phases, the first being a woodchip production project and a second phase the construction of a large-scale pulp mill. The Group is, however, prepared to move forward with the forestry plan foreseen, once the necessary conditions – most of which are under discussion with the Mozambican authorities – are met.

Until 31 December 2018, the expenditure with this project amounted to Euro 98,6 million (31 December 2017: Euro 90 million), mainly related to plantation, land preparation and forest maintenance, to the social development program and the construction of what is now one of Africa's largest forest nurseries.

Nevertheless, the Group's more conservative approach led to the record of several impairments against the investment in Mozambique. Moreover, a provision in the amount of Euro 12 million was also recorded in the period, in the 2018 financial statements in order to reflect the stage of development of the project.

Country risk – USA

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

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

Concerning UWF paper imports, together with producers from other countries (Australia, Brazil, China and Indonesia), the Group has been subject to Anti-dumping measures imposed by the US Department of Commerce since 2015. Last September, Navigator Group was notified by the United States Department of Commerce that the final anti-dumping duty to be applied retroactively on sales of US the period from August 2015 to February 2017 (the "first period of review") was downgraded to 1.75%, which became applicable through the deposit of the fee corresponding to all exports to the US by the Group after the release date of that decision. The second period of review is still being reviewed, from March 2017 to February 2018, and the third period of review, between March 2018 and February 2019 is still running.

Competition

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

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

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

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

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

The Navigator Group has been adjusting its commercial strategy to the evolution of regional consumption patterns. Therefore, in 2018, the Group UWF sales in the USA, Africa, Latin America and Asia / Oceania markets increased compared to last year. The Group has a significant presence in the US, accounting for about half of European producer sales to this market. The turnover intended to the European markets represented 60% (2017: 62%), achieving particularly strong market shares in Western European countries and relevant market shares in the other main European markets.

Concentration of Customers' portfolio

As at 31 December 2018, the Navigator Group's 10 main BEKP customer groups accounted for 14% of the period's production of BEKP pulp (2017: 16%) and 81% of external sales of BEKP pulp (2016: 78%). This asymmetry is a result of the strategy pursued by the Navigator Group, consisting of a growing integration of the BEKP pulp produced into the UWF paper produced and sold. Nevertheless, the Group believes there is little exposure to risks of customer concentration in the marketing of BEKP pulp.

In 2018, the Navigator Group's 10 main customer groups for UWF paper represented 48% of this product's sales during the period (2017: 50%), although the group's 10 main individual Customers did not exceed 25% of the UWF paper sales (2016: 26%). The Navigator Group registered 91 new Customers with sales in 2018. Also, regarding UWF paper, the Group follows a risk mitigation strategy for its customer concentration. The Navigator Group sells UWF paper to more than 130 countries and to more than 1,000 individual Customers, thereby allowing a dispersion of the risk of sales concentration in a reduced number of markets and/or Customers.

Tissue sales amounted to Euro 91,1 million in 2018 (2017: Euro 74,3 million). Its commercial activity is mainly focused in the Iberian markets, representing 98 % of its sales. The 10 main Customers represent about 45% of total sales (2017: 45%).

With the new production equipment in place, given the investment in the second tissue paper machine made in 2015, the Navigator Company Group believes it will be able to expand its business activity to external markets, namely to Spain and the rest of Western Europe, which is expected to strengthen with the entry into operation in 2018 of the third tissue paper machine in Aveiro.

Environmental Legislation

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

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

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

To date, the legislative changes that are known relate to the evolution of the Scheme for Greenhouse Gas Emission allowance trading of CO_2 emission rights (CELE), established by Directive 2003/87/CE, and amended by Directive 2009/29/CE, which outlines the legal framework of the CELE for the period 2013-2020 and which was transposed into the national law by Decree-Law 38/2013 of 15 March.

Recently, EU Directive 2018/410 of 14 March amending Directive 2003/87/EC was also approved aiming to increase the cost-effectiveness of emission reductions and investment in low-carbon technologies. EU 2018/410 Directive sets out, among other things, the new CELE period to be in force between 2021-2030, which will show a reduction in the amount of CO_2 emission allowances allocated free of charge.

This development will bring increased costs for the transformation industry in general and in particular for the paper and pulp industry, without any compensation for the CO_2 that, annually, is absorbed by the forests of this industry.

In order to mitigate the impact of this change, the Group has long undertaken a series of environmental investments that, among other advantages, have allowed the continuous reduction of CO_2 emissions, despite the fact that, in recent years, there has been a steady increase in production volumes. In addition, the group has a Carbon Neutral Company Program that aims to implement, by 2035, changes in its production processes in order to minimize the use of fossil fuels and consequently reduce their CO_2 emissions.

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

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

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

37.1.3. RISKS ASSOCIATED WITH THE PRODUCTION OF ENERGY

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

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

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

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

In addition, and despite the legal provisions,

i) Decree-Law 23/2010 and Act 140/2012, revised by Act 325-A/2012, applicable to the ERP system – Special Regime in cogeneration;

ii) For units powered through residual forestry biomass (CTB), dedicated to the production of electricity, the legal framework is provided by Decree-Law 33-A/2005, revised by Decree-Law 225/2007, that extends from 15 to 25 years the guaranteed tariffs under the PRE (Special Regime Production), which enables some revenue stability to be planned for the near future, there is a risk that the change in energy prices for sale of energy produced from renewable resources will penalize the products produced by the Navigator Group (already occurring, with specific measures over the energy price and the introduction of an Extraordinary Contribution to the Energy Sector affecting cogenerating units with a capacity of more than 20MW). The constant search for the optimization of production costs and efficiency of the generating units is the way the Group seeks to mitigate this risk.

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

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

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

37.1.4. HUMAN RESOURCES AND TALENT MANAGEMENT

Attracting and retaining talent was a critical issue in 2018, due to the need to recruit and train the human resources of the new Aveiro tissue factory.

This challenge was achieved by reinforcing the policies of Employer Branding, which became part of technical and polytechnical schools, a critical element for the success of our business.

The effort was performed in 7 complementary axes:

- The mobilization of the organization around projects of organizational change, continuing projects focused on the ratio of values and volunteering;
- Leadership development through the implementation of diagnostic, training and coaching projects;
- The design of succession plans in order to stimulate internal mobility and career progression;
- The design and implementation of individual development plans in order to ensure the employee's responsibility and leadership in the process of learning and organizational development;
- Reinforcement of retention policies and knowledge transfer by identifying a pool of internal experts;
- The implementation of training programs addressed to the sales force in order to reinforce business skills;
- The design of a career plan to accelerate the mobility of technical operational functions and thus ensure retention and development of business-critical know-how
- The cultural challenge persists across all the mentioned initiatives, giving rise to a set of initiatives that aim at greater proximity, cooperation at the level of different socio-professional groups in the attempt to reinforce their corporate identity.

37.1.5. INFORMATION SYSTEMS

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

Despite the procedures designed and implemented to mitigate the mentioned risks, the Navigator Group is aware that, in the absence of inviolable information systems, it cannot be guaranteed that these efforts will be sufficient to prevent such system failures, as well as the related repercussion on reputation, litigation, inefficiencies or even in allocating operating margins.

37.1.6. OTHER RISKS ASSOCIATED WITH THE GROUP'S ACTIVITY

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

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

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

37.1.7. CONTEXT RISKS

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

i) Ports and railroads;

ii) Roads, particularly those providing access to the Navigator Group's producing units;

iii) Territorial planning and forest fires;

iv) Low productivity of the country's forests;

v) The lack of certification of most of the Portuguese forest;

vi) Volatility of tax policy and no reduction of the corporate tax rate as well as non-elimination of surcharges.

vii) Volatility of the fiscal policy and not reduction of the IRC rate, as well as non-elimination of the surcharges.

37.2. Financial Risks

37.2.1. RISKS ASSOCIATED WITH DEBT AND LIQUIDITY LEVELS

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

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

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

EURO

	BELOW 1 MONTH	1 TO 3 MONTHS	3 TO 12 MONTHS	1 TO 5 YEARS	ABOVE 5 YEARS	TOTAL
As of 31 December 2018						
Liabilities						
Interest-bearing liabilities						
Bond loans	-	1 897 879	4 396 063	361 849 726	-	368 143 668
Commercial paper	-	100 086 667	2 836 221	247 829 688	-	350 752 575
Bank loans	-	-	12 442 912	55 893 166	9 848 444	78 184 523
Amounts payable	158 996 057	16 888 775	24 753 635	26 027 354	-	226 665 821
Derivative financial instruments	-	851 996	1 373 933	7 124 649	-	9 350 578
Other liabilities	-	-	-	-	-	-
Total Liabilities	**158 996 057**	**119 725 317**	**45 802 763**	**698 724 583**	**9 848 444**	**1 033 097 165**

	BELOW 1 MONTH	1 TO 3 MONTHS	3 TO 12 MONTHS	1 TO 5 YEARS	ABOVE 5 YEARS	TOTAL
						EURO
As of 31 December 2017						
Liabilities						
Interest-bearing liabilities						
Bond loans	-	3 014 000	4 593 875	172 477 500	205 439 750	385 525 125
Commercial paper	-	-	35 275 115	251 103 785	-	286 378 900
Bank loans	-	50 317 000	70 667 185	58 964 510	19 996 249	199 944 944
Amounts payable	122 876 427	44 052 687	-	5 132 491	-	172 061 605
Derivative financial instruments	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Total Liabilities	**122 876 427**	**97 383 687**	**110 536 174**	**487 678 286**	**225 435 999**	**1 043 910 574**

On 31 December 2018, the amount of interest-bearing liabilities shown in the table above includes interest to be paid in the amount of Euro 31,247,432 (31 December 2017: Euro 53,791,498).

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

i) A price level for eucalyptus wood between 90% and 110% of that recorded during the period ended 31 December 2018;

ii) A market BEKP selling price of between 80% and 115% of that recorded during the period ended 31 December 2018;

iii) A market UWF and tissue paper selling price between 90% and 120% of that recorded during the period ended 31 December 2018;

iv) A net-debt cost between 80% and 115% of that recorded during the period ended 31 December 2018;

v) A production level of eucalyptus in the woodlands owned or operated by the Navigator Group, of BEKP pulp, of UWF paper and power within the existing installed capacities.

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

The following covenants are currently in force:

LOAN	RATIO	LIMIT
BEI	Hedged interest = EBITDA 12M / Annualised net interests	>= 4,5 X
	Debt = Interest-bearing debt / EBITDA 12M	<= 4,5 X
	Hedged interest = EBITDA 12M / Annualised net interests	>= 5,5 X
	Net Debt / EBITDA = (Interest-bearing debt - Cash and deposits) / EBITDA12M	<= 4,0 X
Commercial Paper 125M	Net Debt / EBITDA = (Interest-bearing debt - Cash and deposits) / EBITDA12M	<= 5,0 X
Commercial Paper 75M	Net Debt / EBITDA = (Interest-bearing debt - Cash and deposits) / EBITDA12M	<= 4,0 X
Commercial Paper 50M	Net Debt / EBITDA = (Interest-bearing debt - Cash and deposits) / EBITDA12M	<= 5,0 X
Commercial Paper 100M	Net Debt / EBITDA = (Interest-bearing debt - Cash and deposits) / EBITDA12M	<= 4,0 X
Commercial Paper 70M	Net Debt / EBITDA = (Interest-bearing debt - Cash and deposits) / EBITDA12M	<= 5,0 X
Portucel Bonds 2015-2023	Net Debt / EBITDA = (Interest-bearing debt - Cash and deposits) / EBITDA12M	<= 4,0 X
Bonds 1.575% 2016-2021	Net Debt / EBITDA = (Interest-bearing debt - Cash and deposits) / EBITDA12M	<= 4,0 X
Navigator bonds 2016-2021	Net Debt / EBITDA = (Interest-bearing debt - Cash and deposits) / EBITDA12M	<= 4,0 X

Based on the financial statements presented in this report, these ratios were as follows as at 31 December 2018 and 2017:

EURO

RATIO	2018	2017
Interest cover	64,98	46,59
Indebtedness	1,68	2,03
Net Debt/EBITDA	1,50	1,72

Considering the contracted limits, the Navigator Group is comfortably complying with the ratios imposed under the financing contracts. As at 31 December 2018, the Navigator Company presents a minimum safety margin above 100% on the fulfilment of its covenants.

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

i) To safeguard its ability to continue in business and thus provide returns for shareholders and benefits for its remaining stakeholders;

ii) To keep a solid capital structure to support the growth of its business; and

iii) To maintain an optimal capital structure that enables it to reduce the cost of capital.

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

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

The gearing ratios as at 31 December 2018 and 2017 were as follows:

EURO

	31-12-2018	31-12-2017
Total loans (Note 33)	763 830 678	818 057 471
Cash and cash equivalents (Note 33)	(80 859 784)	(125 331 036)
Net debt	**682 970 883**	**692 726 434**
Equity, excluding Treasury shares and non-controlling interests	1 188 731 073	1 185 461 455
Total Equity	**1 871 701 967**	**1 878 187 889**
Gearing	36,49%	36,88%

37.2.2. INTEREST RATE RISK

As at 31 December 2018, approximately 32% (31 December 2017: 36%) of the Navigator Group's financial liabilities are indexed to short-term reference interest rates, revised in periods below one year (usually 6-month rates for long-term debt), plus duly negotiated risk spreads. Hence, changes in interest rates can impact the Company's earnings.

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

On 31 December 2018 and 2017, the detail of the financial assets and liabilities with interest rate exposure, considering the maturity or the next interest-fixing date is as follows:

EURO

	BELOW 1 MONTH	1 TO 3 MONTHS	3 TO 12 MONTHS	1 TO 5 YEARS	ABOVE 5 YEARS	TOTAL
As at 31 December 2018						
Assets						
Current						
Cash and cash equivalents	80 859 784	-	-	-	-	80 859 784
Total financial assets	**80 859 784**	**-**	**-**	**-**	**-**	**80 859 784**
Liabilities						
Non-current						
Interest-bearing liabilities				634 444 445	19 583 333	654 027 778
Current						-
Other interest-bearing liabilities and sundry creditors		101 388 889	10 416 667			111 805 556
Total financial liabilities	**-**	**101 388 889**	**10 416 667**	**634 444 445**	**19 583 333**	**765 833 334**
Accumulated differences	**80 859 784**	**(20 529 105)**	**(30 945 772)**	**(665 390 217)**	**(684 973 550)**	

	BELOW 1 MONTH	1 TO 3 MONTHS	3 TO 12 MONTHS	1 TO 5 YEARS	ABOVE 5 YEARS	TOTAL
As at 31 December 2017						
Assets						
Current						
Cash and cash equivalents	125 331 036	-	-	-	-	125 331 036
Total financial assets	**125 331 036**	**-**	**-**	**-**	**-**	**125 331 036**
Liabilities						
Non-current						
Interest-bearing liabilities	-	-	-	440 626 584	229 444 444	670 071 028
Current						
Other interest-bearing liabilities and sundry creditors	-	50 000 000	100 205 591	-	-	150 205 591
Total financial liabilities	**-**	**50 000 000**	**100 205 591**	**440 626 584**	**229 444 444**	**820 276 620**
Accumulated differences	**125 331 036**	**75 331 036**	**(24 874 555)**	**(465 501 139)**	**(694 945 584)**	

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

The sensitivity analysis is based on the following assumptions:

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

A 0.50% increase in interest rates on which interest on loans are calculated would have an impact on its earnings before taxes, for the period ended 31 December 2018 by approximately Euro 1,229,167 (31 December 2017: Euro 1,472,503).

37.2.3. FOREIGN EXCHANGE RISK

Variations in the Euro exchange rate against other currencies can significantly affect the Group's revenue in several ways.

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

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

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

The Navigator Group holds a subsidiary company in the USA, Navigator North America, whose share capital amounts to USD 25 million and is exposed to foreign exchange risk. Navigator Group also holds a subsidiary in Poland, Portucel Finance Zoo, whose share capital amounts to PLN 208 million exposed to foreign exchange risk. Additionally, the Group holds a subsidiary company in Mozambique (Portucel Moçambique),

Amounts in Foreign Currency	US DOLLAR	POUND STERLING	POLISH ZLOTY	SWEDISH KRONA	SWISS FRANC
As of 31 December 2018					
Assets					
Cash and cash equivalents	2 078 627	203 115	150 629	-	3 113
Amounts receivable	93 933 061	12 485 563	4 433 932	-	1 710 970
Total Financial Assets	**96 011 688**	**12 688 678**	**4 584 561**	**-**	**1 714 083**
Converted into Euro	83 853 003	14 184 743	1 065 830	-	1 521 060
Liabilities					
Amounts payable	(15 795 288)	(77 901)	-	(25 040)	(45 617)
Total Financial Liabilities	**(15 795 288)**	**(77 901)**	**-**	**(25 040)**	**(45 617)**
Converted into Euro	(13 795 012)	(87 086)	-	(2 442)	(40 480)
Derivative Financial Instruments	**(257 166 667)**	**(76 266 667)**	**-**	**-**	**-**
Net financial position	**80 216 400**	**12 610 777**	**4 584 561**	**(25 040)**	**1 668 466**
As of 31 December 2017					
Total financial assets	67 236 353	259 897	6 861 583	686 323	1 668 259
Total financial liabilities	(5 355 184)	-	(4 044)	(39 246)	(66 538)
Derivative Financial Instruments	**(217 800 000)**	**(12 800 000)**	**-**	**-**	**-**
Net financial position	**61 881 169**	**259 897**	**6 857 538**	**647 077**	**1 601 721**

whose share capital amounts to MZM 1,000 million, equally exposed to foreign exchange risk. Besides those operations, The Navigator does not hold materially relevant investments in foreign operations, the net assets of which are exposed to foreign exchange risk.

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

The table below shows the Group's exposure to foreign exchange rate risk as of 31 December 2018, based on the financial statement position of the Group's financial assets and liabilities that amounted to Euro 86,599,067 converted at the exchange rates as of that date (31 December 2017: Euro 55,169,926) as follows:

DANISH KRONE	AUSTRALIAN DOLLAR	NORWAY KRONER	METICAL	MOROCCAN DIRHAM	TURKISH LIRA	SOUTH AFRICAN RAND
-	-	-	1 503 166	559 831	72 972	40 922
-	-	(11 514)	843 934	-	-	-
-	**-**	**(11 514)**	**2 347 100**	**559 831**	**72 972**	**40 922**
-	-	(1 157)	33 081	50 662	12 044	2 486
-	-	-	(13 203 242)	(127 884)	-	-
-	**-**	**-**	**(13 203 242)**	**(127 884)**	**-**	**-**
-	-	-	(186 092)	(11 573)	-	-
-	-	-	-	-	-	-
-	**-**	**(11 514)**	**(10 856 142)**	**431 947**	**72 972**	**40 922**
144 607	(8 218)	148	21 178 647	210 855	46 713	40 922
-	(4 252)	-	(8 747 264)	(150 515)	(2 808)	-
-	-	-	-	-	-	-
144 607	**(12 470)**	**148**	**12 431 384**	**60 340**	**43 904**	**40 922**

Foreign exchange derivative instruments are hedged against exchange rate risk of future foreign exchange transactions.

As of 31 December 2018, a (positive or negative) variation of 10% of all currency rates against Euro would have an impact on profit for the period in the amount of Euro 6,138,698 and Euro (7,499,617) respectively (31 December 2016: Euro 5,487,687 and (Euro 6,924,244), respectively).

37.2.4. CREDIT RISK

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

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

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

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

Until 31 December 2017, impairment of accounts receivable was assessed based on the incurred loss model. Irrecoverable accounts receivable were considered immediately impaired. The other receivables were assessed collectively to determine whether there was objective evidence that an amount of loss could occur with estimated impairment losses being recorded.

As of 1 January 2018, the Group assesses, on a prospective basis, the expected credit losses associated with its financial assets measured at amortised cost and at fair value through other comprehensive income, in accordance with IFRS 9.

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

If, at the reporting date, the credit risk associated with a financial instrument has not increased significantly since its initial recognition, the Group measures the impairment of that financial instrument by an amount equivalent to the expected credit losses within 12 months.

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

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

i) Calculate the total credit sales made by the Group over the last 12 months, as well as the total amount of bad debts relating to them;

ii) Determine the Customers' payment profile, by setting buckets of receipt frequency;

iii) Based on i and ii above, estimate the probability of default (i.e., the amount of bad debts calculated at i compared to the balance of outstanding sales in each bucket calculated at ii);

iv) Adjust the percentages of future projections obtained in iii;

v) Apply the default percentages as calculated in iv to the balances of Customers still outstanding at the reporting date.

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

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

In this regard, the total amount of debt over which the recoverability risk falls according to IFRS 9 amounts to Euro 247,101, as at 31 December 2018.

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

Impairment losses as at 31 December 2018 reconcile with the respective opening balance as follows:

EURO

	31-12-2018	31-12-2017
	TRADE RECEIVABLES (NOTE 26)	TRADE RECEIVABLES (NOTE 26)
Balance calculated in accordance with IAS 39, as of 31 December	**(2 440 472)**	**(2 395 281)**
Amount restated through retained earnings	-	-
Losses expected on 1 January 2018 - calculated in accordance with IFRS 9	-	-
Increase - IFRS 9 impact on profit or loss for the period	(247 101)	-
Increase	(315 664)	(63 530)
Reversals	157 292	18 304
Charge-off	1 603 883	35
Balance as of 31 December 2018	**(1 242 062)**	**(2 440 472)**

When compared to the previous standard, there was a need to reclassify and remeasure financial assets and liabilities in accordance with IFRS 9, the new classification and measurement applied to 1 January 2018 amounts is as follows:

	01-01-2018			
	CLASSIFICATION IN ACCORDANCE WITH IAS 39	CLASSIFICATION IN ACCORDANCE WITH IFRS 9	BOOK AMOUNT IN ACCORDANCE WITH IAS 39	BOOK AMOUNT IN ACCORDANCE WITH IFRS 9
Assets				
Other financial assets	Other financial assets	Other financial assets	424 428	424 428
Current receivables	Current receivables	Current receivables	237 704 322	237 704 322
Cash and cash equivalents	Cash and cash equivalents	Cash and cash equivalents	125 331 036	125 331 036
Non-current assets held for sale	Non-current assets held for sale	Non-current assets held for sale	86 237 049	86 237 049
Total Financial Assets			**449 696 835**	**449 696 835**

As at 31 December 2018 and 2017, Trade receivables showed the following ageing structure, considering the due dates for the open balances:

EURO

	31-12-2018	31-12-2017
Outstanding amount	198 776 285	161 136 142
1 to 90 days	26 801 894	14 376 656
91 to 180 days	355 819	106 599
181 to 360 days	73 170	38 722
361 to 540 days	3 926	3 685
541 to 720 days	4 589	-
above 721 days	3 500	-
	226 019 183	**175 661 804**
Balances considered in impairment	1 242 062	2 440 472
Impairments	(1 242 062)	(2 440 472)
Trade receivables net balance (Note 24)	**226 019 183**	**175 661 804**
Limit of credit insurance hired	161 104 810	136 541 981

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

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

EURO

As of 31 December 2018	PULP MARKET	UWF PAPER	TISSUE PAPER	OTHERS	TOTAL
Outstanding amounts	25 286 440	144 643 230	24 353 900	4 492 716	198 776 285
1 to 90 days	1 586 608	17 397 813	2 562 053	5 260 033	26 806 508
91 to 180 days	-	-	263 496	40 988	304 484
181 to 360 days	-	-	65 789	54 102	119 891
361 to 540 days	-	-	3 926	-	3 926
541 to 720 days	-	-	4 589	-	4 589
above 721 days	-	-	3 500	-	3 500
	26 873 048	**162 041 043**	**27 257 253**	**9 847 839**	**226 019 183**

As of 31 December 2017	PULP MARKET	UWF PAPER	TISSUE PAPER	OTHERS	TOTAL
Outstanding amounts	14 845 542	127 230 522	16 128 347	2 931 731	161 136 142
1 to 90 days	-	12 507 946	1 356 994	511 715	14 376 656
91 to 180 days	-	-	106 599	-	106 599
181 to 360 days	-	-	38 722	-	38 722
361 to 540 days	-	-	3 685	-	3 685
541 to 720 days	-	-	-	-	-
above 721 days	-	-	-	-	-
	14 845 542	**139 738 469**	**17 634 347**	**3 443 446**	**175 661 804**

As at 31 December 2018, the available credit insurance lines amounted to Euro 401,717,267 (31 December 2017: Euro 371,963,084) from which Euro 161,104,810 (31 December 2017: Euro 136,541,981) were in use.

The table below represents the quality of the Navigator Group's credit risk, as at 31 December 2018 and 31 December 2017, for financial assets (cash and cash equivalents), (Highest credit rating by one of the three rating agencies, *Standard & Poor's, Fitch or Moody's*):

EURO

	FINANCIAL INSTITUTIONS	
Rating	31-12-2018	31-12-2017
AA	180 402	-
AA-	20 182 842	25 902 715
A+	151 506	-
A	24 997 663	1 353 238
A-	513 104	30 173 036
BBB+	30 447 966	342 390
BBB	-	817
BBB-	91 764	64 511 346
BB+	2 085 911	18 791
BB	-	-
BB-	795	1 700 661
B+	-	-
B	450 202	-
B-	-	532 690
Other	1 757 629	795 353
	80 859 784	**125 331 036**

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

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

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

EURO

	31-12-2018		31-12-2017	
	GROSS AMOUNT	CREDIT INSURANCE	GROSS AMOUNT	CREDIT INSURANCE
Balances overdue not considered in impairment				
Overdue below 3 months	26 801 894	25 106 119	14 376 656	11 733 621
Overdue above 3 months	441 004	405 608	149 006	141 556
	27 242 898	**25 511 727**	**14 525 662**	**11 875 177**
Balances overdue considered in impairment				
Overdue below 3 months	-		-	-
Overdue above 3 months	1 242 062		2 440 472	-
	1 242 062	**-**	**2 440 472**	**-**

The maximum exposure to credit risk as at 31 December 2018 and 2017 is detailed in the following table. In accordance with the policies described above, the Navigator Group contracted credit insurance policies for most of the trade receivables balances. As such its exposure to credit risk is considered to have been mitigated up to acceptable levels, when compared with its sales.

EURO

	MAXIMUM EXPOSURE	
	31-12-2018	31-12-2017
Current		
Current receivables (Note 24)	307 750 689	237 704 322
Bank deposits (Note 33)	80 859 784	125 331 036
Exposure to credit risk of off-balance sheet exposures		
Commitments granted (Note 39)	30 591 289	35 220 636
Associated liabilities recognised (Note 25)	(12 277 050)	(1 463 127)
	30 591 289	**33 757 509**

38. CONTINGENT ASSETS

38.1. Tax matters

38.1.1. PUBLIC DEBT SETTLEMENT FUND

According to Decree-Law No. 36/93 of 13 February, the tax debts of privatised companies relating to periods prior to the privatization date (in the case of The Navigator Company, 25 November 2006) are the responsibility of the Public Debt Settlement Fund. 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.

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

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

EURO

	PERIOD	REQUESTED AMOUNTS	1ST REFUND	DECREASE DUE TO RERD	PROCEEDINGS DECIDED IN FAVOUR OF THE GROUP	EXTRAJUDICIAL AGREEMENT OF 13 DECEMBER 2017	OUTSTANDING AMOUNT
Proceedings confirmed in court							
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)	-
IRC (Withheld)	2004	3 324	-	-	-	-	3 324
Corporate income tax	2004	766 395	-	-	(139 023)	-	627 372
Stamp duty	2004	497 669	-	-	(497 669)	-	-
IRC (Withheld)	2005	1 736	(1 736)	-	-	-	-
Expenses		314 957	-	-	-	-	314 957
		15 876 240	**(8 210 546)**	**-**	**(975 347)**	**(5 725 771)**	**964 576**
Proceedings not confirmed in court							
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
		26 153 852	**-**	**(2 468 472)**	**-**	**-**	**23 685 380**
		42 030 092	**(8 210 546)**	**(2 468 472)**	**(975 347)**	**(5 725 771)**	**24 649 956**

Regarding the aggregate corporate income tax proceedings of 2005 and 2006, if Courts come to a decision in favour of Navigator Group (Note 38.1.2), the Group will withdraw the request made to FRDP.

38.1.2. TAXES PAID IN LITIGATION

As at 31 December 2018 and 2017, the additional tax assessments that are paid and contested by the Navigator Group, not recognised in the company's assets, are summarised as follows:

EURO

	2018	2017
2005 Aggregate corporate income tax	10 394 386	10 394 386
2006 Aggregate corporate income tax	8 150 146	8 150 146
Revisão oficiosa NVG Paper Figueira 2013	8 621 705	-
	27 166 237	**18 544 532**

38.2. Non-tax matters

38.2.1. PUBLIC DEBT SETTLEMENT FUND

In addition to the tax matters described above, a second request to the Public Debt Settlement Fund was submitted on 2 June 2010, which called for the reimbursement of various amounts, totaling Euro 136,243,939. These amounts regard adjustments in the financial statements of the Navigator Company 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 Company Group's proposal to present testimony evidence, alternatively proposing written submissions. On 30 June 2014 Navigator Company Group appealed against this decision, but continuously presented written evidence. The Court subsequently confirmed the Navigator Company Group's views on this matter, both parts appointed experts and the partial expert report was issued on July 2017, being required either by The Navigator Company, S.A. either by the Ministério das Finanças, the attendance of both designated experts in court hearing, in order to provide oral explanations on the expert report. The date of the court hearing is still to be appointed.

38.2.2. INFRASTRUCTURE ENHANCEMENT AND MAINTENANCE FEE

Under the licensing process No. 408/04 related to the new Setubal´s 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.

38.2.3. PLEDGES

Similarly to 2017, in the first quarter of 2019, the companies of the Navigator Group will intent an Administrative Action on Civil Liability against the Ministry of Finance which aims at the recognition of their right and in consequence, convict the Ministry of Finance to pay a compensation for the charges incurred by them, in 2018, related to the collaboration provided to the Portuguese Tax Authorities within the context of pledges in tax enforcement proceedings.

39. COMMITMENTS

39.1. Guarantees provided to third parties

As at 31 December 2018 and 2017, the guarantees provided by the Group are as follows:

EURO

	31-12-2018	31-12-2017
2013 corporate income tax	24 053 434	26 022 893
Spanish state tax agency	1 033 204	1 033 204
Customs clearance	1 835 250	1 835 250
IAPMEI	4 845 527	5 209 320
Simria	338 829	338 829
Other	892 440	781 139
	32 998 684	**35 220 636**

The guarantees provided by 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 2,407,395), in accordance with the terms and conditions defined in the Payment Standard applicable to projects approved under QREN Incentive Systems. In 2018, the guarantee provided by Navigator Tissue Ródão, S.A. was demobilised.

As part of the final tax authority inspection report to the 2013 period, the Navigator Company was notified on 4 September 2017 of the Final Tax Inspection Report which resulted in an additional tax payment of Euro 20,556,589.

Navigator did not agree with the correction identified, and therefore decided to contest it and to provide a bank guarantee in the amount of Euro 26,022,893 aiming to suspend the respective tax enforcement proceeding, following a series of litigation proceedings already filed on that matter since 2012.

Following a favorable decision on one of the most relevant proceedings presented and, as a result of Navigator's insistence throughout this litigation and in particular the litigation initiated at the end of 2017, regarding the change of the Portuguese Tax Authorities (AT) internal understanding on one of the key issues under discussion (i.e., the admissibility of the RFAI reporting), at the end of 2018, AT allowed the deduction of the entire RFAI recognised by Navigator during the periods between 2009 and 2013.

On this basis, as early as 2018 the value of the bank guarantee was reduced to Euro 24,053,434, being expected that the guarantee will be released in 2019 after the conclusion of the proceedings.

Regarding the financing agreements with EIB, the Navigator Group provided bank guarantees in the amount of Euro 91,346 thousand.

39.2. Purchase commitments

The purchase commitments assumed with suppliers at 31 December 2018 amounted to Euro 23,070,248 and referred to capital expenditure on Property, plant and equipment. At 31 December 2017 these commitments amounted to Euro 106,987,184. The variation mainly results from the conclusion in 2018 of the construction of the new tissue paper mill in Aveiro and the production capacity increase of pulp in Figueira da Foz (PO3 Project).

As at 31 December 2018, the commitments assumed for 2019 regarding the purchase of wood amounted to Euro 197,544,779 (Iberian and non-Iberian markets). In addition to these commitments there are also long-term contracts for the acquisition of wood in the amount of Euro 89,569,000.

39.3. Operating leases

As at 31 December 2018 and 2017, the commitments relating to operating lease contracts which were not canceled or with a renewal option had the following maturity (nominal values):

EURO

	31-12-2018				31-12-2017			
	BELOW 1 YEAR	1 TO 5 YEARS	ABOVE 5 YEARS	TOTAL	BELOW 1 YEAR	1 TO 5 YEARS	ABOVE 5 YEARS	TOTAL
Vehicles	2 102 293	3 438 545	63 542	5 604 380	1 928 848	3 454 854	18 545	5 402 247
Forest land rents	3 958 402	13 454 424	35 254 268	52 667 093	3 965 857	13 758 394	35 774 462	53 498 713
Right-of-use and land-use (Mozambique)	44 424	177 695	1 599 262	1 821 381	44 424	177 695	1 643 686	1 865 805
Non-agricultural land	19 922	55 688	256 260	331 870	19 922	61 688	270 182	351 792
Building	97 792	305 304	4 662 974	5 066 070	97 792	328 262	4 737 810	5 163 864
Software licenses	164 865	213 240	129 000	507 105	164 865	361 980	145 125	671 970
Railway terminals	1 320	5 280	1 320	7 920	1 320	5 280	2 640	9 240
	6 389 018	**17 650 176**	**41 966 625**	**66 005 819**	**6 223 028**	**18 148 153**	**42 592 450**	**66 963 631**

40. EXPENDITURE ON ENVIRONMENTAL MATTERS

Environmental costs

Within its activity, the Group incurs in several environmental costs, which are being capitalised or recognised as a cost in the operating results for the period, depending on their characteristics.

Environmental expenditures incurred to preserve resources or to avoid or reduce future damage, and which are considered to extend the life or increase capacity or improve the security or efficiency of other assets held by the Group, are capitalized in accordance with IAS 16.

Expenditure capitalised and recognised in expenses as at 31 December 2018 and 2017 are analysed as follow:

AMOUNTS CAPITALISED FOR THE PERIOD

EURO

	ENVIRONMENTAL IMPACT				
Environmental Aspect 2018	CONSUMPTION REDUCTION	CONTROL AND MONITORING	END OF LINE	PREVENTION	TOTAL
Atmospheric emissions	-	-	-	5 345 630	5 345 630
Energy	91 396	-	-	2 926 692	3 018 088
Liquid waste	-	5 975	-	-	5 975
Water	-	37 378	-	-	37 378
Other	29 420	112 017	12 895	995 440	1 149 772
	120 816	**155 369**	**12 895**	**9 267 763**	**9 556 843**

EURO

	ENVIRONMENTAL IMPACT				
Environmental Aspect 2017	CONSUMPTION REDUCTION	CONTROL AND MONITORING	END OF LINE	PREVENTION	TOTAL
Atmospheric emissions	-	-	-	18 233	18 233
Energy	67 573	-	-	246 183	313 756
Liquid waste	-	-	8 280	-	8 280
Water	-	29 225	-	89 000	118 225
Other	-	-	-	737 914	737 914
	67 573	**29 225**	**8 280**	**1 091 330**	**1 196 408**

The increase in the amounts capitalised for the period regarding Atmospheric emissions (Prevention) results from the capitalisation of bag filters in Setúbal and Aveiro. The increases regarding Energy (Prevention) are related with the acquisition of a biofuel boiler and with the conversion of the system in Natural Gas.

EXPENSES RECOGNISED IN THE PERIOD

EURO

Environmental Aspect 2018	Cost origin: Certification and licenses	Taxes	Control and monitoring	Operation	Maintenance	Total
Atmospheric emissions	8 506 374	-	-	-	530 495	9 036 869
Energy	-	-	-	-	-	-
Liquid waste	-	-	-	10 312 540	3 315 961	13 628 501
Solid waste	-	-	-	279 021	-	279 021
Water	-	-	-	290 574	-	290 574
Other	-	212 165	2 438 199	-	-	2 650 364
	8 506 374	**212 165**	**2 438 199**	**10 882 135**	**3 846 456**	**25 885 329**

EURO

Environmental Aspect 2018	Cost origin: Certification and licenses	Taxes	Control and monitoring	Operation	Maintenance	Personnel costs	Total
Atmospheric emissions	928 733	-	-	-	507 692	-	1 436 425
Energy	-	-	-	-	-	-	-
Liquid waste	-	-	-	9 282 890	2 760 798	-	12 043 689
Solid waste	-	-	-	110 830	-	-	110 830
Water	-	-	-	310 027	-	-	310 027
Other	-	365 277	424 807	-	-	3 251 894	4 041 978
	928 733	**365 277**	**424 807**	**9 703 748**	**3 268 490**	**3 251 894**	**17 942 948**

41. ANNUAL STATUTORY AUDIT

During the period under analysis and following the resolution to the General Extraordinary Meeting, dated 22 September 2017, the Navigator Group appointed KPMG & Associados Sociedade de Revisores Oficiais de Contas, S.A. as Statutory Audit, with effect from 1 January 2018.

For the periods ended 31 December 2018 and 2017, the fees charged by the Statutory Auditor and other entities belonging to the same network relating to the statutory audit of annual accounts, limited review of interim accounts, other assurance services, tax consultancy and other services, are broken down as follows:

	The Navigator Company		Companies of the Navigator Group (including The Navigator Company)	
	VALUE	%	VALUE	%
Annual Statutory Audit / Limited Review	32 067	59%	95 760	81%
Other realiability assurance services	4 500	8%	4 500	4%
Other services	17 800	33%	17 800	15%
TOTAL	**54 367**	**100%**	**118 060**	**100%**

"Other reliability assurance services" relate to the issuance of reports on financial information invoiced by KPMG & Associados – Sociedade de Revisores Oficiais de Contas, S.A..

"Other services" relate to advisory services provided under the study for the socio-economic impact of Navigator Tissue Cacia, invoiced by another Company from the KPMG network.

The Board of Directors considers that there are sufficient procedures to safeguard the independence of the auditors through the analysis processes of the Supervisory Board on proposed works and their strict hiring definition.

Fees invoiced in 2017 relate to the invoicing issued by PricewaterhouseCoopers & Associados, SROC, Lda., as follows:

	EURO
	2017
Annual Statutory Audit and other audits	
Annual Statutory Audit	260 659
Audit to foreign subsidiaries	74 180
Tax advisory services	
In Portugal	-
In foreign subsidiaries	9 010
Other realiability assurance services	18 080
Other services	17 289
	379 218

During 2018, this entity also invoiced Navigator Group for services regarding the Annual Statutory Audit for the 2017 period.

42. NUMBER OF EMPLOYEES

As at 31 December 2018, the average number of Employees working for the Navigator Group Companies was 3,282 (31 December 2017: 3,197) and were distributed by business segment as follows:

As of 31 December 2018	MARKET PULP	UWF PAPER	TISSUE PAPER	OTHER	TOTAL
Industrial/Forest site					
Setúbal	-	941	-	247	1 188
Aveiro	268	-	147	93	508
Figueira da Foz	-	857	-	149	1 006
Vila Velha de Ródão	-	-	216	-	216
Lisboa	-	-	-	108	108
Greenwood	-	-	-	-	-
Mozambique	-	-	-	156	156
	268	**1 798**	**363**	**753**	**3 182**
Commercial companies					
Europe	9	68	9	-	86
America	-	9	-	-	9
Overseas	-	5	-	-	5
	9	**82**	**9**	**-**	**100**
	277	**1 880**	**372**	**753**	**3 282**

As of 31 December 2017	MARKET PULP	UWF PAPER	TISSUE PAPER	OTHER	TOTAL
Industrial/Forest site					
Setúbal	-	925	-	248	1 173
Cacia	269	-	19	85	373
Figueira da Foz	-	865	-	131	996
Vila Velha de Ródão	-	-	206	-	206
Lisboa	-	-	-	112	112
Greenwood	-	-	-	77	77
Mozambique	-	-	-	163	163
	269	**1 790**	**225**	**816**	**3 100**
Commercial companies					
Europe	7	68	9	-	84
America	-	9	-	-	9
Overseas	-	4	-	-	4
	7	**81**	**9**	**-**	**97**
	276	**1 871**	**234**	**816**	**3 197**

43. SUBSEQUENT EVENTS

43.1. Setting-up of the new defined contribution plan – The Navigator Company III

Following the request made to the Board of Directors of the Portuguese Insurance and Pension Funds Supervisory Authority (*Autoridade de Supervisão de Seguros e Fundos de Pensões* – ASF), aiming to amend the Pension Fund Agreement for the setting-up of a new Defined Contribution Plan (CD), ASF approved, on 28 December 2018, the request made.

The proposal for amendment to the Agreement is pending approval and signature of ASF and its members.

43.2. Extension of loans' maturity

In January 2019, as part of the refinancing process of the Navigator Group – with extension of maturities – and to replace a pre-existing commercial paper credit facility, the Group contracted a commercial paper credit facility of Euro 75 million and, simultaneously, a bond loan in the amount of Euro 50 million, both due in 2026.

As early as February 2019, the Group contracted a "green" commercial paper credit facility, in the amount of Euro 65 million, with a 7-year term (amortizing), in which the financing conditions are linked to the ESG classification granted by a specialized entity. This credit facility replaces a normal commercial paper program of Euro 50 million, which was in force in 2018.

Also in February 2019, the Group used the EIB financing contracted in July 2018, in the amount of Euro 40 million, for a 10-year term (amortizing).

43.3. Treasury shares

In January 2019, Navigator acquired, in the stock exchange, 880,882 treasury shares at the acquisition cost of Euro 3,311,967. Following this acquisition, Navigator now holds 1,744,931 treasury shares, corresponding to 0.243% of its share capital.

44. EXPLANATION ADDED FOR TRANSLATION

These financial statements are a free translation of the financial statements originally issued in Portuguese in accordance with International Financial Reporting Standards as adopted by the European Union. In the event of discrepancies, the Portuguese language version prevails.

BOARD OF DIRECTORS

João Nuno de Sottomayor Pinto de Castello Branco
Chairman

Diogo António Rodrigues da Silveira
Executive Vice-Chairman

Luís Alberto Caldeira Deslandes
Vice-Chairman

António José Pereira Redondo
Executive Board Member

José Fernando Morais Carreira de Araújo
Executive Board Member

Nuno Miguel Moreira de Araújo Santos
Executive Board Member

João Paulo Araújo Oliveira
Executive Board Member

Adriano Augusto da Silva Silveira
Member

José Miguel Pereira Gens Paredes
Member

Manuel Soares Ferreira Regalado
Member

Paulo Miguel Garcês Ventura
Member

Ricardo Miguel dos Santos Pacheco Pires
Member

Vitor Manuel Galvão Rocha Novais Gonçalves
Member

Innovation in the
The Navigator
Company
Industrial Units

14

REPORTS AND OPINIONS OF AUDIT BODIES AND STATUTORY AUDITOR

STATUTORY AUDITORS' REPORT AND AUDITORS' REPORT

(Free translation from a report originally issued in Portuguese language.

In case of doubt the Portuguese version will always prevail.)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of **The Navigator Company, S.A.** (the Group), which comprise the consolidated statement of financial position as at 31 December 2018 (showing a total of Euro 2,563,861,007 and total equity of Euro 1,186,617,421, including a profit for the year attributable to the Navigator Company's shareholders of Euro 225,135,403), and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the accompanying notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of **The Navigator Company, S.A.** as at 31 December 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and further technical and ethical standards and guidelines as issued by Ordem dos Revisores Oficiais de Contas (the Portuguese Institute of Statutory Auditors). Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section below. We are independent of the entities that comprise the Group in accordance with the law and we have fulfilled other ethical requirements in accordance with the Ordem dos Revisores Oficiais de Contas' code of ethics.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of Goodwill and Property, Plant and equipment

Information regarding this matter is presented in Notes 1.6, 1.8 and 1.10 of the summary of the main accounting policies, Note 3.1 and 3.2 of Main estimates and judgements and Notes 17 and 19 of the Consolidated Financial Statements.

The Risk

Recoverability of goodwill (Euro 377,339,466) and property, plant and equipment (Euro 1,239,008,735) is a relevant matter due to the materiality of the amounts involved as well as due to the complexity and subjectivity inherent to impairment tests, namely regarding the uncertainty inherent to the financial projections, which are based on the Board of Directors expectations materialised in business plans, which key assumptions such as discount rates, expected margins, short and long term growth rates, investment plans and demand depend on unobservable inputs.

Our response to the identified risk

As part of our audit we performed the following procedures, among others:

We have analysed the budgeting procedures in which the financial projections are based on, comparing the actual performance with estimates performed in prior periods, as well as the integrity of the discounted cash flow model;

We compared the internal and external assumptions used, such as current business trends, market performance, inflation, projected economic growth and discount rates and assessed their reasonability;

We performed sensitivity analysis to the robustness of assumptions and forecasts;

We involved experts in the calculation of the weighted average cost of capital; and

We assessed the adequacy of the financial statements disclosures considering the applicable accounting framework.

Biological assets fair value

Information regarding this matter is presented in Notes 1.11 of the summary of the main accounting policies, Note 3.5 of Main estimates and judgements and Note 21 of the Consolidated Financial Statements.

The Risk	Our response to the identified risk
The fair value of biological assets (Euro 119,614,567) is determined through an internally developed model, based on economic and market projections, whose assumptions, namely the forest productivity, the sales price of wood less the harvesting cost, the value of own and leased land rents, logging and transportation costs, plantation and maintenance costs and the discount rate, require a high degree of estimation and judgment of the Board of Directors.	Our audit procedures included the following, among others: We tested the model mathematical accuracy and integrity; We analysed the budgeting procedures in which projections are based on; We compared the actual performance of variables inherent to the model with the estimates performed in prior periods, namely: forest productivity, the value of own and leased land rents, fixed costs, logging and transportation costs, plantation and maintenance costs; We compared the internal and external assumptions used, such as spot price vs expected price and the discount rate with the market data and assessed their sensitivity; We assessed the adequacy of the financial statements disclosures considering the applicable accounting framework.

Tax matters

Information regarding this matter is presented in Notes 1.14 and 1.21 of the summary of the main accounting policies, Notes 3.3 and 3.6 of Main estimates and judgements and Notes 13 and 32 of the Consolidated Financial Statements.

The Risk

The application of tax law to the several transactions has an inherent complexity and requires the exercise of judgment in determining the respective tax impact, as well as in the identification of tax contingencies, measurement of provisions and determination of contingent liabilities.

The estimate of amounts that may result in future outflows requires a high degree of judgment of the Board of Directors. The Board of Directors evaluate the probability of outcome, based on the opinion of their legal and tax advisors.

Our response to the identified risk

Our audit procedures included the following, among others:

We understood and evaluated the processes for monitoring tax contingencies, including inquiries to the Board of Directors and to the tax managers on the basis of their estimates and judgments;

We analysed the ongoing tax proceedings, as well as the tax contingencies, supported by tax experts, and reviewed the existing documentation;

We analysed the responses to the confirmation requests received from external lawyers;

We assessed the consistency of the criteria followed in the previous years; and;

We assessed the adequacy of the financial statements disclosures considering the applicable accounting framework.

Responsibilities of Management and the Supervisory Bodv for the Consolidated Financial Statements

Management is responsible for:

the preparation of consolidated financial statements that give a true and fair view of the Group's financial position, financial performance and the cash flows, in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union;

the preparation of the management report and the corporate governance report in accordance with applicable laws and regulations;

designing and maintaining an appropriate internal control system to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error;

the adoption of accounting policies and principles appropriate in the circumstances; and,

assessing the Group's ability to continue as a going concern, and disclosing, as applicable, the matters that may cast significant doubt about the Group's ability to continue as a going concern.

The supervisory body is responsible for overseeing the Group's financial reporting process.

Auditor´s Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatements whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control;

obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern;

evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion;

communicate with those charged with governance, including the supervisory body, regarding, among other matters, the planned scope and timing of the audit, and significant audit findings including any significant deficiencies in internal control that we identify during our audit;

determine, from the matters communicated with those charged with governance, including the supervisory body, those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes their public disclosure; and,

provide the supervisory body with a statement that we have complied with the relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Our responsibility also includes the verification that the information contained in the management report is consistent with the consolidated financial statements, and the verification of the requirements as provided in numbers 4 and 5 of article 451 of the Portuguese Companies' Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

On the Management Report

Pursuant to article 451, nr. 3, al. (e) of the Portuguese Companies' Code, it is our opinion that the management report was prepared in accordance with the applicable legal and regulatory requirements and the information contained therein is consistent with the audited consolidated financial statements and, having regard to our knowledge and assessment of the Group, we have not identified any material misstatements.

On the Corporate Governance Report

Pursuant to article 451, nr. 4, of the Portuguese Companies' Code, it is our opinion that the corporate governance report includes the information required to the Group to provide under article 245-A of the Securities Code, and we have not identified any material misstatements on the information provided therein in compliance with paragraphs c), d), f), h), i) and m) of that article.

On the non-financial information defined in the article 508º-G of the Portuguese Companies' Code

Pursuant to article 451, nr. 6, of the Portuguese Companies' Code, we inform that the Group has prepared a separate report where includes the non-financial information defined in article 508º-G of the Portuguese Companies' Code, having that report being published with the management report.

On the additional matters provided in article 10 of the Regulation (EU) nr. 537/2014

Pursuant to article 10 of the Regulation (EU) nr. 537/2014 of the European Parliament and of the Council, of 16 April 2014, and in addition to the key audit matters mentioned above, we also report the following:

We were first appointed as auditors of The Navigator Company, S.A. (parent Entity of the Group) in the shareholders general assembly held on 22 September 2017 for a first mandate from 2018 to 2021.

Management as confirmed to us that they are not aware of any fraud or suspicion of fraud having occurred that has a material effect on the financial statements. In planning and executing our audit in accordance with ISAs we maintained professional skepticism, and we designed audit procedures to respond to the possibility of material misstatement in the consolidated financial statements due to fraud. As a result of our work, we have not identified any material misstatement of the consolidated financial statements due to fraud.

We confirm that the audit opinion we issue is consistent with the additional report that we prepared and delivered to the supervisory body of the Group on 18 March 2019.

We declare that we have not provided any prohibited services as described in article 77, nr. 8 of the Ordem dos Revisores Oficiais de Contas Statutes, and we have remained independent of the Group in conducting the audit.

18 March 2019

SIGNED ON THE ORIGINAL

KPMG & Associados -

Sociedade de Revisores Oficiais de Contas, S.A. (nr. 189)

represented by

Paulo Alexandre Martins Quintas Paixão (ROC n.º 1427)

Report and Opinion of the Audit Board

CONSOLIDATED FINANCIAL ACCOUNTS

Financial year of 2018

Shareholders,

1. In accordance with the law, the articles of association and the terms of our mandate, we are pleased to submit the report on our supervisory activities in 2018 and to issue our opinion on the Consolidated Management Report and Consolidated Financial Statements presented by the Board of Directors of The Navigator Company, S.A., for the financial year ended 31st December 2018.

2. Over the course of the year we monitored the affairs of the company and its most significant affiliates and associates, with the regularity and to the extent we deemed appropriate, notably through periodic meetings with the company's board members and senior management. We checked that the accounts were kept correctly and duly documented, and verified the effectiveness of the risk management, internal control and internal audit systems. We also monitored compliance with the law and the articles of association. We encountered no constraints in the course of our supervisory activities.

3. We met several times with the official auditor and external auditor, KPMG & Associados, SROC, Lda., monitoring its auditing activities and checking its independence. We assessed the Legal Accounts Certificate and the Audit Report, and are in agreement with the Legal Accounts Certificate presented.

4. The Audit Board analysed the proposals submitted to it for the provision of non-audit services by the external auditor, and approved those that concerned permitted services, did not affect the independence of the external auditor and complied with additional legal requirements.

5. In the course of our work we found that:

(a) The Consolidated Income Statement, the Consolidated Statement of Financial Position, the Consolidated Statement of Recognized Income and Expense, the Statement of Changes in Consolidated Equity and the Consolidated Statement of Cash Flows and the corresponding Notes to the Financial Statements provide an adequate picture of the state of the company's affairs and its profits, the comprehensive income changes in its equity and cash flows;

(b) The accounting policies and valuation criteria adopted comply with the International Financial Reporting Standards (IFRS) as adopted in the European Union and suitably assure that such criteria lead to a correct valuation of the company's assets and profits, taking due account of the analyses and recommendations of the external auditor;

(c) The Consolidated Management Report provides a sufficient description of the business affairs of the company and its affiliates included in the consolidated accounts, offering a clear account of the most significant developments during the year;

(d) The Corporate Governance Report includes the information required by Article 245-A of the Securities Code and considers the recommendations from the Portuguese Institute for Corporate Governance (IPCG).

6. Accordingly, taking into consideration the information received from the Board of Directors and the company departments, and also the conclusions of the Legal Accounts Certificate and the Audit Report, we recommend that:

(a) The Consolidated Management Report be approved;

(b) The Consolidated Financial Statements be approved.

7. Finally, the members of the Audit Board wish to acknowledge and express their thanks for the assistance received from the Board of Directors, the senior managers of the company and other staff, as well as the external auditor, KPMG & Associados, SROC, Lda.

Lisboa, March 18th 2019

The Chairman of the Audit Board
José Manuel Oliveira Vitorino
Member
Gonçalo Nuno Palha Gaio Picão Caldeira
Member
Maria da Graça Torres Ferreira da Cunha Gonçalves

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Property
of The Navigator
Company

ACKNOWLEDGEMENTS
We wish to express our thanks to all who contributed to this piece of communication.

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Investor Relation
Communications and Brand

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The Navigator Company Image Bank

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PRODUCTION
Sara Fortes da Cunha | 004 F*@#ing Ideas

TRANSLATION FROM THE ORIGINAL IN PORTUGUESE
Upwrods Translation

PRINTING BY
GIO – Offset Printing Office, Lda.

FSC
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MIX
Paper from responsible sources
FSC® C125704

COVER
Dry Pulp

PAPER
Soporset Premium Offset
CRUMP
PAGES 01 TO 88
100 g/m²
PAGES 89 TO 288
80 g/m²

BOOK GUARDS
190 g/m²

INKS
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SEAM
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BINDING
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