ANNUAL REPORT 2017

THE NAVIGATOR COMPANY

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Note: The non-financial information required by Decree-Law 89/2017 is included in the 2016-2017 Sustainability Report.

NAVIGATOR IN 2017

Key Figures

€1,637 million
Turnover

24.7%
EBITDA/Sales

50%
Market share in the premium office paper segment

€114.7 million
Capital expenditure

Navigator is the
most widely recognised paper brand
in Europe

Navigator is an integrated manufacturer of UWF (uncoated woodfree) printing and writing paper and a leader in the European market. It has set new records for output at all its industrial units and in its different product segments, whilst maintaining its commitment to quality, distinctive products and added value.

Sales and Production

1,578 thousand t
UWF paper sales

55 thousand t
Tissue sales

2,227 GWh
Power output

311 thousand t
BEKP pulp sales

All-time Highest Industrial Output

573 thousand t
UWF Paper – ATF Setúbal

593 thousand t
BEKP Pulp – Figueira da Foz Mill

354 thousand t
BEKP Pulp
– Cacia Mill

56 thousand t
Tissue reels
– Vila Velha de Ródão Plant

The Navigator Company is a prestige brand in Portugal and around the world. Ranked third in the league table of Portugal's top exporters, Navigator was selected by *Exame* magazine for its "Biggest and Best Exporter" award. Navigator makes a significant contribution to wealth creation in Portugal, accounting for 1% of national GDP. It is also one of the country's largest employers and a major producer of electricity.

Weight in the Portuguese Economy

95%
Products
sold outside Portugal
– pulp and paper product –
to 130
countries

1%
Portugal's
GDP

€1.3
billion
Exports
corresponding to
2.4% of Portuguese exports of goods

6% Portuguese containerised cargo

3,197
Employees

7,658
Suppliers
72%
Portuguese

4%
Country's power output

31
thousand
Direct, indirect and induced jobs*

* KPMG 2015 study

The Navigator Company is vertically integrated, managing vast tracts of certified woodlands in Portugal. The Company's woodlands are one of its most precious assets and the sustainability of the forestry sector is built into its DNA.

Forestry

12 million
Plants/year produced at Portuguese nurseries

€ 3.4 million
Investment in protection against forest fires
MORE THAN 40% IN PREVENTION ACTIONS

62%
Wood suppliers with Chain of Custody (CoC)

5.4 million t CO_2
Carbon sequestration by forests managed by Navigator

112,000 ha
Forest with certified management FSC® (FSC-C010852) and PEFC™ (PEFC/13-23-001)

54%
Supply of certified wood

Research & Development and the environmental improvement programme are central to The Navigator Company's vision for the future and have been crucial in making and keeping it competitive. The environmental results achieved reflect the Company's sense of social and environmental responsibility.

Environmental Impact

82%
Water returned to environment during production process

90%
Renewable raw materials

69%
Primary energy used from **renewable sources (biomass)**

84%
Waste recovery rate

3.1 GWh/year
Production at photovoltaic power plant – ATF Setúbal

52%
Power generation **from biomass in Portugal**

Score A-
Climate Carbon Disclosure Project (CDP)

0.228 t
CO_2/year
emissions – pulp and paper product

Total CO_2 emissions avoided through renewable energy sources

1,140 t
CO_2/year Solar Energy

460 thousand t
CO_2/year
Biomass and cogeneration plants

MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

Life renews itself daily
on our estates

Message from the Chairman of the Board of Directors

Dear Shareholders,

The fires that last year tragically affected a significant part of Portugal's forests are still fresh in our memory. Forest fires have unfortunately been a recurring event in our country, but the extent of the damage in 2017, and above all the terrible loss of life mean that I must start by saying some words on this matter.

Firstly and most importantly, of course, I wish to express my deep sorrow and sympathy for the suffering of the families affected, directly or indirectly, by the fires. The Navigator Company joined in the national wave of solidarity with the victims of the fires, both by putting its weight behind the initiative headed by the Calouste Gulbenkian Foundation, and also by providing assistance to the national and regional authorities in the work needed to protect the land affected against the risk of erosion.

There are broad areas of consensus between the assessment and recommendations of the Independent Technical Commission, appointed in the wake of the first wave of fires, and the position long defended by companies, associations and experts in the sector. This is especially true of the emphasis placed on shortcomings in planning, the importance of proper forestry management and the need for the right combination of resources for prevention and fire-fighting.

It also emerged clearly that the problem of wildfires cannot be blamed on any individual forest species. Unsurprisingly, the conclusions drawn from cool analysis of the facts were not enough to silence the deeply-rooted prejudice against eucalyptus forests, blaming this species for the fires even in the face of clear evidence showing that, in a significant proportion of the areas burned, eucalyptus was not the dominant species, and in many cases was not actually present at all.

Our business model – based on natural and renewable resources, obtained from correctly managed and certified forests, making efficient use of the resources needed for production, and reclaiming waste with economic and environmental benefits – is consistent with the aims of the circular economy. In around 10 years, the Group's industrial plants have cut waste production by 48%, water consumption by 41%, liquid effluents by 37%, energy intensity by 14% and CO_2 emissions by 5%. The Group reclaims over 80% of the waste produced.

The Navigator Group is a major producer of electricity (generating around 4% of all power in Portugal), most of it generated from renewable sources. It is Portugal's leading producer of energy from biomass, accounting for around 50% of total output in the country. It is also establishing itself as a major producer of solar power, from facilities at its industrial plants and nurseries. The Group is more than 90% self-sufficient in energy.

These indicators serve to illustrate some of the underlying factors that make our Group sustainable. In the world of limited resources in which we live, sustainability is increasingly a strategic imperative, without which companies will be unable to compete and grow.

Our sustainability has firm and well established roots, because it starts in the forests, which we tend and develop with dedication, using the best available techniques. We have for many years allocated generous resources to learning more about eucalyptus and woodlands in general, and have concentrated our scientific capabilities in RAIZ, our own dedicated research institute for the forestry and paper sectors. It is no coincidence that RAIZ is based at Quinta de São Francisco, in Eixo, a property which previously belonged to the distinguished humanist and dedicated nature watcher, Jaime Magalhães Lima, who made use of the estate to conduct long and patient research into numerous species of eucalyptus.

He recorded his findings in the early years of the twentieth century: "(…) it is a blessing bestowed by nature, and one less common that might generally be imagined, that we in Portugal possess large areas suited to cultivation of eucalyptus, where we can be sure it will flourish". Magalhães Lima warned against unthinkingly adopting ideas as yet unproven: "Foreign books and catalogues easily encourage efforts and enthusiasm which can often lead to disappointment", because he understood that "experiments in forestry require many years and large tracts of land; they can neither be undertaken on a small plot, not concluded in a short time (...)".

This truly scientific attitude has inspired RAIZ, allowing it to establish itself as a leading force in eucalyptus research and to lay the foundations from which to reach even more ambitious heights. The recent approval of the Inpactus project, under the FEDER Programme, will make it possible for RAIZ, working in a network with an impressive array of scientific institutions at home and abroad, to broaden its research horizons even further, in order to explore new ways of adding value to forestry raw materials. This includes the promising field of biorefinery, which may open the door to countless development possibilities, from fuels to the production of new composite materials, with the potential to replace and improve on petroleum-based products.

In the more immediate future, I would like to refer to the project under way at the Cacia Industrial Site, where a new tissue plant will start up in August, representing an important step in the Group's plans to establish itself in its new business area on a secure and determined footing. Work is also proceeding on the project to expand capacity at the Figueira da Foz pulp mill.

These capital projects add to the Group's strength and its ability to compete, as well as creating new opportunities for professional development and realisation for its more than 3000 employees, to whom I would like to address a word of appreciation, for the dedication and skill they have placed at the Company's service.

I am pleased to report that 2017 was a successful year for the Group, both operationally and in terms of the rates of return achieved. Year after year, the Group has shown the ability to meet increasingly ambitious targets, rising to the challenges of a highly competitive industry, as well as overcoming many other obstacles which have been artificially placed in our way. We will continue to respond to all these difficulties with the hard work and seriousness for which we are known.

We are fully aware of our responsibilities as the leading Company in a sector of vital importance to the country, and this will encourage us to continue our search for new avenues to growth. We will do this with a commitment to the national interest and to a fair society. As I have said in the past, these twin concerns are crucially linked to a successful future for industry.

Setúbal, 15 March 2018

Pedro Queiroz Pereira
Chairman of the Board of Directors

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

Our estates are home to an exemplary range of biodiversity

Message from the Chief Executive Officer

Dear Stakeholders,

2017 was a positive year overall for the pulp and paper sector, especially in the pulp business which benefited from a combination of factors, notably growth in consumption in the order of 4% and restrictions on supply, which pushed up prices by around 19%. Business in UWF is traditionally more stable and also improved in 2017, with growth and stronger orders from Europe, Africa and the Middle East. A positive trend was also observed in the tissue business, driven by economic growth, especially in the tourism industry. Energy business recorded strong performance, benefiting from rising Brent prices, to which power prices are indexed.

But not everything has worked in our favour. Exchange rate trends were a headwind for us in 2017, and the weakness of the dollar against the euro took a toll on our results (approximately € 6 million). At home, we were also badly hit by the devastating wave of fires that attained tragic proportions – above all, because of the irreparable loss of human life. The negative impact on our accounts was around € 7 million. The expected changes were also made to the legal rules on forestation and reforestation. This will mean a gradual reduction in the area of eucalyptus plantations in Portugal, and in the medium and long term will increase the need to import wood, pushing up our costs and making it harder to maintain the quality of our end-products.

In these stormy seas, The Navigator Company was able to plot a sure and steady course, achieving highly positive results in 2017, with turnover up by 4% in relation to 2016, at € 1,637 million. This was made possible in particular by strong performance in pulp sales, which grew by 19% to € 164 million, as well as in power (up by 13% to € 167 million) and tissue paper (up by 10% to € 74 million). Sales of UWF paper – totalling € 1,200 million and accounting for 73% of turnover – were in line with the previous year, with premium paper representing a larger share (49%). The Company also took the lead in announcing four successive increases in paper prices, bringing them back to 2016 levels.

Strong turnover was matched by excellent industrial performance, with record output achieved at the Setúbal paper mill, at the pulp mills in Figueira da Foz and Cacia and at the tissue plant in Vila Velha de Ródão. These factors combined meant that the Company recorded EBITDA of € 404 million, its best ever and 2% up on the previous year. It will also be able to pursue a fairly atractive dividend policy, whilst maintaining a level of capital expenditure in line with the Company's needs. This sound performance was achieved despite a negative contribution from the pellets business (- € 16 million), and in spite of the impact of the forest fires and capital expenditure in Mozambique, which brought down results by € 4 million. These negative impacts were mitigated by the cost cutting drive which has been in motion since 2015 and which in 2017 helped to boost EBITDA by € 27 million.

One of the major events of 2017 was the decision to dispose of our pellets business in the United States for USD 135 million, when an attractive financial opportunity presented itself for disinvesting from a non-strategic asset in a context where conditions in the international pellets market had deteriorated. This allowed the Company to obtain a financial inflow with positive effects which will only be felt in 2018. The three years in which we were involved in this project were an important learning experience, and proved we were capable of planning and building a world-scale industrial facility outside Portugal. We also obtained valuable experience in managing people and assets in the United States.

Alongside this development, we pressed ahead with investment in strategic areas: pulp and tissue. We continued with our project to expand pulp production capacity at the Figueira da Foz Industrial Complex and work started up on construction of an integrated tissue line in Cacia, further consolidating the strategy of business diversification mapped out in 2015, which the Company has been consistently pursuing. Both projects will be completed in the course of 2018, and production will also start later in the year.

So at the same time as we continue our journey in the Company's more traditional areas of business, pulp and UWF paper, where we are global leaders, we have made decisive strides in our new tissue business, whilst maintaining the sound financial structure demonstrated by our 2017 results, which we are delighted to present to our shareholders and stakeholders. This journey has only been possible because we continue to invest consistently in what is most important – in people, who are the real achievers and who take centre-stage in our organisation, and also in Research & Development, which is essential in order to respond to the new challenges which constantly present themselves in the business world, and in the industry in particular.

As regards our people, we have pressed ahead with the twin strategies of training and recruitment. A total of 1,036 Employees were involved over the year in activities at our Learning Centre and other more specific training initiatives. At the same time, the Company welcomed 255 new Employees and 116 interns and trainees. Rejuvenation is a further priority, and since the current programme started in 2013 we have succeeded in reducing the average workforce age by 5 years and increasing the proportion of Employees with higher education qualifications by 4.4%. Our ongoing commitment to improving the quality of our workforce and developing our Employees' skills has been the central factor in our success. This has been combined with efforts to attract new talent to enrich a family that already numbers around 3,200 Employees, reflecting what has been this Company's central focus, which has been crucial in securing consistently strong results.

In the field of Research & Development, special attention should be drawn to the new Inpactus Project for developing new products, technologies and services in the pulp, UWF paper, tissue and biorefinery sectors, in conjunction with the Universities of Coimbra and Aveiro, and in partnership with a range of entities from the scientific and technological world in Portugal and abroad. This project has a timeframe of four years and involves total investment of approximately € 15 million, with financial aid from FEDER of around € 13 million. This project – hugely significant because of its scale – will involve a team of 180 people, including researchers, recipients of research bursaries and others, and will allow the Company to press ahead with developing new products, and biorefinery products in particular.

Our people, who we want to see increasingly motivated and involved in top quality training programmes, our continued commitment to the Company's core business, with high standards of industrial and commercial performance, the consolidation of our more recent tissue business, where output is set to triple in just three years, our ever deeper commitment to Sustainability, and to Research & Development, our move into new biorefinery business areas and our concerted efforts to align the Company's reputation with the high standards achieved in forest management and technical development – all this makes us confident that The Navigator Company will continue to record excellent performance and to offer satisfaction and security for all our Employees, Suppliers, Customers and other Stakeholders.

Setúbal, 15 March 2018

Diogo da Silveira
Chief Executive Officer

THE BOARD OF DIRECTORS

FROM LEFT TO RIGHT

FOREFRONT

José Fernando Morais Carreira de Araújo
Manuel Soares Ferreira Regalado
Luís Alberto Caldeira Deslandes
Pedro Mendonça de Queiroz Pereira
João Nuno de Sottomayor Pinto de Castello Branco
Diogo António Rodrigues da Silveira
António José Pereira Redondo
Adriano Augusto da Silva Silveira

BEHIND

Nuno Miguel Moreira de Araújo Santos
João Paulo Araújo Oliveira
Vitor Manuel Galvão Rocha Novais Gonçalves
Ricardo Miguel dos Santos Pacheco Pires
José Miguel Pereira Gens Paredes
Paulo Miguel Garcês Ventura

1.

THE COMPANY

Eucalyptus globulus in the Company's nurseries

Together
we go
further

MISSION

Our mission is to be a global company with a reputation for innovation and sustainability in processing forestry materials into products and services that improve people's lives.

VISION

To extend our leadership position in printing and writing paper to other business areas and add to Portugal's international stature.

VALUES

TRUST

We believe in people, we welcome everyone's contribution, we respect their identity, promoting development, cooperation and communication.

INTEGRITY

We are guided by principles of transparency, ethics and respect in our dealings amongst ourselves and with others.

ENTERPRISE

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.

INNOVATION

We seek to bring out everyone's skills and creative potential to do the impossible.

SUSTAINABILITY

Industrial, social and environmental sustainability is our business model.

EXCELLENCE

In our work we focus on quality, efficiency, safety and getting it right.

The Company

THE NAVIGATOR COMPANY'S PROFILE AND BUSINESS MODEL

Navigator is an integrated forest producer, whose end products are pulp & paper, tissue and energy. Its operations are based at modern, large scale industrial units that use state-of-the-art technology and are a benchmark for quality in the sector. The Company's business model is founded on a prime-quality raw material – *Eucalyptus globulus* – whose intrinsic characteristics have allowed it to develop a strategy centred on distinctive premium products, which today serve as reference in the industry.

LEADING PRODUCER OF UNCOATED WOODFREE PAPER

With total annual production capacity of 1.6 million tons of paper, the Group is Europe's largest manufacturer 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 1.5 million tons each year, of which roughly 80% is integrated into paper production. The Company has recently moved into the tissue sector and has capacity to produce 65 thousand tons of finished products each year. The Group is also a leading energy producer, generating 2.5 TWh of electricity *per annum*, accounting for roughly 4% of all power generated in Portugal and 52% of the energy produced from biomass.

SUSTAINABILITY IS A CENTRAL PILLAR OF OUR OPERATIONS

Navigator is Portugal's third largest exporter, accounting for approximately 1% of GDP and 2.4% of all Portuguese exports of goods. The Group has 112 thousand hectares of woodlands under its management and Europe's largest certified nursery facility, able to produce 12 million plants a year. As a vertically integrated forestry group, Navigator has its own forest research institute, which leads the world in the genetic improvement of *Eucalyptus globulus*. The Company manages vast tracts of Portuguese woodlands, 100% certified under the international FSC[1]® and PEFC[2]™ schemes.

OUR PRODUCTS ARE SOLD ALL OVER THE WORLD

With a turnover of approximately € 1.6 billion, roughly 95% of Navigator's pulp and paper 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 (10%). The Navigator Company has pursued a successful strategy of innovation and developing its own brands and premium products, resulting in a market share in Western Europe of 19% in UWF paper and around 50% in the premium segment.

DEVELOPING NEW OPPORTUNITIES FOR GROWTH AND DIVERSIFICATION

As part of its strategy for growth and development, the Company acquired in 2015 the Portuguese tissue manufacturer AMS, with a factory in Vila Velha de Ródão. In early 2017, the Company decided to go ahead with the construction of a new tissue line, with annual production capacity of 70 thousand tons, integrated with the Cacia pulp mill. The new facility is due to start up in the second half of 2018. Its other expansion and development plans include increasing

[1] FSC-C010852
[2] PEFC/13-23-001

pulp capacity at Figueira da Foz, which should be completed during the first half of 2018, as well as a long term project to establish a forestry base in Mozambique, including an option to build a large-capacity pulp mill.

Listed on Euronext Lisbon since 1995, The Navigator Company has stock market capitalisation of approximately € 3 billion (at year-end 2017); 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

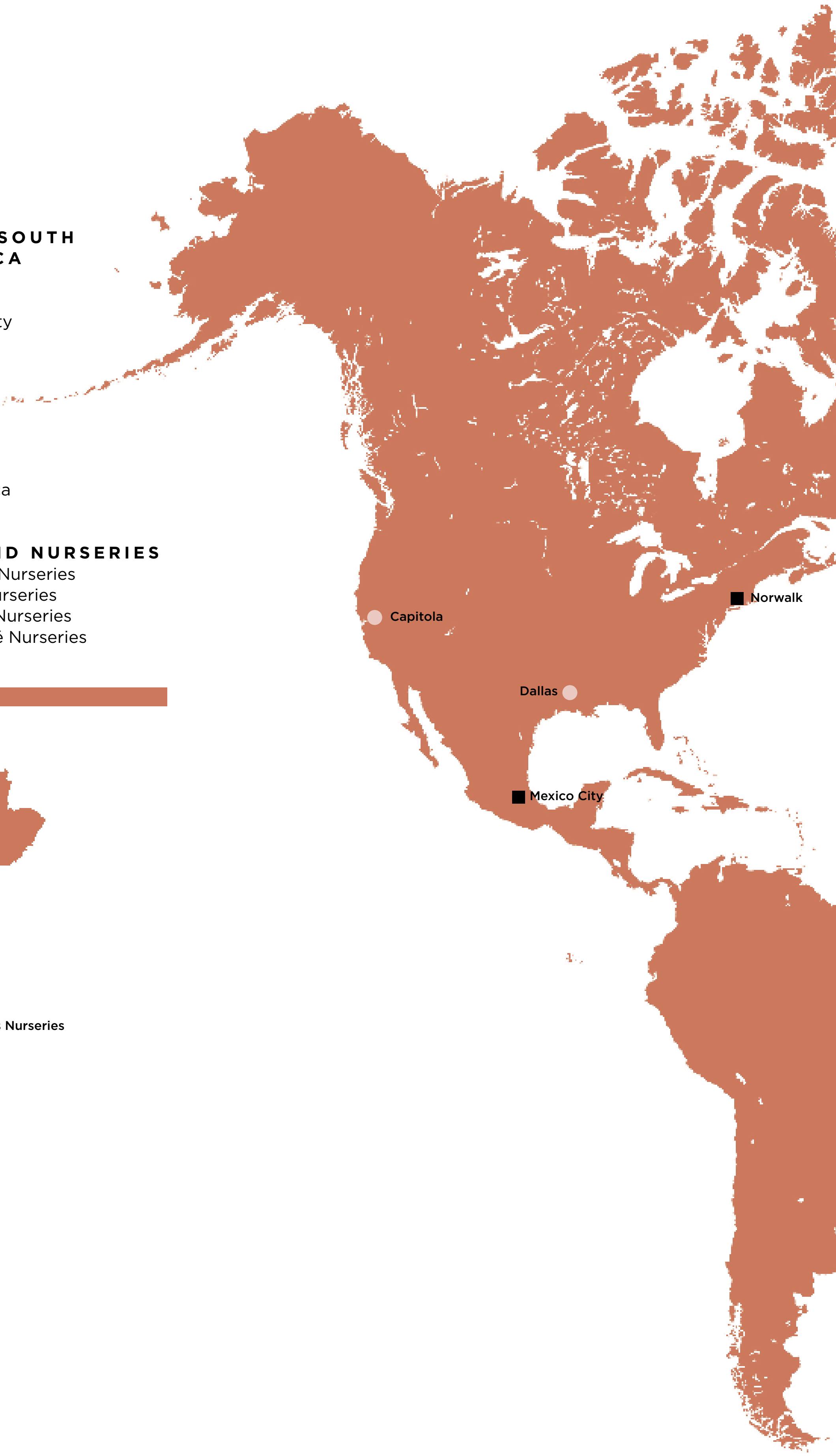
EUROPE
Amsterdam
Cacia
Cologne
Figueira da Foz
Geneva
Lisbon
London
Madrid
Moscow
Paris
Setúbal
Verona
Vila Velha de Ródão
Vienna
Warsaw
Wavre

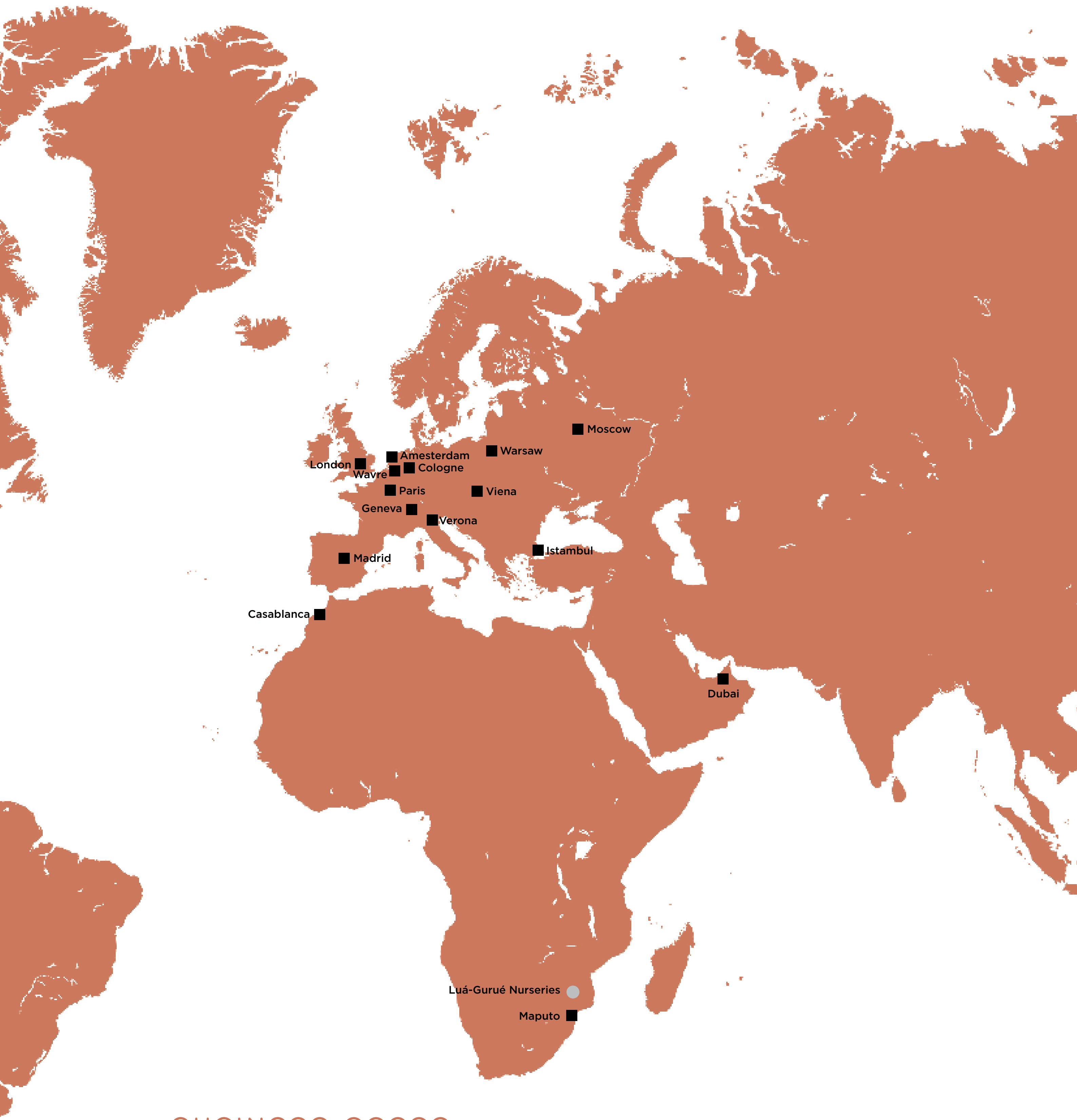
USA & SOUTH AMERICA
Capitola
Dallas
Mexico City
Norwalk

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

INTERNAL ORGANISATION

THE NAVIGATOR COMPANY

Projects in progress
Mozambique

R&D
RAIZ
Research Centre
Eixo, Aveiro

Forest
Nurseries
Annual production capacity of
12 million
plants
Caniceira
Ferreiras
Espirra
112,000 ha
under certified management

BEKP Pulp
Annual production capacity
1.5 million
tons
BEKP pulp
Pulp integrated in paper
Setúbal
Figueira da Foz
Pulp for Market
Cacia

UWF Paper
Annual production capacity
1.6 million
tons
UWF paper
Setúbal
Figueira da Foz

Tissue Paper
Annual production capacity of
70,000
tons of reels
+
65,000
tons of finished products
Vila Velha de Ródão

Energy
Annual production capacity of
2.5 TWh
of electricity

BUSINESS HIGHLIGHTS 2013-2017

MILLION EUROS

	2013	2014	2015	2016	2017
Total Sales	1,530.6	1,542.3	1,628.0	1,577.4	1,636.8
EBITDA (1)	350.5	328.4	390.0	397.4	403.8
Operating Earnings (EBIT)	233.7	218.3	282.9	230.4	255.0
Financial Earnings	-14.1	-34.2	-50.3	-20.8	-7.7
Net Profit	210.0	181.5	196.4	217.5	207.8
Cash Flow (2)	326.8	291.6	303.6	384.6	356.6
Investment	16.9	50.3	148.5	138.6	114.7
Net Debt (3)	307.1	273.6	654.5	640.7	692.7
Net Assets	2,819.7	2,708.3	2,429.9	2,409.1	2,439.1
Liabilities	1,339.8	1,254.6	1,215.6	1,175.9	1,254.3
Equity	1,479.8	1,453.7	1,214.3	1,233.3	1,184.9
Gross Debt	831.3	773.2	727.1	708.3	818.1
Cash and Cash Equivalents	524.3	499.6	72.7	67.5	125.3
EBITDA/Sales (%)	22.9%	21.3%	24.0%	25.2%	24.7%
ROS (%)	13.7%	11.8%	12.1%	13.8%	12.7%
ROE (%)	14.2%	12.4%	14.7%	17.8%	17.2%
ROCE (%) (4)	12.9%	12.4%	15.7%	12.3%	13.6%
Equity to Assets Ratio	52.5%	53.7%	50.0%	51.2%	48.6%
Net Debt/EBITDA	0.88	0.83	1.68	1.61	1.72
Total Shares Issued	767.5	767.5	767.5	717.5	717.5
Market Shares (million)	717.9	717.0	717.0	717.0	717.0
Own Shares Held on Dec. 31st (million)	49.6	50.5	50.5	0.5	0.5
Market Value of Treasury Stock (million euros) (5)	144.4	155.8	181.6	1.6	2.1

EUROS

	2013	2014	2015	2016	2017
Net Earnings per Share	0.293	0.253	0.274	0.303	0.290
Cash Flow per Share	0.455	0.407	0.423	0.536	0.497
EBITDA per Share	0.488	0.458	0.544	0.554	0.563
Dividend per Share (6)	0.280	0.280	0.614	0.237	0.349
Book Value per Share	2.061	2.027	1.694	1.720	1.653
Share Price at Year End	2.910	3.085	3.596	3.265	4.252

(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

OUR RESULTS IN 2017

MILLION EUROS

	FY 2017	FY 2016	% CHANGE [5] 2017/2016
Total Sales	1,636.8	1,577.4	3.8%
EBITDA [1]	**403.8**	**397.4**	**1.6%**
Operating Profits	255.0	230.4	10.7%
Financial Results	-7.7	-20.8	-63.0%
Net Earnings	**207.8**	**217.5**	**-4.5%**
Cash Flow	356.6	384.6	-28.0
Free Cash Flow [2]	198.1	183.8	14.3
Capex	114.7	138.6	-23.9
Net Debt [3]	692.7	640.7	52.0
EBITDA/Sales (%)	**24.7%**	**25.2%**	**-0.5 pp**
ROS	12.7%	13.8%	-1.1 pp
ROE	17.2%	17.8%	-0.6 pp
ROCE	13.6%	12.3%	1.3 pp
Equity Ratio	48.6%	51.2%	-2.6 pp
Net Debt/EBITDA [4]	1.72	1.61	0.11

(1) Operating profits + depreciation + provisions
(2) Net debt + dividends + purchase of own shares
(3) Interest-bearing net debt – liquid assets
(4) EBITDA corresponding to last 12 months
(5) Variation in figures not rounded up/down

ANALYSIS OF 2017 RESULTS

Turnover for 2017 stood at € 1,637 million, up by 3.8%, sustained essentially by strong performance in sales of pulp, power and tissue. Paper sales totalled € 1.2 billion, accounting for 73% of turnover, down by 0.9% on the previous year.

2017 was extremely positive for the pulp sector, which benefited from a series of unexpected developments and a number of adjustments which placed constraints on supply. Combined with healthy demand, this caused prices to rally significantly, month after month, both in China and in Europe, with the industry announcing successive price increases. In this context, Navigator's pulp sales grew by 7% to around 311 thousand tons. The benchmark PIX – BHKP index in euros recorded an average price of 725 €/ton, as compared to 628 €/ton in the previous year (up 15%). The Group's average price also followed an upward course, rising 12% over the year, with pulp sales growing by 19% in value, to a total of € 164 million.

Market conditions in UWF business also improved gradually over the year, with stronger orders in Europe and in overseas markets. In Europe, apparent consumption held steady (up 0.1%), with demand rising for Folio and Cutsize, and declining for reels. The Group recorded strong performance in the volume of paper sales, which totalled 1 578 thousand tons, roughly in line with the previous year (down by 8.6 thousand tons, or 0.5%), whilst improving its product mix, in terms of quality (premium sales up 57 thousand tons) and its own brands (up 45 thousand tons).

Although the price index for Europe – PIX A4 – evolved positively over the year, average prices in 2017 were still lower than in 2016 – 815 €/ton vs. 824 €/ton (down 1%). Over the course of the year, The Navigator Group successfully implemented four price rises which allowed it to reverse some of the decline experienced in the final quarter of 2016. However, the weakness of the dollar and sterling against the euro and the evolution of Navigator's market mix prevented it from completely reversing this trend, and the Group's average sales price was practically unchanged in relation to the previous year.

In the tissue business, the market showed a recovery in demand, driven by economic growth, especially in the tourism sector. At the same time, competition has increased in the Iberian Peninsula and production costs have also risen, fuelled by higher pulp prices. In this environment, Navigator recorded an increase in its output of reels and finished products, thanks to the expansion in production and converting capacity in 2015. Sales in volume were up by 9%

in relation to 2016, with a better mix of products sold and reels accounting for a smaller share of sales. This improvement, combined with progressive implementation of price rises starting in October (and continuing in January), enabled the Group to record an increase in its average sales price of 1.4%, and sales in value totalling € 74.4 million (up 10.3%).

In the energy sector, electricity sales grew by 13% in value in 2017, reflecting a successful operation of our power generation assets. It should be recalled that power sales in 2016 were adversely affected by the stoppage of turbogenerator 3 at the renewable cogeneration plant at the Setúbal pulp mill and the breakdown in turbogenerator 4 at the cogeneration plant at the Cacia pulp mill. Power sales from the operation of the natural gas combined-cycle power stations also benefited from the sharp hike (roughly 18% year-on-year) in Brent prices, which directly influences the index to which prices are linked.

Navigator's total gross power output in 2017 was up by 5% on 2016. In another important development, 2017 was the first full year of operation for the solar power plant on the roof of the Setúbal paper mill (ATF), operating on a self-consumption basis.

In its first year of operation in the United States, Colombo Inc. recorded its first pellets sales, achieving a volume of 120.6 thousand tons, and a sales value of € 15 million. The mill started up in an adverse market environment and also experienced a number of teething problems in production and in marketing the pellets, which continued over several months. These issues had a negative impact on EBITDA from this business of approximately € 16 million.

In this general context, EBITDA totalled € 403.8 million, almost 2% up on the previous year's figure, reflecting an EBITDA/Sales margin of 24.7%.

It is important to note that this EBITDA figures includes a number of one-off factors which occurred in 2017 with a combined negative impact of around € 3.7 million. Had it not been for these factors, EBITDA in 2017 would have totalled € 407.5 million.

The most significant non-recurrent impacts were the forest fires, with a negative impact in the year estimated at € 7 million, reflected in the accounts under biological assets, and compensation received in relation to the fire in Vila Velha de Ródão and the turbogenerator in Setúbal, together amounting to a positive inflow of € 6.5 million.

Turning to recurrent factors, the Group recorded a reduction in variable production costs, in particular for wood (thanks to the purchasing mix) and also in logistical and packaging costs. In fixed costs, it should be noted that personnel costs rose by around € 11.5 million in 2017, due essentially to a growing workforce in developing business areas (Colombo and tissue), additional expenses from extending the Pension Fund to apply to all Employees in Portugal, under a new defined contribution plan, and also to the reporting of expense of the performance bonus payable in 2018.

As previously reported, the Group has set in motion an ongoing process of improving operational efficiency through sustained reductions in production costs, in the form of a wide-ranging programme known as M2: *Mais e Melhor*, or More and Better. The programme was launched in 2015 and again achieved highly positive results in 2017, exceeding the targets set and boosting EBITDA by around € 27 million. Over the course of 2017, some 126 initiatives were launched and implemented, most importantly negotiations for imported wood, chemicals (for pulp and paper), energy and product packaging.

Financial results showed a clear improvement, totalling a negative amount of € 7.7 million, in contrast to a negative value of € 20.8 million in 2016. This reduction of roughly € 13 million in financial costs was achieved essentially by bringing down borrowing costs, which have continued to evolve very positively. Interest expense in 2017 was down by € 4.9 million in relation to 2016 (excluding the redemption premium on a High Yield loan recorded in 2016, with a value of € 6.4 million), in a scenario in which average gross debt was higher than in the previous year. Profits from currency hedge operations also improved significantly, resulting from the weaker dollar, with gains up by € 6 million on 2016, partially offsetting the negative effect on sales.

Pre-tax profits totalled € 247.4 million, comparing with € 209.6 million in 2016, when the Group recognised an impairment of € 48.9 million in relation to Mozambique.

In view of all this, net income for the year totalled € 207.8 million, as compared to net income of € 217.5 million in 2016. It is important to note that net income in 2016 benefited from the reversal of tax provisions, and also the effect of special rules on fiscal revaluation, resulting in taxes receivable of € 7 million, as compared to tax payable in 2017 of approximately € 40 million.

SHARE PRICE IN 2017

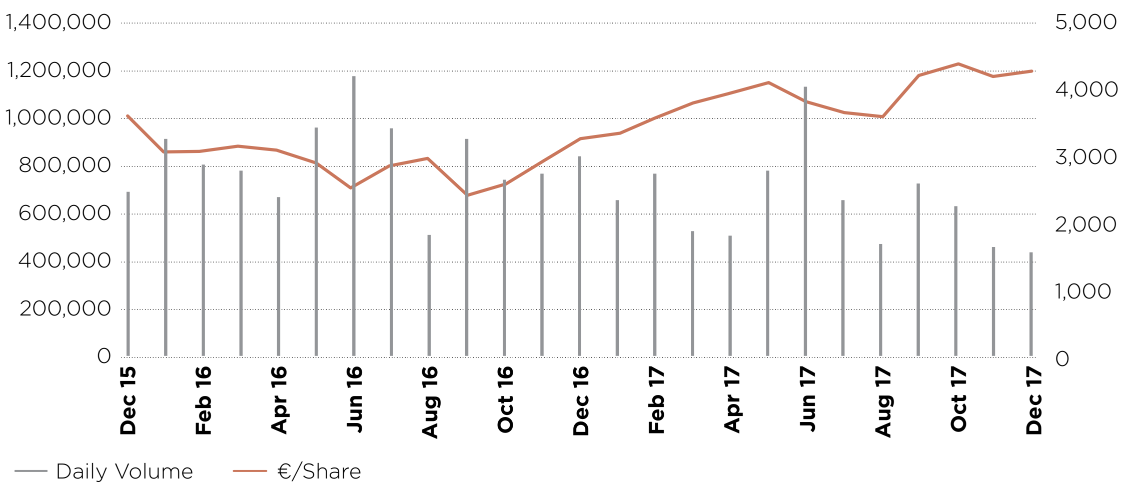
Capital market performance was fairly positive over the course of 2017, with most global indexes recording healthy gains, especially in the US and Brazil, where shares rose on average by more than 25%. Several factors have sustained this strong performance, including growth in economies around the world, the stimulus from the monetary policy pursued by central banks and the recovery in the oil price.

In Europe, most exchanges also recorded gains, notably the Portuguese PSI-20, up by 15.2% over the year, thanks to the upturn in the Portuguese economy and the upgrading of Portugal's debt rating by Standard & Poor's and Fitch.

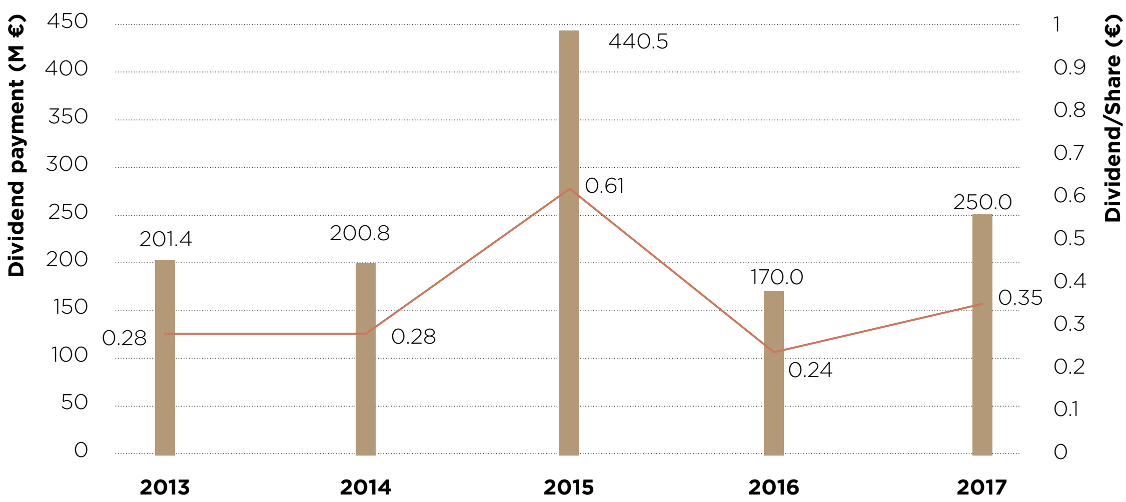
In this context, The Navigator Company shares closed the year up 30.2%, trading at a price of € 4.252/per share, driven by the Portuguese stock exchange, but also due to performance in the industry, which benefited from upward pulp prices. Over the first half of the year, Navigator shares performed very strongly, although this was followed by a degree of downward adjustment. Prices then rallied towards the end of the year and reached their highest point for the year in November, at € 4.518/share. In terms of volume, average daily liquidity stood at approximately 643 thousand shares, lower than in the previous year. Navigator made two dividend payments in 2017, one on 6 June and another on 5 July, with a total value of € 250 million (gross dividend of € 0.349/shares).

It should also be stressed that, on an annualised basis, the Company presented Total Shareholder Return (overall share performance in 2017, considering gains in value and dividend payments) of approximately 40%, considering reinvestment of dividends at the shares' value at 29 December.

NAVIGATOR'S AVERAGE PRICE AND TRANSACTION VOLUME



HISTORICAL DIVIDEND PAYMENT



2.

OUR PAPER

Barn owl (*Tyto alba*) inhabiting woodlands managed by Navigator

We believe
in our paper
and we have
consolidated
our leadership
in the European
printing and
writing market

Our Paper

Like several other sectors, the paper industry has seen more mature markets coexisting alongside others which are currently growing, with the advent of new markets trends and segments. The Company firmly believes in its paper products and has progressively built on its successes over recent decades, allowing it to respond swiftly to change, whilst maintaining its leadership of the European UWF paper market, at the same time as achieving growth in dynamic new markets offering attractive rewards.

In 2017, UWF business benefited from a gradual improvement in market conditions, as consumption held steady worldwide and the commercial environment evolved towards a situation favourable to price increases, which were announced around the globe. Consumption rose significantly in Asian markets, principally in China, where growth in paper consumption was over 2%, offsetting the decline recorded in the US market (down by 6.2%). In Europe, apparent UWF consumption was stable, with an increase in Cutsize and Folio segments, and a reduction in consumption of reels.

Navigator recorded sales of 1 578 thousand tons 2017, practically in line with the previous year, but with an improvement in its product mix, in terms of quality and in relation to its own brands. Sales of Navigator's own brands rose by more than 7% in relation to 2016, accounting for 62% of total sales. The gradual improvement in market conditions allowed the European benchmark index (PIX A4) to perform well, rising by 4.1% over the year as a whole. Even so, despite this growth, the average value of the price indicator was still lower in 2017 than in 2016.

Europe remains The Navigator Company's main market, and 54% of sales in this region in 2017 were in the premium segment. The Company has positioned itself in this market as supplying a distinctive product, offering added value and premium quality, allowing it to achieve higher rates of return in a market which is highly competitive and makes tough demands in terms of product and service quality.

One challenge follows another, and Navigator is constantly watching out for new business opportunities. Evidence of this can be seen in the new products developed in 2017, such as Navigator Premium Inkjet, Digital Navigator and Soporset and paper bags, where the opportunities for growth are considerable.

PAPER OPERATIONAL INDICATORS

THOUSAND TONS

	2015	2016	2017
Figueira da Foz	765	767	771
Setúbal	806	820	822
Total Paper Output	**1,571**	**1,587**	**1,593**
Total Paper Sales	**1,555**	**1,587**	**1,578**
FOEX – A4-BCopy (EUR/ton)*	**822**	**824**	**815**

* FOEX – A4-BCopy prices calculated from week 52 (year N-1) – week 51 (year N)

2017 was a particularly favourable year for the pulp business. In contrast to the stability observed in the paper business, the pulp market was extremely dynamic over the course of the year, with growth in consumption in the order of 4%. This growth was once again driven by the Chinese market, which like in previous years was the driving force behind growth in the industry, with the tissue market accounting for a substantial part of this expansion. At the same time, the pulp market benefits from a series of unexpected developments which placed significant constraints on supply, mitigating the effect of new capacity coming on to the market. Over the course of the year, pulp prices moved upwards on successive occasions, with the benchmark PIX BHKP index in USD increasing (on average) by 19% in relation to 2016.

In 2017, The Navigator Company's sales to the pulp market grew by 7% in volume (equivalent to 20 thousand tons). Unlike the UWF market, the pulp market has been affected by constant price fluctuations, which have an impact on returns on this business. However, the Company has concentrated on sectors with higher added value (décor and specialist pulps), as well as channelling products to new markets where there is room for growth in both volume and value.

Another important development during the year was the start of a capital project to expand pulp production capacity at the Figueira da Foz Industrial Complex, from 580 thousand tons *per annum* at present, to 650 thousand tons. This increase in pulp output will allow Navigator to maintain its current exposure to the pulp market, insofar as the Cacia unit is set to start integrating part of its pulp output in tissue production from 2018 onwards.

PULP OPERATIONAL INDICATORS

THOUSAND tAD

	2015	2016	2017
Cacia	296	341	354
Figueira da Foz	580	586	593
Setúbal	548	543	542
Total Pulp Output	**1,424**	**1,470**	**1,489**
Total Pulp Sales	**253**	**291**	**311**
FOEX – BHKP (EUR/ton)*	**705**	**628**	**725**
FOEX – BHKP (USD/ton)*	**784**	**696**	**819**

* FOEX - BHKP prices calculated from week 52 (year N-1) - week 51 (year N)

OUR PAPER AND THE DIGITAL WORLD

The growth of online media and the increasing wide use of technology has been reflected in the growing use of digital media for reading, in the form of emails, online messaging and social networks. This might lead us to suppose that today's university students – who grew up in the online age – would naturally be predisposed to prefer to use these media in their studying habits. However, recent research findings have shown that in most cases the exact opposite is true. Over the past decade, successive studies on the impact of media substitution or switching, in particular for reading and text formats, have pointed to a significant impact on the ability of students to learn, retain and focus, depending on whether they use electronic media or paper.

Most recently, the Academic Reading Format International Study, which ran from 2014 to 2016, looked at the habits and preferences of students across educational institutions in 21 countries, in which approximately 68% were aged 24 years or younger (Mizrachi, Salaz, Boustany, Kurbanoglu, "Preferring print in a digital world: an international study of students' academic reading behaviours", 2018). The findings obtained in this study show that most students (69%) prefer to read on paper and believe that learning and retaining function better when using printed texts. Higher engagement with paper seems to be related to learning techniques, in particular notetaking, underlining and reviewing printed texts.

MORE INNOVATION IN 2017

Innovation and developing UWF products for end consumers is part of Navigator's DNA. 2017 saw another round of new products and launches:

- New product lines for the **Digital** segment in the Navigator and Soporset brands, tapping into a market which is growing worldwide;
- **Navigator Premium Inkjet** in reels and sheets for the inkjet printing market. Offering a special treatment for these applications, developed by Navigator's product innovation team, this has attracted growing interest in the global inkjet printing market;
- End consumers are increasingly aware that paper is a biodegradable and recyclable product, made from renewable materials which make it truly sustainable. So more and more products and applications are produced using paper. **Paper Bags** are one of these products enjoying newfound popularity as the most sustainable available solution, and Navigator offers a range of products for these applications, compatible with the high quality printing required by prestige brands for their bags.

3.

OUR STRATEGY

Growth rings in a tree (cross-section)

We believe we can grow further and diversify our business, and we want to extend our leadership strategy to the tissue sector

Our Strategy

With its well-established leadership position in the UWF paper business, The Navigator Company has shown the courage to go further and to search for new opportunities for growth. This search led the Company to invest in tissue, a sector which is enjoying annual growth of 2 to 3% and where Navigator believes it can develop innovative business models, based on direct integration of high quality pulp and benefiting from the intrinsic characteristics of eucalyptus. This business model is clearly original and will allow us to develop significant competitive advantages over the main European manufacturers, as there are today only a few tissue factories in Europe integrated with an upstream supply of pulp. By supplying pulp to the tissue plant through a pipeline, it is possible to ensure high standards of consistency in pulp quality and attain high standards of efficiency in logistics and energy, with consequent advantages for the environment, whilst keeping costs very competitive.

The first step in the tissue journey consisted of acquiring AMS – BR Star Paper S.A in 2015 (since renamed as Navigator Tissue Ródão), a young company with specialist expertise and equipped with a modern and efficient plant, which already benefited from the advantages of being semi-integrated in terms of pulp. The second step was to double the plant's capacity to produce reels and to increase the production capacity of its finished product lines; this was done over the course of 2015, resulting in a plant with production capacity of 70 thousand tons for reels, and 65 thousand tons in converting.

Once again, the figures from 2017 show this to have been a success, with a turnover up by 10%, despite profits falling slightly short of expectations, due to sharp rises in pulp prices in the second half of last year.

TISSUE PERFORMANCE IN 2017

THOUSAND TONS

	2015	2016	2017
Reels Output	33	47	56
Finished Product Output	35	42	49
Total Tissue Output	**68**	**89**	**105**
Reels Sales	2	9	7
Finished Product Sales	37	42	48
Total Tissue Sales	**39**	**51**	**55**

Another important strategic decision was taken to pursue growth in this segment in 2017, with the approval of investment plans at the Cacia unit, which will make it possible to double output yet again and allow the Company to operate on a fully integrated basis in this mill site, from pulp production through to reels and then conversion into end tissue products. This will further boost Navigator's competitive advantages on the market: its operations will be increasingly integrated and it will continue to offer a top-quality product, based on superb raw materials and the use of technologically advanced machinery, all at a low production cost.

This capital project will be concluded during 2018 with the start-up in Cacia of the first converting line geared to the at-home sector, and the first reels being produced in August. Total investment in this project is estimated at € 120 million, of which approximately € 40 million was already disbursed in 2017; financial and tax incentives have been agreed with AICEP and formally contracted. These consist of an interest-free loan of € 42.2 million, repayable in 8 years, and a tax credit of € 11.5 million.

THE IMPORTANCE OF TISSUE FOR NAVIGATOR

- The use of a raw material such as eucalyptus makes it possible to obtain the softest premium quality tissue, in particular for face and hygiene papers.
- The model of directly integrated pulp and tissue production and the scale and sophistication of the assets will allow us to achieve an enviable position on the European industry's cost curve. Direct integration of pulp in tissue production, using a pipeline which transports liquid pulp, offers significant cost savings, especially in terms of drying, packaging and transport.
- The Cacia mill has annual production capacity of around 350 thousand tons of eucalyptus pulp, and sells around 300 thousand tons on the market. The Group now plans to integrate part of this pulp output directly into tissue production, by building a production line for reels with nominal annual capacity of 60 thousand tons and with the respective converting lines for paper napkins, toilet paper, kitchen roll and other products.
- This is a modular investment project, allowing for gradual growth without requiring a large amount of capital investment (when compared to UWF paper), but still permitting a similar ROCE. Although the EBITDA/Sales margin in tissue business is lower than for UWF, the Sales/Capex ratio is higher, meaning that the EBITDA/Capex ratio is equivalent to that for UWF paper.

PELLETS BUSINESS – COLOMBO ENERGY INC.

As a result of its constant search for new business opportunities, Navigator took the decision to invest in the US market by building a pellets mill which was completed in 2016, representing an initial investment of USD 120 million. This was an extremely attractive business prospect with the potential for rapid growth, in a sector – energy – related to Navigator's core business, and which offered the chance to diversify its industrial assets outside Portugal.

As operations progressed, and in the wake of a significant deterioration in the conditions of the international pellets market, the Company quickly discovered the absence of any significant synergies with the other businesses in its portfolio. When an attractive financial opportunity for divestment arose, the decision was to dispose of the asset and so, in December 2017, the company signed a contract to sell the business to a joint venture managed and operated by an entity belonging to ENVIVA Holdings, LP, for a price of approximately USD 135 million.

Although this decision marked the end of Navigator's involvement in the pellets business, the Company recognises that this was an important learning experience and that it has gained significant know-how relating to the US market and on how to invest in an industrial operation outside Portugal.

MOZAMBIQUE

Mozambique is one of the markets identified for the Group's international expansion, based on plans to develop a forestry base in the country. The combination of a number of factors make this an extremely interesting project in terms of our strategy fundamentals: high yield forests, proximity to one of the main target markets (China) and competitive land prices.

A key feature of this project is a strong commitment to local communities, to which Navigator offers a strong value proposition, based on four fundamental areas: more jobs in production, support for their own farming, health and education.

A partnership has been established with the World Bank, in the form of a holding taken up by the International Finance Corporation (IFC) in Portucel Moçambique. This support has

been vital and bears witness to the Group's social engagement and the high standards it applies in its operations in the country.

After the political and economic turbulence experienced in Mozambique in 2016, 2017 was a year in which the Group's forestry operations stabilised and investment proceeded at a more moderate pace, in keeping with Navigator's decision to take a more conservative approach and to implement its project in stages. At this moment, Navigator's project is essentially a forestry venture, with the option of industrial development in the medium term, involving construction of a large-scale pulp mill.

This revised approach led the company to record a series of impairments in relation to its investment in Mozambique, with the result that, in December 2017, its balance sheet value corresponded to less than 1% of the Group's consolidated assets. Over the course of the year, the Group recorded operational expenditure in Mozambique totalling € 8.8 million, of which € 4.1 million was directly related to costs, with a negative impact on EBITDA.

If the essential conditions for going ahead with the project can be put in place (and these conditions are currently being discussed with the Mozambican government), the first phase should include developing an operation for production and export of eucalyptus wood chips, geared above all to the Asian market. This should be done by 2023, with the potential phase two – investment in a large-scale pulp mill – due for implementation by 2030.

4.

OUR PEOPLE

Rosemary (*Lavandula stoechas L.*)
growing in a eucalyptus plantation

We believe that
our success
depends on
people, their
development,
motivation and
qualifications

Our People

4.1. CORPORATE RESPONSIBILITY

Over recent years, The Navigator Company has implemented a series of changes in the context of which people take centre stage.

During 2017, Navigator consolidated the new identity adopted in the previous year, which was a crucial step towards the strengthening a shared culture across all sectors of the Company. The need to bring different cultures into line with each other is one of Navigator's greatest management challenges, as it sets about investing heavily in Employee growth and development. This has been seen not just in the cross-sector needs assessment, but also in developing the technical expertise and soft skills needed to build a more effective workforce.

In view of business growth and the widely differing cultures within the Group, it became necessary to harmonise attitudes and practices and to build more flexible processes, in order to ensure greater fairness across the whole Company. At the same time, The Navigator Company remains committed to a culture of meritocracy and Employee autonomy, in the conviction that this is a strategy for success, and reflects the Company's values.

Efforts to develop staff skills and foster professional growth have started to bear fruit, in tandem with the rejuvenation programme under way in the Group: since 2013, the average workforce age has been reduced by 5 years and the proportion of Employees with higher education qualifications has risen by 4.4%.

THE COMPANY IN NUMBERS

3,197 employees

255 new employees in 2017

Gender diversity within the Company:

86% men | **14%** women*

Within senior and middle management:

74% men | **26%** women*

Employees by age:

10% < 30 years **56%** 30-50 years **34%** > 50 years*

Divided between the following industrial/operational centres:

Figueira da Foz Industrial Complex:	Setúbal Industrial Complex:	Cacia Mill:	Vila Velha de Ródão Plant:	Other locations in Portugal:	International sales offices:	Colombo (United States):	Portucel Moçambique:
996	1,136	327	206	196	96	77	163

* % referring to the universe of 2,957 employees, excluding Mozambique and Colombo

EMPLOYER BRANDING

The Navigator Company has pressed ahead with an active policy of Employer Branding, targeting Portugal's top engineering and management faculties with information for young students on the Group's internship and training programmes. A total of 91 students were accepted on internships in 2017, under the different programmes offered, and 10 graduates from master's level courses joined the Group's second trainees programme.

2017 also marked the end of the first trainee programme, in which 14 young people benefited from work experience in different sectors of the Company.

LEARNING CENTER

The Company also continued in 2017 with the advanced training programme that started in the previous year and which is one of its most important projects. The Learning Center is intended primarily to develop a more hands-on style of leadership, and in 2017 involved 180 industrial foremen and all management staff. The aim is also to respond to the need for knowledge management and to expand the skills base, in order to compensate for staff leaving under the rejuvenation programme.

Navigator's Learning Center is built on two distinct pillars: management training and technical training.

Management training sets out to develop strategic Management, Leadership, Functional and Behavioural skills. Work in this area was stepped up significantly in the Center's second year, as it continued with the courses launched in 2016:

- Personalised training by external providers, based on developing behavioural, leadership and management skills;
- Training provided by universities, in an inter-company venture for developing management skills and networking;
- Training provided by universities customised for Navigator, with a focus on leadership skills and functional expertise for business.

MANAGEMENT TRAINING

	NO OF EDITIONS		NO OF PARTICIPATIONS		TRAINING VOLUME (HOURS)	
	2016	2017	2016	2017	2016	2017
External Entities	49	59	528	679	14,643	15,784
Universities (Open Courses)	13	18	60	105	5,279	10,014
Universities (Customised Sessions)	7	17	144	252	3,288	7,184
Total	**69**	**94**	**732**	**1,036**	**23,210**	**32,982**

Technical training, on the other hand, sets out to develop the skills to respond to business and individual needs, ensuring that technical expertise is retained and transferred within the Company. Another aim is to keep pace with new businesses by providing tailor-made training, as well as developing a team of internal training officers and partnership with Technical Colleges.

TECHNICAL TRAINING

	NO OF EDITIONS	NO OF PARTICIPATIONS	TRAINING VOLUME (HOURS)
2016	1,759	9,364	150,889
2017	1,472	10,341	154,569
Total	**3,231**	**19,705**	**305,458**

All the Group's training activities and courses reflect a growing concern within the organisation to provide its Employees with tools and opportunities which enable them to develop their own professional careers, and also to identify new areas of work within the Company.

FOR A SAFER NAVIGATOR

Each Employee has a key role within the Company. Navigator has accordingly developed its Safe Horizon 2020 project to focus on two main issues: Behaviour and Operations. These are complementary, and point to four areas for action:

- » **Leadership**, with the effective involvement of senior management;
- » **Behavioural Issues**, changing attitudes and behaviour in order to identify, correct and quantify unsafe behaviour/acts;
- » **Training and Organisation**, in several thematic areas of health and safety at work;
- » **Safety Management**, by implementing procedures and practices to achieve operational excellence.

The Company is also running a Wellness Programme to reduce the negative impact of work on Employees' health, promoting **comfort**, **safety** and a **cheerful atmosphere**, conducive to physical, mental and social well-being for all in their daily work.

	2016	2017	VARIATION 2016-2017
Total no of accidents with sick leave	76	71	-7%

Health and safety are accordingly built into The Navigator Company's management strategy. Despite the low number of accidents leading to sick leave recorded in registered, the central aim is to achieve Zero Accidents, with effective work and a change in mentality and behaviour, so that everyone can enjoy health and safety and go home safely at the end of the working day.

4.2. SOCIAL RESPONSIBILITY

Community engagement is one of the fundamental pillars of Corporate Social Responsibility, and this has led The Navigator Company to identify issues where better communication is needed to educate public opinion and dispel misconceptions. The programme to correct perceptions of eucalyptus plantations was launched in 2017 and focused considerable efforts in 2017. A series of initiatives all worked towards the shared aim of providing a number of important stakeholders with the facts about forestry and the pulp & paper industry.

The key-messages were developed to reach specific target groups, and partnerships were established with several institutions. Priority was given in 2017 to original and fresh ideas, designed to communicate with different age groups: children, young people and adults. Having defined the content to get across over the next three years, the Company has set in motion a medium to long term plan to educate the public about good practice in forestry management.

As part of its efforts to provide information on its procedures and to dismiss the myths that dogged the industry in the past, the Company has also taken the step of opening the doors of its industrial plants, attaching prime importance to transparency in its dealings with the community. The Group's units welcomed no less than 195 groups of visitors, making a total of close to 3 thousand individual visitors (from institutions, commercial partners, and educational establishments, as part of the employer branding programme) from varying walks of life.

In addition, Navigator's investments in the community totalled around € 2 million. Schools were the main recipients of paper donations, consisting of 5,411 reams, or more than 13 tons.

As a leading company in the pulp and paper industry, it is only natural for it to have embraced the chance to give away books, choosing the gardens of the Calouste Gulbenkian Foundation and the Estrela Gardens in Lisbon as the setting for this initiative. Books were not the only paper-based materials, and the Give the Forest a Hand event, organised in Parque das Nações, in Lisbon, next to the Pavilion of Portugal, offered the chance for fun and games, but also an important educational message, for children aged 4 to 12. At the same time, this event served to alert the urban community to the need for woodlands conservation and Educating for Sustainability. By publishing information about the Company aimed at a target group which is simultaneously receptive and highly engaged, Navigator was successful in maximising its media impact.

The National Scout Camp, which in the summer of 2017 brought together 23 700 scouts from all over Portugal and abroad in Idanha-a-Nova, aged six and over, with support from Navigator, was another high-impact initiative. The aims here were to train young people to take an active part in fire prevention and forestry and woodland surveillance in Portugal, and to provide them with the skills and resources needed to act as protectors of woodlands. This event provided a unique opportunity to actively promote best practices in fire prevention and forest management, and especially to educate young people about the importance and value of this resource. Special emphasis was placed on preserving biodiversity, and on generating economic value and jobs.

Another initiative with a very positive impact, using disruptive communication, was the distribution of the Opinion Leader Kit, designed for journalists and other communicators, consisting of a ream of paper, a packet of seeds and an information leaflet. This initiative provided recipients with tools to complete the cycle of life as they were ready to plant a tree and write a book.

CORPORATE INITIATIVES IN MOZAMBIQUE

Social Responsibility has also been a key concern in The Navigator Company's activities in Mozambique, where it has been supported by a partnership with International Finance Corporation (IFC), an arm of the World Bank dedicated to eradicating extreme poverty. The social environment in which the Company has started up operations is one of great hardship and need, where both structures and materials are lacking.

The Company's experience so far has highlighted the great difficulties faced by its local communities, among other regions, in Zambézia province. Priority has been given to building schools and donating educational materials.

5.

SUSTAINABILITY

Bracken fern (*Pteridium aquilinum*) beneath the trees at Quinta de São Francisco - RAIZ

We believe that Sustainability is in our DNA and is the only path to follow

Sustainability

Sustainability is one of the concerns most keenly felt by all Employees across the Company in their everyday working lives within Navigator. The Company has invested in a range of initiatives and has been supported by a highly engaged workforce. One example of this was the internal campaign to save energy by changing daily behaviour, in every sector of the Company, from offices to the shop floor.

The position taken by the Company on this issue is reflected not just in the way its structure its works and the commitment of the people involved, but also in the encouragement for innovation and sharing knowledge. At stake here is what is called the 'social license to operate', which wins its recognition from stakeholders and partners, with the aim of generating value and taking a long term view of its business. Special attention is drawn to cooperation with the Institute of Nature Conservation and Forests (INCF), in a project undertaken in 2017 to protect oysters in the Sado (see insert), and with the Wildlife Protection League (LPN), in defense of the imperial eagle and environmental citizenship programmes. The Company also supported the Calouste Gulbenkian Foundation, in exploration of the links between music and nature, by organising in 2017 a dress rehearsal of Vivaldi's Four Seasons, attended by 600 primary school children from the Greater Lisbon area.

Reflecting Navigator's commitment to the local communities around its industrial plants and its sensitivity to environmental issues, the Company has supported a series of initiatives by other organisations to preserve species. The Crassosado project, protecting oysters in the Sado, is one of these initiatives and consists of monitoring environmental quality in the Sado estuary, in collaboration with the Institute of Nature Conservation and Forests (ICNF), and other organisations. The project was started in 2010 and lasts for ten years, and sets out to identify the development conditions for the oysters. The findings published so far attest to the good conditions offered by the estuary waters for this natural resource.

Another example is the Iberian Imperial Eagle, native to the peninsula, where it lives in agro-forestry environments. This rare bird of prey is being protected under a programme promoted by the Wildlife Protection League, in association with The Navigator Company and other organisations.

As part of its long-term commitment to generating sustainable value, Navigator, represented by its CEO, took up a seat in 2017 on the Executive Committee of the World Business Council for Sustainable Development (WBCSD), whilst maintaining an active role in the Forest Solutions Group, a global platform for strategic cooperation in promoting sustainable forestry management.

Key to this process are the six pillars of Sustainability, strategic action areas which promote value creation, efficiency and innovation, fair trading relations, creation of high quality production and promoting talent. Starting with business and ending with stakeholders, this array of concerns includes suppliers, forests, industrial operations and people.

The Sustainability Department is supported by a series of other bodies, such as the Environmental Board and the Sustainability Forum. The first of these, with a long history in the company, consists of respected and independent technical and scientific experts, who monitor the Company's environmental performance.

The Sustainability Forum is chaired by Navigator's CEO and consists of individuals of recognised merit, seeking to promote dialogue and cooperation with the Company's main stakeholders on leading Sustainability issues. The forum holds an annual session open to broad selection of stakeholders, offering an opportunity for debate, which in 2017 looked at the issue of the Circular Economy.

Sustainability is, in fact, inextricably linked to the Circular Economy, a recent buzzword which reflects the current concerns of our managers and Employees. The Circular Economy is being readily embraced by individuals and has huge implications for organisations when they recognise the paradigm shift from a society centred on consumption to another which attaches importance to fighting and reclaiming waste.

Major corporations like The Navigator Company have the ability to influence society as trend setters and have added responsibility for taking a lead in these ground-breaking advances.

The Company's Sustainability Report sets out the commitments and targets underlying its strategic development in relation to sustainability performance. This report, issued every two years, is drawn up in keeping with the increasingly stringent requirements of the Global Reporting Initiative (GRI), highlighting a set of performance indicators regarded as the most relevant. This Sustainability document helps to build up Navigator's credibility and comparability of its sustainability reporting, whilst also helping to provide information on responsible practices to all its stakeholders.

The Company's 2016-2017 Sustainability Report is aligned with the United National 2030 Agenda for Sustainable Development and with major contemporary concerns, from climate change to the circular economy, taking in biodiversity conservation and innovation.

Also in this field, Navigator took part for the first time in the 2017 Carbon Disclosure Project – Climate Change, and obtained a score of A-. This excellent rating places the Company among the top contenders in the ranking, and reflects its dedication and attitudes to the issues involved.

NAVIGATOR SURPRISES AT WEB SUMMIT 2017

Based on the creative concept "Your Paper has a Life" and the signature line "The Life of Paper starts with Us", Navigator projected a strong image at the 2017 Web Summit in its capacity as Web Summit Carbon Offsetting Partner. Using a distinctive communication approach, Navigator set out to show participants that paper is much more important in their lives than they might suspect, and also created an emotional link between the paper life cycle – a long cycle, thanks to recycling – and how this intersects with our own lives.

Navigator's commitment was to offset the event's carbon dioxide emissions by planting 95 thousand pine trees, enough to neutralise all the event's emissions, including air travel by more than 60 thousand visitors, in addition to eliminating non-recyclable consumables during the summit, by using biodegradable paper cups and receptacles which were 100% recyclable.

The Company's stand at the event was in the form of a tree, offering visitors a sensory experience of a greener environment, inspired by the Company's forests, where people could also calculate their carbon footprint by using an app developed in partnership with Carbon Zero.

5.1. FORESTRY

OUR FULL TIME JOB – PRESERVING AND CARING FOR FORESTS

Forests are one of The Navigator Company's most precious assets and are accordingly the object of its constant attention and concern. The sustainability of the forestry sector is regarded as crucial and is hard-wired into the company, which is engaged in a series of projects that go far beyond its more immediate business model, seeking to promote best practices in forest husbandry and operations, not just in its own holdings but also throughout Portugal's woodlands. As the country's largest private sector forestry landowner, Navigator manages roughly 112 thousand hectares in mainland Portugal and the Azores, divided into 1,400 Management Units spread between 173 municipalities. Approximately 3/4 of this area is occupied by eucalyptus. The remainder includes conservation areas, which account for roughly 10% of the Company's total holdings, and significant areas of pine and cork oak woodlands. The Group is Portugal's leading private sector producer of pine and one of the leading producers of cork oaks.

Supplies of forestry and ornamental plants are provided by The Navigator Company's own nurseries operated by its subsidiary, Viveiros Aliança, S.A., established more than three decades ago and owner of one of Europe's largest forest nurseries. In 2017, the company produced more than 12 million plants, of more than 100 different species.

Navigator was active in 2017 in taking its message to different sectors of society, explaining the importance of forests to social sustainability and also showing that the *Eucalyptys globulus* used in the Company's products is a superb raw material and highly sustainable.

THE ROLE OF *EUCALYPTUS GLOBULUS* IN THE PORTUGUESE ECONOMY

The *Eucalyptus globulus* is extraordinarily well adjusted to Portugal's temperate climate and is ideally suited for producing pulp and paper, with the result that it is today crucial to the country's economy. The paper industry is a top exporter of goods with a high level of national value added and also helps to generate thousands of jobs, creating value for forest landowners and the economic actors involved. In a country where the population is unevenly distributed, the cultivation of eucalyptus helps to combat the population drain from the countryside and the absence of land management in rural areas, boosting local and regional employment.

FORESTRY CERTIFICATION, A PRIORITY

One of Navigator's priorities is to develop its business on the basis of sustainable management of its forest plantations, promoting renewal and improvement of woodlands, hand in hand with the conservation of the countryside and wildlife and support for rural communities.

The Company's forestry management is endorsed under two leading international schemes, run by the FSC (Forest Stewardship Council®) and the PEFC (Programme for the Endorsement of Forest Certification schemes™). Navigator's certified forests correspond to 27% of Portugal's certified woodlands (29% FSC® and 44% PEFC™), and all the Company's forest holdings are certified under these two schemes. This certification encompasses products such as eucalyptus wood for producing pulp and paper, as well as cork.

Navigator has worked with private landowners, service providers and industry associations, and invested in promoting initiatives to expand certification of forestry management and the supply chain. These initiatives are aimed at all actors in the forestry sector and seek to achieve improved yields in privately owned eucalyptus plantations and wider application of good practices to qualify holdings for certification. In 2017, Navigator supported ten existing certification groups and the formation of three new groups, by getting involved in efforts to provide information, improve technical services and train human resources. At the same time, it worked with the middlemen that buy up timber, providing these partners with better information on certified forestry management. The Navigator Company believes that the key to sustainable development of Portugal's forestry sector lies in educating people about the principles of certified forestry management and about the social and environmental concerns raised by the sector, and in boosting its economic potential.

Alongside this, the Company has made an active contribution to debate about the benchmark standards used in certifying forestry management and the chain of custody in Portugal, not just presenting the paper industry's perspective but also defending that of other private-sector owners and producers. The benefits of a larger area of forest under certified management will not be only environmental, reducing fire risks, but will also be seen in improved yields, bringing economic advantages for producers and the country as a whole.

PREVENTION MEANS YEAR-ROUND CARE

Irrespective of species, forestry management plays a crucial role in preventing fires. Control of undergrowth and reduction of the fuel load in woodlands, suspension of operations on days when the meteorological risk is highest and maintenance of water sources, paths and fire breaks are all fundamental to reducing, preventing and mitigating the risk of wildfires. These activities are carried on all year round by the Group's specialist forestry teams, on the basis of careful planning that takes seasonal and climatic factors into full account. The Group divides Portugal into four coordination areas, and in each of these, Navigator's forestry management and production teams are closely engaged with local communities and other actors (municipal authorities, fire service, police and other organisations). Its constant presence in the field

means that it has an incalculable store of local knowledge, particularly vital at a time when a shrinking number of people are familiar with the terrain and involved in caring for forests.

The Group's connection with the forests also reflects its attitude to its policy of social responsibility. In the wake of the forest fires in 2017, the Company launched an initiative in association with Altri, each company providing funds of € 500 thousand to help the victims. Part of this support was channelled through a cooperation agreement that the Company concluded with the Calouste Gulbenkian Foundation.

In the field of prevention and fire-fighting, an important role is played by AFOCELCA, a joint taskforce set up in 2002 by Navigator and Altri and staffed by professionals, whose mission is to support firefighting efforts on the holdings of the two companies, in close collaboration with Portugal's Civil Defence Authority. AFOCELCA has a presence all over the country, deploying human and material resources which more often than not are the first on the scene when a fire breaks out. The expertise of these teams is crucial in identifying and fighting fires, and 85% of all interventions occur outside Navigator's areas, as it is essential to protect the country's woodlands.

PREVENTION IN 2017

In 2017, Navigator invested € 3.4 million in wildfire defense, of which € 1.43 million was spent on prevention (€ 1.15 million on cleaning and controlling undergrowth over 11 thousand hectares and € 270 on conserving 3,400 Km of forest tracks).

TO SECURE WOOD SUPPLIES, WITH THE REQUIRED QUANTITY AND QUALITY

The Navigator Company's business is based on a raw material, the *Eucalyptus globulus*, a species for which the conditions in the Iberian Peninsula, and in Portugal in particular, are uniquely ideal; this advantage gives the Company a special edge over its rivals in the industry, putting it in a class of its own.

This competitive advantage has been the decisive driving force behind the paper industry in Portugal. Navigator in particular has been able to contribute to the forestry sector, whose socio-economic importance to the country can be seen in its contribution to the GDP of approximately 2% and the jobs it secures for 90 thousand people, in companies or trades connected to the forestry sector.

Our engagement with this sector is encouraged by the Company's decision makers and also reflects the personal contact between our personnel in the field and forestry producers and the associations that represent them. However, many of these landowners (numbering hundreds of thousands) are not fully aware of the importance and potential benefits of good forestry management practices. Navigator has been a pioneer in efforts to raise the awareness among forestry producers of the importance of forestry certification, and since 2007 has paid higher prices for purchases of certified wood. Efforts led by the Group have made it possible to increase the quantity of certified wood purchased, resulting in a significant increase in the proportion it represents of total Group wood purchases, up from 9% in 2015 to 27% in 2017.

It is important to stress that the wood acquired by the Company that doesn't come from certified sources, still comes from a controlled origin, which meets similar quality requirements. At the same time, our dealings with forestry operators are governed by a Suppliers Code of Ethics and Good Conduct, drafted to provide guidance and ground rules for our business partners.

Successful orchestration of purchasing criteria, resources, logistics and distances between sources and industrial units is fundamental for sound management of The Navigator Company's wood supplies. Raw material sourced from the Company's own forests meets only around 15% of the needs of its mills, meaning that the remaining wood is purchased from suppliers in Iberia (77%) and also in Latin America (13%).

5.2. ENERGY

As well as having pioneered the sector, The Navigator Company remains Portugal's largest producer of power from biomass, representing around 52% of all electricity generated in the country from this renewable source. This is a position which the Company intends to strengthen, and plans for investment in new assets are currently under appraisal.

2017 was a very successful year for power generation from biomass, up by 6% from 2016. Overall, the Company's sales of electricity increased by 3.6%, corresponding to € 5.7 million.

The use of renewable energy sources – biomass and solar – means that Navigator is currently responsible for avoiding annual emissions estimated at around 460 thousand tons of CO_2.

At the same time, the Company has continued to implement its Corporate Programme for Energy Efficiency, based on strategic intervention in the following areas:

Energy Management System

The aim is to implement an Energy Management System benchmarked to ISO 50001, thereby designing systems and processes geared to improving the Company's energy performance. Navigator hopes to achieve external certification in the course of 2018.

Renewable Energy

2017 was the first full year of operation of the solar power plant on the roof of the About The Future paper plant, functioning on a self-consumption basis; the new facility achieved an annual saving on the unit's power bill in the order of € 270 thousand. Work also started in 2017 on another solar plant, to provide power for operations at the Espirra Estate, where power costs are expected to be cut by approximately € 100 thousand each year.

Energy Efficiency in Lighting

Several LED lighting projects were completed at industrial sites in 2017, corresponding to an overall investment of approximately € 400 thousand, with average paybacks of two years. Conversion of the industrial lighting infrastructure to LED, with far superior levels of efficiency, allows savings of more than 50%, taking into account sectors which operate round the clock, 365 days a year. This initiative will continue over the next few years as it is rolled out to other industrial sectors.

Industrial Process

An initiative is under way to optimise the production process from a cross-sector perspective, seeking to ensure that reductions in specific energy consumption in pulp are matched by cuts in consumption of chemicals and raw materials.

The Navigator Company's aim here is to achieve a reduction in specific energy consumption for pulp and paper in the order of 15% in the years up to 2025.

In addition to these projects, Navigator's Corporate Programme for Energy Efficiency has also involved investment in other initiatives, including (i) changing behaviour and promoting good practice across the workforce, (ii) assessment of an electrical mobility project to equip the industrial units with charging points for electrical/hybrid plug-in vehicles, and (iii) implementation of energy management information systems at all plants.

IN 2017

A website was launched on the corporate intranet to raise awareness of the importance of energy efficiency. The internal communication campaign conveyed messages concerning good practices applicable in the workplace and at home.

5.3. WATER AND ENVIRONMENT

The Navigator Company is proud of its advanced programme for ongoing improvement of its environmental performance, seeking to go further than the legal requirements and meeting standards well before the compliance deadlines. An example of this is the Company's heavy investment at its plants to achieve a significant reduction in odours, in particular at the mills in Cacia (€ 7 million) and Figueira da Foz (€ 6 million). Research conducted by external entities has shown that this project has already led to a reduction in the perception of unpleasant odours characteristic of these production units.

Complementing this, Navigator has also invested in new particles filters for its biomass boilers, so that their emissions are kept well below the legal limits, and very significantly in a series of measures designed to cut water use, focussing on three areas: reducing the quantity used in the actual process, reliability of supply and reuse of effluents.

This project is already being implemented at the Setúbal industrial complex and will allow Navigator to reduce its water intake needs by around 20% over the next five years.

The challenges for 2018 include maintaining and improving the various projects under way, and also starting the first oxygen bleaching process. This process will allow Navigator to achieve a significant reduction in its consumption of chemicals in pulp production and a substantial improvement in net emissions, and consequently in the resulting environmental impact.

5.4. RESEARCH AND DEVELOPMENT

Investing in research and development means bringing the future closer. At The Navigator Company, R&D is entrusted to RAIZ, the Company institute devoted to developing know-how in the eucalyptus-based pulp and paper industry. These efforts have been consistently successful and have involved building cooperation between industry and academe.

A series of initiatives was approved in 2017 for research on a networking basis, rewarding the expectations of researchers and technical staff who will now benefit from closer ties between RAIZ and Portuguese universities and other organisations in the national and international scientific and technological systems.

The funding application for the Inpactus project was approved towards the end of the year and the news was greeted with excitement by RAIZ and its partners in current projects. The new project is promoted by Navigator and RAIZ, and involves cooperation over four years with a long list of partners, including the Universities of Coimbra, Aveiro, Beira Interior and Minho, Universidade Nova de Lisboa, Instituto Superior Técnico, Fraunhofer Institute (Germany), RISE (Sweden) and the Iberian Internal Nanotechnology Laboratory (Braga). Research will be conducted on a range of fronts, all with a view to creating innovative and distinctive products from eucalyptus fibre, in pulp and printing and writing paper, as well as in tissue and new bioproducts obtained from biomass and wood.

The research process has already yielded a number of advances, in particular in production of pulp with superior mechanical strength and better environmental performance, production of tissue with a high eucalyptus fibre content, production of paper with improved printability and new functional coatings, promotion of bioactive and neutraceutial products, as well as biofuels and biocomposites from biomass.

The programme will also highlight the added value offered by biomass and wood, through biorefineries, the fourth main focus area, accounting for 50% of the funding. This will look into producing 'families' of products based on wood and biomass, geared to environmental sustainability, a challenge for which Navigator's pulp and paper mills are well positioned.

The Forest and Paper Research Institute is able to respond to research needs from the Company and from outside. In serving the Company's needs, it engages in research aiming to ensure successful forestry operations, for instance by developing scientific knowledge applied to genetic improvement of eucalyptus and equipping the Company with the tools to combat forest pests. RAIZ also provides crucial support for industrial operations, as a technological consultant helping to improve production processes for pulp and paper. In keeping with its concern for effective use of resources, it also contributes to the excellent environmental performance achieved by the Company's plants.

RAIZ is also engaged developing forest inventory tools. The Navigator Company's forest holdings represent only a fraction of Portugal's woodlands, and it is therefore crucial that resources be more widely applied and know-how transferred to other forest landowners, enabling them to manage their holdings to their best advantage. Complementing this, the institute is concerned to share good forestry practices with others interested in these issues, seeking to expand its own knowledge in these areas.

Other important aspects of RAIZ' work have been its ongoing support for the process of implementing the Company's forestry project in Mozambique, which has faced specific challenges related to the geographical location, and the search for suitable land in Spain.

In response to the new dynamic created by the Inpactus project and the need to re-equip the institute for the research work involved, the institute's buildings, at Quinta de São Francisco, Eixo, in the municipality of Aveiro, have been renovated and refitted, for the first time in three decades. The estate is open to visitors, who come to see the collection of eucalyptus and other trees, many of them over a hundred years old, as well as the wealth of wildlife.

INPACTUS PROGRAMME

Total Investment	€ 15.3 million
Eligible Funding	€ 13.3 million
Public Funding	€ 8.6 million
Researchers	180 (including 50 recipients of research bursaries, including master's, doctoral and post-doctoral students)
Scientific Coordinators	2 (Universities of Aveiro and Coimbra)

5.5. NEW PROJECTS

Since late 2017, The Navigator Company has had a sector exclusively dedicated to analysing capacity to implement the ideas generated in internal innovation programmes and research projects conducted by RAIZ. In view of the Institute's scientific contributions to forestry development, the aim is to implement the ideas which are judged most feasible, on the basis of criteria of technical viability and financial scale, without neglecting future impact on the community.

These projects lie outside the Company's core business, but may turn into new business areas, opening the door to innovation, by creating new products and making use of materials. Priority has been attached to ideas with added maturity, such as biocomposites, products and new cellulose materials incorporating eucalyptus fibres in blends with thermoplastic materials. Once developed, these may be used to replace conventional materials, such as plastic, with benefits in terms of weight, strength and production costs, as well as scoring more highly in terms of product and process sustainability, due to the incorporation of renewable raw materials.

Thanks to investment in these areas in 2017, progress was made in developing a number of products and establishing technological partnerships, in areas such as reclamation of the Group's forestry and industrial waste, as raw materials for manufacturing fertilisers and for construction, as well as biorefinery activities using waste biomass from farming and forestry.

The Company's efforts in this field are important at a time when market trends and the regulatory environment increasingly encourage the use of natural fibres and biodegradable and recyclable materials, as ways of ensuring the sustainability of the economy. New business opportunities are opening up for forest-based industries, and whilst most of these are small in scale, they offer great potential for growth and for supporting the development of companies in the sector with the ability to adjust and adapt.

6.

OUR PERFORMANCE

The Yellowhammer (*Emberiza citrinela*) is a species characteristic of northern Portugal and is a common sight on the Company's plantations

We know and control our risks, we have a sound financial structure and a cost base which means we are ready for the challenges and changes that lie ahead, consistently open to Innovation

Our Performance

6.1. RISK MANAGEMENT

In recent years, The Navigator Company has regarded Risk Management as crucial for standardising and monitoring risks across all Company operations.

Following on from the successes achieved in 2016 by the Risk Management department, 2017 was a landmark year in the process of systematising and codifying the risks affecting each operational area, and in identifying the controls involved in managing each situation.

As a result of this work, it has been possible to map the Company's overall risks and its control environment, including a series of risks transversal to Navigator, as identified in the table below (the most important risks). In the course of this work, Navigator also assessed each risk in terms of probability of occurrence and potential impact, both before mitigation measures and after implementation of the respective mitigation activities. It should here be pointed out that a large number of the risk factors identified cannot be fully controlled by the Group, including market factors which are capable of fundamentally undermining Navigator's operational and financial performance.

RISK (NON-EXHAUSTIVE SELECTION)	SUMMARY
Industrial accidents at work	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.
Increase in demand for raw material (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 adverse environmental consequences, directly or indirectly attributable to industrial activities, potentially resulting in non-compliance with environmental legislation or customer and stakeholder dissatisfaction, in particular in local communities.
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 not seizing opportunities for developing new businesses, products or processes due to ineffective R&D or technological 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.
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.

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RISK (NON-EXHAUSTIVE SELECTION)	SUMMARY
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.

As a result of this work we were able to share, for the first time, the complete risk table for the whole Company and the associate assessments. This means that very positive progress has been made on raising management awareness of the risk management framework, and situations where planning and monitoring are required, will be identified more easily and quickly in the future. This process is designed to ensure that the risks involved in the Company's business are accepted in full awareness of their impact and that mitigating activities are undertaken in line with the Company's management guidelines.

It is the Company's aim for all the managers involved at different production units to be increasingly pro-active, leading them to a natural risk reporting behaviour, whilst maintaining the assessment and monitoring of business as already implemented.

This range of activities has led The Navigator Company to believe that it has today a better developed and more mature perception of its risk environment, and that it is accordingly readier to face the uncertainties of the market in which it operates.

6.2. FINANCIAL PERFORMANCE

At year-end, the Group had gross debt of € 818.0 million, corresponding to € 150.2 million in short term debt and € 667.9 million in medium and long term debt. Net debt stood at € 692.7 million, up by € 52 million in relation to year-end 2016. This increase in net debt, in a year of sound operating performance, was essentially the result of payment of dividends of € 250 million in June and July and the capital expenditure programme under way, which totalled € 114.7 million in the same period.

In terms of working capital, attention should be drawn to the reduction of € 20.3 million in the value of inventories, due to a sharp reduction in stocks of finished products and to the increase in the net balance payable to the State, up by € 43 million, due essentially to the fact that no advance payments of corporate tax (IRC) were made in 2016.

The Net Debt/EBITDA ratio stood at 1.72 at the end of the year, slightly up from 1.61 at year-end 2016, and still well within comfortable levels.

In 2017, Navigator completed a thorough process of restructuring its debt. This had started in 2015 and was based around the following main measures:

» Extending maturities, which at the end of the period stood at 3.6 years, with a repayments profile fully in line with the Group's capital expenditure plan, meaning that no significant refinancing needs are anticipated in the medium term;
» Liquidity has been kept at appropriate levels, by contracting commercial paper programmes, the placement of which is guaranteed by the banks; totalling € 225 million at the end of the period, € 175 million were issued or are used to back up short term finance contracted on highly competitive terms;
» Interest rate risk management, by issuing flat rate debt and contracting swaps, with fixed rate debt representing 64% of total debt at the end of the period;

- Optimising costs, by refinancing repaid debt on more favourable terms and, from June 2017 onwards, placing short term issues of Commercial Paper on an auction basis. The placements proved a success, making it possible to optimise the average cost of debt. At the end of the year, two new short term loans were contracted, at the lowest ever interest rates. At 31 December 2017, the average cost of borrowing was 1.5% (all-in);
- Diversification of sources of funding, by contracting loans from a broad range of banks, including international banks and the European Investment Bank, and by maintaining the Company's rating, which allows it access to the international markets at any time. The Group continues to present a robust financial profile, and this was underlined when the rating agencies S&P and Moody's confirmed the Group's long term ratings of "BB" and "Ba2" respectively, both with a "stable" outlook.

Another significant development in 2017 was the appreciation of the euro against the dollar and sterling, gaining 13.8% and 3.6%, respectively. In keeping with the risk management policy established by the Company, Navigator reacted to this scenario by taking active steps which helped to reduce exposure to the volatility in the market. This entailed acquiring financial derivatives to hedge future sales in dollars and sterling with a nominal value of USD 347 million and GBP 54 million respectively, whilst continuing to monitor and hedge balances in dollars and sterling and renewing hedges for exposures resulting from investments held in currencies other than the euro.

This risk management policy resulted in a financial gain of € 4.8 million, reducing the negative impact of the exchange rate trends on operational activities.

NAVIGATOR'S CONTRIBUTION TO TAX REVENUES

In the course of their business, the various companies in the Navigator Group are subject to a wide array of taxes, rates and contributions, and the Group is a major source of funds for public spending needs.

Aware of its role in Portugal's industrial and business fabric, and because of the vital importance of transparency in dealings with shareholders, the Navigator Group has sought to calculate its tax footprint, identify the volume of tax revenues obtained from its business operations and the taxes it collects and administers on behalf of the State and other parties.

It has been determined that a total of more than 22 taxes, contributions and rates which, in the reporting period of 2017, constituted an expense within the Navigator Group in Portugal and resulted in a total amount of € 93.2 million, equivalent to a tax burden of 32.84% on pre-tax profits. Corporation Tax (IRC), including surtaxes, and Social Security contributions represented the heaviest expenses, at € 56.2 million and € 19 million, respectively. The Group also paid more than € 6.46 million in environmental taxes.

In addition to this, the Group collected more than € 590 million in taxes payable to the State, the bulk of which related to VAT (€ 551 million). Also, a total of € 9 million euros was deducted from salaries for social security contributions, as well as € 27.4 million in personal income tax. This resulted in a labour tax rate of 17.78% on earnings before tax.

In terms of the recipients of these taxes, the Group made a contribution of € 5.2 million euros to the municipalities of Abrantes, Aveiro, Figueira da Foz, Lisbon and Setúbal in the form of the municipal surtax, municipal property tax (IMI), municipal conveyance tax (IMT), local charges and the applicable share of personal income tax.

The Company's work on determining its tax footprint is the launchpad for a tax digitalisation project, designed not only to reduce the growing cost of complying with the tax rules on companies, but also to match the tax authorities' own heavy investment in new systems, reducing the risk of misreporting.

In another new departure, the Company drew up its tax reporting on country-by-country basis, showing that in 2016 it paid in Portugal 93.62% of the corporation tax payable in the 16 jurisdictions in which it operates.

6.3. OPTIMISATION AND COST REDUCTION PROGRAMMES

For The Navigator Company, cost optimisation is a priority to which it is actively committed from day to day, through the dedicated work of a special unit. The Company believes that only with a culture of efficiency and waste reduction can business sustainability be assured.

Work in the area proceeds on three fronts: Innovation, Lean Management and Internal Consultancy.

INNOVATION

Mature cycle of internal innovation seeking increasingly to expand the relationship with external bodies, in order to create an ecosystem that will bring advantages for Navigator. A crucial contribution is made here by entrepreneurs, universities and start-ups which work hand-in-hand with the Group's teams to identify new programmes and put new ideas into practice.

The Operational Programme for Innovation went into its third round in 2017, seeking primarily to develop innovative projects and involving around 60 Employees in its latest edition. The projects presented came from different sectors and addressed issues relating to Forestry Management, Pulp, Energy, Paper, Tissue, Maintenance, Products, Purchasing, Logistics and the Supply Chain, as well as questions of Organisation.

The proposals presented by Employees present excellent potential for creating value and have helped to establish an innovation culture in The Navigator Company. The following projects in particular have gone into implementation:

- KISS: a proposal for developing three-ply toilet paper, in which only the inner sheet is embossed, making for increased softness, but a similar bulk.

- SAFETY REEL: an initiative to bring down the number of work-related musculoskeletal disorders (WMSDs), by reducing manual handling of reels and spindles by using mechanical equipment designed by the team.
- RGB: suggests using primary sludges as an insulation material in the civil construction sector.

LEAN MANAGEMENT

Lean Management is the cutting edge of The Navigator Company's efforts to optimise and cut costs, and in 2017 brought gains of € 2 million. The programme is based on a methodology of visualising and standardising behaviour, leading to ongoing and significant improvements related to manufacturing processes. A vital part of this programme is the training provided for unit leaders to ensure implementation of the method, as well as of a range of projects resulting from suggestions made by Employees at the industrial units.

INTERNAL CONSULTANCY

In terms of Internal Consultancy, the Group has set in motion an ongoing process of improving operational efficiency through sustained reduction in production costs, in the form of a wide-ranging programme known as M2: *Mais e Melhor*, or More and Better. The programme was launched in 2015 and again achieved highly positive results in 2017, exceeding the targets set and boosting EBITDA by around € 27 million. Over the course of 2017, some 126 initiatives were launched and implemented, most importantly negotiations for wood, chemicals (for pulp and paper), energy and product packaging.

The overall results are very positive, with ample room for growth through integration with other initiatives. The aim is to make the programme more holistic, operating on the basis of internal and external benchmarks, which will make it possible to achieve improvements in production units and consequently in the Company as a whole.

The engagement of Navigator's Employees has proved essential and will continue to be central to cultural and organisational change in the Company.

6.4. SUPPLIER RELATIONS

For a business like The Navigator Company, with industrial units operating round the clock, the ability to secure supplies of raw materials without any interruptions or shortfalls is absolutely essential. The issue would not be critical, were it not for the large number of contingencies to which procurement is subject, especially in the cases of products imported from distant countries, which may run into adverse conditions in the course of their journey. And when the main features of the market are the diversity of suppliers around the globe, price fluctuations and constant technological evolution in materials, the challenges require constant attention, in a scenario which is dynamic by definition.

In this context, attention should be drawn first of all to the efforts made in 2017 to improve suppliers of packaging and the attempt to reduce costs without compromising quality. This material is particularly important because, along with chemicals, it represents the largest share of the Company's purchases.

Suppliers agree to comply with a series of strict criteria concerning the materials leaving their premises: the price-quality ratio, high standards and consistent quality in chemicals, and the strength of packaging, to cite the main factors considered. Before being approved to supply to Navigator, suppliers undergo an assessment to validate their manufacturing processes, management and compliance with a range of requirements, such as those relating to environmental performance and human rights. At the same time, samples of goods and products found on the market are subject to exhaustive testing in the Company's laboratories. When new technologies are involved, the task is assigned to RAIZ, Navigator's forest and paper research institute, in order to check the parameters and ensure the products are suitable for their intended purpose.

To enable it to respond to market demands, Navigator decided to draw up a Code of Ethics and Good Conduct for Suppliers; this was approved by the Executive Board and the Ethics Committee in late 2017 and work has started on disseminating it to our supplier base. The code lays down the principles on which we do business with those partners, helping to reinforce good practices.

The Company's supplier base is stable (at around 8 thousand entities), in line with its business stance, attaching priority to long term relationships with recognised operators; nonetheless, Navigator is constantly watchful of developments in the sector. Proposals are regularly submitted for new materials and services, potentially more effective and less harmful to the environment. Initial orders are always relatively small as the trust essential for this type of business relationship is gradually built up.

6.5. CLIENT RELATIONS

Clients are an essential link in Navigator's value chain, and their needs are one of the Company's priorities. A variety of different channels and procedures are used to create close relationships with customers, based on mutual trust. Tools such as satisfaction surveys and efficient complain management allow the Company to focus on what is important to this demanding group of stakeholders.

Product innovation is the starting point for developing solutions that create value for Navigator's clients. An example of these are its products which are market leaders, with environmental endorsements.

TISSUE PAPER ASSESSED UNDER THE IKEA CODE OF CONDUCT

Navigator has started in 2018 to supply tissue products to IKEA stores in the Iberian Peninsula. This important partnership is based on the Company's sustainability performance, as the choice of supplier was the result of an assessment by IWAY. Since 2000, the IKEA code of conduct has set the requirements for suppliers of products and services, and also explained what suppliers can expect from the Swedish brand.

CUSTOMER SATISFACTION SURVEY

Navigator assesses customer satisfaction by regularly using confidential questionnaires in surveys conducted by independent bodies. This assessment is conducted of pulp, tissue and UWF paper clients, helping to validate the Company's relationship with these stakeholders and to adjust its range of products. The findings from this listening exercise are used to calculate the Overall Satisfaction Index, consisting of the weighted average of several dimensions such as product quality, service (delivery, logistics and after-sales service), marketing and sales.

Pulp Clients	Tissue Clients	UWF Paper Clients
Conducted in May and June 2017, by contacting 97 clients. Response rate:	Conducted in December 2016 and January 2017, by contacting 255 clients. Response rate:	Conducted in November and December 2017, by contacting 354 clients. Biannual survey. Response rate:
31%	**66%**	**59%**
CSI*: 68%	CSI*: 69%	CSI*: 93%

* CSI – Consumer Satisfaction Index

TRANSPORT AND LOGISTICS

In terms of outbound logistics (paper, paper pulp and tissue), in 2017 the Company handled approximately 2 million tons in transport between its industrial units and clients, to around 130 countries and 4,800 delivery points spread over 5 continents, as well as a further 200 thousand tons from local logistics hubs to clients, essentially in the US. Of the 2 million tons dispatched, mostly in paper business, roughly 65% consisted of maritime container freight (in Europe, around 40%) and 35% by road. These percentages in paper business compare with around 90% by sea and 10% by road in pulp business (Spain) and 99% by road in tissue business, mostly in the Iberian market. 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 2017 for approximately 6% of all cargo of this type exported through Portuguese ports.

6.6. NAVIGATOR 4.0

The Navigator Company is highly competitive and focussed on staying at the forefront of developments in its sector. It is accordingly eager to seize the opportunities offered by Industry 4.0, also known as the fourth industrial revolution, enabling companies to optimise their process and increase their efficiency and productivity gains.

Since its early days, the Company has sought the best possible conditions for its industrial operations in order to optimise the results of its pulp and paper mills, taking full advantage of all the technologies available. The Company has been using since 2014 tools for computerising processes and data analysis that enable to reduce consumption of chemicals and also to reduce downtime in its facilities. The benefits achieved have included reducing variability in production processes and strengthening the Company's problem-solving capacity.

Within this context, the Navigator 4.0 initiative was launched in 2017, designed to implement the groundwork for Industry 4.0. This will go beyond computerisation solutions to include robotics and net data analysis tools, to be extended to all of The Navigator Company's value chain.

The work done so far has consisted essentially of identifying the solutions available on the market and how well they suit the Company's processes. The aim is to improve efficiency in production and in the use of raw and subsidiary materials, and reducing waste, downtime and maintenance costs. Efforts have also been put into identifying other solutions that maximise efficiency in logistics and communication with the customer base, and also into improving health and safety conditions for the workforce.

Throughout 2017, the Company took part in a number of trade fairs and events connected to the topic of Industry 4.0, and organised internal workshops with potential technology and service suppliers, in order to identify the tools available and the opportunities for applying them in The Navigator Company.

Also in this field, Navigator's IT systems department implemented over the course of 2017 a series of projects to renew and transform the Company's technology base. This has included consolidating and renovating all its data centers and data network infrastructures, and upgrading its most critical applicational systems, in order to equip the Company with the technological foundation needed to implement the initiatives envisaged in the fields of innovation and process optimisation, as well as the Industry 4.0 initiatives referred to above.

7.

WHAT TO EXPECT FROM 2018

Biodiversity in one of The Navigator Company's estates

With all that we have already achieved, we are better prepared than ever to lay the foundation for future success

What to Expect from 2018

2017 turned out to be an extremely positive year for the pulp sector: prices were increased several times ended the year at an all-time high of around 1 000 USD/ton. Most price forecasts for 2018 are also positive, without any substantial increase in the supply of pulp expected in the next two years. However, fears persist as to whether prices are sustainable at this level, which might lead to a degree of adjustment over 2018.

In the UWF sector, the Group took the lead in increasing prices on several occasions in 2017, and announced a fresh price rise for the North American and European markets in early 2018. Order books remain at comfortable levels, and a positive year can be expected for the sector, whilst evolution of the exchange rate is likely to remain the main cause for concern.

In tissue, January saw phase two of the current round of price increases, which started in October. The continued high level of pulp prices, combined with new capacity coming on to the market, will undoubtedly keep tissue producers under strong pressure again, especially in the case of non-integrated manufacturers.

In this context, Navigator's prospects for 2018 are positive, in what will be a particularly challenging year for the Group, with the additional pulp capacity in Figueira da Foz due to start up in April, and the new tissue line in Cacia planned to produce its first reels in August.

8.

PROPOSED ALLOCATION OF RESULTS

Cork (bark of the cork oak – *Quercus Suber L.*), on one of the Company's estates

Proposed Allocation of Results

The Board of Directors proposes that the net results of the individual accounts in the amount of 204,416,103 Euros, calculated in accordance with the IFRS rules, be applied as follows:

Dividends on shares in circulation (*)........ 170,003,077.40 Euros
(€ 0.2371 per share)

Retained earnings........ 27,413,025.00 Euros

Share in the profits of the financial year
of the employees, up to .... 7,000,000.00 Euros
(already assumed in the financial statements)

* This value takes into consideration an amount of 489,973 own shares held on the date of this proposal; if, at the time of the dividend payment, the number of own shares changes, the global dividend amount to be paid shall be adjusted accordingly, keeping however unchanged the dividend per share to be paid.

9.

DECLARATION REQUIRED BY ARTICLE 245.° OF THE SECURITIES CODE CORPORATE BOARDS

Different tree species can be told apart by their bark – spongy, fibrous or with scales

Declaration Required by Article 245.° Securities Code

Article 245.1 c) of the Securities Code requires that each of the persons responsible for issuers make a number of declarations, as described in this article. In the case of Navigator, a uniform declaration has been adopted, worded 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 management report, annual accounts, legal accounts certificate and other financial statements of The Navigator Company, S.A., for the financial year of 2017, were drawn up in accordance with the relevant accounting rules, and provide a true and fair view of the assets and liabilities, financial affairs and profit or loss of the said company and other companies included in the consolidated accounts, and that the management report contains a faithful account of the business, performance and position of the said company and other companies included in the consolidated accounts, describing the main risks and uncertainties which they face.

Considering that the members of the Audit Board and the Official Auditor sign an equivalent declaration in relation to the documents for which they are responsible, a separate declaration with the above text was signed by the directors only, as it was deemed that only the company officers fall within the concept of "persons responsible for the issuer". As required by this rule, we provide below a list of the persons signing the declaration and their office in the company:

Pedro Mendonça de Queiroz Pereira
Chairman of the Directors

Diogo António Rodrigues da Silveira
Chief Executive Officer

Luís Alberto Caldeira Deslandes
Non-executive Director

João Nuno Pinto de Castello Branco
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

Corporate Boards

At 31 December 2017, 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
Pedro Mendonça de Queiroz Pereira
Vice-presidents
Diogo António Rodrigues da Silveira
Luís Alberto Caldeira Deslandes
João Nuno de Sottomayor Pinto de Castello Branco
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
Miguel Camargo de Sousa Eiró
Full members
Gonçalo Nuno Palha Gaio Picão Caldeira
José Manuel Oliveira Vitorino
Alternate member
Ana Isabel Moraes Nobre de Amaral Marques

REMUNERATION COMMITTEE

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

STATUTORY AUDITOR

Full
PricewaterhouseCoopers & Associados – SROC, Lda.
represented by
António Alberto Henrique Assis *or by* José Pereira Alves
Alternate
Jorge Manuel Santos Costa (R.O.C.)

10.

CORPORATE GOVERNANCE

European oak (*Quercus robur*), an indigenous species grown at the Company's nurseries

Corporate Governance
Part I - Information on Capital Structure, Organisation And Corporate Governance

A. OWNERSHIP STRUCTURE

I. CAPITAL STRUCTURE

1. Capital structure, 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.

As a result of the operation reducing the share capital on 4 October 2017, as per the resolution adopted by the shareholders on 22 September 2017, The Navigator Company, S.A. has a share capital of 500,000,000 euros, fully paid up, represented solely by 715,000,000 ordinary shares, with a nominal value of 1 euro each, the same rights and duties being attached to all shares.

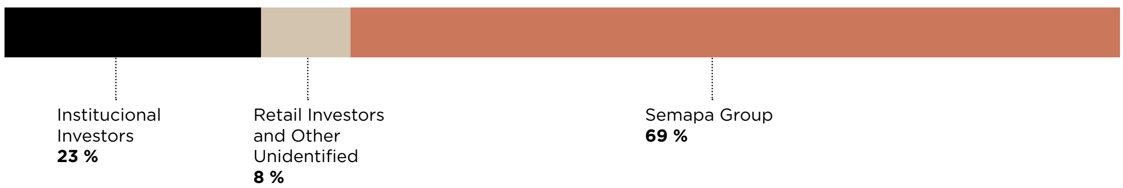
All the shares representing the Company's share capital are admitted to trading on a regulated market: Euronext Lisbon, managed by Euronext Lisbon – Sociedade Gestora de Mercados Regulamentados, S.A..

In the light of the reduction in share capital mentioned above and the resulting changes to Navigator's ownership structure, the Company carried out a fresh analysis of its shareholder composition, 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 152 institutional shareholders were identified and classified, accounting for approximately 23% of the capital.

The following shareholder composition was identified:

SHAREHOLDER DISTRIBUTION

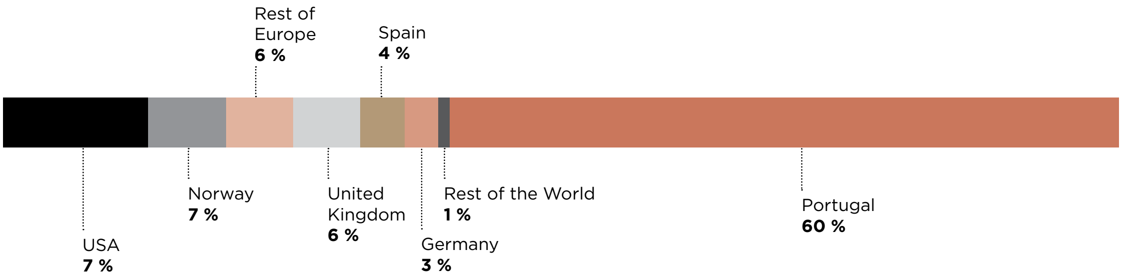


According to this new study, and excluding the majority holding and treasury stock, Navigator's institutional shareholders are mostly European. Portuguese investors are the largest group, holding around 60% of shares, with a 7% of shareholders based in Norway, approximately 6% in the United Kingdom, 4% in Spain and 3% in Germany. Shareholders based in the United States accounted for 13% of the identified institutional investors.

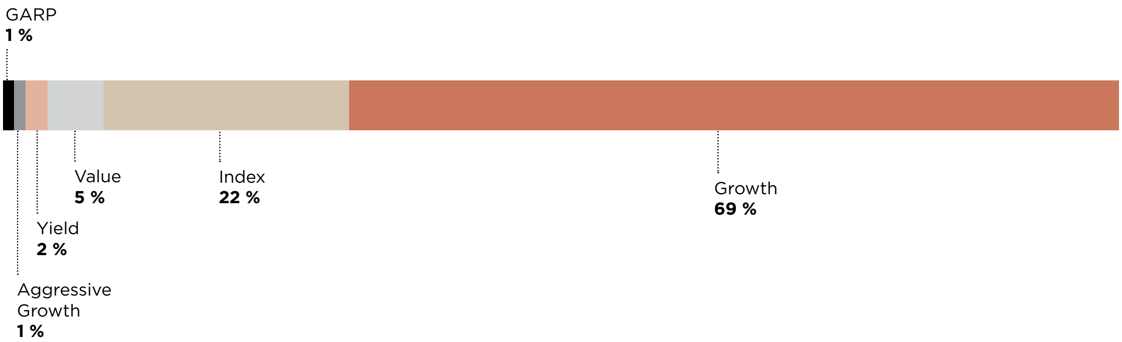
In addition, a breakdown by investment style shows that around 69% of shares are held by institutional investors with a growth-oriented strategy, whilst approximately 22% of investors pursue an Index Funds strategy and 5% a value-focussed strategy. Investors with Yield, Aggressive Growth and GARP (Growth at a Reasonable Price) strategies accounted for only 4% of investors.

The following charts show the geographical distribution of shareholders and a breakdown of their investment styles:

GEOGRAPHICAL DISTRIBUTION OF INSTITUTIONAL SHAREHOLDERS



INVESTOR STYLES COMPOSITION – TYPE OF STRATEGY



2. Restrictions on the transferability of shares, such as consent clauses for disposal, or limitations on ownership of shares.

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.

On 31 December 2017, Navigator held 489,973 treasury shares, corresponding to 0.068% of its share capital and 489,973 votes at the General Meeting.

4. Significant agreements to which the Company is 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.

The Company and certain subsidiaries are party to a number of financing agreements and debt issue transaction which contain change of control clauses, in line with standard market practice. In accordance with these agreements, lenders will have the right to early repayment of the relevant loan in the event of a change of control by SEMAPA – Sociedade de Investimento e Gestão, SGPS, S.A.

Accordingly, these clauses do not amount to defensive measures, indemnities or guarantees designed to cause a serious erosion in the Company's assets in the event of a change of control of modification in the composition of the Board of Directors, undermining the free transferability of shares.

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 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.

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, detailing the percentage of the share capital and votes imputable and the respective grounds.

On 31 December 2017, the holders of qualifying holdings in the Company were as follows:

ENTITY	ATTRIBUTED	NO. OF SHARES	% OF CAPITAL	% OF NON--SUSPENDED VOTING RIGHTS
Semapa – Soc. de Investimento e Gestão, SGPS, S.A.	Directly	256,033,284	35.684%	35.708%
Seinpar Investments B.V.	Indirectly through Company controlled by the shareholder Semapa	241,583,015	33.670%	33.693%
Seminv - Investimentos, SGPS, S.A.	Indirectly through Company controlled by the shareholder Semapa	1,000	0.000%	0.000%
	Total attibutable to Semapa	**497,617,299**	**69.354%**	**69.402%**
Fundo de Pensões do Banco BPI	Directly	30,412,133	4.239%	4.242%
	Total attibutable to Banco BPI	**30,412,133**	**4.239%**	**4.242%**
Zoom Lux S. à r.l.	Directly	15,349,972	2.139%	2.141%
	Total attibutable to Zoom Investment SGPS	**15,349,972**	**2.139%**	**2.141%**

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

Members of the management and supervisory bodies who held shares in the Company during 2017:

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, 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 form taken by these powers.

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 qualifying shareholders 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 Audit 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 2017, the value of services provided under this contract was 8,419,656 Euros.

In March 2015, Navigator concluded an agreement with Enerpar SGPS, Lda. under which it paid Enerpar a fee in return for promoting the pellets project in the United States. These services were contracted on a turnkey basis which included market research, real estate prospecting, negotiation with public authorities, tax and corporate planning, design of industrial facilities, plant commissioning and customer acquisition.

Under this agreement, Enerpar SGPS, Lda will also provide services to Navigator over a three-year period in relation to this project, consisting of technical consultancy for the engineering designs, works coordination, plant commissioning, plant ramp up and end-product quality, support for management of sales contracts and training for the sales team to take charge of the customers canvassed by it.

The fee for project promotion was USD 1.7 million (equivalent to 1.5 million euros) and this contract established an annual fee of USD 250,000 (equivalent to 232,800 euros) for the technical consultancy services over the three years of the contract. In 2017, the services provided had a value of 222,120 euros. Due to the fact that construction of such plant has been completed and the project has been sold, as duly disclosed to the market on 8 January and 16 February 2018, this contract has terminated.

Enerpar SGPS, Lda. is a company that manages holdings in the renewable energy sector, and is the sole owner of Enermontijo, S.A., which has manufactured wood pellets from forest materials for around 7 years, with an annual output of 80 thousand tons. Enerpar SGPS, Lda. is owned by a daughter of one of Navigator's board members, and her husband.

These contracts were subject to the procedures and controls exercised by the supervisory body as referred to in item 91, in respect of transactions to be carried out between the Company and holders of qualifying holdings or entities in any way related to them.

B. CORPORATE BOARDS 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 Dra. 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.

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.

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 order of business.

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 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 in full.

II. MANAGEMENT AND SUPERVISION

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 an Audit Board, in accordance with Article 278 no. 1 section a) of the Companies Code.

16. Rules in the Articles of Association on procedural and material requirements applicable to the appointment and substitution of members, as the case may be, of the Board of Directors, the Executive Committee and the General and Supervisory Board. Diversity Policy.

In accordance with the Articles of Association, the Company's corporate bodies comprise the General Meeting, the Board of Directors, the Audit Board and a Statutory Auditor or Statutory Audit Firm. The General Meeting has powers to elect the board members, the members of the Audit Board and the statutory auditor or statutory 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, the board members are elected on the terms set out in the motion approved by the General Meeting.

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

However, the Articles of Association establish that a board member 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 electable persons. If there are several proposals subscribed by different shareholders or groups of shareholders, the lists shall be put jointly to the vote.

The articles of association also provide that the Board of Directors may delegate the day-to-day management of the Company to a single board member or an Executive Committee, comprising 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 fresh election to appoint the Chairman of the Board of Directors.

In view of the above, within the existing legal framework and in the absence of any rule - from a legal source and pre-established - directly requiring shareholders to comply with a diversity policy, the Board of Directors has no (legal) means of imposing on the shareholders a diversity policy emanating from the Company; accordingly, without the shareholders first being involved in defining such a policy, the Company cannot define or apply it, in accordance with Article 245-A.1 r) of the Securities Code, as amended by Decree-Law 89/2017, of 28 July.

Such consultation of the shareholders was not possible for reasons of timing, due to the tardy publication date of the legislation: 28 July 2017, after the Company's General Annual Meeting, despite applying to the entire period in progress. This meant that it was not possible for shareholders to analyse and adopt, if they so wished, a diversity policy to be followed in future procedures for selecting and appointing members of the corporate bodies.

Nonetheless, elections will be held at the Annual General Meeting in 2019 and, as far as the Company is aware, it is expected that the nominations from the main shareholders will take account of diversity considerations such as gender, age, expertise and experience in the relevant sectors and internationally, insofar as these are compatible with the characteristics and specific features of the Company.

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 adopted a resolution electing the members of the Board of Directors for a four-year term from 2015 to 2018.

As a result, at 31 December 2017, the Board of Directors consisted of fourteen members, including a chairman and three deputy chairmen.

Identification of the members of the Board of Directors over the course of 2017, indicating the date of first appointment and the end of their term of office:

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

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.

At 31 December 2017 and at the present date, five of the board members are executive directors and form an Executive Committee, which was elected and whose powers are delegated by the Board of Directors, and the other nine 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, the Chairman of the Board of Directors is significantly involved in major decisions taken in the Company's day-to-day affairs.

The Board of Directors comprises an appropriate number of non-executive members who are effectively able to oversee, supervise, monitor and assess the activities of the executive directors, taking into account, in particular, the ownership structure and dispersal of the Company's share capital.

As described in item 18.1 below, it is disclosed that the non-executive directors of the Board of Directors identified above cannot be regarded as independent.

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 an exempt 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 controlled or controlling company;
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 third degree of collateral affinity of board members or natural persons that are direct and indirectly holders of qualifying holdings;
e) Being a qualifying shareholder or representative of a qualifying shareholder.

In accordance with the independence criteria indicated above, the Non-Executive members of Navigator's Board of Directors cannot be considered independent, as three of them were re-elected for more than two terms of office and six of them act on behalf of shareholders owning more than 2% of the share capital.

However, the Non-Executive board members, 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 board members, whilst also ensuring that no conflicts of interest exist between the shareholders and the Company.

19. Professional qualifications and other relevant biographical details of each of the members, as the case may be, of the Board of Directors, the General and Supervisory Board and the Executive Committee Directors.

Professional qualifications and biographical details of the members of the Company's Board of Directors:

Pedro Mendonça de Queiroz Pereira

Pedro Queiroz Pereira completed his secondary education in Lisbon and then studied at the Instituto Superior de Administração. From 1975 to 1987 he lived in Brazil, during which time he held a series of directorships in the manufacturing, retail, tourism and agricultural sectors. On his return to Portugal, he continued in the management of 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 CEO of Semapa, a post he held until July 2015. He has also served as chairman of the Board of Directors of Navigator since 2004.

Diogo António Rodrigues da Silveira

Diogo da Silveira holds a Diplôme d'Ingénieur, from Ecole Centrale de Lille, France (1984), was a Research Scholar at the University of California in Berkeley, USA (1984), and has an MBA from INSEAD, 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 was appointed as executive director and Group CFO for Sonae Investimentos, and also served as Chief Operating Officer for Sonae Distribuição between 1998 and 1999. He was CEO of Novis Telecom and a director of Sonaecom from 1999 to 2001 and later CEO of Isoroy, in the Sonae Indústria Group, from June 2001 to 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 CEO of Açoreana Seguros. He has been Deputy Chairman of Navigator's Board of Directors and CEO since April 2014.

Luís Alberto Caldeira Deslandes

Luís Deslandes holds a degree in chemical engineering from Instituto Superior Técnico in Lisbon and another in brewery engineering from Institut Supérieur D'Agronomie de Louvain. His professional career started in 1966 in Central de Cervejas, where he was 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 CEO of Central de Cervejas from 1979 to 1980. He served as CEO of Portucel from 1980 to 1983 and Chairman of the Executive Committee of Soporcel from 1984 to 1990. He was also CEO 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 has also served as a director of CIP (Confederation of Portuguese Industry) and sat on 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, and during the same period has held a number of other directorships in Navigator Group companies.

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. He has been Deputy Chairman of the Board of Directors since October 2015, and has been Chief Executive Officer of Semapa since 2015, having previously held the office of managing partner of McKinsey & Company's Iberian Office. He joined McKinsey & Company in 1991, working in a varied range of sectors, having served in a number of leading institutions, both in Portugal and in Spain. He also worked in the same sectors in Europe, Latin American and the United States. He was a member of the Leadership Group of McKinsey & Company's banking practice, in Europe, and has also led the firm's corporate finance practice, in both banking and insurance. He also led a number of projects undertaken by McKinsey & Company in the fields of competitiveness, productivity and innovation, both in Portugal and in Spain. Before joining McKinsey & Company, he worked at Renault's engine development centre, in France. He has also been a director of Secil since 2015. In 2017 he was appointed to the General Council of AEM – Associação de Empresas Emitentes de Valores Cotados em Mercado.

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 the fields of marketing and sales management in 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 Law Faculty – 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 started his professional career at McKinsey & Company in 1993 and until March 2015 he was Senior Partner (Director), and leader of the Energy, Commodities & Industry Practice at McKinsey & Company's Iberian office. He was also a member of the Leadership Committee for McKinsey & Company's Global Energy Practice and led the Client Committee for the firm's Global Energy/Utilities Practice. 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 and an MBA in Commercial Engineering and Management from AEP – ESADE, Spain. He was industrial manager for Bosch in China from 1994 to 1996. He was later involved in the project for acquisition of a Bosch Group company in Chile as well as holding operational management positions in the Bosch Group in France and Germany. From 2002 to 2015, he was managing director of Bosch Termotecnologia S.A.. During his final six years in the Bosch Group he was chairman of the Group's Hot Water Business Unit, which has its global competence centre 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.

Manuel Soares Ferreira Regalado

Manuel Regalado holds a degree in finance from Instituto Superior de Economia e Gestão (Lisbon, 1972) and completed the Senior Executive Programme of the London Business School (1997). He started his professional career in 1971, and up to 1984 held a series of posts in the fields of internal audit, management planning and control and analysis of investment projects. 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). From 1994 to 1998 he also sat on the Board of Directors of Portucel, and was appointed to office in INAPA and CELPA. He has sat on the Board of Directors of The Navigator Company since 2004, and was an executive director until 2016.

Adriano Augusto da Silva Silveira

Adriano Silveira holds a degree in chemical engineering from the University of Porto. He started his career at the Environmental Studies Service, and later worked in the mining sector, joining Empresa Nacional de Urânio (1979) and Empresa Minas de Jales (1983). He joined Soporcel in 1983, holding a series of management positions in the fields of energy recovery, pulp and paper production, maintenance and engineering. He has sat on the Company's Board of Directors since 2007 and was an executive director from April 2007 to July 2015.

José Miguel Pereira Gens Paredes

José Miguel Paredes graduated in Economics and started his professional career in 1985, at the Directorate-General of Competition and Prices. In subsequent years he worked for Rodoviária Nacional, Interbiz, Cosec (Foreign Lending Division), General Bank (Treasury/Forex Room) and United Distillers. In 1994 he was appointed as Financial Director of Semapa and other related companies. He has been Semapa's market relations representative since 2004 and has been an executive director of Semapa since 2006. He was appointed to a directorship in ETSA in 2008. He has been a board member of the Company since 2011, and of Secil, since 2012.

Paulo Miguel Garcês Ventura

Miguel Ventura has a degree in law and completed two INSEAD courses (IEP '08Jul and COL '15Dec). He entered legal practice in 1995. From 1997 onwards he was appointed as officer of the General Meeting of a number of subsidiaries of Cimigest, Sodim and Semapa and was also appointed as company secretary in Semapa. From 2005 to 2007 he was a member of the Lisbon District Council of the Portuguese Bar Association. He has held executive directorships in Semapa and a number of related companies since 2006. In 2007, he was appointed Deputy Chairman of the General Meeting of REN (a position he held until the end of 2014) and of Infrastructures of Portugal. He has been a board member of the Company since 2011, and of Secil, since 2012. In 2014 he was appointed to the General Council of AEM – Associação de Empresas Emitentes de Valores Cotados em Mercado, holding this office until the end of 2016, and in 2017 was appointed to the organisation's management board.

Ricardo Miguel dos Santos Pacheco Pires

Ricardo Pires has a degree in business management from the Portuguese Catholic University, a specialist post-graduate qualification in corporate finance from ISCTE and an MBA from Universidade Nova de Lisboa. He started his career in the field of management consultancy, between 1999 and 2002, first at BDO Binder and later at GTE Consultores. From 2002 to 2008 he worked in the Corporate Finance division of ES Investment where he was involved in a series of M&A and capital market projects in the Energy, Pulp and Paper and Food & Beverages sectors. He has worked with Semapa since 2008, originally as Strategic Planning and New Business Manager, and later, from 2011 onwards, as chief of staff to the Chairman of the Board of Directors. He has been an executive director of Semapa since 2014, and also holds office in other related companies. He has been a board member of the Company and also of Secil since 2015.

Vítor Manuel Galvão Rocha Novais Gonçalves

Vítor Novais Gonçalves has a degree in business management from ISC-HEC, Brussels. He started his career in 1984 as a management trainee at Unilever, later working as a product manager and market manager. He worked at Citibank Portugal from 1989 to 1992, starting as a Business Manager in the Venture Capital area and later taking charge of the Corporate Finance sector and sitting on the Management Committee. From 1992 to 2000 he worked in the financial area for the José de Mello Group, with directorships in several companies, as well as serving as Strategic Marketing and Development Manager at Banco Mello and General Manager of Companhia de Seguros Império. He then moved to work in the telecommunications sector for the SGC Group where, between 2001 and 2009, he was a director of SGC Comunicações, in charge of strategic marketing and international business development. He has been a director of Zoom Investment since 2009, and a non-executive board member of Semapa since 2010 and of the Company since 2015.

20. Habitual and significant family, professional or business ties between members, as the case may be, of the Board of Directors, the General and Supervisory Board and the Executive Committee with shareholders to whom a qualifying holding greater than 2% of the voting rights may be imputed.

At 31 December 2017 (and currently), the Company's directors include six non-executive directors who act on behalf of the owners of holdings greater than 2% of the Company's share capital. These are: 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 and Vítor Manuel Galvão Rocha Novais Gonçalves.

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 CHARTS: COMPANY BOARDS AND COMMITTEES

Board of Directors

General Meeting

General Meeting Officers

Company Secretary

Remuneration Committee

Audit Board

Statutory Audit Firm

Ethics Committee

Sustainability Forum

Environmental Committee

Executive Board

Corporate Governance Committee

Pension Fund Supervisory Committee

Asset Risk Analysis and Supervision Committee

COMPANY DIVISIONS AND AREAS ON 31 DECEMBER 2017

Executive Board

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

PORTUCEL Moçambique

João Lé
Paulo Silva

Chief of Staff

António da Cunha Reis

Colombo Energy

António Porto Monteiro

Investor Relations

Joana Lã Appleton

Research & Development

Forest & Paper Research
Carlos Pascoal Neto

Florest Area

Florest Management
Nuno Neto

Wood Supply
Hermano Mendonça

Tissue Area

Tissue Commercial
Nuno Anjo e Silva

Tissue Operations
José Miranda

Industrial Area

Setúbal Industrial Complex
Carlos Brás

Figueira da Foz Industrial Complex
Pedro Silva

Cacia Industrial Complex
José Nordeste

Engeneering
Guilherme Pedroso

Environment & Energy
Óscar Arantes

Comercial Area

Marketing
António Quirino Soares

Logistics
Gonçalo Vieira

Product Development & Quality
Vitor Crespo

Pulp Commercial
José Tátá Anjos

Paper Commercial

Sales Europe
Vitor Coelho

Sales International
Mário França

Supply Chain
Eduardo Veiga

Corporate Area

Risc Management
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
José Ataíde

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

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 Moçambique
- Colombo Energy

João Paulo Araújo Oliveira:
- Forestry and Paper Research Institute
- Setúbal Industrial Division
- Figueira da Foz Industrial Division
- Cacia 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.

Navigator's management bodies have internal rules of procedure, which are published on 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.

23. Number of meetings held and attendance record of each member of the Board of Directors, the General and Supervisory Board and the Executive Committee, as the case may be.

During 2017, the Board of Directors held eight meetings, minutes of which were duly drawn up. All board members attended all eight meetings in person, corresponding to an attendance rate of 100%.

The Executive Committee held forty-three meetings, minutes of which were duly drawn up. The Chief Executive Officer, Diogo António Rodrigues da Silveira, attended all meetings, corresponding to an attendance rate of 100%.

António José Pereira Redondo (Member), was absent from two meetings, which corresponded to an attendance rate of 95%.

José Fernando Morais Carreira de Araújo (Member), was absent from two of the meetings, which corresponded to an attendance rate of 95%.

Nuno Miguel Moreira de Araújo Santos was present at all meetings, corresponding to an attendance rate of 100%.

Lastly, João Paulo Araújo Oliveira was absent from two meetings, which corresponded to an attendance rate of 95%.

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 CEO, in both cases with the participation of other non-executive directors as the person conducting the assessment sees fit to involve.

25. Pre-set 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 quantitative elements considered are EBITDA, net profits 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 on 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 board members' other activities, outside the business group to which Navigator belongs, are no obstacle to 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

OFFICE HELD IN NAVIGATOR GROUP COMPANIES:

» Chairman of the Board of Directors of The Navigator Company, S.A.
» Chairman of the Board of Directors of Navigator Switzerland, Ltd.[4]

OFFICE 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.[5]
» 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.
» Manager of Ecovalue – Investimentos Imobiliários, Lda.[6]
» Member of the Board of Governors of Fundação Manuel Violante.
» 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.
» Chairman of the Board of Directors of Terraços d'Areia – SGPS, S.A.[7]

Diogo António Rodrigues da Silveira

OFFICE 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 Aboutbalance SGPS, S.A.
» Chairman of the Board of Directors of Colombo Energy, Inc.
» 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 Floresta, SGPS, 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 Holding, SGPS, S.A.
» Chairman of the Board of Directors of Navigator Paper Setúbal, S.A.
» 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 Holding, SGPS, S.A.[8]
» Chairman of the Board of Directors of Navigator Pulp Setúbal, S.A.
» Member of the Board of Directors of Navigator Sales & Marketing, S.A.
» Chairman of the Board of Directors of Navigator Switzerland, Ltd.
» Chairman of the Board of Directors of Navigator Tissue Cacia, S.A.
» Chairman of the Board of Directors of Navigator Tissue Ródão, S.A.
» Chairman of the Board of Directors of Portucel Florestal – Empresa de Desenvolvimento Agroflorestal, S.A.
» Chairman of the Executive Committee and Deputy Chairman of the Board of Directors of The Navigator Company, S.A.

OFFICE HELD IN OTHER COMPANIES/ENTITIES:

» Member of the Board of Directors of Shilling Capital Partners, SGPS, S.A.

[4] Office held up to 17 July 2017.
[5] Previously called Inspiredplace, S.A.
[6] Company wound up on 1 June 2017.
[7] Office held up to 13 February 2017.
[8] Company merged into The Navigator Company, S.A. on 29 December 2017.

Luis Alberto Caldeira Deslandes

OFFICE HELD IN NAVIGATOR GROUP COMPANIES:

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

OFFICE HELD IN OTHER COMPANIES/ENTITIES:

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

João Nuno de Sottomayor Pinto de Castello Branco

OFFICE HELD IN NAVIGATOR GROUP COMPANIES:

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

OFFICE HELD IN OTHER COMPANIES/ENTITIES:

» Chairman of the Board of Directors of APHELION, S.A.
» Member of the General Council of AEM - Ass. de Emp. Emitentes de Valores Cotados em Mercado.
» Member of the Board of Directors of CIMIGEST, SGPS, S.A.
» Deputy Chairman of the Board of Directors of SECIL - Companhia Geral de Cal e Cimento, S.A.
» Member of the Board of Directors and CEO of Semapa – Sociedade de Investimento e Gestão, SGPS, S.A.
» Member of the Board of Directors of SODIM, SGPS, S.A.

António José Pereira Redondo

OFFICE 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 of Aboutbalance, SGPS, S.A.
» Member of the Board of Directors of Colombo Energy, Inc.
» 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 Kağit Ve Kağit Ürünleri Sanayi Ve Ticaret Anonim Şirketi.
» Member of the Board of Directors of Navigator Financial Services SP Z.O.O.[9]
» Member of the Board of Directors of Navigator Fine Pape, S.A.
» Member of the Board of Directors of Navigator Floresta, SGPS, 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.
» Member of the Board of Directors of Navigator Paper Holding, SGPS, S.A.
» Manager of Navigator México S. De R.L. De C.V.
» 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.
» Chairman of the Management Board of Navigator Poland Paper Spółka Z Ograniczoną Odpowiedzialnością.
» Member of the Board of Directors of Navigator Products & Technologies, 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 Holding, SGPS, S.A.[10]
» 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 Sales & Marketing, S.A.
» Member of the Board of Directors of Navigator Switzerland, Ltd.
» 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 Portucel Florestal – Empresa de Desenvolvimento Agroflorestal, S.A.
» Member of the Board of Directors and the Executive Committee of The Navigator Company, S.A.

OFFICE HELD IN OTHER COMPANIES/ENTITIES:

» On 31 December 2017 held no office in other companies/entities.

[9] Office held up to 10 January 2017.
[10] Company merged into The Navigator Company, S.A. on 29 December 2017.

José Fernando Morais Carreira de Araújo

OFFICE 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 of Aboutbalance, SGPS, S.A.
» Chairman of the Board of Directors of Bosques do Atlântico, S.L.
» Member of the Board of Directors of Colombo Energy, Inc.
» 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 Kağit Ve Kağit Ürünleri Sanayi Ve Ticaret Anonim Şirketi.
» 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 Board of Directors of Navigator Floresta, SGPS, 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.[11]
» 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.
» Member of the Board of Directors of Navigator Paper Holding, SGPS, S.A.
» Manager of Navigator México S. De R.L. De C.V.
» 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 Management Board of Navigator Poland Paper Spółka Z Ograniczoną Odpowiedzialnością.
» Member of the Board of Directors of Navigator Products & Technologies, 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 Holding, SGPS, S.A.[12]
» 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 Sales & Marketing, S.A.
» Member of the Board of Directors of Navigator Switzerland, Ltd.
» 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 Portucel Florestal – Empresa de Desenvolvimento Agroflorestal, S.A.
» Chairman of the Board of Directors of Portucel Moçambique, S.A. de Desenvolvimento Agroflorestal, S.A.
» Member of the Board of Directors and the Executive Committee of The Navigator Company, S.A.

OFFICE HELD IN OTHER COMPANIES/ENTITIES:

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

[11] Company merged into Navigator Paper Figueira, S.A. on 22 December 2017.
[12] Company merged into The Navigator Company, S.A. on 29 December 2017.

Nuno Miguel Moreira de Araújo Santos

OFFICE 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 of Aboutbalance, SGPS, S.A.
- » Chairman of the Board of Directors of Atlantic Forests – Comércio de Madeiras, S.A.
- » Deputy Chairman of the Board of Directors of Colombo Energy, Inc.
- » 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.
- » Member of the Board of Directors of Navigator Floresta, SGPS, 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 Paper Holding, SGPS, 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 Holding, SGPS, S.A.[13]
- » 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 Switzerland, Ltd.
- » 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 Portucel Florestal – Empresa de Desenvolvimento Agroflorestal, S.A.
- » Chairman of the Board of Directors of Portucel Moçambique – Sociedadede 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.

OFFICE 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.

[13] Company merged into The Navigator Company, S.A. on 29 December 2017.

João Paulo Araújo Oliveira

OFFICE 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 of Aboutbalance, SGPS, S.A.
» Chairman of the Board of Directors of Arboser – Serviços Agroindustriais, S.A.
» Member of the Board of Directors of Colombo Energy, Inc.
» 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 Floresta, SGPS, 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 Paper Holding, SGPS, 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.
» Chairman of the Board of Directors of Navigator Products & Technologies, 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 Holding, SGPS, S.A.[14]
» 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 Switzerland, Ltd.
» 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.

OFFICE 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 Audit Board of Fraunhofer Institute in Portugal.

Manuel Soares Ferreira Regalado

OFFICE HELD IN NAVIGATOR GROUP COMPANIES:

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

OFFICE HELD IN OTHER COMPANIES/ENTITIES:

» On 31 December 2017 held no office in other companies/entities.

[14] Company merged into The Navigator Company, S.A. on 29 December 2017.

Adriano Augusto da Silva Silveira

OFFICE HELD IN NAVIGATOR GROUP COMPANIES:

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

OFFICE HELD IN OTHER COMPANIES/ENTITIES:

» On 31 December 2017 held no office in other companies/entities.

José Miguel Pereira Gens Paredes

OFFICE HELD IN NAVIGATOR GROUP COMPANIES:

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

OFFICE 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.
» Member of the Board of Directors of SEINPART - Participações, SGPS, S.A.
» Member of the Board of Directors of SEMAPA NEXT, S.A.[15]
» Member of the Board of Directors and of the Executive Committee of SEMAPA – Sociedade de Investimento e Gestão, SGPS, S.A.
» Member of the Board of Directors of SEMINV - Investimentos, SGPS, S.A.
» 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.
» Chairman of the Board of Directors of Cimo – Gestão de Participações, SGPS, S.A.
» Member of the Board of Directors of HOTEL RITZ, S.A.
» Chairman of the Board of Directors of LONGAPAR, SGPS, S.A.
» Member of the Board of Directors of MOR ON-LINE – Gestão de Plataformas de Negociação de Resíduos On-Line, S.A.
» Member of the Board of Directors of OEM – Organização de Empresas, SGPS, S.A.[16]
» 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.

[15] Previously called Inspiredplace, S.A.
[16] Company merged into Cimo – Gestão de Participações, SGPS, S.A. on 29 December 2017

Paulo Miguel Garcês Ventura

OFFICE HELD IN NAVIGATOR GROUP COMPANIES:

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

OFFICE 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, Lda.
» 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.
» Member of the Board of Directors of SEMAPA Inversiones, S.L.
» Member of the Board of Directors of SEMAPA NEXT, S.A.[17]
» Member of the Board of Directors and of the Executive Committee of SEMAPA – Sociedade de Investimento e Gestão, SGPS, S.A.
» Member of the Board of Directors of SEMINV - Investimentos, SGPS, S.A.
» Member of Management Board of AEM - Ass. de Emp. 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.
» Member of the Board of Directors of CIMO – Gestão de Participações, SGPS S.A.[18]
» 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.
» Chairman of the Board of Directors of OEM - Organização de Empresas, SGPS, S.A.[19]
» 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.
» 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 CIMILONGA – Imobiliária, S.A.
» Chairman of the General Meeting of GALERIAS RITZ – Imobiliária, S.A.
» Deputy Chairman of the General Meeting of INFRAESTRUTURAS DE PORTUGAL, S.A.
» Chairman of the General Meeting of LONGAVIA – Imobiliária, S.A.
» 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.
» Chairman of the General Meeting of SONAGI – Imobiliária, S.A.
» Chairman of the General Meeting of SONAGI, SGPS, S.A.
» 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.

[17] Previously called Inspiredplace, S.A.
[18] Office held up to 30 April 2017.
[19] Company merged into Cimo – Gestão de Participações, SGPS, S.A. on 29 December 2017.

Ricardo Miguel dos Santos Pacheco Pires

OFFICE HELD IN NAVIGATOR GROUP COMPANIES:

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

OFFICE 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.
» Member of the Board of Directors of SEMAPA NEXT, S.A.
» Member of the Board of Directors and of the Executive Committee of SEMAPA – Sociedade de Investimento e Gestão, SGPS, S.A.
» Member of the Board of Directors of SEMINV - Investimentos, SGPS, S.A.
» 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.
» 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.
» Member of the Board of Directors of LONGAPAR, SGPS, S.A.
» Member of the Board of Directors of OEM - Organização de Empresas, SGPS, S.A.[20]
» 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 of SODIM, SGPS, S.A.
» Member of the Board of Directors of UPSIS S.A.
» Member of the Board of Directors of WOM INTERNATIONAL, S.A.[21]

Vítor Manuel Galvão Rocha Novais Gonçalves

OFFICE HELD IN NAVIGATOR GROUP COMPANIES:

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

OFFICE 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.
» 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.

[20] Company merged into Cimo – Gestão de Participações, SGPS, S.A. on 29 December 2017.
[21] Office held up to 31 December 2017.

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 Control 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

All these specialist committees draw up minutes of their meetings during the year, minutes which are available from the Company Secretary.

The rules of procedure for these bodies may be consulted at the Company's website, at the following link: http://www.thenavigatorcompany.com/Investors/Governance.

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

On 31 December 2017, 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 board meets regularly and whenever required by the evolution of the Company's affairs and to monitor its business activities; a total of 43 meetings were held in 2017. 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 Control Committee

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

The Corporate Governance Control 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 monitor and oversee, on a permanent basis, matters relating to corporate governance and social, environmental and ethical responsibility, the sustainability of The Navigator

Group's business, the Internal Codes of Ethics, the systems for assessment and resolution of conflicts of interests, notably with regard to relations between the Company and its shareholders or other stakeholders.

In the exercise of its responsibilities, the Corporate Governance Control 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, workings, 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 conflict of interests issues, and also the effectiveness of the systems for assessment and resolution of conflicts of interests;

i) To pronounce 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 officers 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 into 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 follow through decision-making by corporate bodies and committees on matters relating to corporate governance and sustainability or which give rise to conflicts of interests between the Company, shareholders and the Company officers;

p) To follow through inspections conducted by the Securities Market Commission (CMVM) in relation to corporate governance issues.

The Committee met twice in 2017 to discuss the following matters: 2016 Corporate Governance Report; Protocol between CMVM (Securities Exchange Commission) and IPCG (Portuguese Corporate Governance Institute) on the process of transition to a self-regulation model for corporate governance recommendations, replacing the CMVM Corporate Governance Code with the IPCG Corporate Governance Code; preliminary draft of the IPCG Corporate Governance Code and of the monitoring model of the IPCG Corporate Governance Code.

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 leader within its sphere of action, from NGOs to universities, including clients and suppliers.

The aim of the forum is to foster dialogue with the main stakeholders, promoting both debate and active listening on matters which are important to the Company and to society.

The Sustainability Forum meets twice a year, with one session only for Permanent Members and another wider session open to a range of stakeholders. The larger sessions have a central topic which is explored and discussed, contributing to the formulation of corporate and strategic policy on matters relating to social and environmental responsibility, enabling platforms for 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 CEO, Diogo da Silveira, with Manuel Gil Mata as Secretary-General.

In addition to the Chairman and the Secretary-General, 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.

The internal members who took part in 2017 were Diogo da Silveira (Chairman), Manuel Gil Mata (Secretary-General), Manuel Regalado, António Redondo, Fernando Araújo, Nuno Santos and João Paulo Oliveira, of the Executive Committee, Adriano Silveira, of the Board of Directors, Prof. Fernando Santana, Prof. Casimiro Pio, Prof. Maria da Conceição Cunha and Prof. Margarida Tomé of the Environmental Board and João Soares, Serafim Tavares and João Lé, consultants appointed by the Executive Committee.

The external members taking part during the year were all leading figures associated with the Company's main stakeholders: Prof. Filipe Duarte Santos, João Proença, Jorge Loureiro, José Júlio Norte, Luís Neves da Silva, Prof. Doutora Margarida Santos-Reis, Nuno Ribeiro da Silva, Rosário Alves, Teresa Presas, Tito Rosa and Mr. Winfried Brüeggmann.

Two sessions of the Forum were held in 2017. The first, on 4 April, was reserved for Permanent Members and the agenda was collecting their reflections, opinions and suggestions on the topics already addressed and selecting issues to be explored in future, in terms of importance and priorities for the stakeholders. The second, on 26 September, was devoted to the Circular Economy, a key topic in the sustainability agenda, in Portugal and worldwide, and an area where The Navigator Group has good practices to share.

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 fund or of part thereof.

The Pension Fund Supervisory Board held a single meeting in 2017, at which the new members formally took office and the board analysed changes to the contract constituting the Pension Fund and the corresponding Supervisory Board Regulation, the evolution and performance of the funds, and revision of the investment management structure.

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 are 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.

The Committee meets whenever necessary, and its aims are to issue opinions on asset risk prevention systems in place in the Company, in particular the measures taken in response to recommendations resulting inspections conducted by reinsurers, and also to pronounce on the suitability of The Navigator Group's insurance, in terms of scope, type of cover and value. The Committee also discusses and issues opinions or recommendations on policies, procedures, significant risks, limits on risk and extraordinary situations relating to property risks, as well as monitoring and keeping an inventory of the most significant property risks, in close liaison with the risk governance system in place in The Navigator Group.

The Property Risks Analysis and Monitoring Committee met on two occasions during 2017, on which it examined a number of issues, reviewing the recommendations made to each Industrial Complex, in view of the associated risk level classes, with progress reports on implementation from the plant managers. The committee also identified and quantified insurance claims over the past 10 years, and reviewed the table summarising risks, deductibles and compensation limits in the policy to be placed and in force 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 2017, the Ethics Committee had three members, Júlio Castro Caldas, Rui Gouveia and Jaime Falcão, the latter of which joined the Committee this year. Three meetings were held, at which, in summary, the Committee discussed and approved the review and modernisation of the Code of Ethics and Conduct and the Whistleblowing Regulations in force, a new Suppliers' Code of Conduct; the Committee also analysed and replied to a request from the Risk Management Division for consultation and issue of the Committee's opinion.

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 currently consists of four members: Prof. Fernando Santana, of Universidade Nova (Chairman), Prof. Casimiro Pio, of the University of Aveiro, Prof. Maria da Conceição Cunha, of the University of Coimbra, and Prof. Maria Margarida Tomé, of the University of Lisbon. All these members are independent academics with an established technical and scientific reputation, whose areas of expertise coincide with central environmental concerns relating to the Group's operations as they exist today.

The Environmental Board deals directly with The Navigator Group's business divisions, through meetings at industrial sites, in the main forestry plantations and at the Group's research institute, RAIZ.

In the course of 2017, the Environmental Board held 3 meetings, where the following topics were addressed:

- Analysis of *Cadernos de Sustentabilidade*, a publication bringing together presentations made to the Environmental Board in the previous year;
- Presentation of The Navigator Group's business highlights;
- Presentation of The Navigator Company's 2016 Sustainability Report;
- Analysis of the main environmental performance indicators for The Navigator Group's plants;
- Analysis of The Navigator Group's main forestry performance indicators;
- Presentation of The optimisation project for the Figueira da Foz Industrial Complex;
- Presentation of The cooperation agreement with the Liga para a Protecção da Natureza;
- Presentation of The situation concerning pollution of the River Tagus in Vila Velha de Ródão;
- Analysis of the main environmental impacts of industrial operations and improvement measures;
- Presentation on future trends in the Pulp & Paper/Biorefinery Industry and the Inpactus project;
- Presentation on eucalyptus yields; and
- Analysis of the impact of eucalyptus plantations.

Remuneration Committee

The Remuneration Committee is responsible for drafting and presenting the annual remuneration policy statement for members of the Board of Directors and Audit Board and for setting the remuneration of Company officers. 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 has three members: José Gonçalo Maury, João Moreira Rato and Frederico Meneses. In view of its specific responsibilities, the Committee held a single meeting during the course of 2017, at which it resolved to revise the remuneration paid by The Navigator Group to its directors and members of the Audit Board.

III. SUPERVISION

(Audit Board, Audit Committee or General Supervisory Board)

A) COMPOSITION

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

Under the unitary management model adopted, the Company's supervisory body is the Audit Board.

31. Composition, as applicable, of the Audit 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 2017, the Company's Audit Board had the following members:

Chairman	– Miguel Camargo de Sousa Eiró
Full members	– Gonçalo Nuno Palha Gaio Picão Caldeira
	– José Manuel Oliveira Vitorino
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.

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. Gonçalo Nuno Palha Gaio Picão Caldeira was elected as a full member of the Audit 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.

José Manuel Oliveira Vitorino was elected as alternate member on 29 April 2015. On 2 July 2015, Duarte Nuno d'Orey da Cunha resigned as a full member of the Audit Board and the alternate member, José Manuel Oliveira Vitorino, took over his duties for the term running from 2015 to 2018. At the ordinary General Meeting of 19 April 2016, José Manuel de Oliveira Vitorino was appointed as a full member of the Audit Board, until the end of the current term of office of the other Company officers.

At the same General Meeting, Ana Isabel Moraes Nobre de Amaral Marques was appointed as alternate member of the Audit Board, until the end of the current term of office of the other Company officers.

As a result of the changes made to the composition of the Audit Board during the year, at 31 December 2017 the board consisted of a Chairman, two full members and one alternate member.

32. Identification, as applicable, of the members of the Audit 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 paragraph 19.

The Company considers that all the members of the Audit Board at 31 December 2017 can be regarded as independent, on the terms defined in Article 414.5 of the Companies Code.

The CMVM informed the Company of its understanding that Gonçalo Nuno Palha Gaio Picão Caldeira should not be considered an independent member of the Company's Audit Board, in view of a controlling relationship between Semapa and the Company, and the fact that, from April 2002 to February 2004, Gonçalo Nuno Palha Gaio Picão Caldeira worked as an advisor to the Board of Directors of Semapa.

The CMVM's understanding that this member of the Company's Audit Board is not independent is shared neither by the Company, nor by the individual in question.

33. Professional qualifications, as applicable, of each of the members of the Audit 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 paragraph 21.

Miguel Camargo de Sousa Eiró
(Chairman of the Audit Board)

Miguel Eiró graduated in law from 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 Birectors 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 Company's Audit Board since 2007, as well as on that of Semapa since 2006, and that of Secil since 2013, currently chairing all three boards.

Gonçalo Nuno Palha Gaio Picão Caldeira
(Full member of the Audit 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 Audit Board since 2007, and on the Audit Boards of Semapa, since 2006, and of Secil, since 2013.

José Manuel Oliveira Vitorino
(Full member of the Audit Board)

José Manuel Vitorino has a degree in Business Administration from Instituto Superior de Economia, University of Lisbon. He is qualified as a statutory auditor and completed the executive training programme at 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, on reaching the age limit for his position. He has also served as Chairman of the Audit Board of Novo Banco, S.A.[22] and member of the Audit Board of ANA – Aeroportos de Portugal, S.A., of the Company, Semapa and Secil.

Ana Isabel Moraes Nobre Amaral Marques
(Alternate member of the Audit Board)

Ana Isabel Amaral Marques has a degree in law from the Faculty of Law, University of Lisbon. She has practised law since 1997, independently and as a member of law firms. She currently works for the Credit Recovery Division of Caixa Central de Crédito Agrícola Mútuo, C.R.L. She is an alternate member of the Audit Board of Semapa.

B) FUNCTIONING

34. Existence and place where the rules of procedure may be consulted for the Audit Board, the Audit Committee or the General and Supervisory Board and the Committee for Financial Affairs, as the case may be, and other relevant biographical information; reference may be made to the item in the report where this information is contained in accordance with paragraph 24.

The Company's audit bodies have internal rules of procedure, which are published on 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 annual report issued by the Audit 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 Audit 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 paragraph 25.

In 2017 the Audit Board held thirteen meetings. The relevant agendas and minutes were forwarded to the Chairman of the Board of Directors, and made available to the Risk Management Division.

The Chairman of the Audit Board, Miguel Camargo de Sousa Eiró and the members Gonçalo Nuno Palha Gaio Picão Caldeira and José Manuel Oliveira Vitorino were present in person at the thirteen meetings held, corresponding to an attendance rate of 100%.

[22] Office held until October 2017.

36. Availability of each of the members of the Audit Board, the Audit Committee or the General and Supervisory Board and the Committee for Financial Affairs, as the case may be, indicating office 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 paragraph 26.

This information is available in item 33 above, relating to the professional qualifications and biographical information on each member of the above corporate bodies.

The members of the Audit 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 Audit Board also hold corporate office in other companies as detailed below:

Miguel Camargo de Sousa Eiró

OFFICE HELD IN NAVIGATOR GROUP COMPANIES:

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

OFFICE HELD IN OTHER COMPANIES/ENTITIES:

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

Gonçalo Nuno Palha Gaio Picão Caldeira

OFFICE HELD IN NAVIGATOR GROUP COMPANIES:

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

OFFICE HELD IN OTHER COMPANIES/ENTITIES:

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

José Manuel Oliveira Vitorino

OFFICE HELD IN NAVIGATOR GROUP COMPANIES:

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

OFFICE HELD IN OTHER COMPANIES/ENTITIES:

» Member of the Audit Board of ANA Aeroportos de Portugal, S.A.
» Chairman of the Audit Board of NOVO BANCO, S.A.[23]
» Member of the Audit Board of SECIL – Companhia Geral de Cal e Cimento, S.A.
» Member of the Audit Board of SEMAPA – Sociedade de Investimento e Gestão, SGPS, S.A.

[23] Office held until October 2017.

C) POWERS AND RESPONSIBILITIES

37. Description of the procedures and criteria applicable to the work of the supervisory body for the purposes of contracting additional services from the external auditor.

The proposals submitted by the external auditor for provision of additional services are transmitted by the directors to the Audit Board for analysis and validation, seeking to safeguard, essentially, that the services in question are permitted, that the independence and impartiality of the external auditor needed for the provision of audit services is not undermined and that the additional services are provided to a high standard of quality and independence.

In making this analysis, the Audit Board complies with the rules established in the Statute of the Chamber of Statutory Auditors, approved by Law 140/2015 of 7 September, which took effect on 1 January 2016, and follows the internal procedures established to ensure compliance with the new legal requirements.

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

In addition to the powers assigned to it by law, in particular by Article 420 of the Companies Code, the Audit Board has the following powers, in the exercise of its responsibilities, as established in the Audit Board Regulations:

- Oversee the management of the Company;
- Ensure compliance with the law and the articles of association;
- Draw up an annual report on its audit activities and issue its opinion on the report, accounts and proposals submitted by the board members;
- Conduct checks of the effectiveness of the risk management systems and the internal audit system, if any, in particular with regard to the process of preparing and disclosing financial information, without undermining its independence;
- Receive reports of irregularities (whistleblowing) submitted by shareholders, Company employees or others;
- Oversee the process of preparing and disseminating financial information and submit recommendations or proposals to assure the integrity of this information;
- Propose to the General Meeting the appointment of the statutory audit firm;
- Oversee the auditing of the Company's financial statements and reports;
- Monitor the independence of the firm of statutory auditors, in particular with regard to approval of provision of additional services and verifying the appropriateness and approval of the provision of other services, in addition to audit services, and the remuneration established for such services;
- Confirm whether the report on corporate governance structure and practices includes the information required by Article 245-A of the Securities Code;
- Monitor transactions between the Company and holders of qualifying holdings or entities related to it in any way, as required by law.

In the exercise of these duties, the Audit Board may also request and assess any management reports as it sees fit from time to time, and shall also have full access to the documentation produced by the Company's auditors, with the possibility of requesting from them any information they deem necessary and ensuring appropriate arrangements within the Company for the provision of audit services.

IV. STATUTORY AUDITOR

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

The Company's statutory auditor is PricewaterhouseCoopers & Associados – SROC, Lda. represented by António Alberto Henrique Assis or Jorge Manuel Santos Costa. The alternate Statutory Auditor is Carlos José Figueiredo Rodrigues (R.O.C.).

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 indicated in item 39 above has held office in the Company for twelve years. In addition, the audit firm, in this case PricewaterhouseCoopers, rotated the external auditor (the partner responsible for the auditing the Company's affairs) with effect as from 2010, in accordance with the maximum period established in Recommendation IV.3 of the CMVM Corporate Governance Code.

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

In addition to providing statutory audit services to the Company and its subsidiaries, the statutory auditor also provided tax consultancy services and other reliability assurance services, in compliance with the transitional period established in Article 3 of the Statute of the Chamber of Statutory Auditors, approved by Law 140/2015, of 7 September.

Amounts paid for these services in 2017 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 discharge of these duties, together with their respective registration number with the Securities Market Commission.

The legal accounts certificate and the audit report on the annual financial statements contained in the same is drawn up by PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda, no. 183, registered at the CMVM under no. 20161485 and represented by António Alberto Henriques Assis (R.O.C., no. 815) or Jorge Manuel Santos Costa (R.O.C., no. 847).

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 discharge of these duties has held office in the Company and/or Group.

The Company's current External Auditor was appointed as Sole Auditor in mid-April 2006 to complete the three-year term 2004-2006 and accordingly, on completing the audit work on the 2005 annual accounts it completed the term of office for which it had been appointed as alternate auditor. During this three-year term, the firm was represented by Ana Maria Ávila de Oliveira Lopes Bertão and Abdul Nasser Abdul Sattar.

However, in March 2007, it was appointed as the Company's statutory auditor for a four--year term, starting in 2007 and ending in 2010, during which period it was represented by the same statutory auditors referred to above.

In May 2011, the General Meeting renewed the appointment for a further four-year term, from 2011 to 2014, during which time the firm was represented by António Alberto Henriques Assis, Statutory Auditor.

Subsequently, in April 2015, the General Meeting resolved to renew the appointment, for a further four-year term in office, from 2015 to 2018. The statutory audit firm is currently represented by António Alberto Henriques Assis and Jorge Manuel Santos Costa.

In this context, and considering the term of office in progress, the audit firm PricewaterhouseCoopers has served as external auditor for Navigator and other Navigator Group companies for eleven years.

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

The new 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 external auditor or its representative to be rotated.

Under the new legal rules, PricewaterhouseCoopers & Associados - SROC, Lda. has 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. For that reason, the same audit firm has been responsible for the statutory audit of the accounts of both companies.

Accordingly, in 2017, the Audit Board, supported by the management and divisions of the companies involved, conducted an organised procedure for selecting the Statutory Auditor, for the four-year period from 2018 to 2021. This procedure was open to a number of firms. 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 had recommended and proposed to the shareholders the appointment of KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A. as external auditor, whilst maintaining PricewaterhouseCoopers & Associados - SROC, Lda. as the Company's Statutory Auditor until 31 December 2017 and its responsibilities in respect of the 2017 accounts, which it will be required to discharge in the usual way until the close of the respective audit. The Audit Board's proposal was approved by the shareholders at the General Meeting of 22 September 2017.

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

In addition to its responsibility for validating the choice of the external auditor and the remuneration fixed for payment of its services, the Audit 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 Audit Board holds frequent meetings during the year with the statutory auditor and external auditor, and a direct working relationship is established between the Board and the auditor, the Board being the final recipient of the auditor's reports. At these meetings the Audit Board is able to assess all the accounting and financial information it deems necessary from time to 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 Audit 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 Statute of the Association of Statutory Auditors, confirmation of compliance with requirements for rotation of the partner responsible and identifying threats to independence and safeguards adopted to mitigate these threats.

The Audit Board therefore has unrestricted access to the documentation produced by the Company's auditors, and can ask them to provide any information it deems necessary; it is also the first body to receive the final reports drawn up by the external auditors.

Under the provisions of Article 420 no.2 section b) of the Companies Code, it falls to the Audit Board to nominate the Company's Statutory Auditor.

46. Identification of work, other than audit work, carried out by the external auditor for the company and/or companies in a controlling relationship with it, and indication of the internal procedures for approval of the contracting of these services and indication of the reasons for contracting them.

As described in items 41 and 47, in the year ended 31 December 2017, the statutory audit firm and other entities belonging to the same network invoiced fees relating to the legal audit of the annual accounts, the limited audit of the interim accounts, other reliability assurance service, tax consultancy and other services. A detailed breakdown of the amounts billed for these services is provided below in item 47.

The services indicated as "other reliability assurance services" relate to reports on financial information, certification of R&D expenses for the purposes of subventions and specialised support in relation to the Group's Sustainability Report.

The services indicated as tax consultancy relate essentially to fiscal compliance, whilst "other services" refer to consultancy services provided to support the Group in submitting applications for incentives. In these cases, the services provided were expressly permitted in accordance with the transitional period established in Article 3 of Law 140/2015.

These other services relate to consultancy services provided in connection with applications for incentives which fell within the transitional period provided for in Article 3 of Law 140/2015, and training.

Furthermore, services regarded as additional were all approved by the Audit Board in compliance with the applicable legal rules and the internal procedures instituted for this purpose.

The Board of Directors and the Audit Board consider that the contracting of these *ad hoc* services is justified by the External Auditor's accrued experience in the sectors in which the Company operates and by the quality of its work, in addition to the careful definition of the work requested, where the Audit Board is further supported by analysis and internal recommendations from Company divisions. The Board of Directors considers that there are sufficient procedures to safeguard the independence of auditors through the analysis conducted by the Audit Board of the proposed work and the careful specification of this work when the auditors are contracted. As evidence of this, article 2 of the Rules of Procedure of the Audit Board requires the board: to check the effectiveness of the internal control, internal audit and risk management system, having recourse to this end to cooperation from the Risk Management Division, which will report to it regularly on its findings, drawing attention to situations which need to be examined by the Audit Board (sub-para. b)), to approve activity plans in the field of risk management and to oversee their execution, and also to assess the recommendations resulting from audits and reviews of procedures (sub-para. c)), to approve internal audit programmes (sub-para. e)), to select the provider of internal audit services (sub-para. f)), to oversee the work of the statutory auditor (sub-para. g)), and to assess and verify the independence of the statutory auditor, in particular when it renders additional services to the Company (sub-para. h)).

In providing tax consultancy services and services other than auditing, our auditors have set strict internal rules to guarantee their independence, and these rules have been adopted in the provision of these services and monitored by the Company, in particular by the Audit 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:

EUROS

AUDIT SERVICES	BY THE COMPANY		BY ENTITIES BELONGING TO THE NAVIGATOR GROUP (INCLUDING THE COMPANY ITSELF)	
	Value	%	Value	%
Value of statutory audit/limited audit services	19,850	75.68%	334,839	88.30%
Value of tax consultancy services	-	%	9,010	2.37%
Value of other reliability assurance services	6,380	24.32%	18,080	4.77%
Value of other services	-	%	17,289	4.56%
Total	**26,230**	**100.00%**	**379,218**	**100.00%**

C. INTERNAL ORGANISATION

I. ARTICLES OF ASSOCIATION

48. Rules applicable to amendment of the 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 transact business 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. NOTIFICATION OF IRREGULARITIES (WHISTLEBLOWING)

49. Whistleblowing - procedures and policy.

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.

Under these regulations, an irregularity is deemed to be any alleged breach of requirements established in law, regulation and/or the articles of associations, occurring in The Navigator Group. Irregularities are also deemed to include non-compliance with the duties and ethical principles set out in the Company's Code of Ethics and Conduct.

These regulations establish a general duty to communicate alleged irregularities, instituting a multidisciplinary team responsible for handling all reports received.

This team, comprising the Legal Office and the Risk Management Division, is required to investigate all the facts as necessary to assess the alleged irregularity. This process ends with the report being filed or else submission to the Board of Directors or the Executive Committee, depending on whether a Company officer is implicated or not, of a proposal for application of the measures most appropriate in the light of the irregularity in question. The Audit Board must also be informed of all reports received.

The regulations also contain other provisions designed to safeguard the confidentiality of disclosure and non-prejudicial treatment of the stakeholder reporting the irregularity, as well as rules on providing information on the regulations throughout the Company.

In the course of 2017, reports were received of 10 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:

- » One report concerned lack of publication in due time the result of a competition promoting a product, situation which was promptly resolved.
- » Another report alleged the existence of conflicts of interests in certain Company supplies, and it was found that certain rules of the Code of Ethics and Conduct had been breached by a number of employees. This was duly reported to the Ethics Committee and the employees were informed of their obligations; the Code of Ethics and Conduct was also sent out again to all employees.
- » Another report alleged an incorrect investigation into an accident at work at one of the industrial sites. The situation was reviewed, and the report was deemed to be groundless.
- » A report alleged the Company had damaged a path after carrying out forestry operations. The situation was resolved by the operational teams and the path was repaired.
- » A report referred to an administrative error in a supplier's address, which was promptly corrected.
- » One situation concerned problems with one of the Company's products acquired by a consumer in Portugal. The situation was investigated with the consumer and appropriate steps taken to ensure his satisfaction.
- » One report referred to industrial relations issues between a subcontractor and some of its workforce. The situation was analysed by all involved and resolved with the agreement of the interested parties.
- » Three other reports are still being investigated.

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 since 2014, involving all organisational units, DGR and the Audit 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 Audit Board and the Board of Directors, as detailed below.

Board of Directors

The Board of Directors has the following responsibilities:

- » To review and approve the risk policy defined for The Navigator Group, including risk appetite and tolerance;
- » To approve the risk governance model adopted by The Navigator Group;
- » To oversee application of the risk policy in The Navigator Group;
- » To approve strategies for dealing with risks, especially very high risks;
- » To promote a risk culture within The Navigator Group.

Audit Board

The Audit Board has the following responsibilities:

- To monitor the effectiveness of the risk management system, the internal control system and the internal audit system;
- To assess and propose improvement to the risk management model, processes and procedures;
- To oversee execution of the activities plans in connection with risk management;
- To review the risk management monitoring reports issued by the Risk Management Division.

Chief Executive Officer

The Chief Executive Officer has the following responsibilities:

- To define The Navigator Group's risk policy, including its risk appetite;
- To take the risk policy into account when setting The Navigator Group's strategic objectives;
- To provide the means and resources to assure that risk management is effective and efficient;
- To approve the risk management model, processes and procedures;
- To define the risk management governance model to be adopted by the Group, including the division of responsibilities;
- To approve activities plans in the field of risk management;
- To 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;
- To discuss and approve options for handling risks where the residual risk level is in excess of the risk tolerance levels;
- To oversee and review the work of the Risk Management Division, in the field of risk management;
- To report on results to the Board of Directors.

Risk Management Division

The Risk Management Division has the following responsibilities in this area:

- To define the risk management model, processes and procedures;
- To draw up activities plans in the field of risk management;
- To identify and implement the means and resources (human, procedural and technological) to facilitate risk identification, analysis and management;
- To warn of potential risks when strategic and operational objectives are being defined;
- To help define risk appetite and risk tolerance;
- To help decide on the division of responsibilities in the field of risk management;
- To help identify and characterise risks;
- To monitor risk indicators;
- To help design risk mitigation measures;
- To assess the effectiveness of risk mitigation measures;
- To assess compliance with risk tolerance;
- To ensure compliance with action plans for mitigating risks;
- To draw up risk management monitoring reports.

Business Areas/Divisions

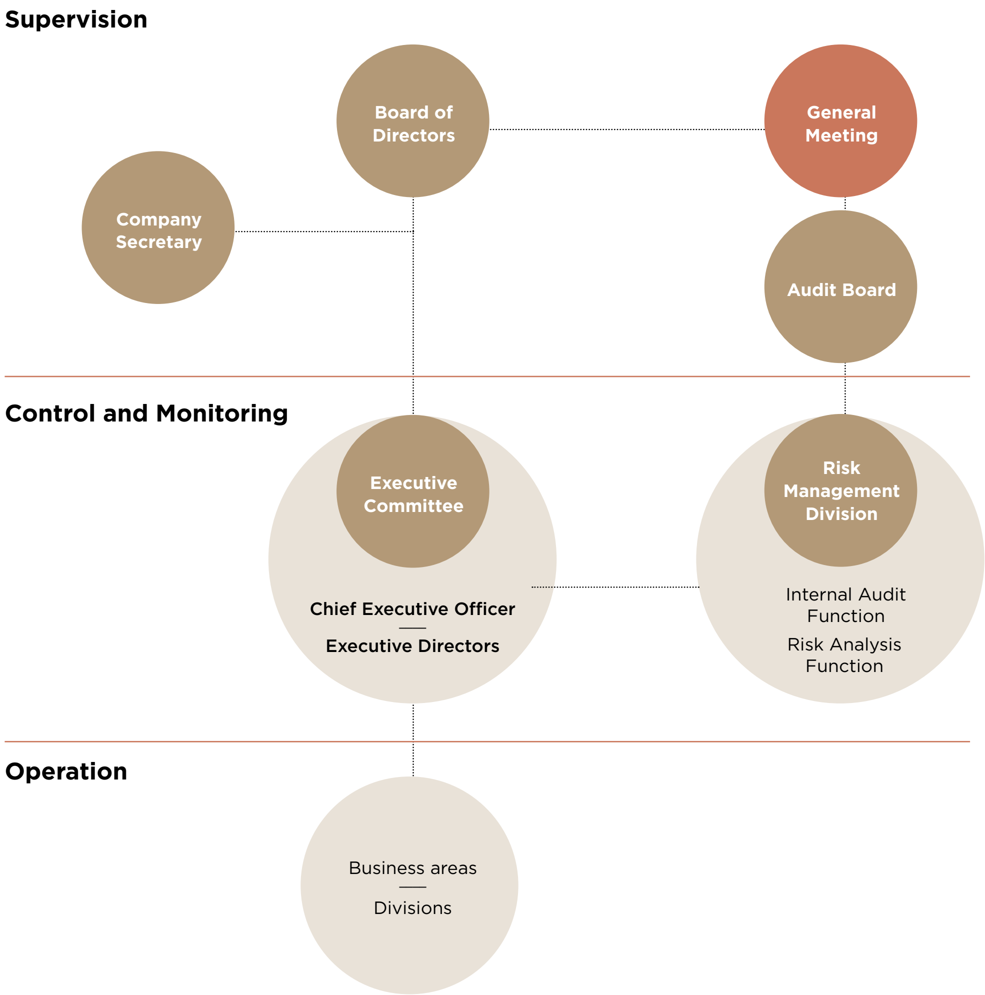
Business areas/divisions have the following responsibilities:

» To define risk tolerance;
» To identify and characterise risks;
» To define and monitor risk indicators;
» To define, implement and execute risk mitigation measures, in keeping with the risk mitigation action plans;
» To 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 Audit 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 Audit Board and the Chief Executive Officer with regard to control and monitoring of specific risks:

» Property 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.

» Control and 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 conflicts of interests, 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 business, The Navigator Group is exposed to a variety of business, 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 accidents at work	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.
Increase in demand for raw material (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 adverse environmental consequences, directly or indirectly attributable to industrial activities, potentially resulting in non-compliance with environmental legislation or customer and stakeholder dissatisfaction, in particular in local communities.
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.

... >

RISK (NON-EXHAUSTIVE SELECTION)	SUMMARY DESCRIPTION
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 not seizing opportunities for developing new businesses, products or processes due to ineffective R&D or technological 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.
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, 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.

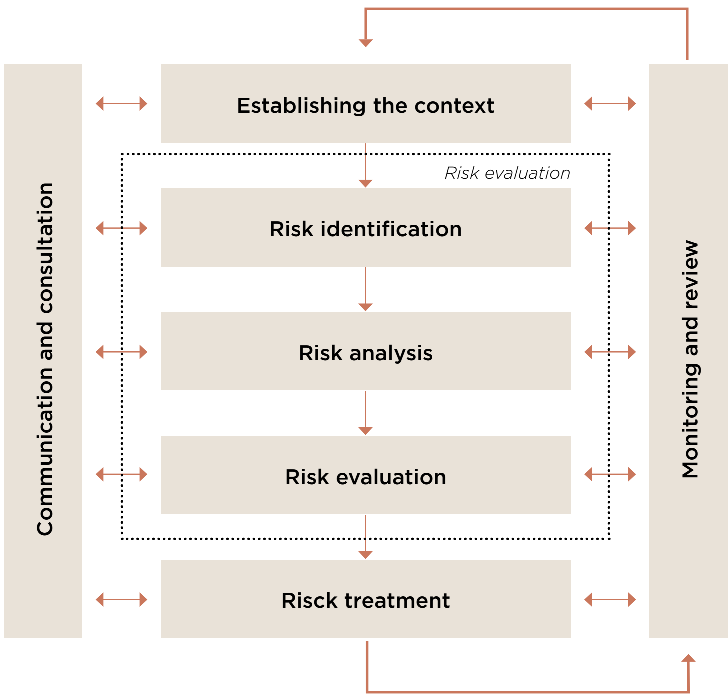
At the same time, the different divisions/areas benefit from risk management insofar as it allows them to anticipate situations of uncertainty, mitigating the risks of adverse consequences and making the most of risks which offer opportunities. Risk management also provides The Navigator Group with greater 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 Group's risk management process is in line with internationally accepted best practices, models and frameworks for risk management, including "*COSO II - Integrated Framework for Enterprise Risk Management*", "*Risk Management Standard AS/NZS 4360*" and ISO 31000.

In designing its risk management process the Group complied with ISO 31000 with regard to the main phases of the process, and COSO II in classifying and structuring risks. This process comprises a series of seven inter-related phases, which together comprise a 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 workflow for the risk management process.

Enterprise Risk Management (ERM) Process



The entire process is supported by software used throughout the Company.

The external auditor is PricewaterhouseCoopers. The Company's External Auditor checks, in particular, the application of remuneration policies and systems, and the effectiveness and workings of internal control procedures through the information and documents provided by the Company. The respective findings are reported by the External Auditor to the Audit 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 audits.

A total of 7 internal control audits were conducted in 2017, across the Company's different business areas. Audits were focussed on areas such as Forestry in Mozambique, Health and Safety at Work, energy contracts and Training, among others.

55. Main elements of the internal control and risk management systems implemented in the company with regard to the process of 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 Audit 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 Audit 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 component parts 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.

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 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 press releases, list of Company officers, the financial calendar, the 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) 219 017 345 or by email: joana.la@thenavigatorcompany.com. These contact details are supplied on Navigator's website, in the investors' section.

58. Information on the number of enquiries received in the period or pending from previous periods, and enquiry response times.

Most enquiries received by the Investor Support Office are made by email, although some are by telephone. All enquiries are answered or redirected to the appropriate divisions with an estimated average response time of less than three days.

On 31 December 2017, all enquiry processes were deemed completed, with no pending enquiries at that date.

V. WEBSITE

59. Address.

Navigator's website is at: http://www.thenavigatorcompany.com/.

60. Address where information is provided on the company name, public company status, registered office and other data required by Article 171 of the Companies Code.

The information in question is available on Navigator's website, in the investors' area, under Shareholders and Investor Relations, at: http://www.thenavigatorcompany.com/Investors/Navigator/Share.

61. Address where the articles of association and rules of procedures of Company boards and/or committees can be consulted.

The information in question is available on Navigator's website, in the investors' area, under Corporate Governance, at: http://www.thenavigatorcompany.com/Investors/Governance.

62. Address where information is provided on the identity of company officers, market relations officer, the Investor Relations Office or equivalent structure, respective powers and responsibilities and contact details.

The information in question is available on Navigator's website, in the investors' area, under Corporate Governance, and in the section entitled "Profile" at http://en.thenavigatorcompany.com/Investors/Governance and http://en.thenavigatorcompany.com/Investors/Contacts.

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, six-monthly and annual results, published since 2003, are available in the investors' area, under "Financial Reports", at http://en.thenavigatorcompany.com/Investors/Financial-Information. There is a specific tab in the investors' area for the corporate diary for the current year http://en.thenavigatorcompany.com/Investors/Calendar.

64. Address where notice of General Meetings is posted, together with all preparatory information and subsequent information related to meetings.

Notices of General Meetings and all the related preparatory and subsequent information is available in the investors' area, under the specific tab "General Meetings", at http://en.thenavigatorcompany.com/Investors/General-Meetings.

65. Address for consultation of historical archives, with resolutions adopted at the company's General Meetings, the share capital represented and the results of votes, for the past three years.

This information is available in the same area as the information on General Meetings, in other words, in the investors' area, under the specific "General Meetings" tab, at http://en.thenavigatorcompany.com/Investors/General-Meetings.

D. REMUNERATION

I. POWERS TO DETERMINE REMUNERATION

66. Indication of powers to set the remuneration of company officers, members of the Executive Committee or managing director and the Company managers.

The remuneration policy for Company officers is the responsibility of the Remuneration Committee, which submits its proposals for the approval of the Annual General Meeting, which is attended by at least one member of the Remuneration Committee.

The remuneration policy submitted to the General Meeting on 19 April 2017 is set out 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 comprises the following members only:

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

The Company considers that all members of this committee may be considered independent.

The Company regards all the members of this Committee as independent, and has only one remark to make in this regard:

The Company considers that Frederico José da Cunha Mendonça e Meneses performs his duties as a member of the Remuneration Committee on an independent basis. His connection with the Company stems from the fact that he was a non-executive director of Semapa until 2005 and currently draws a retirement pension on the strength of his former duties. However, Navigator considers that, because he was a non-executive director, and because of the time that has elapsed and the fact that his pension entitlement is an acquired right over which Semapa's board members have no control, the impartiality of his analysis and decisions is not constrained.

The fact that a member of the Remuneration Committee was formerly a director of a shareholder in a qualifying shareholder in the Company does not necessarily mean that this member is irretrievably connected to the Company's board member, at least to the point of undermining his independence and impartiality.

The relationship between the Company's executive directors and the directors of its indirect shareholders is not typically one in which, at least automatically, the former are superior to or exercise influence over the latter, so as to jeopardise the independence required.

In the course of 2017, 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 the members of the Remuneration Committee have wide experience and knowledge concerning matters relating to the remuneration of company officers, in view of the offices held in the course of their professional careers. Special attention is drawn to the fact that the Chairman of this committee was from 1990 to 2014 the representative of a multinational specialising in human resources, and especially senior management recruitment.

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 no. 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 and contained in Annex II to this Report, as described in the following item.

70. Information on how remuneration is structured in order to align the interests of members of the management body with the long term interests of the Company, and on how it is based on performance assessment and discourages excessive risk-taking.

The way remuneration is structured and the directors' performance assessed is clearly explained in the Remuneration Committee's Remuneration Policy Statement (items 1 and 6 of chapter VI, to which we refer).

When filling out these principles and determining the precise value of the variable remuneration component, a set of KPIs is applied which, as indicated in item 25 above, link this remuneration to EBITDA, pre-tax profits and TSR.

Long-term alignment of interests is achieved to a certain extent due to the KPI relating to the Company's value over time, or TSR; however, this aim is more significantly assured by the fact that membership of the Company'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 holds for excessive risk-taking. There is no separate pay-related measure in place in the Company with this specific aim. Risk is an intrinsic characteristic of any act of management and, as such, it 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 (apart from the exceptional case of the Chairman of the Board of Directors, who is significantly involved in important decisions on the Company's operations), variable remuneration is sometimes awarded, albeit more exceptionally, in line not with the performance or value of the Company, but rather with the outcome of the performance of management tasks closer in nature to executive duties.

There are no upper limits to remuneration, notwithstanding the limit set by the articles of association on directors' profit sharing.

The remuneration of the members of the Audit Board includes no variable component.

72. Deferred payment of the variable component of remuneration, indicating the deferral period.

Payment of the variable component of remuneration is not deferred in the Company.

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.

Under the Navigator Company's Pension Plan Regulations currently in force (formerly the Portucel S.A. Pension Plan), the Company's directors who are remunerated as such and who have served no less than one full term of office in accordance with the articles of association are entitled, on retirement or in the event of disability, if this occurs during their term of office, to a complementary monthly retirement or disability pension.

If the directors become disabled after the end of their term of office, they will only be entitled to the complementary disability pension if they qualify for the corresponding disability pension from the social security scheme in which they are registered and if they apply to the Company for the complementary pension.

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.

At 31 December 2017, Manuel Soares Ferreira Regalado was the only director benefiting from The Navigator Company 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.

Because of the specific characteristics of The Navigator Group pension plan, the General Meeting has not, to date, intervened in approving the main features concerning the specific rules applicable to the retirement of directors.

It should be noted here that the Company was a state-owned company until 1991, with its business and procedures regulated by the special legislation applicable to this type of company, and during this period specific rules were approved on the retirement pensions of the directors.

However, the complementary retirement pension schemes in force in the Company are described in no. 27 of the Notes to the Consolidated Financial Statements, which are part of the Report and Accounts subject to approval by the General Meeting.

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.

The following remuneration was paid to members of the Board of Directors in 2017:

BOARD OF DIRECTORS

EUROS

	REMUNERATION		
	FIXED	**VARIABLE**	**TOTAL**
Pedro Mendonça de Queiroz Pereira	**830,914**	**987,021**	**1,817,935**
The Navigator Company	0	0	0
Subsidiaries	830,914	987,021	1,817,935
Diogo António Rodrigues da Silveira	**510,062**	**636,559**	**1,146,621**
The Navigator Company	510,062	125,000	635,062
Subsidiaries	0	511,559	511,559
Luís Alberto Caldeira Deslandes	**158,158**	**0**	**158,158**
The Navigator Company	158,158	0	158,158
Subsidiaries	0	0	0
António José Pereira Redondo	**309,838**	**527,175**	**837,008**
The Navigator Company	0	25,000	25,000
Subsidiaries	309,838	502,170	812,008
José Fernando Morais Carreira de Araújo	**309,848**	**543,455**	**853,303**
The Navigator Company	0	25,000	25,000
Subsidiaries	309,848	518,455	828,303
Nuno Miguel Moreira de Araújo Santos	**309,834**	**512,920**	**822,754**
The Navigator Company	309,834	75,000	384,834
Subsidiaries	0	437,920	437,920
João Paulo Araújo Oliveira	**309,834**	**530,754**	**840,579**
The Navigator Company	309,834	75,000	384,834
Subsidiaries	0	455,754	455,754
Manuel Soares Ferreira Regalado	**77,000**	**177,015**	**254,015**
The Navigator Company	77,000	177,015	254,015
Subsidiaries	0	0	0
Adriano Augusto da Silva Silveira	**297,108**	**100,000**	**397,108**
The Navigator Company	0	0	0
Subsidiaries	297,108	100,000	397,108
Vítor Manuel Galvão Rocha Novais Gonçalves	**98,000**	**0**	**98,000**
The Navigator Company	98,000	0	98,000
Subsidiaries	0	0	0
Total	**3,275,500**	**4,014,885**	**7,290,385**
The Navigator Company	1,462,888	502,015	1,964,903
Subsidiaries	1,812,612	3,512,870	5,325,482

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 2017 by all companies controlled by or controlling Navigator, and by companies belonging to the same group or under common control, is 5,424,086.93 euros. Remuneration in other controlled or controlling companies, group companies, or companies under common control, was earned by the 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 and Vítor Manuel Galvão Rocha Novais Gonçalves, totalling 1,430,631,43.1 468,545.00, 851,742.00, 815,944.00, 779,399.50 and 77,825.00, respectively.

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 owing to former executive directors in relation to termination of their directorships during the period.

No compensation was paid or owing to former executive directors for termination of their directorships.

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

EUROS

	REMUNERATION		
	FIXED	VARIABLE	TOTAL
Miguel Camargo Eiró	21,994	0	21,994
Gonçalo Nuno Caldeira	16,002	0	16,002
José Manuel Vitorino	16,002	0	16,002
Total	**53,998**	**0**	**53,998**

82. Indication of remuneration earned in the reporting period by the Chairman of the General Meeting.

In 2017, the Chairman and Secretary of the General Meeting earned remuneration respectively of 9,000 euros (nine thousand euros) and 3,000 euros (three thousand euros).

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.

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.

Not applicable as no remuneration is paid through stock or 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).

Not applicable as no remuneration is paid through stock or option plans.

87. Stock option rights allocated to Company employees and staff.

Not applicable as no remuneration is paid through stock or 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)).

Not applicable as no remuneration is paid through stock or option plans.

E. RELATED PARTY TRANSACTIONS

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).

The Company has implemented the procedures and criteria described in item 10 below and item 91 above in order to monitor transactions with qualifying shareholders.

90. Indication of transactions subject to control during reporting period.

In 2017, 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 Audit 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 validation of transactions to be carried out between the Company and qualifying shareholders or related entities, under Article 20 of the Securities Code.

In the event of transactions between the Company and qualifying shareholders or related entities, under Article 20 of the Securities Code, the Board of Directors is required to submit them for clearance by the Audit Board, when any of the following criteria are met, with regard to each financial year:

(i) have a value equal to or greater than 1.5 million euros, or,

(ii) irrespective of their value, may, due to their nature, undermine transparency or the best interests of the Company.

The Audit Board also receives periodic reports from the external auditor in which, in the course of its duties, the auditor checks the effectiveness and workings of internal control arrangements, reporting any shortcomings detected.

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. 32 of the Notes to the Consolidated Financial Statements.

Part II – Assessment of Corporate Governance

1. IDENTIFICATION OF THE CORPORATE GOVERNANCE CODE ADOPTED.

The Company has adopted by the Corporate Governance Code published by the Securities Market Commission (CMVM) in January 2013, available at http://www.cmvm.pt/CMVM/Recomendacao/Recomendacoes/Documents/C%C3%B3digo%20de%20Governo%20das%20Sociedades%202013.pdf.

It is considered that the content of the mandatory information required by this code assures effective compliance with the recommendations, which can in turn contribute to strengthening the model adopted and assure the conformity of governance principles, and to improved performance and coordination of the duties of Navigator's Company officers; this content is deemed appropriate to the Company's particular characteristics, without imposing any constraints on the workings of its governance structure.

2. ANALYSIS OF COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE ADOPTED.

Article 245-A.1 o) requires a declaration on the adoption of the corporate governance code to which the Company subscribes, specifying any divergence from the provisions of this code, and the respective reasons.

The information to be presented should include, for each recommendation:

a) Information enabling the reader to assess whether the recommendation is complied with, or reference to the item in the report where this issue is dealt with in detail (chapter, title, item, page);
b) Grounds for any instance of non-compliance or partial compliance;
c) In the event of non-compliance or partial compliance, identification of any alternative arrangements adopted by the Company to achieve the same objective as the recommendation.

Over the course of 2017, the Company continued to work at consolidating the Company's governance principles and practices, in line with the main regulatory developments in 2013, in particular the changes to the corporate governance rules resulting from the entry into force of CMVM Regulation 4/2013 and the CMVM Recommendations included in the 2013 CMVM Corporate Governance Code.

The Company's current corporate governance model and principles accordingly comply with the binding legal rules on the single-tier governance model established in Article 278.1 a) of the Companies Code, and the CMVM Corporate Governance Recommendations quoted, in the version which took effect in January 2014, except for Recommendations I.5, II.1.4.a), II.1.7 and III.4, which are not complied with or are partially adopted for the reasons set out below.

The Company accordingly considers its degree of compliance with the recommendations to be fairly high; whilst recognising that a number of differences exist depending on the recommendation in question, significant progress has been made on the degree of adoption of CMVM recommendations over recent periods.

The table below shows the items in this Corporate Governance Report which describe the measures adopted by the Company to comply with the said CMVM Recommendations.

RECOMMENDATIONS	COMPLIANCE	REMARKS
I. VOTING AND CORPORATE CONTROL		
I.1. Companies shall encourage shareholders to attend and vote at General Meetings and shall not set an excessively large number of shares required for the entitlement to one vote, and implement the means necessary to exercise the right to vote by mail and electronically.	Adopted	Part I, item 12
I.2. Companies shall not adopt mechanisms that hinder the passing of resolutions by shareholders, including fixing a quorum for resolutions greater than that provided for by law.	Adopted	Part I, item 14
I.3. Companies shall not establish mechanisms intended to cause mismatching between the right to receive dividends or the subscription of new securities and the right of each ordinary share, unless duly justified in terms of the long-term interest of shareholders.	Adopted	Part I, item 12
I.4. The company's articles of association that provide for the restriction of the number of votes that may be held or exercised by a single shareholder, either individually or in concert with other shareholders, shall also provide for a resolution by the General Assembly (5 year intervals), on whether that statutory provision is to be amended or prevails – without increased quorum requirements in addition to those required by law – and that in said resolution, all votes issued be counted, without applying said restriction.	Not applicable	Part I, item 13
I.5. Measures shall not be adopted that require payment or acceptance of charges by the company in the event of change of control or change in the composition of the Board and that which appear likely to impair the free transfer of shares and free assessment by shareholders of the performance of Board members.	Not Adopted	Explanation of Recommendations not adopted below
II. SUPERVISION, MANAGEMENT AND OVERSIGHT		
II.1. Supervision and Management		
II.1.1. Within the limits established by law, and except due to the small size of the company, the Board of Directors shall delegate the day-to-day management of the company and said delegated powers shall be identified in the Annual Report on Corporate Governance.	Adopted	Part I, item 21
II.1.2. The Board of Directors shall ensure that the company acts in accordance with its objects, and shall not delegate its responsibilities with regard to: *i*) definition of the company's strategy and general policies; *ii*) definition of the corporate structure of the group; *iii*) decisions that should be considered as strategic due to the amounts, risk and particular characteristics involved.	Adopted	Part I, item 21
II.1.3. The General and Supervisory Board, in addition to its supervisory duties supervision, shall take full responsibility at corporate governance level, and a requirement shall therefore be enshrined, in the articles of association or by equivalent means, that this body shall pronounce on the strategy and major policies of the company, the definition of the corporate structure of the group and the decisions that are to be considered strategic due to the amounts or risk involved. This body shall also assess compliance with the strategic plan and the implementation of key policies of the company.	Not applicable	Part I, items 27, 28 and 29
II.1.4. Except for small-sized companies, the Board of Directors and the General and Supervisory Board, depending on the model adopted, shall create the necessary committees in order to: a) Ensure competent and independent assessment of the performance of the executive directors and its own overall performance, as well as of other committees;	Partially adopted	Explanation of recommendations not adopted below with regard to Recommendation contained in sub-paragraph a)
b) Reflect on the governance system, structure and practices adopted, verify their effectiveness and propose to the competent bodies, measures to be implemented with a view to their improvement.		Part I, items 21, 27, 28 and 29

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II.1.5. The Board of Directors or the General and Supervisory Board, depending on the applicable model, shall set goals in terms of risk-taking and create systems for their control to ensure that the risks effectively incurred are consistent with those goals.	Adopted	Part I, items 50 to 55
II.1.6. The Board of Directors shall include a number of non-executive members ensuring effective monitoring, supervision and assessment of the other members of the board.	Adopted	Part I, items 15 and 18
II.1.7. Non-executive members shall include an appropriate number of independent members, taking into account the adopted governance model, the size of the company, its shareholder structure and the relevant free float. 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 an exempt 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 third degree of collateral affinity of board members or natural persons that are direct and indirectly holders of qualifying holdings; e. Being a qualifying shareholder or representative of a qualifying shareholder.	Not adopted	Explanation of Recommendations not adopted below
II.1.8. Directors who exercise executive duties share respond to enquiries from other company officers by providing the information requested in a timely and appropriate manner.	Adopted	Part I, item 21
II.1.9. The Chairman of the Executive Committee or of the Executive Committee shall submit, as applicable, to the Chairman of the Board of Directors, the Chairman of the Audit Board, the Chairman of the Audit Committee, the Chairman of the General and Supervisory Board and the Chairman of the Financial Affairs Board, the convening notices and minutes of the relevant meetings.	Adopted	Part I, item 21
II.1.10. "If the chairman of the Board of Directors exercises executive duties, said body shall appoint, from among its members, an independent member to ensure the coordination of the work of other non-executive members and the conditions so that these can make independent and informed decisions or to ensure the existence of an equivalent mechanism for such coordination."	Not applicable	Part I, item 18
II.2. Auditing		
II.2.1. Depending on the applicable model, the Chairman of the Audit Board, the Audit Committee or the Financial Affairs Committee shall be independent in accordance with the applicable legal standard, and have the necessary skills to carry out their relevant duties.	Adopted	Part I, item 32
II.2.2. The supervisory body shall be the main representative of the external auditor and the first recipient of the relevant reports, and is responsible, in particular, for proposing the relevant remuneration and ensuring that the proper conditions for the provision of services are provided within the company.	Adopted	Part I, items 37 and 38
II.2.3. The supervisory body shall assess the external auditor on an annual basis and propose to the competent body its dismissal or termination of the contract for provision of their services when there is a valid basis for such dismissal.	Adopted	Part I, item 37

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II.2.4. The supervisory body shall assess the functioning of the internal control systems and risk management and propose adjustments as may be deemed necessary.	Adopted	Part I, items 50 and 54
II.2.5. The Audit Committee, the General and Supervisory Board and the Audit Board decide on the work plans and resources concerning the internal audit services and services that ensure compliance with the rules applicable to the company (compliance services), and shall be recipients of reports made by these services at least when they concern matters related to financial reporting, identification or resolution of conflicts of interest and detection of potential illegalities.	Adopted	Part I, items 50 and 54
II.3. Setting of Remuneration		
II.3.1. All members of the Remuneration Committee or equivalent shall be independent from the executive board members and include at least one member with knowledge and experience in matters of remuneration policy.	Adopted	Part I, items 67 and 68
II.3.2. No natural or legal person that provides or has provided services in the past three years, to any structure under the Board of Directors, the Board of Directors of the company itself or who has a current relationship with the company or consultant of the company, shall be hired to assist the Remuneration Committee in the performance of their duties. This recommendation also applies to any natural or legal person that is related by employment contract or provision of services with the above.	Adopted	Part I, item 67
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; d) Information on whether payments are due for the dismissal or termination of appointment of board members.	Adopted	Annex II to the Corporate Governance Report
II.3.4. Approval of stock and/or option plans or plans based on share price variation for company officers shall be submitted to the General Meeting. The proposal shall contain all the necessary information for a correct assessment of said plan.	Not applicable	Part I Section VI
II.3.5. Approval of any retirement benefit scheme established for company officers shall be submitted to the General Meeting. The proposal shall contain all the necessary information in order to correctly assess said system.	Not applicable	Part I, item 76
III. REMUNERATION		
III.1. The remuneration of the executive directors shall be based on actual performance and shall discourage excessive risk-taking.	Adopted	Part I, items 69 and 70
III.2. The remuneration of non-executive directors and the remuneration of the members of the supervisory body shall not include any component whose value depends on the performance of the company or of its value.	Adopted	Part I, items 69 and 71
III.3. The variable component of remuneration shall be reasonable overall in relation to the fixed component of the remuneration and upper limits shall be set for all components.	Adopted	Item VII of Annex II to the Corporate Governance Report
III.4. A significant part of the variable remuneration should be deferred for a period of not less than three years, and the right to payment shall depend on the continued positive performance of the company during that period.	Not adopted	Explanation of Recommendations not adopted below
III.5. Members of the Board of Directors shall not enter into contracts either with the company or with third parties which have the effect of mitigating the risk inherent in the variability of their remuneration as fixed by the company.	Adopted	Part I, items 70 and 71

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III.6. Executive directors shall maintain the company's shares that were allotted by virtue of variable remuneration schemes, up to twice the value of the total annual remuneration, except for those that need to be sold for paying taxes on earnings from said shares, until the end of their term of office.	Not applicable	Part I Section VI
III.7. When the variable remuneration includes the allocation of options, the beginning of the exercise period shall be deferred for a period of no less than three years.	Not applicable	Part I Section VI
III.8. When the removal of a director is not due to serious breach of their duties nor to their unfitness for the normal exercise of their functions but is even so attributable to inadequate performance, the company shall be endowed with the adequate and necessary legal instruments to ensure that no damages or compensation, beyond those legally due, are payable.	Not applicable	Part I, item 83
IV. AUDITING		
IV.1. The external auditor shall, within the scope of its duties, verify the implementation of remuneration policies and systems for company officers as well as the efficiency and effectiveness of the internal control mechanisms and report any shortcomings to the supervisory body of the company.	Adopted	Part I, item 54
IV.2. The company or any entity with which it maintains a control relationship shall not engage the external auditor or any entity with which it finds itself in a group relationship or that belongs to the same network, for services other than audit services. If there are reasons for contracting such services - which must be approved by the supervisory body and explained in its Annual Report on Corporate Governance - these services shall not account for more than 30% of the total value of services rendered to the company.	Adopted	Part I, items 46 and 47
IV.3. Companies shall rotate auditors after two or three terms, depending on whether the terms are four or three years, respectively. Retention of the auditor beyond this period must be based on a specific opinion of the supervisory body that explicitly considers the conditions of auditor's independence and the benefits and costs of its replacement.	Adopted	Part I, item 44
V. CONFLICTS OF INTERESTS AND RELATED PARTY TRANSACTIONS		
V.1. The company's transactions with qualifying shareholders, or entities with which they are in any type of relationship pursuant to article 20 of the Securities Code, shall be conducted on an arm's length basis.	Adopted	Part I, items 89 to 91
V.2. The supervisory or audit body shall establish the procedures and criteria necessary to define the relevant level of significance of transactions with qualifying shareholders - or entities with which they are in any of the relationships described in Article 20.1 of the Securities Code – and the execution of transactions of significant relevance requires clearance from that body.	Adopted	Part I, items 10 and 91
VI. MEMORANDUM		
VI.1. Companies shall provide, via their websites in both the Portuguese and English languages, access to information on the course of their affairs, as regards economic, financial and governance issues.	Adopted	Part I, items 59 to 65
VI.2. Companies shall ensure the existence of an investor support and market relations office, which responds to enquiries from investors in a timely fashion and records shall be kept of the submittal and handling of enquiries.	Adopted	Part I, items 56 57 and 58

Explanation of Recommendations not adopted

Under Article 245-A of the Securities Code, and in keeping with the comply-or-explain principle underlying application of the Corporate Governance Code, the Company does not comply in full with the CMVM Recommendations in force at the date of issue (because of certain peculiarities and the structure adopted), and The Navigator Group has made the following judgement on substantially equivalent terms assessing the reasons for non-compliance:

Recommendation I.5

As stated in item 4 of the Report, the Company has taken out loans which include early repayment clauses in the event of a change in the ownership structure, in particular loss of control by its majority shareholder, Semapa SGPS, and a list is provided detailing these terms. These early repayment clauses are customary in the type of borrowing contracted, and are today standard market practice, required by a majority of the national and international institutions with which the Group has had dealings. Insofar as developments in the financial markets over recent years have resulted in stricter requirements in terms of risk acceptance, by both banking institutions and by companies, the possibility of negotiating contracts of this type without these clauses on competitive market terms is practically nil.

It should be noted that the Company feels comfortable with the limits imposed in these contracts, insofar as the early repayment clauses are only triggered if Semapa loses control of the Company (in accordance with the circumstances defined in each case), which would mean a very substantial reduction in its current holding of 69%.

The said clauses do not therefore amount to defensive measures, guarantees or shields designed to cause a serious erosion in the Company's assets in the event of a change of control of alteration in the composition of the Board of Directors, undermining the free transferability of shares.

Recommendation II.1.4 a)

As in previous years, considering the composition of the management body, the governance model and the Company's shareholder structure, the Board of Directors did not feel it was relevant to set up specialist committees with these responsibilities, in view of the specific needs of this Company. Performance is assessed by the Chairman of the Board of Directors and by the other non-executive members of the board, who possess the knowledge and independence needed to make a correct evaluation of the performance of executive directors and of the various committees.

Although the Board of Directors has not formally set up a committee to appraise the performance of directors, these duties are performed by other corporate bodies with powers to assess the directors' performance, in particular the Remuneration Committee which, as described more fully above, in items 70 and 71, conducts an annual individual assessment of the executive directors and of their performance, on the basis of pre-set criteria.

The pre-set criteria for assessing executive directors are those established in the Remuneration Policy contained in Annex III, in items V and VI of the Statement of Remuneration Policy for Members of the Company's Board of Directors and Audit Board.

In addition, the Corporate Governance Supervisory Committee has also been instructed by the Board of Directors to collaborate with it on implementing procedures for appraisal and resolution of conflicts of interests, and also to oversee application of The Navigator Group's corporate governance rules and the Code of Ethics and Conduct, which also extend to the Executive Directors.

The Corporate Governance Supervisory Committee therefore works in conjunction with the Board of Directors, assessing and submitting to it proposals for strategic guidelines in the field of Corporate Responsibility, as well as monitoring and overseeing on a permanent basis matters relating to: i. corporate governance, social, environmental and ethical responsibility; ii. sustainability of Navigator Group business; iii. internal codes of ethics and conduct; and iv. the systems for assessing and resolving conflicts of interests, in particular with regard to dealings between the Company and its shareholders or other stakeholders.

In view of the above, the Company has suitable procedures in place for ensuring that the management body conducts a competent and independent assessment of the performance of the executive directors and the various committees, especially on matters of corporate governance, assessment and remuneration, which is deemed to be the aim of this Recommendation.

Recommendation II.1.7

The Company does not comply in full the with independence criterion for non-executive directors insofar as a lower degree of independence may be identified in relation to some of its board members, as two of them have been re-elected for more than two terms of office and four of them act on behalf of shareholders owning more than 2% of the Company's capital. However, it is deemed that the non-executive directors, who currently account for 57% of the board's membership, possess the necessary standing, proven experience and professional expertise to monitor, on an effective, unbiased, impartial, independent and objective basis, the work of the executive directors and the absence of conflicts of interest between the interests and position of shareholder and those of the Company. In addition, with regard to the composition of the Board of Directors, the single-tier governance model adopted by the Company does not require the inclusion of non-executive members who act with duties of oversight, in addition to their duties of management, which in turn means there is no legal rule establishing an independence requirement based on an appropriate proportion of independent members on the Board of Directors.

We should stress that the Company has adopted a corporate model which includes two levels of supervision. The Company has an Audit Board, whose members are considered independent, and one of whom is a statutory auditor. These members are subject to strict rules on joint and several liability with the directors. At the same time, the articles of association provide for an independent Statutory Auditor, whose function is also to oversee the activities of the directors.

It is therefore deemed that the aims underlying this CMVM Recommendation are fully and duly achieved, and the necessary arrangements are in place to ensure that oversight is exercised in the Company, in line with high standards of impartiality and neutrality.

Recommendation III.4

Although the remuneration system defined in the Company's Remuneration Policy does not provide for deferral of the variable remuneration component, the Company considers that directors' pay is structured in an appropriate way which makes it possible to align their interests with the long terms interests of the Company and the shareholders, in order to allow the Company to achieve sustainable growth in keeping with the performance of the members of the Board of Directors.

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

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).

1. INFORMATION ON SECURITIES HELD BY COMPANY OFFICERS.

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.

(*) *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.*

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. – 16,199,031 shares in Semapa – Sociedade de Investimento e Gestão, SGPS, S.A.
- Longapar, SGPS, S.A. – 22,225,400 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.
- OEM - Organização de Empresas, SGPS, SA – 535,000 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 2017, 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)

As required by Article 66.5 d) of the Companies Code, Navigator hereby discloses that it acquired none of its own shares in the course of 2017.

On 31 December 2017, Navigator held 489,973 own shares, corresponding to 0.683% of its share capital.

ANNEX II

Remuneration policy statement relating to the directors and auditors of The Navigator Company submitted to the General Meeting of shareholders of 24 may 2017.

Law 28/2009, of 19 June, requires the Remuneration Committee to submit each year for the approval of the General Meeting of shareholders a statement on the remuneration policy for members of the management supervisory bodies. A draft document was accordingly submitted to shareholders in 2017, resulting in approval of a remuneration policy statement as transcribed below.

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 has maintained the view that, as a set of principles, the remuneration policy statement should as a rule be kept stable throughout the term of office of the Company officers, unless exceptional or unforeseen circumstances require a change. Moreover, given that the Remuneration Committee was reelected for another term of office, which ended in 2014, it was deemed to make sense that this stability be maintained, except in the possible case of the circumstances mentioned, which have not so far occurred. In 2015, when elections were held for Company officers, fresh consideration was given to whether it was appropriate to maintain this policy for the new term of office.

In view of the changes to recommendations resulting from publication by the Securities Market Commission of the 2013 Corporate Governance Code, the Remuneration Committee adjusted this Statement to the new recommendations in 2014.

Notwithstanding this adjustment in line with the new recommendations, it was decided to retain the option of proposing for approval a statement with content similar to that of the statement currently in force, with small adjustments resulting from the work carried out in 2015 and 2016 on the system of appraisal and KPIs.

There is a significant divide between the two most common systems for setting the remuneration of Company officers. The first is for this 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 new legal requirements in this field.

II. LEGAL REQUIREMENTS 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 set out in the Corporate Governance Code issued by the Commission.

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 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 particular 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 else consist in part of a percentage of the profits of the period, but the maximum percentage for distribution to directors must be authorised 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 the remuneration policy.

IV. HISTORICAL BACKGROUND

From the Company's transformation into a *sociedade anónima* 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 privatisation 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 involved process, taking into account the factors set out in the remuneration policy statement in force and the KPIs referred to below.

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 in accordance with 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 and non-executive board members are in the same position, and the same is also true, for example, of 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, cannot be 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 directors without delegated powers have been closely involved in the life of the Company in a variety of ways. Particularly relevant in this context, in particular for the purposes of assigning variable remuneration, is the position of the Chairman of the Board of Directors who, whilst not a member of the Executive Committee, is significantly involved in major decisions on the Company's day-to-day affairs.

b) The state of the Company's affairs.

This criterion must also be understood and interpreted with care. 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. The level of the results achieved in a sustained manner by comparison with that of most companies active in the same sector, and good economic and operational performance attained consistently and with recognition from the financial community is also considered of a significant importance and to confirm the value of the Company management. 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 keep 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.

As mentioned above in chapter V, the manner in which remuneration is structured and management performance is assessed is based on the three described general principles.

In developing such principles, a set of KPI's is applied to the exact determination of the variable component of the remuneration, which, as described in section 2 herebelow, include in its quantitative part the EBITDA, earnings before taxation and TSR.

We therefore believe that the remuneration system adopted in the Company is successful in assuring such long term alignment. Firstly, because the remuneration sets out to be fair and equitable in the light of the principles set out, which results, to a certain extent, in the existence of a KPI connected with the TSR, but in a manner which is more limited than that which results from the de facto situation existing in the Company, of a significant stability in Company management. This stability is by nature aligned with longer periods, also in what respects the compensation component, since future results influence future compensations, in relation to which there are expectations. Secondly because it links the 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 component is set on the basis of a target amount applicable to each board member and which is payable when his performance and that of the Company corresponds to expectations and pre-established goals. This target value is set after considering the principles set out above - market, specific duties, the Company's situation -, with special attention being paid to comparable market situations in positions of equivalent importance. The performance assessment, in its individual and qualitative component, has an impact in around 50% of that component of the remuneration. In what respects non-executive board members – without prejudice to the above mentioned exceptional situation concerning the Chairman of the Board of Directors – the possible attribution of a variable remuneration, albeit more exceptional, may take place as a result of the performance of management functions that bring their functions close to executive functions, and not in accordance with the Company's performance or its value.

Another relevant factor used in setting targets is the Company's policy of not offering stock or stock option schemes.

Actual performance is assessed against expectations and goals, thereby defining the variation in relation to the target, on the basis of a series of quantitative and qualitative KPIs related to the performance of the Company and that of the director in question, in which special weight is assigned to EBITDA, pre-tax profits and TSR.

In addition to those criteria, in accordance with commitments undertaken by the Company within its sustainability strategy and recognising 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, maximising 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, 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 a 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 the 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.

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 part.
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 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.

Lisbon, 27 April 2017

The Remuneration Committee

Chairman: **José Gonçalo Maury**

Members: **Frederico José da Cunha Mendonça e Meneses**
João Rodrigo Appleton Moreira Rato

ANNEX III
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 behaviour 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 its 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 authorised, 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 favours 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 optimisation 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 labour, 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, recognising 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 authorisation for that purpose.

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, 25 October 2017

The Board of Directors

ANNEX IV

Ethics Committee report on activities during the period ended 31 december 2017

In the course of the year, the Ethics Committee reviewed the drafts of the Code of Ethics and Conduct, the Supppliers' 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, 1 March 2018

The Ethics Committee

Chairman: **Júlio de Lemos de Castro Caldas**

Member: **Jaime Falcão**
Rui Tiago Trindade Ramos Gouveia

11.

CONSOLIDATED ACCOUNTS AND NOTES TO THE FINANCIAL STATEMENTS

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

CONSOLIDATED INCOME STATEMENT

For the years ended 31 December 2017 and 2016

AMOUNTS IN EURO

	NOTES	2017	2016	4TH QUARTER 2017 (unaudited)	4TH QUARTER 2016 (unaudited)
Revenue	4				
Sales		1,632,127,611	1,573,519,928	426,000,882	421,123,427
Services rendered		4,706,825	3,865,279	1,037,416	868,044
Other operating income	5				
Gains on the sale of non-current assets		1,686,738	660,775	1,071,951	26,899
Other operating income		28,339,792	40,858,579	15,999,601	18,450,076
Change in the fair value of biological assets	18	3,783,988	8,616,021	597,982	(1,963,125)
Costs	6				
Cost of inventories sold and consumed		(652,186,373)	(661,685,701)	(157,327,770)	(162,407,838)
Variation in production		(25,301,241)	(2,752,181)	(23,891,687)	(17,743,739)
Cost of materials and services consumed		(407,745,075)	(404,494,652)	(106,854,036)	(118,656,244)
Payroll costs		(156,044,826)	(144,513,475)	(44,864,710)	(38,227,880)
Other costs and losses		(25,529,350)	(16,633,337)	(7,981,688)	(5,536,384)
Provisions		(4,084,555)	(420,776)	(1,029,336)	2,540,737
Depreciation, amortisation and impairment losses	8	(144,703,899)	(166,661,123)	(33,174,673)	(46,142,181)
Operating results		**255,049,635**	**230,359,335**	**69,583,932**	**52,331,792**
Net financial results	10	(7,696,970)	(20,795,889)	(1,208,226)	(4,175,955)
Profit before tax		**247,352,665**	**209,563,446**	**68,375,706**	**48,155,836**
Income tax	11	(39,583,528)	7,266,333	(6,407,661)	34,408,908
Net Income		**207,769,137**	**216,829,779**	**61,968,044**	**82,564,744**
Attributable to:					
Navigator Company's Shareholders		207,770,604	217,501,437	61,975,959	83,214,019
Non-controlling interests	13	(1,467)	(671,658)	(7,914)	(649,275)
Earnings per share					
Basic earnings per share, Euro	12	0.290	0.309	0.086	0.116
Diluted earnings per share, Euro	12	0.290	0.309	0.086	0.116

The notes on pages 195 to 283 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the years ended 31 December 2017 and 2016

AMOUNTS IN EURO

	NOTES	31-12-2017	31-12-2016
ASSETS			
Non-Current Assets			
Goodwill	15	377,339,466	377,339,466
Other intangible assets	16	3,878,245	4,300,642
Plant, property and equipment	17	1,171,125,052	1,294,978,932
Investment properties		99,174	426,838
Biological assets	18	129,396,936	125,612,948
Other financial assets	19	424,428	260,486
Available-for-sale assets		-	81,636
Deferred tax assets	26	44,727,571	44,198,753
		1,726,990,872	**1,847,199,702**
Current Assets			
Inventories	20	187,795,595	208,888,472
Receivable and other current assets	21	237,704,322	215,877,823
State and other public entities	22	75,076,422	69,619,349
Cash and cash equivalents	29	125,331,036	67,541,588
		625,907,375	**561,927,232**
Non-Current Assets held of sale			
Non-Current Assets held of sale	30	86,237,049	-
		86,237,049	**-**
Total Assets		**2,439,135,296**	**2,409,126,934**
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	24	500,000,000	717,500,000
Treasury shares	24	(1,002,084)	(1,002,084)
Fair value reserves	25	(3,020,990)	(7,571,781)
Legal reserve	25	109,790,475	99,709,036
Free reserves	25	217,500,000	-
Currency translation reserves	25	(13,966,898)	(779,369)
Retained earnings	25	167,388,264	205,639,863
Net profit for the period		207,770,604	217,501,437
		1,184,459,371	**1,230,997,102**
Non-controlling interests	13	420,277	2,272,606
		1,184,879,648	**1,233,269,708**
Non-current liabilities			
Deferred taxes liabilities	26	83,023,517	59,859,532
Liability for defined benefits	27	5,090,242	6,457,116
Provisions	28	19,536,645	31,048,808
Interest-bearing liabilities	29	667,851,880	638,558,905
Other non-current liabilities	29	25,466,139	33,301,140
		800,968,424	**769,225,503**
Current liabilities			
Interest-bearing liabilities	29	150,205,591	69,702,381
Payables and other current liabilities	31	259,509,848	255,831,284
State and other public entities	22	43,571,785	81,098,059
		453,287,224	406,631,724
Total liabilities		**1,254,255,647**	**1,175,857,227**
Total equity and liabilities		**2,439,135,296**	**2,409,126,934**

The notes on pages 195 to 283 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE CONSOLIDATED INCOME

For the years ended 31 December 2017 and 2016

AMOUNTS IN EURO

	2017	2016	4TH QUARTER 2017 (unaudited)	4TH QUARTER 2016 (unaudited))
Net profit for the period	**207,769,137**	**216,829,779**	**61,968,045**	**82,564,745**
Itens that can be reclassified subsequently to profit or loss				
Fair value in derivative financial instruments	6,861,624	(7,541,398)	(1,642,325)	3,023,830
Currency translation differences	(13,187,529)	(6,467,509)	(12,692,525)	(1,165,020)
Tax on items above when applicable	(2,310,833)	1,838,681	(232,122)	(1,066,756)
Tax on conventional capital remuneration	3,388,000	-	(847,000)	-
	(5,248,738)	**(12,170,226)**	**(15,413,972)**	**792,054**
Itens that will not be reclassified subsequently to profit or loss				
Share of other comprehensive income of associates	(32,063)	(1,609,624)	(922,808)	585,110
Actuarial gains / (losses)	989,841	(12,161,383)	151,431	(9,204,245)
Tax on items above when applicable	(10,320)	(1,877,456)	(8,324)	(1,452,688)
	947,458	**(15,648,463)**	**(779,701)**	**(10,071,823)**
	(4,301,280)	**(27,818,689)**	**(16,193,674)**	**(9,279,770)**
Total recognised income and expense for the period	**203,467,857**	**189,011,089**	**45,774,372**	**73,284,975**
Attributable to:				
The Navigator Company's shareholders	203,469,324	189,682,747	45,904,034	72,013,031
Non-controlling interests	(1,467)	(671,658)	(129,662)	1,271,943
	203,467,857	**189,011,089**	**45,774,372**	**73,284,975**

The notes on pages 195 to 283 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

From 1 January 2016 to 31 December 2017

	1 JANUARY 2017	GAINS/LOSSES RECOGNISED IN THE PERIOD	TRANSACTIONS WITH NON-CONTROLLING INTERESTS	DIVIDENDS PAID AND RESERVES DISTRIBUTED (Note 25)
Share capital	717,500,000	-	-	-
Treasury shares	(1,002,084)	-	-	-
Fair value reserves	(7,571,781)	4,550,791	-	-
Legal Reserve	99,709,036	-	-	-
Other reserves	-	-		-
Currency translation reserves	(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	-	-
Early earnings	-	-	-	-
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)**

	1 JANUARY 2016	GAINS/LOSSES RECOGNISED IN THE PERIOD	TRANSACTIONS WITH NON-CONTROLLING INTERESTS	DIVIDENDS PAID AND RESERVES DISTRIBUTED (Note 25)
Share capital	767,500,000	-	-	-
Treasury shares	(96,974,466)	-	-	-
Fair value reserves	(1,869,064)	(5,702,717)	-	-
Legal Reserve	91,781,112	-	-	-
Currency translation reserves	5,688,140	(6,467,509)	-	-
Retained earnings	273,081,975	(15,648,464)	5,678,039	(170,004,583)
Net profit for the period	196,404,220	217,501,437	-	-
Early earnings	(29,971,019)	-	-	-
Total	**1,205,640,898**	**189,682,747**	**5,678,039**	**(170,004,583)**
Non-controlling interests	8,622,303	(671,658)	(5,678,039)	-
Total	**1,214,263,201**	**189,011,089**	**-**	**(170,004,583)**

The notes on pages 195 to 283 are an integral part of these financial statements.

AMOUNTS IN EURO

EARLY EARNINGS	ACQUISITION OF TREASURY SHARES (Note 14)	APPLICATION OF PRIOR YEAR'S NET PROFIT (Note 25)	CAPITAL REDUCTION	PERFORMANCE BONUS	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**

AMOUNTS IN EURO

EARLY EARNINGS	ACQUISITION OF TREASURY SHARES (Note 14)	APPLICATION OF PRIOR YEAR'S NET PROFIT (Note 25)	CAPITAL REDUCTION	PERFORMANCE BONUS	31 DECEMBER 2016
-	(50,000,000)	-	-	-	717,500,000
-	95,972,382	-	-	-	(1,002,084)
-	-	-	-	-	(7,571,781)
-	-	7,927,924	-	-	99,709,036
-	-	-	-	-	(779,369)
(29,971,019)	(45,972,382)	194,476,296	-	(6,000,000)	205,639,864
-	-	(196,404,220)	-	-	217,501,437
29,971,019	-	-	-	-	-
-	**-**	**6,000,000**	**-**	**(6,000,000)**	**1,230,997,102**
-	-	-	-	-	2,272,606
-	**-**	**6,000,000**	**-**	**(6,000,000)**	**1,233,269,708**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the years ended 31 December 2017 and 2016

AMOUNTS IN EURO

	NOTE	2017	2016	4TH QUARTER 2017 (Unaudited)	4TH QUARTER 2016 (Unaudited)
Operating Activities					
Payments from customers		1,710,590,465	1,664,510,267	434,585,703	497,093,862
Payments to suppliers		1,269,538,220	1,286,570,770	309,474,663	382,273,429
Payments to employees		121,790,121	114,196,823	33,482,332	44,112,793
Cash flow from operations		**319,262,125**	**263,742,674**	**91,628,709**	**70,707,640**
Income tax received / (paid)		(67,285,321)	(18,764,850)	(15,835,186)	(20,095,727)
Other receipts / (payments) relating to operating activities		53,925,125	36,586,215	5,047,735	47,262,038
Cash flow from operating activities (1)		**305,901,929**	**281,564,039**	**80,841,258**	**97,873,951**
Investment Activities					
Inflows					
Financial investments		-	4,438,520	-	-
Investment grants	21	-	-	-	7,481,543
Interest and similar income		2,131,516	4,906,212	258,732	910,000
Inflows from investment activities (A)		**2,131,516**	**9,344,732**	**258,732**	**8,391,543**
Outflows					
Financial investments	19	-	-	-	-
Tangible assets		98,863,395	81,185,277	35,057,613	16,586,654
Outflows from investment activities (B)		**98,863,395**	**81,185,277**	**35,057,613**	**16,586,654**
Cash flows from investment activities (2 = A - B)		**(96,731,879)**	**(71,840,545)**	**(34,798,881)**	**(8,195,111)**
Financing Activities					
Inflows					
Borrowings		155,503,210	290,000,000	(379,496,790)	55,900,639
Inflows from financing activities (C)		**155,503,210**	**290,000,000**	**(379,496,790)**	**55,900,639**
Outflows					
Borrowings		44,702,381	310,319,027	(350,148,809)	-
Interest and similar costs		12,174,374	24,515,881	2,911,493	5,000,956
Acquisition of treasury shares	24	-	-	-	-
Dividends paid and distributed reserves	14	250,007,056	170,004,583	-	129,993,918
Outflows from financing activities (D)		**306,883,811**	**504,839,491**	**(347,237,317)**	**134,994,873**
Cash flows from financing activities (3 = C - D)		**(151,380,601)**	**(214,839,491)**	**(32,259,473)**	**(79,094,234)**
Changes In Cash And Cash Equivalents (1)+(2)+(3)		57,789,449	(5,115,997)	13,782,905	10,584,605
Changes In Cash And Cash Equivalents In The Other Quarters		-	-	44,006,544	(15,700,603)
Change In Consolidation Scope		-	-	-	-
Cash And Cash Equivalents At The Beginning Of The Period		67,541,588	72,657,585	67,541,588	72,657,585
Cash And Cash Equivalents At The End Of The Period	29	**125,331,036**	**67,541,588**	**125,331,036**	**67,541,588**

The notes on pages 195 to 283 are an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of 31 December 2017 and 2016

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

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

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

Years after, as a result of the restructuring of Portucel – Empresa de Celulose e Papel de Portugal, S.A., which was redenominated to Portucel, SGPS, S.A., towards to its privatisation, Portucel S.A. was created, on 31st May 1993, through Decree-law 39/93, with the former assets of the two main companies, based in Cacia and Setúbal.

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

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

In June 2003, the Portuguese State sold a 30% stake of Portucel's equity, which was acquired by Semapa Group. In September 2003, Semapa launched a public acquisition offer tending to assure the Group's control, which was accomplished by guaranteeing a 67.1% stake of Portucel's equity.

In November 2006, the Portuguese State concluded the third and final stage of the sale of Portucel, S.A., by moving Parpública SGPS, S.A. (formerly Portucel SGPS, S.A.) sell the remaining 25.72% it still held.

From 2009 to July 2015, more than 75% of the company's share equity was held directly and indirectly by Semapa – Sociedade de Investimento e Gestão SGPS, S.A. (excluding treasury shares), having the percentage of voting rights been reduced to 70% following the conclusion of the offer for the acquisition, in the form of an exchange offer, of the ordinary shares of Semapa, SGPS, S.A., in July 2015.

In February 2015, Portucel group started its activity in the Tissue segment with the acquisition of AMS – BR Star Paper, S.A., a company that holds and explores a tissue paper mill, located in Vila Velha de Ródão.

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

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

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

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

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

Head Office: Mitrena, 2901-861 Setúbal
Share Capital: Euros 500,000,000
Registration No: 503 025 798

These consolidated financial statements were approved by the Board of Directors on the 7th de February 2018.

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

1. Summary of the principal accounting policies

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

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

1.1 BASIS OF PREPARATION

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

The accompanying consolidated financial statements were prepared on a going concern basis from the accounting books and records of the companies included in the consolidation (Note 39), and under the historic cost convention, except for biological assets, available for sale financial assets and derivative financial instruments, which are recorded at fair value (Notes 31.3 and 18).

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

1.2 BASIS OF CONSOLIDATION

1.2.1. SUBSIDIARIES

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

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

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

These companies' shareholders' equity and net income/loss corresponding to the third-party investment in such companies are presented under the caption of non-controlling interests in the consolidated statement of the financial position (in a separate component of shareholders' equity) and in the consolidated income statement, respectively. The companies included in the consolidated financial statements are disclosed in Note 40.

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

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

If the acquisition cost is less than the fair value of the net assets of the acquired subsidiary (negative goodwill), the difference is recognised 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.

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

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

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

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

The difference between the acquisition cost and the fair value of the assets and liabilities attributable to the affiliated company on the acquisition date is, if positive, 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 Navigator Company Group.

1.3 SEGMENTAL REPORTING

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

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

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

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

Wood and cork are produced from woodlands owned or leased by the Group in Portugal, 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 paper. Sales of both products (BEKP and UWF) are made to more than 130 countries throughout the world.

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

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

Segmental information is disclosed in Note 4.

1.4 FOREIGN CURRENCY TRANSLATION

1.4.1. FUNCTIONAL AND REPORTING CURRENCY

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

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

1.4.2. BALANCES AND TRANSACTIONS EXPRESSED IN FOREIGN CURRENCIES

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

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

1.4.3. GROUP COMPANIES

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

(i) The assets and liabilities of each Statement of financial position are translated at the exchange rates prevailing at the date of the financial statements;

(ii) Equity balances are translated at the historical exchange rate;

(iii) The income and costs are converted at the exchange rate prevailing at the dates of the transactions. Otherwise, income and expenses for each income statement are translated at the average exchange rate of the months of the reporting period.

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

1.5 INTANGIBLES ASSETS

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

1.5.1. CO_2 EMISSION RIGHTS

The CO_2 emission rights attributed to the Group within the National Plan 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 costs of materials and services consumed, 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 unused rights or from impairment losses booked to licenses that are not used internally.

1.5.2. BRANDS

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

On subsequent valuation exercises, brands are 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 Navigator Company 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 commercialisation. 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 the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary/associate at the date of acquisition by the Navigator Company 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 Navigator Company Group classifies the assets held for the purpose of capital appreciation and/or the generation of rental income as investments properties.

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

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

Property, plant and equipment that were acquired prior to January 1st 2004 are recorded at their deemed cost, which is the book value under the accounting principles generally accepted in Portugal until 1 January 2004 (transition date to IFRS), including revaluations made in accordance with the prevailing legislation, deducted of 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 included in asset's carrying amount or recognised as a separate asset, 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.

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.

The Navigator Group 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 Tangible Fixed Assets.

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

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

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

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 (ex: tangible assets or investments in subsidiaries with loss of control), or a group for disposal that includes assets and liabilities (ex: 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 those 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, except for the available-for-sale financial assets (Note 1.11.4), unless the asset has been revalued, in which case the reversal will represent a portion of the total of the revaluation reserve. However, an impairment loss is reversed only up to the limit of the amount that would be recognised (net of amortisation or depreciation) if it had not been recognised in prior years.

1.11 BIOLOGICAL ASSETS

Biological assets are measured at fair value, less estimated costs to sell at the time of harvesting. The Navigator Company 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.

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.

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

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

1.12 FINANCIAL INSTRUMENTS

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

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

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

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

1.12.1 LOANS GRANTED AND RECEIVABLES

Loans and accounts receivable are non-derivative financial assets with fixed or determinable payments and which are not quoted in an active market. They are originated when the Navigator Company Group advances money, goods or services directly to a debtor.

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

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

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

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

1.12.2 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

This category comprises two sub-categories: (i) financial assets held for trading, and (ii) assets designated at fair value through profit or loss at initial recognition. A financial asset is classified under this category if acquired primarily for the purpose of selling in the short-term, if it is part of a managed portfolio at fair value or if its measurement through fair value allows the company to eliminate inconsistencies in the measurement of related assets and liabilities.

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

1.12.3 HELD-TO-MATURITY INVESTMENTS

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

1.12.4 AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

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

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

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

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

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

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

1.13 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACCOUNT

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 The 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. Instruments that do not qualify as hedging instruments in accounting terms are stated on the statement of financial position at fair value and any changes in that value are recognised as financial income or cost in the consolidated income statement.

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

Derivative financial instruments used for hedging purposes may be 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 realisation 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), caps and floors, forwards, calls, collars, etc.

In the selection of the derivative financial 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 (RISK OF INTEREST RATE, PRICE AND EXCHANGE RATES)

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

Those transactions are recorded in the consolidated statement of financial position at their fair value. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is 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 Navigator Company 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 the foreign operation is partially disposed of or sold.

1.14 CORPORATE INCOME TAX

1.14.1 CURRENT AND DEFERRED INCOME TAX

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

Deferred taxes are calculated using the liability method, based on the temporary differences between the book values of the assets and liabilities and their respective tax base. The income tax rate expected to be in force in the period in which the temporary differences will reverse is used in calculating deferred tax. If there is no reliable information about those rates, deferred taxes are calculated using the tax rate in place at each reporting date.

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

Tax benefits granted under contractual investment projects to be developed by the Navigator Company Group are treated as government grants. 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

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

These companies calculate income taxes as if they were taxed independently. However, the determined liabilities are recognised as due to the leader of the taxation group (The Navigator Company, S.A.), who will proceed with the overall computation and the settlement of the income tax.

1.15 INVENTORIES

Inventories are valued in accordance with the following criteria:

i. Good 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 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 RECEIVABLE AND OTHER CURRENT ASSETS

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

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

1.17 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 included in the acquisition cost as part of the purchase consideration.

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

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

1.19 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 directly related to acquisition of the fixed assets, construction or production, 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.

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 Navigator Company 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 Navigator Company 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 minimising energy consumption, atmospheric emissions, the production of residues and noise), are capitalised when they are intended to serve the Navigator Company 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 Navigator Company Group.

1.22 PENSIONS AND OTHER EMPLOYMENTS BENEFITS

1.22.1 DEFINED BENEFIT PENSION PLANS AND RETIREMENT BONUS

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

As referred in Note 27, the Navigator Company 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.

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

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

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

1.22.2 DEFINED CONTRIBUTION PLANS

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

In order to 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.

1.22.3 HOLIDAY PAY, ALLOWANCES AND BONUSES

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

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

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

1.23 PAYABLES AND OTHER CURRENT LIABILITIES

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

1.24 GOVERNMENT GRANTS

Government grants are recognised at their fair value when there is a reasonable assurance that the grant will be received and the Navigator Company 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 compensate capital expenditure are reported under "Payables and other current liabilities" and are recognised in the income statement during the useful life of the tangible fixed asset being financed, by deducting the value of its amortisation.

Government grants related to operating costs, including the attribution of CO_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, as well as the corresponding liabilities, are recorded using the finance method.

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

Leases under which a significant part of the risks and benefits of the property is assumed by the lessor, with the 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 Navigator Company 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 Navigator Company Group's financial statements in the period in which the dividends are approved by the shareholders and up until the time of their payment or, in the case of anticipated distributions, when approved by the Board of Directors.

1.27 ACCRUALS BASIS

Navigator Company 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.

The differences between the amounts received and paid and the respective costs and income are recognised as "Receivables and other current assets" and "Payables and other current liabilities" (Notes 21 and 31, respectively).

1.28 REVENUE

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

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

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

1.29 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, unless the probability of the outflow of funds affecting future economic benefits is remote, in which case they are not disclosed. Provisions are recognised for liabilities which meet the conditions described in Note 1.20.

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

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

1.31 NEW STANDARDS, CHANGES, AND INTERPRETATIONS OF EXISTING STANDARD

There are new standards, changes and interpretations made to existing standards, which although already published, their application is only mandatory for annual periods beginning after January 1, 2017, as follows:

STANDARDS AND EFFECTIVE CHANGES, ON OR AFTER 1 JANUARY 2017

	EFFECTIVE DATE*
IAS 7 – Statement of cash flows	1 January 2017
IAS 12– Income taxes	1 January 2017

The application of the interpretations and amendments to the standards mentioned below, are mandatory by the European Union, for the financial years beginning on or after 1 January 2018:

STANDARDS AND EFFECTIVE CHANGES, ON OR AFTER 1 JULY 2018, YET ENDORSED BY EU

	EFFECTIVE DATE*
IFRS 9 – Financial instruments	1 January 2018
IFRS 15 – Revenue from contracts with customers	1 January 2018
IFRS 16 - Leases	1 January 2019
IFRS 4 - Insurance contracts	1 January 2018
Amendments to IFRS 15 – Revenue from contracts with customers	1 January 2018

* Periods beginning on or after

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

There are new standards, interpretations and amendments of existing standards that, despite having already been published, are only mandatory for the periods starting after 1 January 2018 and which the Navigator Company Group decided not to early-adopt in the current period, as follows:

STANDARDS AND EFFECTIVE CHANGES, ON OR AFTER 1 JULY 2018, NOT YET ENDORSED BY EU

	EFFECTIVE DATE*
Improvement of standards 2014 – 2016	1 January 2018
IAS 40 – Investment Property	1 January 2018
IFRS 2 – Share-based Payment	1 January 2018
Amendments to IFRS 9 – Financial instruments	1 January 2019
IAS 28 – Investments – applying consolidation exception	1 January 2019
Improvement of standards 2015-2017	1 January 2019
IFRS 17 – Insurance contracts	1 January 2021
IFRIC 22 – Foreign Currency Transactions and Advanced Consideration	1 January 2018
IFRIC 23 – Uncertainty over Income Tax Treatments	1 January 2019

* Periods beginning on or after

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

IFRS 9 Financial Instruments

IFRS 9, adopted via Commission Regulation (EU) No 2016/2067 of 22 November 2016, includes three distinct areas: classification and measurement of financial instruments, impairment of financial assets and hedge accounting.

IFRS 9 is applicable in periods beginning on or after 1 January 2018 (early application is optional). 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.

The Group will adopt this Standard on its mandatory application date, and will not restate comparative information, as permitted by the Standard.

During the year of 2017, the Group performed a preliminary assessment of the impact of adopting the Standard in every aspect, based on information available to date. Therefore, the assessment might undergo changes until the adoption date, since the Group has not finalised testing and evaluating of the controls related to the new internal control systems and procedures, and new accounting policies are subject to changes until the Group presents its first financial statements including the application date.

Overall, no significant impact is expected on the Group's statement of financial position in result of adopting the Standard.

The Group assessed the impact of adopting IFRS 9 on its financial assets and liabilities in order to identify and evaluate the qualitative and quantitative effects of adoption. Accordingly, the main material impacts are as follows:

(a) Classification and measurement

IFRS 9 states that the classification and measurement of financial assets is based on the business model adopted for managing the assets and on the characteristics of the contractual cash flows. To this effect, financial assets are measured at amortised cost if held to collect contractual cash flows. Other financial assets are measured at fair value through other comprehensive income (if there is also an intention to sell the assets) or through profit or loss (if not inserted in any previous business model, for example, if managed based on their fair value).

The Group does not expect a significant impact on its statement of financial position or in shareholders' equity from applying the classification and measurement requirements of

IFRS 9. The Group expects to continue measuring at fair value virtually all financial assets currently measured at fair value.

(b) Impairment

IFRS 9 establishes a new asset impairment model based on "expected credit losses", which will replace the current "incurred loss" model followed in IAS 39. Consequently, it will no longer be necessary for a loss event to occur in order for impairment to be recognised. The new model accelerates the recognition of impairment losses in held debt instruments measured at amortised cost or fair value through other comprehensive income (including loans, bank deposits, receivables and debt securities). In case the credit risk of a financial asset has not significantly increased since its initial recognition, accumulated impairment losses equal to the losses expected to occur over the following 12 months must be recognised. In case credit risk has increased significantly, accumulated impairment losses must be recognised in the amount of expected losses until asset maturity. Once a loss event (objective evidence of impairment) has taken place, accumulated impairment losses are directly allocated to the asset, being the accounting treatment similar to that of IAS 39, including the treatment of interest.

The Standard also allows the application of a simplified approach for financial assets that meet the specified requirements. In this case, impairment loss is measured at initial recognition for an amount matching the expected losses during the entire life of the asset.

The Group expects no significant changes to the financial statements from the application of IFRS 9 impairment requirements on 1 January 2018, considering the Group's current impairment recognition policy.

(c) Hedge accounting

IFRS 9 introduced new requirements for hedge accounting, more aligned with the principles of risk management. The new requirements also establish a more principle-based approach to hedge accounting, solving some issues in the IAS 39 hedging model.

The Group does not foresee significant changes in the application of hedge accounting in result of adopting IFRS 9. Designated hedging relationships will be valid under IFRS 9.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 – Revenue from Contracts with Customers, issued in May 2014 by the International Accounting Standards Board (IASB), amended in April 2016 (adopted via Commission Regulation (EU) No 2016/1905 of 22 September 2016), is effective and mandatory for periods starting on or after 1 January 2018 and replaces the current requirements for revenue recognition.

This Standard establishes the principles an entity must apply in measuring revenue and determining the moment when revenue must be recognised. The main underlying principle is to recognise the revenue when the contractual obligation to deliver assets or perform services is satisfied, in the amount that reflects the consideration to which the entity is entitled, as established in the "5 step approach", with the 5 steps being: (i) identifying a contract with a customer; (ii) identifying the performance obligations; (iii) determining the transaction price; (iv) allocating the transaction price to the performance obligations and (v) recognising revenue when or as the entity satisfies a performance obligation.

The Group will adopt IFRS 15 using the modified retrospective approach, through which the cumulative effect of adopting the Standard is recognised in the Group's retained earnings on the initial application date.

The assessment performed arose from evaluating the following preliminary impacts:

(a) Sale of goods

Revenue from sales is currently recognised net of tax, discounts and other costs incurred, in the fair value amount of the consideration received or receivable.

Revenue from sales is recognised in the consolidated statement of profit or loss when the risks and benefits that arise from ownership of the assets are transferred to the buyer and the amount of revenue can be reasonably measured.

From the preliminary analysis performed, it is expected that IFRS 15 will not have a significant impact on how the Group currently recognises revenue from the sale of goods.

(b) Rendering of services

Revenue from the rendering of services is recognised in the consolidated statement of profit or loss in accordance with the stage of completion of services performed at the reporting date.

Recognition only occurs when (i) revenue can be reliably measured; (ii) it is probable that economic benefits related to the transaction will flow to the performing entity; (iii) the stage of completion can be reliably measured at the reporting date and (iv) costs incurred and to be incurred to complete the transaction can be reliably measured. Whenever it is not possible to estimate the outcome of a transaction reliably, revenue is only recognised for incurred costs deemed recoverable.

From the preliminary analysis performed, it is expected that the adoption of IFRS will not have a significant impact on the way the Group currently recognised revenue from performing services.

2. Risk Management

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

All the activities in which the Navigator Company 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 Company Group operates:
   - Risks associated with the forestry sector
   - Risks associated with the production and sale of BEKP, UWF paper, tissue paper and pellets
   - Risks associated with the energy generation and pellets
   - Human Resources
   - Information systems
   - General context risks

ii. Navigator Company Group risks and the manner in which it carries out its activities.

The Navigator Company Group has a risk-management programme in place which is focused on the analysis of the financial markets in order to minimise the potential adverse effects on its financial performance. Risk management is conducted by the Finance Division in accordance with policies approved by the Board of Directors. The Finance Division 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 excess liquidity. The Internal Audit department follows the implementation of the risk management principles defined by the Board of Directors.

2.1 SPECIFIC RISKS IN SECTORS WHERE THE NAVIGATOR COMPANY GROUP ACTS

2.1.1. SIGNIFICANT RISKS FROM THE FORESTRY

By the end of 2017, the Navigator Company Group was carrying out the management of woodland covering an area of 112 thousand hectares, from north to south of the country, including Azores, through 1,400 units located in 173 municipalities, in accordance with the principles laid down in its Forest Policy. Eucalyptus trees occupy 74% of this area, namely the *Eucalyptus globulus*, the species that is universally acknowledged as the tree with the ideal fiber for producing high quality paper. In the remaining areas, cork and oak are highlighted, being the Navigator Company Group the major private national producer of pine and one of the largest producer of coark oak.

The Navigator Company Group is also managing, in a development stage, the forestation of 356,210 hectares in Mozambique, which were prepared to plant 42 thousands of hectares and planted 11.7 thousand hectares in the provinces of Manica and Zambezia, under a concession agreement reached with the Mozambique government. The mentioned agreement also provides the construction of an industrial BEKP production unit, together with the construction of an electricity production unit.

The main forestry areas under Navigator Company 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 Company Group represents nearly 3% of Portugal's total forested area, 44% of all certified Portuguese forests according with PEFC standards and 29% 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, in 2020, all the eucalyptus wood processed by the Group will come from partners with a certified activity.

In 2017, 27% of wood from national supply sources already came from certificated management forest properties, excluding the autoconsumption. This increase has allowed, for the first time in the Group's history, a 50% weight of total amount of wood acquired to be from certificated management forest properties. It is important to mention that within this iniciative, the Group has noted in a meaningful way the increase of their wood suppliers chain of custody certification, which is a step further on the development of a suppliers 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 (Association of the Paper Industry, representing the main industrial groups in the sector) with the "Best Eucalyptus" Program, may still be reinforced with additional support measures, in addition to the technical support already provided.

The main risks associated with the sector are the ones related to the productive capacity of the plantations, the risk of wildfires as well as the regulatory risk, given the review announced by the Government of the legal regime applicable to forestation and reforestation with resort to forestry species, as established in Decree-Law No. 96/2013, of 19 July, to implement on January 2018 onwards. Combining all these factors with the absence of strategic measures from the Government in this sector, has led to import additional raw materials, limiting the sector's profitability.

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

i. Destruction of actual and future wood inventory, belonging to the Navigator Company Group as well as to third parties;

ii. Increasing costs of forestry and subsequent land preparation for plantation.

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

Moreover, the Navigator Company Group has a share in the Afocelca grouping – an economic interest grouping between the Navigator Company Group and the ALTRI group, whose mission is to provide assistance in the fight against forest fires at the grouped companies' properties and areas under management, in close coordination and collaboration with the National Civil Protection Authority (Autoridade Nacional de Protecção Civil – ANPC). This grouping manages an annual budget of around 3 million euro, and has created an efficient and flexible structure which implements practices aimed at reducing protection costs and minimising the losses by forest fires for the members of the grouping, which own and manage more than 200 thousand hectares of forests in Portugal.

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

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

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

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

2.1.2. RISKS ASSOCIATED WITH THE PRODUCTION AND SALE OF BEKP, UWF PAPER, TISSUE PAPER AND PELLETS

Supply of raw materials

The wood supplied by the Navigator forestries to produce BEKP production represents less than 20% of the Navigator Company Group's needs, meaning the Navigator Company Group needs to buy wood both in Iberian market and from other regions of the world.

The supply of wood, namely eucalyptus, is subject to price and exchange rate fluctuations and 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 (mostly in imports) is the volatility of wood transportation costs to the factories, which floats depending on oil prices and sea freight costs.

The planting of new areas of eucalyptus and pine is subject to the authorisation of the relevant entities, and the legislative changes may limit the national productive potential, although there are initiatives to increment the productivity of existed areas and consequently the availability of raw materials.

If domestic production proved to be insufficient, in volume and in quality, namely of certified wood, the Navigator Company Group could have to place greater reliance on imports of wood from Spain or extra-Iberian, for which the company is developing initiatives that ensure the short and medium term supply.

Regarding imports of wood, there is a risk related to its shipment from the place of origin to the harbours supplying the Navigator Company Group that are far from the paper mills. This transportation risk is reduced by the agreed purchasing conditions, where the ownership of raw materials is transferred at the port of arrival, and complemented by insurance coverage of potential supplying losses caused by any transportation accident that may affect the supplying of wood.

The Navigator Company Group seeks to maximise 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 Company Group has commercial activity.

On 31 December of 2017, a decrease of 10% in the cost per m^3 of eucalyptus wood consumed in BEKP pulp production would have had a negative impact in operational results of Navigator Company Group of approximately Euro 30,500,000 (2016: Euro 31,200,000).

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

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

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

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

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

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

On 31 December 2017, a 10% drop in the price per ton of BEKP and of 5% in the price per ton of UWF paper and Tissue paper sold by the Navigator Company Group in the period, would have represented an impact on its earnings of about Euro 16,400,000 (2016: Euro 13,800,000) and Euro 63,700,000 (2016: Euro 63,900,000).

Demand for the Navigator Company Group's products

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

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

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

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

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

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

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

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

Due to the evolution of the global energy market, the search for alternative and renewable energy sources has been constant, making the forest biomass and its derivative products an extremely important alternative. One of those products are pellets, a type of wood generally made from refined and dried sawdust or wood flour that is then compressed.

Its main applications are:

- on the one hand, at the industrial segment level, in its use as fuel for the generation of electric power in thermoelectric power stations (reducing or replacing, for example, the consumption of coal or fuel in such plants);
- on the other hand, in the residential segment, in domestic heating, but also in the heating of commercial or public spaces.

Currently, in the world scenario, the greatest demand and production of pellets are located in the Northern Hemisphere, namely in Europe and USA.

The European Union is the driving force behind the market for wood pellets, where the continued growth of this market is expected. Estimates point to a consumption of 24 million tons of wood pellets by 2020, of which 11 million tons imported.

At the present time, wood pellets are mainly imported from the USA, Canada, Russia and the Baltic States. Emerging exporters are Australia, South Africa and countries in South America.

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

In fact, the prices of wood pellets are more stable than oil or natural gas. Even with the price of a barrel of oil well below average, biofuels pellets find their niche market for simple issues like (i) price stability and (ii) the fact that they represent a renewable fuel.

It is estimated that production of pellets will continue to grow despite the availability of oil and gas at cheaper prices. To reach continuous growth will be determinant the requirements of United Kingdom and European Union for sustainable biomass and actions to meet the greenhouse gas emissions reductions.

Energy

The process is dependent on the constant supply of electricity and steam energy. Responding to that, Navigator Company Group has several cogeneration units, which provide this supply, and redundancies were planned between the generating units in order to mitigate the risk of any unplanned stops of those units to pulp and paper mills. The excess production from the consumption needs is sold in the market at regulated tariffs. After this period, the defined tariffs do not compensate market production as they are lower than the ones in which the Navigator Company Group incurs for acquiring electricity, which can be proven by the reduction shown in the revenues arising from this segment as well as in consumptions of electricity and natural gas.

Country risk – Mozambique

As the investment project in Mozambique gains relevance, exposure to specific risk in this country increases.

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

At this moment, the Mozambique project is essentially a forestry project, with the option of developing an industrial project involving the construction of a large-scale pulp mill. The Navigator Company Group is currently developing a reflection process regarding the pace the project in Mozambique is progressing, mainly dictated by the evolution of the current political and social context that, being unstable, brings additional challenges to the project concerning the security of all those involved and the assurance of the supply of products, materials and services needed. The pressure on the Metical is felt in price inflation, which has been clear since 2015 and continues to increase. However, the Group finds itself ready to move on with its forest plan as soon as the necessary conditions – which are in discussion with the Mozambique authorities – are fulfilled.

Until the end of 2017, the expenditure with this project amounted to Euro 90,000,000 (31 December 2016: Euro 76,000,000), mainly related to plantation, land preparation and the identification of eucalyptus species with adequate industrial use to be planted in the areas awarded by the Mozambique State.

However, as a result of the above, the Group prudently revalued the assessment over the recoverability of the assets held in Mozambique, having recognised an impairment loss in such a way that in December 2017, its balance sheet value is residual (less than 1% of the total consolidated assets).

Country risk – USA

The Colombo Energy Inc. project related for the new pellets factory in the USA, in Greenwood, North Carolina, has been launched on 18 July 2016, starting its production from September 2016.

The investment was USD 121 million, subject to the specific country risk. By the end of December 2017, the Navigator Group signed a sale agreement related to the pellets business in the USA with a joint venture managed and explored by a company associated with Enviva Holdings, LP, for USD 135 million.

Besides this project, the US market has a significant weight in the total sales 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 Department of Commerce since 2015. Although the applied rate has been revised downwards during 2016, the Group considers that no Anti-dumping margin should be applied (Note 21), as its inspection period has ended in February 2017.

Competition

Increased competition in the paper and pulp markets may have a significant impact in price and, as a consequence, in the Navigator Company 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 Company 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.

It is to mention the divestment in the papermaker sector in the USA, as there are some announcements from a few producers of UWF of close/conversion of its installed capacity until 2017 and 2018, it mirrors a clear attempt to adjust supply according to the negative evolution of demand. On the contrary, some investments are expected in the short term for new capacity of UWF in China.

The Navigator Group has been adjusting its commercial strategy to the regional consumption patterns. Therefore, in 2017 the Navigator Group has reinforced its position in Middle East, African and Asian/Australian markets. The Group sells about 62% of the paper (2016: 63%) it produces in Europe, having particularly significant market shares in Western European countries and relevant market shares in other major European markets. The Group also has a significant presence in the US, representing more than half of the sales of European producers to this market, despite the negative effect that the imposition of Anti-dumping measures had on the sales to that market.

Concentration of customers' portfolio

As at 31 December 2017, the Navigator Company Group's 10 main BEKP customer groups accounted for 16% of the period's production of BEKP (2016: 15%) and 76% of external sales of BEKP (2016: 75%). This asymmetry is a result of the strategy pursued by the Navigator Company Group, consisting of a growing integration of the BEKP produced into the UWF paper produced and sold.

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

As at 31 December 2017, the Navigator Company Group's 10 main customer groups for UWF paper represented 49% of this product's sales during the period (2016: 52%), although the Group's 10 main individual customers did not exceed 28% of the UWF paper sales (2016: 28%). Also regarding UWF paper, the Group follows a strategy of mitigating the risk of customer concentration. The Navigator Company sells UWF paper to about 130 countries and to more than 1,100 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 74,3 million in 2017 (2016: 67,4 million Euro). Its commercial activity is mainly focused in the Iberian markets, representing 99% of its sales. The 10 main customers represent about 45% of total sales (2016: 47%).

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 commercial activity to external markets, namely to Spain and Western Europe.

The Colombo Energy Inc. project related to the new pellet plant in the USA (in Greenwood, South Carolina) has been launched on 18 July 2016 and produced its first pellets on 21 July 2016, starting its continuous production from October 2016 onwards.

The commercial activity started on December 2016. So far, only one contract was signed with a single customer, guaranteeing the placement of 40% of the plant's production for a period of 10 years, with which a buy-sell contract for the pellets factory in USA was achieved.

Environmental Legislation

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

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

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

To date, the legislative changes that are known relate to the evolution of the system of allocation of EU emission trading of CO_2 emission rights (CELE), established by Directive 2003/87/CE, and recently amended by Directive 2009/29/CE (new CELE Directive), which outlines the legal framework of the CELE for the period 2013-2020 and which was transposed into national law by Decree-Law 38/2013 of 15 March, which came to result in reducing the scope of free allocation of CO_2 emission rights allowances.

With this scenario, an increase is expected in the 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 reduce the impact of this change, the Navigator Company Group has been following a strategy of carrying out a series of environment related investments that, among other advantages, have resulted in a continued reduction of the CO_2 emissions, in spite of the continuous increase in the production volume over the last years.

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

There are some ongoing projects subject to the suitable technological changes, as well as the discussion of a new version of *Plano Diretor Ambiental*, which manages new environmental challenges that appeared meanwhile.

The Environmental Strategic Plan aimed for areas other than the environmental covered by this document. It was possible to confirm that the Navigator Company Group is generically 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 Company Group secured the environmental insurances demanded by the referred law, thus guaranteeing compliance and reducing exposure to environmental risks.

2.1.3. RISKS ASSOCIATED WITH THE PRODUCTION OF ENERGY AND PELLETS

Energy is considered to be an activity of growing importance in the Navigator Company Group allowing the use of the biomass generated in the BEKP production, but also ensuring the supply – under the co-generation regime – of thermal and electric power at the BEKP and UWF paper industrial complexes, also enabling, among others, 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.

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

The Navigator Company has played a pioneering role and has been developing a market for the sale of biomass for supplying the power plants it owns. The fostering of this market in a phase prior to the start-up of the new power-generating units has enabled it to secure a sustained raw-material supply network which it may utilise in the future.

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

In addition, and despite the legal provisions,

i. Decree-Law 23/2010 and Act 140/2012, revised by Act 325-A/2012, applicable to the ERP system – Special Regime in cogeneration;
ii. For units powered through residual forestry biomass, dedicated to the production of electricity, the legal framework is provided by Decree-Law 33-A/2005, revised by Decree-Law 225/2007, that extends from 15 to 25 years the guaranteed tariffs under the PRE, which enables some revenue stability to be planned for the near future, there is a risk that the change in energy prices for sale of energy produced from renewable resources will penalise the products produced by the Navigator Company 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 optimisation of production costs and efficiency of the generating units is the way the Navigator Company Group seeks to mitigate this risk.

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

The Navigator Company Group represents a relevant part of the energy produced in Portugal. The units owned and operated by the Group have been watching a review of electricity prices over a transitory period initiated in 2012, through 2020 and ending in 2025. As a consequence, operation will become economically unfeasible. Over the aforementioned period, the energy generated by these units will no longer be sold to the national grid (already the case in the gas cogeneration unit in Figueira da Foz), as it will no longer be economically feasible. These units will be converted into auto consumption units after the transitory period applicable to each installation.

2.1.4. HUMAN RESOURCES AND TALENT MANAGEMENT

Successful organisations have the right talent in the right place, at all levels – people who look beyond the obvious and take the business into the future. The talent shortage is now a structural challenge for the companies, leading them to reconsider their practices over retain, development and career. With technological advances and the constant need for innovation, intellectual capital has become crucial to the survival and expansion of the companies.

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

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

During 2017, The Navigator Company continued with the rejuvenation program initiated in 2014. As of the date of this report, 215 employees had accepted its terms (in 2017: 67 employees, in 2016: 34 employees, in 2015: 100 employees and in 2014: 14 employees).

Linked to the rejuvenation program came the need to retain and manage the knowledge of these employees. In that scope, the Group has been reinforcing its bet on the creation of a learning center, embracing training and development in technical subjects and management areas.

During 2017, a project related with company values was launched with goals to get to get to 3,000 employees and therefore reinforce the practices associated with our values and shortage different function and hierarchy levels.

The focus on the continuous development of its employees, the creation of career opportunities for our new talents and the caption of talents are the main axis of an organization that intends to be innovative and sustainable.

2.1.5. INFORMATION SYSTEMS

The Navigator Group information systems, some of which rely on services provided by third parties, have a 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 either from intentional actions such as computer attacks or from 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.

2.1.6. 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 Company 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 Company Group exports over 95% of its production of UWF paper and about 35% 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.

2.1.7. CONTEXT RISKS

The lack of efficiency in the Portuguese economy continues to be accompanied by management, as it may have a negative effect on the Navigator Company Groups' ability to be competitive, especially in the following areas:

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

2.2 FINANCIAL RISKS

2.2.1. RISKS ASSOCIATED WITH DEBT AND LIQUIDITY LEVELS

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

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

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

As of 31 December 2017 — AMOUNTS IN EURO

	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	MORE THAN 5 YEARS	TOTAL
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
Accounts payable and other liabilities	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**

As of 31 December 2016 — AMOUNTS IN EURO

	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	MORE THAN 5 YEARS	TOTAL
Liabilities						
Interest-bearing liabilities						
Bond loans	-	2,970,562	4,550,437	179,651,000	205,352,875	392,524,874
Commercial paper	-	-	53,629,976	204,378,900	-	258,008,876
Bank loans	-	-	20,850,186	69,559,913	30,167,081	120,577,180
Accounts payable and other liabilities	138,968,317	22,854,069	-	14,919,576	-	176,741,962
Derivative financial instruments	-	-	-	-	-	-
Other liabilities	227,825	683,472	1,187,462	-	-	2,098,759
Total liabilities	**139,196,142**	**26,508,103**	**80,218,061**	**468,509,389**	**235,519,956**	**949,951,650**

On 31 December 2017 the value of interest-bearing liabilities shown in the table above includes interest to be paid in the amount of Euro 53,791,498 (31 December 2016: Euro 65,904,390).

The above mentioned presumption is based on the Navigator Company 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 2017 and 31 December 2016;
ii. A market selling price of BEKP between 80% and 115% of that recorded during the period ended 31 December 2017 and 31 December 2016;
iii. A market selling price of UWF and Tissue paper between 90% and 120% of that during the period ended 31 December 2017 and 31 December 2016;
iv. A net-debt cost between 80% and 115% of that recorded during the period ended 31 December 2017 and 31 December 2016;
v. A production level of eucalyptus in the woodlands owned or operated by the Navigator Company Group, of BEKP, of UWF paper and power within the existing installed capacities.

Certain loans contracted by the Navigator Company 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	Interest Coverage = EBITDA 12M / Annualised net interest	>= 4,5 X
	Indebtedness = Interest bearing liabilities / EBITDA 12 M	<= 4,5 X
Commercial Paper 125M	Net Debt / EBITDA = (interest bearing debt - cash and cash equilevents) / EBITDA 12M	<= 5,0 X
Commercial Paper 75M	Net Debt / EBITDA = (interest bearing debt - cash and cash equilevents) / EBITDA 12M	<= 4,0 X
Commercial Paper 50M	Net Debt / EBITDA = (interest bearing debt - cash and cash equilevents) / EBITDA 12M	<= 5,0 X
Commercial Paper 100M	Net Debt / EBITDA = (interest bearing debt - cash and cash equilevents) / EBITDA 12M	<= 4,0 X
Commercial Paper 70M	Net Debt / EBITDA = (interest bearing debt - cash and cash equilevents) / EBITDA 12M	<= 5,0 X
Bonds Navigator 2015-2023	Net Debt / EBITDA = (interest bearing debt - cash and cash equilevents) / EBITDA 12M	<= 4,0 X
Bonds 1,575% 2016-2021	Net Debt / EBITDA = (interest bearing debt - cash and cash equilevents) / EBITDA 12M	<= 4,0 X
Bonds Navigator 2016-2021	Net Debt / EBITDA = (interest bearing debt - cash and cash equilevents) / EBITDA 12M	<= 4,0 X

Based on the financial statements presented in this report, these ratios were as follows as at 31 December 2017 and 31 December 2016:

RATIO	2017	2016
Interest Coverage	46.59	33.43
Indebtedness	2.03	1.78
Net Debt / EBITDA	1.72	1.61

Considering the contracted limits, the Navigator Company group was comfortably complying with the limits imposed under the financing contracts. As at 31 December 2017 The Navigator Company presents a buffer of over 100% on the fulfilment of its covenants.

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

i. To safeguard its ability to continue in business and thus provide returns for shareholders and benefits for its remaining stakeholders;

ii. To maintain a solid capital structure to support the growth of its business; and

iii. To maintain an optimal capital structure that enables it to reduce the cost of capital.

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

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

The gearing ratios as at 31 December 2017 and 31 December 2016 were as follows:

AMOUNTS IN EURO

	31-12-2017	31-12-2016
Total Loans (Note 29)	818,057,471	708,261,286
Cash and cash equivalents (Note 29)	(125,331,036)	(67,541,588)
Net debt	**692,726,434**	**640,719,698**
Equity, excluding treasury shares and non-controlling interests	1,185,461,455	1,231,999,186
Equity	**1,878,187,889**	**1,872,718,884**
Gearing	36.88%	34.21%

2.2.2. INTEREST RATE RISK

As at 31 December 2017, near 36% (31 December 2016: 26%) of the Navigator Company Group's financial liabilities are indexed to short-term reference interest rates, revised in periods shorter than one year (usually 6 month rates for long term debt), plus duly negotiated risk spreads. Hence, changes in interest rates can impact the Company's earnings.

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

On 31 December 2017 and 31 December 2016, the detail of the financial assets and liabilities with interest rate exposure, considering the maturity or the next reprising date was as follows:

As of 31 December 2017 — AMOUNTS IN EURO

	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	+ 5 YEARS	TOTAL
Assets						
Current						
Cash and cash equivalents	125,331,036	-	-	-	-	125,331,036
Total Financial Assets	**125,331,036**	**-**	**-**	**-**	**-**	**125,331,036**
Liabilities						
Non-current						
Bearing Liabilities	-	-	-	440,626,584	229,444,444	670,071,028
Current						
Other bearing liabilities	-	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 differencial	**125,331,036**	**75,331,036**	**(24,874,555)**	**(465,501,139)**	**(694,945,584)**	

As of 31 December 2016 — AMOUNTS IN EURO

	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	+ 5 YEARS	TOTAL
Assets						
Current						
Cash and cash equivalents	67,541,588	-	-	-	-	67,541,588
Total Financial Assets	**67,541,588**	**-**	**-**	**-**	**-**	**67,541,588**
Liabilities						
Non-current						
Bearing Liabilities	-	-	-	396,230,161	239,305,554	635,535,715
Current						
Other bearing liabilities	-	-	69,702,381	-	-	69,702,381
Total Financial Liabilities	**-**	**-**	**69,702,381**	**396,230,161**	**239,305,554**	**705,238,096**
Accumulated differencial	**67,541,588**	**67,541,588**	**(2,160,793)**	**(398,390,954)**	**(637,696,507)**	

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

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

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

An increase of about 0.50% in interest rate from which interest on loans are calculated would have an impact in its earnings before taxes, for the period ended in 31 December 2017 in about Euro 1,472,503 (31 December 2016: Euro 916,800).

2.2.3. CURRENCY RISK

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

A significant portion of the Navigator Group's sales is priced in currencies other than the Euro, which evolution can have a significant impact in future sales of the company, being the currency with major focus, the USD. Also sales in GBP, PLN and CHF have some weight, having sales in other currencies less expression.

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

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

As of 31 December 2017

	UNITED STATES DOLAR	BRITISH POUND	POLISH ZLOTY	SWEDISH KRONE	SWISS FRANC
Assets					
Cash and cash equivalents	2,094,876	259,897	511,377	2,321	127,873
Accounts receivable	65,141,477	-	6,350,205	684,002	1,540,385
Financial assets available for sale	-	-	-	-	-
Other assets	-	-	-	-	-
Total Financial Assets	**67,236,353**	**259,897**	**6,861,583**	**686,323**	**1,668,259**
Value in Euros	56,062,997	292,931	1,642,706	69,721	1,425,618
Liabilities					
Bearing liabilities	-	-	-	-	-
Payables	(5,355,184)	-	(4,044)	(39,246)	(66,538)
Total Financial Liabilities	**(5,355,184)**	**-**	**(4,044)**	**(39,246)**	**(66,538)**
Value in Euros	(4,465,258)	-	(968)	(3,987)	(56,860)
Derivative financial instruments	**(217,800,000)**	**(12,800,000)**	**-**	**-**	**-**
Net Financial Position	**61,881,168**	**259,897**	**6,857,538**	**647,077**	**1,601,721**

As of 31 December 2016

	UNITED STATES DOLAR	BRITISH POUND	POLISH ZLOTY	SWEDISH KRONE	SWISS FRANC
Total Financial Assets	50,252,114	12,667,352	4,669,702	686,298	1,101,834
Total Financial Liabilities	(19,297,167)	16,293	(2,044)	16,516	5,290
Derivative financial instruments	**(304,950,000)**	**(8,700,000)**	**-**	**-**	**-**
Net Financial Position	**30,954,946**	**12,683,645**	**4,667,657**	**702,814**	**1,107,124**

The Navigator Company Group holds an affiliated company in the USA, Portucel Soporcel North America, whose share capital amounts to around USD 25 million and is exposed to foreign exchange risk. It also owns a subsidiary in the state of South Carolina, in the USA, for pellets production, equally exposed to foreign exchange risk. Navigator Company Group also holds an affiliated in Poland (Portucel Finance Zoo) whose share capital amounts to PLN 208 million exposed to foreign exchange risk. Additionally, the Navigator Company Group holds an affiliated company in Mozambique (Portucel Moçambique), whose share capital amounts to MZM 1,000 million, equally exposed to foreign exchange risk. Besides those operations, The Navigator Company does not hold materially relevant investments in foreign operations, the net assets of which are exposed to foreign exchange risk.

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

The table below shows the Group's exposure to foreign exchange rate risk as of 31 December 2017, based on the financial assets and liabilities that amounted to a net asset of Euro 55,169,926 converted at the exchange rates as of that date (31 December 2016: Euro 78,928,837) as follows:

AMOUNTS IN FOREIGN CURRENCY

DANISH KRONE	AUSTRALIAN DOLAR	NORWISH KRONE	MOZAMBIQUE METICAL	MOROCCAN DIRHAM	TURKISH LIRA	SOUTH AFRICA RAND
4,015	-	148	18,722,588	210,855	46,713	40,922
140,592	(8,218)	-	2,456,059	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
144,607	**(8,218)**	**148**	**21,178,647**	**210,855**	**46,713**	**40,922**
19,424	(5,355)	15	296,288	18,791	10,275	2,764
-	-	-	-	-	-	-
-	(4,252)	-	(8,747,264)	(150,515)	(2,808)	-
-	**(4,252)**	**-**	**(8,747,264)**	**(150,515)**	**(2,808)**	**-**
-	(2,771)	-	(122,374)	(13,414)	(618)	-
-	**-**	**-**	**-**	**-**	**-**	**-**
144,607	**(12,470)**	**148**	**12,431,384**	**60,340**	**43,904**	**40,922**
383,097	58,572	1,141,964	98,524,614	55,223	46,752	-
-	(3,000)	-	(48,760,249)	(88,539)	-	-
-	**-**	**-**	**-**	**-**	**-**	**-**
383,097	**55,572**	**1,141,964**	**49,764,366**	**(33,316)**	**46,752**	**-**

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

As of 31 December 2017, a (positive or negative) variation of 10% of all currency rates relative to the Euro would have an impact in the years' pre-tax results of Euro 5,487,687 and Euro (6,924,244) respectively (31 December 2016: Euro 6,731,850 and (8,105,300) respectively, and in shareholders' equity of Euro 1,723,495 and Euro (2,494,895) (31 December 2016: Euro 2,147,276 and Euro (2,624,449)), considering the effect of the exchange rate hedging contracts in place.

2.2.4. CREDIT RISK

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

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

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

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

As at 31 December 2017 and 31 December 2016, accounts receivable from customers showed the following ageing structure, considering the due dates for the open balances:

AMOUNTS IN EURO

	12-31-2017	12-31-2016
Not overdue	161,136,142	168,235,087
1 to 90 days	14,376,656	12,874,055
91 to 180 days	106,599	80,375
181 to 360 days	38,722	408,779
361 to 540 days	3,685	37,158
541 to 720 days	-	170,667
more than 721 days	-	99,565
	175,661,804	**181,905,686**
Litigation-doubtful debts	2,440,472	2,395,281
Impairment	(2,440,472)	(2,395,281)
Net receivable balance (Note 21)	**175,661,804**	**181,905,686**
Limit of negotiated credit insurance	136,541,981	122,274,574

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

During 2017, The Navigator Group entered into the auto invoicing system form EDP-Serviço Universal, S.A. Since, at the balance sheet date no invoices related to the auto invoicing system where received, the amount to be invoiced was accrued under the caption of "Receivables and other current assets" as accrued income, which explains the decrease in the receivable balance.

Accounts receivable outstanding by business area was analysed as follows:

As of 31 December 2017 **AMOUNTS IN EURO**

	PULP MARKET	UWF PAPER	TISSUE PAPER	OTHERS	TOTAL
Not overdue	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	-	-	-	-	-
more than 721 days	-	-	-	-	-
	14,845,542	**139,738,469**	**17,634,347**	**3,443,446**	**175,661,804**

As of 31 December 2016 **AMOUNTS IN EURO**

	PULP MARKET	UWF PAPER	TISSUE PAPER	OTHERS	TOTAL
Not overdue	11,823,660	121,466,401	16,905,693	18,039,333	168,235,087
1 to 90 days	1,275,139	9,931,071	1,545,267	122,578	12,874,055
91 to 180 days	-	-	42,626	37,749	80,375
181 to 360 days	-	-	58,019	350,760	408,779
361 to 540 days	-	-	35,987	1,171	37,158
541 to 720 days	-	-	122,976	47,691	170,667
more than 721 days	-	-	45,056	54,509	99,565
	13,098,799	**131,397,471**	**18,755,624**	**18,653,791**	**181,905,686**

As at 31 December 2017, the available credit insurance lines amounted to Euro 371,963,084 (31 December 2016: Euro 369,878,794) from which Euro 136,541,981 (31 December 2016: Euro 122,274,574) were in use.

The table below represents the quality of The Navigator Company Group's credit risk, as at 31 December 2017 and 31 December 2016, for financial assets (cash and cash equivalents), (Credit rating by Standard & Poor's, Fitch or Moody's):

FINANCIAL INSTITUTIONS

AMOUNTS IN EURO

Rating	12-31-2017	12-31-2016
AA	-	-
AA-	25,902,715	13,134,247
A+	-	-
A	1,353,238	26,837,653
A-	30,173,036	101,500
BBB+	342,390	2,627,962
BBB	817	-
BBB-	64,511,346	-
BB+	18,791	-
BB	-	-
BB-	1,700,661	21,814,827
B+	-	1,033,721
B	-	-
B-	532,690	-
Others	795,353	1,991,680
	125,331,036	**67,541,589**

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

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

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

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

AMOUNTS IN EURO

	12/31/2017		12/31/2016	
	GROSS AMOUNT	CREDIT INSURANCE	GROSS AMOUNT	CREDIT INSURANCE
Accounts receivable overdue but not impaired				
Overdue - less than 3 months	14,376,656	11,733,621	12,874,055	9,251,754
Overdue - more than 3 months	149,006	141,556	796,544	508,864
	14,525,662	**11,875,177**	**13,670,599**	**9,760,618**
Accounts receivable overdue and impaired				
Overdue - less than 3 months	-	-	-	-
Overdue - more than 3 months	2,440,472	-	2,395,281	-
	2,440,472	**-**	**2,395,281**	**-**

The maximum exposure to credit risk as at 31 December 2017 and 31 December 2016 is detailed in the following table. In accordance with the policies described above, The Navigator Company Group contracted credit insurance policies for most of the accounts receivable from its clients. As such its exposure to credit risk is considered to have been mitigated up to acceptable levels, when compared with its sales.

MAXIMUM EXPOSURE

AMOUNTS IN EURO

	12-31-2017	12-31-2016
Current		
Current Receivables (Note 21)	237,704,322	215,877,823
Bank deposits (Note 29)	125,331,036	67,541,588
Exposure to credit risk on off balance sheet exposures		
Guarantees (Note 37.1)	35,220,636	9,094,204
Related responsibilities (Note 22)	(1,463,127)	(1,465,022)
	33,757,509	**7,629,182**

3. Important Accounting Estimates and Judgements

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

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

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

3.1 IMPAIRMENT OF GOODWILL

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

On 31 December 2017, a potential increase of 0.5% in the discount rate (6.84%) used in the impairment tests of that asset – Goodwill allocated to the Figueira da Foz Integrated Paper cash generating unit – would decrease its value by Euro 137,805,537 (Euro 118,220,388 as at 2016), which would still be higher than its book value.

3.2 USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT

The recoverability of property, plant and equipment requires the management to define certain estimates and assumptions, namely, and when applicable, regarding the calculation of the value in use of the Group's cash generating units in scope for impairment test purposes.

In addition, tangible fixed assets represent the most significant component of The Navigator Company Group total assets. These assets subject to systematic depreciation over their estimated economic useful life.

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

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

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

3.3 INCOME TAX

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

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

The Board of Directors believes that any reviews/inspections by tax authorities will not have a material impact on the consolidated financial statements as of 31 December 2017. The Navigator Company Group's income tax returns up to 2013 have already been reviewed while 2014 and 2015 inspection is ongoing.

On 31 December 2017, if the effective tax rate would correspond to the nominal rate (27.5%), there would be an increase in the corporate income tax charges of Euro 22,823,637 (31 December 2016: Euro 64,896,280). It should be noted that the effective tax rate includes adjustments from previous periods.

3.4 ACTUARIAL ASSUMPTIONS

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

On 31 December 2017, a potential decrease of 0.5% in the discount rate used (2%) in the actuarial assumptions would mean an overall increase in the actuarial of around Euro 9,886,984 (31 December 2016: Euro 13,310,070).

3.5 FAIR VALUE OF BIOLOGICAL ASSETS

In determining the fair value of its biological assets, The Navigator Company Group used the discounted cash flows method considering assumptions related to the nature of the assets being valued (Note 1.10). Changes in these assumptions may have an impact through valorisation or depreciation of the value of those assets.

As of 31 December 2017, an increase of 0.5% in the discount rate (5.35%, at nominal values) used to value those assets would decrease their value by approximately Euro 4,912,000 (31 December 2016: Euro 5,752,000).

As of 31 December 2017, a decrease of 3% in the forward price would imply a devaluation of the Portuguese forest assets by approximately Euro 8,711,000 (December 31, 2016: Euro 10,469,000).

To Mozambique, the increase of 0.5% in the used discount rate (10.76%) would result in a devaluation of this asset in about Euro 254,000 (31 December 2016: Euro 276,000).

4. Segment Information

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

(i) that engages in business activities from which it may earn revenues and incur expenses;

(ii) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and

(iii) for which discrete financial information is available.

The Executive Committee is the ultimate operating decision maker, analysing 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.

The Navigator group financial information by operational segment for the nine months period ended 31 December 2017 and 2016 is shown as follows:

As of 31 December 2017

AMOUNTS IN EURO

	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	24,421,108	-	-	710,103,259	(734,524,367)	-
Total revenue	**204,918,959**	**1,328,554,225**	**74,385,809**	**763,499,811**	**(734,524,367)**	**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 costs- net	-	-	-	-	(7,696,970)	(7,696,970)
Income tax	-	-	-	-	(39,583,528)	(39,583,528)
Net profit before non-controling interest	-	-	-	-	-	207,769,137
Non-controling interest	-	-	-	-	1,467	1,467
Net profit	**-**	**-**	**-**	**-**	**-**	**207,770,604**
Other Information						
Capital expenditures	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	-	-	-	-	(4,084,555)	(4,084,555)
Other Information						
Segment assets						
Plant, property and equipment	127,411,445	710,708,222	89,392,624	243,612,762	-	1,171,125,052
Available-for-sale financial assets	-	-	-	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
Clients	14,845,542	139,738,469	17,634,347	3,443,446	-	175,661,804
Other accounts receivable	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
Accounts Payable	9,046,170	81,224,361	6,946,967	57,152,301	-	154,369,800
Other accounts payable	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**

The Group's energy sales are reported under different business segments. The amount corresponding to the total energy sales was Euros 166,693,591 in 2017 and Euros 147,784,539 in 2016. Energy sales originated in the cogeneration process, in the amount of Euros 145,196,631 are reported under the "Market Pulp" (Euros 16,194,907) and "UWF Paper" (Euros 129,001,724). 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 21,496,960.

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

AMOUNTS IN EURO

	12/31/2017	12/31/2016
Forestry Lands	76,310,837	78,837,443
Real estate - manufacturing site of Setúbal	57,035,598	58,731,564
Real estate - manufacturing site of Cacia	13,718,317	12,292,227
Real estate - manufacturing site of Figueira da Foz	50,129,128	53,986,089
Thermoelectric plant biomass	32,753,698	38,616,355
Pellets project - USA	-	108,987,549
Others	13,665,184	26,508,723
	243,612,762	**377,959,950**

Forest land and industrial real estate in the total amount of Euros 197,193,880, are reported in the individual financial statements as investment properties. The real estate property of Vila Velha de Ródão, in the amount of 9,000,148 is included in the segment "Tissue Paper".

The reduction in the assets associated with the US pellet plant project is due to the recognition of these assets as held for sale, as referred in Note 30. The majority of the assets allocated to each of the individual segments, with the exception of receivables, is located in Portugal. "Other" includes US and Mozambique, besides Portugal.

As of 31 December 2016

AMOUNTS IN EURO

	PULP MARKET	UWF PAPER	TISSUE PAPER	OTHERS	ELIMINATIONS/ UNALLOCATED	TOTAL
REVENUE						
Sales and services - external	151,376,654	1,324,545,285	67,449,698	34,013,570	-	1,577,385,207
Sales and services - intersegment	24,489,028	-	-	705,507,931	(729,996,958)	-
Total revenue	**175,865,682**	**1,324,545,285**	**67,449,698**	**739,521,501**	**(729,996,958)**	**1,577,385,207**
Profit/(loss)						
Segmental Profit	32,101,263	214,353,593	(1,532,767)	(14,562,754)	-	230,359,335
Operating Profit	-	-	-	-	-	230,359,335
Financial costs- net	-	-	-	-	(20,795,889)	(20,795,889)
Income tax	-	-	-	-	7,266,333	7,266,333
Net profit before non-controling interest	**-**	**-**	**-**	**-**	**-**	**216,829,779**
Non-controling interest	-	-	-	-	671,658	671,658
Net profit	**-**	**-**	**-**	**-**	**-**	**217,501,437**
Other Information						
Capital expenditure	5,007,918	23,007,368	590,032	114,424,992	-	143,030,310
Depreciation and impairment	(9,921,973)	(78,980,298)	(10,939,324)	(66,819,527)	-	(166,661,123)
Provisions	-	-	-	-	(420,776)	(420,776)
Other infomation						
Segment assets						
Plant, property and equipment	126,227,166	725,480,692	65,311,124	377,959,951	-	1,294,978,933
Biological assets	-	-	-	125,612,948	-	125,612,948
Financial investments	-	260,486	-	-	-	260,486
Inventories	16,341,272	113,761,277	10,172,519	68,613,404	-	208,888,472
Clients	13,098,799	131,397,471	18,755,624	18,653,791	-	181,905,686
Other accounts receivable	1,924,187	28,528,069	-	3,519,881	-	33,972,138
Other assets	809,166	492,693,127	426,838	69,579,141	-	563,508,272
Total assets	**158,400,591**	**1,492,121,122**	**94,666,105**	**663,939,116**	**-**	**2,409,126,934**
SEGMENT LIABILITIES						
Interest-bearing liabilities	2,805,080	-	2,887,786	702,568,421	-	708,261,286
Accounts Payable	5,497,129	76,419,876	23,483,219	40,302,650	-	145,702,873
Other accounts payable	4,100,889	29,860,614	3,550 586	72,616,320	-	110,128,409
Other liabilities	29,722,064	103,341,302	1,264,335	77,436,956	-	211,764,657
Total liabilities	**42,125,162**	**209,621,792**	**31,185,925**	**892,924,346**	**-**	**1,175,857,225**

SALES AND SERVICES RENDERED BY REGION

AMOUNTS IN EURO

	31-12-2017	31-12-2016
Portugal		
UWF Paper*	207,293,993	187,701,368
Pulp	23,437,745	19,881,168
Tissue*	46,237,571	43,299,845
Others*	38,821,345	34,013,570
	315,790,653	**284,895,951**
Rest of Europe		
UWF Paper	677,007,998	689,591,106
Pulp	134,816,383	120,153,771
Tissue	26,981,889	23,677,622
Pellets	14,575,208	-
	853,381,478	**833,422,499**
América do Norte		
UWF Paper	107,902,080	142,509,565
Pulp	-	1 138
	107,902,080	**142,510,703**
Other Markets		
UWF Paper	336,350,154	304,743,246
Pulp	22,243,723	11,340,577
Tissue	1,166,349	472,231
	359,760,226	**316,556,054**
	1,636,834,437	**1,577,385,207**

* includes energy sales

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

5. Other Operating Income

Other operating income is detailed as follows for the period ended 31 December 2017 and 2016:

AMOUNTS IN EURO

	2017	2016
Supplementary income	1,373,065	3,007,431
Grants - CO_2 Emission allowances (Note 6)	2,388,002	2,967,278
Reversal of impairment losses in current assets (Note 23)	243,781	539,377
Gains on disposals of non-current assets	1,686,738	660,775
Gains on inventories	1,309,311	2,584,513
Government grants	436,948	444,246
Own work capitalised	9,738,928	13,090,649
Insurance compensation	7,572,160	10,749,824
Other operating income	5,277,597	7,475,261
	30,026,530	**41,519,354**

The decrease in “Supplementary income” is mainly due to the sales reduction on the tissue reels for transformation due to the expansion of the production and processing capacity at the Vila Velha de Ródão plant.

The gains with CO_2 licenses correspond to the recognition of the free allocation of licenses for the emission of 495,037 ton of CO_2 at an average price of Euros 5.36 (504,595 ton at 31 December 2016 at the average price of Euros 6, 07).

The decrease verified in “Own work capitalised,” relates essentially to the reduction of the investment in the Mozambique project.

The “insurance compensation” includes the compensation received as result of the turbine generator failure in the Setúbal plant and the Vila Velha de Ródão fire. On 31 December 2016, Navigator Pulp Cacia and Navigator Tissue Ródão received an insurance compensation, related to the failure of the turbine plant at Cacia and the fire in Vila Velha de Ródão. At the balance sheet date, there are no claims for compensation.

6. Operating Expenses

Operating expenses are detailed as follows for the periods ended 31 December 2017 and 2016:

AMOUNTS IN EURO

	2017	2016
Cost of Inventories Sold and Consumed	(652,186,373)	(661,685,701)
Variation in production	(25,301,241)	(2,752,181)
Cost of Services and Materials Consumed	(407,745,075)	(404,494,652)
Payroll costs		
Remunerations		
Statutory bodies - fixed	(4,417,767)	(4,450,572)
Statutory bodies - variable	(3,997,833)	(3,920,667)
Other remunerations	(104,977,756)	(97,711,237)
	(113,393,355)	(106,082,476)
Social charges and other payroll cost		
Pension and retirement bonus - defined benefit plans (Note 27)	(2,172,473)	2,264,335
Pension costs - defined contribution plans (Note 27)	(1,345,265)	(1,314,502)
Contributions to social security	(20,965,177)	(20,290,422)
Other payroll costs	(18,168,556)	(19,090,409)
	(42,651,471)	(38,430,999)
	(156,044,826)	**(144,513,475)**
Other costs and losses		
Membership fees	(892,290)	(624,251)
Losses in inventories	(7,055,746)	(2,165,775)
Impairment losses in receivables (Note 23)	(63,530)	(258,364)
Impairment losses in inventories (Note 23)	(112,924)	(221,812)
Indirect taxes	(3,324,546)	(980,366)
Shipment costs	(4,990,371)	(4,914,584)
Water resources charges	(1,191,968)	(1,043,315)
Cost with CO_2 emissions	(3,316,735)	(3,373,973)
Other operating costs	(4,581,241)	(3,050,898)
	(25,529,350)	**(16,633,337)**
Provisions (Note 28)	(4,084,555)	(420,776)
Total	**(1,270,891,420)**	**(1,230,500,124)**

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

Expenditure on CO_2 emissions corresponds to the emission of 740,247 ton of CO_2 (31 December 2016: 718,215 ton).

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

In 2017, the inventory losses are related with the beginning of pellets production, in which the initial starting problems generate an inventory loss of Euro 3,563,754. Additionally there was an inventory loss of Euro 2,791,786 related to the Mozambique plants.

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

AMOUNTS IN EURO

	2017	2016
Wood / Biomass	232,896,508	232,108,388
Natural gas	54,475,437	53,410,827
Other fuels	15,369,197	17,835,498
Water	1,948,705	1,597,439
Chemicals	141,725,131	140,060,912
Pine Pulp	66,694,762	63,490,051
UWF paper - subcontracts	7,447,261	8,852,469
Warehouse material	60,326,494	69,346,683
Packaging material	69,492,278	72,493,148
Other materials	1,810,601	2,490,284
	652,186,373	**661,685,701**

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

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

For the periods ended 31 December 2017 and 2016, the cost of Services and Material Consumed was detailed as follows:

AMOUNTS IN EURO

	2017	2016
Comunications	2,117,497	1,654,174
Maintenance and repair	32,106,447	26,514,190
Travel and accommodation	5,281,838	5,173,378
Energy and fluids	115,275,763	104,123,947
Fees	6,364,141	5,401,670
Materials	5,438,510	4,283,275
Advertising and marketing	17,299,719	13,026,183
Rentals	17,108,005	15,530,989
Insurance	11,622,352	10,193,290
Subcontrats	3,448,171	3,094,303
Specialised services	71,899,037	97,610,880
Transportation of goods	111,555,475	109,528,535
Other	8,228,119	8,359,839
	407,745,075	**404,494,652**

The increase in energy and fluids results from replacing fuel with natural gas, which cost is linked to Brent, and due to the scheduled maintenances of the natural gas cogeneration plants carried out in the first three months of 2016. The beginning of the pellet production in the USA in the last quarter of 2016 also contributed to this increase.

For the period ended 31 December 2017 and 2016, the costs incurred with investigation and research activities amounted to Euro 4,469,547 and Euro 4,291,700, respectively, in addition to the costs incurred in identifying species of eucalyptus with industrial viability in the areas granted by concession to the Navigator group by the Mozambican Government (Note 2.1.2)

Other payroll costs are detailed as follows for the years ended 31 December 2017 and 2016:

AMOUNTS IN EURO

	2017	2016
Training	1,555,430	1,393,327
Social action	1,020,200	881,678
Insurance	4,138,415	3,287,984
Compensations	6,578,510	9,009,100
Others	4,876,000	4,518,320
	18,168,555	**19,090,409**

7. Remuneration of Statutory Bodies

For the periods ended 31 December 2017 and 2016, this caption includes the fixed remuneration of the members of the statutory bodies and is detailed as follows:

AMOUNTS IN EURO

	2017	2016
Board of directors		
Navigator Company, S.A.	3,388,120	3,147,220
Corporate bodies from other group companies	686,149	948,474
Statutory Auditor (Note 35)	260,659	273,325
Audit Board	70,839	74,554
Shareholder's board	12,000	7,000
	4,417,767	**4,450,572**

For the periods ended 31 December 2017 and 2016 The Navigator Company Group also recognised past services costs related with pensions of two non-executive Board members as detailed in Note 27.

8. Depreciation, Amortisation and Impairment Losses

For the periods ended 31 December 2017 and 2016, depreciation, amortisation and impairment losses, net of the effect of investment grants recognised in the period were as follows:

AMOUNTS IN EURO

	2017	2016
Depreciation of property, plant and equipment		
Land	-	-
Buildings	(11,849,468)	(10,998,048)
Equipments	(127,693,685)	(111,155,024)
Other tangible assets	(5,030,579)	(5,084,649)
	(144,573,731)	**(127,237,721)**
Investment grants	5,909,725	6,336,673
	(138,664,007)	**(120,901,048)**
Impairments		
Mozambique impairments	(6,039,449)	(45,785,163)
Industrial properties and other rights	(444)	-
CO_2 Emission allowances	-	25,088
	(6,039,893)	**(45,760,076)**
	(144,703,899)	**(166,661,123)**

The impairment loss associated with the Mozambique project was recognised following the assessment of the business climate in the country, as disclosed in Note 2.1.2.

9. Changes In Government Grants

The liabilities with government grants evolved as follows:

AMOUNTS IN EURO

	2017			2016		
	FINANCIAL	FISCAL	TOTAL	FINANCIAL	FISCAL	TOTAL
Government Grants						
Opening balance	32,298,019	4,830,880	37,128,899	38,518,758	5,372,680	43,891,438
Utilisation	(5,367,925)	(541,800)	(5,909,725)	(5,794,873)	(541,800)	(6,336,673)
Assignment	-	-	-	-	-	-
(Regularisation) / Increase	106,798	-	106,798	(425,866)	-	(425,866)
Closing Balance (Note 30)	**27,036,892**	**4,289,080**	**31,325,972**	**32,298,019**	**4,830,880**	**37,128,899**

Regarding financial incentives, as at 31 December 2017, The Navigator Company Group holds Euro 25,533,156 (31 December 2016: Euro 31,202,382) as non-current liabilities and Euro 5,792,816 (31 December 2016: Euro 5,926,516) as current liabilities (Note 31). The projected recognition of these grants (through decrease in depreciations) in the results for the year is as follows:

AMOUNTS IN EURO

	FINANCIAL	FISCAL	TOTAL
2018	5,251,016	541,800	5,792,816
2019	5,162,695	541,800	5,704,495
2020	5,028,694	541,800	5,570,494
2021	2,983,684	541,800	3,525,484
Subsequent	8,610,802	2,121,881	10,732,683
	27,036,891	**4,289,081**	**31,325,972**

As communicated to the stakeholders, on 18 June 2014, the Navigator Company Group's subsidiary Navigator Pulp Cacia, S.A. (previously named Celcacia) signed two contracts for financial and tax incentives, with AICEP – Agency for Investment and Foreign Trade of Portugal, to support the investment to increase the production capacity of Cacia pulp mill. The total estimated investment amounts to Euro 49.3 million. The grants already approved amount to Euro 9.264 million as a refundable financial grant, and Euro 5.644 million as a tax grant, to be used until 2024. The contract includes an award of achievement, corresponding to the conversion of up to 75% (Euro 6,947,450) of the refundable incentives granted into non-refundable incentives, by meeting the objectives set by the contract.

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

AMOUNTS IN EURO

	FINANCIAL INCENTIVES	FISCAL 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
	3,876,008	**1,354,500**	**5,230,508**

10. Net Financial Costs

Financial costs are detailed as follows for the periods ended 31 December 2017 and 2016:

AMOUNTS IN EURO

	2017	2016
Interest paid on borrowings	(10,374,291)	(13,986,937)
Early repayment of bond financing	-	(6,046,500)
Interest earned on investments	1,706,696	2,099,076
Exchange rate differences	(3,857,581)	1,344,130
Gains / (losses) on financial instruments - trading (Note 32)	3,771,523	(1,525,965)
Gains / (losses) on financial instruments - hedging (Note 32)	2,810,045	(2,691,337)
Guarantees and bank charges	(3,259,657)	(2,884,707)
Compensatory interest	1,548,599	3,023,725
Other financial income / (expenses)	(42,303)	(127,375)
	(7,696,970)	**(20,795,889)**

Besides the continuous focus of The Navigator Group on reducing the financial costs, the 2016 debt restructuring through the engage of new lines of financing and renegotiating the terms and conditions of the existing debt, continue to be the leverage to the decrease in the financial costs.

11. Income Tax

Income tax is detailed as follows for the periods ended 31 December 2017 and 2016:

AMOUNTS IN EURO

	2017	2016
Current tax (Note 22)	47,755,492	41,728,178
Provision / (reversal) for current tax	(33,732,638)	(27,393,504)
Deferred tax (Note 26)	25,560,673	(21,601,007)
	39,583,528	**(7,266,333)**

As of 31 December 2017, current tax includes Euros 44,820,537 (31 December 2016: Euros 20,046,329) regarding the liability created under the aggregated income tax regime of The Navigator Company S.A. as described in note 1.13.2.

In addition to the provisions presented in Note 28, the income tax provision also includes the excess of the corporate income tax provision, of Euro 7,091,819, related to 31 December 2016.

In 2017, the income taxes include the reversal of several tax provisions, as consequence of the closing of the fiscal inspection process of The Navigator Company Group and favorable court decisions in the amount of Euro 26 million (2016: Euro 23 millions).

In 2016, the income tax also included a positive impact concerning the adoption of the revaluation regime published by DL 66/2016 of November 3, whose net effect amounted to Euro 16,997,004, calculated at the rate of 27.5%.

In the periods ended 31 December 2017 and 2016, the reconciliation of the effective income tax rate was as follows:

AMOUNTS IN EURO

	2017		2016	
Profit before tax		**247,352,665**		**209,563,446**
Expected tax	21.00%	51,944,060	21.00%	44,008,324
Municipal surcharge	1.39%	3,158,091	1.55%	3,246,170
State surcharge	3.88%	8,796,153	4.60%	9,637,518
Differences (a)	(8.36%)	(17,222,957)	(8.30%)	(17,401,251)
Impact of the change in the income tax rate	0.00%	-	(8.11%)	(16,997,004)
Excess tax provision	(3.13%)	(7,091,819)	(7.24%)	(15,166,734)
Tax benefits	0.00%	-	(6.96%)	(14,593,356)
	16.00%	**39,583,528**	**(3.47%)**	**(7,266,332)**

(a) This amount is made up essentially of:

	2017	2016
Capital gains / (losses) for tax purposes	695,719	(31,020,935)
Capital gains / (losses) for accounting purposes	(1,751,789)	(9,080,002)
Taxable provisions	(69,784,846)	1,475,069
Tax benefits	(5,660,453)	(2,394,264)
Effect of pension funds	(363,492)	(7,297,139)
Other	14,235,928	(14,960,005)
	(62,628,934)	(63,277,276)
Tax Effect (27,5%)	**(17,222,957)**	**(17,401,251)**

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

The State budget law for 2017 (Law no 42/2016, of 28 December) stipulates the obligation of the accounting and fiscal periods being coincident.

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

Consequently The Navigator Group changed its fiscal period with effect of 1 of January 2017, to the period between 1 of January and 31 of December.

12. Earnings per Share

Earnings per share were determined as follows:

AMOUNTS IN EURO

	2017	2016
Profit attributable to the Company's shareholders	207,770,604	217,501,437
Total number of issued shares	717,500,000	717,500,000
Treasury shares – period average	(489,973)	(12,989,973)
	717,010,027	**704,510,027**
Basic earnings per share	0.290	0.309
Diluted earnings per share	0.290	0.309

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

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

AMOUNTS IN EURO

	2017		2016	
	QUANTITY	QUANTITY ACCUMULATED	QUANTITY	QUANTITY ACCUMULATED
Treasury shares held on January		489,973		50,489,973
Acquisitions				
January	-	489,973	-	50,489,973
February	-	489,973	-	50,489,973
March	-	489,973	-	50,489,973
April	-	489,973	(50,000,000)	489,973
May	-	489,973	-	489,973
June	-	489,973	-	489,973
July	-	489,973	-	489,973
August	-	489,973	-	489,973
September	-	489,973	-	489,973
October	-	489,973	-	489,973
November	-	489,973	-	489,973
December	-	489,973	-	489,973
Treasury shares held on 31 December		**489,973**		**489,973**
Average treasury shares held for the period		**489,973**		**12,989,973**

13. Non-Controlling Interests

The movements in non-controlling interests are detailed as follows for the years 2017 and 2016:

AMOUNTS IN EURO

	2017	2016
Opening balance	2,272,606	8,622,303
Net profit of the year	(1,467)	(671,658)
Other Changes	(1,850,862)	(5,678,039)
As of 31 December	**420,277**	**2,272,606**

The non-controlling interests included on the board before are detailed as follows for the periods ended 31 December 2017 and 2016:

AMOUNTS IN EURO

	TOTAL EQUITY	
	31-12-2017	31-12-2016
RAIZ - Instituto de Investigação da Floresta e Papel	420,277	210,138
Portucel Moçambique	-	2,062,468
	420,277	**2,272,606**

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

In 2014, the Group celebrated agreements with the IFC – International Finance Corporation aiming to have IFC participating in Portucel Mozambique S.A.'s share capital, in order to ensure the construction phase of the Group's forestry project in Mozambique. In 2015, Portucel Mozambique S.A. carried out a capital increase of Metical 1,000 million to Metical 1,680,798,000, of which IFC subscribed Metical 332,798 million, corresponding to 19.98% of the company's share capital. As IFC has not yet realised the entire counter value in Euros of that capital increase, the unrealised amount has been reclassified to equity of the parent company's shareholders.

The non-controlling interests included on the financial statements are detailed as follows for the periods ended 31 December 2017 and 2016:

AMOUNTS IN EURO

	RESULT	
	2017	2016
Raiz - Instituto de Investigação da Floresta e Papel	(1,467)	(2,445)
Portucel Moçambique	-	(669,213)
	(1,467)	**(671,658)**

14. Appropriation of Previous Year's Profit

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

AMOUNTS IN EURO

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

The resolution for the appropriation of the 2016 net profit approved at The Navigator Company's General Meeting held on 24 May 2017, was based on the net profit for the year as defined by the accounting principles generally accepted in Portugal (Portuguese GAAP). The difference in the net profit between the two standards, totaling Euro 15,872,662 (2015: Euro 37,845,737) was transferred to retained earnings.

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

15. Goodwill

Navigator Paper Figueira, S.A.

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

The Goodwill generated at the acquisition of Navigator Paper Figueira was deemed to be allocable to the integrated paper production in Figueira da Foz Industrial Complex cash generating unit.

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

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

The book value of Goodwill amounts to Euro 376,756,383, as it was amortised up to 31 December 2003 (transition date). As of that date, the accumulated depreciation amounted to Euro 51,375,870. From that date on, depreciation ceased and was replaced by annual impairment tests. If this amortisation had not been interrupted, as of 31 December 2017 the net book value of the Goodwill would amount to Euro 137,002,317 (31 December 2016: Euro 154,127,609).

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

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

	2017	2016
Inflation Rate	2.00%	1.00%
Discount rate (post-tax)	6.84%	6.77%
Production growth	0.00%	0.00%
Perpetuity growth rate	1.00%	1.00%

The discount rate presented above is a post-tax rate equivalent to a pre-tax discount rate of 9.6% (31 December 2016: 9.60%) and has been calculated in accordance with the WACC (Weighted Average Cost of Capital) methodology, based in the following assumptions:

	2017	2016
Risk free interest rate	2.39%	2.59%
Equity risk premium (market and Equity)	5.00%	5.00%
Tax rate	29.50%	29.50%
Debt risk premium	2.89%	3.22%

Navigator Tissue Ródão, S.A.

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

Therefore, for the purpose of preparing the consolidated financial statements for the year ended 31 December 2015, The Navigator Company Group proceeded to the initial consolidation of AMS, acquired by Euro 40,949,794, which at acquisition date, had equity amounting Euro 17,284,378, plus the acquisition of additional paid-in capital for Euro 2,327,500, totaling Euro 19,611,878.

To the initial acquisition difference, Euro 21,337,916, was deducted the AICEP's investment subsidy and the fair value of the acquired tangible assets, which amounts Euro 583,083 Goodwill.

For the purpose of Goodwill allocation, it was deemed allocable to the tissue paper production cash-generating unit in Vila Velha de Ródão Industrial Complex.

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

16. Other Intangible Assets

Over the periods ended 31 December 2017 and 2016, the changes in other intangible assets were as follows:

AMOUNTS IN EURO

	INDUSTRIAL PROPERTY AND OTHER RIGHTS	CO_2 EMISSION LICENSES	TOTAL
Acquisition cost			
Amount as of 1 January 2016	**1,100**	**4,957,007**	**4,958,107**
Acquisitions	3,300	1,499,685	1,502,985
Disposals	-	-	-
Adjustments, transfers and write-off's	-	(2,157,043)	(2,157,043)
Amount as of 31 December 2016	**4,400**	**4,299,649**	**4,304,049**
Perimeter variation	-	-	-
Acquisitions	1,870	1,062,000	1,063,870
Disposals	-	-	-
Adjustments, transfers and write-off's	-	(1,485,824)	(1,485,824)
Amount as of 31 December 2017	**6,270**	**3,875,825**	**3,882,095**
Accumulated depreciation and impairment losses			
Amount as of 1 January 2016	**(1,100)**	**(25,500)**	**(26,600)**
Amortizations and impairment losses	(2,307)	27,395	25,088
Disposals	-	-	-
Adjustments, transfers and write-offs	-	(1,895)	(1,895)
Amount as of 31 December 2017	**(3,407)**	**-**	**(3,407)**
Amortisations and impairment losses	(443)	-	(443)
Disposals	-	-	-
Adjustments, transfers and write-offs	-	-	-
Amount as of 31 December 2017	**(3,850)**	**-**	**(3,850)**
Net book value as of 1 January 2016	**-**	**4,931,507**	**4,931,507**
Net book value as of 31 December 2016	**993**	**4,299,649**	**4,300,642**
Net book value as of 31 December 2017	**2,420**	**3,875,825**	**3,878,245**

On 31 December 2017, The Navigator Group held 561,148 CO_2 licenses with market value as of that date Euro 3,366,888 (31 December 2016: 596516 licenses with market value of Euro 3,847,526).

It also holds contracts for the right to acquire 500,000 CO_2 emission licenses that were signed in 2015, 2016 and 2017, amounting at 31 December 2017 Euro 3,328,500 (31 December 2016: 400,000 licenses with a value of Euro 2,778,500) (Note 32).

17. Property, Plant and Equipment

Over the years ended 31 December 2017 and 2016, changes in Property, plant and equipment, as well as the respective depreciation and impairment losses, were as follows:

AMOUNTS IN EURO

	LAND	BUILDING AND OTHER CONSTRUCTIONS	EQUIPMENTS AND OTHER TANGIBLES	ASSETS UNDER CONSTRUCTION	TOTAL
Acquisition costs					
Amount as of 1 January 2016	**120,573,226**	**521,186,890**	**3,403,601,831**	**77,831,582**	**4,123,193,529**
Acquisitions	1,019,144	1,364,431	11,207,177	129,439,559	143,030,310
Amortisations and impairment losses	(2,960,025)		-	(42,825,138)	(45,785,163)
Disposals	-	(1,975,256)	(6,326,534)	-	(8,301,790)
Adjustments, transfers and write-offs (Note 8)	3,467,767	18,740,863	116,503,719	(135,484,436)	3,227,913
Fair value	-	-	-	-	-
Amount as of 31 December 2016	**122,100,111**	**539,316,927**	**3,524,986,193**	**28,961,567**	**4,215,364,798**
Acquisitions	2,868,315	-	-	111,846,378	114,714,693
Amortisations and impairment losses	(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 (Note 8)	230,302	8,222,743	28,308,733	(34,711,878)	2,049,900
Assets available for sale (Note 30)	(1,609,029)	(28,388,030)	(54,512,455)	(924,392)	(85,433,905)
Amount as of 31 December 2017	**116,037,738**	**518,662,905**	**3,497,214,021**	**104,136,754**	**4,236,051,420**
Accumulated depreciation and impairment losses					
Amount as of 1 January 2016	**(170,652)**	**(345,311,469)**	**(2,456,485,485)**	**-**	**(2,801,967,606)**
Amortisations and impairment losses	-	(10,909,189)	(116,328,532)	-	(127,237,721)
Disposals	-	-	3,946,132	-	3,946,132
Adjustments, transfers and write-offs	-	4,873,328		-	4,873,328
Amount as of 31 December 2016	**(170,652)**	**(351,347,330)**	**(2,568,867,885)**	**-**	**(2,920,385,866)**
Amortisations 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)
Amount as of 31 December 2017	**(170,652)**	**(363,282,522)**	**(2,701,473,194)**	**-**	**(3,064,926,367)**
Net book value as of 1 January 2016	**120,402,574**	**175,875,421**	**947,116,346**	**77,831,582**	**1,321,225,923**
Net book value as of 31 December 2016	**121,929,459**	**187,969,597**	**956,118,307**	**28,961,567**	**1,294,978,932**
Net book value as of 31 December 2017	**115,867,086**	**155,380,383**	**795,740,827**	**104,136,754**	**1,171,125,052**

On 31 December 2017 "Assets under construction" includes investments in projects under development already announced, in particular related with the tissue business segment Euro 32,967,754, with the highlight of the construction, in Cacia, of a Tissue Factory (Euro 2,640,642) and also the tissue operation in Vila Velha de Ródão (Euro 3,327,112).

In the pulp business segment, assets under construction totals Euro 12,508,147, associated with improvements in the productive process.

Assets under construction associated with the paper segment account for Euro 61,036,775, related with investments in the production capacity of pulp in Figueira da Foz (Euro 50,946,757), as well as other investments in productive process improvements.

Land includes Euro 114,746,601, classified in the individual financial statements as investment properties, from which Euro 76,310,837 relate to forest land and Euro 38,435,764 to land allocated to industrial sites leased to the Group.

18. Biological Assets

Over the years ended on 31 December 2017 and 2016, changes in biological assets were as follows:

AMOUNTS IN EURO

	2017	2016
Amount as of 1 January	**125,612,949**	**116,996,927**
Logging in the period	(21,192,882)	(22,637,607)
Growth	12,358,248	15,151,098
New planted areas and replanting (at cost)	2,682,277	2,718,849
Other changes in fair value	9,936,344	13,383,682
	3,783,988	**8,616,022**
Amount as of December	**129,396,936**	**125,612,949**

The amount in "Other changes in fair value" refers to the expenses with the management of forest patrimony planned and incurred in the period, changes in the overall assumptions (wood prices and cost of equity), and changes regarding the expectations according to the expected annual model:

AMOUNTS IN EURO

	31-12-2017	31-12-2016
Costs of assets mangement		
Forestry	3,278,190	3,125,794
Structure	4,451,938	3,336,749
Fixed and variable rents	10,391,180	10,109,370
Mozambique impairment project	-	(3,188,231)
	18,121,308	**13,383,682**
Exchanges on assumptions		
Wood price	(683,000)	174,326
WACC	6,012,590	14,875,853
Variations in other species	5,709,283	(5,548,862)
2017 Forest fires	(6,996,837)	-
Other expected changes	(12,227,000)	(9,501,317)
	(8,184,964)	-
	9,936,344	**13,383,682**

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

AMOUNTS IN EURO

	31-12-2017	31-12-2016
Eucalyptus (Portugal)	115,198,626	116,413,499
Pine (Portugal)	5,136,610	4,570,898
Coark Oak (Portugal)	2,167,541	(2,110,475)
Other Species (Portugal)	225,939	(639,616)
Eucalyptus (Mozambique)	6,668,220	7,378,642
	129,396,936	**125,612,948**

These amounts, based on the expectation of extraction from the respected productions, correspond to management's expectation of the volumes to be extracted from its woodlands as follows:

AMOUNTS IN EURO

	31-12-2017	31-12-2016
Eucalyptus (Portugal) - Potential Future of wood extractions k m3ssc	9,943	11,649
Pine (Portugal) - Potential Future of wood extractions k ton	413	455
Pine (Portugal) - Potential Future of pine extractions cone k ton	n/a	n/a
Coark Oak (Portugal) - Potential Future of coark oak extractions k @	644	615
Eucalyptus (Mozambique) - Potential Future of wood extractions k m3ssc (1)	2,057	1,988

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

Concerning Eucalyptus in Portugal, the most relevant biological asset, for the periods ended 31 December 2017 and 2016 The Navigator Company Group extracted 577,526 m^3ssc and 608,761 m^3ssc of wood from its owned and explored forests, respectively.

19. Other Financial Assets and Investments in Associates

19.1. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

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

20. Inventory

As at 31 December 2017 and 2016, inventory comprised the following:

AMOUNTS IN EURO

	31-12-2017	31-12-2016
Raw materials	115,091,141	115,560,074
Finished and intermediate products	51,094,352	69,496,319
Work in progress	16,721,820	22,869,219
Byproducts and waste	4,888,266	779,849
Goods	16	183,011
	187,795,595	**208,888,472**

As at 31 December 2017 and 2016, inventories of finished and intermediate products were located in the following countries:

AMOUNTS IN EURO

	31-12-2017	31-12-2016
Portugal	35,274,421	45,906,522
USA	8,446,772	19,689,285
Germany	2,329,792	673,332
United Kingdom	1,919,678	1,486,368
Holand	1,761,121	964,530
Mozambique	558,329	390,025
France	417,798	76,338
Spain	277,402	175,023
Italy	89,886	123,012
Switzerland	11,883	11,883
Poland	7,269	-
	51,094,352	**69,496,319**

The amounts shown above are net of impairment losses, in accordance with the policies described in Note 1.14, whose details are presented in Note 23 and include Euro 14,229,243 (31 December 2016: Euro 15,849,738) of inventory whose invoices were already issued, but whose risks and rewards had not yet been transferred to customers. Accordingly, no revenue was recognized in the income statement as of that date.

21. Receivables and Other Current Assets

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

AMOUNTS IN EURO

	31-12-2017	31-12-2016
Accounts receivable	175,579,498	181,828,460
Accounts receivale - group companies (Note 33)	82,306	77,226
Other receivables	34,334,922	28,295,847
Derivative financial instruments (Note 32)	3,644,395	901,050
Accrued income	19,198,044	1,087,929
Deferred costs	4,865,157	3,687,311
	237,704,322	**215,877,823**

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

During 2017, the Navigator group entered into the auto invoicing system from EDP-Serviço Univesal, S.A.'s. Since, at the balance sheet date no invoices related to the auto invoicing system where received, the amount to be invoiced was accrued under the caption of "Receivables and other current assets" as accrued income, which explains the decrease in the receivable balance.

As at 31 December 2017 and 2016, "Other Receivables" were detailed as follows:

AMOUNTS IN EURO

	31-12-2017	31-12-2016
Advances to employees	513,293	654,170
Advances to suppliers	172,466	263,153
Financial incentives receivable	42,105	58,870
Department of Commerce (USA)	29,846,612	26,369,181
Other	3,760,446	950,473
	34,334,922	**28,295,847**

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

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

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

AMOUNTS IN EURO

	2017	2016
Amount as per 1 January	58,870	-
Increase/(decrease)	-	58,870
Assignments	-	-
Received in year	(16,765)	-
Amount as of 31 December 2017	**42,105**	**58,870**

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

AMOUNTS IN EURO

	31-12-2017	31-12-2016
Accrued income		
Interest receivable	1,288,638	-
Energy sales	15,320,310	-
Other	2,589,096	1,087,929
	19,198,044	**1,087,929**
Deferred costs		
Pensions and other post-employments (Note 27)	-	-
Rents	3,604,994	3,157,699
Insurance	1,061,073	483,582
Other	199,090	46,030
	4,865,157	**3,687,311**
	24,063,201	**4,775,240**

22. State and Other Public Entities

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

Balances related with these entities were as follows:

CURRENT ASSETS

AMOUNTS IN EURO

	31-12-2017	31-12-2016
State and other public entities		
Value added tax - refunds requested	59,020,670	49,556,436
Value added tax - to recover	3,335,694	9,824,442
Amounts pending repayment (tax proceedings decided in favor of the group)	12,720,057	10,238,472
	75,076,422	**69,619,349**

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

AMOUNTS IN 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**

Up to the date of issuing this report, Euro 30,185,824 of the amounts to be received as of 31 December 2017, had already been received.

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

AMOUNTS IN EURO

	NOV/2016	DEC/2016	TOTAL
Navigator Fine Paper, S.A.	19,897,644	24,075,341	43,972,985
Bosques do Atlântico, S.L.	-	5,583,451	5,583,451
	19,897,644	**29,658,792**	**49,556,436**

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

CURRENT LIABILITIES

AMOUNTS IN EURO

	31-12-2017	31-12-2016
State and other public entities		
Corporate income tax	7,120,857	42,155,907
Personal income tax - witheld on salaries	2,158,253	3,072,408
Value added tax	30,150,781	31,794,573
Social security	2,525,854	2,447,250
Additional liabilities	1,463,127	1,465,022
Others	152,913	162,901
	43,571,785	**81,098,059**

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 11).

Corporate income tax is detailed as follows:

AMOUNTS IN EURO

	31-12-2017	31-12-2016
Corporate income tax (Note 11)	47,755,492	41,728,178
Payments on account of corporate income tax	(45,087,168)	(950,333)
Withholding Tax	(895,346)	(6,895)
Corporate Income Tax to pay from 1 January 2016 to 30 June 2016	-	(11,058,747)
Corporate income tax - Decreee law no 66/2016 (Reavaluation Regime)	5,235,601	10,471,202
Other receivables / payables	112,278	1,972,502
Final Balance	**7,120,857**	**42,155,907**

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

The changes in the provision for additional tax liabilities during the years ended 31 December 2017 and 2016 were as follows (Note 11):

AMOUNTS IN EURO

	2017	2016
As of 1 January	**1,465,022**	**8,044,968**
Increase	-	1,465,022
Transfers	-	2,676,918
Decrease	(1,895)	(10,721,886)
As of 31 December	**1,463,127**	**1,465,022**

On 31 December 2017 and 2016 the additional tax liabilities are detailed as follows:

AMOUNTS IN EURO

	31-12-2017	31-12-2016
Bosques do Atlântico, SL	1,463,127	1,465,022
	1,463,127	**1,465,022**

23. Impairment of Non-Current and Current Assets

Changes in impairment charges, during the year 2017 and 2016 were as follows:

AMOUNTS IN EURO

	IMPAIRMENTS			
	INVENTORIES (Note 20)	TRADE RECEIVABLES (Note 21)	OTHER RECEIVABLES	TOTAL
Amount as of 1 January 2016	**(141,294)**	**(2,558,647)**	**(1,565)**	**(2,701,507)**
Perimeter Variation	-	-	-	-
Increase (Note 6)	(221,812)	(258,364)	-	(480,176)
Reversal (Note 5)	124,238	415,139	-	539,377
Utilisations	-	6,591	-	6,591
Amount as of 31 December 2016	**(238,868)**	**(2,395,281)**	**(1,565)**	**(2,635,714)**
Perimeter Variation	-	-	-	-
Increase (Note 6)	(112,924)	(63,530)	-	(176,454)
Reversal (Note 5)	225,477	18,304	-	243,781
Utilisations	-	35	104,310	104,345
Amount as of 31 December 2017	**(126,315)**	**(2,440,472)**	**102,745**	**(2,464,042)**

24. Share Capital and Treasury Shares

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

As at 31 December 2017, The Navigator Company's share capital of Euro 500,000,000 was fully subscribed and paid for; it is represented by 717,500,000 shares with no 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, and the changes in the period were as follows:

AMOUNTS IN EURO

	2017		2016	
	QUANT	**VALUE**	**QUANT**	**VALUE**
Treasury shares held in January	**489,973**	**1,002,084**	**50,489,973**	**96,974,466**
Acquisitions				
January	-	-	-	-
February	-	-	-	-
March	-	-	-	-
April	-	-	(50,000,000)	(95,972,382)
May	-	-	-	-
June	-	-	-	-
July	-	-	-	-
August	-	-	-	-
September	-	-	-	-
October	-	-	-	-
November	-	-	-	-
December	-	-	-	-
	-	**-**	**(50,000,000)**	**(95,972,382)**
Treasury shares held in December	**489,973**	**1,002,084**	**489,973**	**1,002,084**

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

The market value of the treasury shares held on 31 December 2017 amounted to Euro 2,083,365 (31 December 2016: Euro 1,599,762), corresponding to a unit value of Euro 4,252 (31 December 2016: Euro 3,265) and the market capitalisation amounted to Euro 3,050,810,000 compared to an equity, net of non-controlling interests, of Euro 1,184,459,371.

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

AMOUNTS IN EURO

	31-12-2017		31-12-2016	
Entity	**NR. OF SHARES**	**% ENTITY**	**NR. OF SHARES**	**% ENTITY**
Seinpar Investments, BV	241,583,015	33.67%	241,583,015	33.67%
Semapa, SGPS, S.A.	256,033,284	35.68%	256,033,284	35.68%
Other Semapa's Group Companies	1,000	0.00%	1,000	0.00%
Zoom Lux S.A.L.R.	15,349,972	2.14%	15,349,972	2.14%
Own shares	489,973	0.07%	489,973	0.00%
BPI bank pension fund	30,412,133	4.24%	30,412,133	4.24%
Norges Bank (the Central Bank of Norway)	15,498,902	2.16%	15,498,902	2.16%
Other Shareholders	158,131,721	22.04%	158,131,721	22.04%
Total	**717,500,000**	**100.00%**	**717,500,000**	**100.00%**

25. Reserves and Retained Earnings

As at 31 December 2017 and 2016, "Reserves and retained earnings" was detailed as follows:

AMOUNTS IN EURO

	31-12-2017	**31-12-2016**
Fair value reserve	(3,020,990)	(7,571,781)
Legal reserve	109,790,475	99,709,036
Other reserves	217,500,000	-
Currency translation reserve	(13,966,898)	(779,369)
Net profit: prior years	167,388,264	205,639,863
	477,690,851	**296,997,749**

Fair value reserve

The fair value reserve of Euro 4,550,791 net of deferred charges of Euro (2,310,833) represents the decrease in the fair value of financial heading instruments as at 31 December 2017 valued at Euro 4,881,689, negatives (Note 32), recorded as described in Note 1.12.

The movements occurred in this reserve in 2017 and 2016 were detailed as follows:

AMOUNTS IN EURO

	2017	2016
Revaluation reserve - fair value		
As of 1 January	(7,571,781)	(1,869,064)
Revaluation at fair value	1,740,747	(3,011,380)
Transfer to the income statement due to the maturity of the instruments (Note 10)	2,810,045	(2,691,337)
As of 31 December	**(3,020,990)**	**(7,571,781)**

The fair value reserve is detailed by financial hedging instrument as followed:

AMOUNTS IN EURO

	31-12-2017			31-12-2016		
	GROSS AMOUNT	DEFERRED TAX	NET VALUE	GROSS AMOUNT	DEFERRED TAX	NET VALUE
Interest rate risk coverage	(2,874,971)	790,617	(2,084,354)	(5,173,797)	1,422,794	(3,751,003)
Exchange rate risk coverage	680,940	(187,258)	493,682	(1,781,060)	489,791	(1,291,269)
Exchange rate risk coverage - Navigator North America	(1,972,852)	542,534	(1,430,318)	(3,488,978)	959,469	(2,529,509)
	(4,166,883)	**1,145,893**	**(3,020,990)**	**(10,443,835)**	**2,872,054**	**(7,571,781)**

Legal Reserves

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

Currency translation reserve

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

AMOUNTS IN EURO

	31-12-2017	31-12-2016
Portucel Soporcel North America (USD)	4,636,173	7,431,577
Navigator Switzerland (CHF)	(735,556)	(52,424)
Navigator Paper Company UK (GBP)	11,663	11,663
Navigator Eurasia (TYR)	799	799
Portucel Soporcel Afrique du Nord (MAD)	395	395
Portucel Soporcel Poland (PLN)	(2,863)	(2,863)
Portucel Moçambique (MZN)	(16,363,010)	(6,189,240)
Colombo Energy (USD)	(1,514,499)	(1,979,276)
	(13,966,898)	**(779,369)**

Other reserves and prior years' retained earnings

On 31 December 2017 and 2016, the reserves available for distribution were detailed as follows:

AMOUNTS IN EURO

	31-12-2017	31-12-2016
Retained earnings: prior years	553,912,508	350,212,955
Equity reserve in respect of treasury shares	(1,002,084)	(1,002,084)
	552,910,424	**349,210,871**
Net profit for the period	204,416,383	201,628,776
Legal reserves	-	(10,081,439)
	204,416,383	**191,547,337**
	757,326,807	**540,758,208**
Legal limitation resulting from the application of the provisions of the Código das Sociedades Comerciais	(186,121,138)	(246,537,987)
Distributable amount	**571,205,669**	**294,220,221**

26. Deferred Taxes

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

AMOUNTS IN EURO

	1 JANUARY 2017	INCOME STATEMENT		EQUITY	31 DECEMBER 2017
		INCREASES	DECREASES		
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 fixed assets	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 - Investment incentives	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 liabilities					
Revaluation of fixed assets	(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 tangible fixed assets	(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)**
Amounts 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)**

	1 JANUARY 2016	INCOME STATEMENT INCREASES	INCOME STATEMENT DECREASES	EQUITY	31 DECEMBER 2016
Temporary differences originating deferred tax assets					
Taxed provisions	257,908	1,118,830	(47,967)	-	1,328,771
Adjustments in fixed assets	99,675,505	32,178,197	(21,059,596)	-	110,794,106
Financial instruments	2,263,058	-	-	6,596,399	8,859,457
Deferred accounting gains on inter-group transactions	25,439,698	5,078,787	(86,153)	-	30,432,332
Valuation of biological assets	1,275,824	-	(1,275,824)	-	-
Government grants - Investment incentives	10,766,964	-	(1,458,893)	-	9,308,071
	139,678,958	**38,375,814**	**(23,928,433)**	**6,596,399**	**160,722,738**
Temporary differences originating deferred tax liabilities					
Revaluation of fixed assets	(6,748,157)	-	6,710,252		(37,905)
Retirement benefits	(2,137,958)	(394)	8,949,104	(6,827,114)	(16,361)
Derivative Financial Instruments at fair value	(234,446)	-	-	89,718	(144,728)
Valuation of biological assets	-	(3,979,927)	-		(3,979,927)
Deferred accounting losses on inter-group transactions	-	(2,652,963)	12,301		(2,640,661)
Government grants	(11,991,792)	(319,179)	10,535,135	505,157	(1,270,679)
Extension of useful lives of tangible fixed assets	(299,964,933)	(9,290,037)	99,674,214		(209,580,756)
	(321,077,287)	**(16,242,499)**	**125,881,007**	**(6,232,239)**	**(217,671,019)**
Amounts recognised in balance sheet					
Deferred tax assets	38,411,713	10,553,349	(6,580,319)	1,814,010	44,198,753
Tax incentives for investment	12,522,612	-	(12,522,612)	-	-
	50,934,325	**10,553,349**	**(19,102,931)**	**1,814,010**	**44,198,753**
Deferred tax liabilities	(88,296,253)	(4,466,687)	34,617,277	(1,713,868)	(59,859,532)
	(88,296,253)	**(4,466,687)**	**34,617,277**	**(1,713,868)**	**(59,859,532)**

In the measurement of the deferred taxes as at 31 December 2016 and 2015, the corporate income tax rate used was 27.50%.

27. Pensions and Other Post-Employment Benefits

27.1. INTRODUCTION

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

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

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

In 2010 and 2013, the Navigator Company Group completed the necessary procedures to convert the defined benefit plans of its subsidiaries The Navigator Company, Navigator Paper Figueira, Navigator Forest Portugal, Empremédia, S.A., RAIZ and Navigator Lusa, to defined contribution plans for the current employees, keeping the acquired benefits of former employees as defined benefit plans. The acquired rights attributable to former employees and retirees in case they leave the company or in case of a job change or retirement remains unchanged.

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

i) Alternative A – Benefit safeguard plan, or;

ii) Alternative B – Pure defined contribution plan.

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

Alternative A – Benefit safeguard plan

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

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

I. **Account 1**: which includes an initial contribution corresponding to the amounts delivered to the pension fund under the previous defined benefit plan, in the amount of the liabilities for past services computed as of 31 December 2013, together with the monthly contributions made by the Company during 2014 to the defined contribution plan; and,

II. **Account 2**: including the future monthly contributions to be made by the Company until the employees complete 25 years of service in Navigator Paper Figueira, amounting to 2% of the pensionable salary.

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

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

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

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

Alternative B – Pure defined contribution plan

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

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

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

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

The Navigator Company Group also holds liabilities related to post-employment defined benefit plans regarding The Navigator Company employees that chose not to accept the conversion to defined contribution plan (13 employees. 31 December 2016: 13 employees), together with former employees, retirees or, when applicable, with granted rights.

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

AMOUNTS IN EURO

	NO BENEFICIARIES	31-12-2017	NO BENEFICIARIES	31-12-2016
Past service liabilities				
- Active Employees	529	57,986,022	570	62,591,075
- Former Employees	125	20,527,177	88	17,035,183
- Retired Employees	492	72,686,537	443	69,251,641
Market value of the pension funds		(146,109,493)		(142,420,782)
	1,146	**5,090,242**	**1,101**	**6,457,116**
Insufficient funds/ overfunding		**5,090,242**		**6,457,116**

The number of active employees that benefit from pension funds on 31 December 2017 is 529 (31 December 2016: 570), from 3,191 total employees (3,111 in 2016), as in 2017 it was negotiated with the labour union of some companies the development of new pension plans whose responsibility is already recognised in the balance sheet.

As at 31 December 2017 the amount of assigned responsibilities to plans for post-employment benefits relating to two members of the Board of The Navigator Company Group amounted to Euro 1,701,096 (2016: Euro 1,669,240).

27.2. ASSUMPTIONS USED IN THE VALUATION OF THE LIABILITIES

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

			REAL OUTCOME	
	31-12-2017	31-12-2016	2017	2016
Disability Table	EKV 80	EKV 80	-	-
Mortality Table	TV 88/90	TV 88/90	-	-
Wage growth rate	1.00%	1.00%	1.00%	1.00%
Technical interest rate	2.00%	2.00%	-	-
Return rate on plan assets	2.00%	2.00%	4.31%	3.74%
Pensions growth rate	0.75%	0.75%	0.75%	0.75%

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

The following table presents the five-year historical information on the present value of liabilities, the market value of the funds, non-financed liabilities and net actuarial gains/(losses). This information from 2013 to 2017 was as follows:

AMOUNTS IN EURO

	2013	2014	2015	2016	2017
Present value of liabilities	65,657,042	70,188,472	139,312,363	148,877,898	151,199,735
Fair value of plan assets	69,558,535	71,666,181	143,067,688	142,420,782	146,109,493
Surplus/(deficit)	3,901,493	1,477,709	3,755,326	(6,457,116)	(5,090,242)

27.3. RETIREMENTS AND PENSION SUPPLEMENTS

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

AMOUNTS IN EURO

	2017	2016
Opening Balance	148,877,898	139,312,363
Changes in assumptions	-	11,025,008
Actuarial gains/(losses) (difference between actual and expected returns)	2,160,640	1,532,870
Curtailment	-	(3,887,640)
Costs recognised in the Income Statement	4,984,116	5,465,321
Pensions paid	(4,822,919)	(4,570,024)
As of 31 December	**151,199,735**	**148,877,898**

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

AMOUNTS IN EURO

	2017	2016
Opening Balance	142,420,782	143,067,688
Changes in assumptions	2,500,000	-
Actuarial gains/(losses) (difference between actual and expected returns)	2,848,036	3,526,622
Curtailment	3,564,578	396,495
Costs recognised in the Income Statement	(4,822,919)	(4,570,024)
Pensions paid	(400,984)	-
As of 31 December	**146,109,493**	**142,420,782**

Also considering assets allocated to defined contribution of Euro 53,279 million, pension fund assets are managed by Schroders (25%), BlackRock (23%), Credit Suisse (24%) and BMO (28%), as detailed below:

AMOUNTS IN EURO

	2017	2016
Defined Benefit:		
Ocidental - Pensions	2,485,748	509,857
Schroders	51,431,292	48,380,746
BlackRock	46,377,470	45,254,916
Account 1 - Credit Suisse	45,814,983	48,275,263
Total Defined Benefit and Account 1	**146,109,493**	**142,420,782**
Defined Contribution:		
Defensive Sub-Fund	8,681,076	9,592,386
Conservative Sub-Fund	25,263,764	26,890,076
Dynamic Sub-Fund	14,498,707	14,673,272
Agressive Sub-Fund	4,835,586	4,739,254
Total Defined Contribution	**53,279,133**	**55,894,988**
	199,388,626	**198,315,770**

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

AMOUNTS IN EURO

	31-12-2017	31-12-2016
Bonds	97,117,383	91,637,090
Shares	44,642,479	31,060,558
Liquidity	2,264,867	19,213,277
Other short-term applications	2,074,821	495,530
Property	9,943	14,327
	146,109,493	**142,420,782**

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

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

AMOUNTS IN EURO

	2017	2016
Defined Benefit Plans		
Current services	2,138,051	2,101,605
Interest expenses	2,846,064	3,363,715
Return of the plan assets	(2,848,036)	(3,526,622)
Remission	36,394	(3,887,640)
Other	-	(315,394)
	2,172,474	**(2,264,335)**
Defined Contribution Plans		
Contribution to the plan	1,345,265	1,314,502
	1,345,265	**1,314,502**
Costs for the period	**3,517,739**	**(949,833)**

Costs with current services include Euro 47,586, related to two non-executive Board members (2016: Euro 34,231).

28. Provisions

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

AMOUNTS IN EURO

	LEGAL CLAIMS	TAX CLAIMS	OTHER	TOTAL
As of 1 January 2016	**2,626,049**	**56,214,594**	**364,951**	**59,205,593**
Increases (Note 6)	1,853,060	1,118,830	-	2,971,890
Reversals (Note 6)	(2,551,114)	-	-	(2,551,114)
Transfers	372,350	(28,584,960)	(364,951)	(28,577,561)
As of 31 December 2016	**2,300,344**	**28,748,464**	**-**	**31,048,808**
Increases (Note 6)	1,887,990	649,264	1,547,301	4,084,555
Reversals (Note 6)	-	-	-	-
Transfers	(29,177)	(15,567,540)	-	(15,596,717)
As of 31 December 2017	**4,159,157**	**13,830,188**	**1,547,301**	**19,536,646**

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

29. Interest-Bearing Liabilities and Other

29.1 INTEREST-BEARING LIABILITIES

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

31/12/2017

	AVAILABLE AMOUNT	OUTSTANDING AMOUNT
Bond Loans		
Portucel 2015-2023	200,000,000	200,000,000
Portucel 2016-2021	100,000,000	100,000,000
Portucel 2016-2021	45,000,000	45,000,000
Commissions		(1,703,383)
European Bank of Investment		
Loan BEI Ambiente A	9,285,714	9,285,714
Loan BEI Ambiente B	11,666,666	11,666,666
Loan BEI Energia	49,583,333	49,583,333
Loan BEI Cacia	25,000,000	25,000,000
Commercial Paper Program		
Commercial Paper Program 125M	125,000,000	125,000,000
Commercial Paper Program 70M	70,000,000	70,000,000
Commercial Paper Program 50M	50,000,000	50,000,000
Commercial Paper Program 75M	25,000,000	25,000,000
Commercial Paper Program 50M	75,000,000	-
Commercial Paper Program 100M	100,000,000	-
Commissions		(515,766)
Financing		
Short term financing 50M	50,000,000	50,000,000
Short term financing 50M	50,000,000	50,000,000
Bank Lines		
Short term line 20M	20,450,714	-
Short term line USD	10,000,000	5,503,210
Reimbursable grants		
Reimbursable grants	-	4,237,695
		818,057,471

31/12/2016

	AVAILABLE AMOUNT	OUTSTANDING AMOUNT
Bond Loans		
Portucel 2015-2023	200,000,000	200,000,000
Portucel 2016-2021	100,000,000	100,000,000
Portucel 2016-2021	45,000,000	45,000,000
Commissions		(2,109,198)
European Bank of Investment		
Loan BEI Ambiente A	18,571,429	18,571,429
Loan BEI Ambiente B	15,000,000	15,000,000
Loan BEI Energia	56,666,667	56,666,667
Loan BEI Cacia	25,000,000	25,000,000
Commercial Paper Program		
Commercial Paper Program 125M	125,000,000	125,000,000
Commercial Paper Program 70M	70,000,000	70,000,000
Commercial Paper Program 50M	50,000,000	50,000,000
Commercial Paper Program 75M	75,000,000	-
Commercial Paper Program 50M	50,000,000	-
Commercial Paper Program 100M	100,000,000	-
Commissions		(560,476)
Bank Lines		
Short term line 20M	20,450,714	-
Reimbursable grants		
Reimbursable grants	-	5,692,866
		708,261,286

AMOUNTS IN EURO

MATURITY	INTEREST RATE	CURRENT	NON-CURRENT
September 2013	Variable rate indexed to euribor	-	200,000,000
April 2021	Flat rate	-	100,000,000
August 2021	Variable rate indexed to euribor	-	45,000,000
			(1,703,383)
December 2018	Variable rate indexed to euribor	9,285,714	-
June 2021	Variable rate indexed to euribor	3,333,333	8,333,333
December 2024	Variable rate indexed to euribor	7,083,333	42,500,000
May 2028	Flat rate	-	25,000,000
May 2020	Variable rate indexed to euribor	-	125,000,000
April 2021	Flat rate	-	70,000,000
June 2020	Variable rate indexed to euribor	-	50,000,000
December 2018	Variable rate indexed to euribor	25,000,000	-
July 2020	Variable rate indexed to euribor	-	-
March 2020	Variable rate indexed to euribor	-	-
			(515,766)
February 2018	Variable rate indexed to euribor	50,000,000	-
April 2018	Variable rate indexed to euribor	50,000,000	-
		-	-
		5,503,210	
			4,237,695
		150,205,591	**667,851,880**

AMOUNTS IN EURO

MATURITY	INTEREST RATE	CURRENT	NON-CURRENT
September 2023	Variable rate indexed to euribor	-	200,000,000
May 2021	Flat rate	-	100,000,000
August 2021	Variable rate indexed to euribor	-	45,000,000
			(2,109,198)
December 2018	Variable rate indexed to euribor	9,285,714	9,285,714
June 2021	Variable rate indexed to euribor	3,333,333	11,666,667
December 2024	Variable rate indexed to euribor	7,083,333	49,583,333
May 2028	Flat rate	-	25,000,000
May 2020	Variable rate indexed to euribor	-	125,000,000
May 2021	Flat rate	-	70,000,000
November 2017	Variable rate indexed to euribor	50,000,000	-
July 2020	Variable rate indexed to euribor	-	-
July 2020	Variable rate indexed to euribor	-	-
March 2020	Variable rate indexed to euribor	-	-
			(560,476)
		-	-
			5,692,866
		69,702,381	**638,558,905**

In 2017 The Navigator Company has finalized a thorough process of debt restructuring, begun in 2015. The restructuring was based on the following pillars: a) Extension of maturities, which at the end of the period was 3.6 years, with a repayment profile totally in line with the Group's investment plan, and therefore no significant need to refinance in the medium term; b) Maintenance of adequate liquidity levels through the contracting of paper programs whose placement is guaranteed by banks in the long term and which amounted to € 225 M at the end of the period, of which € 175 M were issued or to be backed up to financing short term contracts under very competitive conditions; c) Management of interest rate risk through the issuance of fixed rate debt and swap contracts, debt represented at fixed rate at the end of the period, 64% of total debt; d) Cost optimisation, through refinancing on more advantageous terms of the debt repaid and, as of June 2017, the placement of short-term issues of Commercial Paper, on an auction basis. The placements have been a success, allowing to optimise the average cost of debt. At the end of the year two new short-term loans were raised, with the lowest interest rates ever; e) Diversification of financing sources through the contracting of loans with a wide and diversified set of banks, including international banks and the European Investment Bank, and by maintaining the company's rating, which allows it to access international markets at any time.

The Navigator Group maintains a robust financial profile, as shown by the Group's long-term rating "BB" and "Ba2" from the rating agencies S&P and Moody's, respectively, both revealing a "stable" perspective.

On 31 December 2017, the average cost of debt, considering interest rate, annual fees and hedging operations, was 1.59% (31 December 2016: 1.72%).

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

AMOUNTS IN EURO

	31-12-2017	31-12-2016
Non-current		
1 to 2 years	12,337,297	19,702,382
2 to 3 years	191,421,157	11,805,556
3 to 4 years	227,007,018	138,194,445
4 to 5 years	9,861,111	232,220,643
More than 5 years	229,444,444	239,305,554
	670,071,028	**641,228,580**
Commissions	(2,219,148)	(2,669,675)
	667,851,880	**638,558,905**

On 31 December 2017 The Navigator Company Group had commercial paper programs and credit lines available but not used of Euro 195,450,714 (31 December 2016: Euro 245,450,714).

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

AMOUNTS IN EURO

	31-12-2017	31-12-2016
Interest-bearing liabilities		
Non-current	667,851,880	638,558,905
Current	150,205,591	69,702,381
	818,057,471	**708,261,286**
Cash and cash equivalents		
Cash	81,795	82,184
Short term bank deposits	71,125,699	15,536,694
Other	54,123,542	51,922,710
	125,331,036	**67,541,588**
Interest-bearing net debt	**692,726,434**	**640,719,698**

The reconciliation of the current interest-bearing liabilities to the statement of cash flows is as follows:

AMOUNTS IN EURO

	31-12-2017	31-12-2016
As of 1 January	708,261,286	727,149,343
Borrowings - outflows	(44,702,381)	(310,319,027)
Borrowings - inflows	155,503,210	290,000,000
Grants	(1,455,171)	(694,850)
Variation of charges on the issuance of loans	450,527	2,125,820
Variation of interest-bearing liabilities	**109,796,185**	**(18,888,057)**
Interest-bearing liabilities as of 31 December	**818,057,471**	**708,261,286**

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. On 31 December 2017, "Other" included an amount of Euro 54,123,542 related with the investment in a portfolio of bonds from issuers with adequate rating.

The fair value of the bond loans, taking into account 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 Navigator Company Group's net debt in the periods ended 31 December 2017 and 2016 was as follows:

AMOUNTS IN EURO

	2017	2016
As of 1 January	640,719,698	654,491,758
Expenses with the issue of bond loans	2,219,148	2,669,675
Interest paid	12,174,374	24,515,881
Interest received	(2,131,516)	(4,906,212)
Dividends paid and reserves distributed	250,007,056	170,004,583
Receipts related to investment activities	-	(4,438,520)
Payments related to investment activities	98,863,395	81,185,277
Accumulated exchange rate diferences	2,779,418	10,761,295
Net receipts of operating activities	(311,905,139)	(293,564,039)
Liquid debt variation	**52,006,737**	**(13,772,060)**
As of 31 December	**692,726,435**	**640,719,698**

Also, the movements in The Navigator Company Group's net debt in 31 December 2017 and 2016 was as follows:

AMOUNTS IN EURO

	31-12-2017	31-12-2016
Net profit for the year	207,769,137	216,829,779
Depreciation, amortisation and impairment losses	144,703,899	166,661,123
Net changes in provisions	4,084,555	420,776
	356,557,592	**383,911,678**
Change in working capital	(40,841,549)	(25,681,944)
Net changes of tangible fixed assets	(106,283,481)	(140,866,057)
Dividens paid and reserves distributed	(250,007,056)	(170,004,583)
Net changes in post-employment benefits	1,366,874	(9,700,020)
Other changes in equity	(11,189,401)	(22,140,651)
Expenses with the issue of bond loans	450,526	2,125,819
Other	(2,060,242)	(3,872,182)
Change in net debt (Free Cash Flow)	**(52,006,737)**	**13,772,060**

29.2 OTHER LIABILITIES

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

AMOUNTS IN EURO

	31-12-2017	31-12-2016
Non-current		
Grants	25,466,139	31,202,382
Equipment	-	2,098,759
	25,466,139	**33,301,140**

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

Finance leases – IFRIC 4

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

AMOUNTS IN EURO

	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**

	31-12-2016		
	ACQUISITION VALUE	ACCUMULATED DEPRECIATION	NET BOOK VALUE
Equipment - Omya	14,000,000	(10,972,973)	3,027,027
	14,000,000	**(10,972,973)**	**3,027,027**

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

AMOUNTS IN EURO

	31-12-2017	31-12-2016
Non-current		
Equipments	-	2,098,759
Current (Note 31)	2,213,644	1,771,221
	2,213,644	**3,869,980**

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

30. Non-Current Assets Held of 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.

At this date, the sale completion was subject to the verification of certain conditions and regulatory authorisations previous disclosure on the agreement and usual in this type of transactions.

As a result, in the Consolidated statement of financial position at 31 December 2017, the referred assets are identified as "Non-current assets held for sale" and are composed as follows:

AMOUNTS IN EURO

	31-12-2017
Tangible fixed assets	85,433,905
Inventories	803,143
	86,237,049

31. Payables and Other Current Liabilities

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

AMOUNTS IN EURO

	31-12-2017	31-12-2016
Accounts payable to suppliers	154,369,800	145,702,873
Accounts payable to fixed assets suppliers	5,115,782	13,929,955
Accounts payable to fixed assets suppliers - leases (Note 29)	2,213,644	1,771,221
Accounts payable - Related parties (Note 32)	71,753	1,281,101
Derivative financial instruments (Note 31)	3,256,492	7,726,140
Other creditors - CO_2 emissions	4,420,178	4,816,632
Sales Commissions	138,682	245,291
Tax Consolidation (Semapa)	7,429,319	7,296,382
Other creditors	2,475,273	1,268,749
Accrued costs	68,782,625	65,409,507
Deferred income	11,236,298	6,383,433
	259,509,848	**255,831,284**

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

AMOUNTS IN EURO

	31-12-2017	31-12-2016
Accrued costs		
Payroll expenses - Annual Performance Bonus	17,414,930	14,884,168
Payroll expenses - Other	22,670,683	22,125,937
Supplier bonus	2,687,393	3,308,196
Interest Payable	7,761,518	9,938,927
Water resources rate	2,011,427	1,442,101
Rents responsibility	6,716,206	4,060,388
Expenses with transportation of goods	2,848,250	3,235,630
Other	6,672,218	6,414,158
	68,782,625	**65,409,506**
Deferred income		
Government grants (Note 9)	5,859,834	5,926,517
Grants - CO_2 emission licenses	261,097	(28,650)
Other	1,190,564	485,566
Other deferred Income - ISP	3,924,802	-
	11,236,298	**6,383,433**

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

AMOUNTS IN EURO

	31-12-2017	31-12-2016
AICEP investment contracts (Note 9)		
The Navigator Company, S.A.	10,132	-
Enerpulp, S.A.	7,197,936	8,746,163
Navigator Pulp Cacia, S.A.	12,798,599	15,102,403
Navigator Pulp Setúbal, S.A.	694,637	897,543
Navigator Pulp Figueira, S.A.	7,849,708	9,308,451
Navigator Parques Industriais, S.A.	2,107,066	2,166,423
Navigator Paper Figueira, S.A.	137,250	276,120
	30,795,328	**36,497,102**
Other		
Raiz	60,506	9,933
Viveiros Aliança, SA	470,139	621,863
	530,645	**631,796**
	31,325,972	**37,128,899**

During 2017 and 2016, the movements in Grants – CO_2 emissions were as follows:

AMOUNTS IN EURO

	2017	2016
Grants - CO_2 emissions		
Opening balance	-	-
Increase	2,388,002	2,967,278
Utilisation	(2,388,002)	(2,967,278)
Closing balance December	**-**	**-**

This amount regards the CO_2 emission allowances granted for free to several Navigator Company Group companies (2017: 495,037 and 2016: 504,595).

32. Financial Assets and Liabilities

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

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

AMOUNTS IN EURO

	FINANCIAL INSTRUMENTS--TRADING Note 32.2	FINANCIAL INSTRUMENTS--HEDGING NOTE 32.3	LOANS AND RECEIVABLES Note 32.4	FINANCIAL ASSETS HELD--FOR-SALE NOTE 19	OTHER INTEREST--BEARING LIABILITIES NOTE 32.5	NON FINANCIAL ASSETS/ LIABILITIES
31-12-2017						
Assets						
Financial assets held-for-sale	-	-	-	424,428	-	-
Other non-current assets	-	-	-	-	-	-
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 entities	-	-	-	-	-	43,571,785
Current payables	-	3,256,492	-	-	176,234,432	80,018,923
Total liabilities	**-**	**3,256,492**	**-**	**-**	**1,019,758,043**	**231,241,112**
31-12-2016						
Assets						
Financial assets held-for-sale	-	-	-	260,486	-	-
Other non-current assets	-	-	-	-	-	-
Cash and cash equivalents	-	-	67,541,588	-	-	-
Current receivables	-	901,050	214,976,773	-	-	278,507,821
Total assets	**-**	**901,050**	**282,518,361**	**260,486**	**-**	**278,507,821**
Liabilities						
Non-current interest-bearing liabilities	-	-	-	-	638,558,905	-
Other liabilities	-	-	-	-	33,301,140	97,365,457
Current interest-bearing liabilities	-	-	-	-	69,702,381	
State entities	-	-	-	-	-	81,098,059
Current payables	1,943,402	5,782,739	-	-	176,312,203	71,792,940
Total liabilities	**1,943,402**	**5,782,739**	**-**	**-**	**917,874,629**	**250,256,456**

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

32.1 FAIR VALUE HIERARCHY

The following table presents The Navigator Company Group's assets and liabilities measured at fair value at 31 December 2017, 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.

AMOUNTS IN EURO

	31-12-2017	LEVEL 1	LEVEL 2	LEVEL 3
Financial assets at fair value through profit or loss				
Derivative financial instruments - trading	1,828,121	-	1,828,121	-
Rate hedging instruments	1,816,274	-	1,816,274	-
Assets measured at fair value				
Biological assets	129,396,936	-	-	129,396,936
	133,041,331	**-**	**3,644,395**	**129,396,936**

AMOUNTS IN EURO

	31-12-2017	LEVEL 1	LEVEL 2	LEVEL 3
Financial liabilities at fair value through profit or loss				
Derivative financial instruments - trading	-	-	-	-
Rate hedging instruments	(3,256,492)	-	(3,256,492)	-
	(3,256,492)	**-**	**(3,256,492)**	**-**

32.2 FINANCIAL INSTRUMENTS HELD FOR TRADING

As at 31 December 2017 and 2016, the fair value of derivative financial instruments (Note 1.12) was as follows:

AMOUNTS IN EURO

		31-12-2017				31-12-2016
		NOTIONAL	POSITIVE	NEGATIVE	NET	NET
Negociation						
CO_2 emissions	EUR	2,146,000	-	-	-	-
Anti-Dumping Forward	USD	21,500,000	1,149,981	-	1,149,981	-
Foreign Exchange Forwards	USD	64,050,000	669,733	-	669,733	(1,778,650)
Foreign Exchange Forwards	GBP	12,800,000	8,407	-	8,407	(164,752)
		100,496,000	**1,828,121**	**-**	**1,828,121**	**(1,943,402)**

The Navigator Company Group has a currency exposure on sales invoiced in foreign currencies, namely US dollars (USD) and pounds sterling (GBP). As The Navigator Company 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 Company is also obliged, albeit to a lesser degree, to make certain payments in those same currencies which, for currency exposure purposes, act as a natural hedge. Thus, the hedge is aimed at safeguarding the net value of items in the statement of financial position denominated in foreign currencies against the respective currency fluctuations.

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

The net fair value of trading instruments – forwards – as at 31 December 2017 is Euro 1,828,121 (31 December 2016: Euro 1,943,402).

In addition to the acquisitions made in 2015 and 2016 of 400,000 CO_2 emission licenses for delivery in 2018-2019, a supplementary acquisition of 100,000 CO_2 licenses was also made in 2017, also for delivery in 2020.

32.3 DERIVATIVE FINANCIAL INSTRUMENTS DESIGNATED AS HEDGING INSTRUMENTS

As at 31 December 2017 and 2016, the fair value of derivative financial instruments designated as hedging instruments (Note 1.12) was as follows:

AMOUNTS IN EURO

			31-12-2017			31-12-2016
	CURRRENCY	NOTIONAL	POSITIVE	NEGATIVE	NET	NET
Trading						
Foreign Exchange Forwards (net investment)	USD	25,050,000	114,914	-	114,914	(249,275)
Foreign Exchange Forwards (future sales)	USD	132,250,000	1,701,360	-	1,701,360	901,050
Interest rate swap for comercial Paper issued	EUR	125,000,000	-	(746,982)	(746,982)	(976,674)
Swaps used to hedge the exposure to changes in the interest rate	EUR	200,000,000	-	(250,9510)	(2,509,510)	(4,556,790)
			1,816,274	**(3,256,492)**	**(1,440,218)**	**(4,881,689)**

Net investment

The Navigator Company Group hedges the economic risk associated with exposure to the exchange rate of its participation in Navigator North America. To this end, The Navigator Company Group has entered into a foreign exchange forward maturing in May 2018, with a notional outstanding of USD 25,050,000.

This instrument is designated as a hedging of the investment in the North America subsidiary of The Navigator Company Group, with fair value changes recognised in comprehensive income. As at 31 December 2017, the fair value reserve associated with this coverage was Euro (1,430,318) (31 December 2016: Euro (2,529,509)) (Note 25).

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 2017, The Navigator Company Group contracted a number of financial structures to cover a portion of the net foreign exchange exposure of estimated sales in USD for 2018. The derivative financial instruments in force since 1 January 2017 were Options and Zero Cost Collar, in a total amount of USD 120,000,000, which matured on 31 December 2018. As of 2018, the financial instruments were reinforced through the additional contracting of USD 176,000,000 through Options and Zero Cost Collar and GBP 46,000,000 through Options with maturity until January and February 2019, respectively.

Cash Flow Hedge – Interest Rate

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

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

32.4 CREDIT 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 21, 23 and 29).

32.5 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 29 and 30).

32.6 NET GAINS ON FINANCIAL ASSETS AND LIABILITIES

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

AMOUNTS IN EURO

	31-12-2017	31-12-2016
Gain / (loss) on loans and receivables	(3,857,581)	1,344,130
Gains / (losses) on financial instruments - hedging	2,810,045	(2,691,337)
Gains / (losses) on financial instruments - trading	3,771,523	(1,525,965)
Interest Income:		
From deposits and other receivables	1,706,696	2,385,702
Interest expense:		
Financial liabilities measured at amortised cost	(10,374,291)	(20,033,437)
Other	(1,753,362)	(274,982)
	(7,696,970)	**(20,795,889)**

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

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

AMOUNTS IN EURO

	CHANGE IN FAIR VALUE (TRADING)	CHANGE IN FAIR VALUE (HEDGING)	TOTAL
Amount as of 1 January 2016	**(359,770)**	**1,414,365**	**1,054,596**
Maturity (Note 10)	(1,525,965)	(2,691,337)	(4,217,302)
Increase/decrease in fair value	(57,667)	(3,604,717)	(3,662,384)
Amount as of 1 January 2017	**(1,943,402)**	**(4,881,689)**	**(6,825,091)**
Maturity (Note 10)	3,771,523	2,810,045	6,581,567
Increase/decrease in fair value	-	631,426	631,426
Amount as of 31 December 2017	**1,828,121**	**(1,440,218)**	**387,902**

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

		NOMINAL VALUE	MATURITY	TYPE	31-12-2017 FAIR VALUE	31-12-2016 FAIR VALUE
Exchange rate forwards	USD	64,050,000	16/Mai/18	Held for trading	669,733	(1,778,650)
	GBP	12,800,000	10/Mai/18	Held for trading	8,407	(164,752)
Future purchase of CO_2 emission licences	EUR	2,146,000	16/Mar/20	Held for trading	-	-
Anti-dumping operation	USD	21,500,000	31/Out/18	Held for trading	1,149,981	-
					1,828,121	**(1,943,402)**
Foreign Exchange forwards - Net Equity	USD	25,050,000	29/Mai/18	Hedging Instruments	114,914	(249,275)
Hedging for future sales	USD	132,250,000	31/Dez/18	Hedging Instruments	1,701,360	901,050
Interest rate swap for comercial paper issued	EUR	125,000,000	26/Mai/20	Hedging Instruments	(746,982)	(976,674)
Interest rate swap for loans	EUR	200,000,000	22/Set/23	Hedging Instruments	(2,509,510)	(4,556,790)
					(1,440,218)	**(4,881,689)**
					387,902	**(6,825,091)**

33. Balances and Transactions With Related Parties

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

AMOUNTS IN EURO

	31-12-2017			31-12-2016		
	ASSETS	LIABILITIES		ASSETS	LIABILITIES	
	CUSTOMERS	PAYABLES	OTHER CREDITORS (FISCAL CONSOLIDATION)	CUSTOMERS	PAYABLES	OTHER CREDITORS (FISCAL CONSOLIDATION)
Semapa - Soc. De Investimento e Gestão, SGPS, S.A.	-	(33)	7,429,319	-	909,341	7,294,350
Secil - Companhia Geral Cal e Cimento, S.A.	27,650	298	-	10,455	370,019	-
Secil Britas, S.A.	-	10,125	-	-	8731	-
Enermontijo, S.A.	54,656	12,551	-	66,771	6708	-
Enerpar, SGPS, Lda.	-	21,598	-	-	-	-
Cimilonga - Imobiliária, S.A.	-	27,216	-	-	(13,700)	-
Refundos - Soc. Gestora de Fundos de Inv. Imobiliário, S.A.	-	-	-	-	-	-
	82,306	**71,753**	**7,429,319**	**77,226**	**1,281,099**	**7,294,350**

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

AMOUNTS IN EURO

	2017			2016	
	SALES AND SERVICES RENDERED	**PURCHASES**	**CONSUMED MATERIALS AND SERVICES**	**SALES AND SERVICES RENDERED**	**CONSUMED MATERIALS AND SERVICES**
Semapa - Soc. De Investimento e Gestão, SGPS, S.A.	-	-	7,731,493	571	7,936,562
Secil - Companhia Geral Cal e Cimento, S.A.	83,537	301,000	1,290	74,500	1,438
Secil Britas, S.A.	-	-	37,559	-	46,695
Enermontijo, S.A.	218,205	-	102,499	642,063	305,461
Enerpar, SGPS, Lda.	-	-	222,120	-	310,749
Cimilonga - Imobiliária, S.A.	-	-	279,559	-	271,605
Refundos - Soc. Gestora de Fundos de Inv. Imobiliário, S.A.	-	-	384,057	-	-
	301,743	**301,000**	**8,758,578**	**717,134**	**8,872,510**

On 1 February 2013, a contract to render administrative and management services was signed between Semapa – Sociedade de Investimentos e Gestão, SGPS, S.A. and The Navigator Company 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 The Navigator Group companies.

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

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

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

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

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

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

34. Environmental Related Expenditure

Environmental costs

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

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

The expenditure capitalised and expensed in the periods ended 31 December 2017 and 2016 was as follows:

AMOUNTS CAPITALIZED IN THE PERIOD

AMOUNTS IN EURO

Environmental Aspect 2017	ENVIRONMENTAL IMPACT				TOTAL
	CONSUMPTION REDUCTION	CONTROL AND MONITORING	END OF LINE	PREVENTION	
Atmospheric emissions	-	-	-	18,233	18,233
Energy	67,573	-	-	246,183	313,756
Liquid effluents	-	-	8,280	-	8,280
Solid waste	-	-	-	-	-
Water	-	29,225	-	89,000	118,225
Others	-	-	-	737,914	737,914
	67,573	**29,225**	**8,280**	**1,091,330**	**1,196,408**

Environmental Aspect 2016	ENVIRONMENTAL IMPACT				TOTAL
	CONSUMPTION REDUCTION	CONTROL AND MONITORING	END OF LINE	PREVENTION	
Atmospheric emissions	-	137,000	223,022	74,699	434,721
Energy	1,671,731	-	-	10,260	1,681,991
Liquid effluents	-	29,677	27,300	36,177	93,154
Solid residues	-	-	-	-	-
Water	12,711	-	-	-	12,711
Others	6,072	13,000	40,000	-	59,072
	1,690,514	**179,677**	**290,322**	**121,136**	**2,281,649**

EXPENSES AFFECTING NET INCOME FOR THE PERIOD

AMOUNTS IN EURO

Environmental Aspect 2017	COST ORIGIN						TOTAL
	CERTIFICATION AND LICENSES	ENVIRONMENTAL TAXES	CONTROL AND MONITORING	OPERATION	MAINTENANCE	PAYROLL COSTS	
Atmospheric emissions	928,733	-	-	-	507,692	-	1,436,425
Energy	-	-	-	-	-	-	-
Liquid effluents	-	-	-	9,282,890	2,760,798	-	12,043,689
Solid residues	-	-	-	110,830	-	-	110,830
Water	-	-	-	310,027	-	-	310,027
Others	-	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**

Environmental Aspect 2016	COST ORIGIN						TOTAL
	CERTIFICATION AND LICENSES	ENVIRONMENTAL TAXES	CONTROL AND MONITORING	OPERATION	MAINTENANCE	PAYROLL COSTS	
Atmospheric emissions	448,554	1,305	126,975	2,673,356	716,372	-	3,966,562
Energy	10,811	-	-	-	-	-	10,811
Liquid effluents	-	772,138	285,947	7,109,034	1,795,332	-	9,962,451
Solid residues	-	123,153	114,022	4,098,234	263,457	-	4,598,866
Water	150	747,582	18,154	247,045	15,813	-	1,028,744
Others	93,860	26,785	72,112	10,514	108,876	3,251,894	3,564,041
	553,375	**1,670,963**	**617,210**	**14,138,183**	**2,899,850**	**3,251,894**	**23,131,475**

35. Audit Fees

In the years ended 31 December 2017 and 2016, expenses with statutory audits, other audit services and tax advisory services, were as follows:

AMOUNTS IN EURO

	2017	2016
Statutory auditors services		
Statutory audit services	260,659	273,325
Audit of foreign subsidiaries	74,180	75,300
Tax advisory services		
Portugal	-	5,500
Foreign subsidiaries	9,010	45,578
Other assurance services	18,080	66,320
Other services	17,289	51,717
	379,218	**517,740**

Tax advisory services mostly relate to tax compliance services and were rendered under the transition period disclosed in article 3 of Law 140/2015.

Other assurance services regard the analysis of management information systems, specialised support regarding the Group's sustainability report as well as reports needed to certify non recoverable receivables.

Other services are related to advice provided regarding the monitoring of incentive applications, also under the transition period disclosed in article 3 of Law 140/2015, and trainings.

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

36. Number of Employees

As at 31 December 2017 the number of employees working for The Navigator Company Group Companies was 3,191 (31 December 2016: 3,111), and were distributed by business segment as follows:

As at 31 December 2017

	MARKET PULP	UWF PAPER	TISSUE PAPER	OTHER	TOTAL
Industrial / Forest site					
Setúbal	-	915	-	248	1,163
Cacia	229	-	19	79	327
Figueira da Foz	-	865	-	131	996
Vila Velha de Ródão	-	-	206	-	206
Lisboa	3	33	5	128	169
Greenwood	-	-	-	77	77
Mozambique	-	-	-	163	163
	232	**1,813**	**230**	**826**	**3,101**
Commercial companies					
Europe	7	68	9	-	84
America	-	9	-	-	9
Overseas	-	3	-	-	3
	7	80	9	-	96
	239	**1,893**	**239**	**826**	**3,197**

As at 31 December 2016

	MARKET PULP	UWF PAPER	TISSUE PAPER	OTHER	TOTAL
Industrial / Forest site					
Setúbal	-	915	-	235	1,208
Cacia	232	-	2	62	296
Figueira da Foz	-	883	-	79	962
Vila Velha de Ródão	-	-	190	-	190
Greenwood	-	-	-	67	67
Mozambique	-	-	-	258	258
	232	**1,856**	**192**	**701**	**2,981**
Commercial companies					
Europe	5	115	-	-	120
America	-	9	-	-	9
Overseas	-	1	-	-	1
	5	125	-	-	130
	237	**1,981**	**192**	**701**	**3,111**

37. Commitments

37.1 COMMITMENTS IN FAVOR OF THIRD-PARTIES

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

AMOUNTS IN EURO

	12/31/2017	12/31/2016
2013 corporate income tax	26,022,893	-
IAPMEI	5,209,320	5,209,320
Customs clearence	1,835,250	2,868,454
Spanish state tax agency	1,033,204	1,033,204
Simria	338,829	338,829
Other	781,139	677,601
	35,220,636	**10,127,408**

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

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

37.2 PURCHASE COMMITMENTS

In addition to the commitments described in the preceding Note, purchase commitments assumed with suppliers at 31 December 2017 amounted to Euro 106,987,184 and referred to capital expenditure on Property, plant and equipment. In 31 December 2016 these commitments amounted to Euro 75,321,090.

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

AMOUNTS IN EURO

	12/31/2017	12/31/2016
Settlement date		
2017	-	1,676,818
2018	1,928,848	1,296,734
2019	1,603,868	911,759
2020	1,077,787	431,452
2021	603,254	59,830
2022	138,413	5,541
Later	50,077	2,002
	5,402,246	**4,384,136**

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

AMOUNTS IN EURO

	12/31/2017	12/31/2016
2017	-	4,068,372
2018	3,965,857	3,757,512
2019	3,818,115	3,600,680
2020	3,502,754	3,282,701
2021	3,318,277	3,112,802
2022	3,119,248	2,899,869
Later	35,774,462	32,820,346
	53,498,715	**53,542,281**

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 responsibility by FRDP 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 computed as a result of the operations carried out 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:

AMOUNTS IN EURO

	PERIOD	REQUESTED AMOUNTS	1ST REFUND	DECREASE DUE TO RERD	PROCESSES DECIDED IN FAVOUR OF THE GROUP	EXTRA--JUDICIAL AGREEMENT OF 13 DECEMBER 2017	OUTSTANDING
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)	-
Corporate Income Tax (Withheld)	2004	3,324	-	-	-	-	3,324
IRC	2004	766,395	-	-	(139,023)	-	627,372
Stamp duty	2004	497,669	-	-	(497,669)	-	-
Corporate Income Tax (Withheld)	2005	1,736	(1,736)	-	-	-	-
Expenses		314,957	-	-	-	-	314,957
		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**

38.1.2 TAXES PAID IN LITIGATION

At 31 December 2017 and 2016, the additional tax assessments that are paid and disputed by The Navigator Company Group, not recognised in the Company's assets, are summarised as follows:

AMOUNTS IN EURO

	2017	2016
VAT 2003	2,509,101	2,509,101
Aggregate corporate income tax 2005	10,394,386	10,394,386
Aggregate corporate income tax 2006	8,150,146	8,150,146
Aggregate corporate income tax 2010 - Settlement Result	-	4,984,425
Aggregate corporate income tax 2011 - Settlement Result	-	6,647,918
Aggregate corporate income tax 2012	-	4,422,958
	21,053,633	**37,108,934**

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 Setlement 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 privatisation that had not been considered in formulating the price of its privatisation 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 The 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.

38.2.2 INFRASTRUCTURE ENHACEMENT AND MAINTENANCE FEE

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

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

38.2.3 TAX AND FINANCIAL INCENTIVES

The Group applied for tax and financial incentives related to investments in progress in Cacia and Figueira da Foz. The commitments obtained are tax benefits, respectively of 11.5 million Euros and 14.2 million Euros, a repayable loan with zero interest rate of 42.2 million Euros for Cacia and a loan of 5.8 million Euros, with a non-repayable maximum paid-in prize of 3.5 million Euros for Figueira da Foz.

39. Exchanges Rates

The assets and liabilities of the foreign subsidiaries and associated companies expressed in a functional currency other than Euro were translated to Euro at the exchange rate prevailing on 31 December 2017. The income statement transactions were translated at the average rate for the period. The differences arising from the use of these rates compared with the balance prior to the conversion were reflected under the Currency translation reserve in shareholders' equity.

The rates used at 2017 and 2016, against the Euro, were as follows:

	2017	2016	VALUATION / (DEPRECIATION)
GBP (Sterling Pound)			
Average exchange rate for the year	0.876	0.823	-6.49%
Exchange rate at the end of the year	0.887	0.856	-3.63%
USD (American Dollar)			
Average exchange rate for the year	1.129	1.104	-2.26%
Exchange rate at the end of the year	1.199	1.054	-13.77%
PLN (Polish Zloti)			
Average exchange rate for the year	4.257	4.365	2.47%
Exchange rate at the end of the year	4.177	4.410	5.29%
SEK (Swedish Krona)			
Average exchange rate for the year	9.635	9.492	-1.51%
Exchange rate at the end of the year	9.844	9.553	-3.05%
CZK (Czech Koruna)			
Average exchange rate for the year	26.331	27.034	2.60%
Exchange rate at the end of the year	25.535	27.021	5.50%
CHF (Swiss Franc)			
Average exchange rate for the year	1.111	1.089	-2.04%
Exchange rate at the end of the year	1.170	1.074	-8.97%
DKK (Danish Krone)			
Average exchange rate for the year	7.439	7.445	0.08%
Exchange rate at the end of the year	7.445	7.434	-0.14%
HUF (Hungarian Florim)			
Average exchange rate for the year	309.246	311.332	0.67%
Exchange rate at the end of the year	310.330	309.830	-0.16%
AUD (Australian Dollar)			
Average exchange rate for the year	1.473	1.484	0.73%
Exchange rate at the end of the year	1.535	1.460	-5.14%
MZM (Mozambique Metical)			
Average exchange rate for the year	72.199	70.131	-2.95%
Exchange rate at the end of the year	71.480	75.130	4.86%
MAD (Moroccan Dirham)			
Average exchange rate for the year	10.963	10.869	-0.86%
Exchange rate at the end of the year	11.221	10.616	-5.70%
NOK (Norway Kroner)			
Average exchange rate for the year	9.329	9.280	-0.53%
Exchange rate at the end of the year	9.840	9.086	-8.30%
MXN (Mexican Peso)			
Average exchange rate for the year	21.329	20.667	-3.20%
Exchange rate at the end of the year	23.661	21.772	-8.68%
ZAR (South African Rand)			
Average exchange rate for the year	15.044	16.173	6.98%
Exchange rate at the end of the year	14.805	14.457	-2.41%
TRY (Turkish Lira)			
Average exchange rate for the year	4.119	3.360	-22.60%
Exchange rate at the end of the year	**4.546**	**3.707**	**-22.64%**

40. Companies Included in the Consolidation

COMPANY	HEAD OFFICE	SHARE EQUITY OWNED DIRECTLY	INDIRECTLY	TOTAL
Parent-Company:				
The Navigator Company, S. A.	Setúbal	-	-	-
Subsidiaries:				
Navigator Paper Figueira, S.A.	Figueira da Foz	100.00	-	100.00
Navigator Parques Industriais, S.A.	Setúbal	100.00	-	100.00
Navigator Products & Tecnology, S.A.	Setúbal	100.00	-	100.00
Enerpulp – Cogeração Energética de Pasta, S.A.	Setúbal	100.00	-	100.00
Navigator Pulp Figueira, S.A.	Figueira da Foz	100.00	-	100.00
Navigator Pulp Setúbal, S.A.	Setúbal	100.00	-	100.00
Navigator Pulp Cacia, S.A.	Aveiro	100.00	-	100.00
Navigator International GmbH	Germany	100.00	-	100.00
About Balance - SGPS, S.A.	Lisboa	100.00	-	100.00
Navigator Tissue Cacia, S.A.	Aveiro	-	100.00	100.00
Navigator Tissue Rodão, SA	Vila Velha de Ródão	-	100.00	100.00
Navigator Internacional Holding SGPS, S.A.	Setúbal	100.00	-	100.00
Portucel Moçambique - Sociedade de Desenvolvimento Florestal e Industrial, Lda	Mozambique	20.05	60.15	80.20
Colombo Energy Inc.	EUA	25.00	75.00	100.00
Portucel Finance, Zoo	Poland	25.00	75.00	100.00
Navigator Floresta, SGPS, S.A.	Setúbal	100.00	-	100.00
Raiz - Instituto de Investigação da Floresta e Papel	Aveiro	-	97.00	97.00
Navigator Forest Portugal, S.A.	Setúbal	100.00	-	100.00
Sociedade de Vinhos da Herdade de Espirra – Produção e Comercialização de Vinhos, S.A.	Setúbal	-	100.00	100.00
Gavião - Sociedade de Caça e Turismo, S.A.	Setúbal		100.00	100.00
Afocelca – Agrupamento complementar de empresas para protecção contra incêndios, ACE	Portugal	-	64.80	64.80
Viveiros Aliança - Empresa Produtora de Plantas, S.A.	Palmela	-	100.00	100.00
Atlantic Forests, S.A.	Setúbal	-	100.00	100.00
Bosques do Atlântico, SL	Spain	-	100.00	100.00
Navigator Paper Holding, SGPS, S.A.	Setúbal	100.00	-	100.00
Navigator Fine Paper, S.A.	Setúbal	-	100.00	100.00
About the Future - Empresa Produtora de Papel, S.A.	Setúbal	-	100.00	100.00
Navigator Paper Setúbal, S.A.	Setúbal	-	100.00	100.00
Navigator North America Inc.	USA	-	100.00	100.00
Navigator Sales & Marketing, S.A.	Belgium	25.00	75,00	100.00
Navigator Africa, SRL	Italy	-	100.00	100.00
Navigator Participações Holding, SGPS, S.A.	Setúbal	100.00	-	100.00
Portucel Florestal, S.A.	Setúbal	-	100.00	100.00
Arboser – Serviços Agro-Industriais, S.A.	Setúbal	-	100.00	100.00
EMA21 - Engenharia e Manutenção Industrial Século XXI, S.A.	Setúbal	-	100.00	100.00
Ema Cacia - Engenharia e Manutenção Industrial, ACE	Aveiro	-	95.00	95.00
Ema Setúbal - Engenharia e Manutenção Industrial, ACE	Setúbal	-	89.91	89.91
Ema Figueira da Foz- Engenharia e Manutenção Industrial, ACE	Figueira da Foz	-	90.72	90.72
Empremédia - Corretores de Seguros, S.A.	Lisboa	-	100.00	100.00
EucaliptusLand, S.A.	Setúbal	-	100.00	100.00
Headbox - Operação e Contolo Industrial, S.A.	Setúbal	-	100.00	100.00
Navigator Added Value, S.A.	Setúbal	-	100.00	100.00
Navigator Switzerland Ltd.	Switzerland	25.00	75.00	100.00
Navigator Afrique du Nord	Morocco	-	100.00	100.00
Navigator España, S.A.	Spain	-	100.00	100.00
Navigator Netherlands, BV	Netherlands	-	100.00	100.00
Navigator France, EURL	France	-	100.00	100.00
Navigator Paper Company UK, Ltd	United Kingdom	-	100.00	100.00
Navigator Italia, SRL	Italy	-	100.00	100.00
Navigator Deutschland, GmbH	Germany	-	100.00	100.00
Navigator Paper Austria, GmbH	Austria	-	100.00	100.00
Navigator Paper Poland SP Z o o	Poland	-	100.00	100.00
Navigator Eurasia	Turkey	-	100.00	100.00
Navigator Rus Company, LLC	Russia	-	100.00	100.00
Navigator Paper Mexico	Mexico	-	100.00	100.00
Navigator Abastecimento de Madeira, ACE	Setúbal	97.00	3.00	100.00

41. Subsequent Events

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

BOARD OF DIRECTORS

Pedro Mendonça de Queiroz Pereira
Chairman

Diogo António Rodrigues da Silveira
Vice Chairman

Luis Alberto Caldeira Deslandes
Vice Chairman

João Nuno de Sottomayor Pinto de Castello Branco
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
Board Member

Manuel Soares Ferreira Regalado
Board Member

Paulo Miguel Garcês Ventura
Board Member

José Miguel Pereira Gens Paredes
Board Member

Ricardo Miguel dos Santos Pacheco Pires
Board Member

Vitor Manuel Galvão Rocha Novais Gonçalves
Board Member

12.

REPORTS AND OPINIONS OF AUDIT BODIES AND STATUTORY AUDITOR

Eucalyptyus trees in flower on the Company's estate are a mecca for bees and a boon for bee-keepers

Statutory Audit Report and Auditors' Report

(Free translation from the original in Portuguese)

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of The Navigator Company, S.A. (the Group), which comprise the consolidated statement of financial position as at 31 December 2017 (which shows total assets of Euro 2,439,135,296 and total shareholders' equity of Euro 1,184,879,648 including a net profit of Euro 207,770,604), the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly in all material respects, the consolidated financial position of The Navigator Company, S.A. as at 31 December 2017, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section below. In accordance with the law we are independent of the entities that are included in the Group and we have fulfilled our other ethical responsibilities in accordance with the ethics code of the Institute of Statutory Auditors.

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 judgement, 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.

We considered the matters below as key audit matters to be communicated in this report.

PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda.
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Inscrita na lista das Sociedades de Revisores Oficiais de Contas sob o nº 183 e na CMVM sob o nº 20161485

Key Audit Matter	*Summary of the Audit Approach*
Ability to recover the amounts booked as Goodwill *Disclosures related to goodwill are presented in notes 1.6, 3.1 and 15 to the consolidated financial statements.* As of 31 December 2017, goodwill recognized in the consolidated financial statements of the Navigator Group amounts to Euro 377.3 million, of which Euro 376.8 million allocated to the cash generating unit (CGU) related to the integrated production of paper in the industrial site of Figueira da Foz. Goodwill is tested on an annual basis for impairment and more frequently if events or changes in circumstances indicate a potential impairment. The carrying amount of the cash-generating unit is compared with the recoverable amount, which is the higher between the value in use and the fair value less costs to sell. As at December 31, 2017, the Group has determined the recoverable amount of its cash generating units (CGU) through the value in use. Given the amounts involved, the complexity of the valuation model and the high level of judgment, which are embodied in the assumptions used for the impairment test, this issue was considered to be a relevant matter for the purposes of our audit. In order to determine the value in use, the Management needs to makes use of several estimates and assumptions that are based on economic and market forecasts, in particular with regard to the projection of future cash flows, perpetuity growth rates and discount rates to be used. As a result of the impairment test, no impairment losses to Goodwill were booked concerning the mentioned cash-generating unit.	The audit procedures we developed included, among others, assessing the adequacy of the impairment model used by Management and the embodied calculations, assessing the reasonableness of the assumptions used and reconciling future cash flows used in the impairment test to the business plan approved by the Group's Executive Board of Directors. We have used the expertise of our Capital Markets specialists to assist us in validating the assumptions and methodologies used in the annual impairment test. We have challenged the management regarding the adequacy of the most sensitive assumptions in determining the value in use, namely the revenue growth, EBITDA margin, discount rate and perpetuity growth rate. We have assessed the discount rate and the perpetuity growth rate, using comparable information available in the market. We have also performed, when applicable, sensitivity analyses for the main assumptions in order to determine the level of variations, which, individually or in aggregate, could lead to impairment losses in Goodwill. We have also reviewed the adequacy of the related disclosures, namely the ones regarding estimates and assumptions with higher sensitivity to the calculation of the value in use, based on the applicable accounting standards and in what we considered relevant.

Key Audit Matter	*Summary of the Audit Approach*
Ability to recover the amounts booked as tangible fixed assets *Disclosures related to tangible fixed assets are presented in notes 1.8, 2.1.2, 3.2, 4, 8 and 17 to the consolidated financial statements.* As of 31 December 2017, the amount booked as tangible fixed assets in the consolidated financial statements of the Navigator Group amounts to Euro 1,171 million. Tangible fixed assets are shown at cost, less accumulated depreciation and impairment losses. The assets subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. 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 recoverable amount is the higher of the net sale price and its value in use. Given the amounts involved together with the degree of judgment embodied in assessing the ability to recover the amounts booked as tangible fixed assets, which require the definition of estimates and complex assumptions by the Management, namely when determining the Group's CGU's value in use for impairment purposes, this issue was considered to be a relevant matter for the purposes of our audit.	Our audit procedures included, among others, assessing the adequacy of the financial model and the reasonableness of the assumptions used in determining the value in use of the tangible fixed assets, as well as assessing the adequacy of the calculations embedded in the impairment models related to the Navigator Group CGU's, under the terms of IAS 36 - Impairment of assets. The current political and economic situation in Mozambique does not benefit the country risk assessment, giving rise to a greater need to reassess the valuation of investments made in this location. In this context, the safety margin between the carrying amount and the recoverable amount of the investment has been narrowing. For this reason, our audit procedures particularly focused the assets of this geography. As a result of the impairment tests performed during the current year to the Group's tangible fixed assets related to investment in Mozambique, an additional impairment loss of Euro 6 million was booked, reaching a accumulated impairment total of Euro 51.8 million as at 31 December 2017. The adequacy of the disclosures presented in the Consolidated Financial Statements regarding tangible fixed assets was also assessed, based on the applicable accounting standards and in what we considered relevant.

Key Audit Matter	*Summary of the Audit Approach*
Fair value of biological assets *Disclosures related to biological assets are presented in notes 1.11, 3.5 and 18 to the consolidated financial statements.* As of 31 December 2017, biological assets recognized in the Group's consolidated financial statements, mainly eucalyptus, amount to Euro 129.4 million, of which Euro 122.7 million in Portugal and Euro 6.7 million in Mozambique. Biological assets are measured at fair value, less estimated costs to sell at the time of harvesting. Given the amounts involved and the high level of judgment, which are embodied in the assumptions used for the internally developed model used to determine the fair value of the biological assets, this issue was considered to be a relevant matter for the purposes of our audit. In order to determine the value in use, the Management needs to makes use of several estimates and assumptions that are based on economic and market forecasts, particularly concerning forest productivity, wood sales price deducted from the cost of cutting, rental cost of rented and own lands, transportation costs, plantation and maintenance costs and discount rate.	Our audit procedures included, among others, assessing the adequacy of the internally developed model, namely the reasonableness of the assumptions used and the calculations embodied in the model used to determine the fair value of biological assets, and its compliance with IAS 41 - Agriculture. We have challenged the Management regarding the adequacy of the most sensitive assumptions in determining the fair value of biological assets, namely the sales price and the several costs incorporated in the model, as well as the rate used to discount the cash flows. In addition, we performed specific procedures aiming at validating the reasonableness of these assumptions. We have used the expertise of our Capital Markets specialists to evaluate the reasonableness of the discount rate and have performed procedures to validate the historical information used to build the spot and trend prices incorporated in the model. We also compared estimated information to actual figures, namely regarding to costs of structure, transportation, operating and rental, having also evaluated the consistency of the forestry models when compared to previous periods. For the purposes of validating the forest areas managed by the Group, we obtained forest inventory independent reports and evaluated them in accordance with ISA 620 – Using the work of an auditor's expert. We also performed sensitivity analyzes in order to assess the potential impacts on fair value resulting from changes in price and discount rate. We also reviewed the adequacy of the disclosures presented in the financial statements, namely regarding the estimates and assumptions incorporated in the model, based on the applicable accounting standards and in what we considered relevant.

Key Audit Matter	*Summary of the Audit Approach*
Tax matters *Disclosures related to taxes and provisions are presented in notes 1.14, 1.21, 1.29, 3.3, 11, 22, 28, 37 and 38 of the consolidated financial statements.* The size and structure of the Navigator Group and the dispersion of its operating activity across several locations that are subject to different tax frameworks, increases the complexity of recording taxes in the Group's financial statements. Based on the opinion expressed by its legal and tax advisors and on the judgment made by the Management regarding tax matters, which may give rise to possible disagreements with the Tax Authorities, liabilities are recognized or contingent liabilities disclosed in the consolidated financial statements, in accordance with IAS 37 - Provisions , Contingent Liabilities and Contingent Assets. In addition, there are tax matters disclosed by the Group as contingent assets in light of the mentioned accounting standard, which are pending decision by external entities. Given the complexity and the degree of judgment inherent to these tax matters, as well as the level of uncertainty associated with the respective outcome, this issue was considered to be a relevant matter for the purposes of our audit.	As of 31 December 2017, provisions related to tax matters presented in the consolidated financial statements of the Navigator Group amounts to Euro 14 million. Considering the developments occurred during 2017, an income tax gain amounting to approximately Euro 16 million relating to these provisions was booked. In addition, contingent assets and liabilities related to tax matters amounting to Euro 46 and 21 million, respectively, were disclosed. Our audit procedures regarding provisions and tax contingencies included, among others, updating our understanding of the procedures adopted by the Group for the purpose of identifying and evaluating tax contingencies, identifying all the situations that may give rise to a tax contingency at the date of financial reporting and understand their nature and evaluating the information included in the opinions of the Group's legal and tax advisors as well as the communications between the Group and the Tax Authorities. We also challenged Management and those responsible for the legal and tax areas on the estimates, judgments and decisions made in order to assess the adequacy of the categorization of the probabilities of outcome of tax matters in light of IAS 37. We also verified the adequacy of the disclosures presented in the Consolidated Financial Statements, based on the applicable accounting standards and what we considered relevant.

Responsibilities of management and supervisory board for the consolidated financial statements

Management is responsible for:

a) the preparation of the consolidated financial statements, which present fairly the financial position, the financial performance and the cash flows of the Group in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union;

b) the preparation of the Directors' Report, including the Corporate governance Report, in accordance with the applicable law and regulations;

c) the creation and maintenance of an appropriate system of internal control to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;

d) the adoption of appropriate accounting policies and criteria;

e) the assessment of the Group's ability to continue as a going concern, disclosing, as applicable, events or conditions that may cast significant doubt on the Group's ability to continue its activities.

The supervisory board is responsible for overseeing the process of preparation and disclosure of the Group's financial information.

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 misstatement, whether due to fraud or error, and to issue an auditor's 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 scepticism throughout the audit. We also:

a) 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;

b) 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;

c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

d) 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 auditor's report to the related disclosures in the 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

e) 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;

f) 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;

g) communicate with those charged with governance, including the supervisory board, 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;

h) of the matters we have communicated to those charged with governance, including the supervisory board, we determine which one's were the most important in the audit of the consolidated financial statements of the current year, these being the key audit matters. We describe these matters in our report, except when the law or regulation prohibits their public disclosure;

i) confirm to the supervisory board that we comply with the relevant ethical requirements regarding independence and communicate all relationships and other matters that may be perceived as threats to our independence and, where applicable, the respective safeguards.

Our responsibility also includes verifying that the information included in the Directors' report is consistent with the consolidated financial statements and the verification set forth in paragraphs 4 and 5 of article No. 451 of the Portuguese Company Law.

Report on other legal and regulatory requirements

Director's report

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law, it is our understanding that the Director's report has been prepared in accordance with applicable requirements of the law and regulation, that the information included in the Directors' report is consistent with the audited consolidated financial statements and, taking into account the knowledge and assessment about the Group, no material misstatements were identified.

Non-financial information set forth in article No. 508-G of the Portuguese Company Law

In compliance with paragraph 6 of article No. 451 of the Portuguese Company Law, we hereby inform that the entity stated in its Director's report that it will prepare a separate report of the Director's report that will include the non-financial information set forth in article No. 66-B of the Portuguese Company Law, which should be published on its website until the legal deadline.

Corporate governance report

In compliance with paragraph 4 of article No. 451 of the Portuguese Company Law, it is our understanding that the Corporate governance report includes the information required under article No. 245-A of the Portuguese Securities Market Code, that no material misstatements were identified in the information disclosed in this report and that it complies with paragraphs c), d), f), h), i) and m) of that article.

Additional information required in article No. 10 of the Regulation (EU) 537/2014

In accordance with article No. 10 of Regulation (EU) 537/2014 of the European Parliament and of the Council, of April 16, 2014, and in addition to the key audit matters referred to above, we also provide the following information:

a) We were first appointed auditors of The Navigator Company, S.A. in the Shareholders' General Meeting of 17 April 2006 for the year of 2006, having remained in functions until the current period. Our last appointment was in the Shareholders' General Meeting of 29 April 2015 for the period from 2015 to 2018;

b) The management has confirmed to us it has no knowledge of any allegation of fraud or suspicions of fraud with material effect in the financial statements. We have maintained professional scepticism throughout the audit and determined overall responses to address the risk of material misstatement due to fraud in the consolidated financial statements. Based on the work performed, we have not identified any material misstatement in the consolidated financial statements due to fraud;

c) We confirm that our audit opinion is consistent with the additional report that was prepared by us and issued to the Group's supervisory board as of 17 April 2018;

d) We declare that we did not provide any prohibited non-audit services referred to in paragraph 8 of article No. 77 of the by-laws of the Institute of Statutory Auditors ("Estatutos da Ordem dos Revisores Oficiais de Contas") and that we remain independent of the Group in conducting our audit.

17 April 2018

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
represented by:

Jorge Manuel Santos Costa, R.O.C.

REPORT AND OPINION OF THE AUDIT BOARD

CONSOLIDATED ACCOUNTS

Financial year of 2017

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 2017 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 2017.

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, PricewaterhouseCoopers & 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 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:

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, PricewaterhouseCoopers & Associados, SROC, Lda.

Lisbon, 24 April 2018

The Audit Board

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Miguel Camargo de Sousa Eiró

Members:
Gonçalo Nuno Palha Gaio Picão Caldeira
José Manuel Oliveira Vitorino

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