

# INTERIM REPORT FOR THE FIRST 9 MONTHS OF **2016**

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

**Headquarters:** Mitrena Apartado 55,  
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**Corporate Entity:** 503 025 798  
**Share Capital:** €717 500 000  
Registered at the Commercial  
Register of Setúbal



THE  
**NAVIGATOR**  
COMPANY

**DIRECTORS' REPORT**

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**Highlights: First 9 months of 2016 (vs. 9 Months 2015)**

- Positive operating performance, with growing sales volumes for paper (up 2%), pulp (up 9%) and tissue (up 27%), counteracting negative trends in pulp and paper prices
- Turnover hit by drop in power sales due to application of new tariffs and consequent switch to self-consumption as previously announced (cutting € 51.2 million from turnover)
- Group again records record paper sales in volume and value, at 1,156 thousand tons and € 890 million
- EBITDA up 2.6% to € 301.5 million, and EBITDA/Sales margin improves to 26.1%
- Growth in Free Cash Flow, which stood at € 101.1 million at the end of September
- Restructured debt permits significant improvement in financial results
- Net debt evolves as expected with Net Debt/EBITDA ratio kept within comfortable levels
- Pellets Mill starts up in US, moving to continuous operation

**Highlights 3<sup>rd</sup> Quarter 2016 (vs. Q2 2016 )**

- Sales total € 376.8 million (down 4.4%), reflecting slowdown in paper business
- Quarterly EBITDA of € 106.2 million (up 4.4%)
- Free Cash Flow improves in the quarter, with growth in working capital
- Groups cuts net debt by € 70 million and improves Net Debt / Ebitda ratio to 1.8
- New measures in M2 cost reduction programme
- 3<sup>rd</sup> Sustainability Forum devoted to Forestry Certification
- Navigator Group co-chairs Forest Solutions Group, global WBCSD platform for strategic collaboration to promote sustainable forestry management
- Navigator Brand: top preference of European consumers, leading the Brand Equity Index, and regarded as the office paper brand offering the most value to users.

1. SUMMARY OF LEADING INDICATORS – IFRS (unaudited figures)

in million euros	9M 2016	9M 2015	% Change <sup>(5)</sup> 9M 16/ 9M 15
<b>Total sales</b>	<b>1 155,4</b>	<b>1 204,3</b>	<b>-4,1%</b>
<b>EBITDA<sup>(1)</sup></b>	<b>301,5</b>	<b>294,0</b>	<b>2,6%</b>
<b>Operating profits</b>	178,0	207,7	-14,3%
<b>Financial results</b>	- 16,6	- 44,9	-63,0%
<b>Net earnings</b>	<b>134,3</b>	<b>141,9</b>	<b>-5,4%</b>
<b>Cash flow</b>	257,8	228,2	29,6
<b>Free Cash Flow<sup>(2)</sup></b>	101,1	18,4	82,7
<b>Capex<sup>(6)</sup></b>	100,6	154,1	-53,5
<b>Net debt<sup>(3)</sup></b>	<b>723,4</b>	<b>587,1</b>	<b>136,3</b>
<b>EBITDA / Sales (%)</b>	<b>26,1%</b>	<b>24,4%</b>	<b>1,7 pp</b>
<b>ROS</b>	11,6%	11,8%	-0,2 pp
<b>ROE</b>	15,1%	13,9%	1,2 pp
<b>ROCE</b>	12,7%	15,4%	-2,7 pp
<b>Equity ratio</b>	47,6%	51,5%	-3,9 pp
<b>Net Debt / EBITDA<sup>(4)</sup></b>	1,82	1,53	1,2
in million euros	Q3 2016	Q2 2016	% Change <sup>(5)</sup> Q3 16/Q2 16
<b>Total sales</b>	<b>376.8</b>	<b>394.0</b>	<b>-4.4%</b>
<b>EBITDA<sup>(1)</sup></b>	<b>106.2</b>	<b>101.8</b>	<b>4.4%</b>
<b>Operating profits</b>	70.1	51.5	36.1%
<b>Financial results</b>	- 3.2	- 10.7	-70.6%
<b>Net earnings</b>	<b>48.8</b>	<b>40.7</b>	<b>19.8%</b>
<b>Cash flow</b>	84.9	91.0	0.9
<b>Free Cash Flow<sup>(2)</sup></b>	69.7	13.3	56.5
<b>Capex</b>	25.3	26.3	-0.9
<b>Net debt<sup>(3)</sup></b>	723.4	793.2	- 69.7
<b>EBITDA / Sales (%)</b>	<b>28.2%</b>	<b>25.8%</b>	<b>2.4 pp</b>
<b>ROS</b>	13.0%	10.3%	2.6 pp
<b>ROE</b>	17.1%	13.7%	3.4 pp
<b>ROCE</b>	14.8%	10.8%	4.0 pp
<b>Equity ratio</b>	47.6%	46.2%	1.4 pp
<b>Net Debt / EBITDA<sup>(4)</sup></b>	1.82	1.98	0.9

1) Operating profits + depreciation + provisions

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

(3) Interest-bearing net debt – liquid assets

(4) EBITDA corresponding to last 12 months

(5) Variation in figures not rounded up/down

(6) 2015 investment figures include € 41 million for purchase of AMS

## 2. ANALYSIS OF RESULTS

### 9 Months 2016 vs. 9 Months 2015

The Navigator Company recorded turnover of € 1,155.4 million, as compared to € 1,204.3 million in the first nine months of 2015. The drop in the overall value of sales was due essentially to a reduction in power sales, after review of the tariff paid by the national grid for electricity from the natural gas co-generation plant in Figueira da Foz. In paper business, the Group again achieved strong sales, with UWF at a new record of 1,155.5 thousand tons. Good performance was also recorded in volumes of pulp and tissue.

Despite a significant reduction in capacity in the European paper industry, which permitted an improvement in the capacity utilization rate of 1pp, conditions in the UWF market gradually worsened over the course of 2016, with a reduction in apparent consumption estimated at around 4% while total imports into the European market climbed by over 25%. Paper imports from Asia increased significantly, in particular in office papers, triggering an overall downwards adjustment in prices. In this difficult environment, Navigator achieved UWF sales of 1,155.5 thousand tons, up by 2.2% in relation to the first nine months of 2015, setting a new record in terms of volume. The Group increased its European sales at the same time as achieving significant growth in sales to international markets. The European A4 copy-B price index performed well (up 1.4%), and Navigator's average price for Europe was in line with the previous year. However, the Group's average price for all markets was down on the previous year due essentially to a less favorable mix in formats. In value, paper sales totalled € 890 million, a new record for the period.

Conditions in the BEKP pulp market remained tough throughout the first nine months of 2016 and benchmark prices for hardwood pulp (PIX – BHKP) were down at the end of September by 15% in euros and 18% in USD. Navigator nonetheless recorded strong operating performance: the volume of pulp placed on the market stood at around 201 thousand tons, up by around 9%, thanks to the capacity expansion at the Cacia mill, which has resulted in increased availability of pulp for the market. The slump in the pulp market was also reflected in the Group's average sale price, and total sales declined in value by 3%.

Major developments in the energy sector in the first nine months of 2016 included the completion of maintenance and repair work on the turbogenerators at the Cacia and Setúbal pulp mills. Other planned maintenance work was carried out, notably at the natural gas cogeneration plant at the Setúbal Industrial Complex and on the Setúbal biomass power station. Total gross power generation in the period was accordingly down by 12.3% in relation to the same period in 2015.

As anticipated, natural gas cogeneration at Figueira da Foz switched in February to an own-consumption only basis, reducing the volume of power sales to the national grid but also reducing purchases of electricity for one of the paper mills. Power sales decreased in volume (MWh) by 22.4%. The combined effects of reductions in power purchases and sales, and in purchases of fuel, essentially natural gas, brought down EBITDA by approximately € 8.1 million in relation to the same period in 2015.

In the tissue sector, the volume of sales of products and goods from the Vila Velha de Ródão plant (in tons sold) grew by approximately 27% in the first nine months of 2016, thanks to the expansion in production and converting capacity over the course of 2015. The increase in quantities sold, combined with a slight decline in the average sales price, caused by changes in the product mix (increased sales of reels), resulted in tissue sales worth close to € 50 million.

In terms of cost factors, the Group experienced an increase in the average cost of wood purchases. Despite an improvement in specific consumption, increased use of imported wood and the consequent deterioration in the supply mix added to the overall acquisition cost. Wood still needs to be imported from Spain and outside Iberia to make up the shortfall in local supplies; forestry operations were also hit by the fires which occurred during the summer.

As observed in the first half, logistical costs for paper were brought down further thanks essentially to falling oil prices, increased use of ports closer to the mills (Setúbal and Figueira) and improvements and greater efficiency in the Group's commercial operations.

Attention should be drawn to Navigator's efforts to reduce maintenance costs in all of its industrial facilities, which have reflected positively in costs registered at the annual maintenance stoppages. The reduction in maintenance costs recorded in the first nine months

of 2016 is inflated by the changed timing of maintenance stoppages in some of the Group's plants, which in 2015 were carried out and included in the accounts up to September, and in 2016 will only be completed and reflected in the accounts in the 4<sup>th</sup> quarter.

Personnel costs were up by approximately € 5.2 million in relation to the first nine months of 2015. This increase was only to be expected in view of the expanding workforce: at the end of September employee numbers had risen by 401, to a total of 3,063, as a result of new business ventures and incorporation into the business model of activities which were previously outsourced. Excluding the impact of employees in new business areas and insourcing, and other non-recurrent impacts, personnel expenditure calculated on a comparable basis for 2015 and 2016 would instead have fallen by approximately € 0.8 million, or 1%.

In this context, EBITDA for the first nine months of 2016 totalled 301.5 million, as compared with a figure of € 294 million for the previous year.

In addition to the operating performance mentioned above, EBITDA in the period reflects the impacts of a series of non-recurrent factors, most notably:

- Revaluation of biological assets in Portugal had a positive impact of around € 10.5 million, resulting essentially from the adjustment of the discount rate;
- Impairment of biological assets in Mozambique brought down EBITDA by € 3.5 million (the total amount of impairments in Mozambique was approximately €18 million, with the outstanding amount recognised under Depreciation, amortisation and impairments).
- The fire at the Vila Velha de Ródão tissue mill in May had a negative impact of € 2.4 million;
- Indemnity payments for the TG3 and TG4 breakdowns in Cacia in 2015 added € 2.3 million to EBITDA.

Without these non-recurrent factors, EBITDA for the first nine months of 2016 would have been largely equivalent to that recorded in the same period in 2015.

Operating cash flow stood at € 257.8 million, up by 13.0% on the same period in the previous

year, whilst free cash flow totalled € 101.1 million (vs. 18.4 million). Free cash flow was kept down by the level of capital expenditure (€ 100.6 million), and working capital improved in relation to the end of the first half, with a reduction in accounts receivable and payable to clients and suppliers, as well as in accounts receivable from the State. As previously reported, the anti-dumping duty applied to paper sales in the United States is not reflected in EBITDA, but continues to have a negative impact on free cash flow, totalling approximately € 8 million in the first nine months.

Operating income totalled € 178 million, as compared to the figure of € 207.7 million recorded in the first nine months of 2015. This reduction is the result of an increase of € 25.7 million in the account for Depreciation and impairment, reflecting essentially upwards adjustment of the depreciation of some of the Group's assets, as a result of reassessment of their useful lives, and also the depreciation, for the first time, of the new capital projects in Cacia and Vila Velha de Ródão. This account also includes a number of non-recurrent adjustments resulting from the write-off of fixed assets as a result of the fire in Vila Velha de Ródão (€ 1.9 million) and the revaluation of assets in Mozambique (€ 14.5 million).

Financial results in the period were negative in the amount of € 16.6 million, comparing very favourably with a negative value of € 44.9 million in the first nine months of 2015. This reflects essentially a significant reduction in interest expense, down by approximately € 11.1 million, despite the increase in average borrowing, as a result of the Group restructuring its debt over the past twelve months. Net financial income also reflects a cost of € 6 million relating to the premium on the call exercised in May 2016 for € 150 million; nonetheless, this cost is approximately € 8.6 million lower than the redemption premium recorded in September 2015 for € 200 million. Stronger figures for net financial income also reflect an improvement of approximately € 4.3 million in the results achieved on exchange rate hedges, as compared to the losses recorded in the previous year, and also a reversal of provisions relating to compensatory interest with a value of € 2.4 million.

Consolidated net income for the period therefore stood at € 134.3 million, as compared with the figure of € 141.9 million recorded in the first nine months of 2015.

### **3<sup>rd</sup> Quarter 2016 vs. 2<sup>nd</sup> Quarter 2016**

Third quarter sales in 2016 were down in value on the previous quarter, in line with the expected seasonal trends for this time of year. The Group recorded a reduction of 4.4% in turnover, reflecting essentially a drop in sales volume for UWF paper and tissue paper, and a downwards adjustment in paper and pulp prices in the 3<sup>rd</sup> quarter.

The volume of paper sales stood at 380 thousand tons, down by 4.4% from the second quarter, a tough comparison as the second quarter sales volume set a new record for that period. The average sales price also declined, due to an increased volume of sales outside Europe and the US, in non-traditional markets.

Sales of BEKP pulp performed well, growing by over 9% in relation to the volume recorded in the preceding quarter. However, given the downward tendency in prices since the start of the year, the value of pulp sales has not kept up with this growth, and ended the period approximately 3% up from the figure recorded in the first quarter of the year.

In power business, normal production was resumed after the completion of repair work on the turbogenerators at the Cacia and Setúbal mills, and total power generated by the Group rose by 2.3%. The value of sales also evolved positively, increasing by 13.9%.

In this environment, EBITDA for the quarter totalled € 106.2 million, as compared to € 101.8 million in the second quarter; the EBITDA/Sales margin also performed better, rising to 28.2% (from 25.8%). It is important to note that EBITDA in the second quarter was negatively impacted by €2.4 million of losses from the fire at the tissue plant in Vila Velha de Rodão.

### **3. MARKET ANALYSIS**

#### **UWF Paper**

Despite a positive start to the year, reflected by rising sales prices and capacity utilization rates, conditions in the UWF paper market deteriorated in the last quarter, especially in July

and September. When compared with the same period in 2015, estimates suggest that apparent UWF consumption dropped by around 4.0% in Europe over the first nine months of 2016. At the same time, estimates point to a significant increase in total imports, up by 25%, and essentially in office paper, where the increase was in excess of 30%, with imports from Asia doubling over the period.

In the US, apparent consumption of UWF paper fell by 3.3% up to May, with a very significant drop in imports, down by around 20%, as a result of anti-dumping measures imposed on Australian, Brazilian, Chinese, Indonesian and Portuguese manufacturers. Even after the closure of significant capacity in the US, the capacity utilisation rate remained at 93%, in line with the figure recorded in the previous year. Just as in other cases where measures have been applied to restrict free trade, a significant part of the reduction in the volume of imports affecting the countries targeted by anti-dumping measures was exploited by other exporters, and not by US manufacturers.

Despite this environment, the Group set a new record for the volume of paper sales in the first nine months of 2015, up by more than 2% on 2015. This growth was sustained by ongoing expansion into new geographical regions, especially in the Middle East and Africa, and sales in markets outside Europe and the US stood at their highest ever level for the first nine months of the year. This growth in countries outside Europe and the USA consisted largely of an increase in the volume of sales of standard products in one-off transactions, altering the share represented by these products in the total volume of paper sales. However, it is important to note that, because of the Group's positioning and interest rate trends, sales of this kind are more interesting than selling equivalent products in Europe. Despite the less advantageous mix of products sold, the Group has maintained its position as leader in the premium segment, with a market share of more than 50% in Europe.

The average sales price for Navigator in Europe stood at the same level as in the previous year, as compared a positive variation of 1.4% in the main benchmark index for UWF (PIX A4-Copy B). As reported above, the Group's average price for all markets was down on the previous year, due essentially to a less advantageous mix of products sold.

### **BEKP Pulp**

After a start to the year when Chinese buyers significantly scaled down their purchases of BEKP, demand for pulp appears to have rallied, with gains of 7.4% (accrued) up to the end of August. The Chinese market has accounted for more than 90% of this increase. The global capacity utilization rate for BEKP has also edged up over the first nine months of the year, from 90% to 91%.

However, fears persist as to the impact of new production capacity expected to come on line in late 2016 and in the next few years, and the industry's benchmark price, which started the year at a high level, has continued on a sharp downward course, dropping around 15% in USD and 18% in EUR since the start of the year.

The Group's sales have bucked this trend and totalled 201 thousand tons, around 9% up on the same period in the previous year, thanks to the expansion of capacity in 2015

### **Tissue**

Over the first seven months of the year, demand for tissue paper in Western Europe grew by around 2 to 3% in relation to the same period in 2015.

In this context, the Group presented growth of 27.2% in the volume of tissue sales (tons) in comparison with the first 9 months of 2015. This growth occurred in particular in the Away from Home segment, in Portugal and Spain. Sales on the Portuguese market stood at around € 32.3 million, accounting for 65% of total volume. Practically all the Group's other tissue sales were to Spain, totalling approximately € 17.1 million. Total tissue sales in the first nine months of 2016 stood at € 49.9 million, representing growth of 20%.

#### 4. OPERATING INDICATORS

##### Pulp and paper

(in 000 tons)	Q1 2015	Q2 2015	Q3 2015	4Q2015	Q1 2016	Q2 2016	Q3 2016
<b>BEKP output</b>	342.5	346.5	370.1	364.3	370.2	373.4	367.8
<b>BEKP sales</b>	57.3	61.0	66.6	67.7	64.6	65.1	71.2
<b>UWF output</b>	374.5	398.9	371.5	426.4	397.7	397.0	399.9
<b>UWF sales</b>	361.1	386.7	382.3	425.3	377.8	397.7	380.0
<b>FOEX – BHKP Euros/ton</b>	660	707	724	730	695	613	600
<b>FOEX – A4- BCopy Euros/ton</b>	814	814	826	832	836	830	820

##### Tissue

(in 000 tons)	Q1 2015	Q2 2015	Q3 2015	4Q2015	Q1 2016	Q2 2016	Q3 2016
<b>Reels Output</b>	7.0	6.6	7.8	11.1	11.0	7.7	13.1
<b>Output of finished goods</b>	8.7	8.3	9.4	9.0	10.1	10.0	10.9
<b>Sales of reels and goods</b>	0.5	0.3	0.8	0.6	1.7	2.2	2.4
<b>Sales of finished products</b>	9.1	9.2	9.7	9.1	9.9	10.9	10.6

##### Energy

(in 000 tons)	Q1 2015	Q2 2015	Q3 2015	4Q2015	Q1 2016	Q2 2016	Q3 2016
<b>Output (GWh)</b>	593.6	580.0	610.9	507.2	508.1	519.7	537.2
<b>Sales (GWh)</b>	518.3	505.5	523.3	413.4	389.5	385.8	425.3

## **5. STRATEGIC DEVELOPMENT**

Over the course of the first nine months of the year, the Group pressed ahead with developing the various opportunities for growth set out in its strategic plan. Investment totalled € 100.6 million, including € 25.4 million in pulp, paper and tissue business, € 7.2 million on the project in Mozambique, and € 67.8 million on the pellets mill in the United States. In Mozambique, besides the € 7.2 million investment in fixed assets, an amount of approximately € 5.5 million was also spent in biological assets.

### **Pellets**

After some initial delays, the Colombo Energy project has started continuous operation and will export its first shipload to Europe during the fourth quarter. Preliminary tests of product quality have yielded positive results, pointing to a premium product with high calorific value.

The company obtained its sustainability certifications in July under the SFI, PEFC (CoC) and FSC (CoC) schemes, and SBP certification is expected at any moment. To complement this, it plans to obtain EN A1 Plus certification (for the European residential market) and PFI (for the US residential market), by the end of November.

Having secured sales corresponding to 40% of the mill's capacity for a period of 10 years, sales efforts are now proceeding both in the industrial market (Europe, and potentially Japan/Korea) and in the residential market (Europe and the United States).

### **Mozambique**

The political and economic situation in Mozambique remains unstable, imposing restrictions on the movement and safety of employees and service providers involved in the project; this has obviously taken its toll on the pace of operations.

Even so, forestation proceeded at a good pace over the first nine months of 2016, during which time around 4,400 hectares were planted in Zambézia province, using essentially saplings from the Luá Forestry Nurseries, which so far this year has supplied more than 5.3

million cloned eucalyptus plants. The total planted area currently stands at 10,800 ha, of which 9,100 ha are located in Zambézia.

Alongside this, year 1 of the Social Development Plan has been successfully completed, which has involved launching a series of schemes to support the families and communities affected by the project. This programme is a key element in the Company's investment plans and commitment to Mozambique. These initiatives involve the funding of a private agricultural extension scheme, for which 180 demonstration fields have been set up, with the participation of around 4,500 households, as well as distribution of seeds for a number of crops, including corn, sesame, cassava and sweet potato

Work has started on an experimental operation to export eucalyptus timber from Zambézia via the port of Nacala. This project will serve essentially to ascertain the legal procedures needed to license the operation, the capabilities of service providers and the reliability of logistics in the country.

### **Tissue project**

In later 2015, the Group announced its intention of implementing a development project in Cacia, consisting of a new production line for tissue paper and the respective converting facilities. The project would create nominal annual capacity of 70 thousand tons and involve total investment of € 121 million. The decision to go ahead with building the new line was conditional on a number of factors, namely obtaining a package of tax breaks and financial incentives, which has currently been concluded. Nevertheless, there are still some issues that need further clarification, namely concerning market conditions, as well as possible limitations in the availability of wood.

Navigator intends to continue developing its existing tissue business and will shortly add two processing lines at the Vila Velha de Ródão plant, increasing its finished product capacity by approximately 9 thousand tons, with total investment of around € 5 million.

The company has also completed preliminary design studies for the project to increase pulp capacity announced in the 2016 first-half report, which conclude in favor of this growth option. With a total estimated investment of € 82 million, the project aim is to expand pulp capacity at the Figueira da Foz production centre, increasing annual capacity by 70 thousand tons, to a total of 650 thousand tons of BEKP pulp. The progression of this investment is still pending clarification of additional conditions, namely the availability and access to raw material.

## **6. COST CUTTING MEASURES**

### **M2 Programme**

It was decided in July to broaden the scope of the M2 programme, so as to include all operational areas that make a positive contribution to the company's results. This marked a new phase in the programme, and a raft of initiatives is currently being planned and budgeted for 2017. For the first time, these will include recurrent measures as well as one-off projects. Another new feature of the programme in 2016/2017 will be the participation and contribution from Navigator Tissue Ródão.

Impressive results already been achieved in 2016, notably from the various projects to improve efficiency in the paper machines in Setúbal and Figueira (€ 2.96 millions) and negotiation of road and maritime shipping contracts and operational efficiency measures (€ 2.0 million). Together, the 95 active projects are planned to have an impact on company results of up to € 15 million.

### **"Lean System" Programme**

The closing sessions were held in September for the first stage in implementing the programme and reflection for subsequent stages in the pilot divisions (ATF Paper Mill in Setúbal, Pulp Division in Figueira da Foz and Technical Assistance and Product Development team). New areas of action emerged from the reflection sessions, identifying a total of 29 improvement projects. The highlights in the programme include a project to optimise packaging materials at the ATF paper mill, which could bring extremely positive results for the organisation.

The Lean System is now being expanded to other areas, and the programme started up at the Vila Velha de Ródão site in September, whilst preparations are under way for the programme to start during 2017 at the Cacia Mill, at the Paper Division in Figueira da Foz and at the Navigator Paper Mill on the Setúbal site.

## **7. FINANCIAL**

At the end of the third quarter, the Group's net debt stood at € 723.4 million, up by € 68.9 million from year-end 2015, reflecting capital expenditure of € 100.6 million and payment of dividends of € 170 million.

As a result of this, the Net Debt / EBITDA ratio stood at 1.8 at the end of September, as compared to 1.68 at year-end 2015, remaining at very comfortable levels.

Gross debt stood at € 775.2 million, up by only € 48.1 million from the figure recorded at the end of the previous year, but reflecting substantial restructuring of the company's debt over the course of this year.

In 2016, Navigator has repaid debt of € 200.1 million, including early repayment in May of the issue of Portucel Senior Notes 5.375%, with a value of 150 million euros, at the same time as taking out new borrowing of € 240 million.

The new financing reflects current market conditions and have made it possible to extend the average maturity of Navigator's debt to 4.8 years and to reduce substantially its average financing costs, which in September stood at approximately 1.7%.

## **8. CAPITAL MARKETS**

The main features of the first nine months of 2016 were severe risk aversion and significant volatility. Most European exchanges closed the period with net losses. The PSI20 was one of the worst performers, down by 13.5%. Prices were hit by the downwards revision of growth forecasts for the Portuguese economy and doubts concerning budget execution. The Spanish index, IBEX 35, also recorded a loss of 8% at the end of September. The London stock exchange once again confounded expectations, with the FTSE index closing the period up 10.5%. On the other side of the Atlantic, shares recorded losses, with both the US DJI and the Brazilian Bovespa index both down on the period.

Pulp and paper sector securities, especially those issued by pulp manufacturers, have continued to be hit very hard in 2016. Brazilian and Iberian companies have seen their listed prices drop by between 35% and 55% since the start of the year.

In this context, Navigator Company shares ended the nine-month period with a loss of 28.8%. At the close of the period, the shares were being traded at near to their lowest level, at 2.56€ /share. One positive aspect which should be highlighted was the increased liquidity of the shares, following Semapa 's share swap transaction in July 2015, with daily trading significantly higher than the average for 2015 (up 55%).

## **9. OUTLOOK**

The International Monetary Fund's projections for global growth remain pessimistic for the remainder of 2016 and 2017. The scenarios envisaged for the world economy are subject to considerable risks, in particular with the negotiation of the United Kingdom's departure from the European Union, the fragility of the banking system and the economic slowdown in China. In the current economic context, where uncertainty and risk are the order of the day, a return to volatility in the financial markets and a consequent increase in risk aversion could have macro-economic impacts, worsening the difficulties faced by banks and postponing investment decisions, with a negative effect on growth.

Some of the pressures felt since the start of the year in the pulp market still remain, in particular the significant growth in supply expected for 2016, 2017 and 2018. However, mention should be made of certain factors which may have a positive effect on the market, in particular possible delays in placing short and long fibre capacity in the market, the widening price differential between short fibre pulp and long fibre pulp, strong pulp purchases in China and ongoing closures of obsolete capacity by the Chinese authorities.

In the Iberian tissue market, tendencies in the wider economy in Portugal and Spain, and their impact on consumption, will be crucial to successful performance in this sector.

As regards paper, European manufacturers have continued to feel the pressure of strong competition from growing imports from the Asian market. This pressure, combined with the falling pulp price and the low prices charged by non-integrated manufacturers, has helped to push down prices across the market. Navigator has also adjusted the prices of its products, the effects of which will be felt essentially as from the 4<sup>th</sup> quarter. In this adverse context, the Group continues to work on the variables it is able to influence, cutting costs, diversifying and expanding its sales base and promoting diverse multi-channels campaigns to strengthen its mill brands.

Setúbal, 27 October 2016

## 10. CONSOLIDATED FINANCIAL STATEMENTS & NOTES

### CONSOLIDATED INCOME STATEMENT

FOR THE NINE MONTHS PERIODS ENDED 30 SEPTEMBER 2016 AND 2015

Amounts in Euro	Notes	9 months 30-09-2016	9 months 30-09-2015	3rd Quarter 2016	3rd Quarter 2015
Revenues	3	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Sales		1,152,396,501	1,201,264,438	375,754,247	408,247,679
Services rendered		2,997,235	3,053,160	1,069,294	1,146,295
Other operating income	4				
Gains on the sale of non-current assets		633,876	98,700	208,913	30,600
Other operating income		22,408,503	15,500,229	6,325,017	4,442,745
Change in the fair value of biological assets	13	10,579,146	(2,124,969)	3,640,900	(1,783,073)
Costs	5				
Cost of inventories sold and consumed		(499,277,864)	(525,685,228)	(157,586,123)	(174,765,051)
Variation in production		14,991,558	27,740,926	12,721,716	13,650,713
Cost of materials and services consumed		(285,838,409)	(311,716,788)	(100,975,415)	(104,943,087)
Payroll costs		(106,285,595)	(101,048,002)	(31,873,552)	(30,737,620)
Other costs and losses		(11,096,953)	(13,078,616)	(3,051,561)	(5,788,827)
Provisions		(2,961,513)	8,563,351	(1,563,089)	2,572,636
Depreciation, amortization and impairment losses	6	(120,518,942)	(94,855,771)	(34,563,415)	(34,014,378)
<b>Operating results</b>		<b>178,027,543</b>	<b>207,711,430</b>	<b>70,106,930</b>	<b>78,058,632</b>
Net financial results	7	(16,619,934)	(44,906,875)	(3,157,730)	(27,059,522)
<b>Profit before tax</b>		<b>161,407,610</b>	<b>162,804,556</b>	<b>66,949,201</b>	<b>50,999,110</b>
Income tax	8	(27,142,575)	(21,287,661)	(17,933,185)	(9,938,816)
<b>Net Income</b>		<b>134,265,035</b>	<b>141,516,895</b>	<b>49,016,016</b>	<b>41,060,294</b>
Non-controlling interests		22,383	404,074	(195,146)	407,036
<b>Net profit for the period</b>		<b>134,287,418</b>	<b>141,920,969</b>	<b>48,820,870</b>	<b>41,467,330</b>
Earnings per share					
Basic earnings per share, Euro	9	0.192	0.198	0.068	0.072
Diluted earnings per share, Euro	9	0.192	0.198	0.068	0.072

*The notes on pages 24 to 56 are an integral part of these financial statements.*

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2016 AND FOR THE YEAR ENDED 31 DECEMBER 2015

Valores em Euros	Notes	30-09-2016 (Unaudited)	31-12-2015
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Goodwill		377,339,466	377,339,466
Other intangible assets	11	2,207,967	4,931,507
Plant, property and equipment	12	1,316,557,524	1,320,799,086
Investment properties		426,838	426,838
Biological assets	13	127,576,074	116,996,927
Available-for-sale financial assets	14	260,486	229,136
Deferred tax assets	18	46,084,156	50,934,325
		<b>1,870,452,511</b>	<b>1,871,657,286</b>
<b>Current Assets</b>			
Inventories		241,324,650	212,554,956
Receivable and other current assets	15	210,718,429	215,370,516
State and other public entities	16	63,173,430	57,642,795
Cash and cash equivalents	21	51,786,449	72,657,585
		<b>567,002,957</b>	<b>558,225,851</b>
<b>Total Assets</b>		<b>2,437,455,467</b>	<b>2,429,883,137</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Share capital	17	717,500,000	767,500,000
Treasury shares	17	(1,002,084)	(96,974,466)
Fair value reserves		(9,528,854)	(1,869,064)
Other reserves		99,709,036	91,781,112
Currency translation reserves		385,650	5,688,140
Retained earnings		211,954,854	273,081,975
Net profit for the period		134,287,418	196,404,220
Early earnings		-	(29,971,019)
		<b>1,153,306,020</b>	<b>1,205,640,898</b>
Non-controlling interests		6,678,702	8,622,303
		<b>1,159,984,723</b>	<b>1,214,263,201</b>
<b>Non-current liabilities</b>			
Deferred taxes liabilities	18	82,049,563	88,296,253
Post-retirement benefits	19	907,456	-
Provisions	20	56,323,191	59,205,593
Interest-bearing liabilities	21	753,314,443	686,570,753
Other non-current liabilities	21	39,256,640	38,538,726
		<b>931,851,292</b>	<b>872,611,325</b>
<b>Current liabilities</b>			
Interest-bearing liabilities	21	21,896,937	40,578,590
Payables and other current liabilities	22	220,211,774	225,084,110
State and other public entities	16	103,510,741	77,345,911
		345,619,452	343,008,611
<b>Total liabilities</b>		<b>1,277,470,744</b>	<b>1,215,619,936</b>
<b>Total equity and liabilities</b>		<b>2,437,455,467</b>	<b>2,429,883,137</b>

*The notes on pages 24 to 56 are an integral part of these financial statements.*

## STATEMENT OF COMPREHENSIVE CONSOLIDATED INCOME

FOR THE NINE MONTHS PERIODS ENDED 30 SEPTEMBER 2016 AND 2015

Amounts in Euro	9 months 30-09-2016	9 months 30-09-2015
	(Unaudited)	(Unaudited)
<b>Net profit for the period</b>	<b>134,265,035</b>	<b>141,516,895</b>
<b>Items that can be reclassified subsequently to profit or loss</b>		
Fair value in derivative financial instruments	(10,565,228)	(1,410,311)
Currency translation differences	(5,302,490)	2,074,690
Tax on items above when applicable	2,905,438	330,983
	<b>(12,962,280)</b>	<b>995,362</b>
<b>Items that will not be reclassified subsequently to profit or loss</b>		
Share of other comprehensive income of associates	(2,194,734)	(19,261)
Actuarial gains / (losses)	(2,957,138)	(12,159,392)
Tax on items above when applicable	(424,768)	69,391
	<b>(5,576,640)</b>	<b>(12,109,262)</b>
	<b>(18,538,920)</b>	<b>(11,113,900)</b>
<b>Total recognized income and expense for the period</b>	<b>115,726,115</b>	<b>130,402,995</b>
<b>Attributable to:</b>		
The Navigator Company's shareholders	117,669,716	123,801,727
Non-controlling interests	(1,943,601)	6,601,267
	<b>115,726,115</b>	<b>130,402,994</b>

*The notes on pages 24 to 56 are an integral part of these financial statements.*

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

FOR THE NINE MONTHS PERIODS ENDED 30 SEPTEMBER 2016 AND 2015

Amounts in Euro	1 January 2016	Gains/losses recognized in the period	Dividends paid and reserves distributed (Note 7)	Early earnings	Treasury shares (Note 15)	Application of prior year's net profit	Performance Bonus	30 September 2016
Share capital	767,500,000	-	-	-	(50,000,000)	-	-	717,500,000
Treasury shares	(96,974,466)	-	-	-	95,972,382	-	-	(1,002,084)
Fair value reserves	(1,869,064)	(7,659,790)	-	-	-	-	-	(9,528,854)
Other reserves	91,781,112	-	-	-	-	7,927,924	-	99,709,036
Currency translation reserves	5,688,140	(5,302,490)	-	-	-	-	-	385,650
Retained earnings	273,081,975	(3,655,422)	(170,004,594)	(29,971,019)	(45,972,382)	194,476,296	(6,000,000)	211,954,855
Net profit for the period	196,404,220	134,287,418	-	-	-	(196,404,220)	-	134,287,418
Early earnings	(29,971,019)	-	-	29,971,019	-	-	-	-
<b>Total</b>	<b>1,205,640,898</b>	<b>117,669,716</b>	<b>(170,004,594)</b>	-	-	<b>6,000,000</b>	<b>(6,000,000)</b>	<b>1,153,306,020</b>
Non-controlling interests	8,622,303	(1,943,601)	-	-	-	-	-	6,678,702
<b>Total</b>	<b>1,214,263,201</b>	<b>115,726,115</b>	<b>(170,004,594)</b>	-	-	<b>6,000,000</b>	<b>(6,000,000)</b>	<b>1,159,984,722</b>

Amounts in Euro	1 January 2015	Gains/losses recognized in the period	Dividends paid and reserves distributed (Note 7)	Early earnings	Treasury shares (Note 15)	Application of prior year's net profit	Performance Bonus	30 September 2015
Share capital	767,500,000	-	-	-	-	-	-	767,500,000
Treasury shares	(96,974,466)	-	-	-	-	-	-	(96,974,466)
Fair value reserves	(2,329,120)	(1,079,328)	-	-	-	-	-	(3,408,448)
Other reserves	83,644,527	-	-	-	-	8,136,585	-	91,781,112
Currency translation reserves	724,832	2,074,690	-	-	-	-	-	2,799,522
Retained earnings	519,395,217	(19,114,604)	(310,465,342)	-	-	176,328,636	(2,998,525)	363,145,382
Net profit for the period	181,466,696	141,920,969	-	-	-	(181,466,696)	-	141,920,969
<b>Total</b>	<b>1,453,427,686</b>	<b>123,801,727</b>	<b>(310,465,342)</b>	-	-	<b>2,998,525</b>	<b>(2,998,525)</b>	<b>1,266,764,071</b>
Non-controlling interests	235,253	6,601,267	-	-	-	-	-	6,836,520
<b>Total</b>	<b>1,453,662,938</b>	<b>130,402,994</b>	<b>(310,465,342)</b>	-	-	<b>2,998,525</b>	<b>(2,998,525)</b>	<b>1,273,600,590</b>

*The notes on pages 24 to 56 are an integral part of these financial statements.*

**CONSOLIDATED STATEMENT OF CASH FLOWS**

FOR THE NINE MONTHS PERIODS ENDED 30 SEPTEMBER 2016 AND 2015

Amounts in Euro	Notes	9 months 30-09-2016 (Unaudited)	9 months 30-09-2015 (Unaudited)
<b>OPERATING ACTIVITIES</b>			
Payments from customers		1,221,459,101	1,221,246,375
Payments to suppliers		996,918,018	953,433,018
Payments to employees		81,477,236	83,885,079
Cash flow from operations		<u>143,063,847</u>	<u>183,928,278</u>
Income tax received / (paid)		-	(8,345,589)
Other receipts / (payments) relating to operating activities		36,836,476	7,799,907
<b>Cash flow from operating activities (1)</b>		<b>179,900,323</b>	<b>183,382,597</b>
<b>INVESTMENT ACTIVITIES</b>			
<b>Inflows</b>			
Financial investments		4,438,520	-
Government grants		-	6,631,584
Interest and similar income		3,390,889	323,385
Inflows from investment activities (A)		<u>7,829,410</u>	<u>6,954,969</u>
<b>Outflows</b>			
Investments in associates		-	40,949,794
Tangible assets		63,066,594	94,401,840
Outflows from investment activities (B)		<u>63,066,594</u>	<u>135,351,634</u>
<b>Cash flows from investment activities (2 = A - B)</b>		<b>(55,237,184)</b>	<b>(128,396,665)</b>
<b>FINANCING ACTIVITIES</b>			
<b>Inflows</b>			
Borrowings		1,047,500,000	200,000,000
Interest and similar expenses		-	-
Inflows from financing activities (C)		<u>1,047,500,000</u>	<u>200,000,000</u>
<b>Outflows</b>			
Borrowings		1,002,967,836	354,851,191
Interest and similar costs		20,061,857	36,888,292
Acquisition of treasury shares		-	-
Dividends paid and distributed reserves	7	170,004,583	310,465,342
Outflows from financing activities (D)		<u>1,193,034,276</u>	<u>702,204,825</u>
<b>Cash flows from financing activities (3 = C - D)</b>		<b>(145,534,276)</b>	<b>(502,204,825)</b>
<b>CHANGES IN CASH AND CASH EQUIVALENTS (1)+(2)+(3)</b>		<b>(20,871,137)</b>	<b>(447,218,893)</b>
<b>CHANGE IN CONSOLIDATION SCOPE</b>		-	9,739,020
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>		<b>72,657,585</b>	<b>499,552,853</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	19	<b>51,786,449</b>	<b>62,072,980</b>

*The notes on pages 24 to 56 are an integral part of these financial statements.*

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of 30 September 2016 and 2015

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

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

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

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

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

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

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

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

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

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

In February 2015, the Group started its activity in the Tissue segment with the acquisition of AMS- BR Star Paper, S.A. (subsequently redenominated to Navigator Tissue Ródão, S.A.) a company that holds and explores a tissue paper mill, located in Vila Velha de Ródão.

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

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

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

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

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

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

**Share Capital:** Euro 717,500,000

Registration No: 503 025 798

These consolidated financial statements were approved by the Board of Directors on 26<sup>th</sup> October 2016.

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

## 1. BASIS OF PREPARATION

The interim consolidated financial statements for the nine months period ended 30 September 2016 have been prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting.

The accompanying consolidated financial statements were prepared on a going concern basis from the accounting books and records of the companies included in the consolidation (Note 27), 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 13 and 23).

## 2. SUMMARY OF THE PRINCIPAL ACCOUNTING POLICIES

The accounting policies applied in the preparation of these interim consolidated financial statements are consistent to those used in the preparation of the financial statements as of 31 December 2015 and stated in the respective attached notes.

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

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

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

*\* Periods beginning on or after*

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

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

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

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

\* Periods beginning on or after

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

### 3. SEGMENT INFORMATION

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

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

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

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

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

In 2015, the business segment information was:

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

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

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

The group's financial information by operational segment for the nine months period ended 30 September 2016 and 2015 is shown as follows:

# INTERIM REPORT FOR THE FIRST 9 MONTHS OF 2016

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

The Group's energy sales are reported under different business segments. The amount corresponding to the total energy sales was Euro 107,251,602 in 2016 and Euro 158,516,513 in 2015. Energy sales originated in the cogeneration process, in the amount of Euro 92,865,276, are reported under the "Market Pulp" (Euro 9,432,455) and "UWF Paper" (Euro 83,432,821) segments. Sales of electricity exclusively produced in units dedicated to the production of electricity from biomass are reported under the segment "Other", in the amount of Euro 14,386,326.

The capital expenditure in the "Unallocated" segment includes Euro 82,759,163 related to the investment in the "pellets" factory in the United States of America. The remaining respects to other investments.

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

An impairment loss amounting to Euro 1,875,668 was also recognized regarding the tangible fixed assets destroyed in the fire that occurred in the Tissue paper mill in Vila Velha de Ródão.

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

Amounts in Euro	30-09-2016
Forestry Lands	78,850,330
Real estate - manufacturing site of Setúbal	59,051,014
Real estate - manufacturing site of Cacia	12,329,593
Real estate - manufacturing site of Figueira da Foz	54,702,417
Thermoelectric plant biomass	40,356,646
Pellets project - EUA	102,205,861
Mozambique project	37,659,510
Others	18,185,502
	<b>403,340,873</b>

Forest land and industrial real estate are reported in the individual financial statements as investment properties (Euro 204,933,354).

# INTERIM REPORT FOR THE FIRST 9 MONTHS OF 2016

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

	30-09-2015				
	MARKET PULP	UWF PAPER	TISSUE PAPER	OTHER	ELIMINATIONS/ UNALLOCATED
					TOTAL
<b>REVENUE</b>					
Sales and services - external	64,540,135	684,878,040	27,175,572	18,329,876	794,923,624
Sales and services - intersegment	9,973,657	-	-	257,049,613	(267,023,270)
<b>Total revenue</b>	<b>74,513,792</b>	<b>684,878,040</b>	<b>27,175,572</b>	<b>275,379,489</b>	<b>(267,023,270)</b>
<b>Profit/(loss)</b>					
<b>Segmental Profit</b>	<b>15,635,045</b>	<b>178,119,907</b>	<b>2,725,993</b>	<b>11,230,485</b>	<b>207,711,430</b>
<b>Operating Profit</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>207,711,430</b>
Financial costs- net	-	-	-	-	(44,906,875)
Income tax	-	-	-	-	(21,287,661)
<b>Net profit before non-controlling interests</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>141,516,894</b>
Non-controlling interests	-	-	-	-	404,074
<b>Net profit</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>141,920,968</b>
<b>Other Information</b>					
Capital expenditure	44,587,326	29,147,269	30,155,385	14,111,305	73,343,768
Depreciation and impairment	(2,978,127)	(70,128,368)	(2,754,039)	(18,995,237)	(60,841,393)
Provisions	-	-	-	-	8,563,351
					5,990,714
<b>Other Information</b>					
<b>SEGMENT ASSETS</b>					
Plant, property and equipment	133,763,461	778,034,778	76,442,109	327,054,723	-
Biological assets	-	-	-	111,844,454	-
Available-for-sale financial assets	-	229,136	-	-	-
Inventories	15,148,332	131,359,219	9,888,915	73,764,479	-
Receivable and other current assets	19,796,844	133,206,298	16,207,463	29,210,234	-
Other accounts receivable	-	12,302,841	-	5,853,034	-
Other assets	1,412,819	511,182,723	16,399,179	79,064,234	-
<b>Total assets</b>	<b>170,121,457</b>	<b>1,566,314,996</b>	<b>118,937,666</b>	<b>626,791,158</b>	<b>2,482,165,276</b>
<b>SEGMENT LIABILITIES</b>					
Interest-bearing liabilities	-	-	29,587,743	619,566,671	-
Accounts Payable	7,877,886	94,857,664	10,667,455	40,148,746	-
Other payables	23,047,547	63,750,803	2,582,909	32,624,372	-
Other liabilities	14,232,726	70,460,450	3,492,901	195,666,814	-
<b>Total liabilities</b>	<b>45,158,160</b>	<b>229,068,916</b>	<b>46,331,008</b>	<b>888,006,603</b>	<b>1,208,564,688</b>

## Sales and services rendered by region

Amounts in Euro	30-09-2016	30-09-2015
<b>PORUGAL</b>		
UWF Paper	48,381,235	50,036,087
Pulp	4,599,276	5,866,916
Tissue	32,314,875	28,784,743
Other	25,254,926	31,258,537
	<b>110,550,312</b>	<b>115,946,283</b>
<b>REST OF EUROPE</b>		
UWF Paper	574,304,324	544,175,189
Pulp	89,561,151	90,647,499
Tissue	17,360,229	12,474,774
Other	-	-
	<b>681,225,703</b>	<b>647,297,462</b>
<b>NORTH AMERICA</b>		
UWF Paper	102,887,752	116,040,520
Pulp	-	470,863
	<b>102,887,752</b>	<b>116,511,383</b>
<b>OTHER MARKETS</b>		
UWF Paper	164,051,548	177,407,444
Pulp	3,592,720	4,132,481
Tissue	220,425	454,337
	<b>167,864,693</b>	<b>181,994,261</b>
	<b>1,062,528,460</b>	<b>1,061,749,390</b>

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

#### 4. OTHER OPERATING INCOME

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

Amounts in Euro	9 months 30-09-2016	9 months 30-09-2015
Supplementary income	2,537,316	982,916
Grants - CO2 Emission allowances	2,335,448	2,704,877
Reversal of impairment losses in current assets	430,588	6,438
Gains on the sale of non-current assets	633,876	99,659
Gains in inventories	2,208,184	2,302,252
Gains on disposal of current assets	-	-
Government grants	299,957	320,773
Own work capitalised	10,735,731	7,994,121
Other operating income	3,861,279	1,187,894
	<b>23,042,379</b>	<b>15,598,929</b>

#### 5. OPERATING EXPENSES

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

Amounts in Euro	9 months 30-09-2016	9 months 30-09-2015
Cost of Inventories sold and consumed	(499,277.864)	(525,685.228)
Variation in production	14,991.558	27,740,926
Cost of services and materials consumed	(285,838.409)	(311,716.788)
<b>Payroll costs</b>		
<b>Remunerations</b>		
Statutory bodies - fixed	(3,613,641)	(3,791,850)
Statutory bodies - variable	(3,454,470)	(2,484,580)
Other remunerations	(73,436,642)	(67,641,807)
	<b>(80,504,753)</b>	<b>(73,918,237)</b>
<b>Social charges and other payroll costs</b>		
Pension and retirement bonus - defined benefit plans	(1,128,547)	223,185
Pension costs - defined contribution plans	(918,762)	(1,408,659)
Contributions to social security	(15,182,100)	(13,912,859)
Other payroll costs	(8,551,432)	(12,031,432)
	<b>(25,780,842)</b>	<b>(27,129,764)</b>
	<b>(106,285,595)</b>	<b>(101,048,002)</b>
<b>Other costs and losses</b>		
Membership fees	(318,864)	(565,294)
Losses in inventories	(2,105,484)	(1,074,654)
Impairment losses in receivables	(304,536)	(182,682)
Impairment losses in inventories	-	-
Indirect taxes	(769,457)	(762,225)
Shipment costs	(3,486,125)	(2,056,142)
Water resources charges	(1,139,199)	(1,460,259)
Cost with CO2 emissions	(1,383,344)	(3,124,169)
Other operating costs	(1,589,944)	(3,853,191)
	<b>(11,096,953)</b>	<b>(13,078,616)</b>
Provisions	<b>(2,961,513)</b>	<b>8,563,351</b>
	<b>(890,468,776)</b>	<b>(915,224,357)</b>

## 6. DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES

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

Amounts in Euro	9 months	9 months
	30-09-2016	30-09-2015
<b>Depreciation of property, plant and equipment</b>		
Land	-	(11,877)
Buildings	(8,038,378)	(7,913,671)
Equipments	(97,406,462)	(86,701,299)
Other tangible assets	(3,803,730)	(4,793,962)
	<u>(109,248,570)</u>	<u>(99,420,808)</u>
Investment grants	4,737,050	4,638,019
	<u>(104,511,520)</u>	<u>(94,782,789)</u>
<b>Impairment losses</b>		
CO2 Emission allowances	(1,528,587)	(72,982)
Mozambique impairment of lands	(14,478,835)	-
	<u>(16,007,422)</u>	<u>(72,982)</u>
	<b>(120,518,942)</b>	<b>(94,855,771)</b>

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

## 7. NET FINANCIAL RESULTS

Financial results are detailed as follows for the nine month periods ended 30 September 2016 and 2015:

Amounts in Euro	9 months	9 months
	30-09-2016	30-09-2015
Interest paid on borrowings	(17,870,449)	(37,579,114)
Interest earned on investments	2,281,090	203,294
Exchange rate differences	(13,594)	(2,074,478)
Gains / (losses) on financial instruments - trading	462,002	1,974,471
Gains / (losses) on financial instruments - hedging	(1,919,204)	(5,132,307)
Guarantees and bank charges	(2,145,099)	(2,774,389)
Compensatory interest	2,520,197	72,296
Other financial income / (expenses)	65,123	403,353
	<b>(16,619,934)</b>	<b>(44,906,875)</b>

During the second half of 2015, The Navigator Company restructured its debt, contracting new financing lines and renegotiating the terms and conditions of existing debt. A commercial paper line of Euro 125,000,000 (which already existed) was renegotiated, extending its maturity and reducing its cost, together with the early repayment of the remaining (Euro 200,000,000) of Portucel Senior Notes 5.375% bonds. This restructuring contributed significantly to the reduction of the cost of debt, as the amount of interest paid includes the premium paid for the early repayment of High Yield loan in the amount of Euro 6,046,500.

## 8. INCOME TAX

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

Amounts in Euro	9 months	9 months
	30-09-2016	30-09-2015
Current tax (Note 16)	30,621,093	52,005,182
Provision / (reversal) for current tax	(3,150,506)	(14,249,879)
Deferred tax (Note 18)	(328,012)	(16,467,642)
	<b>27,142,575</b>	<b>21,287,661</b>

## INTERIM REPORT FOR THE FIRST 9 MONTHS OF 2016

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

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

In the nine months periods ended 30 September 2016 and 2015, the reconciliation of the effective income tax rate was as follows:

Amounts in Euro	9 months 30-09-2016	9 months 30-09-2015
<b>Profit before tax</b>	<b>161,407,610</b>	<b>162,804,556</b>
Expected tax	21.00%	21.00%
Municipal surcharge	1.71%	2.03%
State surcharge	4.81%	5.50%
Differences (a)	(12.80%)	6.72%
Impairment and reversal of provisions	10.95%	(15.89%)
Excess tax provision	(0.08%)	(1.41%)
Tax benefits	(8.77%)	(4.89%)
	<b>16.82%</b>	<b>13.08%</b>
	<b>27,142,575</b>	<b>21,287,661</b>

(a) This amount is made up essentially of:

	9 months 30-09-2016	9 months 30-09-2015
Capital gains / (losses) for tax purposes	(31,133,778)	58,538,888
Capital gains / (losses) for accounting purposes	(9,112,972)	(26,528)
Taxable provisions	(13,575,209)	(8,542,070)
Tax benefits	(1,550,332)	(1,469,189)
Effect of pension funds	(4,195,542)	(8,744,292)
Other	(15,580,930)	15,258
	<b>(75,148,763)</b>	<b>39,772,067</b>
<b>Tax Effect (27,5%)</b>	<b>(20,665,910)</b>	<b>10,937,318</b>

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

All the Semapa group companies, including Navigator group companies, changed their tax reporting period to the year starting 1 July and ending 30 June, under artº8 nº2 of the Corporate Income Tax Law, having the taxable profit of the six months period ended 30 June 2015 been computed under Semapa taxation group.

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

## 9. EARNINGS PER SHARE

Earnings per share were determined as follows:

Amounts in Euro	9 months 30-09-2016	9 months 30-09-2015
Profit attributable to the Company's shareholders	134,287,418	141,920,969
Total number of issued shares	717,500,000	767,500,000
Treasury shares - period average	(17,156,640)	(50,489,973)
	<b>700,343,360</b>	<b>717,010,027</b>
Basic earnings per share	0.192	0.198
Diluted earnings per share	0.192	0.198

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

## INTERIM REPORT FOR THE FIRST 9 MONTHS OF 2016

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

	2016	2015	
	Quantity	Quantity Accumulated	Quantity
	Quantity	Quantity Accumulated	Quantity
Treasury shares held on January		50,489,973	50,489,973
Acquisitions			
January	-	50,489,973	50,489,973
February	-	50,489,973	50,489,973
March	-	50,489,973	50,489,973
April	(50,000,000)	489,973	50,489,973
May	-	489,973	50,489,973
June	-	489,973	50,489,973
July	-	489,973	50,489,973
August	-	489,973	50,489,973
September	-	489,973	50,489,973
<b>Treasury shares held on 30 September</b>		<b>489,973</b>	<b>50,489,973</b>
Remaining quarters			-
<b>Treasury shares held on 31 December</b>			<b>50,489,973</b>
<b>Average treasury shares held for the period</b>		<b>17,156,640</b>	<b>50,489,973</b>

## 10. APPROPRIATION OF PREVIOUS YEARS' PROFIT

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

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

The resolution for the appropriation of the 2015 net profit approved at The Navigator Company's General Meeting held on 19 April 2016, was based on the net profit for the year as defined by the accounting principles generally accepted in Portugal (Portuguese GAAP). The difference in the net profit between the two standards, totaling Euro 37,845,737 (2014: Euro 18,734,999) was transferred to retained earnings.

## 11. OTHER INTANGIBLE ASSETS

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

# INTERIM REPORT FOR THE FIRST 9 MONTHS OF 2016

Amounts in Euro	Industrial property and other rights	CO2 emission licenses	Total
<b>Acquisition costs</b>			
<b>Amount as of 1 January 2015</b>	<b>59,979</b>	<b>3,416,269</b>	<b>3,476,248</b>
Change in the consolidation scope	-	274,658	274,658
Acquisitions	-	5,360,090	5,360,090
Adjustments, transfers and write-offs	(58,879)	(4,932,511)	(4,991,390)
<b>Amount as of 30 September 2015</b>	<b>1,100</b>	<b>4,118,506</b>	<b>4,119,606</b>
Change in the consolidation scope	-	13,618	13,618
Acquisitions	-	838,500	838,500
Disposals	-	-	-
Adjustments, transfers and write-offs	-	(13,618)	(13,617)
<b>Amount as of 31 December 2015</b>	<b>1,100</b>	<b>4,957,007</b>	<b>4,958,107</b>
Acquisitions	3,300	960,685	963,985
Adjustments, transfers and write-offs	-	(2,157,043)	(2,157,043)
<b>Amount as of 30 September 2016</b>	<b>4,400</b>	<b>3,760,649</b>	<b>3,765,049</b>
<b>Accumulated depreciation and impairment losses</b>			
<b>Amount as of 1 January 2015</b>	<b>(59,979)</b>	-	<b>(59,979)</b>
Change in the consolidation scope	-	-	-
Amortizations and impairment losses	-	(72,982)	(72,982)
Adjustments, transfers and write-offs	58,879	72,982	131,861
<b>Amount as of 30 September 2015</b>	<b>(1,100)</b>	-	<b>(1,100)</b>
Amortizations and impairment losses	-	(72,015)	(72,015)
Adjustments, transfers and write-offs	-	46,515	46,515
<b>Amount as of 31 December 2015</b>	<b>(1,100)</b>	<b>(25,500)</b>	<b>(26,600)</b>
Amortizations and impairment losses	(2,204)	(1,528,278)	(1,530,482)
Adjustments, transfers and write-offs	-	-	-
<b>Amount as of 30 September 2016</b>	<b>(3,304)</b>	<b>(1,553,778)</b>	<b>(1,557,082)</b>
<b>Net book value as of 1 January 2015</b>	-	<b>3,416,269</b>	<b>3,416,269</b>
<b>Net book value as of 30 September 2015</b>	-	<b>4,118,506</b>	<b>4,118,506</b>
<b>Net book value as of 31 December 2015</b>	-	<b>4,931,507</b>	<b>4,931,507</b>
<b>Net book value as of 30 September 2016</b>	<b>1,096</b>	<b>2,206,871</b>	<b>2,207,967</b>

On 30 September 2016, the Group held 814,046 CO2 emission licenses with a market value as of that date of Euro 4,055,168 (31 December 2015: 475,887 licenses with a market value of Euro 3,942,846).

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

## 12. PROPERTY, PLANT AND EQUIPMENT

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

Amounts in Euro	Land	Building and other constructions	Equipments and other tangibles	Assets under construction	Total
<b>Acquisition costs</b>					
<b>Amount as of 1 January 2015</b>	<b>117,338,267</b>	<b>500,649,942</b>	<b>3,251,808,956</b>	<b>46,256,597</b>	<b>3,916,053,762</b>
Change in the consolidation scope	349,744	10,138,894	40,488,364	7,482,968	58,459,970
Acquisitions	308,031	56,581	8,141,609	109,495,065	118,001,286
Disposals	-	-	(109,385)	-	(109,385)
Adjustments, transfers and write-offs	(3,445)	1,060,078	93,353,199	(93,789,905)	619,927
<b>Amount as of 30 September 2015</b>	<b>117,992,597</b>	<b>511,905,495</b>	<b>3,393,682,743</b>	<b>69,444,725</b>	<b>4,093,025,560</b>
Change in the consolidation scope	207,212	(420,866)	2,613,194	(2,160,206)	239,334
Acquisitions	2,505,628	-	(6,461,649)	34,410,706	30,454,685
Disposals	-	-	(32,029)	-	(32,029)
Adjustments, transfers and write-offs	(132,211)	9,702,261	13,799,572	(23,863,643)	(494,021)
<b>Amount as of 31 December 2015</b>	<b>120,573,226</b>	<b>521,186,890</b>	<b>3,403,601,831</b>	<b>77,831,582</b>	<b>4,123,193,529</b>
Change in the consolidation scope	6,446,933	-	-	100,558,521	107,005,454
Impairment losses	-	-	-	(14,478,835)	(14,478,835)
Disposals	-	-	(4,045,227)	-	(4,045,227)
Adjustments, transfers and write-offs	147,184	(15,231,797)	132,915,616	(107,891,908)	9,939,095
<b>Amount as of 30 September 2016</b>	<b>127,167,343</b>	<b>505,955,093</b>	<b>3,532,472,219</b>	<b>56,019,360</b>	<b>4,221,614,016</b>
<b>Accumulated depreciation and impairment losses</b>					
<b>Amount as of 1 January 2015</b>	<b>(18,232)</b>	<b>(337,474,955)</b>	<b>(2,328,209,063)</b>	<b>-</b>	<b>(2,665,702,251)</b>
Change in the consolidation scope	-	(1,701,136)	(11,261,311)	-	(12,962,447)
Amortizations and impairment losses	(11,877)	(7,901,794)	(91,507,137)	-	(99,420,808)
Disposals	-	-	29,021	-	29,021
Adjustments, transfers and write-offs	-	(57,615)	383,609	-	325,994
<b>Amount as of 30 September 2015</b>	<b>(30,109)</b>	<b>(347,135,500)</b>	<b>(2,430,564,881)</b>	<b>-</b>	<b>(2,777,730,490)</b>
Change in the consolidation scope	(75,000)	-	1,628	-	(73,372)
Amortizations and impairment losses	(65,543)	(2,758,530)	(25,514,484)	-	(28,338,557)
Disposals	-	-	(34,484)	-	(34,484)
Adjustments, transfers and write-offs	-	4,582,561	(800,100)	-	3,782,461
<b>Amount as of 31 December 2015</b>	<b>(170,652)</b>	<b>(345,311,469)</b>	<b>(2,456,912,321)</b>	<b>-</b>	<b>(2,802,394,443)</b>
Amortizations and impairment losses	-	(8,038,378)	(101,210,192)	-	(109,248,570)
Disposals	-	-	3,641,774	-	3,641,774
Adjustments, transfers and write-offs	-	4,496,559	(1,551,813)	-	2,944,746
<b>Amount as of 30 September 2016</b>	<b>(170,652)</b>	<b>(348,853,288)</b>	<b>(2,556,032,552)</b>	<b>-</b>	<b>(2,905,056,493)</b>
<b>Net book value as of 1 January 2015</b>	<b>117,320,035</b>	<b>163,174,988</b>	<b>923,599,892</b>	<b>46,256,597</b>	<b>1,250,351,512</b>
<b>Net book value as of 30 September 2015</b>	<b>117,962,488</b>	<b>164,769,996</b>	<b>963,117,862</b>	<b>69,444,725</b>	<b>1,315,295,071</b>
<b>Net book value as of 31 December 2015</b>	<b>120,402,574</b>	<b>175,875,421</b>	<b>946,689,509</b>	<b>77,831,582</b>	<b>1,320,799,086</b>
<b>Net book value as of 30 September 2016</b>	<b>126,996,691</b>	<b>157,101,805</b>	<b>976,439,667</b>	<b>56,019,360</b>	<b>1,316,557,524</b>

As of 30 September 2016, assets under construction included Euro 26,841,721 related to investments in the Mozambique project, as well as investments on industrial process improvements made in the group's mills located in Setúbal, Cacia and Figueira da Foz.

In the third quarter, Euro 90,214,374.98 related to the investment in the pellets mill located in the United States of America were transferred to fixed assets.

Land includes Euro 117,286,094, classified in the individual financial statements as investment properties, from which Euro 78,850,330 relate to forestry land and Euro 38,435,764 to land located in the industrial sites leased to the Group. It also includes Euro 1,609,030 of land in which the new pellets plant in the USA is located and Euro 4,280,784 of capitalized expenditures with land preparation in Mozambique that is being depreciated over the period of the concession (50 years).

## 13. BIOLOGICAL ASSETS

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

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Amounts in Euro	2016	2015
<b>Amount as of January 2016</b>	<b>116,996,927</b>	<b>113,969,423</b>
Logging in the period	(17,705,307)	(18,471,559)
Growth	17,090,334	1,416,294
New planted areas and replanting ( at cost )	1,228,926	2,789,650
Other changes in fair value	9,965,194	12,140,646
	<b>10,579,147</b>	<b>(2,124,969)</b>
<b>Amount as of 30 September</b>	<b>127,576,074</b>	<b>111,844,454</b>
Remaining quarters		5,152,473
<b>Amount as of 31 December</b>	<b>116,996,927</b>	

In 2016, the amounts shown as other changes in fair value correspond to planned and actual costs of asset management, changes in main assumptions (price and average cost of capital) and changes in expectations:

Amounts in Euro	30-09-2016	30-09-2015
Costs os assets management		
Forestry	2,319,191	2,954,032
Structure	3,336,749	3,412,328
Fixed and variable rents	7,497,485	5,774,286
Mozambique project - Impairment	(3,188,231)	-
	<b>9,965,194</b>	<b>12,140,646</b>

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

Amounts in Euro	30-09-2016	31-12-2015
Eucalyptus (Portugal)	116,354,097	104,896,897
Pine (Portugal)	5,718,735	5,407,458
Cork (Portugal)	1,604,205	1,346,681
Other Species (Portugal)	159,212	74,606
Eucalyptus (Mozambique)	3,739,825	5,271,285
	<b>127,576,074</b>	<b>116,996,927</b>

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

Amounts in Euro	30-09-2016	30-09-2015
Eucalyptus - m3 ssc'000	11,690	11,409
Pine - wood - Ton'000	481	496
Pine - cones - Ton'000	n/a	n/a
Other species - @'000	626	636
Eucalyptus - m3 ssc'000 (Mozambique) (1)	1,988	406

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

Concerning Eucalyptus in Portugal, the most relevant biological asset, for the nine months periods ended 30 September 2016 and 2015 the Group extracted 477,233 m<sup>3</sup>ssc and 469,718 m<sup>3</sup>ssc of wood from its owned and explored forests, respectively.

## 14. OTHER FINANCIAL ASSETS AND INVESTMENTS IN ASSOCIATES

### 14.1 Financial assets at fair value through profit and loss

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

## 15. RECEIVABLES AND OTHER CURRENT ASSETS

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

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Amounts in Euro	30-09-2016	31-12-2015
Accounts Receivable	183,892,745	182,136,452
Other receivables	21,276,407	18,090,522
Derivative financial instruments (Note 23)	398,893	1,701,467
Accrued income	209,085	1,621,162
Deferred costs	4,941,299	11,820,913
	<b>210,718,429</b>	<b>215,370,516</b>

The receivables shown above are net of impairment losses.

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

Amounts in Euro	30-09-2016	31-12-2015
Advances to employees	488,091	380,172
Advances to suppliers	2,155,094	240,453
Tax Consolidation (Semapa)	-	1,212,515
Capital Subscribers	1,287,529	5,713,991
Department of Commerce (USA)	16,696,108	10,083,233
Other	649,585	460,157
	<b>21,276,407</b>	<b>18,090,522</b>

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

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

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

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

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

Amounts in Euro	30-09-2016	31-12-2015
<b>Accrued income</b>		
Interest receivable	-	-
Other	209,085	1,621,162
	<b>209,085</b>	<b>1,621,162</b>
<b>Deferred costs</b>		
Pensions and other post-employments (Note 19)	-	3,755,326
Rents	2,635,632	4,491,494
Insurance	2,256,533	2,013,959
Other	49,134	1,560,134
	<b>4,941,299</b>	<b>11,820,913</b>
	<b>5,150,384</b>	<b>13,442,075</b>

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

## 16. STATE AND OTHER PUBLIC ENTITIES

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

The open balances with these entities were as follows:

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## Current Assets

Amounts in Euro	30-09-2016	31-12-2015
<b>State and other public entities</b>		
Value added tax - refunds requested	50,663,168	46,758,171
Value added tax - to recover	8,515,034	10,884,624
Pending reimbursement amounts (tax cases decided in favor of the group)	3,995,228	-
	<b>63,173,430</b>	<b>57,642,795</b>

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

Amounts in Euro	August 2016	September 2016	Total
Navigator Fine Paper, S.A.	20,618,679	23,098,338	43,717,017
Bosques do Atlântico, S.L.	-	6,946,150	6,946,150
	<b>20,618,679</b>	<b>30,044,488</b>	<b>50,663,168</b>

Up to the date of issuing this report, Euro 20,618,679 of the amounts to be received as of 30 September 2016, had already been received.

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

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

The amounts related to tax proceedings decided in favor of the group, that were pending refunding as of 30 September 2016 and 31 December 2015 are presented as follows:

Amounts in Euro	30-09-2016	31-12-2015
Recoverable VAT	2,281,342	2,281,342
Recoverable real estate transaction tax	-	354,043
Other	1,713,886	261,495
	<b>3,995,228</b>	<b>2,896,880</b>

As of 31 December 2015 these amounts were deducted from the liability corresponding to the additional tax responsibilities.

## Current Liabilities

Amounts in Euro	30-09-2016	31-12-2015
<b>State and other public entities</b>		
Corporate income tax	60,433,336	31,065,030
Personal income tax - withheld on salaries	1,928,420	2,003,600
Value added tax	32,130,894	34,227,978
Social security	2,336,795	2,059,064
Additional liabilities	6,172,592	8,044,968
Other	508,703	(54,730)
	<b>103,510,741</b>	<b>77,345,911</b>

As previously mentioned, since 2014 until June 2015, The Navigator Company, S.A. and its subsidiaries were part of the taxation group led by Semapa, SGPS, S.A. Therefore, although each group company calculated its income taxes as if it was taxed independently, the determined liabilities were recognized as due to the leader of the taxation group, by then Semapa, SGPS, S.A., who proceeded with the overall computation and the settlement of the income tax.

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

The corporate income tax is detailed as follows:

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Amounts in Euro	30-09-2016	31-12-2015
Corporate income tax (Note 8)	30,621,093	65,212,803
Payments on account of corporate income tax	(378,178)	(1,964,638)
Corporate income tax payable to corporate income tax group Leader (Semapa, SGPS)	-	(34,150,871)
Corporate Income Tax to pay from 1 July 2015 to 31 Dec 2015	26,625,498	-
Withholding tax	(20,855)	(6,762)
Other receivables / payables	3,585,778	1,974,498
<b>Final Balance</b>	<b>60,433,336</b>	<b>31,065,030</b>

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

The changes in the provision for additional tax liabilities during the nine months period ended 30 September 2016 and the year ended 31 December 2015 were as follows:

Amounts in Euro	2016	2015
<b>As of 1 January</b>	<b>8,044,968</b>	<b>44,041,599</b>
Increase	1,750,498	-
Transfers	2,676,054	-
Decrease	(6,298,928)	(25,864,875)
<b>As of 30 September</b>	<b>6,172,592</b>	<b>18,176,724</b>
Remaining quarters		(10,131,756)
<b>As of 31 December</b>	<b>8,044,968</b>	

As of 30 September 2016 and 31 December 2015 the additional tax liabilities are detailed as follows:

Amounts in Euro	30-09-2016	31-12-2015
Group's Special Tax Regime	4,708,435	10,941,848
Adicional assessment 2010 and 2011 - Bosques do Atlantico	1,464,158	-
	<b>6,172,592</b>	<b>10,941,848</b>

## 17. SHARE CAPITAL AND TREASURY SHARES

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

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

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

Valores em Euros	2016		2015	
	Quantity	Value	Quantity	Value
<b>Treasury shares held in January</b>	<b>50,489,973</b>	<b>96,974,466</b>	<b>50,489,973</b>	<b>96,974,466</b>
Accquisitions				
January	-	-	-	-
February	-	-	-	-
March	-	-	-	-
April	(50,000,000)	(95,972,382)	-	-
May	-	-	-	-
June	-	-	-	-
July	-	-	-	-
August	-	-	-	-
September	-	-	-	-
	<u>(50,000,000)</u>	<u>(95,972,382)</u>		
<b>Treasury shares held in September</b>	<b>489,973</b>	<b>1,002,084</b>	<b>50,489,973</b>	<b>96,974,466</b>
Remaining quarters			-	-
<b>Treasury shares held in December</b>			<b>50,489,973</b>	<b>96,974,466</b>

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

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The market value of the treasury shares held on 30 September 2016 amounted to Euro 1,254,331 (31 December 2015: Euro 181,763,903), corresponding to a unit value of Euro 2.56 (31 December 2015: Euro 3.60) and the market capitalization amounted to Euro 1,836,800,000 compared to an equity, net of non-controlling interests, of Euro 1,153,306,020.

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

Entity	30-09-2016		31-12-2015	
	Nr. of shares	% Entity	Nr. of shares	% Entity
Seinpar Investments, BV	241,583,015	33.67%	241,583,015	31.48%
Semapa, SGPS, S.A.	256,033,284	35.68%	256,033,284	33.36%
Other Semapa Group companies	1,000	0.00%	1,000	0.00%
Treasury shares	489,973	0.07%	50,489,973	6.58%
Post-employment benefits - BPI bank	30,412,133	4.24%	36,875,907	4.80%
Norges Bank (the Central Bank of Norway)	25,360,219	3.53%	25,360,219	3.30%
Zoom Lux s.a.r.l.	15,349,972	2.14%	-	0.00%
Other shareholders	148,270,404	20.66%	157,156,602	20.48%
<b>Total</b>	<b>717,500,000</b>	<b>100.00%</b>	<b>767,500,000</b>	<b>100.00%</b>

Following the conclusion of the offer for the acquisition, in the form of an exchange offer, of the ordinary shares of Semapa, SGPS, S.A., registered in the Securities Market Commission and with the Offer period occurring between 6 July 2015 and 24 July 2015, Semapa delivered as compensation of the 24,864,477 own shares acquired, 84,539,108 shares of The Navigator Company. As a consequence of this exchange offer, Semapa reduced its participation in The Navigator Company to 497,617,299 shares, representative of 69.402% of The Navigator Company's share capital, of which 256,033,284 held by Semapa, SGPS, S.A..

## 18. DEFERRED TAXES

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

Amounts in Euro	Income Statement				Change in the consolidation scope	30 September 2016
	1 January 2016	Increases	Decreases	Equity		
<b>Temporary differences originating deferred tax assets</b>						
Taxed provisions	257,908	1,118,830	(46,469)	-	-	1,330,268
Adjustments in fixed assets	99,675,505	-	(16,443,097)	-	-	83,232,408
Financial instruments	2,263,058	-	-	10,647,681	-	12,910,739
Deferred accounting gains on inter-group transactions	25,439,698	28,444,272	(7,421,269)	-	-	46,462,702
Valuation of biological assets	1,275,824	-	(1,275,824)	-	-	-
Government grants - Investment incentives	10,766,964	-	(1,094,170)	-	-	9,672,795
	<b>139,678,958</b>	<b>29,563,102</b>	<b>(26,280,829)</b>	<b>10,647,681</b>	<b>-</b>	<b>153,608,911</b>
<b>Temporary differences originating deferred tax liabilities</b>						
Revaluation of fixed assets	(6,748,157)	6,707,407	-	-	-	(40,750)
Retirement benefits	(2,137,958)	8,978,370	(295)	(6,866,710)	-	(26,593)
Derivative Financial Instruments at fair value	(234,446)	-	-	(82,453)	-	(316,900)
Valuation of biological assets	-	-	(11,727,296)	-	-	(11,727,296)
Government grants	(11,991,792)	-	-	186,977	-	(11,804,815)
Extension of useful lives of tangible fixed assets	(299,964,933)	35,219,869	(9,700,625)	-	-	(274,445,689)
Fair value of biological assets	-	-	-	-	-	-
	<b>(321,077,287)</b>	<b>50,905,646</b>	<b>(21,428,216)</b>	<b>(6,762,186)</b>	<b>-</b>	<b>(298,362,043)</b>
<b>Amounts as presented on Consolidated Statement of Financial Position</b>						
Deferred tax assets	38,411,713	8,129,853	(7,227,228)	2,928,112	-	42,242,451
Tax Incentives for Investment	12,522,612	-	(8,680,906)	-	-	3,841,706
	<b>50,934,325</b>	<b>8,129,853</b>	<b>(15,908,134)</b>	<b>2,928,112</b>	<b>-</b>	<b>46,084,156</b>
Deferred tax liabilities	(88,296,253)	13,999,053	(5,892,760)	(1,859,601)	-	(82,049,564)
	<b>(88,296,253)</b>	<b>13,999,053</b>	<b>(5,892,760)</b>	<b>(1,859,601)</b>	<b>-</b>	<b>(82,049,564)</b>

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Amounts in Euro	Income Statement					Change in the consolidation scope	31 December 2015
	1 January 2015	Increases	Decreases	Equity	Other liabilities		
<b>Temporary differences originating deferred tax assets</b>							
Prejuízos fiscais reportáveis	1.155.104	-	(1.155.104)	-	-	-	-
Taxed provisions	6.079.638	-	(5.821.730)	-	-	-	257.908
Adjustments in fixed assets	42.172.563	69.095.053	(11.592.110)	-	-	-	99.675.505
Financial instruments	3.093.055	-	-	(829.997)	-	-	2.263.058
Deferred accounting gains on inter-group transactions	20.432.177	7.962.925	(2.955.405)	-	-	-	25.439.698
Valuation of biological assets	-	1.275.824	-	-	-	-	1.275.824
Government grants - Investment incentives	12.225.910	-	(1.458.946)	-	-	-	10.766.964
	<b>85.158.448</b>	<b>78.333.803</b>	<b>(22.983.296)</b>	<b>(829.997)</b>	<b>-</b>	<b>-</b>	<b>139.678.958</b>
<b>Temporary differences originating deferred tax liabilities</b>							
Revaluation of fixed assets	(7.462.129)	713.971	-	-	-	-	(6.748.157)
Retirement benefits	(1.110.760)	74.934	(7.929.697)	6.827.564	-	-	(2.137.958)
Derivative Financial Instruments at fair value	(144.728)	-	(89.718)	-	-	-	(234.446)
Deferred accounting losses on inter-group transactions	(3.068.885)	(358.958)	3.747.934	(320.092)	-	-	-
Government grants	-	-	-	-	-	(11.991.792)	(11.991.792)
Extension of useful lives of tangible fixed assets	(336.438.878)	(25.094.311)	65.321.140	(3.752.884)	-	-	(299.964.933)
Fair value of biological assets	(477.515)	-	477.515	-	-	-	-
	<b>(348.702.895)</b>	<b>(24.664.363)</b>	<b>61.616.893</b>	<b>2.664.870</b>	<b>-</b>	<b>(11.991.792)</b>	<b>(321.077.287)</b>
<b>Amounts as presented on Consolidated Statement of Financial Position</b>							
Deferred tax assets	23.418.573	21.541.796	(6.320.406)	(228.249)	-	-	38.411.713
Tax Incentives for Investment	-	-	(773.715)	-	13.296.327	-	12.522.612
	<b>23.418.573</b>	<b>21.541.796</b>	<b>(7.094.121)</b>	<b>(228.249)</b>	<b>13.296.327</b>	<b>-</b>	<b>50.934.325</b>
Deferred tax liabilities	(95.893.297)	(6.782.700)	16.944.647	732.839	-	(3.297.743)	(88.296.253)
	<b>(95.893.297)</b>	<b>(6.782.700)</b>	<b>16.944.647</b>	<b>732.839</b>	<b>-</b>	<b>(3.297.743)</b>	<b>(88.296.253)</b>

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

## 19. PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

### 19.1 Introduction

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

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

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

In 2010 and 2013, the Group completed the necessary procedures to convert the defined benefit plans of its subsidiaries The Navigator Company, Navigator Paper Figueira, Navigator Forest Portugal, Empremédia, RAIZ and Navigator Lusa, to defined contribution plans for the current employees, keeping the acquired benefits of former employees as defined benefit plans. The acquired rights attributable to former employees and retirees in case they leave the company or in case of a job change or retirement remains unchanged.

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

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

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

## Alternative A – Benefit safeguard plan

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

In practical terms, this alternative allows the employees to benefit from two autonomous accounts:

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

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

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

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

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

## Alternative B – Pure defined contribution plan

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

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

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

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

In conclusion,

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

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

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

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

# INTERIM REPORT FOR THE FIRST 9 MONTHS OF 2016

Amounts in Euro	30-09-2016	31-12-2015
Past service liabilities		
- Active Employees	58,339,013	59,309,768
- Former Employees	18,904,578	16,865,214
- Retired Employees	63,832,442	63,137,380
Market value of the pension funds	(140,168,576)	(143,067,688)
	<b>907,456</b>	<b>(3,755,326)</b>
<b>Insufficient funds/ overfunding</b>	<b>907,456</b>	<b>(3,755,326)</b>

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

## 19.2 Assumptions used in the valuation of the liabilities

The actuarial studies carried out by an independent entity for the purpose of determining the accumulated liabilities as at 30 September 2016 and 31 December 2015 were based on the following assumptions:

	30-09-2016	31-12-2015	Real Outcome	
			2016	2015
Disability Table	EKV 80	EKV 80	-	-
Mortality Table	TV 88/90	TV 88/90	-	-
Wage growth rate	1.00%	1.00%	1.00%	1.00%
Technical interest rate	2.50%	2.50%	-	-
Return rate on plan assets	2.50%	2.50%	2.40%	2.40%
Pensions growth rate	0.75%	0.75%	0.75%	0.75%

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

The following table presents the five-year historical information on the present value of liabilities, the market value of the funds, non-financed liabilities and net actuarial gains/ (losses). This information from 2011 to 2016 was as follows:

Amounts in Euro	2011	2012	2013	2014	2015	09-2016
Present value of liabilities	121,323,084	122,365,002	65,657,042	70,188,472	139,312,363	141,076,032
Fair value of plan assets	104,716,904	117,050,324	69,558,535	71,666,181	143,067,688	140,168,576
Surplus/(deficit)	(16,606,180)	(5,314,678)	3,901,493	1,477,709	3,755,326	(907,456)

## 19.3 Retirement and pension supplements

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

Amounts in Euro	2016	2015
Opening balance	139,312,363	70,188,472
Changes in assumptions	-	11,523,925
Actuarial gains/(losses) (difference between actual and expected)	776,047	-
Curtailment	-	(1,238,358)
Costs recognised in the Income Statement	4,099,256	1,861,576
Pensions paid	(3,111,633)	(2,921,617)
<b>As of 30 September</b>	<b>141,076,033</b>	<b>79,413,997</b>
Remaining quarters		59,898,366
<b>As of 31 December</b>		<b>139,312,363</b>

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

## INTERIM REPORT FOR THE FIRST 9 MONTHS OF 2016

Amount in Euro	2016	2015
Opening balance	143,067,688	71,666,181
Contributions made in the period	-	9,454,123
Expected return in the period	2,645,227	1,939,611
Actuarial gains/(losses) (difference between actual and expected returns)	(2,432,706)	(635,466)
Pensions paid	(3,111,633)	(3,216,506)
<b>As of 30 September</b>	<b>140,168,576</b>	<b>79,207,943</b>
Remaining quarters	-	63,859,745
<b>As of 31 December</b>	<b>143,067,688</b>	

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

Amounts in Euro	9 months 30-09-2016	9 months 30-09-2015
<b>Defined Benefit Plans</b>		
Current services	1,576,204	70,760
Interest expenses	2,523,052	1,790,817
Return of the plan assets	(2,645,227)	(1,939,610)
Remission	-	911,203
Other	(324,912)	(1,056,355)
	<b>1,129,116</b>	<b>(223,185)</b>
<b>Defined Contribution Plans</b>		
Contribution to the plan	918,762	1,405,818
	<b>918,762</b>	<b>1,405,818</b>
<b>Costs for the period</b>	<b>2,047,878</b>	<b>1,182,633</b>

## 20. PROVISIONS

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

Amounts in Euro	Legal Claims	Tax Claims	Other	Total
<b>Amount as of 1 January 2015</b>	<b>2,943,469</b>	<b>24,107,664</b>	<b>14,097,671</b>	<b>41,148,804</b>
Increases	19,910	-	-	19,910
Reversals	(52,236)	-	(8,531,025)	(8,583,261)
Transfers	1,281	12,131,149	-	12,132,430
<b>Amount as of 30 September 2015</b>	<b>2,912,424</b>	<b>36,238,813</b>	<b>5,566,646</b>	<b>44,717,883</b>
Increases	1,281	-	-	1,281
Reversals	-	-	(6,000,285)	(6,000,285)
Transfers	(287,657)	19,975,781	798,590	20,486,714
<b>Amount as of 31 December 2015</b>	<b>2,626,049</b>	<b>56,214,594</b>	<b>364,951</b>	<b>59,205,593</b>
Increases	1,627,448	-	1,334,065	2,961,513
Reversals	-	-	-	-
Transfers	-	(5,843,914)	-	(5,843,914)
<b>Amount as of 30 September 2016</b>	<b>4,253,497</b>	<b>50,370,680</b>	<b>1,699,016</b>	<b>56,323,191</b>

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

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

## 21. INTEREST-BEARING LIABILITIES AND OTHER LIABILITIES

### 21.1 Interest-bearing liabilities

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

30-09-2016 Amounts in Euro	Available amount	Outstanding amount	Maturity	Interest rate	Current	Non-current
<b>Bond loans</b>						
Portucel 2015-2023	200,000,000	200,000,000	September 2023	Variable rate indexed to Euribor	-	200,000,000
Portucel 2016-2021	100,000,000	100,000,000	May 2021	Fixed rate	-	100,000,000
Portucel 2016-2021	45,000,000	45,000,000	August 2021	Variable rate indexed to Euribor	-	45,000,000
Charges		(2,279,656)				(2,279,656)
<b>European Investment Bank</b>						
EIB Loan Ambiente A	23,214,286	23,214,286	Dezembro 2018	Variable rate indexed to Euribor	9,285,714	13,928,572
EIB Loan Ambiente B	16,666,667	16,666,667	Junho 2021	Variable rate indexed to Euribor	3,333,333	13,333,333
EIB Loan Energy	60,208,333	60,208,333	Dezembro 2024	Variable rate indexed to Euribor	7,083,333	53,125,000
EIB Loan Cacia	25,000,000	25,000,000	Maio 2028	Fixed rate	-	25,000,000
<b>Commercial Paper Programme</b>						
Commercial Paper 125M	125,000,000	125,000,000	Maio 2020	Variable rate indexed to Euribor	-	125,000,000
Commercial Paper 75M	75,000,000	75,000,000	Julho 2020	Variable rate indexed to Euribor	-	75,000,000
Commercial Paper 50M	50,000,000	30,000,000	Julho 2020	Variable rate indexed to Euribor	-	30,000,000
Commercial Paper 70M	70,000,000	70,000,000	Maio 2021	Fixed rate	-	70,000,000
Commercial Paper 100M	100,000,000	-		Variable rate indexed to Euribor	-	-
Charges		(531,830)				(531,830)
<b>Bank lines</b>						
Short-term line 20M	20,450,714	2,194,556			2,194,556	-
<b>Reimbursable subsidies</b>						
Reimbursable subsidies	-	5,739,023				5,739,023
	775,211,380				21,896,937	753,314,443

31-12-2015 Amounts in Euro	Available amount	Outstanding amount	Maturity	Interest rate	Current	Non-current
<b>Bond loans</b>						
Portucel Senior Notes 5.375% 2020	150,000,000	150,000,000	May 2016	Fixed rate	-	150,000,000
Portucel 2015-2023	200,000,000	200,000,000	September 2023	Variable rate indexed to Euribor	-	200,000,000
Charges		(4,264,228)				(4,264,228)
<b>Bank loans</b>						
Bank loan - NTR	19,423,085	19,423,085	July 2021	Variable rate indexed to Euribor	3,249,996	16,173,089
Bank loan - NTR	3,833,333	3,833,333	July 2021	Variable rate indexed to Euribor	666,667	3,166,667
Bank loan - NTR	1,959,546	1,959,546	January 2016	Variable rate indexed to Euribor	1,959,546	-
Bank loan - 15M	15,000,000	15,000,000		Variable rate indexed to Euribor	15,000,000	-
<b>European Investment Bank</b>						
EIB Loan Ambiente A	27,857,143	27,857,143	December 2018	Variable rate indexed to Euribor	9,285,714	18,571,429
EIB Loan Ambiente B	18,333,333	18,333,333	June 2021	Variable rate indexed to Euribor	3,333,333	15,000,000
EIB Loan Energy	63,750,000	63,750,000	December 2024	Variable rate indexed to Euribor	7,083,333	56,666,667
<b>Commercial Paper Programme</b>						
Commercial paper 125M	125,000,000	125,000,000	May 2020	Variable rate indexed to Euribor	-	125,000,000
Commercial paper 75M	75,000,000	75,000,000	July 2020	Variable rate indexed to Euribor	-	75,000,000
Commercial paper 50M	50,000,000	25,000,000	July 2020	Variable rate indexed to Euribor	-	25,000,000
Charges		(531,266)				(531,266)
<b>Reimbursable subsidies</b>						
Reimbursable subsidies	-	6,788,396			-	6,788,396
	727,149,343				40,578,590	686,570,753

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

On 30 September 2016, the average cost of debt, considering interest rate, annual fees and hedging operations, was 1.7% (31 December 2015: 2.5%).

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

# INTERIM REPORT FOR THE FIRST 9 MONTHS OF 2016

Amount in Euro	30-09-2016	31-12-2015
Non-current		
1 to 2 years	19,702,382	23,619,051
2 to 3 years	15,059,524	23,619,048
3 to 4 years	243,194,445	14,333,334
4 to 5 years	233,933,466	389,333,334
More than 5 years	244,236,111	240,461,480
	<b>756,125,928</b>	<b>691,366,247</b>
Charges	(2,811,486)	(4,795,494)
	<b>753,314,443</b>	<b>686,570,753</b>

On 30 September 2016 the Group had commercial paper programs and credit lines available but not used of Euro 138,256,158 (31 December 2015: Euro 145,450,714).

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

Amount in Euro	30-09-2016	31-12-2015
<b>Interest-bearing liabilities</b>		
Non-current	753,314,443	686,570,753
Current	21,896,937	40,578,590
	<b>775,211,380</b>	<b>727,149,343</b>
<b>Cash and cash equivalents</b>		
Cash	82,428	79,355
Short term bank deposits	11,876,357	35,024,398
Other	39,827,664	37,553,832
	<b>51,786,449</b>	<b>72,657,585</b>
<b>Interest-bearing net debt</b>	<b>723,424,932</b>	<b>654,491,758</b>

The Group has a strict policy of approval of its financial counterparts, limiting its exposure according to an individual risk analysis and previously approved plafonds. Beyond these limits, there is also a diversification policy applied to the number of the Group's counterparties. On 30 September 2016 the Group had no short term deposits in financial institutions. The amount of Euro 38,827,664 shown as other cash investments is invested in a portfolio of bonds from issuers with adequate rating.

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

Amount in Euro	9 months 30-09-2016	9 months 30-09-2015	Remaining quarters	31-12-2015
As of 1 January	654,491,758	273,640,542	-	273,640,542
Variation in the consolidation scope	-	17,146,601	-	17,146,601
Expenses with the issue of bond loans	2,811,486	1,908,000	-	1,908,000
Interest paid	20,061,857	36,888,292	5,000,956	41,889,248
Interest received	(3,390,889)	(323,385)	(910,000)	(1,233,385)
Dividends paid and reserves distributed	170,004,583	310,465,342	129,993,918	440,459,260
Acquisition of treasury shares	-	-	-	-
Receipts related to investment activities	(4,438,520)	(6,631,584)	(7,481,543)	(14,113,127)
Payments related to acquisition of subsidiaries	-	40,949,794	-	40,949,794
Payments related to investment activities	63,066,594	94,401,840	59,448,135	153,849,975
Accumulated exchange rate differences	718,386	2,018,589	2,846,120	4,864,709
Dividend receipts	-	-	-	-
Net receipts of operating activities	(179,900,323)	(183,382,597)	(121,487,261)	(304,869,858)
	<b>68,933,173</b>	<b>313,440,892</b>	<b>67,410,325</b>	<b>380,851,216</b>
<b>Closing Balance</b>	<b>723,424,931</b>	<b>587,081,434</b>	<b>67,410,325</b>	<b>654,491,758</b>

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

# INTERIM REPORT FOR THE FIRST 9 MONTHS OF 2016

Amount in Euro	9 months 30-09-2016	9 months 30-09-2015	Remaining quarters	31-12-2015
Net profit for the year	134,265,035	141,516,895	55,248,627	196,765,522
Depreciation, amortization and impairment losses	120,518,942	94,855,771	26,860,164	121,715,935
Net changes in provisions	2,961,513	(8,563,351)	(5,999,004)	(14,562,355)
	<b>257,745,490</b>	<b>227,809,315</b>	<b>76,109,787</b>	<b>303,919,102</b>
Change in working capital	(8,355,748)	(46,085,274)	12,265,320	(33,819,954)
Variation in the consolidation scope	-	(19,851,832)	-	(19,851,832)
Acquisitions of tangible fixed assets	(114,748,793)	(159,726,350)	(32,292,163)	(192,018,513)
Dividends paid and reserves distributed	(170,004,583)	(310,465,342)	(129,993,918)	(440,459,260)
Acquisition of treasury shares	-	-	-	-
Net changes in post-employment benefits	(4,150,360)	(1,683,766)	3,448,961	1,765,195
Other changes in equity	(18,538,920)	(11,113,900)	15,407,898	4,293,998
Expenses with the issue of bond loans	1,984,008	1,257,225	429,503	1,686,728
Other	(12,864,266)	6,419,032	(12,785,713)	(6,366,681)
<b>Change in net debt (Free Cash Flow)</b>	<b>(68,933,172)</b>	<b>(313,440,892)</b>	<b>(67,410,324)</b>	<b>(380,851,216)</b>

## 21.2 Other Liabilities

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

Amounts in Euro	30-09-2016	31-12-2015
<b>Non-current</b>		
Grants	36,936,267	37,215,981
Equipment	2,320,373	1,322,745
	<b>39,256,640</b>	<b>38,538,726</b>

### Financial leases – IFRIC 4

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

Amounts in Euro	30-09-2016		
	Acquisition Value	Accumulated depreciation	Net book value
Equipment - Omya	14,000,000	(10,594,595)	3,405,405
	<b>14,000,000</b>	<b>(10,594,595)</b>	<b>3,405,405</b>
 31-12-2015			
Amounts in Euro	Acquisition Value	Accumulated depreciation	Net book value
	14,000,000	(9,459,460)	4,540,540
	<b>14,000,000</b>	<b>(9,459,460)</b>	<b>4,540,540</b>

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

Amounts in Euro	30-09-2016	31-12-2015
<b>Non-current</b>		
Equipment	2,320,373	1,322,745
<b>Current</b>	<b>2,968,920</b>	<b>3,995,996</b>
	<b>5,289,293</b>	<b>5,318,741</b>

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

## 22. PAYABLES AND OTHER CURRENT LIABILITIES

As at 30 September 2016 and 31 December 2015, "Payables and other current liabilities" were detailed as follows:

Amounts in Euro	30-09-2016	31-12-2015
Accounts payable to suppliers	138,629,313	139,127,591
Accounts payable to fixed assets suppliers	3,747,125	2,945,204
Accounts payable to fixed assets suppliers - leases (Note 21)	2,968,920	3,995,996
Accounts payable - Related parties (Note 24)	-	1,260,933
Derivative financial instruments (Note 23)	10,279,571	646,872
Other creditors - CO2 emissions	2,979,736	6,855,147
Sales commissions	154,418	137,740
Other creditors	1,492,519	2,778,493
Accrued costs	57,616,799	61,100,959
Deferred income	2,346,232	6,235,175
	<b>220,211,774</b>	<b>225,084,110</b>

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

Amount in Euro	30-09-2016	31-12-2015
<b>Accrued costs</b>		
Payroll expenses - Annual Performance Bonus	12,003,490	15,688,962
Payroll expenses - Other	23,127,935	18,855,256
Interests payable, including compensatory interest	3,741,294	8,533,687
Other	18,744,080	18,023,054
	<b>57,616,799</b>	<b>61,100,959</b>
<b>Deferred income</b>		
Government grants	1,718,298	6,274,879
Grants - CO2 emission licenses	602,480	(26,680)
Other	25,454	(13,024)
	<b>2,346,232</b>	<b>6,235,175</b>

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

Amounts in Euro	30-09-2016	31-12-2015
<b>AICEP investment contracts</b>		
The Navigator Company, S.A.	-	10,668,532
Enerpulp, S.A.	9,183,471	-
Navigator Pulp Cacia, S.A.	15,682,982	17,424,719
Navigator Pulp Setúbal, S.A.	920,518	1,456,647
Navigator Pulp Figueira da Foz, S.A.	9,673,174	10,767,344
Navigator Parques Industriais, S.A.	2,181,262	2,225,779
Navigator Paper Figueira da Foz, S.A.	348,137	564,192
	<b>37,989,543</b>	<b>43,107,213</b>
<b>Other</b>		
Raiz	34,238	72,883
Viveiros Aliança, S.A.	630,783	711,342
	<b>665,021</b>	<b>784,225</b>
	<b>38,654,564</b>	<b>43,891,438</b>

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

Amount in Euro	2016	2015
<b>Grants - CO2 emissions</b>		
Opening balance	-	-
Increase	2,849,117	3,197,487
Utilization	(2,246,637)	(2,336,372)
<b>Closing balance September</b>	<b>602,480</b>	<b>861,115</b>
Remaining quarters		(861,115)
<b>Closing balance December</b>		-

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

## 23. FINANCIAL ASSETS AND LIABILITIES

### 23.1 Financial instruments held for trading

As at 30 September 2016 and 31 December 2015, the fair value of derivative financial instruments was as follows:

Amounts in Euro	30-09-2016			31-12-2015	
	Notional	Positive	Negative	Net	Net
<b>Trading</b>					
CO2 emissions	1,931,000	-	(675,077)	(675,077)	57,667
Foreign Exchange Forwards	90,830,000	468,578	(424,013)	44,565	(417,437)
	<b>92,761,000</b>	<b>468,578</b>	<b>(1,099,090)</b>	<b>(630,512)</b>	<b>(359,770)</b>

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

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

The net fair value of trading instruments – forwards – as at 30 September 2016 is Euro 630,512 (31 December 2015: Euro 359,770).

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

### 23.2 Derivative financial instruments designated as hedging instruments

As at 30 September 2016 and 31 December 2015, the fair value of derivative financial instruments designated as hedging instruments was as follows:

Amounts in Euro	30-09-2016			31-12-2015	
	Notional	Positive	Negative	Net	Net
<b>Hedging</b>					
Interest rate swap for:					
Commercial Paper issued	325,000,000	-	(10,129,518)	(10,129,518)	870,372
Bond loan	125,000,000	-	(1,721,784)	(1,721,784)	515,041
Foreign Exchange Forwards (net investment)	200,000,000	-	(8,407,734)	(8,407,734)	355,331
Foreign Exchange Forwards (future sales)*	22,444,225	-	(150,053)	(150,053)	543,992
	175,800,000	82,453	-	82,453	-
	<b>523,244,225</b>	<b>82,453</b>	<b>(10,279,571)</b>	<b>(10,197,118)</b>	<b>1,414,364</b>

\* Amount in USD

#### Net investment

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

This instrument is designated as an hedging of the investment in the North America subsidiary of the Group, with fair value changes recognized in comprehensive income. As at 30 September 2016, the fair value reserve associated with this coverage was Euro 3,954,490 (31 December 2015: Euro 3,260,446).

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

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

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

### **Cash flow hedge – Interest Rate**

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

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

### **23.3 Credit and receivables**

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

### **23.4 Other financial liabilities**

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

### **23.5 Net gains on financial assets and liabilities**

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

Amounts in Euro	30-09-2016	30-09-2015
Gain/ (loss) on loans and receivables	(13,594)	(2,074,478)
Gains / (losses) on financial instruments - hedging	(1,919,204)	(5,132,307)
Gains / (losses) on financial instruments - trading	462,002	1,974,471
Interest Income:		
From deposits and other receivables	2,281,090	203,294
Interest expense:		
Financial liabilities measured at amortized cost	(17,870,449)	(37,579,114)
Other	440,221	(2,298,740)
	<b>(16,619,934)</b>	<b>(44,906,874)</b>

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

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

	Change in fair value (Trading)	Change in fair value (Hedging)	Total
<b>Amount as of 1 January 2015</b>	<b>(1,342,225)</b>	<b>(2,842,640)</b>	<b>(4,184,865)</b>
Maturity	1,974,471	(5,132,307)	(3,157,836)
Increase/decrease in fair value	-	6,835,632	6,835,632
<b>Amount as of 30 September 2015</b>	<b>632,246</b>	<b>(1,139,315)</b>	<b>(507,069)</b>
Maturity	(1,049,683)	(2,822,418)	(3,872,101)
Increase/decrease in fair value	57,667	5,376,098	5,433,765
<b>Amount as of 1 January 2016</b>	<b>(359,770)</b>	<b>1,414,365</b>	<b>1,054,596</b>
Maturity	462,002	(1,919,204)	(1,457,202)
Increase/decrease in fair value	(732,744)	(9,692,279)	(10,425,023)
<b>Amount as of 30 September 2016</b>	<b>(630,512)</b>	<b>(10,197,118)</b>	<b>(10,827,629)</b>

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

		Nominal value	Maturity	Type	30-09-2016	31-12-2015
Exchange rate forw ards	USD	77,250,000	31-jan-17	Trading	(424,013)	(646,872)
	GBP	13,580,000	13-fev-17	Trading	468,578	229,435
Future purchase of C02 emission licences	EUR	1,931,000	15-mar-18	Trading	(675,077)	57,667
					<u>(630,512)</u>	<u>(359,770)</u>
Foreign Exchange forw ards - Net Equity	USD	25,050,000	27-nov-16	Hedging	(150,053)	543,992
Hedging for future sales	USD	175,800,000	31-jan-17	Hedging	82,453	-
Interest rate sw ap for comercial Paper issued	EUR	125,000,000	26-mai-20	Hedging	(1,721,784)	515,041
Interest rate sw ap for loans	EUR	200,000,000	22-set-23	Hedging	(8,407,734)	355,331
					<u>(10,197,118)</u>	<u>1,414,364</u>
					<u>(10,827,630)</u>	<u>1,054,594</u>

## 24. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

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

Amounts in Euro	30-09-2016			31-12-2015		
	Assets	Customers	Liabilities	Assets	Customers	Liabilities
	Other debtors (fiscal consolidation)	Payables		Other debtors (fiscal consolidation)	Payables	
Semapa - Soc. De Investimento e Gestão, SGPS, S.A.	-	-	-	-	1.212.515	1.192.989
Secil - Companhia Geral Cal e Cimento, S.A.	14.760	-	265	15.265	-	297
Secil Britas, S.A.	-	-	10.765	-	-	9.132
Enermontijo, S.A.	363.683	-	-	433.951	-	4.982
Enerpar, SGPS, Lda.	-	-	-	-	-	46.694
Cimilonga - Imobiliária, S.A.	-	-	(13.700)	-	-	6.839
	<b>378.443</b>	-	<b>(2.670)</b>	<b>449.216</b>	<b>1.212.515</b>	<b>1.260.933</b>

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

Amounts in Euro	30-09-2016			31-12-2015		
	Sales and services rendered	Interest received	Cosumed materials and services	Sales and services rendered	Interest received	Cosumed materials and services
Semapa - Soc. De Investimento e Gestão, SGPS, S.A.	571	-	5.962.341	2.218	-	7.741.519
Secil - Companhia Geral Cal e Cimento, S.A.	54.000	-	1.119	72.740	-	1.946
Secil Britas, S.A.	-	-	39.597	-	-	31.162
Enermontijo, S.A.	609.093	-	211.101	983.993	-	267.508
Enerpar, SGPS, Lda.	-	-	223.748	-	-	1.919.589
Cimilonga - Imobiliária, S.A.	-	-	205.988	-	-	66.856
	<b>663.665</b>	-	<b>6.643.893</b>	<b>1.058.951</b>	-	<b>10.028.580</b>

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

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

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

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

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

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

## 25. COMMITMENTS

### 25.1 Commitments towards third-parties

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

Amounts in Euro	30-09-2016	31-12-2015
Customs clearance	1.835.250	2.723.960
Simria	338.829	327.775
IAPMEI	5.381.948	6.573.110
Spanish tax authorities	1.033.204	-
Other	664.968	605.540
	<b>9.254.199</b>	<b>10.230.385</b>

The guarantees in favor of IAPMEI were provided under the investment contracts celebrated between the Portuguese State and Navigator Pulp Cacia, S.A. (Euro 2,438,132) and Navigator Tissue Ródão, S.A. (Euro 2,943,816), as per the terms and conditions defined in the Payment Standard applicable to projects approved under QREN Incentive Systems.

### 25.2 Purchase commitments

In addition to the commitments described in the preceding Note, purchase commitments assumed with suppliers at 30 September 2016 amounted to Euro 69,276,648 and referred to capital expenditure on Property, plant and equipment. In 31 December 2015 these commitments amounted to Euro 23,107,821.

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

Amounts in Euro	30-09-2016	31-12-2015
2016	422.014	1.506.712
2017	1.540.578	1.202.577
2018	1.144.827	810.035
2019	765.906	434.663
2020	350.425	52.956
	<b>4.223.750</b>	<b>4.006.943</b>

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

Amounts in Euro	30-09-2016	31-12-2015
2016	1.518.782	4.583.742
2017	4.433.392	4.426.222
2018	4.280.986	4.149.697
2019	4.032.784	3.980.008
2020	3.714.805	3.657.728
Later	48.174.726	47.542.248
	<b>66.155.475</b>	<b>68.339.646</b>

## 26. CONTINGENT ASSETS

### 26.1 Tax matters

#### 26.1.1 Public Debt Settlement Fund

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

Amounts in Euro	Period	Requested amounts	1st Refund	Decrease due to RERD	Processes decided in favour of the Group	Outstanding
<b>The Navigator Company, S.A.</b>						
VAT - Germany	1998-2004	5.850.000	(5.850.000)	-	-	-
Corporate Income Tax	2001	314.340	-	-	(314.340)	-
Corporate Income Tax	2002	625.033	(625.033)	-	-	-
VAT	2002	2.697	(2.697)	-	-	-
Corporate Income Tax	2003	1.573.165	(1.573.165)	-	-	-
Corporate Income Tax	2003	182.230	(157.915)	-	(24.315)	-
Corporate Income Tax (Withheld)	2004	3.324	-	-	-	3.324
Corporate Income Tax	2004	766.395	-	-	(139.023)	627.372
Corporate Income Tax (Withheld)	2005	1.736	(1.736)	-	-	-
Corporate Income Tax	2005	11.754.680	-	(1.360.294)	-	10.394.386
Corporate Income Tax	2006	11.890.071	-	(1.108.178)	-	10.781.893
Expenses		314.957	-	-	-	314.957
		<b>33.278.628</b>	<b>(8.210.546)</b>	<b>(2.468.472)</b>	<b>(477.678)</b>	<b>22.121.932</b>
<b>Navigator Paper Figueira, S.A.</b>						
Corporate Income Tax	2002	18.923	-	-	-	18.923
Corporate Income Tax	2003	5.725.771	-	-	-	5.725.771
VAT	2003	2.509.101	-	-	-	2.509.101
Stamp duty	2004	497.669	-	-	(497.669)	-
		<b>8.751.464</b>	<b>-</b>	<b>-</b>	<b>(497.669)</b>	<b>8.253.795</b>
		<b>42.030.092</b>	<b>(8.210.546)</b>	<b>(2.468.472)</b>	<b>(975.347)</b>	<b>30.375.727</b>

#### 26.1.2 Taxes paid in litigation

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

Amounts in Euro
Aggregate corporate income tax 2005
Aggregate corporate income tax 2006
Aggregate corporate income tax - result of the income tax calculation - 2010
Aggregate corporate income tax - result of the income tax calculation - 2011
Aggregate corporate income tax 2012
<b>32,489,626</b>

##### i) Group corporate income tax 2005 and 2006

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

From the total amount corrected, Euro 73,453,776 regard losses on disposal of financial investments, including additional equity contributions, considered as equity by the tax authorities under the article 23 n°5 of Portuguese Corporate Tax Law as it was in place as of that date.

The Group's understanding is different, in which it is supported by its advisors and lawyers, and is based both in the opinion of renowned teachers of accounting and law and in the letter of the law, especially in the wording introduced by the 2006 State Budget to article 42 of the

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Portuguese Corporate Income Tax Law, and in the prohibition of irrefutable presumptions as stated in Constitution of the Portuguese Republic, in particular in its article 103, in what concerns article 23, nº5 and nº6 of the Portuguese Corporate Income Tax Law.

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

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

In 2010, the Group deducted the available RFAI tax incentive up to 25% of the tax collection as permitted by the legislation that approved the tax regime. However, article 92 of the Portuguese Corporate Income Tax Law limits the utilization of tax benefits to 10% of the tax collection, conflicting with the 25% mentioned in RFAI. The deduction of this tax benefit in 2010 resulted in an additional income tax settlement of Euro 4,448,387, having the Group paid and disputed the mentioned amount.

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

### **iii) Group corporate income tax 2012**

Part of the investment considered relevant for the purpose of the RFAI tax incentive, included in Law 10/209 of 10 March, regards the biomass plants acquired by Navigator. In the context of a request for binding information interposed by Navigator regarding the possibility of taking advantage of this benefit, the tax authorities found that Navigator could not benefit from the RFAI in respect of those plants, as the main activity of the company was not the production of energy. In that sense, the tax authorities corrected the amount of income tax to pay determined by the Group in 2012, in the part related to the use of that tax benefit.

The debt was paid and is now in discussion in the arbitral court. The Group has already been granted a favorable decision in a similar proceeding regarding 2011.

## **26.2 Non-tax matters**

### **26.2.1 Public Debt Settlement Fund**

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

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

### **26.2.2 Infrastructure enhancement and maintenance fee**

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

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

**27. COMPANIES INCLUDED IN CONSOLIDATION**

Company	Head office	Share equity owned		
		Directly	Indirectly	Total
<b>Parent-Company:</b>				
The Navigator Company, S. A.	Setúbal	-	-	-
<b>Subsidiaries:</b>				
Navigator Paper Figueira, S.A.	Figueira da Foz	100,00	-	100,00
Portucel Florestal, S.A.	Setúbal	100,00	-	100,00
Navigator Parques Industriais, S.A.	Setúbal	100,00	-	100,00
Enerpulp – Cogeração Energética de Pasta, S.A.	Setúbal	100,00	-	100,00
About Balance - SGPS, S.A.	Lisboa	100,00	-	100,00
Navigator Fine Paper , S.A.	Setúbal	-	100,00	100,00
Navigator Tissue Cacia, S.A.	Aveiro	-	100,00	100,00
Navigator Internacional Holding SGPS, S.A.	Setúbal	100,00	-	100,00
Portucel Moçambique - Sociedade de Desenvolvimento Florestal e Industrial, Lda	Moçambique	20,05	60,15	80,20
Portucel Florestal Brasil - Gestão de Participações, Lda	Brasil	25,00	75,00	100,00
Colombo Energy Inc.	EUA	-	100,00	100,00
Portucel Finance, Zoo	Polónia	25,00	75,00	100,00
Navigator Africa, SRL	Itália	-	100,00	100,00
Navigator Floresta, SGPS, S.A.	Setúbal	100,00	-	100,00
Sociedade de Vinhos da Herdade de Espíra - Produção e Comercialização de Vinhos, S.A.	Setúbal	-	100,00	100,00
Gavião - Sociedade de Caça e Turismo, S.A.	Setúbal	-	100,00	100,00
Navigator Forest Portugal, S.A.	Setúbal	-	100,00	100,00
Afocelca - Agrupamento complementar de empresas para protecção contra incêndios, ACE	Portugal	-	64,80	64,80
Viveiros Aliança - Empresa Produtora de Plantas, S.A.	Palmeira	-	100,00	100,00
Atlantic Forests, S.A.	Setúbal	-	100,00	100,00
Raiz - Instituto de Investigação da Floresta e Papel	Aveiro	-	94,00	94,00
Bosques do Atlântico, SL	Espanha	-	100,00	100,00
Navigator Pulp Holding ,SGPS, S.A.	Setúbal	100,00	-	100,00
Navigator Pulp Figueira, S.A.	Figueira da Foz	-	100,00	100,00
Navigator Pulp Setúbal, S.A.	Setúbal	-	100,00	100,00
Navigator Pulp Cacia, S.A.	Aveiro	-	100,00	100,00
Portucel International GmbH	Alemanha	-	100,00	100,00
Navigator Paper Holding ,SGPS, S.A.	Setúbal	100,00	-	100,00
About the Future - Empresa Produtora de Papel, S.A.	Setúbal	-	100,00	100,00
Navigator Paper Setúbal, S.A.	Setúbal	-	100,00	100,00
Portucel Soporcel North America Inc.	EUA	-	100,00	100,00
Navigator Sales & Marketing, S.A.	Bélgica	25,00	75,00	100,00
Navigator Lusa, Lda	Figueira da Foz	-	100,00	100,00
Navigator Switzerland Ltd.	Suíça	25,00	75,00	100,00
PortucelSoporcel Afrique du Nord	Marrocos	-	100,00	100,00
PortucelSoporcel Espanha, S.A.	Espanha	-	100,00	100,00
Navigator Netherlands, BV	Holanda	-	100,00	100,00
PortucelSoporcel France, EURL	França	-	100,00	100,00
Navigator Paper Company UK, Ltd	Reino Unido	-	100,00	100,00
Navigator Itália, SRL	Itália	-	100,00	100,00
PortucelSoporcel Deutschland, GmbH	Alemanha	-	100,00	100,00
Navigator Paper Austria, GmbH	Austria	-	100,00	100,00
PortucelSoporcel Poland SP Z o	Polónia	-	100,00	100,00
Navigator Eurasia	Turquia	-	100,00	100,00
Navigator Rus Company, LLC	Russia	-	100,00	100,00
Navigator Participações Holding ,SGPS, S.A.	Setúbal	100,00	-	100,00
Arboser – Serviços Agro-Industriais, S.A.	Setúbal	-	100,00	100,00
EMA21 - Engenharia e Manutenção Industrial Século XXI, S.A.	Setúbal	-	100,00	100,00
Ema Cacia - Engenharia e Manutenção Industrial, ACE	Aveiro	-	91,15	91,15
Ema Setúbal - Engenharia e Manutenção Industrial, ACE	Setúbal	-	92,56	92,56
Ema Figueira da Foz- Engenharia e Manutenção Industrial, ACE	Figueira da Foz	-	91,47	91,47
Empremédia - Corretores de Seguros, S.A.	Lisboa	-	100,00	100,00
Eucaliptus Land, S.A.	Setúbal	-	100,00	100,00
Headbox - Operação e Contolo Industrial, S.A.	Setúbal	-	100,00	100,00
Navigator Added Value, S.A.	Setúbal	-	100,00	100,00
Navigator Abastecimento de Madeira, ACE	Setúbal	-	100,00	100,00

**BOARD OF DIRECTORS**

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Vice President/CEO

Luis Alberto Caldeira Deslandes  
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