CONSOLIDATED ANNUAL RESULTS FOR **2016**

The Navigator Company, S.A.
Public Limited Company

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

THE NAVIGATOR COMPANY

Highlights 2016 (vs. 2015)

- Group achieves record level of **paper sales totalling 1,587 thousand tons** in 2016
- Strong operational performance offsets lower prices, with 2% growth in volume of paper sales, 15% in pulp sales and 30% in tissue paper
- Turnover of € 1.577 billion (€ 1.628 billion), brought down by lower power sales as a result of expected change in tariffs
- **Cost reduction programme boosts EBITDA by € 16 million**
- EBITDA up 2% to € 397.4 million (€ 390 million), and EBITDA/Sales margin improves to 25.2% (24.0%)
- **Free cash flow generation soars to € 183.8 million** (€ 81.0 million), up by € 102.8 million
- Debt restructuring leads to significant improvement in financial results (€ 20.8 million vs. € 50.3 million)
- Colombo Energy in US completes and starts up pellets mill with annual production capacity of 500 thousand tons.
- **Navigator and Soporset elected best Brands in Europe in 2016 (by Opticom and EMGE)**

Highlights 4th Quarter 2016 (vs. Q3 2016)

- Record sales volume for pulp and paper in quarter secures sales of € 422 million (€ 377 million), softening the impact of lower pulp and paper prices.
- Q3 EBITDA of € 96 million (€ 106 million), reflecting the drop in pulp and paper prices
- Dynamic generation of free cash flow, totalling € 82.7 million in quarter (€ 69.7 million)
- Groups cuts net debt and improves Net Debt / Ebitda ratio to 1.6 (1.8)

Summary of Leading Indicators – IFRS (unaudited figures)

in million euros	FY 2016	FY 2015	% Change [(5)] 2016/ 2015
Total sales	**1 577.4**	**1 628.0**	**-3.1%**
EBITDA [(1)]	**397.4**	**390.0**	**1.9%**
Operating profits	230.4	282.9	-18.6%
Financial results	- 20.8	- 50.3	-58.6%
Net earnings	**217.5**	**196.4**	**10.7%**
Cash flow	384.6	303.6	81.0
Free Cash Flow [(2)]	183.8	81.0	102.8
Capex [(6)]	138.6	148.5	-9.9
Net debt [(3)]	**640.7**	**654.5**	**- 13.8**
EBITDA / Sales (%)	**25.2%**	**24.0%**	**1.2 pp**
ROS	13.8%	12.1%	1.7 pp
ROE	17.8%	14.8%	3.0 pp
ROCE	12.3%	15.7%	-3.4 pp
Equity ratio	51.2%	50.0%	1.2 pp
Net Debt / EBITDA [(4)]	1.6	1.7	1.0

in million euros	Q4 2016	Q3 2016	% Change [(5)] Q4 16/Q3 16
Total sales	**422.0**	**376.8**	**12.0%**
EBITDA [(1)]	**95.9**	**106.2**	**-9.7%**
Operating profits	52.3	70.1	-25.4%
Financial results	- 4.2	- 3.2	32.2%
Net earnings	**83.2**	**48.8**	**70.4%**
Cash flow	126.8	84.9	41.9
Free Cash Flow [(2)]	82.7	69.7	13.0
Capex	38.0	25.3	12.7
Net debt [(3)]	640.7	723.4	- 82.7
EBITDA / Sales (%)	**22.7%**	**28.2%**	**-5.5 pp**
ROS	19.7%	13.0%	6.8 pp
ROE	27.8%	17.1%	10.7 pp
ROCE	11.1%	14.8%	-3.7 pp
Equity ratio	51.2%	50.0%	1.2 pp
Net Debt / EBITDA [(4)]	1.6	1.8	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

1. ANALYSIS OF RESULTS

2016 vs. 2015

The Navigator Company recorded turnover of € 1,577.4 million in 2016, as compared to € 1,628 million in 2015. This reduction was due primarily to a drop in the value of energy sales, after the review of the tariff for sales to the national grid by the natural gas co-generation plant in Figueira da Foz, and also to the global contraction in pulp and paper price observed over the course of 2016. **The Group mitigated the downward trend in prices by increasing its sales volumes, and also through an effort to reduce costs.**

In Europe, conditions in the UWF market deteriorated during 2016, and estimates point to a reduction in apparent consumption of 3.8% (-0.3% in 2015) and growth in total imports of more than 18%. Paper imports from Asia increased significantly, in particular in office paper, triggering an overall downwards adjustment in prices. **In this difficult environment, Navigator achieved UWF sales of 1,586.8 thousand tons, up by 2.0% in relation to 2015, setting a new record in terms of volume.** The Group succeeded in placing additional volumes of paper in this context by increasing its sales both in Europe and in International markets. In European sales, the average price was 1.2% lower than recorded in the previous year, which compares with an increase in the A4 price index for Europe (PIX Copy-B) of 0.3%; this was due to a negative change in the group product and geography sales mix. Navigator's average sales price for all markets was down by 2.4% in relation to the previous year, also due to the change in product and geography sales mix.

Falling pulp prices were a key feature of the business environment, in a descent which started in late 2015 and continued throughout 2016. The benchmark index for hardwood pulp (PIX – BHKP) dropped by around 16% in USD and 13% in Euros in relation to the start of 2016. **Navigator nonetheless recorded strong operating performance**: the volume of pulp placed on the market stood at 290.6 thousand tons, pushing up sales by around 15.1%, thanks to the capacity expansion at the Cacia mill in 2015, which has resulted in increased availability of pulp for the market. The increase in the sales volume fell short of wholly offsetting the reduction in prices, and the value of pulp sales ended the year a around 1.6% below the figure recorded in 2015.

The Group's energy business suffered the impact of a series of negative factors over the course of the year, most significantly the fact that, as anticipated, natural gas cogeneration at Figueira da Foz switched to an own-consumption only basis, reducing the volume of power sales to the national grid but also reducing purchases of electricity for one of the paper mills. Operations were also constrained by repairs on the turbogenerators at the Cacia and Setúbal pulp mills, as well as other planned maintenance, in particular at the natural gas co-generation plant at the Setúbal industrial complex and at the Setúbal biomass power station.

As a result, total gross power output for the period as a whole was down by 8% on 2015 and the sales volume (quantity of power sold in MWh) fell by 16.3%. The total value of power sales to the national grid stood at around € 50 million below the figure recorded in 2015. However, **the reduction in the volume of power purchases and lower purchase prices for fuel, essentially natural gas, significantly softened the impact of the drop in power sales, resulting in a net negative impact of around € 6.0 million in EBITDA in relation to 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 30% in 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 € 67.5 million, representing a 21% increase YoY.

On the cost side, the Group recorded an increase in the volume of wood supplied to mills, sourced essentially from the Spanish and import market. Despite an improvement in specific consumption, increased use of imported wood pushed up the overall acquisition cost. Imports from Spain and beyond continue to be necessary to make up for shortfalls in supply on the Portuguese market.

As observed in the first nine months of 2016, **logistical costs for paper and pulp came down further** thanks essentially to falling oil prices, the changing mix of destination markets, increased use of ports closer to the mills (Setúbal and Figueira) and continuing cross-Group campaigns to improve efficiency in commercial operations. These factors made it possible to bring down logistical costs by approximately € 8.2 million in relation to the previous year.

In the case of chemicals used in paper manufacture, the Group achieved a reduction in overall costs estimated in the region of € 2 million euros.

In addition, **Navigator has been working hard to cut maintenance costs at all its industrial sites,** resulting in an overall reduction in 2016 of around 5%, corresponding to € 3.6 million.

Personnel costs show a reduction of approximately € 10.2 million, explained by the negative impact of non-recurrent personnel costs in 2015, consisting of allocations to the pension fund, additional costs relating to the rejuvenation programme under way and the estimated cost of the performance bonus. Costs in 2016 were hit by growth in the workforce due to the recruitment of new business and integration of services which have previously been outsourced. Excluding the impact of the workforce in new business areas and of insourcing, as well as other non-recurrent impacts which inflated costs in the previous years, personnel costs in 2016 would have stayed in line with those in 2015.

In this context, **EBITDA for 2016 totalled € 397.4 million, up from the figure of € 390.0 million in the previous year, reflecting a margin of 25.2%, as compared to 24.0% in 2015.**

In addition to the operating performance described above, EBITDA in the period reflects the impacts of a series of non-recurrent factors, with a net positive value of € 7.5 million. The most significant of these non-recurrent items include:

- Revaluation of biological assets in Portugal, reflecting essentially the review of the assumptions underlying the discount rate and a number of adjustments to the valuation model: positive net variation of € 7.3 million;

- Reversal of the amount for anti-dumping duty in the 2015 EBITDA: positive impact of € 3.8 million;
- Receipt of compensation for breakdowns in TG3 and TG4 in Cacia in 2015 and 2016, less the estimated overall impact of the breakdowns: positive impact of € 1.0 million;
- Impairment recorded on biological assets in Mozambique: negative impact of € 3.5 million;
- Impact of the fire at the Vila Velha de Ródão tissue mill (in May), less partial receipt of insurance: negative impact on EBITDA of € 1.1 million;

Without these non-recurrent items, the figure for EBITDA in 2016 would have been broadly equivalent to that recorded in 2015.

The Group recorded its highest ever figure for operating cash flow: at € 384.6 million this reflected an increase of € 81 million in relation to 2015. With capital expenditure of approximately € 138.6 million, free cash flow totalled € 183.6 million, growing over the course of the year, thanks in part to improved working capital in the second half, with lower stocks and the reduction in accounts receivable. Another significant factor was the negative impact of disbursements on the anti-dumping duty applied to paper sales in the United States, which totalled € 10 million.

Operating income totalled € 230.4 million, as compared to the figure of € 282.9 million recorded in 2015. This item was hit by an increase of € 45 million in depreciation and impairments, reflecting essentially increased impairment on assets in Mozambique associated with field works (€ 45.5 million, on top of the € 3.5 million impairments in Manica referred previously impacting EBITDA), which reflect a conservative approach to the project, considering the country´s current economic and political context. This item also includes the write-off of tangible fixed assets as a result of the fire in Vila Velha de Ródão (€ 1.9 million).

Financial results in the period showed a loss of € 20.8 million, comparing very favourably with a loss of € 50.3 million in 2015. The Group recorded a reduction of € 16.6 million in interest expense thanks to the significant restructuring of its debt over the past twelve months and also positive trends in interest income and net foreign exchange gains. The results also reflect the impact of non-recurrent items, in particular (i) a cost of € 6 million relating to the premium on the option exercised in May 2016 to repay € 150 million, a cost nonetheless € 8.6 million lower than the repayment premium recorded in September 2015 for repayment of € 200 million; (ii) a reversal of provisions for compensatory interest with a value of € 3.2 million.

The account for taxes reflects a series of reversals of tax provisions in the final quarter of 2016, as a result of closure of the tax inspection of the Navigator Company's in relation to the financial year of 2013, and also the positive impact of adoption of the revaluation rules published in Decree-Law 66/2016, of 3 November, with a net effect totalling € 16 million. In 2015 the account for taxes had benefited from the impact of the tax gain generated on disposal of assets allocated to pulp manufacture in Setúbal (€ 16 million).

As a result, consolidated net income for the period stood at € 217.5 million, as compared with the figure of € 196.4 million recorded in 2015.

4th Quarter 2016 vs. 3rd Quarter 2016

Turnover stood at € 422 million, 12% up on the previous quarter, and **the Group recorded a robust sales volume for paper, as well as growth in sales of pulp and tissue, allowing to mitigate the adverse effects of price adjustments.**

Paper sales totalled 431.3 thousand tons, up 13.5% on the third quarter. Whilst the increase was in line with usual expectations for the final quarter, the sales volume was also higher than in the same period in the previous year and represented the Group's all-time highest quarterly sales volume, reflecting the recovery in demand registered in several markets where the Group regularly operates. The value of sales grew by approximately 12.4%, reflecting the adjustment in paper prices.

Sales of BEKP pulp also surged, up by 26% on the previous quarter (in tons), showing also a strong recovery of eucalyptus pulp demand in international markets after the summer. The value of sales rose by 24.3%.

Tissue business also recorded healthy growth, with the sales volume rising by 2.7% and the value of sales up by 2.5%, reflecting a stability in the average sales price.

In the energy sector, operations normalised in terms of output and sales, allowing for an increase of 2.3% in the Group's energy output and a rise of 3.6% in sales.

In this environment, EBITDA for the quarter totalled € 95.9 million, as compared to € 106.2 million in the third quarter; the EBITDA/Sales stood at 22.7%, as compared to 28.2% in the previous quarter. The drop in the margin from the third to fourth quarters reflects falling pulp and paper prices in the fourth quarter, as well as a number of adjustments made at the end of the year, in particular the recording of redundancy expenses under the rejuvenation programme and also the recording of additional costs for the start-up of the pellets mill, which had previously been capitalised.

2. MARKET ANALYSIS

2.1 UWF Paper

Apparent UWF consumption in Europe was down by 3.8% in 2016 in relation to the previous year. At the same time, estimates point to a significant increase in total imports, up by 18%, and essentially in office paper, where the increase up to October was in excess of 25%, with Asian imports doubling over the period. Despite market conditions, the main benchmark index for UWF prices (PIX A4 – Copy B) remained almost flat, rising by just 0.3%. Nevertheless, price for economy products decreased significantly due to the pressure from Asian imports. Operating rate stood at 93%, in line with the figure recorded in the previous year.

In the US, apparent consumption of UWF paper fell by 3.7% up to November, with a significant drop in imports, down by around 12%, 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 92%, one percentage point below 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. The leading price index for the sector (Risi 20lb A4) fell by 1.9% in relation to the same period in the previous year.

Despite this environment, in 2016 the Group set a new record for the volume of paper sales, up by more than 2% in relation to 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. This growth in countries outside Europe and the USA consisted largely of an increase in the volume of sales of standard products, 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 foreign exchange rate trends, these sales are more profitable 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.

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

2.2 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 5.7% (accrued) up to the end of November. The Chinese market has accounted for 98% of this increase. The global capacity utilization rate for BEKP stood at 90% for the first eleven months of 2016.

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, followed a sharp downward course, dropping around 16% in USD and 13% in EUR since the start of the year.

In spite of this trend, and, thanks to the expansion of capacity in 2015, the Group ´s sales increased to 291 thousand tons, approximately 13% up on the previous year.

2.3 Tissue

During 2016, apparent consumption for tissue paper in Western Europe is estimated to have grown by around 2.2% in relation to the same period in 2015.

In this context, considering the increase in capacity completed in 2015, the Group presented accumulated growth of 29.7% in the volume of tissue sales (tons). **This growth occurred in particular in the away-from-home segment, in Portugal and Spain.** Sales on the Portuguese market stood at around € 43.5 million, accounting for 65% of total volume. Practically all the Group's other tissue sales were to Spain, totalling approximately € 23.2 million. Total tissue sales in 2016 stood at € 67.5 million, representing growth of approximately 21%.

Operating indicators

Pulp and paper

(in 000 tons)	4Q2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016
BEKP output	364.3	370.2	373.4	367.8	359.0
BEKP sales	67.7	64.6	65.1	71.2	89.8
UWF output	426.4	397.7	397.0	399.9	392.4
UWF sales	425.3	377.8	397.7	380.0	431.3
FOEX – BHKP Euros/ton	730	695	613	600	607
FOEX – A4- BCopy Euros/ton	832	836	830	820	807

Tissue

(in 000 tons)	4Q2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016
Reels Output	11.1	11.2	7.9	13.1	14.7
Output of finished goods	9.0	10.1	10.0	10.9	10.8
Sales of reels and goods	0.6	1.7	2.2	2.4	2.7
Sales of finished products	9.1	9.7	10.7	10.7	10.8

Energy

(in 000 tons)	4Q2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016
Output (GWh)	507.2	508.1	519.7	537.2	549.4
Sales (GWh)	413.4	389.5	385.8	425.3	440.7

3. STRATEGIC DEVELOPMENT

Over the course of 2016, the Navigator Group pressed ahead with developing the various opportunities for growth set out in its strategic plan. Investment totalled € 138.6 million, including € 38 million in pulp, paper and tissue business, € 8.9 million in the project in Mozambique, and € 81.6 million in the pellets mill in the United States. In addition to investment in fixed assets in Mozambique of € 8.9 million, a further amount of approximately € 9 million is estimated for investment in biological assets.

Pellets

The Colombo Energy Inc. project went into continuous operation in the final quarter of the year and has exported its first ship-load to Europe. Quality tests on the output included in this first consignment have yielded very positive results, pointing to premium quality, high calorific value, low ash content and good durability.

The company set up its certification programme in 2016, involving certification by SFI, PEFC (CoC), FSC (CoC), SBP compliant and Drax – SDR, as needed to sell to the industrial segment (in particular in Europe). It has also obtained PFI quality certification, which is needed to sell to the domestic market in the United States. The certification programme will in 2017 turn its attention to the EN A1 Plus certification needed for the European market.

The pellets mill started up against the background of particularly harsh conditions in the market, with prices falling by around 40%, from year-end 2015 until year-end 2016, which makes this the worst year ever for the sector. Expectations for 2017 point to an equally difficult year, whilst prospects appear more positive as from 2018 in Europe, and as from 2020-2021 in Japan, thanks to large-scale investment plans for this period; Colombo Energy is already turning the focus of its sales efforts in this direction.

In addition, the company is pressing ahead with market research into the residential segment in the US, and aspires in future to channelling 10 to 20% of its output into the American domestic market.

In the meantime, the company has already secured sales to the industrial segment in Europe representing 40% of the mill's capacity over the next ten years.

Mozambique

As referred previously, the Group has been monitoring carefully the economic and political developments occurring in Mozambique, permanently reassessing the situation, and has decided to scale down the rhythm of its operations locally.

Indeed, 2016 was a year plagued by political and economic instability, resulting in restrictions on travel and safety for employees and service providers involved in the venture. The resulting operations for the project in 2016 point to the planting of around 5.3 thousand ha, bringing the total planted area to date up to approximately 10 thousand ha in Zambézia and 1.7 thousand ha in Manica. In terms of plant supply, the vast majority of the area planted was supplied from the nurseries in Luá, and a total of 7.1 million plants were produced and used in 2016.

In late 2016, the Group started up a pilot operation to export two thousand tons of eucalyptus timber from the port of Nacala, and this operation is currently at the final stages. This was a trial run aimed at testing and learning processes, agents, logistics, certification procedures and the workings of the institutions necessarily involved in an operation of this type.

Tissue project

In late 2015, the Group announced its intention of implementing a development project in the tissue segment in Cacia, consisting of construction of a 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 construction of the new line was conditional on a series of factors, in particular on the company securing a package of fiscal and financial incentives, which has now been finalized.

Navigator is now satisfied that the necessary conditions have been met for implementing this investment plan and, once the incentives have been contracted, the Board of Directors will press ahead with the project. The new production and converting lines for tissue are expected to be completed in the second half of 2018, and the capital disbursements are planned to be split between 2017 (approximately 40%) and 2018.

Expansion of pulp capacity

Navigator also intends to increase pulp capacity at the Figueira da Foz Industrial Complex, an investment project with a global capex value estimated at approximately € 85 million. The Group has submitted applications for a series of financial and tax incentives, still pending decision from AICEP and expecting additional visibility at the end of the first quarter. The project is designed to increase annual capacity by 70 thousand tons, to a total of 650 thousand tons of BEKP pulp. Construction work is due to be completed at the end of the first quarter of 2018.

However, the Group is concerned at the Government's intention to approve new legislation for the forestry sector which prohibits the planting of new areas with eucalyptus, permitting plantations in new areas only on the basis of swaps with existing plantations in marginal and low-yield areas. This proposal, which lacks any technical or environmental rationale, fails to take into account the importance of eucalyptus to the Portuguese economy and will add to the difficulties experienced in a sector where supply and demand are already mismatched, and which already has to rely on imports of wood costing approximately € 200 million each year.

It is important to enhance, that the Group has been working in a constructive manner, both individually and through the pulp and paper industry association, in order to deliver the necessary inputs to reduce the impact of the more negative aspects of this legislation.

4. COST CUTTING MEASURES

M2 Programme

The global cost cutting program in place, the M2 programme, reached at the end of 2016, phase 2, consisting of implementation and monitoring of continuous improvement measures for costs and operational efficiencies. The number of initiatives increased in relation to those reported for the 3rd quarter, and special mention should be made of the measures implemented by the central maintenance team, cutting maintenance costs at the three sites.

With a broader scope of action than in 2015 (now including recurrent procedures, such as contract negotiations), around 100 initiatives went ahead in 2016, with an estimated impact on EBITDA of approximately € 16 million. The leading contributors to this include a project to optimize logistics (€2.9 million), a global project to reduce variable production costs (€ 2.2 million), increased efficiency in paper machines in Setúbal (€2 million) and cost reduction in packaging (approximately €1 million).

"Lean System" Programme

One of the main instruments used to implement the cost cutting programme and efficiency measures is the Lean methodology. Work proceeded in the final quarter on the second phase of implementation of lean methodologies and projects in the selected pilot areas. The programme was extended to the Tissue business unit, where a total of 11 projects were identified, among other measures. Back office processes for client orders and delivery planning have also been analysed, leading to identification of 89 time optimisation projects, which will make it possible for the team to step up value-added activities which help to improve customer service.

5. FINANCIAL

At year-end 2016, gross debt stood at € 708.3 million, corresponding to € 69.7 million in short term debt and € 638.6 million in medium and long term debt. Net debt stood at € 640.7 million, down by € 13.8 million from year-end 2015, a positive achievement in a year when capital expenditure totalled € 138.6 million (including biological assets) and the company paid out dividends of € 170 million.

The Net Debt / EBITDA ratio stood at 1.61 at the end of the year, as compared to 1.68 at year-end 2015, well within comfortable levels.

In 2016, Navigator completed a significant restructuring of its debt, in a process that started in 2015 and involved repaying and renegotiating terms and conditions for existing debt, and contracting new financing facilities. One of the key features of this reorganisation was the early repayment of Portucel Senior Notes 5.375%, with a value of 350 million euros, of which € 200 million were repaid in September 2015 and the remaining € 150 million in May 2016.

The new arrangements reflect current market conditions and have made it possible to extend the average maturity of Navigator's debt to 4.5 years and to reduce substantially its average financing costs, which at the end of the year stood at approximately 1.7%.

The Group has a total of € 225.0 million in unused committed commercial paper programmes, with maturities of more than one year, and liquid assets of € 67 million, showing that it continues to enjoy comfortable levels of liquidity.

6. CAPITAL MARKETS

In 2016 the capital markets behaved in an extremely risk-averse way and were highly volatile. The PSI20 was one of the worst performers, down by 12%. Prices were hit by fears of slower growth in the Portuguese economy and doubts concerning budget execution. London was the best performing stock exchange: despite the instability generated by Brexit, it once again confounded expectation with a 14% gain for the year in the FTSE. On the other side of the Atlantic, performance was positive, for both the US DJI and the Brazilian Bovespa index.

The performance of pulp and paper sector securities varied over the course of the year, and most pulp manufacturers saw their shares suffer significantly. Brazilian and Iberian companies saw losses in their listed prices of between 19% and 37%.

In this context, the Navigator Company's shares ended the year down 9.2%, after rallying in November and December. The shares closed the period trading at a price of 3.265€ /share, and recorded a low for the year of 2.421€ and a high of 3.596 € /share. One positive aspect which should be highlighted was the increased liquidity of the shares, in the wake of the public exchange offer carried out by Semapa in July 2015, with daily trading in 2016 significantly higher than the average for 2015 (up 45%).

7. OUTLOOK

This was another difficult year for the world economy: the key features of 2016 were the stagnation of global trade, the low level of investment and growing political uncertainty. In Europe, the economy experienced moderate growth over the year, with positive signs undermined by political events, in particular the United Kingdom's decision to leave the European Union. After growth of 2% in GDP in 2015 in the Euro zone, growth is expected to slow in 2016-2018, with estimates pointing to figures between 1.5% and 1.7%.

However, fiscal stimulus and growth-oriented policies in place in some of the major economies, in particular the US, have the potential to unlock new dynamics in the economy.

In the short fibre pulp market, the end of the year saw a recovery in sales, as demand picked up from Chinese buyers. New capacity has come onto the market, albeit at lower levels than originally anticipated, and the Chinese authorities have continued to close down obsolete capacity; the combination of these two factors was largely responsible for the recovery in demand. Sales price rose in Asia in the final quarter of 2016, and greater upward pressure could also be observed on pulp prices in Europe at the start of 2017. Nonetheless, despite these positive signs, there are still concerns about the rapid growth in pulp supply anticipated for 2017 and 2018, and fears that the growth in demand will fail to keep pace with the increase in new capacity expected on the market. At the same time, foreign exchange trends will be a fundamental factor in determining the competitiveness of pulp manufacturers.

Tissue remains one of the main driving forces in global demand for pulp, with annual growth in output estimated at around 1 million tons. In Europe, estimates point to growth in tissue of around 2.2% in 2016, with the away-from-home segment expanding fastest, sustained by improvements in employment and disposable income. The prospects for 2017 appear to be in line with the previous year, constrained by the general state of the economy and in particular by the level of employment and growth in earnings.

After an especially poor third quarter for the paper market, demand showed signs of improving at the end of the year, and the Group recorded an increase in sales to Europe and other markets (excluding the United States). In December, Navigator announced a price increase for UWF paper in the North Africa, Middle East and Turkish markets, to be implemented in early 2017. Since then the Group has continued to observe improving market conditions, visible in a robust level of orders, encouraging it to announce a price rise for its UWF products in Europe of approximately 4%, with effect from 24 February 2017.

The Group will continue to work on reducing its cost base and to diversify its markets, and expects in 2017 to face additional challenges in its new business areas and with the start-up of projects to expand pulp capacity and on its tissue production lines.

Setúbal, 9 February 2017

Conference call and Webcast

Date:

9 February 2017

Time:

17:00 - Western European Time – UTC

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8. CONSOLIDATED INCOME STATEMENT

Amounts in Euro	2016	2015	4º Trimestre 2016	4º Trimestre 2015
	(não auditado)	**(não auditado)**	**(não auditado)**	**(não auditado)**
Revenues				
Sales	1,573,519,928	1,624,102,449	421,123,427	422,838,011
Services rendered	3,865,279	3,920,658	868,044	867,498
Other operating income				
Gains on the sale of non-current assets	660,775	1,268,496	26,899	1,169,795
Other operating income	40,858,579	24,939,325	18,450,076	9,439,096
Change in the fair value of biological assets	8,616,021	3,027,505	(1,963,125)	5,152,474
Costs				
Cost of inventories sold and consumed	(661,685,701)	(688,695,104)	(162,407,838)	(163,009,876)
Variation in production	(2,752,181)	19,221,022	(17,743,739)	(8,519,904)
Cost of materials and services consumed	(404,494,652)	(421,502,621)	(118,656,244)	(109,785,834)
Payroll costs	(144,513,475)	(154,750,966)	(38,227,880)	(53,702,964)
Other costs and losses	(16,633,337)	(21,524,093)	(5,536,384)	(8,445,477)
Provisions	(420,776)	14,562,355	2,540,737	5,999,004
Depreciation, amortization and impairment losses	(166,661,123)	(121,715,935)	(46,142,181)	(26,860,163)
Operational results	**230,359,335**	**282,853,090**	**52,331,792**	**118,813,785**
Group share of (loss) / gains of associated companies and JV	-	-	-	-
Net financial results	(20,795,889)	(50,258,882)	(4,175,955)	(5,352,007)
Profit before tax	**209,563,446**	**232,594,208**	**48,155,836**	**93,200,597**
Income tax	7,266,333	(35,828,685)	34,408,908	(14,541,024)
Net Income	**216,829,779**	**196,765,522**	**82,564,744**	**63,649,708**
Non-controlling interests	671,658	(361,302)	649,275	(765,376)
Net profit for the period	**217,501,437**	**196,404,220**	**83,214,019**	**63,298,073**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in Euro	31-12-2016	31-12-2015
ASSETS		
Non-Current Assets		
Goodwill	377,339,466	377,339,466
Other intangible assets	4,300,642	4,931,507
Fixed tangible assets	1,294,978,932	1,320,799,086
Investment in property	426,838	426,838
Biological assets	125,612,948	116,996,927
Other financial assets	260,486	229,136
Financial assets available for sale	81,636	-
Deferred tax assets	44,198,753	50,934,325
	1,847,199,702	**1,871,657,286**
Current Assets		
Inventories	208,888,472	212,554,956
Receivable and other current assets	215,877,823	215,370,516
State and other public entities	69,619,349	57,642,795
Cash and cash equivalents	67,541,588	72,657,585
	561,927,232	**558,225,851**
Total Assets	**2,409,126,934**	**2,429,883,137**
EQUITY AND LIABILITIES		
Capital and Reserves		
Share capital	717,500,000	767,500,000
Treasury shares	(1,002,084)	(96,974,466)
Fair value reserves	(7,571,781)	(1,869,064)
Legal reserves	99,709,036	91,781,112
Translation reserves	(779,369)	5,688,140
Other Reserves	205,639,863	273,081,975
Net profit for the period	217,501,437	196,404,220
Advancement on profits	-	(29,971,019)
	1,230,997,102	**1,205,640,898**
Non-controlling interests	2,272,606	8,622,303
	1,233,269,708	**1,214,263,201**
Non-current liabilities		
Deferred taxes liabilities	59,859,532	88,296,253
Pensions and other post-employment benefits	6,457,116	-
Provisions	31,048,808	59,205,593
Interest-bearing liabilities	638,558,905	686,570,753
Other non-current liabilities	33,301,140	38,538,726
	769,225,503	**872,611,325**
Current liabilities		
Interest-bearing liabilities	69,702,381	40,578,590
Payables and other current liabilities	255,831,284	225,084,110
State and other public entities	81,098,059	77,345,911
	406,631,724	343,008,611
Total liabilities	**1,175,857,227**	**1,215,619,936**
Total equity and liabilities	**2,409,126,934**	**2,429,883,137**