The Navigator Company, S.A.
Public Limited Company

Share Capital
500 000 000 Eur

Corporate Entity
503 025 798
Registered at
the Commercial
Register of Setúbal

Headquarters
Península
de Mitrena
Freguesia
do Sado
- Setúbal

1ST HALF REPORT 2018

2/3

THE NAVIGATOR COMPANY

DIRECTORS' REPORT

1ST HALF 2018

CONTENT

1. LEADING INDICATORS – IFRS

in million euros	H1 2018	H1 2017	% Change (7) H1 18/H1 17
Total sales	816.9	812.6	0.5%
EBITDA (1)	**226.0**	**198.4**	**13.9%**
Operating profits	160.8	123.4	30.3%
Financial results	- 11.4	- 8.3	36.9%
Net earnings	**119.4**	**96.0**	**24.4%**
Cash flow	184.6	171.0	13.6
Free Cash Flow (2)	152.6	72.8	79.8
Capex	77.2	35.2	42.0
Net debt (3)	740.1	737.9	2.2
EBITDA/Sales (%)	**27.7%**	**24.4%**	**3.2 pp**
ROS	14.6%	11.8%	2.8 pp
ROE (4)	21.0%	16.6%	4.5 pp
ROCE (5)	17.4%	13.4%	4.0 pp
Equity ratio	44.8%	44.9%	-0.1 pp
Net Debt/EBITDA (6)	1.73	1.84	-0.12

in million euros	Q2 2018	Q1 2018	% Change (7) Q2 18/Q1 18
Total sales	432.0	384.9	12.2%
EBITDA (1)	**115.0**	**110.9**	**3.7%**
Operating profits	82.9	78.0	6.3%
Financial results	- 5.9	- 5.5	6.1%
Net earnings	**66.2**	**53.2**	**24.3%**
Cash flow	98.4	86.2	12.2
Free Cash Flow (2)	18.6	134.0	-115.4
Capex	48.6	28.6	20.0
Net debt (3)	740.1	558.7	181.4
EBITDA/Sales (%)	**26.6%**	**28.8%**	**-2.2 pp**
ROS	15.3%	26.4%	-11.1 pp
ROE (4)	23.3%	17.7%	5.6 pp
ROCE (5)	17.9%	17.0%	0.9 pp
Equity ratio	44.8%	49.7%	-4.9 pp
Net Debt/EBITDA (6)	1.73	1.32	0.41

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

2. ANALYSIS OF RESULTS

1st Half 2018 vs. 1st Half 2017

In the first half of 2018, The Navigator Company recorded turnover of € 817 million, representing a slight increase of 0,5% in relation to the first half of 2017. With sales of € 604 million, the paper sector accounted for 74% of turnover, energy for 10% (€ 84 million), pulp 9% (€ 73 million), and tissue business 5% (€ 40 million). Prices evolved positively over the period for UWF paper, BEKP pulp and Tissue, at the same time as the volumes available for sale were down, due essentially to production stoppages which had not taken place in the same period in 2017.

In pulp business, in addition to the maintenance stoppage at the Setúbal mill in the first quarter, a further maintenance stoppage was needed at the Figueira da Foz mill in April, and this was prolonged to complete work on the capacity expansion project under way. The length of these stoppages and the need to build up stocks in the previous months had a severe limiting effect on the quantities of pulp available for sale by the Group during the first half. As a result, Navigator's sales totalled 114 thousand tons, down by 37.5% on the figure recorded in the first half of 2017. This reduction in volume was partially offset by the increase in sales prices, and sales in value showed a reduction of 21%, standing at approximately € 73 million.

Global conditions in the pulp market remained positive over the period, with prices still on an upwards trajectory that has been observed since late 2016. The benchmark index – FOEX BHKP – rose by 25% over the period (851 €/ton vs. 682 €/ton). According to figures from PPPC, global demand for BEKP grew by 4.5% YTD May, in particular in China (up 8.9%), whilst a number of constraints were experienced on the supply side (maintenance shutdowns and other unexpected developments), causing an estimated reduction in the volume of hardwood pulp on the market of more than 1 million tons.

In paper business, UWF sales totalled 756 thousand tons, down by 2% on the same period in 2017, due essentially to production deviations caused by a number of stoppages, as well as the need to replenish stocks so as to guarantee a high standard of customer service. The reduction in sales volume was offset by the upward evolution in prices and sales in value were up by 3.3% to € 604 million. Navigator implemented a series of price rises over the first half, in Europe and other geographical regions, resulting in an increase of approximately 6% in its average sales price when compared with the same period in 2017. This increase is in line with the European benchmark index, FOEX A4 B-copy, and was positively influenced by a significant improvement in the product mix in terms of quality (53% premium sales, up from 46%) and in the proportion of mill brand products (68%, up from 60%). On the negative side, this was countered by evolution of the EURUSD exchange rate (the average exchange rate for the period was 1.2104, as compared to 1.0830 in the same period in 2017).

In tissue business, the average sales price was adjusted upwards (up 7.6%), thanks to an improved product mix, with the reduced weight of reels and increased percentage of finished products, as well the price rise implemented. The sales volume stood at 28.5 thousand tons, representing growth of 2% year on year. Higher average tissues prices were not however enough to absorb the increase in production costs, in particular the price of pulp (hardwood and softwood) and of chemicals. May saw the start-up of the new converting line at the Cacia plant, and the reels production line is due to go into production in late August.

In the energy sector, the second quarter brought a recovery in the value of power sales, resulting in a modest increase of 0.2% for the first half as a whole, in relation to the first half of the previous year (€ 84.3 million). This figure includes sale of energy from pulp and paper units (€ 73.2 million) as well as the stand-alone sale from Biomass Power Stations, worth € 11.1 million. Gross total power output at the end of the first half of 2018 was down by 2.5% year on year, due above all to the planned stoppages at the pulp mills; even so, output stood at 1.09 TWh.

In this context, EBITDA totalled € 226 million, as compared with the figure of € 198 million recorded in the first half of 2017. The final impact of sale of the pellets operation in the USA, net of costs and adjustments, totalled € 13 million (representing a positive adjustment in relation to the figure of € 9.4 million reported at the end of the first quarter; that figure over assessed costs, some of which failed to materialise); first half EBITDA without this effect would have been € 213 million. The EBITDA/Sales margin stood at 27.7% (26% net of the impact of sale of the pellets business), as compared to 24% in 2017.

On the cost side, chemicals, and caustic soda in particular, have continued to perform unfavourably, with an impact on variable unit production costs. Logistics also increased, due essentially to higher Brent prices. In fixed costs, payroll continued to show the upward trend observed in the first quarter, as a result of workforce expansion due to the new Tissue project in Cacia, the rejuvenation programme under way and the increase in performance bonuses due to the improved results registered by the Group.

At the same time, Navigator has pressed ahead with its M2, programme for operating excellence; this achieved a positive impact of approximately € 9.2 million YoY on EBITDA. Roughly 118 new initiatives have been launched since the start of the year to cut costs, with around 85 of these achieving a positive impact. One of the most significant initiatives is centred on cutting specific consumption of long fibre at the Figueira da Foz Industrial Complex, with an impact of € 1.14 million, involving a system that has improved control of fibre consumption per type of product. Another initiative with a significant impact (€ 1.04 million) has to do with optimisation of logistics in sea transport to Europe and international markets. Attention is also drawn to a project for greater efficiency in the paper machine production and planning, improving the technical specifications of end products and reducing unit production costs. In addition to these initiatives, the renegotiation of power and natural gas contracts has resulted in avoided costs in relation to market prices of around € 14.1 million.

Navigator recorded a financial loss of € 11.4 million, up from a loss of € 8.3 million; this increase was due essentially to a non-recurrent factor associated with the disposal of the pellets business. As previously reported, at the end of the first quarter the Group recorded a loss of approximately € 3.3 million resulting from the difference between the nominal and current value of the amount receivable for the sale of the pellets business (USD 45 million). The nominal value receivable is subject to interest at a rate of 2.5%.

At the end of June, the Group's net debt stood at € 740.1 million, up by € 47.4 million from year-end 2017 (€ 692.7 million), reflecting essentially payment of dividends of € 200 million in June. The Net Debt to EBITDA ratio was 1.73.

Free cash flow stood at € 152.6 million, and was positively affected by an inflow from sale of the pellets business in the first half (totalling € 67.6 million) and negatively affected by capital expenditure over the period of € 77.2 million, in construction of the new tissue unit in Cacia, expansion of capacity in Figueira da Foz and other investments in regular pulp, paper and tissue operations.

With regard to working capital, the Group recorded a moderate reduction in the amount invested during the first half; crucial to this was the very favourable performance in balances receivable/payable to the state, as a result of substantial VAT rebates obtained during the period. This evolution had a very favourable impact (approximately € 53 million in the period), which more than offset the combined effect of increased inventories (replenishment of stocks of finished products, above all) and of client and supplier accounts.

Pre-tax profits totalled € 149.4 million (up from € 115.1 million), and the effective tax rate for the period was negatively affected by the constitution of a number of tax provisions and an increase in the state surtax rate.

As a result, the Group achieved net income for the period of € 119.4 million, up by 24% on the first half of 2017.

2nd Quarter 2018 vs 1st Quarter 2018

The defining feature of the second quarter was the upward tendency in pulp, paper and tissue prices. As in previous years, the sales volume recovered from the first to the second quarter (with pulp sales rising by 15% and paper sales by around 9%). Even so, sales were lower than the volumes recorded in the second quarter of 2017, due to the production stoppages reported above.

The price effect nonetheless more than offset the volume effect, and in terms of value sales grew by 12% in the quarter to € 432 million. EBITDA totalled € 115 million, a quarterly record for the Group, while the EBITDA/Sales margin stood at 26.6%. If adjusted to eliminate the impact of sale of the pellets business, EBITDA would have stood at around € 112 million (margin of 26%), which would still be an all-time quarterly high.

3. OPERATING INDICATORS

Pulp and paper

(in 000 tons)	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018
BEKP Output	377.4	357.3	371.9	346.1	335.4
BEKP Sales	92.0	68.8	59.7	53.1	60.9
UWF Output	383.4	406.1	406.7	385.8	392.9
UWF Sales	400.6	386.4	419.9	361.2	395.1
FOEX – BHKP Euros/ton	719	747	805	824	878
FOEX – BHKP USD/ton	792	877	948	1013	1046
FOEX – A4- BCopy Euros/ton	808	819	831	845	864

Tissue

(in 000 tons)	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018
Reels Output	13.6	13.0	14.8	14.1	14.4
Output of finished products	12.6	12.2	12.4	13.6	13.9
Sales of reels and goods	1.7	1.1	1.8	0.6	0.1
Sales of finished products	12.3	12.3	12.2	12.8	14.9
Total sales of tissue	14.0	13.3	14.0	13.4	15.0

Energy

	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018
Production (GWh)	556.4	535.9	573.7	553.5	536.1
Sales (GWh)	446.8	426.0	462.8	444.7	435.8

4. STRATEGIC DEVELOPMENT

Navigator recorded capital expenditure of € 77.2 million in the first half, with € 48.6 million in the second quarter (vs. €28.6 in the first quarter). The tissue project in Cacia represented investment of € 36.5 million and capacity expansion in Figueira da Foz a figure of around 9.3 million. Capital expenditure into regular pulp and paper business totalled around € 30.8 million.

The period saw the completion and start-up of PO3 (Optimisation Project 3), increasing pulp production capacity in Figueira da Foz, where nominal capacity was expanded from 580 thousand tons/year to 650 thousand tons/year. This project also entailed a series of important environmental improvements with a significant overall impact at the Figueira da Foz Industrial Complex. One of the aims was to improve efficiency in the pulp production process, cutting specific consumption of wood and chemicals, and also implementing best environmental practices, in particular incorporating oxygen delignification, with a consequent decrease in effluents, and also investment in an integrated burner for non-condensable gases in the Recovery Boiler, with a reduction in odours to extremely low and almost imperceptible levels.

In order to finance this project, the Group contracted a loan of € 40 million from the European Investment Bank, repayable in ten years from the date of issue (which had not occurred at the end of the first half); the project's aim of increased efficiency and a significant improvement in environmental factors is clearly in line with the institution's objective of fighting climate change.

5. CAPITAL MARKETS

The first half of 2018 was characterized by some volatility in the financial markets, due to several factors.

On the positive side, the main highlights were the oil prices evolution, the decisions taken by the European and US central banks regarding the monetary policy, as well as the favorable macroeconomic environment leveraging the main economies worldwide.

On the negative side, the commercial tension between the USA and countries like China, European countries and Canada, the political instability in Italy and Germany and the instability on the bond and exchange markets, resulted in a contraction of the stock market.

In this context, the main worldwide stock indexes closed with a negative balance at the end of the semester. There were exceptions, like the Portuguese Index PSI-20, which had a positive valuation of 2.60%.

The pulp and paper market conditions and the growth expectations for the sector reflected highly positive stock performances. Pulp and paper producers reported positive returns, by benefiting from successive pulp price increases and favorable exchange rates.

Regarding Navigator, the upward trend verified in 2017 continued throughout the first half of 2018. Navigator's shares had a positive performance, growing nearly 20% since the beginning of the year, in line with the performance of the majority of the companies in the industry, but clearly outperforming the PSI-20 (+2.60%). During this period, share price constantly achieved maximum results, reaching an historical price of 5.985 € per share on June 13, with an average transaction price per share of 6.011 € during the session. (The minimum price was 4.02 € per share, on February 9). The average liquidity on the first half of the year was around 641 thousand shares traded on a daily basis. At the end of June, the stock market capitalization was € 3,659.25 billion. On June 19, Navigator paid dividends of € 200 million, representing a gross amount of 27.894 cents per share.

6. OUTLOOK

The outlook for the pulp sector remained positive over the course of the first half of 2018, with upwards pressure on prices throughout the period. Improved discipline from producers, combined with planned production stoppages and a number of unexpected events, again limited the quantity of pulp available on the market, whilst demand remained high and managing to absorb the new capacity that came on line last year. At this moment, no factors are expected which might significantly alter this positive trend in the market.

In the UWF paper business, the order book is full and the Group took the lead during the first half with a series of price increases in Europe, in the US market and in international markets. Non-integrated paper producers remain under strong pressure from the sharp increase in pulp costs, as well as from rising costs for chemical and logistics; this has translated into negative margins, something never seen before in the sector. Other producers announced further price rises in the United States and other international markets, and Navigator announced to its clients (in May) a price rise in Europe taking effect on 1 July. A further hike of an equivalent size looks likely for October.

In the tissue market, producers also remain under strong pressure from high pulp prices, and despite the upward trend in tissue prices over the period, manufacturers as a whole have not yet managed to reflect the entire increase of this cost factor in the end price of their products. Navigator will implement further price rises. In parallel, production of reels is planned to start up in Cacia during the third quarter, allowing Navigator to double its production capacity. Strong commercial performance in recent months allows us to look forward to the new output being successfully placed with clients.

It is important to note that, despite the continuing positive expectations for growth in the world's main economies, especially in North America and Europe, market volatility is also increasing with fears regarding the potential consequences of increased trading tensions. Navigator - which sells its products to around 130 geographical regions and whose sales are exposed to variations in different international currencies, in particular USD - inevitably sees these recent developments with some concern.

Subsequent Event

Mozambique

As reported to market on 9 July 2018, Portucel Moçambique and the Government of Mozambique have signed a memorandum of understanding concerning the company's revised investment plans, due to be implemented over two phases. In the first instance, Portucel Moçambique will create a forestry base occupying 40

000 hectares, to supply a (future) unit producing eucalyptus wood chips for export; total investment is estimated at USD 140 million, for annual exports of around 1 million tons.

Portucel Moçambique and the Government have set up a joint team to work over an estimated period of six months to ensure that the pre-conditions for advancing with the investment plan are met. This will involve establishing the logistical infrastructures needed for exporting wood chips. The first phase of the project is accordingly conditional on satisfactory resolution of the pre-conditions identified in the Memorandum of Understanding signed this month with the Government of Mozambique.

Setúbal, 25 July 2018

7. MANDATORY INFORMATION

DECLARATION REFERRED TO IN ARTICLE 246.1 C) OF THE SECURITIES CODE

Article 246.1 c) of the Securities Code requires that each of the persons responsible for issuers should make a number of declarations as established in the Code. For this purpose, The Navigator Company has adopted a standard declaration, which reads as follows:

I hereby declare, under the terms and for the purposes of Article 246.1 c) of the Securities Code, that, to the best of my knowledge, the condensed financial statements of The Navigator Company, S.A., for the first half of 2018, were drawn up in accordance with the applicable accounting rules, and provide a true and fair view of the assets and liabilities and the state of affairs of the said company and the companies included in the consolidated accounts, and that the interim management report faithfully sets out the information required by Article 246.2 of the Securities Code.

As required by the same provision, we list below the persons subscribing the declaration and the office they hold:

Name	Office
Pedro Mendonça de Queiroz Pereira	Chairman of the Board of Directors
Diogo António Rodrigues da Silveira	Deputy Chairman of the Board of Directors and Chief Executive Officer
Luis Alberto Caldeira Deslandes	Deputy Chairman of the Board of Directors
João Nuno de Sottomayor P. de Castello Branco	Deputy Chairman of the Board of Directors
António José Pereira Redondo	Executive Director
João Paulo Oliveira	Executive Director
José Fernando Morais Carreira Araújo	Executive Director
Manuel Soares Ferreira Regalado	Executive Director
Nuno Miguel Moreira de Araújo dos Santos	Executive Director
Adriano Augusto da Silva Silveira	Director
José Miguel Pereira Gens Paredes	Director
Manuel Soares Ferreira Regalado	Director
Paulo Miguel Garcês Ventura	Director
Ricardo Miguel dos Santos Pacheco Pires	Director
Vitor Manuel Galvão Rocha Novais Gonçalves	Director
José Manuel Oliveira Vitorino	Chairman of the Audit board
Gonçalo Nuno Palha Gaio Picão Caldeira	Audit board member
Maria da Graça da Cunha Gonçalves	Audit board member

DISCLOSURE REQUIRED BY ARTICLE 9.1 a) AND c) AND ARTICLE 14.7 OF CMVM REGULATIONS 5/2008

(With reference to the first half of 2018)

1. INFORMATION ON SECURITIES HELD BY COMPANY OFFICERS

a) Securities issued by the company and held by company officers:

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

b) Securities issued by companies controlled by or controlling Portucel, held by company officers (*):

José Miguel Pereira Gens Paredes: 70 bonds "Obrigações SEMAPA 2014/2019"

José Fernando Morais Carreira de Araújo: 100 bonds "Obrigações SEMAPA 2014/2019"

c) Acquisition, disposal, encumbrance or pledge of securities (*) issued by the company, controlled or controlling companies by company officers and the companies referred to in b) and c):

There were no transactions during the period.

(*) The bonds with the name "Obrigações SEMAPA 2014/2019" correspond to bonds issued by Semapa - Sociedade de Investimento e Gestão, SGPS, S.A. with a variable rate corresponding to the 6 months EURIBOR rate, listed on the following working day TARGET immediately prior to the date of beginning of each interest period, added 3.25% per annum and maturity in 2019.

2. LIST OF HOLDERS OF QUALIFYING HOLDINGS, CALCULATED UNDER THE TERMS OF ARTICLE 20 OF THE SECURITIES CODE ON JUNE 30TH 2018:

Entity	Attributed	Number of shares	% capital	% of non-suspended voting rights
Semapa - Soc. de Investimento e Gestão, SGPS, S.A.	Directly	256,033,284	35.68%	35.71%
Seinpar Investments B.V.	Indirectly through Company controlled by the shareholder Semapa	241,583,015	33.67%	33.69%
Seminv - Investimentos, SGPS, SA	Indirectly through Company controlled by the shareholder Semapa	1,000	0.00%	0.00%
	Total attributable to Semapa	**497,617,299**	**69.35%**	**69.40%**
Fundo de Pensões do Banco BPI	Directly	30,412,133	4.24%	4.24%
	Total attributable to Banco BPI	**30,412,133**	**4.24%**	**4.24%**
Zoom Lux S.à.r.l	Directly	15,349,972	2.14%	2.14%
	Total attributable to Zoom Investment SGPS	**15,349,972**	**2.14%**	**2.14%**

Entity	Nº Shares	% of capital	% of non-suspended voting rights
Semapa SGPS SA	**582.172.407**	**75,85%**	**81,19%**
Semapa - Soc. de Investimento e Gestão, SGPS, S.A.	340.572.392	44,37%	47,49%
Seinpar Investments B.V.	241.583.015	31,48%	33,69%
Seminv - Investimentos, SGPS, S.A.	1.000	0,00%	0,00%
Duarte Nuno d'Orey da Cunha (*)	16.000	0,00%	0,00%

(*) Member of Semapa Governing Bodies

3. INFORMATION ON TRANSACTIONS IN OWN SHARES
(under d) of number 5 of Article 66 from the Companies Code)

Under the terms of d) of number 5 of Article 66 from the Companies Code, The Navigator Company S.A. informs that during the first half of 2018 there were no acquisition of own shares. As of Jun 30th 2018, the Company held 489 973 own shares representing 0.683% of its share capital.

8. CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

CONSOLIDATED INCOME STATEMENT

30 June 2018 and 2017

Amounts in Euro	Note	6 months 30-06-2018	6 months 30-06-2017	2018 2nd Quarter	2017 2nd Quarter
				(unaudited)	**(unaudited)**
Revenue	4				
Sales		814,323,768	810,175,169	430,764,807	418,920,304
Services rendered		2,578,883	2,467,376	1,198,344	1,065,267
Other operating income	5				
Gains on the sale of non-current assets		17,722,330	342,006	522,932	340,579
Other operating income		7,373,427	6,138,999	4,901,476	1,888,346
Changes in the fair value of biological assets	18	1,119,656	3,210,175	(96,197)	3,712,757
Operating expenses	6				
Costs of inventories sold and consumed		(344,674,553)	(330,348,337)	(171,681,037)	(148,616,656)
Variation in production		20,103,964	(5,188,158)	(2,072,667)	(20,953,034)
Cost of materials and services consumed		(195,369,103)	(201,300,731)	(99,173,010)	(103,438,676)
Payroll costs		(84,696,485)	(75,634,979)	(43,857,108)	(38,550,004)
Other expenses and losses		(12,519,277)	(11,484,551)	(5,468,120)	(6,160,643)
Provisions		1,300,221	(189,617)	409,802	(187,881)
Depreciation, amortisation and impairment losses	8	(66,444,913)	(74,766,617)	(32,583,483)	(36,623,299)
Operating results		**160,817,918**	**123,420,733**	**82,865,739**	**71,397,059**
Net financial results	10	(11,370,740)	(8,305,941)	(5,854,452)	(4,369,277)
Profit before tax		**149,447,178**	**115,114,793**	**77,011,287**	**67,027,782**
Income tax	11	(30,004,152)	(19,068,699)	(10,816,652)	(5,824,278)
Net income		**119,443,026**	**96,046,094**	**66,194,635**	**61,203,504**
Attributable to:					
Navigator Company's Shareholders		119,444,005	96,043,464	66,196,542	60,470,058
Non-controlling interests	13	(979)	2,630	(1,907)	733,446
Earnings per share					
Basic earnings per share, Euro	12	0.167	0.134	0.092	0.084
Diluted earnings per share, Euro	12	0.167	0.134	0.092	0.084

The notes on pages 20 to 139 are an integral part of these Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2018 and 31 December 2017

Amounts in Euro	**Notes**	**30-06-2018**	**31-12-2017**
Assets			
Non-current assets			
Goodwill	15	377,339,466	377,339,466
Other intangible assets	16	2,886,753	3,878,245
Plant, property and equipment	17	1,188,586,838	1,171,125,052
Investment properties		98,351	99,174
Biological assets	18	130,516,592	129,396,936
Other financial assets	19 and 32	478,032	424,428
Other assets	19	32,262,359	-
Deferred tax assets	26	46,343,082	44,727,571
		1,778,511,473	**1,726,990,872**
Current assets			
Inventories	20	216,600,562	187,795,595
Receivables and other current assets	21	284,494,995	237,704,322
State and other public entities	22	39,323,646	75,076,422
Cash and cash equivalents	29	105,059,086	125,331,036
		645,478,289	**625,907,375**
Non-current assets held for sale			
Non-current assets held for sale	30	-	86,237,049
		-	**86,237,049**
Total Assets		**2,423,989,762**	**2,439,135,296**
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	24	500,000,000	500,000,000
Treasury shares	24	(1,002,084)	(1,002,084)
Fair value reserves	25	(6,962,881)	(3,020,990)
Legal reserve	25	100,000,000	109,790,475
Free reserves	25	197,292,250	217,500,000
Currency translation reserves	25	(22,818,802)	(13,966,898)
Retained earnings	25	200,632,803	167,388,264
Net profit for the period		119,444,005	207,770,604
Prepaid dividends		-	-
		1,086,585,291	**1,184,459,371**
Non-controlling interests	13	207,669	420,277
		1,086,792,960	**1,184,879,648**
Non-current liabilities			
Deferred tax liabilities	26	61,797,516	83,023,517
Pension liabilities	27	9,171,508	5,090,242
Provisions	28	42,156,167	19,536,645
Interest-bearing liabilities	29	765,080,404	667,851,880
Other liabilities	9 and 29	26,559,873	25,466,139
		904,765,468	**800,968,424**
Current liabilities			
Interest-bearing liabilities	29	80,059,524	150,205,591
Payables and other current liabilities	31	291,317,957	259,509,848
State and other public entities	22	61,053,853	43,571,785
		432,431,334	453,287,224
Total Liabilities		**1,337,196,802**	**1,254,255,647**
Total Equity and Liabilities		**2,423,989,762**	**2,439,135,296**

The notes on pages 20 to 139 are an integral part of these Financial Statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

30 June 2018 to 2017

Amounts in Euro	6 months 30-06-2018	6 months 30-06-2017	2018 2nd Quarter (unaudited)	2017 2nd Quarter (unaudited)
Net profit for the period	**119,443,026**	**96,046,094**	**66,194,634**	**61,203,504**
Itens that can be reclassified subsequently to profit or loss				
Fair value in derivative financial instruments	(5,437,091)	7,525,356	(6,654,065)	5,846,161
Currency translation differences	(8,851,903)	(926,444)	4,372,625	(3,543,474)
Tax on items above when applicable	1,495,200	(1,809,598)	1,829,868	(1,607,694)
	(12,793,794)	**4,789,314**	**(451,572)**	**694,993**
Itens that will not be reclassified subsequently to profit or loss				
Other changes in shareholders' equity of subsidiaries	7,042	16,471	198,708	28,207
Post-employment benefits (actuarial deviations)	(4,759,161)	7,876	(1,464,386)	(1,358,714)
Tax on items above when applicable	18,976	15,261	29,012	15,320
	(4,733,143)	**39,608**	**1,236,666**	**(1,315,187)**
	17,526,937	**4,828,922**	**1,688,238**	**(620,195)**
Total recognised income and expense for the period	**101,916,089**	**100,875,016**	**64,506,396**	**60,583,311**
Attributable to:				
The Navigator Company's shareholders	102,128,697	100,813,404	64,507,686	59,394,908
Non-controlling interests	(212,608)	61,612	(1,290)	1,188,402
	101,916,089	**100,875,016**	**64,506,396**	**60,583,310**

The notes on pages 20 to 139 are an integral part of these Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

30 June 2018 and 2017

Amounts in Euro	1 January 2018	Gains and losses recognised in the period	Dividends paid and reserves distributed (Note 14)	Application of prior period's net profit (Note 14)	Bonus to employees	30 June 2018
Share capital	500,000,000	-	-	-	-	500,000,000
Treasury shares	(1,002,084)	-	-	-	-	(1,002,084)
Fair value reserves	(3,020,990)	(3,941,891)	-	-	-	(6,962,881)
Legal reserve	109,790,475		-	(9,790,475)	-	100,000,000
Free reserves	217,500,000	1,475	(29,999,700)	9,790,475	-	197,292,250
Currency translation reserve	(13,966,898)	(8,851,903)		-		(22,818,802)
Retained earnings	167,388,264	(4,522,989)	(170,003,077)	214,770,604	(7,000,000)	200,632,803
Net profit for the period	207,770,604	119,444,005	-	(207,770,604)	-	119,444,005
Prepaid dividends	-	-	-	-	-	-
Total	**1,184,459,370**	**102,128,697**	**(200,002,777)**	**7,000,000**	**(7,000,000)**	**1,086,585,291**
Non-controlling interests	420,277	(212,608)	-	-	-	207,669
Total	**1,184,879,648**	**101,916,089**	**(200,002,777)**	**7,000,000**	**(7,000,000)**	**1,086,792,960**

Amounts in Euro	1 January 2017	Gains and losses recognised in the period	Dividends paid and reserves distributed (Note 25)	Application of prior period's net profit (Note 25)	Bonus to employees	30 June 2017
Share capital	717,500,000	-	-	-	-	717,500,000
Treasury shares	(1,002,084)	-	-	-	-	(1,002,084)
Fair value reserves	(7,571,781)	5,715,758	-	-	-	(1,856,023)
Legal reserve	99,709,036		-	10,081,439	-	109,790,475
Currency translation reserve	(779,369)	(926,444)	-	-	-	(1,705,813)
Retained earnings	205,639,863	(19,374)	(250,007,056)	214,419,998	(7,000,000)	163,033,431
Net profit for the period	217,501,437	96,043,464	-	(217,501,437)	-	96,043,464
Prepaid dividends	-	-	-	-	-	-
Total	**1,230,997,102**	**100,813,404**	**(250,007,056)**	**7,000,000**	**(7,000,000)**	**1,081,803,449**
Non-controlling interests	2,272,606	61,612	-	-	-	2,334,218
Total	**1,233,269,708**	**100,875,016**	**(250,007,056)**	**7,000,000**	**(7,000,000)**	**1,084,137,667**

The notes on pages 20 to 139 are an integral part of these Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

30 June 2018 and 2017

Amounts in Euro	Notes	6 months 30-06-2018	6 months 30-06-2017	2018 2nd Quarter (unaudited)	2017 2nd Quarter (unaudited)
OPERATING ACTIVITIES					
Receipts from customers		831,371,155	849,097,161	343,241,980	425,435,586
Payments to suppliers		633,550,133	667,702,891	312,649,309	322,707,340
Payments to employees		67,828,389	62,005,885	43,564,500	37,938,308
Cash flow from operations		129,992,633	119,388,385	(12,971,829)	64,789,937
Income tax received/ (paid)		(35,158)	(21,518,567)	-	(6,382,161)
Other receipts/ (payments) relating to operating activities		36,546,726	27,630,690	11,142,770	28,765,296
Cash flow from operating activities (1)		**166,504,201**	**125,500,508**	**(1,829,059)**	**87,173,072**
INVESTMENT ACTIVITIES					
Inflows:					
Financial investments		69,026,158	-	69,026,158	-
Interest and similar income		-	1,516,869	-	507,254
Inflows from investment activities (A)		69,026,158	1,516,869	69,026,158	507,254
Outflows:					
Financial investments		-	-	-	-
Property, plant and equipment		80,054,582	42,585,563	47,556,472	17,726,729
Outflows from investment activities (B)		80,054,582	42,585,563	47,556,472	17,726,729
Cash flows from investment activities (2 = A - B)		**(11,028,424)**	**(41,068,694)**	**21,469,686**	**(17,219,475)**
FINANCING ACTIVITIES					
Inflows:					
Borrowings		143,046,352	315,000,000	143,046,352	303,000,000
Inflows from financing activities (C)		143,046,352	315,000,000	143,046,352	303,000,000
Outflows:					
Borrowings		110,666,887	204,851,190	60,666,887	204,851,190
Interest and similar expense		8,223,854	6,218,851	3,285,239	2,707,465
Dividends paid and reserves distributed	14	200,002,777	170,003,077	200,002,777	170,003,077
Outflows from financing activities (D)		318,893,519	381,073,118	263,954,904	377,561,732
Cash flows from financing activities (3 = C - D)		**(175,847,166)**	**(66,073,118)**	**(120,908,551)**	**(74,561,732)**
CHANGES IN CASH AND CASH EQUIVALENTS (1)+(2)+(3)		(20,371,389)	18,358,696	(101,267,925)	(4,608,136)
CHANGES IN CASH AND CASH EQUIVALENTS FOR OTHER QUARTERS		-	-	80,896,536	22,966,831
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		125,331,036	67,541,588	125,331,036	67,541,588
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	29	**105,059,086**	**85,900,284**	**105,059,086**	**85,900,284**

The notes on pages 20 to 139 are an integral part of these Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of 30 June 2018 and 2017

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

Company's presentation

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

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

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

Years after, as a result of the restructuring of Portucel – Empresa de Celulose e Papel de Portugal, S.A., which was redenominated to Portucel, SGPS, S.A., towards to its privatization, Portucel S.A. was created, on 31 May 1993, through Decree-law No. 39/93, 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 2004, the Portuguese State sold a 30% stake of Portucel's equity, which was acquired by Semapa Group. In September 2004, Semapa launched a public acquisition offer tending to assure the Group's control, which was accomplished by guaranteeing a 67.1% stake of Portucel's equity.

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

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

In February 2015, the Group started its activity in the Tissue segment with the acquisition of AMS- BR Star Paper, SA (currently denominated Navigator Tissue Ródão, SA), a company that holds and explores a tissue paper mill, located in Vila Velha de Ródão. A new industrial facility is under construction in Cacia which will be operated by Navigator Tissue Cacia, S.A.

In July 2016, the Navigator group expanded its activity to the pellets business with the construction of a plant in Greenwood, state of South Carolina, United States of America, a business sold in February 2018.

The Navigator group's main business is the production and sale of writing and printing thin 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 and sale of wood and the production and sale of bleached eucalyptus kraft pulp – BEKP and electric and thermal energy, as well as its commercialisation.

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

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

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

Head Office: Mitrena, 2901-861 Setúbal

Share Capital: Euro 500,000,000

Registration No.: 503 025 798

These consolidated financial statements were approved by the Board of Directors on 24 July 2018.

The Navigator group's senior management, who are also the members of the Board of Directors that sign this report, declare that, to the best of their knowledge, the information contained herein was prepared in conformity with the applicable accounting standards, providing a true and fair view of the assets and liabilities, the financial position and results of the companies included in the Navigator group's consolidation perimeter for the six-month period ended as at 30 June 2018.

1. Summary of main accounting policies

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

With respect to policies related to brands, held-to-maturity financial instruments and investments in associates are currently not applicable to these financial statements, but are, however, included for reasons of policy standardisation with the parent company - the Semapa Group.

1.1 Basis of preparation

The Group's consolidated interim financial statements have been prepared in accordance with the International Financial Reporting Standards endorsed by the European Union (IFRS - formerly International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB) and Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC), in force at the date of preparation of these Financial Statements.

The notes to the financial statements were prepared on a going concern basis from the books and accounting records of the companies included in the consolidation (Note 40), and based on historical cost, except for available-for-sale financial assets, financial instruments derivatives and biological assets, which are recorded at fair value (Notes 32.2, 32.3 and 18).

Non-current assets held for sale and groups of assets held for sale are recorded at the lower of their book amount or fair value less their selling costs. The liability for defined benefit obligations is recognised at the present value of the net obligation of the value of the fund.

The preparation of the Financial Statements requires the use of relevant estimates and judgments in the application of the Group's accounting policies. The main assertions involving a higher level of judgment or complexity, or the most significant assumptions and estimates for the preparation of these Financial Statements, are disclosed in Note 3.

Under the terms of IFRS 3 - Business Combinations, if the initial acquisition price of assets, liabilities and contingent liabilities acquired ("purchase price allocations") is identified as provisional, the acquiring entity shall, in the 12 months period subsequent to a business combination, allocate the purchase price of the fair values of assets, liabilities and contingent liabilities acquired. These adjustments with impact on goodwill previously recorded, determine the restatement of comparative information, and their effect is reflected in the financial position statement, with reference to the date of the merger of business activities.

1.2 Basis of consolidation

1.2.1. Subsidiaries

Subsidiaries are all entities over which the Group has control, which occurs when the Group is exposed or entitled to the variable returns resulting from its involvement with the entities and has the capacity to affect that return through the exercise of power over the entities, regardless of the percentage they hold over equity.

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

Subsidiaries are consolidated using the full consolidation method with effect from the date on which control is transferred to the Group while they are excluded as from the date control ceases.

These companies' equity and net earnings corresponding to the third-party investment in such companies are presented under non-controlling interests in the consolidated statement of financial position, in a separate component of shareholder's equity and in the consolidated income statement. The companies included in the consolidated financial statements are detailed in Note 40.

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

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

If the acquisition cost is less than the fair value of the net assets of the acquired subsidiary (negative goodwill), the difference is recognised directly in the income statement in the period when it takes place.

Transaction costs directly attributable to the acquisition are immediately expensed.

Intercompany transactions, balances, unrealised gains on transactions and dividends distributed between group companies are eliminated. Unrealised losses are also eliminated, except where the transaction displays evidence of impairment of a transferred asset.

When, at the date of the acquisition of control, The Navigator Company already holds a previously acquired interest in the subsidiary, its fair value is considered in determining the goodwill or negative goodwill.

Until 31 December 2009, when the accumulated losses attributable to non-controllable interests exceeded its interest in the equity of that entity, the surplus was attributable to the Group and losses were recorded in the income statement as incurred. Subsequent profits were recognised as income of the Group until losses attributable to non-controlling interests previously absorbed by the Group were recovered.

As from 1 January 2010, on a step acquisition process resulting in the acquisition of control the revaluation of any participation previously held is recognised against the income statement when Goodwill is calculated.

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

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

In case of disposals resulting in a loss of control over a subsidiary, any remaining interest is revalued to its market value at the date of disposal. Gains or losses resulting from such revaluations as well as gains or losses resulting from the disposal are recorded in the income statement.

The subsidiaries' accounting policies have been adjusted whenever necessary so as to ensure consistency with the policies adopted by the Group.

1.2.2. Associates

Associates are all the entities in which the Group exercises significant influence but do not have control, which is generally the case with investments representing between 20% and 50% of the voting rights. Investments in associates are accounted under the equity method.

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

Differences between the acquisition cost and the fair value of the assets and liabilities attributable to the affiliated company on the acquisition date is, if positive, recognised as Goodwill and recorded as investments in affiliated companies. If negative, goodwill is recorded as income for the period under the caption "Group share of (loss) / gains of associated companies and joint ventures".

Costs directly attributable to the transaction are immediately expensed.

In the event that impairment loss indicators arise on investments in associates, an evaluation of the potential impairment is made, and if deemed necessary, a loss is recognised in the consolidated income statement.

When the Group's share of losses in associate companies exceeds its investment in that associate, the Group ceases the recognition of additional losses, unless it has incurred in liabilities or has made payments on behalf of that associate.

Unrealised gains on transactions with associates are eliminated to the extent of the Navigator Company Group's investment in the associates. Unrealised losses are also eliminated, except where the transaction reveals evidence of impairments on the transferred assets.

The associates' accounting policies used in the preparation of the individual financial statements are adjusted, whenever necessary, so as to ensure consistency with the policies adopted by the Group.

1.3 Segmental reporting

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

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

Four operating segments have been identified by the Group: bleached eucalyptus kraft pulp – BEKP (market pulp), uncoated printing and writing paper (UWF), tissue paper, and others, including, forestry, energy and pellets business, until its disposal in February 2018.

BEKP, energy and UWF paper are produced by the Navigator Group in two plants located in Figueira da Foz and Setúbal. BEKP and energy are also produced in a plant located in Cacia, tissue paper is produced in another plant located in Vila Velha de Ródão. The Group had a fifth site in Greenwood (USA) where, from July 2016 until February 2018, it produced Pellets. In addition, it should be noted that a Tissue paper production unit is still under construction in Cacia.

Wood and cork are produced from woodlands owned or leased by the Group in Portugal, and also form granted lands in Mozambique. The production of cork and pinewood are sold to third parties while the eucalyptus wood is mainly consumed in the production of BEKP.

A significant portion of the Group's own BEKP production is consumed in the production of UWF paper. Sales of both products (BEKP and UWF) are made to more than 130 countries throughout the world.

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

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

Segmental information is disclosed in Note 4.

1.4 Foreign Currency Translation

1.4.1. Functional and reporting currency

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

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

1.4.2. Balances and transactions expressed in foreign currencies

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

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

1.4.3. Group companies

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

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

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

(iii) The income and expenses disclosed in the Income Statement are converted at the exchange rate prevailing at the dates of the transactions. When this is not possible or when benefits do not arise from the use of this procedure, income and expenses are translated at the average exchange rate of the period.

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

1.5 Intangible assets

Intangible assets are recorded at acquisition cost less depreciation and impairment losses.

The Group performs impairment tests whenever events or circumstances indicate that the book value exceeds the recoverable amount, and the difference, if any, is recognised in the income statement.

1.5.1. CO_2 Emission Rights

CO_2 emission rights attributed to the Group within the European Union Emissions Trading Scheme (EU ETS) for the assignment of CO2 emission licenses at no cost, gives rise to an intangible asset for the allowances, a government grant and a liability for the obligation to deliver allowances equal to the emissions that have been made during the compliance period.

Emission allowances are only recorded as intangible assets when the Group is able to exercise control. In such circumstances these are initially measured at fair value (Level 1). When the market value of the emission allowances falls significantly below its carrying amount and such decrease is considered permanent, an impairment charge is booked for allowances which the group will not use internally.

The liability to deliver allowances is recognised based on actual emissions. This liability will be settled using allowances on hand, measured at the carrying amount of those allowances. Any additional emissions are valued at market value as at the reporting date.

In the Consolidated Income Statement, the Group expenses, under Other costs and losses, actual emissions at fair value at the grant date, except for acquired licenses, where the expense is measured at their purchase price.

Such costs will offset other operating income resulting from the recognition of the original government grant (also recognised at fair value at grant date) as well as any disposal of excess allowances.

The effect on the income statement will therefore be neutral regarding the consumption of granted allowances. Any net effect on the income statement will result from the purchase of additional licenses to cover excess emissions, from the sale of unused rights or from impairment losses booked to licenses that are not used internally.

1.5.2. Brands

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

On subsequent valuation exercises, brands are recognised in the Navigator Company Group's consolidated financial statements at cost. They are not subject to amortisation, but instead tested for impairment at each reporting date.

Own brands are not recognised in the Group's financial statements, as they represent internally generated intangible assets.

1.5.3. Intangible assets developed internally

Development expenses are only recognised as intangible assets to the extent that the technical capacity to complete the development of the asset is demonstrated and that it is available for own use or commercialization. Expenses that do not meet these requirements, namely research expenses, are recorded as costs when incurred.

1.6 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Navigator Company Group's share of identifiable assets, liabilities and contingent liabilities of the acquired subsidiary/associate at the date of acquisition by the Group. Goodwill on acquisitions of associates is included in investments in associates.

Goodwill on acquisitions of subsidiaries and associates is not amortised and is tested annually for impairment and more frequently if events or changes in circumstances indicate a potential impairment. Impairment losses on goodwill cannot be reversed. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to that entity.

1.7 Investment properties

The Navigator Company Group classifies the assets held for the purpose of capital appreciation and/or the generation of rental income as investments properties.

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

Subsequent expenditure is capitalised only when it is probable that it will result in future economic benefits to the entity comparing to those considered in initial recognition.

1.8 Property, plant and equipment

Property, plant and equipment that were acquired prior to 1 January 2004 are recorded at their deemed cost, which is the book value under the accounting principles generally accepted in Portugal until 1 January 2004 (transition date to IFRS), including revaluations made in accordance with the prevailing legislation, deducted of depreciation and impairment losses.

Property, plant and equipment acquired after the transition date are shown at cost, less accumulated depreciation and impairment losses. The acquisition cost includes all expenditure directly attributable to the acquisition of the assets, their transport to the place where they are to be used and the costs incurred to put them in the desired operating conditions.

Subsequent costs are recognised as assets, as appropriate, only when it is probable that future economic benefits will flow to the Navigator Company Group and the respective cost can be reliably measured.

Planned maintenance costs are considered part of the assets' acquisition cost and are therefore entirely depreciated until the date of the next forecasted maintenance event or if they occur after the date of acquisition, capitalised if the useful life exceeds 12 months.

All other repairs and maintenance costs, other than the planned maintenance, are charged to the income statement in the financial period in which they are incurred.

The Navigator Group recognises its spare parts according to IAS 16. The strategic parts, whose use is not intended for consumption within the productive process and whose use is expected to extend for more than two years and the maintenance parts considered as "critical replacement parts" are recognised in non-current assets as Property, plant and equipment.

Respecting this classification, spare parts are depreciated from the moment they become available for use and are assigned a useful life that follows the nature of the equipment where they are expected to be integrated, not exceeding the remaining useful life of these.

Maintenance parts whose values are considered immaterial and whose use is expected to be under 2 years are classified as inventory.

Depreciation is calculated with regard to the acquisition cost, mainly using the straight line method from the date the assets are ready to enter into service, at the depreciation rates that best reflect their estimated useful lives, as follows:

	Average useful life (in years)
Land (site preparation for forestry)	50
Buildings and other constructions	12 – 30
Equipment:	
Basic equipment	6 – 25
Transportation equipment	4 – 9
Tools	2 – 8
Administrative equipment	4 – 8
Returnable containers	6
Other property, plant and equipment	4 – 10

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

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

Gains or losses arising from wright-downs or disposal are calculated as the difference between the proceeds received on the disposal and the asset's book value, and are recognised in the Income Statement as other operating income or costs.

1.9 Non-current assets held for sale

Non-current assets (and the set of assets and liabilities to sell related with these) are classified as held for sale if it is expected that their book value will be recovered through the sale and not through their continued use. This condition is only considered fulfilled when the sale is highly probable and the asset (and the set of assets and liabilities to sell related with these) is available for immediate sale under the current conditions. In addition, must be in progress the actions that allow concluding that it is expected that the sale will occur within 12 months after the date of classification in this caption.

Non-current assets held for sale could be a separate asset (e.g.: tangible assets or investments in subsidiaries with loss of control), or a group for disposal that includes assets and liabilities (e.g.: full business sale).

Non-current assets (and the group of assets and liabilities to sell related with these) classified as held for sale are measured at the lower of their book value or fair value less costs to sell. The assets with a finite useful life cease the amortisation since the date they are classified as held for sale, until the date of the sale transaction or the date that transaction will not be probable.

When, due to changes in Group circumstances, the non-current assets and/or disposal groups cease the conditions the be classified as held for sale, the assets or disposal groups will be reclassified according to the underlying nature and re-measured at the lower of: i) the net book value before the held for sale classification, adjusted from any depreciation/amortisation expenses, or revaluation values that were recognised if that assets had not been classified as held for sale; and ii) the recoverable amount at the date of they would be reclassified according to the underlying nature. These adjustments are recognised in the income statement.

1.10 Impairment of non-current assets

Non-current assets which do not have a defined useful life are not subject to depreciation, but are subject to annual impairment tests. Assets subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable.

An impairment loss is recognised as the amount of the excess of the asset's book value over its recoverable amount. The recoverable amount is the higher of the net sale price and its value in use. For the purpose of conducting impairment tests, the assets are grouped at the lowest level for which cash flows can be identified separately (cash generating units which belong to the asset), when it is not possible to do so individually for each asset.

The reversal of impairment losses recognised in previous periods is recorded when it can be concluded that the recognised impairment losses no longer exist or have decreased (with the exception of impairment losses relating to Goodwill – see Note 1.6). This analysis is made whenever there are indications that the impairment loss formerly recognised has been reversed or reduced.

The reversal of impairment losses is recognised in the income statement as other operating income, unless the asset has been revalued, in which case the reversal will represent a portion of the total of the revaluation reserve. However, an impairment loss is reversed only up to the limit of the amount that would be recognised (net of amortisation or depreciation) if it had not been recognised in prior periods.

1.11 Biological assets

Biological assets are measured at fair value, less estimated costs to sell at the time of harvesting. The Navigator Company Group's biological assets comprise the forests held for the production of timber, suitable for incorporating in the production of BEKP, but also include other species like pine or cork oak.

When calculating the fair value of the forests, the Navigator Company Group uses the discounted cash flows method, based on a model developed in house, regularly tested by independent external assessments, which considers assumptions about the nature of the assets being valued, namely, the expected yield of the forests, the timber selling price net of costs related with harvest and transportation, the rents of the woodlands and also plantation costs, maintenance costs and a discount rate.

The costs incurred with the site preparation before the first forestation are recognised as a tangible asset and depreciated in line with its expected useful lives corresponding to the concession period for assets deployed in concession areas.

The discount rate corresponds to a market rate without inflation and was determined on the basis of the Navigator Company Group's expected rate of return on its forests.

Changes in estimates of growth, growth period, price, cost and other assumptions are recognised in the income statement as fair value adjustments of biological assets.

At the time of harvest, wood is recognised at fair value less estimated costs at point of sale, which corresponds to the initial carrying amount of the inventory.

1.12 Financial instruments

IFRS 9 introduced a classification model for financial assets based on the business model used in its management (business model test) and on the characteristics of the contractual cash flows (SPPI test) with the previous requirements which determined the classification in the categories of financial assets of IAS 39 being replaced. The Group classifies its financial instruments at the time of acquisition, in accordance with the aforementioned requirements introduced by IFRS 9.

1.12.1 Debt instruments

A financial asset is measured at amortised cost if (i) it is held for collection of contractual cash flows; and (ii) the underlying contractual cash flows represent solely payments of principal and interest (SPPI). Assets classified within this category are initially recognised at fair value and subsequently measured at amortised cost.

A financial asset is measured at fair value through other comprehensive income if (i) the inherent objective of the business model used is achieved either by collecting contractual cash flows or by selling financial assets; and (ii) the underlying contractual cash flows represent solely payments of principal and interest (SPPI). Assets classified within this category are initially and subsequently measured at fair value, and changes in their carrying amount shall be recorded against other comprehensive income, except for the recognition of impairment losses, interest and foreign exchange gains and losses, situations recorded against the income statement. When the financial asset is derecognised, the gain or loss accumulated in other comprehensive income is reclassified against the income statement.

Financial assets that do not meet the requirements referred to above are classified and measured at fair value through profit or loss, a residual category under IFRS 9.

For the assessment of the underlying business model, the Group may choose to classify a financial asset at fair value through profit or loss if inconsistencies are eliminated at its recognition and measurement (accounting mismatch).

1.12.2 Equity instruments at fair value

Equity instruments at fair value ("Available-for-sale assets" as per terminology of IAS 39) are always measured at fair value. Equity instruments held for trading are measured at fair value through profit or loss. For all other equity instruments, management may choose, on an individual basis and at initial recognition, to present all fair value changes under other comprehensive income.

In cases where this option occurs, all changes in fair value, with the exception of dividends that comprise a return on investment, are recognised in other comprehensive income. In such case, when the asset is derecognised (for example, by its disposal), the accumulated gain or loss is not recognised as a profit or loss of the period and, at that time, is transferred to retained earnings.

1.13 Derivative financial instruments and hedge accounting

1.13.1 Derivative financial instruments

The Navigator Company Group uses derivative financial instruments aimed at managing the financial risks to which it is exposed.

Although the derivatives contracted by Navigator Company Group represent effective economic hedges of risks, not all of them qualify as hedging instruments in accounting terms to satisfy the rules and requirements of IAS 39. Instruments that do not qualify as hedging instruments are recognised as trading instruments and are recorded on the statement of financial position at fair value and any changes in that value are recognised as financial income or expense in the income statement.

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

Derivative financial instruments used for hedging purposes may be recognised as hedging instruments if they meet the following characteristics:

i) At acquisition date, there is formal designation and documentation of the hedging relationship, namely regarding the hedged item, the hedging instrument and the company's evaluation of the hedging effectiveness;

ii) There is an expectation that the hedging relationship will be highly effective, at the beginning date of the operation and throughout its life;

iii) The effectiveness of the hedge may be measured at the beginning of the operation and while it is running;

iv) For cash flow hedges, the realization of the cash flows must be highly probable.

Whenever expectations of changes in interest or exchange rates so justify, the Navigator Company Group hedges these risks through derivative financial instruments, such as interest rate swaps (IRS), interest rate and and foreign exchange collars or forwards.

In the selection of the hedging instruments, are essentially valued the characteristics, regarding the coverage of economic risks. Management also evaluates the impact of each additional derivative financial instrument to its portfolio, namely in the volatility of earnings.

1.13.2Cash flow hedging (interest rate, price and Exchange rates risk)

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

Those transactions are recorded in the consolidated statement of financial position at their fair value, if considered effective hedges. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Accumulated amounts in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within 'net financial results'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity is recycled to the income statement, unless the hedged item is a forecast transaction, in which case any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement.

In accordance with IFRS 9, the Navigator Group has chosen to continue to apply the hedge accounting requirements of IAS 39 until there is increased visibility over the Dynamic Risk Management (macro hedging) project, currently under development, in order to avoid a partial application of the new standard´s hedge accounting.

1.13.3 Net investment hedging (Exchange rate risk)

In order to manage the exposure of its investments in foreign subsidiaries to fluctuations in the exchange rate (net investment), the Navigator Company Group enters into exchange rate forwards.

Those exchange rate forwards are recorded at their fair value in the consolidated statement of financial position.

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised in the income statement. Gains and losses accumulated in equity are included in the income statement when the foreign operation is partially disposed of or sold.

1.14 Corporate Income Tax

1.14.1 Current and deferred tax

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

Deferred taxes are calculated using the liability method, based on the temporary differences between the book values of the assets and liabilities and their respective tax base. The income tax rate expected to be in force in the period in which the temporary differences are reversed using the tax rate approved or substantially approved at the date of preparation of the financial statements.

Deferred tax assets are recognised whenever there is a reasonable likelihood that future taxable profits will be generated against which they can be offset. Deferred tax assets are revised periodically and decreased whenever it is likely they will not be used.

Deferred taxes are recorded as gain or loss for the period, except when they result from amounts recorded directly under shareholders' equity, in which case deferred tax is also recorded under the same caption.

Tax benefits granted under contractual investment projects to be developed by the Navigator Company Group are treated as government grants. When there is a reasonable assurance that the Navigator Company Group will comply with all required conditions, it recognises (i) a deferred tax asset and (ii) a liability for the investment grant. In this recognition model, the deferred tax assets are realised whenever there are taxable profits against which they can be offset, while the liability will be recognised as an income over the estimated useful life of the asset, as a deduction to depreciation expenses.

The amounts to be included in the current tax and in the deferred tax, resulting from transactions and events recognised in reserves, are recorded directly in these same headings, not affecting the net profit for the period.

1.14.2Taxation group

On 1 July 2015, a new taxation group led by The Navigator Company, S.A. arose, (in the period from 1 January 2014 to 30 June 2015, The Navigator Company and its subsidiaries belonged to the fiscal group led by Semapa, SGPS, SA), comprising all the companies located in Portugal in which the Group holds an interest or voting right of at least 75%, for more than a year.

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

1.15 Inventories

Inventories are valued in accordance with the following criteria:

i. Goods and raw materials

Goods and raw, subsidiary and consumable materials are valued at the lower of their purchase cost or their net realisable value. The purchase cost includes ancillary costs and it is determined using the weighted average cost as the valuation method.

ii. Produtos acabados e intermédios e produtos e trabalhos em curso

Finished and intermediate products and work in progress are valued at the lower of their production cost (which includes incorporated raw materials, labor and general manufacturing costs, based on a normal production capacity level) or their net realisable value.

The net realisable value corresponds to the estimated selling price after deducting estimated completion and selling costs. The difference between production cost and net realisable value, if lower, are recorded as an operational cost.

1.16 Accounts receivable

The Group adopted the simplified approach set forth in IFRS 9 to establish and recognise impairment losses on trade accounts receivable, assets resulting from contracts. It considers the balances receivable resulting from transactions under IFRS 15, applying the simplified method and recording the expected losses, for their accounts receivable. Estimated expected losses are calculated based on the experience of actual losses over a period that, by product or type of customer, will be considered statistically significant and representative of the specific characteristics of the underlying credit risk.

1.17 Cash and cash equivalents

Cash and cash equivalents includes cash, bank accounts and other short-term investments with an initial maturity of up to 3 Months which can be mobilised immediately without any significant risk of fluctuations in value.

1.18 Share capital and Treasury shares

Ordinary shares are classified in shareholders' equity.

Costs directly attributable to the issue of new shares or other equity instruments are reported as a deduction, net of taxes, from the proceeds of the issue.

Costs directly attributable to the issue of new shares or options for the acquisition of a new business are included in the acquisition cost as part of the purchase consideration.

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

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

1.19 Interest-bearing liabilities

Interest-bearing liabilities are initially recognised at fair value, net of the transaction costs incurred.

Interest-bearing liabilities are subsequently stated at their amortised cost. Any difference between the amounts received (net of transaction costs) and the amount to be repaid is recognised in the income statement over the term of the debt, using the effective interest rate method.

Interest-bearing debt is classified as a current liability, except when the Navigator Company Group has an unconditional right to defer the settlement of the liability for at least 12 months after the date of the statement of financial position.

1.20 Borrowing costs

Financial costs on loans directly related to acquisition of the fixed assets, construction or production, are capitalised as part of the asset's cost. Capitalisation of these charges begins once preparations are started for the construction or development of the asset and is suspended after its utilisation begins or when the respective project is suspended.

Other borrowing costs relating to loans are usually recognised as financial costs.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

1.21 Provisions

Provisions are recognised whenever the Navigator Company Group has a present legal or constructive obligation, as a result of past events, in which it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Provisions for future operating losses are not recognised. Provisions are reviewed on the date of the statement of financial position and are adjusted to reflect the best estimate at that date.

The Navigator Company Group incurs expenditure and assumes liabilities of an environmental nature. Accordingly, expenditures on equipment and operating techniques that ensure compliance with applicable legislation and regulations (as well as on the reduction of environmental impacts to levels that do not exceed those representing a viable application of the best available technologies, on those related to minimizing energy consumption, atmospheric emissions, the production of residues and noise), are capitalised when they are intended to serve the Navigator Company Group's business in a durable way, as well as those associated with future economic benefits and which serve to extend the useful lives, increase capacity or improve the safety or efficiency of other assets owned by the Navigator Company Group.

1.22 Pensions and other employments benefits

1.22.1 Defined contribution pension plans

Most of the Group subsidiaries assumed commitments regarding payments to a defined contribution plan in a percentage of the beneficiaries' salary, in order to provide retirement, disability, early retirement and survivors' pensions.

In order to capitalise those contributions, pension funds were set up, for which employees can make additional voluntary contributions.

Therefore, the responsibility with these plans corresponds to the contribution made to the funds based on the percentage of the employees' salaries defined in the respective agreements. These contributions are recognised as a cost in the income statement in the period to which they refer, regardless of the date of the settlement of the liability.

1.22.2 Defined benefits pension plans

Until 2013, the majority of the Group subsidiaries have assumed the commitment to make payments to their employees in the form of complementary retirement pensions, disability, early retirement and survivors' pensions, having constituted defined-benefit plans, as applicable.

As referred in Note 27, the Navigator Company Group set up autonomous Pension Funds as a means of funding most of the commitments for such payments.

As such, the total liability is estimated separately for each plan at least once every six months, on the date of closing of the interim and annual accounts, by a specialised and independent entity in accordance with the projected unit credit method.

The discount rate used in this calculation is determined based on market rates associated with bonds of high rating companies denominated in the currency in which the benefits will be paid and with maturity similar to the expiry date of the plan's obligations.

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

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

Gains and losses generated on a curtailment or settlement of a defined benefit pension plan are recognised in the income statement when the curtailment or settlement occurs.

A curtailment occurs when there is a material reduction in the number of employees or the plan is altered in such a way that the benefits awarded are reduced with a material impact.

1.22.3 Holiday pay, allowances and bonuses

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

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

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

1.23 Payables and other current liabilities

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

1.24 Government grants

Government grants are recognised at their fair value when there is a reasonable assurance that the grant will be received and the Navigator Company Group will comply with all required conditions, namely, the Navigator Company Group makes the eligible investments and grants will be received.

Government grants received to offset capital expenditure are reported under Property, plant and equipment, including those allocated as tax credits (Note 1.13.1) and are recognised in the income statement under Current and non-current payables, during the estimated useful life of the asset being financed, by deducting the value of its amortisation.

Government grants related to operating costs, including the attribution of C02 emission rights allowances (Note 1.5.1.), are systematically recognised in the income statement over the period that matches the costs with the compensating grants, as well as the accumulated amounts prior to the initial recognition.

Grants related to biological assets carried at fair value, in accordance with IAS 41, are recognised in the income statement when the terms and conditions of the grant are met.

1.25 Leases

Fixed assets acquired under leasing contracts and the corresponding liabilities, are recorded using the finance method.

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

Leases under which a significant part of the risks and rewards of the property is assumed by the lessor, with the Navigator Company Group being the lessee, are classified as operating leases. Payments made under operating leases, net of any grant received by the lessee, are recorded in the income statement during the period of the lease.

1.25.1 Leases included in contracts according to IFRIC 4

The Group recognises an operating or financial lease whenever it enters into an agreement, encompassing a transaction or a series of related transactions which even if not in the legal form of a lease, transfers a right to use an asset in return for a payment or a series of payments.

1.26 Dividends distribution

The distribution of dividends to shareholders is recognised as a liability in the Navigator Company Group's financial statements in the period in which the dividends are approved by the shareholders at the General Meeting and up until the time of their payment or, in the case of anticipated distributions, when approved by the Board of Directors.

1.27 Accrual basis

Navigator Company Group companies record their costs and income according to the accrual basis of accounting, so that costs and income are recognised as they are generated, irrespective of the time at which they are paid or received.

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

1.28 Revenue

The Group recognises revenue in accordance with IFRS 15, which establishes that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, based on the 5-step model framework:

1. Identify the contract(s) with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognise revenue when (or as) the entity satisfies a performance obligation.

As at 30 June 2018, the Group's revenue is broken down into the following business lines: 10% sale of pulp, 82% sale of UWF; 5% sale of tissue and 3% sale of other products.

Revenue is recognised net of bonuses (e.g. trade discounts), and refers to consideration received or receivable from goods and services sold in line with the group business typologies identified above.

Trade agreements with customers essentially concern to the sale of goods and to an extent limited to the transportation underlying those goods, when applicable and according to the reported segments. Revenue is recognised by the amount of the satisfied performance obligation.

With regard to the transaction price, this is a fixed component depending on the quantities sold.

The control transfer occurs to the same extent that the associated risks are transferred, in accordance with the contractual conditions established. The transfer of control of the goods usually takes place when the goods are delivered at the customer's premises.

For variable consideration, the Group recognises revenue only to the extent that it is highly probable that there will be no significant reversal in the amount of recognised revenue when uncertainty about such consideration is resolved.

When analysing the terms of each contract with customers, the Group considers all facts and circumstances by applying the requirements that determine the recognition and measurement of revenue in a harmonised manner, when dealing with contracts with similar characteristics and circumstances.

1.29 Contingent assets and liabilities

Contingent liabilities in which the probability of an outflow of funds affecting future economic benefits is not likely are not recognised in the consolidated financial statements, and are disclosed in the notes to the financial statements, unless the probability of an outflow of funds affecting future economic benefits is remote, in which case these are not disclosed. Provisions are recognised for liabilities which meet the conditions described in Note 1.21.

Contingent assets are not recognised in the consolidated financial statements but are disclosed in the notes when it is probable that a future economic benefit will arise from them (Note 38).

1.30 Subsequent events

Events occurring after the date of the Statement of financial position which provide additional information on conditions prevailing at the date of the Statement of financial position are reflected in the consolidated financial statements.

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

1.31 New Standards, changes and interpretations of existing standards

The interpretations and amendments to the existing standards identified below, are mandatory by the European Union, for the periods starting on or after 1 January 2019:

Standards and effective amendments, on or after 1 January 2019, already endorsed by the EU	Effective date *
IAS 9 (amended) – Financial instruments	1 January 2019
IAS 16 – Leases	1 January 2019

** Periods beginning on or after*

Regarding the standards presented above, for which the mandatory entry into force has not yet occurred, the Navigator Group had not yet concluded the estimate of the effects of changes arising from the adoption of these standards, for which it decided not to early-adopt them. However, no material effect is expected in the financial statements as a result of their adoption.

New standards and interpretations without mandatory application in European Union

Standards, amendments and interpretations issued but not yet effective for the Group (regardless of the effective date of application, have not yet been endorsed by the European Union), can be analysed as follows:

Standards and effective amendments, on or after 1 January 2019, not yet endorsed by the EU	Effective date *
Annual improvements in the 2015-2017 cycle	1 January 2019
IAS 19 (amended) - Cut-offs/ changes to the plan and settlements	1 January 2019
IAS 28 (amended) - Investments in associates and joint ventures	1 January 2019
IFRIC 23 – Uncertainty over income tax treatments	1 January 2019
Amendments to the conceptual framework in IFRS	1 January 2020
IFRS 17 - Insurance contracts	1 January 2021

** Periods beginning on or after*

IFRS 16 Leases

In January 2016, the International Accounting Standards Board (IASB) issued IFRS 16 – Leases, which is effective for annual reporting periods beginning on or after 1 January 2019, with earlier application permitted (as long as IFRS 15 is also applied).

IFRS 16 defines the principles for recognising, measuring and presenting leases, replacing IAS 17 – Leases. The main objective is to ensure that lessors and lessees report useful information to the users of the financial statements, especially regarding the effect that leases have on financial positions, financial performance and cash flows.

The main aspects covered by IFRS 16 are:

- Addition of some considerations in order to distinguish leases from service agreements, based on the existence of control over an asset at the time it becomes available for use; and

- Introduction of a unique accounting model that requires the lessee to recognise the assets and liabilities for all leases with a duration longer than 12 months (except for leases of assets with a limited amount). The lessee shall recognise the right to use the respective asset and the liability associated with the payments to be made, and also recognise the financial costs and the depreciation separately.

At the date of publication of these consolidated financial statements, the Navigator Group has already performed the inventory of existing leases, and its technical analysis and framework is being assessed considering the provisions of IFRS 16. Additionally, the Group is also reviewing the existing information in order to assess the extent to which it will need to be adapted to the requirements of the standard. At this stage it is not yet possible to estimate the magnitude of the impacts of IFRS 16 adoption.

Standards, amendments and interpretations issued already effective for the Group

The amendments to standards already issued and in force which the Group has applied in the preparation of its financial statements are as follows:

IFRS 9 Financial Instruments

IFRS 9, adopted via Commission Regulation (EU) No. 2067/2016 of 22 November 2016, with an effective date of mandatory application for periods beginning on or after 1 January 2018, (early application is optional). Except for hedge accounting, retrospective application is mandatory, although without the need for disclosure of comparative information. For hedge accounting, requirements are generally applied prospectively, with some exceptions.

IFRS 9 includes three distinct areas: classification and measurement of financial instruments, impairment of financial assets and hedge accounting.

The Group adopted this standard on the date of mandatory application and did not restate comparative information, as provided for therein. With regard to hedge accounting, the Group has chosen to continue to apply the hedge accounting requirements in IAS 39 until there is increased visibility over the current Dynamic Risk Management (macro hedging) project, as referred to in note 1.13.

The Group analysed the changes arising from the adoption of IFRS 9 in its financial assets and liabilities, in order to identify and evaluate the qualitative and quantitative impacts of the adoption of the Standard. Accordingly, qualitative changes are presented in accounting policies, as referred to in Note 1.12 and 1.13. No quantitative impacts were determined.

IFRS 15 Revenue from Contracts with Customers (subject to clarification issued on 12 April 2016)

The International Accounting Standards Board (IASB) issued IFRS 15 - Revenue from contracts with customers on 28 May 2014 and was amended in April 2016 (endorsed by the European Commission Regulation No. 1905/2016 of 22 September 2016). This standard replaces the current requirements for revenue recognition and has an effective date of mandatory application for periods beginning on or after January 1, 2018, and its early adoption is permitted.

The Group adopted IFRS 15 using the modified retrospective approach, with impacts arising from the initial application of the standard recognised at the date of initial application (1 January 2018). Thus, the Group, as permitted by the standard, did not restate comparative information.

The Group analysed the changes resulting from the adoption of IFRS 15 in order to identify and assess the qualitative and quantitative impacts of this Standard. Accordingly, the qualitative changes are disclosed in the accounting policies, as referred to in notes 1.16 and 1.28. No quantitative impacts were determined.

2. RISK MANAGEMENT

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

All the activities in which the Navigator Group is involved are subject to risks which could have a significant impact on its operations, its operating results, the cash flow generated and in its financial position.

The risk factors analysed in this chapter can be structured as follows:

i. Specific risks inherent to the sector of activity in which the Navigator Group operates:
    - ✓Risks associated with the forestry sector
    - ✓Risks associated with the production and sale of BEKP, UWF paper, tissue paper and pellets
    - ✓Risks associated with the energy generation and pellets
    - ✓Human Resources
    - ✓Information systems
    - ✓General context risks

ii. Navigator Group risks and how the Group carries out its business activities.

The Navigator Company Group has a risk-management program in place which is focused on the analysis of the financial markets in order to minimise the potential adverse effects on its financial performance. Risk management is conducted by the Finance Department in accordance with policies approved by the Board of Directors. The Finance Department evaluates and undertakes the hedging of financial risks in strict coordination with the Navigator Group's operating units.

The Board of Directors provides the principles of risk management as a whole and policies covering specific areas such as foreign exchange risk, interest rate risk, liquidity risk, credit risk, the use of derivatives and other non-derivate financial instruments and the investment of excess liquidity. The Internal Audit department follows the implementation of the risk management principles defined by the Board of Directors.

2.1 Specific Risks in sectors where the Navigator Group operates

2.1.1. Significant risks from the forestry

On 30 June 2018, the Navigator Group was carrying out the management of woodland covering an area of 112 thousand hectares, from north to south of the country, including Azores, through 1,300 units located in 166 municipalities, in accordance with the principles laid down in its Forest Policy. Eucalyptus trees occupy 74% of this area, namely the *Eucalyptus globulus*, the species that is universally acknowledged as the tree with the ideal fiber for producing high quality paper. In the remaining areas, cork and oak are highlighted covering 10% of the total area under management, and the Navigator Group is the major private national producer of pine and one of the largest producer of cork oak.

The Group also has under management 356 210 hectares located in Mozambique, in an initial phase of forestry operations, of which 13.4 thousand hectares were planted in the provinces of Manica and Zambézia, under the signed investment agreement with the Mozambican Government and which provides for the installation of an industrial unit destined to the production of BEKP pulp and electric energy in the country.

Most of its forest assets located in Portugal are certified by the FSC® (Forest Stewardship Council) and by the PEFC (Program for the Endorsement of Forest Certification schemes), which ensures that the Company's forests are managed in an environmental, economic and social responsible manner and comply with rigorous and internationally recognised criteria.

The main threat to the competitiveness of the eucalypt forest is the low productivity of the Portuguese forest and the world demand for certified products, with only a very small part of the national forest being certified. This competitive pressure is expected to remain in the future. It should be noted, for example, that the forest area managed by the Group in Portugal, although representing around 3% of the Portuguese forest area, represents 44% of the total area certified according to PEFC standards and 28% of the entire area certified according to FSC® standards.

In order to answer this questions, the Group started a project in 2016 aimed at promoting forest certification in areas owned by private individuals, seeking to strengthen the steps to make all the eucalyptus wood that the Group will process in 2020 come from partners with certified activity. In the six-month period ended 30 June 2018, 37.5% of wood from national sources, excluding self-sufficiency, already came from properties that had their forest management certified.

This increase allowed for the first time, in 2017, to register more than 50% of the total wood acquired by the Group from sources with its certified forest management. It should also be noted that within the scope of this initiative the Group has seen a significant increase in the number of suppliers of wood with a certified chain of custody/responsibility, an essential step in the development of a supplier base that will make it possible to ensure the defined designs in the wood from sources with certified forest management.

Additionally, the Group is working to proactively promote good forest management practices aimed at improving the productivity of third-party forest areas. This effort, which has been developed through CELPA (Paper Industry Association, representative of the main industrial groups in the sector) in the *Programa Melhor Eucalipto*, may in the future be reinforced with more support measures, together with the technical support already propitious today.

In addition to the aforementioned risk associated with the productive capacity of the farms, the most significant risks presented to the sector relate to fires and plant health, as well as the regulatory risk, given the entry into force at 1 January 2018 of Law No. 77/2017 of 17 August, and which undertakes the first change to the legal regime applicable to the actions of afforestation and reforestation with the use of forest species, approved by Decree-Law No. 96/2013, of 19 July, as well as Ordinances No. 15-A and 15-B, both from 12 January 2018.

The combination of all these factors and the lack of strategic measures of the State in the sector in recent there, has forced the importation of raw material, which restrict the profitability of the sector.

Regarding forest fires, the risks to which the activity of the Navigator Group is exposed are reflected in the following impacts:

i. In the destruction of own and third parties' current and future stocks of wood;

ii. In increased costs of forest exploitation and subsequent preparation of land for planting.

In this regard, the management of the farms that the Group owns or manages constitutes the first line of mitigation of this risk.

Among the several management measures to which it has committed itself, scrupulous compliance with biodiversity rules, adequate planning of the forest facilities to be built and the construction and maintenance of roads and access roads to each of the areas under development are of particular relevance in the mitigation of fire risk.

Also, the Group participates in the group Afocelca – a complementary group of companies of the Navigator Group and the Altri Group which, with a specialised structure, is intended to prevent forest fires on the properties of grouped companies, in strict coordination and collaboration with the *ANPC - Autoridade Nacional de Protecção Civil*. This group manages an annual budget of approximately Euro 3 million, without public funds, and has created an efficient and flexible structure, which develops practices aimed at reducing protection costs and minimizing the damage that forest fires pose to ACE companies, which explore more than 200 thousand hectares of forest in Portugal.

In order to maximize the productive capacity of the areas it explores, the Group has developed and uses Forest Management models that contribute to the maintenance and continuous improvement of the economic, ecological and social functions of forest areas, both at settlement level and at the forestry landscape, and which:

i. Increase the forest productivity of their plantations by using the best silvicultural practices adapted to local conditions and compatible with the environment and the need to ensure adequate levels of biodiversity;
ii. Establish and improve the infrastructure network of forest areas in accordance with the accessibility necessary for management, making them compatible with measures to protect the forest against fires;
iii. Ensure fulfillment of the functions of the water cycle by promoting, whenever possible, the rehabilitation and qualitative protection of water resources.

The Group also has a research institute, RAIZ, which develops its activity in 3 main lines: Applied Research, Advisory and Training. In the area of forest research, RAIZ seeks to:

i. Increase the productivity of the eucalyptus forest;
ii. Improve the quality of the fiber produced from the wood of this species;
iii. Implement sustainable forest management from an economic, environmental and social point of view;
iv. Induce practices and processes aimed at reducing wood production costs.

2.1.2. Risks associated with the production and marketing of BEKP pulp, UWF paper and Tissue paper

Supply of raw materials

The self-supply of wood for the production of BEKP pulp is 20% below the Group's needs and, therefore, there is a need to use wood in the market, and the national market is insufficient to guarantee the needs. Consequently, imports from the Spanish and extra-Iberian markets are recurring.

The supply of wood, especially eucalyptus, is subject to price and exchange variations and to difficulties in supplying raw materials which could have a significant impact on the production costs of BEKP pulp producers. Additionally, the volatility of the logistic prices of the transportation of wood to the factories (which is more important in imports) varies according to the prices of oil and sea freight.

New forest plantations are subject to the authorization of the competent authorities, which may limit the productive potential of the country, although there are initiatives to increase the productivity of the existing areas and consequently the availability of raw material.

In case of insufficient national production, in terms of quantity and quality, namely in terms of certified wood, the Group may have to increase the quantity of imported wood, both from Spain and outside Iberia, for which we are also initiating initiatives which guarantee the supply in the short and medium term.

Regarding wood imports, there is a risk underlying maritime transport from the point of origin to the ports supplying the Group's plants. This risk is mitigated by the purchase conditions agreed with non-Iberian suppliers, where the ownership of the raw material is transferred at the port of arrival, where an insurance is added to cover eventual losses due to supply shortages in the case of any accident in any of these transports compromise the supply of wood.

The Group's plants seek to maximize the added value of their products, especially through the increased integration of certified wood, which is supported by ongoing initiatives in the national market aiming to increase the certified area and consequently the supply of certified wood. These initiatives are intended to respond to the growing demand for products – paper and pulp – certified by the several markets where the Group has commercial activity.

As at 30 June 2018, a 10% increase in the cost of the m^3 of eucalyptus wood consumed in the BEKP pulp production would have had a negative impact on the Group's operating results of approximately Euro 14,200,000 (30 June 2017: Euro 15,830,000).

For other raw materials, namely chemicals, the main risk identified is the scarcity of product availability due to the increasing demand for these products in emerging markets, particularly in Asia or markets that supply them, which may create occasional gaps in demand and supply.

Therefore, the Navigator Group, together with Altri Group, established in 2018 a Complementary Group of Companies – Pulp Chem, ACE – for the joint acquisition of chemical products and which benefits from economies of scale and, thus, mitigates this risk.

The Group seeks to mitigate these risks through proactive sourcing, which seeks to identify geographically dispersed sources of supply, while seeking to secure long-term supply contracts that ensure volume, price and quality levels consistent with its requirements.

Another necessary resource for the productive process is water. The concern with the use of this resource, which the Group assumes as finite and very important, is significant. Over the last few years a number of investments have been made in the production process aimed at reducing the use of this resource, which has been reduced in specific terms by more than 20% between 2005 and 2018. Additionally, the efficiency of the treatment of effluents is also important, with effluents volumes being reduced by 24% between 2005 and 2018, as a result of process improvement investments aimed at minimizing the Group's environmental impact.

Market price of BEKP pulp, UWF paper and Tissue paper

The increase in competition, influenced by supply or demand gaps in BEKP pulp, UWF paper and Tissue paper markets can have a significant impact on prices and consequently on the profitability of the Group. The market prices of BEKP pulp and UWF and Tissue paper are formed in the global market under global competition and have a decisive influence on the Group's revenues and profitability. The changes in the prices of these products are essentially due to changes in world supply and demand and to the economic and financial situation of each of the different actors involved in these markets (producers, traders, distributors, final customers, etc.) which create different and successive levels of equilibrium prices, increasing the volatility of the global market.

BEKP pulp and paper markets are highly competitive. Thus, at the current context, significant variations in installed production capacity could have a significant impact on world prices. These factors have encouraged the Group to pursue the marketing and branding strategy outlined and to make significant investments in recent years to improve productivity and produce high quality products. It should be noted that, currently, the pulp used to produce Tissue paper is mainly acquired from third parties.

As at 30 June 2018, a 10% decrease in the price per ton of BEKP pulp and 5% in the price per ton of UWF and Tissue paper sold by the Group in the period would have had a negative impact on its operating results of approximately Euro 7,260,000 and Euro 32,220,000, respectively (30 June 2017: Euro 9,170,000 and Euro 31,070,000, respectively).

Demand for the Group's products

Without prejudice to the concentration of the Group's customer portfolios, a possible decrease in demand for BEKP pulp, UWF paper and Tissue paper in the European Union and the United States markets could have a significant impact on the Group's sales. The demand for BEKP pulp produced by the Group also depends on the evolution of the world's capacity for paper production, as the Group's main BEKP pulp customers are paper producers.

The demand for uncoated printing and writing paper is related to several factors: macroeconomic (e.g. GDP growth, employment, especially in white collar professions, confidence indices), technological (e.g. penetration of IT and hardware/software solutions, mainly related to printing technologies, in the business environment) and demographic (e.g. population, average level of schooling, age structure of society). The evolution of these factors has a positive or negative impact in demand and, in the recent past, the trend of paper consumption is negative in the more developed countries and positive or stable in the emerging/developing countries. The performance of the Navigator Group is obviously dependent on the evolution of demand in the several markets in which it operates.

Regarding the demand for eucalyptus market pulp, this is largely dependent on the evolution of production in the non-integrated producers of printing and writing paper, tissue and specialty grades. Chinese demand for this type of pulp represents more than 1/3 of the world's demand, making China one of the demand drivers with most impact.

As for Tissue paper, the key variables that influence the demand for this type of paper are:

- Expected economic growth;
- Population growth and other demographic changes;
- The product's prospects of market penetration;
- Developments in the Tissue paper quality specifications; and
- Replacement effects.

The consumption of Tissue paper is not very sensitive to cyclical variations of the economy, although consumption of this type of paper tends to grow faster with greater economic growth.

The importance of economic growth for Tissue paper consumption is most evident in developing countries. If the per capita income level is very low, the consumption of Tissue tends to be reduced. There is a threshold after which consumption accelerates. Economic growth allows for greater penetration of the product, which is one of the main drivers of the demand for this type of paper in the population with lower incomes. Tissue paper is a product that does not face major substitution threats from other materials and no changes are anticipated at this level.

Consumer preferences may have an impact on the overall demand for paper or certain types, such as the demand for recycled products or products with certified virgin fiber.

Regarding this matter, and in the specific case of the UWF and Tissue paper, the Group believes that the marketing and branding strategy it has been following, together with the significant investments made to improve productivity and produce high quality products, allows it to place its products in market segments less sensitive to variations in demand, allowing less exposure to this risk.

Energy

The production process is dependent on the constant supply of electric power and steam. For this, the Group has several cogeneration units, which ensure this supply, and redundancies have been foreseen between the several generating units in order to mitigate the risk of any unplanned outages of these units in the pulp and paper mills. Some of the production is sold on the market at regulated prices. At the end of this period, the plants start to operate on a self-consumption basis, which can be evidenced by the reduction in the revenues of this activity over the last few years, as well as the reduction in consumption of electricity and natural gas.

Country Risk – Mozambique

Due to the investment in the Mozambique project, the Navigator Group is exposed to the specific risk of this country, which means that the weighting of the investments, in terms of timing, choice of suppliers/partners and geographic location is conditioned by this effect. The Group anticipated the performance of these steps to the extent that it can reasonably assume that there will be no effects resulting from that risk.

Currently, the Mozambique project is essentially a forestry project, with an option to develop an industrial project. The foreseen investment is expected to be completed in two phases, the first being a woodchips manufacturing project and the second, in the long term, will be the construction of a large-scale pulp mill. However, the Group is prepared to move forward with the forestry plan as soon as the necessary conditions are met (most of which are in discussion with the Mozambican authorities).

Until 30 June 2018, the expenses incurred in this project amounted to Euro 95 million (31 December 2017: Euro 90 million) and are mainly associated with planting activities, land preparation, with the construction of the largest forest nurseries in Africa and with the identification of eucalyptus species with industrial viability in the concession areas of the Group.

Nevertheless, the Group's more conservative approach has led to the recording of several impairments regarding the investment in Mozambique in such a way that in June 2018 the balance sheet value is residual (corresponds to less than 1% of the consolidated asset value).

Country Risk – USA

The USA market has a significant weighting in total sales of UWF papers, which increases the exposure to the specific risk of this Country.

This exposure requires a careful assessment of the impacts resulting, for example, from changes in regulations or of a tax nature, or even from their application and interpretation by governmental entities and tax authorities.

Just as in the case of foreign producers (Australian, Brazilian, Chinese and Indonesian), regarding the imports of UWF paper into the US, the Group has been subject to anti-dumping measures by the U.S. Commerce Department since 2015. Despite the fact that the applied rate has been revised downwards during 2016, the Group considers that no anti-dumping margin shall be applied (Note 21) in the period under review, which ended in February 2018.

Competition

The increase in competition in the pulp and paper markets can have a significant impact on prices and, consequently, in the Group's profitability.

The pulp and paper markets are highly competitive and, therefore, the entry into the market of new production units with an increase in available production capacity could have a significant impact on world prices.

BEKP pulp producers from the southern hemisphere (namely from Brazil, Chile, Uruguay and Indonesia), with production costs still significantly lower than those in the northern hemisphere, have become important in the market, challenging the competitive position of European pulp producers.

These factors have forced the Group to make significant investments in order to maintain its competitive costs and produce high quality products, and this competitive pressure is expected to remain in the future.

It should be noted a disinvestment movement in the US paper sector, with announcements by some UWF producers of closures/conversions of installed capacity occurring between the end of 2017 and the beginning of 2019, in a clear attempt to adjust supply to the negative evolution in demand. On the other hand, investments are expected in new UWF capacity in China and the Middle East.

The Navigator Group has adapted its commercial strategy to the evolution of regional consumption patterns. In this sense, the presence in Africa, Latin America and Asia/Oceania was reinforced in the first half of 2018. The volume of sales to the European markets was 60% (1st half of 2017: 66%), where it achieved particularly impressive market shares in Western European countries and relevant market shares in the other main European markets. The Group also has a significant presence in the US, representing more than half of the sales of European producers in this market.

Concentration of the customer portfolio

As at 30 June 2018, the Group's top 10 customer groups of BEKP pulp accounted for 14% of the production in the period (2017: 15%) and 86% of foreign sales of BEKP pulp (2017: 61%). This asymmetry results from the strategy followed by the Group of increasing integration of the BEKP pulp.

Nevertheless, the Group believes there is little exposure to risks of customer concentration in the marketing of BEKP pulp.

In the first semester of 2018, the Navigator Group improved its dependence on its largest UWF group customers which accounted for 47% of the group's sales volume (50% in 2017). Regarding individual customers, the concentration remained at 26% of sales volume, a level similar to last year. In 2018, the Navigator Group registered 36 new customers with sales. Also in relation to UWF securities, the Group follows a risk mitigation strategy for its client portfolio. The Group sells UWF papers to more than 120 countries and territories and has more than 1000 individual customers, thus allowing a dispersion of the risk of concentration of sales in a limited number of markets and/or customers.

Tissue sales amounted to approximately Euro 40,5 million in the first half of 2018 (2017: Euro 37,1 million). The commercial activity is mainly concentrated in the Iberian Peninsula, which represents 99% of its sales. The top 10 Tissue customers currently account for about 45% of total sales (2017: 47%).

With the entry into operation of the new equipment, belonging to the investment in the second Tissue paper machine made in 2015, we have expanded our commercial activity in the foreign market, namely to Spain and the rest of Western Europe, which is expected to intensify with the beginning of the activity of the third Tissue paper machine in Cacia, later this year.

Environmental legislation

In recent years, EU environmental legislation has become more restrictive regarding the control of environmental emissions. The companies of the Group respect the legislation in force, in its several parameters (VLEs).

In September 2014, the Best Available Technologies Reference Documents (BREF) – Conclusions on the Best Available Techniques of the Reference Document – were approved in the Commission's implementing decision 2014/687/EU for the pulp and paper sectors. These documents contain the new limits and requirements for these sectors, providing companies of 4 years to promote the necessary adaptations to their practices and equipment. Additionally, the technical discussion of the reference document of the Large Combustion Plants, also published, was finalized. This document has an impact on the Group's equipment, especially in boilers and combustion plants, which will be covered by the new legislation, requiring new investments, such as particulate filters for biomass boilers.

As such, the Group has been monitoring the technical development of this matter, seeking to anticipate and plan the necessary improvements in its equipment in order to comply with the limits to be published, including additional investments in this area, in order to comply with any changes in the limits and environmental rules that may be approved.

Currently, the legislative changes known are also related to the evolution of the European Emissions Trading Scheme (CELE) established by Directive No.

2003/87/EC, recently amended by Directive No. 2009/29/EC (new CELE Directive), which presents the legal framework of the CELE for the 2013-2020 period and which was transposed into the national legal system by Decree-Law 38/2013 of 15 March, resulting in a decrease in the scope of free allocation of CO_2 allowances.

If this trend continues, these developments will eventually bring increased costs for the manufacturing industry in general and for pulp and paper in particular, without compensation for the annual absorption of CO_2 that the forests of this industry allow.

In order to mitigate the impact of this change, the Group has long undertaken a series of environmental investments which, among other advantages, have allowed the continuous reduction of CO_2 emissions, despite the continued increase in production volumes in recent years.

An environmental strategic plan was analysed and established in 2015, in order to adapt the Navigator Group to a set of new and future environmental requirements, including the BREF document for the sector, approved in the Commission's implementing decision 2014/687/UE, and for Large Combustion Plants. These reference documents correspond to the implementation of Directive 2010/75/EU on industrial emissions. Projects are underway to implement the appropriate technological changes, as well as a new version of the Environmental Master Plan, which incorporates new environmental challenges that have arisen in the meantime.

Apart from the environmental areas regulated by these documents, the Environmental Strategic Plan aimed at other areas, making it possible to verify that the Navigator Group is generically framed in these future references and to identify some areas of improvement and technological solutions as the emissions to the atmosphere of biomass boilers.

On the other hand, and in accordance with Decree-Law No. 147/2008 of 29 June, which transposed Directive 2004/35/CE into national law, the Group ensured the environmental insurance required by that legislation, ensuring compliance with the regulations in force and mitigating the environmental risks to which it is exposed.

2.1.3. Risks associated with energy production

Energy is an important activity in the Group, which allows the use of the biomass generated in the BEKP pulp production and the supply of thermal and electric energy cogeneration to the BEKP pulp and UWF paper plants. Among others, it also allows to the Group's wood suppliers to generate a complementary income from the sale of residual forest biomass from their holdings and contributing to the reduction of fire risks in the Country.

Considering the integration of the Group's plants in the production of BEKP pulp and UWF papers and as a way of boosting the use of the biomass made available by the forestry sector, in 2009 the Group built new dedicated production units for electricity from biomass, which are in full operation.

The Group was a pioneer and has been developing a biomass market, to supply its power plants. The development of this market at a stage prior to the start-up of the new energy production units has enabled it to secure a supply network for sustainably obtained raw materials which it may use in the future.

As mentioned above, the Group has been raising awareness of the Government and the public opinion of the need to ensure that biomass is addressed in a sustainable manner, avoiding the use of eucalyptus wood for biomass with incentives support distorting the wood market, instead of its use for the production of tradable goods. The existing incentives in Portugal only contemplate the use of residual forest biomass (BFR) and not the use of wood for the production of electric energy.

Additionally and despite the legal provisions:

i. Decree-Law 23/2010 and Ordinance 140/2012, revised by Ordinance 325-A/2012, applicable to the pre-production under the cogeneration special regime;

ii. For the Biomass Thermoelectric Plants (BTP) residual forest, dedicated to the production of electric energy, whose legal framework is supported by Decree-Law 33-A/2005, revised by Decree-Law 225/2007, and which changes from 15 to 25 years the period of remuneration guaranteed in pre-production under the cogeneration special regime, which allow to foresee the tariff stability in the near future, there is a risk that the change of energy sales tariffs may be penalizing for products (as already seen with the specific measures on the tariffs and the introduction of the Extraordinary Contribution on the Energy Sector in cogeneration units with a capacity of more than 20 MW). The constant search for the optimization of production costs and the efficiency of the generating units are the way in which the Group seeks to mitigate this risk.

As a result of the measures initiated under the Financial Adjustment Program to which Portugal was subject, the entire remuneration model for the national electricity sector was revised, which essentially affected the electricity produced from cogeneration, one of the most efficient forms of energy production.

The Group represents a significant part of the energy generated in the country. Holding its units and operating under cogeneration scheme, the Group reviews its energy sales prices since 2012, which started on a temporary basis and is expected to end in 2025. The consequence of this measure will be the economic impracticability of the operation, which will no longer be sold to the power grid that these units generate (as already happens in the gas cogeneration plant of Figueira da Foz). This is economically justifiable, and will be successively applicable the self-consumption regime after the transitional arrangements applicable to each installation.

2.1.4. Human resources and talent management

The need to monitor and anticipate business needs was particularly evident in 2017/18 with the construction of the new Cacia plant.

Attracting and retaining talent, training new skills, reinforcing technical skills, ensuring transfer of knowledge among different industrial facilities have become critical success factors in the management of Industrial operations. It should also be noted the widening of the Employer Branding strategy to the development of partnerships with technical and polytechnic schools.

At the same time, the Group pursued to develop a set of initiatives to ensure:

- Improvement of internal equality, in particular through harmonisation of the benefit plan (ensuring wage competitiveness and control over costs);

- The Company's mobilising on projects of organizational change, giving due attention to projects focused on the dissemination of values throughout the organization;
- Reinforcement of leadership and management skills by focusing on the diagnosis of talents, development programs and coaching;
- Retention and knowledge management, following ongoing rejuvenating programs:
- Strengthening internal mobility in order to promote development and career progression.

The Group considers, from a cross-sectional perspective, that a better alignment of the organisational culture together with the need to reconcile different generations in a common project should be undertaken as a critical success factor for the effectiveness of the ongoing initiatives and organizational sustainability.

2.1.5. Information systems

The Group's information systems, some of which rely on services provided by third parties, play a key role in the operation of its business. Given the strong reliance on information technologies in the several geographies and business areas in which it operates, it is important to highlight the existence of inherent risk of system failures, resulting from intentional actions such as computer attacks or accidental actions.

Despite the above-mentioned risk prevention and mitigation procedures and practices, the Group is aware that, in the absence of tamper-evident information systems, the Group cannot guarantee that these efforts will be sufficient to prevent such system-level failures and avoid any consequences on the reputation, litigation, inefficiencies or even impact the operating margin.

2.1.6. Other risks associated with the Group's activity

The Group's plants are subject to the risks inherent to any industrial economic activity, such as accidents, damages or natural disasters that could cause losses in the Group's assets or temporary interruptions in the production process.

These risks can also affect the Group's main customers and suppliers, which would have a significant impact on profitability levels if it were not possible to find substitutes in order to guarantee the levels of sales or suppliers that could maintain the same structure of costs.

The Navigator Group exports approximately 95% of its UWF paper production and approximately 44% of its Tissue paper production, so transport and logistics costs are materially relevant. A scenario of continued increase in transport costs could have a significant impact on the Group's performance.

2.1.7. Environment overall risks

Particular attention is still paid to the inefficiency of the Portuguese economy, adversely affecting the Group's competitiveness, mainly in the following areas:

i. Ports/harbors and railways;
ii. Highways, especially accesses to the Group's plants;
iii. Land use planning and forest fires;
iv. Poor productivity of national forests;
v. Lack of certification of the majority of the national forest;
vi. Volatility of the tax policy and non-reduction of the CIT rate.

2.2 Financial risks

2.2.1. Risks associated with debt and liquidity levels

Given the medium/long-term nature of the investments made, the Group has sought a debt structuring that accompanies the maturity of the associated assets, thus seeking the contracting of long-term debt and the refinancing of short-term debt.

Considering the structure of the debt contracted, with a maturity adequate to the assets it finances, the Group believes that it will have capacity to generate future cash flows that will enable it to fulfill its responsibilities, ensure a level of investments as planned in its medium/long-term plans and maintain an adequate shareholder remuneration.

The liquidity of the financial liabilities contracted and remunerated will give rise to the following undiscounted monetary flows, including interest at the rates currently in force, based on the remaining period until maturity at the date of the Statement of Financial Position:

Amounts in Euro	Below 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
As of 30 June 2018						
Liabilities						
Remunerated liabilities						
Securitised loans	-	3,048,875	4,619,000	171,635,875	202,749,875	382,053,625
Commercial paper	40,004,433		30,409,142	351,412,879		421,826,455
Bank loans	-		18,437,097	52,082,482	25,052,774	95,572,353
Accounts payable	167,354,645	24,733,609	4,769,700	-	-	196,857,954
Derivative financial instruments	-	-	-	-	-	-
Total liabilities	**207,359,078**	**27,782,484**	**58,234,940**	**575,131,236**	**227,802,649**	**1,096,310,387**

Amounts in Euro	Below 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
As of 31 December 2017						
Liabilities						
Remunerated liabilities						
Securitised loans	-	3,014,000	4,593,875	172,477,500	205,439,750	385,525,125
Commercial paper	-	-	35,275,115	251,103,785	-	286,378,900
Bank loans	-	50,317,000	70,667,185	58,964,510	19,996,249	199,944,944
Accounts payable	122,876,427	44,052,687	-	5,132,491	-	172,061,605
Derivative financial instruments	-	-	-	-	-	-
Total liabilities	**122,876,427**	**97,383,687**	**110,536,175**	**487,678,286**	**225,435,999**	**1,043,910,574**

As at 30 June 2018, the amount of the remunerated liabilities presented in the above table includes interest payable in the amount of Euro 46,840,585 (31 December 2017: Euro 53,791,498).

The above-mentioned presumption is based on the medium/long term plans performed, whose main assumptions foreseen:

i. A price level of eucalyptus wood between 90% and 110% of that registered for the period ended 31 December 2017;
ii. A selling price of the BEKP portfolio in the market between 80% and 115% of that registered for the period ended 31 December 2017;
iii. A selling price of UWF and Tissue paper in the market between 90% and 120% of that registered for the period ended 31 December 2017;
iv. A remunerated net debt cost between 80% and 115% of that registered for the period ended 31 December 2017;
v. A level of eucalyptus production in the forests owned or exploited by the Group, BEKP pulp, UWF and Tissue paper and energy within the currently installed capacities.

Some of the financing contracted by the Group is subject to financial covenants which, if not complied with, may require early repayment.

The covenants currently in force are as follows:

Loans	Ratio	Limit
BEI	Hedged interest = EBITDA 12M / Annualised net interest Debt = Interest-bearing debt / EBITDA 12 M	**>= 4,5 X** **<= 4,5 X**
Commercial paper 125M	Net Debt / EBITDA = (Interest-bearing debt - Cash) / EBITDA 12M	**<= 5,0 X**
Commercial paper 75M	Net Debt / EBITDA = (Interest-bearing debt - Cash) / EBITDA 12 M	**<= 4,0 X**
Commercial paper 50M	Net Debt / EBITDA = (Interest-bearing debt - Cash) / EBITDA 12 M	**<= 5,0 X**
Commercial paper 100M	Net Debt / EBITDA = (Interest-bearing debt - Cash) / EBITDA 12 M	**<= 4,0 X**
Commercial paper 70 M	Net Debt / EBITDA = (Interest-bearing debt - Cash) / EBITDA 12 M	**<= 5,0 X**
Navigator bonds 2015-2023	Net Debt / EBITDA = (Interest-bearing debt - Cash) / EBITDA 12M	**<= 4,0 X**
Bonds 1,575% 2016-2021	Net Debt / EBITDA = (Interest-bearing debt - Cash) / EBITDA 12M	**<= 4,0 X**
Navigator floating rate bonds 2016-2021	Net Debt / EBITDA = (Interest-bearing debt - Cash) / EBITDA 12M	**<= 4,0 X**

Based on these financial statements, these ratios were as follows as at 30 June 2018 and 31 December 2017:

Ratio	30-06-2018	31-12-2017
Hedged interest	52.63	46.59
Debt	1.96	2.03
Net Debt / EBITDA	1.73	1.72

Considering the contractual limits, the Group complied comfortably with the ratios imposed by the aforementioned financing agreements. The minimum safety margin of these covenants, as at 30 June 2018, is above 100%.

The Group's objectives regarding capital management, which is a broader concept than the capital presented on the balance sheet, are:

i. Safeguarding the Group's ability to continue as a going concern and thus generate profit to the shareholders and benefits to the remaining stakeholders;
ii. Maintain a solid capital structure to support the development of its business; and
iii. Maintain a good capital structure that allows to reduce the capital cost.

In order to maintain or adjust the capital structure, the Navigator Group may adjust the amount of dividends payable to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with the sector, the Group monitors its capital based on the gearing ratio. This ratio is determined as net interest-bearing debt to be divided by total capital. Net interest-bearing debt is calculated as the total amount of loans (including current and non-current installments as disclosed on the balance sheet) less the cash and cash equivalents. The total capital is calculated through the sum of equity (as disclosed in the Statement of Financial Position), less treasury stock and non-controlling interests, plus net interest-bearing debt.

As at 30 June 2018 and 31 December 2017, the gearing ratios were as follows:

Amounts in Euro	30-06-2018	31-12-2017
Total Loans (Note 29)	845,139,928	818,057,471
Cash and cash equivalents (Note 29)	(105,059,086)	(125,331,036)
Net debt	**740,080,842**	**692,726,435**
Equity, except for own shares and non-controlling interests	1,087,587,375	1,185,461,455
Total Equity	**1,827,668,217**	**1,878,187,890**
Gearing	40.49%	36.88%

2.2.2. Interest rate risk

As at 30 June 2018, approximately 38% (31 December 2017: 36%) of the cost of the Group's financial debt was indexed at short-term reference rates, reviewed at intervals of less than one year (generally six months in medium and long-term debt), with additional negotiated risk premiums. Therefore, changes in interest rates may affect the Group's profit.

The Group has used derivative financial instruments, namely interest rate swaps, in order to fix the interest rate of the loans obtained, within certain requirements.

As at 30 June 2018 and 31 December 2017, financial assets and liabilities with exposure to interest rate risk, based on the maturity or date of reinstatement, can be summarised as follows:

Amounts in Euro	Below 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
As of 30 June 2018						
Assets						
Current						
Cash and cash equivalents (Note 29)	105,059,086	-	-	-	-	105,059,086
Total assets	**105,059,086**	**-**	**-**	**-**	**-**	**105,059,086**
Liabilities						
Non-current						
Remunerated liabilities (Note 29)	-	-	-	542,579,463	224,513,887	767,093,350
Current						
Remunerated liabilities (Note 29)	40,000,000	-	40,059,524	-	-	80,059,524
Total liabilities	**40,000,000**	**-**	**40,059,524**	**542,579,463**	**224,513,887**	**847,152,874**
Cumulative differential	**65,059,086**	**65,059,086**	**24,999,562**	**(517,579,901)**	**(742,093,788)**	

Amounts in Euro	Below 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
As of 31 December 2017						
Assets						
Current						
Bank deposits	125,331,036	-	-	-	-	125,331,036
Total assets	**125,331,036**	**-**	**-**	**-**	**-**	**125,331,036**
Liabilities						
Non-current						
Remunerated liabilities	-	-	-	440,626,584	229,444,444	670,071,028
Current						
Other remunerated liabilities and sundry creditors	-	50,000,000	100,205,591	-	-	150,205,591
Total liabilities	**-**	**50,000,000**	**100,205,591**	**440,626,584**	**229,444,444**	**820,276,619**
Cumulative differential	**125,331,036**	**75,331,036**	**(24,874,555)**	**(465,501,139)**	**(694,945,582)**	

The Navigator Group uses a sensitivity analysis technique that allows to assess the estimated changes in profit or loss and equity, caused by an immediate increase or decrease in market interest rates, with all other constant variables. This analysis is for illustrative purposes only, since in practice market rates rarely change separately from the remaining market variables.

This sensitivity analysis is based on the following assumptions:

- Changes in market interest rates affect income or interest expense on financial instruments subject to variable rates;

- Changes in market interest rates only affect interest income or expenses on financial instruments with fixed interest rates if they are recognised at fair value;

- Changes in market interest rates affect the fair value of derivative financial instruments and other financial assets and liabilities;

- Changes in the fair value of derivative financial instruments and other financial assets and liabilities are estimated by discounting future cash flows of current net amounts, using year-end market rates.

A 0.50% increase in interest rates on which interest on loans contracted by the Group are calculated would have an impact on profit before tax for the six-month period ended 30 June 2018 of approximately Euro 1,609,590 (31 December 2017: Euro 1,472,503).

2.2.3. Exchange rate risk

The exchange rate variation of the Euro against other currencies may significantly affect the Company's revenues in several ways.

A significant part of the Group's sales is denominated in currencies other than the Euro, so its evolution may have a significant impact on the Company's future sales, with the USD being the currency with a higher impact. The sales in GBP, PLN and CHF are also important, with sales in other currencies having less meaning.

Purchases of some raw materials are made in USD, namely non-Iberian imports of wood and purchases of long-fiber pulp. Thus, variations in this currency may have an impact on the acquisition values.

Additionally, once a sale or purchase is made in a currency other than the Euro, the Company assumes an exchange rate risk until it receives the proceeds of that sale or purchase, if it does not contract instruments to cover this risk. In this way, there is a permanent and significant amount of receivables in its assets, as well as, although with less expression, debits payable, exposed to exchange rate risk.

The Group has a commercial branch in the USA, the Navigator North America, whose share capital amounts to approximately USD 25 million and is exposed to exchange rate risk. The Group also owns a subsidiary in Poland, the Navigator Financial Services Sp. Zoo, whose registered capital amounts to PLN 208 million and is also exposed to exchange rate risk. Finally, it also owns a subsidiary in Mozambique, the Portucel Mozambique, whose paid-up capital amounts to MZM 1 billion, and which is also exposed to exchange rate risk. In addition to these operations, the Group no longer holds investments in external operations that are materially relevant and whose net assets are exposed to foreign exchange risk.

Since May 2018, the Navigator Group ceased to cover its financial participation in Navigator North America.

Occasionally, when it is considered appropriate, the Group manages foreign exchange risks through the use of derivative financial instruments, in accordance with a policy that is subject to periodic review and which is intend to limit the exchange risk associated with future sales, accounts receivable and other assets priced in currencies other than the Euro.

The table below shows the Group exposure to foreign exchange rate risk as at 30 June 2018, based on the Group's balances of financial assets and liabilities, amounting to Euro 78,713,812 and considering the exchange rates of that date (31 December 2017: Euro 55,169,926):

Amounts in foreign currency	US dollar	Sterling pound	Polish zloty	Swedish krona	South African rand	Swiss franc	Danish krone	Australian dollar	Norwegian krone	Metical	Moroccan dirham	Turkish lira
As of 30 June 2018												
Assets												
Cash and cash equivalents	5 099 994	353 787	419 376	811	40 922	124 160	90	-	839	2 355 502	205 390	43 905
Accounts receivable	77 955 647	11 939 084	6 560 435	-	-	1 681 627	-	56 104	543 829	926 132	-	-
Total assets	**83 055 641**	**12 292 871**	**6 979 811**	**811**	**40 922**	**1 805 787**	**90**	**56 104**	**544 668**	**3 281 634**	**205 390**	**43 905**
Amounts in Euro	71 243 473	13 873 790	1 598 162	78	2 550	1 560 884	12	35 538	57 264	47 042	18 587	2 736
Liabilities												
Accounts payable	(11 851 409)	(42 069)	-	(88 951)	-	(36 187)	-	-	-	37 482 457	(115 341)	-
Total liabilities	**(11 851 409)**	**(42 069)**	**-**	**(88 951)**	**-**	**(36 187)**	**-**	**-**	**-**	**37 482 457**	**(115 341)**	**-**
Amounts in Euro	(10 165 903)	(47 480)	-	(8 510)	-	(31 279)	-	-	-	537 306	(10 438)	-
Derivative financial instruments	**(257 166 667)**	**(76 266 667)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net financial position in the balance sheet	**71 204 232**	**12 250 802**	**6 979 811**	**(88 140)**	**40 922**	**1 769 600**	**90**	**56 104**	**544 668**	**40 764 091**	**90 049**	**43 905**
As of 31 December 2017												
Total assets	67 236 353	259 897	6 861 583	686 323	40 922	1 668 259	144 607	(8 218)	148	21 178 647	210 855	46 713
Total liabilities	(5 355 184)	-	(4 044)	(39 246)	-	(66 538)	-	(4 252)	-	(8 747 264)	(150 515)	(2 808)
Derivative financial instruments	**(217 800 000)**	**(12 800 000)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net financial position in the balance sheet	**61 881 169**	**259 897**	**6 857 538**	**647 077**	**40 922**	**1 601 721**	**144 607**	**(12 470)**	**148**	**12 431 384**	**60 340**	**43 904**

Derivative financial instruments on exchange rates are intended to hedge the exchange rate risk of future foreign currency operations.

As at 30 June 2018, a 10% change (positive and negative) in all exchange rates, with reference to Euro, would result in an impact on profit for the period in the amount of Euro 5,818,808 and Euro (6,768,203), respectively (31 December 2017: Euro 5,487,687 and Euro (6,924,244), respectively.

2.2.4. Credit risk

The Group is exposed to risk in the credit it grants to its customers and, accordingly, it has adopted a policy of risk coverage management through credit insurance within certain levels.

Sales that are not covered by credit insurance policy are covered by bank guarantees or documentary credits and any exposure not covered shall be within the reasonable limits established by the Executive Committee.

However, the worsening of global economic conditions or adversities affecting economies only on a local scale may lead to a deterioration in the ability of the Group's customers to comply with their obligations, leading credit insurers to significantly decrease the amount of lines available for those customers, which may result in limitations on the amounts that can be sold to certain Group customers without directly incurring in credit risk levels that are inconsistent with the risk policy applicable to this area.

As a result of the Group's strict credit control policy, loan defaults have been practically non-existent, a practice that extended to the Tissue business.

As at 30 June 2018 and 31 December 2017, accounts receivable from customers showed the following ageing structure, considering the due dates for the opening balances:

Amounts in Euro	30-06-2018	31-12-2017
Amounts not yet due	200,789,748	161,136,142
1-90 days	6,763,635	14,376,656
91-180 days	241,903	106,599
181-360 days	25,571	38,722
361-540 days	2,406	3,685
	207,823,263	**175,661,804**
Balances considered imapaired	1,511,177	2,440,472
Impairments	(1,511,177)	(2,440,472)
Net balance from clients (Note 21)	**207,823,263**	**175,661,804**
Credit insurance limit used	157,703,476	136,541,981

The amounts presented above correspond to opening balances, considering the due dates agreed. Despite the delays in the settlement of certain amounts, this does not result, according to the information provided to the Group, in the identification of additional impairment situations beyond those considered through the corresponding losses. These are calculated based on the information normally collected on the financial behavior of the Group's customers, which allows, together with the experience gathered in the analysis of the portfolio and the credit claims, in the part not attributable to the insurer, to define the loss amount to be recognised in the period. The fact that there are guarantees for a significant part of opening and long-term balances justifies the fact that no impairment loss has been recorded in these balances. It should be noted that the Group's credit risk insurance rules cover a significant part of the opening balances.

The opening balances portfolio, according to the respective business area, could be analysed as follows:

As of 30 June 2018

Amounts in Euro	PULP MARKET	UWF PAPER	TISSUE PAPER	OTHERS	Total
Amounts not yet due	24,428,648	156,021,264	20,251,254	88,582	200,789,748
1-90 days	1,770,043	2,965,874	1,916,181	111,537	6,763,635
91-180 days	-	-	241,903	-	241,903
181-360 days	-	-	25,571	-	25,571
361-540 days	-	-	2,406	-	2,406
	26,198,691	**158,987,138**	**22,437,315**	**200,119**	**207,823,263**

As of 31 December 2017

Amounts in Euro	PULP MARKET	UWF PAPER	TISSUE PAPER	OTHERS	Total
Amounts not yet due	14,845,542	127,230,522	16,128,347	2,931,731	161,136,142
1-90 days	-	12,507,946	1,356,994	511,715	14,376,656
91-180 days	-	-	106,599	-	106,599
181-360 days	-	-	38,722	-	38,722
361-540 days	-	-	3,685	-	3,685
	14,845,542	**139,738,469**	**17,634,347**	**3,443,446**	**175,661,804**

As at 30 June 2018, credit lines available amounted to Euro 390,859,339 (31 December 2017: EURO 371,963,084) and the amount of Euro 157,703,476 (31 December 2017: Euro 136,541,981) was being used.

The following table shows the Group's credit quality, as at 30 June 2018 and 31 December 2017, regarding financial assets (Cash and cash equivalents) (Higher rating awarded by one of the three rating agencies, Standard and Poor's, Fitch or Moody's):

	Financial Institutions	
Amounts in Euro	**30-06-2018**	**31-12-2017**
Rating		
AA	-	-
AA-	25,851,839	25,902,715
A+	-	-
A	1,692,983	1,353,238
A-	319,282	30,173,036
BBB+	32,049,045	342,390
BBB	-	817
BBB-	38,903,754	64,511,346
BB+	11,067	18,791
BB	-	-
BB-	1,766,597	1,700,661
B+	-	-
B	-	-
B-	-	532,690
Other	4,464,519	795,353
	105,059,086	**125,331,036**

The amounts in "Other" include bank deposits in banks or unrated entities.

The Group has a strict policy of approval of its financial counterparts, limiting its exposure according to an individual risk analysis and with previously approved ceilings.

However, the worsening of global economic conditions reflected in the quality of credit risk attributed to a large number of countries, led to the generalised downgrade of the rating of its financial institutions. This downgrade particularly affected the Portuguese and Spanish banks, the Group's main counterparties.

The following table shows an analysis of the quality of credit of the accounts receivable from customers for which, according to the information provided to the Group, no default or impairment was considered:

	30-06-2018		31-12-2017	
Amounts in Euro	**Gross amount**	**Credit Insurance**	**Gross amount**	**Credit Insurance**
Balances overdue not considered impaired				
Overdue for less than 3 months	6,763,635	6,599,751	14,376,656	11,733,621
Overdue for more than 3 months	269,880	269,880	149,006	141,556
	7,033,515	**6,869,631**	**14,525,662**	**11,875,177**
Balances overdue considered impaired				
Overdue for less than 3 months	-	-	-	-
Overdue for more than 3 months	1,511,177	-	2,440,472	-
	1,511,177	**-**	**2,440,472**	**-**

The maximum exposure to credit risk as at 30 June 2018 and 31 December 2017 is detailed in the table below. It should be noted that, as mentioned above, the Group adopted a credit insurance policy for most of the accounts receivable from customers. Thus, it is considered that the Group's effective exposure to credit risk is mitigated to acceptable levels in relation to sales.

	Maximum exposure	
Amounts in Euro	**30-06-2018**	**31-12-2017**
Current		
Receivables and other current assets (Note 21)	284,494,995	237,704,322
Bank deposits (Note 29)	105,059,086	125,331,036
Credit risk related to off-balance exposures		
Guarantees provided (Note 37.1)	32,407,831	35,220,636
Recognised associated liabilities (Note 22)	(1,463,127)	(1,463,127)
	30,944,704	**33,757,509**

3. MAIN ESTIMATES AND JUDGMENTS

The preparation of consolidated financial statements requires Management to use judgments and estimates that affect income, expenses, assets, liabilities and disclosures at the date of the statement of financial position. The actual effects may differ from these estimates and judgments.

These estimates are determined according to the Management's judgments, which are based on: (i) the best information and knowledge of current events and in some cases in reports of independent experts and (ii) in the actions that the Company considers to be able to develop in the future. However, at the date of completion of the operations, the results may differ from these estimates.

Estimates and assumptions that present a risk of material adjustment in the book value of assets and liabilities in the following period are presented below.

Considering that in many situations there are alternatives to the accounting treatment adopted by the Group, the reported results could be different if a different treatment had been chosen. The Board of Directors considers that the choices made are appropriate and that the financial statements present in an appropriate way the Group's operations in all materially relevant aspects.

3.1 Goodwill

Goodwill is tested annually for impairment, registered in its Statement of Financial Position, in accordance with the accounting policy of Note 1.6. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

As at 30 June 2018, a possible increase of 0.5% in the discount rate used (6.84%) in the impairment test of this asset – Goodwill allocated to the cash-generating unit Figueira da Foz integrated Paper – would imply a decrease in the assessment in the amount of Euro 137,971,385 (30 June 2017: Euro 109,567,878), which is still substantially above the book value of this cash-generating unit.

3.2 Property, plant and equipment

The recoverability of property, plant and equipment requires Management to use estimates and assumptions, namely, whenever applicable, regarding the determination of the value in use for impairment tests to the Group's cash-generating units. Additionally, property, plant and equipment present the most significant component of the Group's total assets. These assets are subject to systematic depreciation for the period that is perceived as their economic useful life.

The determination of assets useful lives and the depreciation method to be applied is essential to determine the amount of depreciation to be recognised in the income statement of each period.

These two parameters are defined according to the best judgment of the Board of Directors for the assets and businesses concerned and also considering the practices adopted by the companies of the sector on an international level.

Since this estimate is so important, the Group regularly uses external and independent technicians to assess the adequacy of the estimates used, namely regarding the technical useful life of machines and the replacement value.

3.3 Taxes and tax matters

The Group recognises liabilities for additional settlements that may result from tax authorities' revisions. When the final result of these situations is different from the amounts initially recorded, the differences will have an impact on income tax and tax provisions in the period in which they occur.

There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Different interpretations and estimates would result in a different level of income taxes, current and deferred, recognised in the period.

In Portugal, annual income statements are subject to review and possible adjustment by the tax authorities for a period of 4 years. However, if tax losses are presented they may be subject to review by the tax authorities for a period of 6 years. In other countries in which the Group operates, these periods are different.

The Board of Directors considers that any corrections to those declarations as a result of reviews/inspections by the tax authorities will not have a significant impact in the consolidated financial statements as at 30 June 2018, although the years up to and including 2014 have already been reviewed. The 2015 revision is currently under way.

As at 30 June 2018, if the effective tax rate corresponded to the nominal rate of 27.5%, there would be an increase in expenses with income taxes in the amount of Euro 11,093,822 (31

December 2017: Euro 22,823,637). However, it should be noted that the effective rate for the period includes adjustments from previous periods.

3.4 Actuarial assumptions

Liabilities related to defined benefit pension plans are calculated based on certain actuarial assumptions, estimated rates of return on investments, discount rates and growth rates. Changes in these assumptions can have a significant impact on those liabilities.

As at 30 June 2018, a change in the discount rate used (2.0%) in the calculation of pension liabilities of 0.5% would result in an increase in liabilities of approximately Euro 11,322,073 (31 December 2017: Euro 9,886,984).

3.5 Fair value of biological assets

The fair value of biological assets is estimated through the present value of discounted cash flows, considering assumptions that correspond to the nature of the assets assessed (Note 1.11). Changes in these assumptions may imply the appreciation/depreciation of these assets.

As at 30 June 2018, a 0.5% increase in the discount rate used (5.35% at nominal values) implied a depreciation of the Portuguese forest assets of approximately Euro 4,849,000 (31 December 2017: Euro 4,912,000).

As at 30 June 2018, a 3% decrease in the forward price implied a depreciation of the Portuguese forest assets of approximately Euro 9,082,000 (31 December 2017: Euros 8,711,000).

In Mozambique, the 0.5% increase in the discount rate used (10.76%) implied a depreciation of this asset, as at 30 June 2018, of approximately Euro 298,000 (31 December 2017: Euro 254,000).

4. SEGMENT INFORMATION

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

(i) that engages in business activities from which it may earn revenues and incur expenses;

(ii) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and

(iii) for which discrete financial information is available.

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

Segment information is presented for business segments identified by the Navigator group, namely;

- Market pulp;
- UWF paper;
- Tissue paper; and
- Other.

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

Financial data by operational segment for the periods ended 30 June 2018 and 2017 is presented as follows:

	30-6-2018					
	PULP MARKET	UWF PAPER	TISSUE PAPER	OTHERS	ELIMINATIONS/ UNALLOCATED	TOTAL
REVENUE						
Sales and services - external	81,117,167	668,449,381	40,526,383	26,809,720	-	816,902,651
Sales and services - intersegment	-	-	-	323,174,173	(323,174,173)	-
Total Revenue	**81,117,167**	**668,449,381**	**40,526,383**	**349,983,893**	**(323,174,173)**	**816,902,651**
PROFIT/ (LOSS)						
Segmental profit	23,713,860	131,941,268	(3,718,504)	8,881,294	-	**160,817,918**
Operating profit	-	-	-	-	-	**160,817,918**
Financial results	-	-	-	-	(11,370,740)	(11,370,740)
Income tax	-	-	-	-	(30,004,152)	(30,004,152)
Profit after income tax	-	-	-	-	-	**119,443,026**
Non-controlling interests	-	-	-	-	979	979
Net profit	-	-	-	-	-	**119,444,005**
OTHER INFORMATION						
Capital expenditure	5,595,650	28,012,726	40,375,994	3,237,184	-	77,221,554
Depreciation and impairment	(5,542,016)	(48,050,372)	(5,770,464)	(7,082,061)	-	(66,444,913)
Provisions ((increases) / reversal)	-	-	546,717	753,504	-	1,300,221
OTHER INFORMATION						
SEGMENT ASSETS						
Property, plant and equipment	126,315,305	699,107,270	128,600,994	234,563,269	-	1,188,586,838
Biological assets	-	-	-	130,516,592	-	130,516,592
Financial investments	-	478,032	-	-	-	478,032
Inventories	15,425,644	121,331,938	17,109,760	62,733,220	-	216,600,562
Accounts amount receivable	26,198,691	158,987,138	22,437,315	200,119	-	207,823,263
Other receivables	1,861,052	44,182,695	511,899	30,116,086	-	76,671,733
Other assets	375,337	414,654,654	5,012,955	183,269,797	-	603,312,743
Total assets	**170,176,029**	**1,438,741,727**	**173,672,923**	**641,399,083**	**-**	**2,423,989,762**
SEGMENT LIABILITIES						
Interest-bearing liabilities	2,805,080	-	3,663,271	838,671,577	-	845,139,928
Accounts payable	7,788,969	91,426,399	13,604,625	61,581,830	-	174,401,823
Other amounts payable	4,155,525	40,559,384	4,955,295	67,245,930	-	116,916,134
Other liabilities	27,215,159	73,743,597	3,218,036	96,562,125	-	200,738,917
Total liabilities	**41,964,733**	**205,729,380**	**25,441,227**	**1,064,061,461**	**-**	**1,337,196,802**

The Navigator group's energy sales are reported under different business segments. The amount corresponding to the total energy sales was Euro 84,295,456 in 2018 and Euro 84,189,671 in 2017. Energy sales originated in the cogeneration process, in the amount of Euro 73,150,390 are reported under the "Market Pulp" (Euro 8,500,022) and "UWF Paper" (Euro 64,650,368) 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 11,145,066.

The capital expense during the semester is related to the already announced investments in progress, namely the pulp capacity increase in Figueira da Foz (Euro 15,371,342), the building of the new tissue facility in Cacia (Euro 37,441,935) and other regular investments of pulp, paper and tissue production (Euro 24,408,277).

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

Amounts in Euro	30-06-2018	30-06-2017
Forrestry lands	74,269,264	78,672,291
Real estate - manufacturing site of Setúbal	57,899,699	57,891,631
Real estate - manufacturing site of Cacia	12,320,259	12,302,796
Real estate - manufacturing site of Figueira da Foz	48,205,295	52,057,609
Thermoelectric plant biomass	29,607,681	35,298,714
Pellets Project - USA	-	98,540,958
Mozambique Project	-	6,213,457
Others	12,261,071	17,039,447
	234,563,269	**358,016,903**

Forest land and industrial real estate in a total amount of Euro 192,694,517, consolidated amounts, are reported in the individual financial statements as investment properties. The real estate property of Vila Velha de Ródão, in the amount of Euro 8,702,470, is included in the segment "Tissue Paper".

The majority of the assets allocated to each of the individual segments, with the exception of receivables, is located in Portugal.

	30-06-2017					
	PULP MARKET	**UWF PAPER**	**TISSUE PAPER**	**OTHERS**	**ELIMINATIONS/ UNALLOCATED**	**TOTAL**
REVENUE						
Sales and services - external	100,369,258	653,545,355	37,060,886	21,667,046	-	812,642,545
Sales and services - intersegment	9,999,993	-	-	360,642,459	(370,642,452)	-
Total revenue	**110,369,251**	**653,545,355**	**37,060,886**	**382,309,505**	**(370,642,452)**	**812,642,545**
PROFIT/ (LOSS)						
Segmental profit	19,758,876	133,018,642	1,517,233	(30,874,018)	-	**123,420,733**
Operating profit	-	-	-	-	-	**123,420,733**
Financial results	-	-	-	-	(8,305,941)	(8,305,941)
Income tax	-	-	-	-	(19,068,699)	(19,068,699)
Profit after income tax	-	-	-	-	-	**96,046,094**
Non-controlling interests	-	-	-	-	(2,630)	(2,630)
Net profit	-	-	-	-	-	**96,043,464**
OTHER INFORMATION						
Capital expenditure	2,754,576	25,587,013	4,293,230	2,575,188	-	35,210,007
Depreciation and impairment	(5,530,327)	(44,006,344)	(4,583,615)	(20,646,331)	-	(74,766,617)
Provisions ((increases) / reversal)	-	-	-	-	(189,617)	(189,617)
OTHER INFORMATION						
SEGMENT ASSETS						
Property, plant and equipment	122,144,602	710,482,380	63,583,431	358,016,903	-	1,254,227,317
Biological assets	-	-	-	128,823,123	-	128,823,123
Financial investments	-	260,486	-	-	-	260,486
Inventories	20,524,610	125,056,538	8,958,667	74,298,552	-	228,838,367
Accounts receivable	16,293,475	122,100,802	19,261,664	2,012,202	-	159,668,144
Other amounts receivable	2,057,122	44,847,893	-	19,762,899	-	66,667,914
Other assets	1,620,973	407,812,338	32,865	165,426,842	-	574,893,018
Total assets	**162,640,783**	**1,410,560,437**	**91,836,627**	**748,340,522**	**-**	**2,413,378,369**
SEGMENT LIABILITIES						
Interest-bearing liabilities	2,805,080	-	1,432,616	819,556,910	-	823,794,605
Accounts payable	7,608,633	79,107,197	6,313,401	51,218,825	-	144,248,057
Other amounts payable	4,024,676	25,998,766	1,664,504	134,157,799	-	165,845,746
Other liabilities	27,817,010	103,790,131	3,189,404	60,555,748	-	195,352,294
Total liabilities	**42,255,399**	**208,896,094**	**12,599,926**	**1,065,489,283**	**-**	**1,329,240,702**

Sales and services rendered by region

Amounts in Euro	30-06-2018	30-06-2017
PORTUGAL		
UWF Paper (includes energy)	99,265,084	96,649,665
Pulp (includes energy)	13,881,257	13,158,731
Tissue	22,772,950	23,216,936
Others (includes energy)	26,092,120	14,283,093
	162,011,411	**147,308,425**
REST OF EUROPE		
UWF Paper	337,805,219	339,873,094
Pulp	64,791,747	65,537,671
Tissue	16,884,853	13,247,507
Others	717,600	7,383,953
	420,199,419	**426,042,225**
NORTH AMERICA		
UWF Paper	61,028,236	64,615,375
Pulp	-	-
	61,028,236	**64,615,375**
OTHER MARKETS		
UWF Paper	170,350,842	152,407,222
Pulp	2,444,163	21,672,856
Tissue	868,580	596,443
	173,663,585	**174,676,520**
	816,902,651	**812,642,545**

The geographical distribution of Sales and Services rendered is presented according with the reporting segments shown above.

5. OTHER OPERATING INCOME

Other operating income is detailed as follows for the six-month period ended 30 June 2018 and 2017:

Amounts in Euro	6 months 30-06-2018	6 months 30-06-2017
Gains on disposals of non-current assets	17,722,330	342,006
Supplementary income	1,843,298	525,772
Grants - CO2 Emission alllowances	2,059,377	1,406,281
Reversal of impairment losses in current assets (Note 23)	83,860	2,311
Gains on inventories	181,380	1,046,881
Government grants	1,168,637	11,150
Own work capitalised	255,885	51,135
Other operating income	1,780,990	3,095,469
	25,095,757	**6,481,005**

Gains with CO_2 licenses correspond to the recognition of the free allocation of licenses for 246,632 tons of CO_2, at the average price of Euro 8.35 (261,664 tons in 30 June 2017, at the average price of Euro 7.16).

Gains on disposals of non-current assets includes Euro 15,765,258 regarding the gain generated with the sale of the pellets business concluded in February 2018, as well as Euro 1,562,730 regarding the sale of forest lands.

6. OPERATING EXPENSES

Operating expenses are detailed as follows for the six-month period ended 30 June 2018 and 2017:

Amounts in Euro	6 months 30-06-2018	6 months 30-06-2017
Cost of inventories sold and consumed	(344,674,553)	(330,348,337)
Variation in production	20,103,964	(5,188,158)
Cost of services and materials consumed	(195,369,103)	(201,300,731)
Payroll costs		
Remunerations		
Statutory bodies - fixed	(2,375,072)	(2,254,414)
Statutory bodies - variable	(2,451,503)	(2,307,444)
Other remunerations	(61,007,190)	(52,268,510)
	(65,833,765)	(56,830,368)
Social charges and other payroll cost		
Costs with defined benefit plans (Note 27)	(1,569,705)	(758,476)
Costs with defined contribution plans (Note 27)	(663,540)	(669,528)
Contributions to social security	(11,577,759)	(10,527,221)
Other payroll costs	(5,051,715)	(6,849,386)
	(18,862,720)	(18,804,611)
	(84,696,485)	(75,634,979)
Other expenses and losses		
Membership fees	(381,680)	(337,117)
Losses in inventories	(1,107,859)	(4,884,287)
Impairment losses in receivables (Note 23)	(439,083)	(511,080)
Impairment losses in inventories (Note 23)	(515,959)	-
Indirect taxes	(2,114,376)	(516,695)
Shipment costs	(500,567)	(2,250,125)
Water resources charges	(1,159,708)	(407,420)
Costs with CO_2 emissions	(3,626,539)	(1,224,293)
Other operating costs	(2,673,506)	(1,353,534)
	(12,519,277)	(11,484,551)
Provisions (Note 28)	1,300,221	(189,617)
Total	**(615,855,233)**	**(624,146,375)**

The increase in Personnel expenses recorded in 2018 is mainly explained by the increase of employees related with the new Tissue project in Cacia and by the increase in estimated bonuses to be paid to employees.

The costs with CO_2 emissions correspond to the emission of 391,741 tons of CO_2 (30 June 2017: 363,615 tons).

In 2017, inventory losses were due to the beginning of pellets production, whose initial plant start-up problems resulted in stock losses in the first half of 2017 in the amount of Euro 2,275,969, compared with the amount of Euro 246,716 registered in 2018, and also from the loss of plants in the Mozambique nursery in the amount of Euro 2,248,300. In 2018, inventory losses also include the amount of Euro 392,871 related to adjustments in Tissue paper wastes.

The impairment losses in inventories registered in the first half of 2018 are related to adjustments in the stock of UWF paper.

The increase in Indirect taxes is due to the recognition of Euro 1,301,078 related to costs associated with the anti-dumping process and which correspond to the review period that began in March 2018.

For the six-month period ended 30 June 2018 and 2017 the consumed and sold inventory was detailed as follows:

Amounts in Euro	**6 months 30-06-2018**	**6 months 30-06-2017**
Wood / Biomass	140,236,233	129,877,668
Natural gas	26,207,026	29,209,435
Other fuels	7,289,381	7,968,363
Water	1,011,438	963,598
Chemicals	77,405,389	70,134,741
BEKP pulp	8,495,493	7,598,326
Pine pulp	23,711,659	21,398,339
Paper (heavyweight)	4,049,701	4,273,681
Tissue paper - subcontracts	339,307	822,207
Consumables / warehouse material	22,096,972	23,222,958
Packaging material	32,687,285	33,945,944
Other materials	1 144 669	933,077
	344 674 553	**330,348,337**

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

During this period, there was an unfavorable evolution in the prices of some chemical products, namely caustic soda, whose unit price has considerably deteriorated in the quarter.

For the six-month period ended 30 June 2018 and 2017, the cost of Services and Material Consumed was detailed as follows:

Amounts in Euro	6 months 30-06-2018	6 months 30-06-2017
Communications	1,206,012	706,425
Maintenance and repair	13,127,005	16,584,960
Travel and accommodation	3,154,502	2,702,279
Energy and fluids	58,494,101	56,589,954
Fees	2,891,005	2,457,999
Materials	1,279,653	3,166,850
Advertising and marketing	7,797,897	7,821,979
Rentals	8,163,022	8,106,436
Insurance	6,498,326	6,825,277
Subcontracts	413,958	820,364
Specialised services	34,122,114	40,273,005
Transportation of goods	55,411,188	51,659,266
Other	2,810,320	3,585,937
	195,369,103	**201,300,731**

The decrease in Services and Material Consumed in 2018 is related with the sale of the pellets business, since in 2017 there were expenses related to the entry into continuous operation of the pellet plant in the United States, whose business was sold in February 2018.

The increase in Energy and fluids is due to the substitution of the consumption of fuel by the consumption of natural gas, whose cost is indexed to Brent.

For the six-month period ended 30 June 2018 and 2017, the costs incurred with investigation and research activities amounted to Euro 2,298,444 and Euro 2,174,209, respectively.

Other payroll costs are detailed as follows for the six-month period ended 30 June 2018 and 2017:

Amounts in Euro	6 months 30-06-2018	6 months 30-06-2017
Training	699,224	894,932
Social action	500,331	559,639
Insurance	1,686,014	2,081,774
Others	2 166 146	3,313,041
	5,051,715	**6,849,386**

7. REMUNERATION OF CORPORATE BODIES

Remuneration of corporate bodies is detailed as follows for the six-month period ended 30 June 2018 and 2017:

Amounts in Euro	**6 months 30-06-2018**	**6 months 30-06-2017**
Board of Directors		
The Navigator Company, S.A.	1,839,915	2,010,668
Governing bodies of other Group companies	245,417	34,770
Statutory auditor (Note 35)	247,777	171,334
Audit Committee	37,963	29,642
General Meeting Board	4,000	8,000
	2,375,072	**2,254,414**

For the six-month period ended 30 June 2018 and 2017, pension liabilities for the past services of two non-executive Directors were also recognised, as described in Note 27.

8. DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES

For the six-month period ended 30 June 2018 and 2017, depreciation, amortisation and impairment losses, net of the effect of investment grants recognised in the period were as follows:

Amounts in Euro	**6 months 30-06-2018**	**6 months 30-06-2017**
Depreciation of property, plant and equipment		
Land	-	-
Buildings	(5,599,450)	(5,863,587)
Equipments	(61,634,830)	(67,160,018)
Other tangible assets	(2,099,037)	(2,558,358)
	(69,333,316)	(75,581,962)
Investment grants	2,888,868	2,951,558
	(66,444,448)	(72,630,404)
Impairment losses		
Amortisation of intangible assets	(465)	-
Mozambique land's impairment	-	(2,136,213)
	(465)	(2,136,213)
	(66,444,913)	**(74,766,617)**

The decrease in depreciation, amortisation and impairment losses is due to the disposal of assets related to the production of pellets in the USA.

9. CHANGES IN GOVERNMENT GRANTS

The movement in Government grants liabilities was as follows:

	2018			**2017**		
Amounts in Euro	**Financial**	**Tax**	**Total**	**Financial**	**Tax**	**Total**
Government grants						
Opening balance	27,036,892	4,289,080	31,325,972	32,298,019	4,830,880	37,128,899
Use / recognition	(2,617,968)	(270,900)	(2,888,868)	(2,680,658)	(270,900)	(2,951,558)
Assignments	671,095	2,977,820	3,648,915	-	-	-
Increase/ (decrease)	174,748	-	174,748	27,616	-	27,616
Balance at 30 June (Note 31)	**25,264,767**	**6,996,000**	**32,260,767**	**29,644,977**	**4,559,980**	**34,204,957**
Remaining quarters				(2,608,085)	(270,900)	(2,878,985)
Balance at 31 December (Note 31)				**27,036,892**	**4,289,080**	**31,325,972**

As at 30 June 2018, the Company holds non-current liabilities in the amount of Euro 26,559,873 (31 December 2017: Euro 25,533,156). The remaining amount of Euro 5,700,894 (31 December 2017: Euro 5,792,816) is presented as a current liability. Recognition in profit or loss for the period will occur as follows:

Amounts in Euro	**Financial**	**Tax**	**Total**
2018 (remaining)	2,685,703	394,976	3,080,679
2019	5,159,094	789,952	5,949,046
2020	5,086,245	789,952	5,876,197
2021	4,987,048	789,952	5,777,000
2022	4,276,075	789,952	5,066,027
Subsequent	3,070,602	3,441,216	6,511,818
	25,264,767	**6,996,000**	**32,260,767**

As duly disclosed to the Market on 18 June 2014, the Group's subsidiary, Pulp Cacia, S.A. (former CelCacia – Celulose de Cacia, SA.), signed two financial and tax incentive agreements with the AICEP - *Agência para o Investimento e Comércio Externo de Portugal* (Agency for Investment and Foreign Trade of Portugal) to support the investment to be promoted by that company in the capacity increase project of Cacia pulp mill, with a total amount of Euro 49,3 million. The grants approved amount to Euro 9,264 million (repayable) and Euro 5,644 million (tax incentive) to be used until 2024, being fully used since the end of 2016. The contract includes an achievement bonus, which corresponds to the conversion of the repayable grant in a non-repayable grant, up to a limit of 75% (Euro 6,947,450), subject to compliance with the objectives established in the contract. The recognition of these grants in profit or loss (through the decrease of depreciation) was as follows:

Amounts in Euro	**Financial incentives**	**Tax incentives**	**Total**
2015	333,488	270,900	604,388
2016	1,780,516	541,800	2,322,316
2017	1,762,004	541,800	2,303,804
2018	878,873	270,900	1,149,773
	4,754,881	**1,625,400**	**6,380,281**

On 13 December 2017, the Group's subsidiary, Tissue Cacia Group, S.A. signed an investment agreement with AICEP - *Agência para o Investimento e Comércio Externo de Portugal* (Agency for Investment and Foreign Trade of Portugal), for the construction of the new tissue factory in Cacia. This agreement comprises a financial incentive under the form of a refundable incentive, which includes a grace period of two years, without payment of interest, up to the maximum amount of Euro 42,166,636, corresponding to 35% on the amount of expenses considered eligible, which are estimated at Euro 120,476 million. On 20 April 2018, the same entity was also awarded with a tax incentive granted through the compliance of contractually defined

requirements, whose maximum amount will be Euro 11,515,870, corresponding to 10% of the expenses associated with the project investment.

10. NET FINANCIAL RESULTS

Financial results are detailed as follows for the six-month period ended 30 June 2018 and 2017:

Amounts in Euro	6 months 30-06-2018	6 months 30-06-2017
Interest paid on borrowings	(4 118 906)	(5,679,264)
Interest earned on financial investments	-	1,089,768
Exchange rate differences	2,678,492	(5,916,236)
Gains/ (losses) on financial instruments - trading (Note 32)	(2,409,585)	4,163,356
Gains/ (losses) on financial instruments - hedging (Note 32)	(1,711,429)	(1,775,492)
Guarantees and bank charges	(1,644,207)	(1,680,393)
Gains/ (losses) on compensatory interest	(1,223,715)	1,521,554
Other expenses and financial losses	(2,941,390)	(29,234)
	(11,370,740)	**(8,305,941)**

Other expenses and financial losses include Euro 2,929,358 regarding the recognition of the difference between the nominal amount and the present amount to be received in respect of the sale of the pellets business (USD 45 million). Over the nominal amount yet to be received will be calculated interests at a 2.5% rate.

11. INCOME TAX

Income tax is detailed as follows for the six-month period ended 30 June 2018 and 2017:

Amounts in Euro	6 months 30-06-2018	6 months 30-06-2017
Current tax (Note 22)	39,202,774	22,039,892
Provision/ (reversal) for current tax	12,054,063	(10,937,044)
Deferred tax (Note 26)	(21,252,685)	7,965,851
	30,004,152	**19,068,699**

As at 30 June 2018, current tax includes Euro 36 384 834 (30 June 2017: Euro 20 046 329) regarding the liability created under the aggregated income tax regime of The Navigator Company S.A. described in Note 1.14.2, related to the interim tax estimate.

For the six-month period ended 30 June 2018 and 2017, the reconciliation of the effective income tax rate was as follows:

Amounts in Euro		6 months 30-06-2018		6 months 30-06-2017
Profit before tax		**149,447,178**		**115,114,793**
Expected tax	21.00%	31,383,907	21.00%	24,174,106
Municipal surcharge	1.74%	2,594,614	1.20%	1,381,167
State surcharge	4.97%	7,430,104	2.83%	3,259,259
Differences (a)	1.37%	2,040,131	(3.97%)	(4,566,864)
Provisions - impairment and reversal	0.00%	-	1.86%	2,136,213
Excess of income tax estimate	(6.56%)	(9,797,732)	(6.35%)	(7,315,183)
Tax benefits	(2.44%)	(3,646,872)	0.00%	-
	20.08%	**30,004,152**	**16.56%**	**19,068,699**

(a) This amount includes essentially:

	6 months 30-06-2018	6 months 30-06-2017
Gains/ (losses) for tax purposes	36,133,334	-
Gains/ (losses) for accounting purposes	(70,139,739)	-
Taxable provisions	36,762,468	(15,782,981)
Tax benefits	(2,918,478)	(2,197,490)
Employee benefits	(429,644)	743,490
Other	8,010,718	630,203
	7,418,658	(16,606,779)
Tax effect (27.5%)	2,040,131	(4,566,864)
	2,040,131	**(4,566,864)**

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 rights of at least 75%, for more than one year.

12. EARNINGS PER SHARE

Earnings per share were determined as follows:

Amounts in Euro	6 months 30-06-2018	6 months 30-06-2017
Profit attributable to the Company's shareholders	119,444,005	96,043,464
Total number of issued shares	717,500,000	717,500,000
Treasury shares - period average	(489,973)	(489,973)
	717,010,027	**717,010,027**
Basic earnings per share	0.167	0.134
Diluted earnings per share	0.167	0.134

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

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

	2018		2017	
	Quantity	Accumulated Quantity	Quantity	Accumulated Quantity
Treasury shares held on January		489,973		489,973
Acquisitions				
January	-	489,973	-	489,973
February	-	489,973	-	489,973
March	-	489,973	-	489,973
April	-	489,973	-	489,973
May	-	489,973	-	489,973
June	-	489,973	-	489,973
Treasury shares held on 30 June		**489,973**		**489,973**
Remaining quarters				**0**
Treasury shares held on 31 December				**489,973**
Average treasury shares held for the period		**489,973**		**489,973**

13. NON-CONTROLLING INTERESTS

The movement in Non-controlling interests for the 2018 and 2017 periods is as follows:

Amounts in Euro	2018	2017
Opening balance	420,277	2,272,606
Profit for the period	(979)	2,630
Other differences	(211,629)	58,982
Balance on 30 June	**207 669**	**2,334,218**
Remaining quarters		(1,913,941)
Balance on 31 December		**420,277**

As at 30 June 2018 and 31 December 2017, Non-controlling interests presented in the Consolidated Statement of financial position were as follows:

	Equity	
Amounts in Euro	30-6-2018	30-6-2017
Raiz - Instituto de Investigação da Floresta e Papel	207,669	420,277
Portucel Moçambique	-	-
	207,669	**420,277**

Non-controlling interests are related to *RAÍZ – Instituto de Investigação da Florestal e Papel*, where the Group owns 97% of the capital and voting rights. The remaining 6% are owned by external associates.

In 2014, the Group signed agreements with the International Finance Corporation for the entry of this institution into the share capital of the subsidiary Portucel Moçambique, S.A., thus ensuring the construction phase of the Group's forestry project in Mozambique. In 2015, this company performed a capital increase from MZM 1,000 million to MZM 1,680,798 million subscribing MZM 332,798 million corresponding to 19.98% of the capital at that date, although it has not yet realised the entire counter value in Euros of that capital increase. Accordingly, the unrealised amount was reclassified to equity of the parent company's shareholders.

The Non-controlling interests presented in the Income Statement, for the six-month period ended 30 June 2018 and 2017, are as follows:

	Profit	
Amounts in Euro	**30-6-2018**	**30-6-2017**
Raiz - Instituto de Investigação da Floresta e Papel	(979)	2,630
Portucel Moçambique	-	-
	(979)	**2,630**

14. APPROPRIATION OF PREVIOUS YEARS' PROFIT AND RETAINED EARNINGS

The application of the results for 2017 and 2016 is detailed as follows:

Amounts in Euro	**2017**	**2016**
Distribution of dividends (excluding treasury shares)	170,003,077	170,003,077
Legal reserve	-	10,081,439
Bonus to employees (balance bonus)	7,000,000	7,000,000
Retained earnings	30,767,527	30,416,921
	207,770,604	**217,501,437**

The resolution for the appropriation of the net profit for the period ended 31 December 2017, approved at the Navigator Company's General Meeting held on 23 May 2018, was based on the net profit for the year as defined by the IFRS. The difference in the net profit (individual and consolidated), in the amount of Euro 3,354,501, was transferred to Retained earnings.

As a complement of the proposed 2017 net income distribution at the Navigator Company's General Meeting, it was also approved the distribution of free reserves in the amount of Euro 0.04184 per share, in the total amount of Euro 29,999,700, distributed in 19 June 2018.

It was also approved the release of the legal reserve surplus, in the amount of Euro 9,790,475, and its transfer to free reserves.

15. GOODWILL

NAVIGATOR PAPER FIGUEIRA, S.A.

Following the acquisition of 100% of the Navigator Paper Figueira, S.A. (former Soporcel – Sociedade Portuguesa de Papel, S.A.), for Euro 1,154,842,000, Goodwill amounting to Euro 428,132,254 was determined which represents the difference between the acquisition cost of the shares and the respective shareholders' equity as of the date of the first consolidation, on 1 January 2001, adjusted by the effect of the of allocation fair value to Navigator Paper Figueira's tangible assets.

The goodwill generated on the acquisition of Navigator Paper Figueira was deemed to be allocable to the integrated paper production in Figueira da Foz Industrial Complex cash generating unit.

As at 31 December 2010, assets and liabilities related to pulp production were transferred to another Group company, as a result of a split, reducing the acquisition historical cost to Euro 492,585,012.

As at 31 December 2013, real estate assets were split and transferred to Navigator Parques Industriais, S.A (former PortucelSoporcel Parques Industriais, S.A.) thus reducing the acquisition historical cost to Euro 385,764,077.

The book value of goodwill amounts to Euro 376,756,383, as it was amortised up to 31 December 2003 (date of transition to IFRS: 1 January 2004). As of that date, the accumulated depreciation amounted to Euro 51,375,871. From that date on, depreciation ceased and was replaced by annual impairment tests. If this amortisation had not been interrupted, the net book value of the Goodwill as at 30 June 2018 would amount to Euro 128,439,671 (31 December 2017: Euro 137,002,317).

Every year, the Navigator Company Group calculates the recoverable amount of Navigator Paper Figueira's assets (to which the goodwill recorded in the consolidated financial statements is associated), based on value-in-use calculations, in accordance with the Discounted Cash Flow method. The calculations are based on past performance and business expectations with the actual production structure, using the budget for next year and projected cash flows for the following 4 years, based on a constant sales volume. As a result of the calculations, up to this date no impairment losses have been identified.

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

	2018	**2017**
Inflation rate	2.00%	2.00%
Discount rate (post-tax)	6.84%	6.84%
Production growth	0.00%	0.00%
Perpetuity growth rate	-1.00%	-1.00%

The discount rate presented above is a post-tax rate equivalent to a pre-tax discount rate of 9.60% (31 December 2017: 9.60%) and has been calculated in accordance with the WACC (Weighted Average Cost of Capital) methodology, based in the following assumptions:

	2018	2017
Risk free interest rate	2.39%	2.39%
Equity risk premium (market and Equity)	5.00%	5.00%
Tax rate	29.50%	29.50%
Debt risk premium	2.89%	2.89%

NAVIGATOR *TISSUE* RÓDÃO, S.A.

On 6 February 2015 the procedures and contracts for the acquisition of Navigator Tissue Ródão, S.A. (previously named AMS-BR Star Paper, S.A.) were concluded, and the approval by the competition authorities for the acquisition was obtained on 17 April 2015.

Therefore, for the purpose of preparing the consolidated financial statements for the year ended 31 December 2015, the Navigator Company Group proceeded to the initial consolidation of Navigator Tissue Ródão, S.A., acquired by Euro 4,949,794, which at acquisition date, had equity amounting Euro 17,284,378, plus the acquisition of additional paid-in capital for Euro 2,327,500, totaling Euro 19,611,878.

To the initial acquisition difference, of Euro 21,337,916, was deducted the AICEP's investment subsidy and the fair value of the acquired tangible assets, with a goodwill amounting to Euro 583,083.

For the purpose of goodwill allocation, it was deemed allocable to the tissue paper production cash-generating unit in Vila Velha de Ródão Industrial Complex.

Every year, the Navigator Company Group calculates the recoverable amount of Navigator Tissue Ródão assets (to which the goodwill recorded in the consolidated financial statements is associated), based on value-in-use calculations, in accordance with the Discounted Cash Flow method. The calculations are based on past performance and business expectations with the actual production structure, using the budget for next year and projected cash flows for the following 4 years, based on a constant sales volume. As a result of the calculations, up to this date no impairment losses have been identified in goodwill.

16. OTHER INTANGIBLE ASSETS

During 2018 and 2017, the movement occurred in other intangible assets is detailed as follows:

Amounts in Euro	Industrial property and other rights	CO_2 emission licences	Total
Acquisition cost			
Amounts as of 1 January 2017	**4,400**	**4,299,650**	**4,304,049**
Acquisitions	-	4,131,256	4,131,256
Adjustments, transfers and write-offs	-	(4,555,080)	(4,555,080)
Amounts as of 30 June 2017	**4,400**	**3,875,826**	**3,880,225**
Acquisitions	1,870	-	1,870
Adjustments, transfers and write-offs	-	-	-
Amounts as of 31 December 2017	**6,270**	**3,875,826**	**3,882,095**
Acquisitions	165	3,984,111	3,984,276
Adjustments, transfers and write-offs	-	(4,975,303)	(4,975,303)
Amounts as of 30 June 2018	**6,435**	**2,884,633**	**2,891,068**
Accumulated depreciation and impairment losses			
Amounts as of 1 January 2017	**(3,407)**	**-**	**(3,407)**
Amortisations and impairment losses	(206)	-	(206)
Disposals	-	-	-
Amounts as of 30 June 2017	**(3,613)**	**-**	**(3,613)**
Amortisations and impairment losses	(237)	-	(237)
Disposals	-	-	-
Adjustments, transfers and write-offs	-	-	-
Amounts as of 31 December 2017	**(3,850)**	**-**	**(3,850)**
Amortisations and impairment losses	(465)	-	(465)
Disposals	-	-	-
Amounts as of 30 June 2018	**(4,315)**	**-**	**(4,315)**
Net book value as of 1 January 2017	**993**	**4,299,650**	**4,300,642**
Net book value as of 30 June 2017	**787**	**3,875,826**	**3,876,612**
Net book value as of 31 December 2017	**2,420**	**3,875,826**	**3,878,245**
Net book value as of 30 June 2018	**2,120**	**2,884,633**	**2,886,753**

As at 30 June 2018, the Group held 442,145 CO_2 emission licenses with a market value as of that date of Euro 6,623,332 (31 December 2017: 561,148 licenses with a market value of Euro 3,366,888).

This amount includes forwards related to 250 000 emission licenses, acquired in 2016 and 2017, amounting to Euro 1,397,500 as at 30 June 2018 (31 December 2017: 500 000 emission licenses with an amount of Euro 3,328,500) (Note 32).

17. PROPERTY, PLANT AND EQUIPMENT

During 2018 and 2017, changes in Property, plant and equipment, as well as the respective depreciation and impairment losses, were as follows:

Amounts in Euro	Land	Buildings and other constructions	Equipments and other tangibles	Assets under construction	Total
Acquisition costs					
Amounts as of 1 January 2017	**122,100,111**	**539,316,927**	**3,524,986,193**	**28,961,567**	**4,215,364,798**
Acquisitions	-	-	-	35,210,007	35,210,007
Impairment losses	(2,136,213)	-	-	-	(2,136,213)
Disposals	-	(153,366)	(152,787)	-	(306,153)
Adjustments, transfers and write-offs	(165,153)	762,133	10,874,204	(9,704,247)	1,766,936
Amounts as of 30 June 2017	**119,798,745**	**539,925,694**	**3,535,707,609**	**54,467,327**	**4,249,899,376**
Acquisitions	2,868,315	-	-	76,636,371	79,504,686
Impairment losses	(2 868 315)	-	-	(1 034 921)	(3 903 236)
Disposals	(2,547,432)	(335,369)	(1,415,663)	-	(4,298,465)
Adjustments, transfers and write-offs	395,455	7,460,610	17,434,530	(25,007,631)	282,965
Assets available for sale (Note 30)	(1,609,029)	(32,887,566)	(77,847,177)	(924,392)	(113,268,164)
Amounts as of 31 December 2017	**116,037,738**	**514,163,369**	**3,473,879,299**	**104,136,754**	**4,208,217,161**
Acquisitions	-	-	-	77,221,554	77,221,554
Impairment losses	-	-	-	-	-
Disposals	(2,041,934)	-	(1,145,056)	-	(3,186,989)
Adjustments, transfers and write-offs	1,035,281	1,360,568	17,883,047	(8,568,434)	11,710,462
Amounts as of 30 June 2018	**115,031,086**	**515,523,937**	**3,490,617,290**	**172,789,875**	**4,293,962,187**
Accumulated depreciation and impairment losses					
Amounts as of 1 January 2017	**(170,652)**	**(351,347,330)**	**(2,568,867,884)**	**-**	**(2,920,385,866)**
Depreciation and impairment losses	-	(5,861,118)	(69,720,844)	-	(75,581,962)
Disposals	-	-	295,769	-	295,769
Adjustments, transfers and write-offs	-	-	-	-	-
Amounts as of 30 June 2017	**(170,652)**	**(357,208,448)**	**(2,638,292,959)**	**-**	**(2,995,672,059)**
Depreciation and impairment losses	-	(5,988,350)	(63,003,420)	-	(68,991,769)
Disposals	-	1,280	760,275	-	761,555
Adjustments, transfers and write-offs	-	(87,004)	(937,090)	-	(1,024,094)
Assets available for sale (Note 30)	-	2,055,473	25,778,785	-	27,834,258
Amounts as of 31 December 2017	**(170,652)**	**(361,227,049)**	**(2,675,694,409)**	**-**	**(3,037,092,109)**
Depreciation and impairment losses	-	(5,414,274)	(63,919,043)	-	(69,333,316)
Disposals	-	-	1,050,075	-	1,050,075
Adjustments, transfers and write-offs	-	-	-	-	-
Amounts as of 30 June 2018	**(170,652)**	**(366,641,322)**	**(2,738,563,376)**	**-**	**(3,105,375,350)**
Net book value as of 1 January 2017	**121,929,459**	**187,969,598**	**956,118,308**	**28,961,567**	**1,294,978,932**
Net book value as of 30 June 2017	**119,628,093**	**182,717,246**	**897,414,650**	**54,467,327**	**1,254,227,317**
Net book value as of 31 December 2017	**115,867,086**	**152,936,320**	**798,184,891**	**104,136,754**	**1,171,125,052**
Net book value as of 30 June 2018	**114,860,434**	**148,882,614**	**752,053,914**	**172,789,875**	**1,188,586,838**

As at 30 June 2018, "Assets under construction" includes investments in projects under development already announced, in particular related with the tissue business segment, in the amount of Euro 78,956,357, with the highlight of the construction, in Cacia, of a Tissue mill (Euro 72,268,431) and also the tissue operation in Vila Velha de Ródão (Euro 6,687,926).

In the pulp business segment, assets under construction amount to Euro 12,405,203 associated with improvements in the productive process.

Assets under construction associated with the paper segment amount to Euro 78,396,140 and are mainly related with investments in the pulp's production capacity increase in Figueira da Foz (Euro 62,601,480), as well as other investments in productive process improvements (Euro 15,794,660).

In "Others" segment are included investments under development in the amount of Euro 3,032,175 which are expected to be fulfilled until the end of the year.

Land includes Euro 113,949,426, classified in the individual financial statements as investment properties, from which Euro 74,269,264 relate to forest land and Euro 39,680,162 to land allocated to industrial sites leased to the Group.

18. BIOLOGICAL ASSETS

During 2018 and 2017, changes in biological assets were as follows:

Amounts in Euro	2018	2017
Amounts as of 1 January	**129,396,936**	**125,612,949**
Logging in the period	(9,165,007)	(11,374,797)
Growth	3,095,317	5,805,668
New planted areas and replanting (at cost)	1,412,246	887,389
Other changes in fair value	5,777,100	7,891,916
	1,119,656	**3,210,176**
Amounts as of 30 June	**130,516,592**	**128,823,125**
Remaining quarters		573,811
Amounts as of 31 December		**129,396,936**

The amounts shown as "Other changes in fair value" correspond to actual costs of forest asset management foreseen and incurred in the period, changes in the general assessment assumptions (price of wood and cost of capital) and changes in expectations in relation to the annual model:

Amounts in Euro	30-06-2018	30-06-2017
Costs of assets management		
Forestry	2,092,226	2,280,028
Structure	1,858,791	2,464,777
Fixed and variable rents	5,686,419	5,214,100
	9,637,436	**9,958,906**
Changes in expectations		
Price of wood	-	(750,000)
Cost-of-capital rate	-	5,060,000
Variations in other species	(1,018,839)	3,003,010
Impact of forest fires in 2017	-	(850,000)
Other changes in expectations (costs of structure, asset rationalization)	(2,841,497)	(8,530,000)
	(3,860,336)	(2,066,990)
	5,777,100	**7,891,916**

As at 30 June 2018 and 31 December 2017, biological assets, by species, were detailed as follows:

Amounts in Euro	30/06/2018	31/12/2017
Eucalyptus (Portugal)	117,035,849	115,198,626
Pine (Portugal)	5,559,054	5,136,610
Coark oak (Portugal)	736,229	2,167,541
Other species (Portugal)	215,968	225,939
Eucalyptus (Mozambique)	6,969,492	6,668,220
	130,516,592	**129,396,936**

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

Amounts in Euro	30/06/2018	30/06/2017
Eucalyptus (Portugal) - Potential future of wood extractions k m^3ssc	9,978	10,196
Pine (Portugal) - Potential future of wood extractions k ton	412	455
Pine (Portugal) - Potential future of pine extractions k ton	n/a	n/a
Coark Oak (Portugal) - Potential future of coark extractions k @	611	615
Eucalyptus (Mozambique) - Potential future of wood extractions k m^3ssc (1)	2,057	2,326

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

Concerning Eucalyptus in Portugal, the most relevant biological asset for the six-month period ended 30 June 2018 and 2017, the Group extracted 283,541 m^3ssc and 309,199 m^3ssc of wood from its owned and explored forests, respectively.

19. OTHER FINANCIAL ASSETS AND INVESTMENTS IN ASSOCIATES

19.1. Financial assets at fair value through profit or loss

This caption includes the percentage held by the Group in Liaison Technologies, originally acquired in 2005, through the exchange of shares of Express Paper. Until 2012, the Group held 1.52% of the capital of this subsidiary and, in 2013, sold shares representing 0.85% of the share capital, generating a capital gain of Euro 182,911. The Group wants to sell the remaining shares of Liaison.

19.2. Other non-current assets

This caption includes the amount of Euro 32,262,359 regarding the current amount to be received for the sale of the pellets business (USD 45 million, of which 42,5 are non current). The nominal interest receivable shall bear interest at the rate of 2.5%.

20. INVENTORIES

As at 30 June 2018 and 31 December 2017, Inventories were as follows:

Amounts in Euro	30-06-2018	31-12-2017
Raw materials	125,534,539	115,091,141
Finished and semi-finished goods	68,401,751	51,094,352
Goods and work in progress	18,766,510	16,721,820
By-products and waste	3,897,746	4,888,266
Merchandise	16	16
	216,600,562	**187,795,595**

As at 30 June 2018 and 31 December 2017, finished and intermediate product inventories were located in the following countries:

Amounts in Euro	30-06-2018	31-12-2017
Portugal	46,171,784	35,274,421
USA	15,456,132	8,446,772
Germany	3,067,208	2,329,792
United Kingdom	1,733,788	1,919,678
Netherlands	1,141,539	1,761,121
Mozambique	-	558,329
France	197,356	417,798
Spain	510,925	277,402
Italy	89,758	89,886
Switzerland	14,938	11,883
Poland	18,323	7,269
	68,401,751	**51,094,352**

The amounts presented are net of adjustments, in accordance with the policy described in Note 1.14 and whose detail is described in Note 23 and the Portuguese amounts include Euro 16,383,945 (31 December 2017: Euro 14,229,243) regarding inventories whose invoices had already been issued but whose transfer of risks and rewards to customers had not yet been transferred to customers, which is why the corresponding revenue was not recognised at the date of the statement of financial position. The amounts related to the USA include the amount of Euro 2,804,854 from goods in transit.

21. RECEIVABLES AND OTHER CURRENT ASSETS

As at 30 June 2018 and 31 December 2017, receivables and other current assets were detailed as follows:

Amounts in Euro	30-06-2018	31-12-2017
Trade receivables (Note 2.2.4)	207,579,488	175,579,498
Trade receivables - Group companies (Note 33)	243,775	82,306
Other receivables	50,526,914	34,334,922
Derivative financial instruments (Note 32)	1 524 342	3,644,395
Accrued income	15,501,985	19,198,044
Deferred costs	9,118,488	4,865,157
	284,494,995	**237,704,322**

The amounts receivable shown above are net of adjustments, in accordance with the policy described in Note 1.16 and whose detail is described in Note 23.

As at 30 June 2018 and 31 December 2017, other receivables were detailed as follows:

Amounts in Euro	30-06-2018	31-12-2017
Advances to employees	663,707	513,293
Advances to suppliers	4,019,361	172,466
Financial incentives receivable	7,055,847	42,105
Department of Commerce (USA)	33,879,352	29,846,612
Other debtors	4,908,646	3,760,446
	50,526,914	**34,334,922**

In 2015 the Group was subject to an investigation of alleged dumping practices in UWF exports 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 revised the duty rate downwards setting provisionally the duty rate at 7,8%. Although the actual rate is substantially lower than the initially determined margin and considering that the North-American authorities informed in April 2018 that the provisional anti-dumping tax rate to be applied to the period between August 2015 and February 2017 (first revision period) would be 0%, the Navigator Company fully disagrees with any anti-dumping margin, since, in view of the calculation algorithm used by the US authorities and validated by the Navigator Company Group's US lawyers, the Navigator Company Group does not determine any price difference between the domestic (Portugal) and destination (US) markets in the period under review after August 2015 and until at February 2018.

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

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

Amounts in Euro	2018	2017
Amount as of 1 January	42,105	58,870
Increase/ (decrease)	2,958,955	-
Assignments	7,055,847	-
Received in the period	(3,001,060)	-
Amount as of 30 June	**7,055,847**	**58,870**
Remaining quaters		(16,765)
Amount as of 31 December		**42,105**

The balance as at 30 June 2018 refers to the financial incentives granted within several research and development projects, namely the Inpactus project (Euro 5,585,300), the PT-Lyptus project (Euro 980,220) and others (Euro 490,327), whose expectation of the Group is that all the conditions precedent to its receipt are guaranteed.

As at 30 June 2018 and 31 December 2017, accrued income and deferred costs were detailed as follows:

Amounts in Euro	30-06-2018	31-12-2017
Accrued income		
Interest receivable	69,389	1,288,638
Energy sales	14,767,825	15,320,310
Other	664,771	2,589,096
	15,501,985	**19,198,044**
Deferred costs		
Rents	3,666,697	3,604,994
Insurance	5,225,817	1,061,073
Other	225,974	199,090
	9,118,488	**4,865,157**
	24,620,473	**24,063,201**

22. STATE AND OTHER PUBLIC ENTITIES

As at 30 June and 31 December 2017, there were no overdue debts to the State and other public entities.

The balances with these entities were as follows:

Current assets

Amounts in Euro	30-06-2018	31-12-2017
State and other public entities		
Value added tax - reimbursement requests	25,994,879	59,020,670
Value added tax - to recover	4,410,280	3,335,694
Amounts pending repayment (tax proceedings decided in favor of the group)	8,918,487	12,720,057
	39,323,646	**75,076,422**

As at 30 June 2018, the amount of reimbursement requests comprised the following, by month and by company:

Amounts in Euro	Mar/2018	Apr/2018	May/2018	Jun/2018	Total
The Navigator Company, S.A.	-	-	-	16,036,030	16,036,030
Navigator Abastecimento de Madeira, ACE	1,271,953	-	-	2,656,396	3,928,349
Bosques do Atlântico, S.L.	-	-	-	5,314,718	5,314,718
Navigator Tissue Cacia, S.A.	-	-	-	715,782	715,782
	1,271,953	**-**	**-**	**24,722,926**	**25,994,879**

Up to the date of issuing this report, Euro 17,307,982 of the amounts to be received as at 30 June 2018, had already been received.

As at 31 December 2017, the amount of reimbursement requests comprised the following, by month and by company:

Amounts in Euro	Sep/2017	Oct/2017	Nov/2017	Dec/2017	Total
The Navigator Company, S.A.	-	9,138,486	21,047,339	20,558,615	50,744,439
Navigator Abastecimento de Madeira, ACE	1,779,313	-	-	-	1,779,313
Navigator Tissue Cacia, S.A.	1,909,225	-	-	-	1,909,225
Bosques do Atlântico, S.L.	-	-	-	4,587,693	4,587,693
	3,688,537	**9,138,486**	**21,047,339**	**25,146,308**	**59,020,670**

All these amounts were received during the first quarter of 2018.

Current liabilities

Amounts in Euro	30-06-2018	31-12-2017
State and other public entities		
Corporate income tax	30,090,041	7,120,857
Personal income tax	3,411,738	2,158,253
Value added tax	20,565,946	30,150,781
Social security contributions	4,214,876	2,525,854
Additional tax liabilities	1,463,127	1,463,127
Other	1,308,125	152,913
	61,053,853	**43,571,785**

As previously mentioned, since 1 July 2015, The Navigator Company and its subsidiaries were part of the taxation group led by The Navigator Company, S.A. Therefore, although each group company calculated its income taxes as if it was taxed independently, the determined liabilities were recognised as due to the leader of the taxation group who proceeded with the overall computation and the settlement of the income tax (Note 11).

Corporate income tax is detailed as follows:

Amounts in Euro	30-06-2018	31-12-2017
Corporate income tax (Note 11)	39,202,774	47,755,492
Payments on account	(129,222)	(45,087,168)
Withholding tax	(15,445)	(895,346)
Corporate income tax - Decree-Law No. 66/2016 (Revaluation Regime)	5,235,601	5,235,601
Other receivables / payables	(14,203,668)	112,278
Closing balance	**30,090,041**	**7,120,857**

“Other receivable/payables” relates, essentially, to the income tax receivable by the Group’s for the 2017 period.

The changes in additional tax liabilities as at 30 June 2018 and 31 December 2017 were as follows:

Amounts in Euro	2018	2017
As of 1 January	1,463,127	1,465,022
Increases	-	-
Transfers	-	-
Decreases	-	-
As of 30 June	**1,463,127**	**1,465,022**
Remaining quarters		(1,895)
As of 31 December		**1,463,127**

As at 30 June 2018 and 31 December 2017, the additional tax liabilities are detailed as follows:

Amounts in Euro	30-06-2018	31-12-2017
Bosques do Atântico	1,463,127	1,463,127
	1,463,127	**1,463,127**

23. IMPAIRMENT IN NON-CURRENT AND CURRENT ASSETS

During 2018 and 2017, the changes in this caption were as follows:

	Impairments			
Amounts in Euro	Inventories (Note 20)	Accounts receivables (Note 21)	Other debtors	Total
Amounts as of 1 January 2017	**(238,868)**	**(2,395,281)**	**(1,565)**	**(2,635,714)**
Increase (Note 6)	-	(511,080)	-	(511,080)
Reversals (Note 5)	-	2,311	-	2,311
Charge-off	-	-	-	-
Amounts as of 30 June 2017	**(238,868)**	**(2,904,050)**	**(1,565)**	**(3,144,482)**
Increase (Note 6)	(112,924)	-	-	(112,924)
Reversals (Note 5)	225,477	463,543	-	689,019
Charge-off	-	35	104,310	104,345
Amounts as of 31 December 2017	**(126,315)**	**(2,440,472)**	**102,745**	**(2,464,042)**
Increase (Note 6)	(515,959)	(439,083)	-	(955,042)
Reversals (Note 5)	-	83,860	-	83,860
Charge-off	-	1,284,518	-	1,284,518
Amounts as of 30 June 2018	**(642,274)**	**(1,511,177)**	**102,745**	**(2,050,706)**

24. SHARE CAPITAL AND TREASURY SHARES

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

As at 30 June 2018, The Navigator Company's share capital of Euro 500,000,000 was fully subscribed and paid for being represented by 717,500 000 shares without nominal value.

At the General Meeting held on 22 September 2017, a reduction of the Company's share capital from Euro 717,500,000 to Euro 500,000,000 was approved, maintaining the number of shares representing the company's share capital and for the purpose of releasing excess capital, transferring to free reserves the amount of the capital released.

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

	2018		2017	
Amounts in Euro	**Quantity**	**Amount**	**Quantity**	**Amount**
Treasury shares held in January	**489,973**	**1,002,084**	**489,973**	**1,002,084**
Acquisitions				
January	-	-	-	-
February	-	-	-	-
March	-	-	-	-
April	-	-	-	-
May	-	-	-	-
June	-	-	-	-
	-	**-**	**-**	**-**
Treasury shares held in June	**489,973**	**1,002,084**	**489,973**	**1,002,084**
Remaining quarters			**-**	**-**
Treasury shares held in December			**489,973**	**1,002,084**

Treasury shares are stated at acquisition cost.

The market value of the treasury shares held on 30 June 2018 amounted to Euro 2,498,862 (31 December 2017: Euro 2,083,365), corresponding to a unit value of Euro 5.10 (31 December 2017: Euro 4,252) and the market capitalization amounted to Euro 3,659,250,000 compared to an equity, net of non-controlling interests, of Euro 1,086,585,291.

As at 30 June 2018 and 31 December 2017, the shareholders with significant positions in the Company's capital were as follows:

	30-06-2018		31-12-2017	
Entity	**No. of shares**	**% Capital**	**No. of shares**	**% Capital**
Seinpar Investments, BV	241,583,015	33.67%	241,583,015	33.67%
Semapa, SGPS, S.A.	256,033,284	35.68%	256,033,284	35.68%
Other entities from Semapa's Group	1,000	0.00%	1,000	0.00%
Zoom Lux S,A,L,R,	15,349,972	2.14%	15,349,972	2.14%
Treasury shares	489.973	0.07%	489.973	0.07%
Pension Fund of Banco BPI	30,412,133	4.24%	30,412,133	4.24%
Remaining shareholders	173,630,623	24.20%	173,630,623	24.20%
Total shares	**717,500,000**	**100.00%**	**717,500,000**	**100.00%**

25. RESERVES AND RETAINED EARNINGS

As at 30 June 2018 and 31 December 2017, reserves and retained earnings were as follows:

Amounts in Euro	**30-06-2018**	**31-12-2017**
Fair value reserve	(6,962,881)	(3,020,990)
Legal reserve	100,000,000	109,790,475
Other reserves	196,290,166	217,500,000
Undistributable reserve - Treasury shares	1,002,084	1,002,084
Currency exchange reserve	(22,818,802)	(13,966,898)
Retained earnings	200,632,803	166,386,180
	468,143,370	**477,690,851**

Fair value reserves

The amount of Euro 5,437,091, net of deferred taxes in the amount of (Euro 1,495,200) represents the decrease in the fair value of financial hedging instruments that, at 30 June 2018, were valued at (Euro 5,169,443) (Note 32) and were accounted for in accordance with Note 1.12.

The changes in this reserves in 2018 and 2017 were as follows:

Amounts in Euro	2018	2017
Fair value reserve		
Amounts as of 1 January	(3,020,990)	(7,571,781)
Fair value revaluation	(2,230,462)	7,491,250
Transferred to results for maturity of instruments (Note 10)	(1,711,429)	(1,775,492)
Amounts as of 30 June	**(6,962,881)**	**(1,856,023)**
Remaining quarters		(1,164,967)
Amounts as of 31 December		**(3,020,990)**

The closing balance of the fair value reserve, by financial instrument, was as follows:

Amounts in Euro	30-06-2018			31-12-2017		
	Gross amount	Deferred tax	Net amount	Gross amount	Deferred tax	Net amount
Hedged interest rate risk	(3,451,892)	949,270	(2,502,622)	(2,874,971)	790,617	(2,084,354)
Hedged exchange rate risk	(3,240,284)	891,078	(2,349,206)	680,940	(187,258)	493,682
Hedged exchange rate risk - Navigator North Americ	(2,911,797)	800,744	(2,111,053)	(1,972,852)	542,534	(1,430,318)
	(9 603 973)	**2 641 091**	**(6,962,881)**	**(4,166,883)**	**1,145,893**	**(3,020,990)**

Legal reserve

The Portuguese Commercial Companies Code (*Código das Sociedades Comerciais*) establishes that at least 5% of the annual net profit must be used to increase the legal reserve until it represents at least 20% of the capital. This reserve cannot be distributed unless Navigator is liquidated but can be drawn on to absorb losses, after other reserves are exhausted, or incorporated in the share capital.

Reserve for Treasury shares

According to Article 324 of the Portuguese Commercial Companies Code (*Código das Sociedades Comerciais*), the Group constitutes an unavailable reserve of an amount equal to the book value of the treasury shares held in the individual accounts.

Currency exchange reserve

This caption includes the exchange differences arising as a result of the conversion of all assets and liabilities of the Group expressed in foreign currency to Euros, using the closing mid-market exchange rates in force at the statement of financial position and is as follows:

Amounts in Euro	30-06-2018	31-12-2017
Navigator North America (USD)	3,138,324	4,636,173
Navigator Switzerland (CHF)	(547,971)	(735,556)
Navigator Paper Company UK (GBP)	11,663	11,663
Navigator Eurasia (TYR)	799	799
Navigator Afrique du Nord (MAD)	395	395
Navigator Paper Poland (PLN)	(2,863)	(2,863)
Portucel Moçambique (MZM)	(23,092,264)	(16,363,010)
Magellan Holdings (ex-Colombo Energy) (USD)	(2,326,885)	(1,514,499)
	(22,818,802)	**(13,966,898)**

Other reserves and retained earnings

At 30 June 2018 and 31 December 2017, the amounts available for distribution were detailed as follows:

Amounts in Euro	30-06-2018	31-12-2017
Retained earnings	502,287,059	553,912,508
Reserve assigned to treasury shares	(1,002,084)	(1,002,084)
	501,284,975	**552,910,424**
Net profit for the period	119,444,005	204,416,383
Minimum legal reserve	-	-
	119,444,005	**204,416,383**
	620,728,980	**757,326,807**
Legal limitation arising from the application of the provisions of *Código das Sociedades Comerciais*	(196,687,474)	(186,121,137)
Amount available for distribution	**424,041,506**	**571,205,670**

26. DEFERRED TAXES

During 2018 and 2017, the changes in assets and liabilities as a result of deferred taxes were as follows:

Amounts in Euro	1 January 2018	Income Statement Increases	Income Statement Decreases	Equity	30 June 2018
Temporary differences originating deferred tax assets					
Conventional capital remuneration	12,320,000	-	-	-	12,320,000
Taxed provisions	1,336,534	-	(1,219)	-	1,335,315
Adjustments in tangible fixed assets	100,829,491	2,557,112	-	-	103,386,603
Financial instruments	3,885,952	-	-	5,437,091	9,323,044
Deferred accounting gains on inter-group transactions	36,424,408	810,437	(2,346,329)	-	34,888,516
Government grants	7,849,328	-	(729,369)	146,862	7,266,821
	162,645,714	**3,367,549**	**(3,076,918)**	**5,583,953**	**168,520,298**
Temporary differences originating deferred tax liabilities					
Retirement benefits	(117,966)	(823)	-	69,002	(49,787)
Derivative financial instruments at fair value	(144,728)	-	-	-	(144,728)
Valuation of biological assets	(10,246,504)	(1,614,822)	-	-	(11,861,326)
Deferred accounting losses on inter-group transactions	(49,497,874)	(10,191,596)	49,694,961	-	(9,994,509)
Government grants	(8,903,132)	-	649,077	124,593	(8,129,462)
Extension of useful lives of property, plant and equipment	(232,993,493)	(12,941)	38,468,005	-	(194,538,429)
	(301,903,697)	**(11,820,182)**	**88,812,043**	**193,595**	**(224,718,241)**
Amounts recognised in balance sheet					
Deferred tax assets	44,727,571	926,076	(846,152)	1,535,587	46,343,082
Government grants	-	-	-	-	-
	44,727,571	**926,076**	**(846,152)**	**1,535,587**	**46,343,082**
Deferred tax liabilities	(83,023,517)	(3,250,550)	24,423,312	53,239	(61,797,516)
	(83,023,517)	**(3,250,550)**	**24,423,312**	**53,239**	**(61,797,516)**

Amounts in Euro	1 January 2017	Income Statement Increases	Income Statement Decreases	Equity	31 December 2017
Temporary differences originating deferred tax assets					
Conventional capital remuneration	-	-	(3,080,000)	15,400,000	12,320,000
Taxed provisions	1,328,771	-	7,763	-	1,336,534
Adjustments in fixed assets	110,794,106	-	(9,964,615)	-	100,829,491
Financial instruments	8,859,457	-	-	(4,973,505)	3,885,952
Deferred accounting gains on inter-group transactions	30,432,332	10,064,988	(4,072,912)	-	36,424,408
Valuation of biological assets	-	-	-	-	-
Government grants	9,308,071	-	(1,458,743)	-	7,849,328
	160,722,738	**10,064,988**	**(18,568,507)**	**10,426,495**	**162,645,714**
Temporary differences originating deferred tax liabilities					
Revaluation of fixed assets	(37,905)	-	37,905	-	-
Retirement benefits	(16,361)	(63,649)	(428)	(37,527)	(117,966)
Derivative financial instruments at fair value	(144,728)	-	-	-	(144,728)
Valuation of biological assets	(3,979,927)	(6,266,577)	-	-	(10,246,504)
Deferred accounting losses on inter-group transactions	(2,640,661)	(49,680,286)	2,823,074	-	(49,497,874)
Government grants	(1,270,679)	(7,881,690)	-	249,237	(8,903,132)
Extension of useful lives of property, plant and equipment	(209,580,756)	(25,007,195)	1,594,457	-	(232,993,493)
	(217,671,019)	**(88,899,397)**	**4,455,008**	**211,710**	**(301,903,697)**
Amounts recognised in balance sheet					
Deferred tax assets	44,198,753	2,767,872	(5,106,340)	2,867,286	44,727,571
Government grants	-	-	-	-	-
	44,198,753	**2,767,872**	**(5,106,340)**	**2,867,286**	**44,727,571**
Deferred tax liabilities	(59,859,532)	(24,447,334)	1,225,127	58,220	(83,023,517)
	(59,859,532)	**(24,447,334)**	**1,225,127**	**58,220**	**(83,023,517)**

In the measurement of the deferred taxes as at 30 June 2018 and 31 December 2017, the corporate income tax rate used was 27.50%.

27. PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

27.1. Introduction

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

In accordance with the Social Benefits Regulations in force, 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 (former Soporcel), Navigator Forest Portugal (former PortucelSoporcel Florestal), RAIZ, Empremédia and Navigator Lusa (incorporated by merger in 2017 in-Navigator Paper Figueira), are entitled, after retirement or 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. The funds' assets are apportioned between each of the companies.

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

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

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

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

Alternative A – Benefit safeguard plan

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

From a practical point of view, this alternative allows the employees to benefit from two autonomous accounts:

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

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

When triggering the Safeguard Clause employees will be guaranteeing the payment of a pension in accordance with the provisions laid down on the Defined Benefit Plan previously in force, and the pensionable salary at the retirement date. In practical terms, if the Safeguard Clause is triggered, the accumulated balance in Account 1 is transferred to the Defined Benefit Plan, assuming responsibility for paying the retirement pension to the employee.

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

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

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

Alternative B – Pure defined contribution plan

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

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

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

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

The Navigator Company Group also holds liabilities related to post-employment defined benefit plans regarding The Navigator Company employees that chose not to accept the conversion to defined contribution plan 13 employees (31 December 2017: 13 employees), together with former employees, retirees or, when applicable, with granted rights.

As at 30 June 2018 and 31 December 2017, the coverage of the companies' liabilities by the assets of the funds was as follows:

Amounts in Euro	No. Beneficiaries	30-06-2018	No. Beneficiaries	31-12-2017
Past service liabilities				
- Active employees, including individual accounts	515	58,567,960	529	57,986,022
- Former employees	123	20,679,122	125	20,527,177
- Retired employees	500	74,479,477	492	72,686,537
Market value of the pension funds		(144,555,051)		(146,109,493)
	1,139	**9,171,508**	1,146	**5,090,242**
Insufficient funds / overfunding		**9,171,508**		**5,090,242**

The number of active employees that benefit from pension funds on 30 June 2018 is 516 (31 December 2017: 529), from 3,210 total employees (3,191 in 2017). In 2017, it was negotiated with the trade unions of some companies the creation of new pension plans whose liability is already recognised in the balance sheet.

As at 30 June 2018, the amount of liabilities related to the post-employment benefit plans of two non-executive Directors of the Navigator Group amounted to Euro 1,601,876 (31 December 2017: Euro 1,701,096).

27.2. Assumptions used in the valuation of the liabilities

The actuarial studies developed by an independent entity for determine the accumulated liabilities as at 30 June 2018 and 31 December 2017 were based on the following assumptions:

			Real outcome	
	30-06-2018	**31-12-2017**	**30-06-2018**	**31-12-2017**
Disability table	EKV 80	EKV 80	-	-
Mortality table	TV 88/90	TV 88/90	-	-
Wage growth rate	1.00%	1.00%	1.50%	1.00%
Technical interest rate	2.00%	2.00%	-	-
Return rate on plan assets	2.00%	2.00%	(1,06%)	4.31%
Pensions growth rate	0.75%	0.75%	1.13%	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 2014 to 2018 is as follows:

Amounts in Euro	**2014**	**2015**	**2016**	**2017**	**06-2018**
Present value of liabilities	70,188,472	139,312,363	148,877,898	151,199,735	153,726,559
Fair value of plan assets	71,666,181	143,067,688	142,420,782	146,109,493	144,555,051
Surplus/ (deficit)	1,477,709	3,755,326	(6,457,116)	(5,090,242)	(9,171,508)

27.3. Retirement and pension supplements

The movements in liabilities with retirement and pension plans in 2018 and 2017 were as follows:

Amounts in Euro	2018	2017
Liabilities in the beggining of the period	151,199,735	148,877,898
Remeasurement (actuarial deviations)	1,829,897	259,350
Accrued responsibility with planned withdrawals	637,577	-
Costs recognised in the Income Statement	2,395,283	2,492,203
Pensions paid	(2,335,933)	(2,166,402)
As of 30 June	**153,726,559**	**149,463,049**
Remaining quarters		1,736,686
As of 31 December		**151,199,735**

The funds set up to cover the above mentioned liabilities presented the following movements in 2018 and 2017:

Amounts in Euro	2018	2017
Opening balance	146,109,493	142,420,782
Contribution for the period	2,000,000	-
Expected income for the period	1,463,154	1,424,179
Remeasurement (actuarial deviations)	(2,929,264)	584,844
Pensions paid	(2,335,933)	(2,166,402)
Other	247,601	-
As of 30 June	**144,555,051**	**142,263,403**
Remaining quarters		3,846,090
As of 31 December		**146,109,493**

Assuming assets under the defined contribution in the amount of Euro 50,348 million, pension fund assets are managed by Schroders (25%), BlackRock (23%), Credit Suisse (24%) and BMO (28%), as detailed below:

Amounts in Euro	2018	2017
Defined Contribution and *Conta 1* :		
Ocidental - Pensions	379,388	2,485,748
Schroders	51,144,133	51,431,292
BlackRock	47,535,465	46,377,470
Conta 1 - Credit Suisse	45,496,065	45,814,983
Total Defined Contribution and *Conta 1*	**144,555,051**	**146,109,493**
Defined Contribution (BMO):		
Defensive sub-fund	9,699,525	8,681,076
Conventional sub-fund	21,853,257	25,263,764
Dynamic sub-fund	14,211,634	14,498,707
Aggressive sub-fund	4,583,645	4,835,586
Total Defined Contribution	**50,348,061**	**53,279,133**
	194,903,112	**199,388,626**

The detail of the fund's assets as at 30 June 2018 and 31 December 2017 was as follows:

Amounts in Euro	**30-06-2018**	**31-12-2017**
Bonds	101,985,677	97,117,383
Shares	39,751,701	40,107,415
Liquidity	2,438,286	6,799,931
Other short-term investments	364,466	2,074,821
Property	14,921	9,943
	144,555,051	**146,109,493**

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

The effect of these plans in the income statement of the six-month period ended 30 June 2018 and 2017 was as follows:

Amounts in Euro	**6 months 30-06-2018**	**6 months 30-06-2017**
Defined Benefit Plans		
Current services	979,273	1,069,026
Interest expenses	1,416,010	1,423,177
Accrued responsibility with planned withdrawals	637,577	-
Return of the plan assets	(1,463,154)	(1,424,179)
Other	-	(309,548)
	1,569,706	**758,476**
Defined Contribution Plan		
Contributions of the period	663,540	669,528
	663,540	**669,528**
Costs for the period	**2,233,247**	**1,428,004**

Current services includes the amount of Euro 23,137 from 2 non-executive Directors (2017: Euro 23,792).

28. PROVISIONS

In 2018 and 2017, changes in provisions were as follows:

Amounts in Euro	Legal Claims	Tax Claims	Other	Total
Amounts as of 1 January 2017	**2,300,344**	**28,748,464**	**-**	**31,048,808**
Increases (Note 6)	200,691	-	-	200,691
Reversals (Note 6)	(11,074)	-	-	(11,074)
Transfers/Adjustments	3,064	(4,317,695)	-	(4,314,631)
Amounts as of 30 June 2017	**2,493,025**	**24,430,769**	**-**	**26,923,794**
Increases (Note 6)	1,698,373	649,264	1,547,301	3,894,938
Reversals (Note 6)	-	-	-	-
Transfers/Adjustments	(32,241)	(11,249,845)		(11,282,086)
Amounts as of 31 December 2017	**4,159,157**	**13,830,187**	**1,547,301**	**19,536,646**
Increases (Note 6)	826,305	-	-	826,305
Reversals (Note 6)	(279,225)	(300,000)	(1,547,301)	(2,126,526)
Transfers/Adjustments	39,984	23,879,759	-	23,919,743
Amounts as of 30 June 2018	**4,746,221**	**37,409,946**	**-**	**42,156,167**

The outcome of provisions for legal proceedings depends on court decisions.

The amount of provisions stated as “Tax claims” results from the Navigator Group’s judgment at the Statement of financial position date, about the potential disagreement with tax authorities, considering most recent updates about this events.

The amounts included in the item Transfers/Adjustments include approximately Euro 10,2 million related to the establishment of provisions in the first half of 2018 and approximately Euro 13,6 million of amounts that were recognised in deferred tax liabilities.

29. INTEREST-BEARING LIABILITIES AND OTHER LIABILITIES

29.1 Interest-bearing liabilities

As at 30 June 2018 and 31 December 2017, interest-bearing liabilities comprised the following:

30-06-2018 Amounts in Euro	Available amount	Outstanding amount	Maturity	Interest rate	Current	Non-current
Bond loans						
Portucel 2015-2023	200,000,000	200,000,000	September 2023	Variable rate indexed to Euribor	-	200,000,000
Portucel 2016-2021	100,000,000	100,000,000	April 2021	Flat rate	-	100,000,000
Portucel 2016-2021	45,000,000	45,000,000	August 2021	Variable rate indexed to Euribor	-	45,000,000
Commissions		(1,541,971)				(1,541,971)
European Bank Investment						
Loan *BEI Ambiente A*	4,642,857	4,642,857	December 2018	Variable rate indexed to Euribor	4,642,857	-
Loan *BEI Ambiente B*	10,000,000	10,000,000	June 2021	Variable rate indexed to Euribor	3,333,333	6,666,667
Loan *BEI Energia*	46,041,667	46,041,667	December 2024	Variable rate indexed to Euribor	7,083,333	38,958,333
Loan *BEI Cacia*	25,000,000	25,000,000	May 2028	Flat rate	-	25,000,000
Commercial Paper Program						
Commercial Paper Program 125M	125,000,000	125,000,000	May 2020	Variable rate indexed to Euribor	-	125,000,000
Commercial Paper Program 70M	70,000,000	70,000,000	April 2021	Flat rate	-	70,000,000
Commercial Paper Program 50M	50,000,000	50,000,000	July 2020	Variable rate indexed to Euribor	-	50,000,000
Commercial Paper Program 25M	25,000,000	25,000,000	December 2018	Variable rate indexed to Euribor	25,000,000	-
Commercial Paper Program 75M	75,000,000	-	July 2020	Variable rate indexed to Euribor	-	-
Commercial Paper Program 100M	100,000,000	-	March 2020	Variable rate indexed to Euribor	-	-
Commercial Paper Program 100M	50,000,000	50,000,000	March 2020	Variable rate indexed to Euribor	-	50,000,000
Commercial Paper Program 100M	50,000,000	50,000,000	March 2020	Variable rate indexed to Euribor	-	50,000,000
Commercial Paper Program 100M	100,000,000	40,000,000	July 2018	Variable rate indexed to Euribor	40,000,000	-
Commissions		(470,975)				(470,975)
Bank lines						
Short-term line 20M	20,450,714	-			-	-
Reimbursable grants						
Reimbursable grants	-	6,468,350				6,468,350
		845,139,928			**80,059,524**	**765,080,404**

31-12-2017

Amounts in Euro	Available amount	Outstanding amount	Maturity	Interest rate	Current	Non-current
Bond loans						
Portucel 2015-2023	200,000,000	200,000,000	September 2023	Variable rate indexed to Euribor	-	200,000,000
Portucel 2016-2021	100,000,000	100,000,000	April 2021	Flat rate	-	100,000,000
Portucel 2016-2021	45,000,000	45,000,000	August 2021	Variable rate indexed to Euribor	-	45,000,000
Commissions		(1,703,383)				(1,703,383)
European Bank Investment						
Loan *BEI Ambiente A*	9,285,714	9,285,714	December 2018	Variable rate indexed to Euribor	9,285,714	-
Loan *BEI Ambiente B*	11,666,666	11,666,666	June 2021	Variable rate indexed to Euribor	3,333,333	8,333,333
Loan *BEI Energia*	49,583,333	49,583,333	December 2024	Variable rate indexed to Euribor	7,083,333	42,500,000
Loan *BEI Cacia*	25,000,000	25,000,000	May 2028	Flat rate	-	25,000,000
Commercial Paper Program						
Commercial Paper Program 125M	125,000,000	125,000,000	May 2020	Variable rate indexed to Euribor	-	125,000,000
Commercial Paper Program 70M	70,000,000	70,000,000	April 2021	Flat rate	-	70,000,000
Commercial Paper Program 50M	50,000,000	50,000,000	July 2020	Variable rate indexed to Euribor	-	50,000,000
Commercial Paper Program 25M	25,000,000	25,000,000	December 2018	Variable rate indexed to Euribor	25,000,000	-
Commercial Paper Program 75M	75,000,000	-	July 2020	Variable rate indexed to Euribor	-	-
Commercial Paper Program 100M	100,000,000	-	March 2020	Variable rate indexed to Euribor	-	-
Commissions		(515,766)				(515,766)
Financing						
Short-term financing 50M	50,000,000	50,000,000	February 2018	Variable rate indexed to Euribor	50,000,000	-
Short-term financing 50M	50,000,000	50,000,000	April 2018	Variable rate indexed to Euribor	50,000,000	-
Bank lines						
Short-term line 20M	20,450,714	-			-	-
Short-term line Usd	10,000,000	5,503,210			5,503,210	
Reimbursable grants						
Reimbursable grants	-	4,237,695				4,237,695
		818,057,471			**150,205,591**	**667,851,880**

Similar to 2017, in 2018 The Navigator Company has continued to place short-term commercial paper issues on an auction basis.

As at 30 June 2018, the average cost of debt, considering interest rate, the annual fees and hedging operations, was 1.5% (31 December 2017: 1.6%).

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

Amounts in Euro	30-06-2018	31-12-2017
Non-current		
1 to 2 years	244,194,125	12,337,297
2 to 3 years	233,663,116	191,421,157
3 to 4 years	54,861,111	227,007,018
4 to 5 years	9,861,111	9,861,111
Above 5 years	224,513,887	229,444,444
	767,093,350	**670,071,028**
Commissions	(2,012,946)	(2,219,148)
	765,080,404	**667,851,880**

As at 30 June 2018, the Group had commercial paper programs and credit lines available, but not used, in the amount of Euro 195,450,714 (31 December 2017: Euro 195,450,714).

As at 30 June 2018 and 31 December 2017, the Group's current interest-bearing debt was as follows:

Amounts in Euro	30-06-2018	31-12-2017
Interest-bearing liabilities		
Non-current	765,080,404	667,851,880
Current	80,059,524	150,205,591
	845,139,928	**818,057,471**
Cash and cash equivalents		
Cash	75,460	81,795
Short-term bank deposits	51,593,578	71,125,699
Other short-term instruments	53,390,048	54,123,542
	105,059,086	**125,331,036**
Interest-bearing net debt	**740,080,842**	**692,726,434**

The reconciliation of the current interest-bearing liabilities to the statement of cash flows is as follows:

Amounts in Euro	30-06-2018	31-12-2017
As of 1 January	818,057,471	708,261,286
Borrowings - outflows	(109,851,190)	(44,702,381)
Borrowings - inflows	140,000,000	155,503,210
Reimbursable grants	(3,272,555)	(1,455,171)
Variation of charges on the issuance of loans	206,202	450,527
Variation of interest-bearing liabilities	**27,082,457**	**109,796,185**
Interest-bearing liabities as of 31 December	**845,139,928**	**818,057,471**

The difference between the amount of Euro 27,082,457 and the amount of Euro 47,354,407 is due to the changes in cash and cash equivalents effect.

The Navigator Company Group has a strict policy of approval of its financial counterparts, limiting their exposure according to an individual risk analysis and previously approved ceilings. Beyond these limits, there is also a diversification policy applied to the number of the Navigator Company Group's counterparties. At 30 June 2018, “Other” included an amount of Euro 53,390,048 related with an investment in a portfolio of bonds.

The fair value of the bond loans, considering the date and respective contractual conditions, determined according to level 2 of the fair value hierarchy, does not differ substantially from its book value.

The evolution of the Group’s interest bearing net debt for the six-month period ended 30 June 2018 and 2017 was as follows:

Amounts in Euro	6 months 30-06-2018	6 months 30-06-2017	Remaining quarters	31-12-2017
As of 1 January	692,726,435	640,719,698	-	640,719,698
Payments with debt issuance	2,012,946	2,038,837	180,311	2,219,148
Interest paid	7,500,360	6,218,851	5,955,523	12,174,374
Interest received	723,494	(1,516,869)	(614,647)	(2,131,516)
Dividends paid and reserves distributed	200,002,777	170,003,077	80,003,979	250,007,056
Payments related to tangible fixed assets	80,054,582	42,585,563	56,277,832	98,863,395
Accumulated exchange rate differences	(5,079,299)	3,345,672	(566,254)	2,779,418
Net receipts from operating activities	(237,860,454)	(125,500,508)	(186,404,631)	(311,905,139)
Change in net debt	47,354,407	97,174,624	(45,167,887)	52,006,737
As of 30 June	**740,080,842**	**737,894,322**	**(45,167,887)**	**692,726,435**

Also, the movements in the Navigator Group's interest bearing net debt for the six-month period ended 30 June 2018 and 2017 was as follows:

Amounts in Euro	6 months 30-06-2018	6 months 30-06-2017	Remaining quarters	31-12-2017
Net profit for the period	119,443,026	96,046,094	111,723,043	207,769,137
Depreciation, amortisation and impairment losses	66,444,913	74,766,617	69,937,282	144,703,899
Net changes in provisions	(1,300,221)	189,617	3,894,938	4,084,555
	184,587,718	**171,002,328**	**185,555,263**	**356,557,592**
Changes in working capital	(9,447,313)	(12,586,007)	(28,255,542)	(40,841,549)
Changes in the consolidation perimeter	-	-	-	
Net changes of tangible fixed assets	1,195,628	(34,015,002)	(72,268,479)	(106,283,481)
Dividends paid and reserves distributed	(200,002,777)	(170,003,077)	(80,003,979)	(250,007,056)
Acquisition of own shares	-	-	-	-
Net changes in post-employment benefits	(4,081,265)	742,530	624,344	1,366,874
Other changes in equity	22,357,334	4,828,922	(16,018,323)	(11,189,401)
Expenses with the issue of bond loans	206,202	630,837	(180,311)	450,526
Other changes in non current assets and liabilities	(42,169,935)	(57,775,154)	55,714,912	(2,060,242)
Change in net debt (Free CashFlow)	**(47,354,408)**	**(97,174,624)**	**45,167,887**	**(52,006,737)**

29.2 Other liabilities

As at 30 June 2018 and 31 December 2017, other non-current liabilities were as follows:

Amounts in Euro	30-06-2018	31-12-2017
Non-current		
Grants	26,559,873	25,466,139
Equipment	-	-
	26,559,873	**25,466,139**

The amount of grants corresponds to the investment grants described in Note 9, with regard to its non-current component.

Finance leases – IFRIC 4

As at 30 June 2018 and 31 December 2017, the Group used the following equipment under finance lease plans recognised under IFRIC 4 in the statement of financial position:

	30-06-2018		
Amounts in Euro	Acquisition value	Accumulated depreciation	Net book value
Equipment - Omya	14,000,000	(13,243,244)	756,756
	14,000,000	**(13,243,244)**	**756,756**

	31/12/2017		
Amounts in Euro	Acquisition value	Accumulated depreciation	Net book value
Equipment - Omya	14,000,000	(12,486,487)	1,513,513
	14,000,000	**(12,486,487)**	**1,513,513**

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

Amounts in Euro	30-06-2018	31-12-2017
Non-current		
Equipment	-	-
Current (Note 30)	2,394,796	2,213,644
	2,394,796	**2,213,644**

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

30. NON-CURRENT ASSETS HELD OF SALE

On December 2017, The Navigator Company celebrated a sale agreement related with its pellets business in the United States of America with a joint venture managed and operated by an associate of Enviva Holdings, LP, in the amount of USD 135 million.

As a result, in the consolidated statement of financial position at 31 December 2017, the referred assets were identified as "Non-current assets held for sale" and are composed as follows:

Amounts in Euro	31-12-2017
Property, plant and equipment	85,433,905
Inventories	803,143
	86,237,048

This operation was concluded on February 2018.

31. PAYABLES AND OTHER CURRENT LIABILITIES

As at 30 June 2018 and 31 December 2017, "Payables and other current liabilities" were detailed as follows:

Amounts in Euro	30-06-2018	31-12-2017
Suppliers	100,175,454	88,917,184
Suppliers invoices pending - Logistics	8,045,724	13,346,881
Suppliers invoices pending - Other	66,245,344	54,953,985
Fixed asset suppliers	3,966,241	5,115,782
Finance leases (Note 29)	2,394,796	2,213,644
Suppliers - Related parties (Note 33)	(3,168)	71,753
Derivative financial instruments (Note 32)	7,977,819	3,256,492
Other creditors - emission allowances CO_2	3,288,729	4,420,178
Sales commissions	152,937	138,682
Tax consolidation (Semapa)	7,429,319	7,429,319
Other creditors	12,591,898	2,475,273
Accrued costs	61,389,586	65,934,375
Deferred income	17,663,278	11,236,298
	291,317,957	**259,509,848**

As at 30 June 2018 and 31 December 2017, accrued costs and deferred income were detailed as follows:

Amounts in Euro	30-06-2018	31-12-2017
Accrued costs		
Payroll expenses - Performance Bonus	16,945,727	17,414,930
Payroll expenses - Other costs	23,093,975	22,670,683
Interest payable	3,174,040	2,687,393
Wood suppliers bonus	4,897,168	7,761,518
Water resource rate	1,813,062	2,011,427
Rents responsibility	7,929,907	6,716,206
Other	3,535,707	6,672,218
	61,389,586	**65,934,375**
Deferred income		
Government grants (Note 9)	5,700,894	5,859,834
Grants - emission licenses CO_2	1,924,735	261,097
Other grants	6,112,847	1,190,564
Other deferred income - ISP	3,924,802	3,924,802
	17,663,278	**11,236,298**

As at 30 June 2018 and 31 December 2017, deferred income on government grants, by company, was detailed as follows:

Amounts in Euro	30-06-2018	31-12-2017
AICEP invesment contracts (Note 9)		
The Navigator Company, S.A.	-	10,132
Enerpulp, S.A.	6,439,301	7,197,936
Navigator Pulp Cacia, S.A.	11,648,825	12,798,599
Navigator Pulp Setúbal, S.A.	604,307	694,637
Navigator Pulp Figueira, S.A.	7,120,339	7,849,708
Navigator Parques Industriais, S.A.	2,077,388	2,107,066
Navigator Paper Figueira, S.A.	724,375	137,250
Navigator Tissue Cacia, S.A.	2,977,820	-
	31,592,355	30,795,328
Other		
Raiz	312,381	60,506
Viveiros Aliança, SA	356,031	470,139
	668,412	530,645
	32,260,767	**31,325,972**

During 2018 and 2017, the movements in Grants - CO_2 emission licenses were as follows:

Amounts in Euro	2018	2017
Grants - emission licenses CO_2		
Opening balance	-	-
Increase	3,984,110	2,653,398
Charge-off	(2,059,375)	(1,872,429)
Balance as of 30 June	**1,924,735**	**780,969**
Remaining quarters		(780,969)
Balance as of 31 December		**-**

These amounts correspond to the CO_2 emission allowances granted for free to several Group companies (2018: Euro 477,139 and 2017: Euro 495,037).

32. FINANCIAL ASSETS AND LIABILITIES

Since its activities are exposed to a variety of financial and operational risk factors, the Group adopts a proactive approach to risk management, as a way to mitigate the potential adverse effects associated with those risks, namely the foreign exchange risk and interest rate risk.

The reconciliation of the consolidated financial position with the several categories of financial assets and liabilities included is as follows:

Amounts in Euro	Financial instruments held for trading Note 32.2	Derivative hedging instruments Note 32.3	Loans and amounts receivable Note 32.4	Other financial assets Note 19.1	Other financial liabilities Note 32.5	Non-financial assets/liabilities
30-06-2018						
Assets						
Other financial assets	-	-	-	478.032	-	-
Other non current financial assets	-	-	-	32,262,359	-	-
Cash and cash equivalents	-	-	105,059,086	-	-	-
Current amounts receivable	77,486	1,446,856	282,970,652	-	-	255,924,208
Total Assets	**77,486**	**1,446,856**	**388,029,738**	**32,740,391**	**-**	**255,924,208**
Liabilities						
Non-current interest-bearing liabilities	-	-	-	-	765,080,404	-
Other financial liabilities	-	-	-	-	26,559,873	113,125,191
Current interest-bearing liabilities	-	-	-	-	80,059,524,	
State	-	-	-	-	-	61,053,853
Current amounts payable	1,361,519	6,616,300	-	-	196,857,954	86,482,184
Total Liabilities	**1,361,519**	**6,616,300**	**-**	**-**	**1,068,557,755**	**260,661,228**
31-12-2017						
Assets						
Other financial assets	-	-	-	424.428	-	-
Cash and cash equivalents	-	-	125,331,036	-	-	-
Current amounts receivable	1,828,121	1,816,274	234,059,928	-	-	263,675,160
Total Assets	**1,828,121**	**1,816,274**	**359,390,964**	**424.428**	**-**	**263,675,160**
Liabilities						
Non-current interest-bearing liabilities	-	-	-	-	667,851,880	-
Other financial liabilities	-	-	-	-	25,466,139	107,650,404
Current interest-bearing liabilities	-	-	-	-	150,205,591	
State	-	-	-	-	-	43,571,785
Current amounts payable	-	3,256,492	-	-	176,234,432	80,018,923
Total Liabilities	-	**3,256,492**	**-**	**-**	**1,019,758,043**	**231,241,112**

Except for the derivative financial instruments, the remaining financial instruments are recorded at their cost or amortised cost since this is considered to be a reasonable approximation to their fair value.

32.1 Fair value hierarchy

The following table presents the Group's assets and liabilities measured at fair value at 30 June 2018, according to the following fair value hierarchies:

i. **Level 1:** fair value is determined based on net market quotations at the date of the statement of financial position;
ii. **Level 2:** fair value is determined based on valuation models, whose main parameters are observable in the market; and
iii. **Level 3:** fair value is determined based on valuation models, whose main inputs are not observable in the market.

Amounts in Euro	30-06-2018	Level 1	Level 2	Level 3
Fair value financial assets recognised in profit or loss				
Trading derivatives	77,486	-	77,486	-
Financial hedging instruments	1,446,856	-	1,446,856	-
	1,524,343	**-**	**1,524,343**	**-**

Amounts in Euro	30-06-2018	Level 1	Level 2	Level 3
Fair value financial liabilities recognised in profit or loss				
Trading derivatives	(1,361,519)	-	(1,361,519)	-
Financial hedging instruments	(6,616,300)	-	(6,616,300)	-
	(7,977,819)	**-**	**(7,977,819)**	**-**

32.2 Derivative financial instruments held for trading

As at 30 June 2018 and 31 December 2017, the fair value of derivative financial instruments (note 1.12) was as follows:

		30-06-2018				31-12-2017
Amounts in Euro		Notional	Positive	Negative	Net	Net
Trading						
CO_2 emission licenses	EUR	1,397,500	-	-	-	-
Anti-Dumping forward	USD	29,250,000	40,521	-	40,521	1,149,981
Foreign exchange forwards	USD	65,250,000	-	(1,361,519)	(1,361,519)	669,733
Foreign exchange forwards	GBP	11,100,000	36,966	-	36,966	8,407
		106,997,500	**77,486**	**(1,361,519)**	**(1,284,032)**	**1,828,121**

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

The hedging instruments used in this operation are foreign exchange forward contracts covering the net exposure to the foreign currencies at the time the invoices are issued, 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 June 2018 amounts to Euro (1,284,032) (31 December 2017: Euro 1,828,121).

In addition to the purchases made in 2015 and 2016 of 400,000 CO_2 emission licenses, for delivery in 2018-2019 and 100,000 CO_2 licenses acquired in 2017, for delivery in 2020, in the current year, no further acquisitions were made.

32.3 Derivative financial instruments designated as hedging instruments

As at 30 June 2018 and 31 December 2017, the fair value of derivative financial instruments designated as hedging instruments (Note 1.12) was as follows:

	30-06-2018					31-12-2017
Amounts in Euro	**Currency**	**Notional**	**Positive**	**Negative**	**Net**	**Net**
Hedging						
Hedging (net investment)	USD	-	19,114	-	19,114	114,914
Hedging (future sales)	USD	162,666,667	686,318	(2,570,962)	(1,884,644)	1,701,360
Hedging (future sales)	GBP	65,166,667	741,425	(211,924)	529,500	-
Interest rate swap for commercial paper issued	EUR	125,000,000	-	(788,029)	(788,029)	(746,982)
Interest rate swap for bond loans	EUR	200,000,000	-	(3,045,385)	(3,045,385)	(2,509,510)
			1,446,856	**(6,616,300)**	**(5,169,443)**	**(1,440,218)**

Net investment

The Navigator Group hedges the economic risk associated with exposure to the exchange rate of its participation in Navigator North America. To this purpose, the Group has entered into a foreign exchange forward maturing in November 2018, with a notional outstanding of USD 25,050,000.

Considering the nature of the hedged asset, it was decided not to renew the product.

Cash flow hedge – Exchange rate risk EUR/USD

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

In this context, during the last quarter of 2017, the Group contracted several financial structures to cover a portion of the net foreign exchange exposure of estimated sales in USD for 2018. The derivative financial instruments in force at 1 January 2017 are *Options* and Zero Cost Collar, in a total amount of USD 120,000,000, of which USD 60,000,000 remain in force, reaching maturity on 31 December 2018. In 2018, the financial instruments were strengthened through the additional contracting of USD 176,000,000 of *Options* and Zero Cost Collar and GBP 92,000,000, through Options maturing in the first quarter of 2019, of which GBP 65,166,667 shall remain in force as of the date thereof.

Cash flow hedge – Interest rate risk

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

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

32.4 Credit and receivables

These amounts are initially recognised at fair value, and subsequently measured at amortised cost less any impairment losses identified during the course of the credit risk analysis of the credit portfolios held (Notes 21, 23 and 29).

32.5 Other financial liabilities

These items are recognised at their amortised cost, corresponding to the value of the respective cash flows discounted at the effective interest rate associated with each of the liabilities (Notes 29 and 30).

32.6 Net gains on financial assets and liabilities

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

Amounts in Euro	**30-06-2017**	**30-06-2017**
Foreign exchange gains/ (losses) on loans and receivables	2,678,492	(5,916,236)
Gains/ (losses) on financial instruments - hedging (Note 10)	(1,711,429)	(1,775,492)
Gains/ (losses) on financial instruments - trading (Note 10)	(2,409,585)	4,163,356
Interest income:		
From deposits and other receivables (Note 10)	(371,847)	1,089,768
Interest expense:		
Financial liabilities measured at amortised cost (Note 10)	(3,747,059)	(5,679,264)
Other	(5,809,312)	(188,073)
	(11,370,740)	**(8,305,941)**

The fair value of derivative financial instruments is included in "Receivables and other current assets" (Note 21) and "Payables and other current liabilities" (Note 31).

The movement in the balances recognised in the statement of financial position (Notes 21 and 31) related with financial instruments was as follows:

	Change in fair value (Trading)	**Change in fair value (Hedging)**	**Total**
Amount as of 1 January 2017	**(1,943,402)**	**(4,881,689)**	**(6,825,091)**
Maturity (Note 10)	4,163,356	(1,775,492)	2,387,864
Increase/ decrease in fair value	-	8,549,747	8,549,747
Amount as of 30 June 2017	**2,219,954**	**1,892,566**	**4,112,520**
Maturity (Note 10)	(391,834)	4,585,537	4,193,703
Increase/ decrease in fair value	-	(7,918,321)	(7,918,321)
Amount as of 31 December 2017	**1,828,120**	**(1,440,218)**	**387,902**
Maturity (Note 10)	(2,409,585)	(1,711,429)	(4,121,014)
Increase/ decrease in fair value	(702,569)	(2,017,796)	(2,720,366)
Amount as of 30 June 2018	**(1,284,032)**	**(5,169,443)**	**(6,453,476)**

As at 30 June 2018 and 31 December 2017, the derivative financial instruments had the following maturities:

		Nominal value	**Maturity**	**Type**	**30-06-2018 Fair value**	**31-12-2017 Fair value**
Exchange rate forwards	USD	65,250,000	15-oct-2018	Held for trading	(1,361,519)	669,733
	GBP	11,100,000	13-nov-2018	Held for trading	36,966	8,407
Foreign exchange hedging - Cash ANTI-Dumping	USD	29,250,000	31-oct-2018	Held for trading	40,521	1,149,981
					(1,284,032)	**1,828,121**
Foreign exchange hedging - Investment in subsidiary	USD	-	30-nov-2018	Hedging	19,114	114,914
Hedging for future sales	USD	162,666,667	31-jan-2019	Hedging	(1,884,644)	1,701,360
Hedging for future sales	GBP	65,166,667	31-mar-2019	Hedging	529,500	-
Interest rate swap for commercial paper issued	EUR	125,000,000	26-may-2020	Hedging	(788,029)	(746,982)
Interest rate swap for bond loans	EUR	200,000,000	22-sep-2023	Hedging	(3,045,385)	(2,509,510)
					(5,169,444)	**(1,440,218)**
					(6,453,476)	**387,902**

33. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

As at 30 June 2018 and 31 December 2017, the balances with group companies and associated companies is presented as follows:

Amounts in Euro	30-06-2018 Assets Customers	30-06-2018 Liabilities Suppliers	30-06-2018 Liabilities Other creditors (tax consolidation)	31-12-2017 Assets Customers	31-12-2017 Liabilities Suppliers	31-12-2017 Liabilities Other creditors (tax consolidation)
Semapa - Soc. De Investimento e Gestão, SGPS, S.A.	-	-	7,429,319	-	(33)	7,429,319
Secil - Companhia Geral Cal e Cimento, S.A.	161,097	53	-	27,650	298	-
Secil Britas, S.A.	-	5,075	-	-	10,125	-
Enermontijo, S.A.	82,678	38,703	-	54,656	12,551	-
Enerpar, SGPS, Lda.	-	-	-	-	21,598	-
Cimilonga - Imobiliária, S.A.	-	-	-	-	27,216	-
Refundos - Soc. Gestora de Fundos de Inv. Imobiliário, S.A.	-	(47,000)	-	-	-	-
	243,775	**(3,168)**	**7,429,319**	**82,306**	**71,753**	**7,429,319**

The transactions with group companies and associated companies for the six-month period ended 30 June 2018 and 2017 were as follows:

Amounts in Euro	30-06-2018 Sales and services rendered	30-06-2018 Consumed materials and services	30-06-2017 Sales and services rendered	30-06-2017 Sales	30-06-2017 Consumed materials and services
Semapa - Soc. De Investimento e Gestão, SGPS, S.A.	-	4,038,483	-	-	4,222,478
Secil - Companhia Geral Cal e Cimento, S.A.	144,973	559	36,927	301,000	628
Secil Britas, S.A.	-	20,140	-	-	19,129
Enermontijo, S.A.	176,436	255,410	140,151	-	85,049
Enerpar, SGPS, Lda.	-	17,401	-	-	115,728
Cimilonga - Imobiliária, S.A.	-	109,030	-	-	131,307
Refundos - Soc. Gestora de Fundos de Inv. Imobiliário, S.A.	-	239,939	-	-	-
	321,409	**4,680,962**	**177,078**	**301,000**	**4,574,318**

On 1 February 2013, a contract to render administrative and management services was signed between Semapa - Sociedade de Investimentos e Gestão, SGPS, S.A. (currently owner of 69.4% of the Group´s share capital) and Navigator Group, establishing a remuneration system based in equal criteria for both parties in the continuous cooperation and assistance relationships, that meets the rules applicable to commercial relationships between group companies.

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 for the same project, during three years, 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 since 2008, annually producing 80,000 tons and to whom the Group sells biomass. Enerpar SGPS, Lda. is a related party as its shareholders have family relations with a non-executive Board Member of the Group.

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

The Navigator Company, SA and Refundos - Sociedade Gestora de Investimentos Imobiliário, SA, entered into a lease agreement beginning on 1 June 2017, regarding the lease of an office building located in Lisbon, Avenida Fontes Pereira de Melo.

In the identification of the Navigator Company Group's related parties for the purpose of financial reporting, the members of the Navigator Company Group's Board of Directors and other statutory bodies were considered as related parties (additionally see note 7).

34. EXPENDITURE ON ENVIRONMENTAL MATTERS

Environmental costs

Within its activity, the Group incurs in several environmental costs, which are being capitalised or recognised as a cost in the operating results for the period, depending on their characteristics.

Environmental expenditures incurred to preserve resources or to avoid or reduce future damage, and which are considered to extend the life or increase capacity or improve the security or efficiency of other assets held by the Group, are capitalized in accordance with IAS 16.

Expenditure capitalised and recognised in expenses as at 30 June 2018 and 31 December 2017 are analysed as follows:

Amounts capitalised for the period

Amounts in Euro

Environmental Aspect 30-06-2018	Environmental Impact				Total
	Consumption reduction	Control and Monitoring	End of Line	Prevention	
Atmospheric emissions	-	-	-	1,118,217	1,118,217
Energy	91,396	-	-	997,695	1,089,091
Liquid waste	-	-	-	-	-
Solid waste	-	-	-	-	-
Water	-	37,378	-	-	37,378
Other	-	11,039	12,895	771,578	795,512
	91,396	**48,417**	**12,895**	**2,887,490**	**3,040,198**

Amounts in Euro

Environmental Aspect 31-12-2017	Environmental Impact				Total
	Consumption reduction	Control and Monitoring	End of Line	Prevention	
Atmospheric emissions	-	-	-	18,233	18,233
Energy	67,573	-	-	246,183	313,756
Liquid waste	-	-	8,280	-	8,280
Solid waste	-	-	-	-	-
Water	-	29,225	-	89,000	118,225
Other	-	-	-	737,914	737,914
	67,573	**29,225**	**8,280**	**1,091,330**	**1,196,408**

Expenses recognised in the period

Amounts in Euro

Environmental Aspect 30-06-2018	Cost origin					Total
	Certification and licenses	Taxes	Control and Monitoring	Operation	Maintenance	
Atmospheric emissions	2,434,295	-	-	-	268,421	2,702,717
Energy	-	-	-	-	-	-
Liquid waste	-	-	-	6,078,525	1,287,044	7,365,569
Solid waste	-	-	-	48,075	-	48,075
Water	-	-	-	144,103	-	144,103
Other	-	202,272	577,594	-	-	779,865
	2,434,295	**202,272**	**577,594**	**6,270,703**	**1,555,466**	**11,040,329**

Amounts in Euro

Environmental Aspect 30-06-2017	Cost origin					Total
	Certification and licenses	Taxes	Control and Monitoring	Operation	Maintenance	
Atmospheric emissions	-	-	-	-	527,428	527,428
Energy	-	-	-	-	-	-
Liquid waste	-	-	-	3,184,949	1,394,288	4,579,237
Solid waste	-	-	-	237,622		237,622
Water	-	407,420	-	175,794	-	583,214
Other	-	11,252	29,484	-	-	40,736
	-	**418,671**	**29,484**	**3,598,366**	**1,921,716**	**5,968,237**

35. ANNUAL STATUTORY AUDIT

Following the resolution of the Extraordinary General Meeting, dated of September, 22, 2017, the group appointed KPMG & Associados Sociedade de Revisores Oficiais de Contas, S.A. as its statutory auditors, with effect from January, 1, 2018, and this entity did not issue any invoice until June, 30, 2018.

36. NUMBER OF EMPLOYEES

As at 30 June 2018, the average number of employees working for the Navigator Group Companies was 3,210 (31 December 2017: 3,197) and were distributed by business segment as follows:

As of 30 June 2018	MARKET PULP	UWF PAPER	TISSUE PAPER	OTHER	TOTAL
Industrial / Forest site					
Setúbal	-	932	-	237	1,169
Cacia	270	-	117	81	468
Figueira da Foz	-	858	-	137	995
Vila Velha de Ródão	-	-	212	-	212
Lisboa	-	-	-	105	105
Greenwood	-	-	-	-	-
Mozambique	-	-	-	155	155
	270	**1,790**	**329**	**715**	**3,104**
Commercial companies					
Europe	8	73	11	-	92
America	-	9	-	-	9
Overseas	-	5	-	-	5
	8	**87**	**11**	**-**	**106**
	278	**1,877**	**340**	**715**	**3,210**

As of December 2017	MARKET PULP	UWF PAPER	TISSUE PAPER	OTHER	TOTAL
Industrial / Forest site					
Setúbal	-	925	-	248	1,173
Cacia	269	-	19	85	373
Figueira da Foz	-	865	-	131	996
Vila Velha de Ródão	-	-	206	-	206
Lisboa	-	-	-	112	112
Greenwood	-	-	-	77	77
Mozambique	-	-	-	163	163
	269	**1,790**	**225**	**816**	**3,100**
Commercial companies					
Europe	7	68	9	-	84
America	-	9	-	-	9
Overseas	-	4	-	-	4
	7	**81**	**9**	**-**	**97**
	276	**1,871**	**234**	**816**	**3,197**

37. COMMITMENTS

37.1 Commitments granted to third-parties

As at 30 June 2018 and 31 December 2017, the guarantees provided by the Group are as follows:

Amounts in Euro	30-06-2018	31-12-2017
2013 corporate income tax	26,022,893	26,022,893
Spanish state tax agency	1,033,204	1,033,204
Customs clearance	1,835,250	1,835,250
IAPMEI	2,438,132	5,209,320
Simria	338,829	338,829
Other	739,523	781,139
	32,407,831	**35,220,636**

The guarantees provided by IAPMEI were provided under the investment contracts celebrated between the Portuguese State and Navigator Pulp Cacia, S.A. (Euro 2,438,132) and Navigator Tissue Ródão, S.A. (Euro 2,771,188), in accordance with the terms and conditions defined in the Payment Standard applicable to projects approved under QREN Incentive Systems. In 2018, the guarantee provided by Navigator Tissue Ródão, S.A. was sold.

As part of the final tax authority inspection report to the 2013 period, the Navigator Company was notified on 4 September 2017 with an additional tax payment of Euro 20,556,589. In the 2013 tax declaration, the Navigator Group deducted a significant amount of credits related to fiscal benefits related to RFAI generated in previous years and which according to Navigator's understanding, should be reported. The tax authorities didn't have the same understanding, having corrected the amounts of tax benefits used by the Navigator group. The Navigator group will guaranteed this debt and will contest its settlement.

37.2 Purchase commitments

The purchase commitments assumed with suppliers at 30 June 2018 amounted to Euro 110,102,578 and referred to capital expenditure on Property, plant and equipment. At 31 December 2017 these commitments amounted to Euro 106,987,184.

As at 30 June 2018 and 31 December 2017, the commitments relating to operating lease contracts were as follows:

Amounts in Euro	**30-06-2018**	**31-12-2017**
Settlement date		
2018	2,017,614	1,928,848
2019	1,589,956	1,603,868
2020	1,067,000	1,077,787
2021	572,347	603,254
2022	104,565	138,413
Later	53,942	50,077
	5,405,424	**5,402,246**

As at 30 June 2018 and 31 December 2017, the undiscounted commitments relating to external group forestry land rents were as follows:

Amounts in Euro	**30-06-2018**	**31-12-2017**
2018	1,903,173	3,965,857
2019	3,949,104	3,818,115
2020	3,633,918	3,502,754
2021	3,457,060	3,318,277
2022	3,249,997	3,119,248
Later	37,986,419	35,774,462
	54,179,672	**53,498,715**

38. CONTINGENT ASSETS

38.1 Tax matters

38.1.1 Public Debt Settlement Fund

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

On 13 December 2017, The Navigator Company, S.A. has made an extra-judicial agreement with Tax authorities, in which was recognised the responsibility by FRDP for reimbursing the amount of Euro 5,725,771 corresponding to the amount of Corporate Income Tax improperly paid, resulting from the alleged qualification / incorrect consideration, by the tax administration, of the tax loss computed as a result of the operations carried out by Soporcel, S.A. in 2003, as well as to promote restitution to Navigator of the mentioned amount.

In this context, the aforementioned Fund is liable for Euro 24,649,956, detailed as follows:

Amounts in Euro	Period	Requested amounts	1st Refund	Decrease due to RERD	Proceedings decided in favour of the Group	Extrajudicial agreement of 13 December 2017	Outstanding amount
Proceedings confirmed in court							
VAT - Germany	1998-2004	5,850,000	(5,850,000)	-	-	-	-
Corporate income tax	2001	314,340	-	-	(314,340)	-	-
Corporate income tax	2002	625,033	(625,033)	-	-	-	-
Corporate income tax	2002	18,923	-	-	-	-	18,923
VAT	2002	2,697	(2,697)	-	-	-	-
Corporate income tax	2003	1,573,165	(1,573,165)	-	-	-	-
Corporate income tax	2003	182,230	(157,915)	-	(24,315)	-	-
Corporate income tax	2003	5,725,771	-	5,725,771	-	(5,725,771)	-
Corporate income tax (Withheld)	2004	3,324	-	-	-	-	3,324
Corporate income tax	2004	766,395	-	-	(139,023)	-	627,372
Stamp duty	2004	497,669	-	-	(497,669)	-	-
Corporate income tax (Withheld)	2005	1,736	(1,736)	-	-	-	-
Expenses		314,957	-	-	-	-	314,957
		15,876,240	**(8,210,546)**	**5,725,771**	**(975,347)**	**(5,725,771)**	**964,576**
Proceedings not confirmed in court							
VAT	2003	2,509,101	-	-	-	-	2,509,101
Corporate income tax	2005	11,754,680	-	(1,360,294)	-	-	10,394,386
Corporate income tax	2006	11,890,071	-	(1,108,178)	-	-	10,781,893
		26,153,852	**-**	**(2,468,472)**	**-**	**-**	**23,685,380**
		42,030,092	**(8,210,546)**	**3,257,299**	**(975,347)**	**(5,725,771)**	**24,649,956**

38.1.2 Taxes paid in litigation

As at 30 June 2018 and 31 December 2017, the additional tax assessments that are paid and disputed by the Navigator Group, not recognised in the company's assets, are summarised as follows:

Amounts in Euro	30-06-2018	31-12-2017
2003 VAT	2,509,101	2,509,101
2005 Aggregate corporate income tax	10,394,386	10,394,386
2006 Aggregate corporate income tax	8,150,146	8,150,146
	21,053,633	**21,053,633**

38.2 Non-tax matters

38.2.1 Public Debt Settlement Fund

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

On 24 May 2014 the Court denied the Navigator Company Group's proposal to present testimony evidence, alternatively proposing written submissions. On 30 June 2014 Navigator Company Group appealed against this decision, but continuously presented written evidence. The Court subsequently confirmed the Navigator Company Group's views on this matter, both parts appointed experts and the partial expert report was issued on July 2017, being required either by The Navigator Company, S.A. either by the Ministério das Finanças, the attendance of both designated experts in court hearing, in order to provide oral explanations on the peritial report. The date of the court hearing is still to be appointed.

38.2.2Infrastructure enhancement and maintenance fee

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

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

38.2.3Tax and financial incentives

The Group applied for tax and financial incentives related to investments in progress in Cacia and Figueira da Foz. The commitments obtained are tax benefits, respectively of Euro 11,5 million and Euro 14,2 million, a repayable loan with zero interest rate of Euro 42,2 million for Cacia and a loan of Euro 5,8 million, with a non-repayable maximum paid-in prize of Euro 3,5 million for Figueira da Foz.

Regarding Cacia, the contracts are already signed and dated 13 December 2017 and 20 April 2018, for the financial and fiscal nature, respectively.

39. EXCHANGE RATES

Assets and liabilities of foreign subsidiaries and associates as well as foreign currency balances presented in the statement of financial position were translated to Euro equivalents at the exchange rate as at 30 June 2018. Profit and loss for the period were translated at the average exchange rate for the year. The differences resulting from the application of these rates in comparison with previous amounts were reflected in the Reserves of exchange translation, in equity.

Exchange rates used in 2018 and 2017 against the Euro, were as follows:

	30-06-2018	31-12-2017	Increase / (Decrease)
GBP (Pound sterling)			
Average exchange rate for the period	0.8798	0.8763	-0.40%
Average exchange rate for the period	0.8861	0.8872	0.13%
USD (US dollar)			
Average exchange rate for the period	1.2104	1.1292	-7.19%
Average exchange rate for the period	1.1658	1.1993	2.79%
PLN (Polish zloty)			
Average exchange rate for the period	4.2208	4.2573	0.86%
Average exchange rate for the period	4.3732	4.1770	-4.70%
SEK (Swedish krona)			
Average exchange rate for the period	10.1508	9.6354	-5.35%
Average exchange rate for the period	10.4530	9.8438	-6.19%
CZK (Czech koruna)			
Average exchange rate for the period	25.5003	26.3309	3.15%
Average exchange rate for the period	26.0200	25.5350	-1.90%
CHF (Swiss franc)			
Average exchange rate for the period	1.1697	1.1115	-5.24%
Average exchange rate for the period	1.1569	1.1702	1.14%
DKK (Danish krone)			
Average exchange rate for the period	7.4476	7.4386	-0.12%
Average exchange rate for the period	7.4525	7.4449	-0.10%
HUF (Hungarian forint)			
Average exchange rate for the period	314.1133	309.2462	-1.57%
Average exchange rate for the period	329.7700	310.3300	-6.26%
AUD (Australian dollar)			
Average exchange rate for the period	1.5688	1.4732	-6.49%
Average exchange rate for the period	1.5787	1.5346	-2.87%
MZM (Metical)			
Average exchange rate for the period	73.8241	72.1990	-2.25%
Average exchange rate for the period	69.7600	71.4800	2.41%
MAD (Moroccan Dirham)			
Average exchange rate for the period	10.8811	10.9633	0.75%
Average exchange rate for the period	11.0504	11.2210	1.52%
NOK (Norway Kroner)			
Average exchange rate for the period	9.5930	9.3294	-2.83%
Average exchange rate for the period	9.5115	9.8403	3.34%
MXN (Mexican peso)			
Average exchange rate for the period	23.0807	21.3286	-8.21%
Average exchange rate for the period	22.8817	23.6612	3.29%
AED (United Arab Emirates Dirhams)			
Average exchange rate for the period	4.4414	3.9549	-12.30%
Average exchange rate for the period	4.2814	4.1215	-3.88%
CAD (Canadian dollar)			
Average exchange rate for the period	1.5458	1.4445	-7.01%
Average exchange rate for the period	1.5442	1.4785	-4.44%
ZAR (South African rand)			
Average exchange rate for the period	14.8917	15.0442	1.01%
Average exchange rate for the period	16.0484	14.8054	-8.40%
TRY (Turkish lira)			
Average exchange rate for the period	4.9565	4.1194	-20.32%
Average exchange rate for the period	5.3385	4.5464	-17.42%

40. COMPANIES INCLUDED IN THE CONSOLIDATION PERIMETER

Company	Head Office	Share equity owned Directly	Indirectly	Total
Parent-Company:				
The Navigator Company, S. A.	Setúbal	-	-	-
Subsidiaries:				
Navigator Paper Figueira, S.A.	Figueira da Foz	100.00	-	100.00
Navigator Parques Industriais, S.A.	Setúbal	100.00	-	100.00
Navigator Products & Tecnology, S.A.	Setúbal	100.00	-	100.00
Enerpulp – Cogeração Energética de Pasta, S.A.	Setúbal	100.00	-	100.00
Navigator Pulp Figueira, S.A.	Figueira da Foz	100.00	-	100.00
Navigator Pulp Setúbal, S.A.	Setúbal	100.00	-	100.00
Navigator Pulp Cacia, S.A.	Aveiro	100.00	-	100.00
Navigator International GmbH	Germany	100.00	-	100.00
About Balance - SGPS, S.A.	Lisboa	100.00	-	100.00
Navigator Tissue Cacia, S.A.	Aveiro	-	100.00	100.00
Navigator Tissue Ródão , S.A.	Vila Velha de Ródão	-	100.00	100.00
Navigator Internacional Holding SGPS, S.A.	Setúbal	100.00	-	100.00
Portucel Moçambique - Sociedade de Desenvolvimento Florestal e Industrial, Lda	Mozambique	20.05	60.15	80.20
Magellan Holdings Inc.	USA	25.00	75.00	100.00
Navigator Financial Services Sp. Z o.o.	Poland	25.00	75.00	100.00
Navigator Floresta, SGPS, S.A.	Setúbal	100.00	-	100.00
Raiz - Instituto de Investigação da Floresta e Papel	Aveiro	-	97.00	97.00
Navigator Forest Portugal, S.A.	Setúbal	100.00	-	100.00
Sociedade de Vinhos da Herdade de Espirra - Produção e Comercialização de Vinhos, S.A.	Setúbal	-	100.00	100.00
Gavião - Sociedade de Caça e Turismo, S.A.	Setúbal		100.00	100.00
Afocelca - Agrupamento complementar de empresas para protecção contra incêndios, ACE	Portugal	-	64.80	64.80
Viveiros Aliança - Empresa Produtora de Plantas, S.A.	Palmela	-	100.00	100.00
Atlantic Forests, S.A.	Setúbal	-	100.00	100.00
Bosques do Atlantico, SL	Spain	-	100.00	100.00
Navigator Paper Holding ,SGPS, S.A.	Setúbal	100.00	-	100.00
Navigator Fine Paper , S.A.	Setúbal	-	100.00	100.00
About the Future - Empresa Produtora de Papel, S.A.	Setúbal	-	100.00	100.00
Navigator Paper Setúbal, S.A.	Setúbal	-	100.00	100.00
Navigator North America Inc.	USA	-	100.00	100.00
Navigator Sales & Marketing, S.A.	Belgium	25.00	75.00	100.00
Navigator Africa, SRL	Italy	-	100.00	100.00
Navigator Participações Holding ,SGPS, S.A.	Setúbal	100.00	-	100.00
Portucel Florestal, S.A.	Setúbal	-	100.00	100.00
Arboser – Serviços Agro-Industriais, S.A.	Setúbal	-	100.00	100.00
EMA21 - Engenharia e Manutenção Industrial Século XXI, S.A.	Setúbal	-	100.00	100.00
Ema Cacia - Engenharia e Manutenção Industrial, ACE	Aveiro	-	95.00	95.00
Ema Setúbal - Engenharia e Manutenção Industrial, ACE	Setúbal	-	89.91	89.91
Ema Figueira da Foz- Engenharia e Manutenção Industrial, ACE	Figueira da Foz	-	90.72	90.72
Empremédia - Corretores de Seguros, S.A.	Lisboa	-	100.00	100.00
EucaliptusLand, S.A.	Setúbal	-	100.00	100.00
Headbox - Operação e Contolo Industrial, S.A.	Setúbal	-	100.00	100.00
Navigator Added Value, S.A.	Setúbal	-	100.00	100.00
Navigator Switzerland Ltd.	Switzerland	25.00	75.00	100.00
Navigator Afrique du Nord	Morocco	-	100.00	100.00
Navigator España, S.A.	Spain	-	100.00	100.00
Navigator Netherlands, BV	Netherlands	-	100.00	100.00
Navigator France, EURL	France	-	100.00	100.00
Navigator Paper Company UK, Ltd	United Kingdom	-	100.00	100.00
Navigator Italia, SRL	Italy	-	100.00	100.00
Navigator Deutschland, GmbH	Germany	-	100.00	100.00
Navigator Paper Austria, GmbH	Austria	-	100.00	100.00
Navigator Paper Poland SP Z o o	Poland	-	100.00	100.00
Navigator Eurasia	Turkey	-	100.00	100.00
Navigator Rus Company, LLC	Russia	-	100.00	100.00
Navigator Paper Mexico	Mexico	-	100.00	100.00
Navigator Abastecimento de Madeira, ACE	Setúbal	97.00	3.00	100.00

41. SUBSEQUENT EVENTS

41.1 Memorandum of understanding with the Government of Mozambique

As duly disclosed to the Market on 9 July 2018, Portucel Moçambique and the Government of Mozambique signed a memorandum of understanding regarding the reformulation of the investment project, which will be developed in two phases. At first, a forestry base of approximately 40,000 hectares will be created, which will guarantee the supply of a unit (to be built) for the production of eucalyptus wood chips for export (approximately 1 million tons per year), in an estimated global investment of USD 140 million.

A joint team was established between Portucel Moçambique and the Government to work, within an estimated six months, to ensure compliance with the preconditions necessary to advance the investment, including the establishment of the logistical infrastructures necessary for the export of wood chips. The first phase of the project is therefore conditioned by the good resolution of the previous conditions identified in the memorandum of understanding signed with the Government of Mozambique.

41.2 Contract signature with BEI

In July, the Group contracted a financing with the EIB in the amount of Euro 40 million, associated with the investment to increase the capacity in Figueira da Foz, continuing the permanent effort to optimize its financial structure.

41.3 Constitutional Court decision – Notice of Appeal No. 486/15

In 11 June 2018, the Navigator Group was notified of the Constitutional Court decision regarding the Proceeding No. 486/15 (Notice of Appeal), where the Court considers Article 92 (1) of the CIRC unconstitutional. In this Article, the margin of the income tax that can be used to deduct fiscal benefits related to the RFAI, is decreased to 10%.

This decision will have a very positive impact on the 2013 income tax and it is expected that it will be possible to reduce the bank guarantee for this process in the short term (Note 37), as well as reimbursing/compensating the Group for the costs incurred with it.

42. EXPLANATION ADDED FOR TRANSLATION

These financial statements are a free translation of the financial statements originally issued in Portuguese in accordance with International Financial Reporting Standards as adopted by the European Union. In the event of discrepancies, the Portuguese language version prevails.

BOARD OF DIRECTORS

Pedro Mendonça de Queiroz Pereira
Chairman

João Nuno de Sottomayor Pinto de Castello Branco
Vice Chairman

Diogo António Rodrigues da Silveira
Executive Vice Chairman

Luis Alberto Caldeira Deslandes
Vice Chairman

António José Pereira Redondo
Executive Board Member

José Fernando Morais Carreira de Araújo
Executive Board Member

Nuno Miguel Moreira de Araújo Santos
Executive Board Member

João Paulo Araújo Oliveira
Executive Board Member

Adriano Augusto da Silva Silveira
Board Member

José Miguel Pereira Gens Paredes
Board Member

Manuel Soares Ferreira Regalado
Board Member

Paulo Miguel Garcês Ventura
Board Member

Ricardo Miguel dos Santos Pacheco Pires
Board Member

Vitor Manuel Galvão Rocha Novais Gonçalves
Board Member

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9. Limited Revision Report

LIMITED REVIEW REPORT ON INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(This report is a free translation to English from the original Portuguese version. In case of doubt or misinterpretation the Portuguese version will prevail.)

Introduction

We have performed a limited review of the accompanying consolidated financial statements of **The Navigator Company, S.A. (the Entity)**, which comprise the consolidated statement of financial position as of 30 june 2018 (that presents a total of Euro 2,423,989,762 and total equity attributable to the shareholders of Euro 1,086,585,291 including a consolidated net profit of Euro 119,444,005), the consolidated statements of income, comprehensive income, changes in equity and cash flows for the six month period then ended, and the accompanying explanatory notes to these consolidated financial statements, including a summary of the significant accounting policies.

Board of directors' responsibilities

The board of directors is responsible for the preparation of this consolidated financial statements that give a true and fair view of the Entity's financial position, financial performance and cash flows in accordance with the International Financial Reporting Standards as adopted by the European Union, and for the implementation and maintenance of an appropriate internal control system to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities

Our responsibility is to express a conclusion on the accompanying consolidated financial statements. Our work was performed in accordance with the international standards on review engagements and further technical and ethical standards and guidelines issued by the Portuguese Institute of Statutory Auditors ("Ordem dos

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Revisores Oficiais de Contas”). These standards require that we conduct the review in order to conclude whether anything has come to our attention that causes us to believe that the consolidated financial statements do not give a true and fair view of the Entity’s financial position, financial performance and cash flows in accordance with the International Financial Reporting Standards as adopted by the European Union.

A limited review of consolidated financial statements is a limited assurance engagement. The procedures that we have performed consist mainly of making inquiries and applying analytical procedures and subsequent assessment of the evidence obtained. The procedures performed in a limited review are substantially less that those performed in an audit conducted in accordance with International Standards on Auditing (ISA). Accordingly, we do not express an audit opinion on these consolidated financial statements.

Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not give a true and fair view of the financial position of **The Navigator Company, S.A. (the Entity)** as at 30 june 2018, and of its financial performance and its cash flows for the six month period then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Other matter

The consolidated financial statements of the company for the six month period ended on 30 June 2018 were approved by the Board of Directors on 24 July 2018. Subsequently, on 8 August 2018, the company was notified by the United States Department of Commerce that the final anti-dumping duty on sales rate over sales performed for the American market, in the period between August 2015 and February 2017, will be 37.34%. This might represent an expense of approximately Euro 66 million not recognized in the interim consolidated financial statements.

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21 September 2018

SIGNED IN THE ORIGINAL

KPMG & Associados -

Sociedade de Revisores Oficiais de Contas, S.A.

(registered at CMVM under the nr. 20161489 and at OROC under the nr. 189)

represented by

Paulo Alexandre Martins Quintas Paixão (ROC nr 1427)