INTERIM RESULTS

1ST QUARTER 2020

The Kingfisher (Alcedo atthis) lives in the forest areas managed by The Navigator Company, where 235 fauna and 740 flora species, are preserved.

THE NAVIGATOR COMPANY

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 Quarter 2020 Performance

Quarter marked by the significant improvement of the mill's operational performance and by the improvement in our paper order book, for both YoY and QoQ. The impact of the decrease in paper and pulp prices in Q1 2020 (especially when compared to Q1 2019, when prices were still at high levels) was partially offset by the recovery in sales volumes across pulp, paper and tissue businesses.

YoY Analysis (1st Quarter 2020 vs 1st Quarter 2019)

- Strong order book for paper in the quarter, with the second highest level ever for this period; the impact of the pandemic was visible from mid-March onwards
- Substantial improvement in operational performance and overall increase in sales volume YoY: up 4% for paper, up 34% for pulp and up 10% for tissue
- Performance constrained by falling sales prices in comparison to 1st quarter 2019: the BHKP pulp index (in euros) fell 29% and the A4 paper index dropped 5.5%
- Turnover of € 406 million (down 3.8%) and Ebitda at € 88 million (down 15.7%); Ebitda / Sales margin of 21.8% (down 3.1 pp)
- Production costs evolved positively (fixed and variable), mitigating the impact of lower sales prices
- Free Cash Flow stood at approximately € 15 million (vs €10 million) and capital expenditure totalled €22.7 million (vs €32.5 million)

QoQ Analysis (1st Quarter 2020 vs 4th Quarter 2019)

- Paper output in Q1 2020 was up 12% on Q4 2019, pulp output up by 8% and tissue by 25%, representing a return to normal levels.
- Paper sales in quantity held steady (up 0.4%), pulp sales were 16% lower and tissue sales were up by 20% on the previous quarter.
- Ebitda for the period grew by 23%, adding 4.4 pp to the Ebitda / Sales margin, up from 17.4% to 21.8%.
- Operating income grew by 43% to € 48 million and net income improved by 47%, totalling € 31 million.
- Operating cash flow stood at €71 million, around €12 up from the 4th quarter, with moderate implementation of the capex plan and careful management of working capital.

Financial position

- Payment of reserves of € 100 million in January; Net debt of € 800 million at the end of the quarter (€ 715 million at year end 2019), with Net Debt / Ebitda of 2.25 X
- Increase in immediate liquidity to € 256 million at the end of March (as compared to € 160 million at year end 2019), maintaining a level of financial strength that enables the group to see through comfortably the current situation and with all financial needs for 2020 assured.

Covid-19

Measures implemented

- A contingency plan was drawn up at the end of February, and progressively updated, designed to protect the health of all employees and the wider community, whilst assuring operational continuity.
- Implementation of preventive, sanitisation and strict containment measures has enabled operations to proceed normally, without any disruption to client service.
- It was decided to postpone the maintenance shutdowns at the Setúbal and Figueira da Foz pulp until the second and third quarters.
- The Group launched a number of initiatives to support local people in the municipalities where it operates, in particular by jointly donating digital radiology equipment to Figueira da Foz hospital and repeated donations of a range of protective materials to hospitals in Setúbal and Aveiro.

Impact on business

- As from mid-March, with the implementation of a state of emergency in several countries which are export destinations for the group, and the consequent strict lockdowns, economic activity slowed significantly in the Group's main markets, with a direct impact on its clients' business and global paper consumption.
- The unprecedented drop in orders, experienced as from the end of March, forced Navigator to partially and temporarily suspend paper production as from 22 April, for a period initially estimated at around 30 days, affecting between 700 and 2000 tons a day; this shutdown has had no impact on employees' earnings.
- The decision to partially suspend paper production was taken in a context of an economic slowdown which led paper manufacturers on every continent in the world to shut down production. Thanks to the excellent health of its order books in March, Navigator was able to postpone this decision as far as possible, and the adjustment has led to a better balance between supply and demand, minimising the risk of stocks building up along the supply chain.
- Integrated pulp production was adjusted in line with the needs of the paper machines in operation; the Aveiro Pulp Mill, which supplies the Tissue mill and produces pulp for the market, has continued to operate within normal parameters.
- The Tissue Mills in Aveiro and Vila Velha de Ródão have also continued to function with no restriction on their operations.

Summary of Leading Indicators (unaudited figures)

Million euros	Q1 2020	Q1 2019	Change (8) Q1 20/Q1 19	Q4 2019	Change (8) Q1 20/Q4 19
Total Sales	405.8	421.8	-3.8%	413.6	-1.9%
EBITDA (1)	**88.4**	**104.9**	**-15.7%**	**71.8**	**23.0%**
Operating Profits (EBIT)	48.3	66.2	-27.0%	33.8	42.8%
Financial Results	- 6.2	- 3.9	56.7%	- 7.5	-17.9%
Net Earnings	**30.6**	**49.3**	**-37.9%**	**20.8**	**47.5%**
Cash Flow	70.7	88.0	- 17.3	58.8	11.9
Free Cash Flow (2)	14.9	9.9	5.0	60.8	- 45.9
Capex	22.7	32.5	- 9.8	69.7	- 47.0
Net Debt (3)	799.5	676.9	122.6	715.3	84.2
EBITDA/Sales	**21.8%**	**24.9%**	-3.1 pp	**17.4%**	4.4 pp
ROS	7.5%	11.7%	-4.1 pp	5.0%	2.5 pp
ROCE (4)	10.8%	14.0%	-3.3 pp	7.5%	3.3 pp
ROE (5)	11.8%	16.4%	-4.5 pp	7.5%	4.3 pp
Equity Ratio	38.9%	44.4%	-5.5 pp	40.6%	-1.7 pp
Net Debt/EBITDA (6)(7)	2.25	1.51	0.74	1.92	0.33

1. Operating profits + depreciation + provisions;
2. Variation net debt + dividends + purchase of own shares
3. Interest-bearing liabilities - liquid assets
4. ROCE = Annualised operating income / Average Capital employed (N+(N-1))/2
5. ROE = Annualised net income / Average Shareholders' Funds (N+(N-1))/2
6. (Interest-bearing liabilities - liquid assets) / EBITDA corresponding to last 12 months
7. Impact of IFRS 16: Net Debt / EBITDA in 2020 of 2.38; restated 2018 Net Debt / EBITDA in Q1 2019 of 1.6; Net Debt / EBITDA Q4 2019 of 2.05
8. Variation in figures not rounded up/down

NB:

Impacts of application of IFRS 16 on Income Statements in 2020:

- reduction in the value of rentals in Third Party Supplies and Services of around € 2.2 million;
- increase in value of depreciation of approximately € 1.7 million;
- increase in value of interest of € 0.5 million

Impacts of application of IFRS 16 on Balance Sheet in 2020:

A sum of € 48.5 million has been stated under Lease Assets, with the corresponding contra-entry in Non-current Lease Liabilities.

ANALYSIS OF RESULTS

1st Quarter 2020 vs 1st Quarter 2019

The Navigator Company recorded turnover of € 406 million in the first quarter of 2020, with paper sales accounting for around 72% of turnover, energy sales for 10%, and pulp and tissue sales for approximately 9% each. The quarter was marked by the significant improvement of the mill's operational performance and by the improvement in our paper order book. Pulp and paper prices in Q1 2020 were down when compared to Q1 2019 (when prices were still at high levels) but this was partially offset by the recovery in sales volumes across pulp, paper and tissue businesses.

Volume of UWF paper sales up 4%

In the paper business, after the distribution chain ended 2019 with very low stock levels, the early months of 2020 saw the reverse phenomenon, as the European industry experienced strong growth in orders. Navigator recorded a very high level of paper orders in the first quarter, in excess of 50 days, one of the highest ever figures for this period of the year. In the final fortnight of March, as lockdowns were imposed in most European and Asian countries, the Company began to receive cancellations and above all postponement of orders by its clients. Despite this, it still ended the month with an order book of more than 40 days, a level 45% higher than its European counterparts.

The YoY trend in sales prices reflects the adjustment that started in the second quarter of 2019, and continued throughout the first quarter of 2020. The benchmark index for A4 showed a downward adjustment of 5.5% YoY, to an average price of 864 €/ton, as compared with 914 €/ton in the first quarter of 2019.

In this context, Navigator's sales volume for UWF paper rose by around 4% in relation to the first quarter of 2019. In geographical terms, sales outside Europe rose steeply, up by more than 10%. Premium segment sales accounted for 53% of total, and mill brand sales also rose to 71% of total. Despite the increase of 4% in sales volume, the sales value in the Group's UWF business was impacted by falling prices over the period, and sales dropped in value by around 2%, to € 293 million. It is important to note that the YoY price comparison between quarters is hindered by the fact that Navigator implemented a price increase for UWF paper right at the start of 2019, following on from a further four increases over the course of 2018.

Pulp sales volume grows by 34%

By the end of February, the global pulp market registered an increase in demand of approximately 13% YTD, but demand then fell during March, and it is estimated that world demand for short fibre stabilised overall in the first quarter of 2020 (vs. first quarter of 2019). On the supply side, there were a number of unplanned shutdowns and reductions in output, above all in the supply of short fibre from Asian producers, as well as a certain reduction in available output of short and long fibre as a result of the three-week strike by forestry, pulp and paper workers in Finland. In addition, the Covid-19 pandemic resulted in very significant limitations on logistical operations in China as from the Chinese new year (25 January), through to March, severely limiting the dispatch of pulp from ports to mills.

In this environment, the USD price of BHKP in Europe held steady over the quarter, at 680 USD/ton, 31.4% down from the price of 991 USD /ton recorded in the first quarter of 2019. The price of BHKP pulp in Euros dropped by around 29.3%, to 616 €/ton in the quarter, as compared to 872€/ton, also impacted by the strength of the US dollar in relation to the Euro. Over this period, Navigator succeeded in recording a volume of sales of market pulp significantly higher than in the same quarter in 2019 (up 34% in tons), due to recovering sales in Europe and diversification of sales to other markets. This increase in sales is in line with expectations given the capacity expansion at the Figueira da Foz mill and the return to good operating performance over the quarter.

Nonetheless, due to the downward trend in prices, the value of pulp business sales stood at € 35 million, as compared to € 40 million in the first quarter of 2019.

Tissue sales grow in volume and value

Tissue business evolved very favourably over the first quarter, with sales in volume reaching close to 26 thousand tons, representing an increase of 9.7% in relation to the first quarter of 2019.

Group operations succeeded in reacting positively, seizing the opportunity offered by the peak in demand triggered by COVID-19 for At Home products. The Aveiro and Vila Velha de Ródão tissue plants functioned without any restrictions on operation during the state of emergency, achieving an increase in output, especially on converting lines. However, it must be noted that increased sales in the At Home segment were counterbalanced by evolution in the Away from Home segment, which was affected by the COVID-19 situation (these products are aimed to a large extent at HORECA channels - hotel, restaurants and cafés - and at companies, which were severely affected by the lockdown measures implemented from mid-March onwards).

The Group accordingly recorded an increase in tissue business of approximately 10%. The sales mix improved in relation to the same quarter in the previous year, with the proportion of finished products rising to 86% (as compared to 74% in 2019), to the detriment of reels.

Energy Business feels impact of lower Brent price

Energy sales fell by approximately 9% in the first quarter. This reduction was due essentially to a drop in power sales to the national grid, caused by a breakdown in the steam turbine at the natural gas combined cycle power station at the ATF paper mill in Setúbal. Also the reduction in sales price resulted from the lower Brent prices in 2020, which had an impact on the sales tariff formula.

Other energy assets operated at a normal pace, without any impact from COVID-19 during the first quarter. Power was purchased on the futures market over the course of the period, with a view to ensuring competitive supply prices in 2021.

Improvement in production costs

The quarter saw positive evolution in most production expenses, both variable and fixed. The main factors improving variable costs were observed in the cost of external fibre (thanks to falling prices for long and short fibre, and to the reduction in specific consumption), in expenditure on wood (due in particular to lower specific consumption in the period), as well as in lower costs for chemicals, essentially due to lower prices for certain chemicals and reduced consumption for bleaching.

Fixed costs in the quarter were approximately € 6 million down on the first quarter of 2019, with positive evolution in operating costs (in particular in the costs of corporate sectors, in line with the cost reduction plan announced last year), in payroll costs (with a reduction in the value of bonuses and in the headcount), as well as lower maintenance costs, which were positively influenced by the postponement of maintenance shutdowns at the pulp mills in Figueira da Foz and Setúbal (shutdowns which took place in the first quarter of 2019).

EBITDA: lower costs and increased volumes partially offset drop in prices

In this context, first quarter EBITDA totalled € 88.3 million, down 15.7% on the first quarter of 2019, in a context of steeply falling pulp prices (down 31%) and a reduction in paper prices (down 5.5%). The EBITDA / Sales margin stood at 21.8%, 3.1 pp down from the first quarter margin in 2019, but considerably higher than the margin recorded at year-end 2019.

Financial costs stood at € 6.1 million (vs. € 3.9 million), representing an increase of € 2.2 million, due essentially to falling interest income from financial investments, hit by the impact of Covid-19 on the performance of the financial markets in March (whilst evolution in the first two months of 2020 had been neutral). In contrast, the performance of currency hedges and exchange rate variations were clearly positive for the Group.

Pre-tax profits totalled € 42 million and tax payable stood at € 11.5, the taxation rate for the period having risen to 27.3%. The increase in the effective tax rate was due essentially to the fact that the first quarter of 2019 benefited from reversal of a series of tax provisions, with no such benefit in 2020.

Net income for the period stood at € 30.6 million, as compared to € 49.3 million in the first quarter of 2019.

1st Quarter 2020 vs 4th Quarter 2019

The Group recorded a significant improvement in operational performance in the first quarter when compared with the previous quarter, which had been marked by several planned and unplanned shutdowns, in particular the strike at the pulp and paper mills in Setúbal and Figueira da Foz, at the Tissue mill in Vila Velha de Ródão, as well as the maintenance shutdown at the Aveiro tissue mill in November and December.

Paper output in the 1st quarter of 2020 therefore stood at 12% higher than in the 4th quarter of 2019, pulp output was up by 8% and tissue output grew by 25%.

The volume of paper sales held steady QoQ (up 0.4%), pulp sales dropped by 16% from the 4th quarter (a seasonally very strong period in terms of volume) and tissue sales were up by 20% on the previous quarter. However, the growth in volumes was not enough to offset the unfavourable trend in sales prices in the first quarter, with the result that turnover stood at € 406 million, 1.9% down on turnover in the fourth quarter of 2019.

The increase in volumes and lower costs in the first quarter in relation to the previous quarter led to a significant improvement in EBITDA, which recorded an increase of 23% over the previous quarter. This was in turn reflected in an improvement of 4.4 pp in the Ebitda / Sales margin, which rose from 17.4% to 21.8%.

Operating income improved by 43% to € 48 million and net income grew by 47%, totalling € 31 million.

Operating cash flow stood at €70.7 million, around €12 up from the 4th quarter, with steady implementation of the capex plan, totalling € 22.7 million over the period, and careful management of working capital.

Free cash flow generation rises to € 15 million

Free cash flow generation totalled € 15 million in the first quarter, as compared with €10 million in the same period in 2019. It should be recalled that sizeable annual payments traditionally weigh heavily on first quarter accounts (bonuses and insurance premiums, joined this year by an additional tax assessment). This situation was handled smoothly thanks to a careful policy of working capital management, in which the extension of certain payment periods was coordinated with implementation of complementary measures to support the liquidity of our partners. The adoption of a significantly more moderate pace in implementing our capex plan also contributed to this success.

At the end of March, net interest-bearing debt totalled € 800 million (excluding the impact of IFRS 16), representing an increase of € 85 million over year-end 2019, after a period in which the Group distributed reserves of € 100 million to its shareholders. The Net Debt / Ebitda ratio remains at a conservative level of 2.25 x (excluding the impact of IFRS 16).

First quarter Capex of € 22.7 million (down 30% on Q1 2019)

Capital expenditure in the quarter stood at € 22.7 million, as compared to € 32.5 million in the first quarter of 2019. This figure includes a sum of approximately € 13.7 million invested in maintenance, efficiency and other improvements, € 6.6 million in asset reconditioning projects and around € 2.4 million on environmental projects, in particular the new biomass boiler at Figueira da Foz.

Antidumping duties in the US: POR2 rate reviewed down to 4.37%

The anti-dumping rate to be applied retroactively on paper sales to the United States for the second period of review ("POR2"), which ran from March 2017 to February 2018, initially set at 5.96%, was adjusted down to 4.37% at the end of 2019 by the United States Department of Commerce ("DoC"). As a result of this decision, the CBP (Customs and Border Protection) has already processed a refund in relation to part of POR2, with an initial value of USD 2.2 million, which the Company expects to receive before the end of the first half of 2020, and which should correspond to around half of the total amount estimated as receivable in relation to POR2.

In relation to the first period of review ("POR1"), the matter is currently before the US Court of International Trade. It is recalled that the final rate for POR1 was reviewed from 37.3% to 1.75% in October 2018, and the same court decided, in November 2019, to request the DoC to review that outcome. The DoC had until February 2020 to submit its decision to the court, which it did, again recalculating the rate, which it has now set at 1.68%. Proceedings at the court are taking their normal course.

IMPACT OF COVID-19 AND OUTLOOK FOR 2020

The global socio-economic outlook has changed greatly since the emergence of the Covid-19 outbreak at the start of the year in China and its rapid spread as a global pandemic. The lockdowns implemented in several countries and their consequences introduce an unprecedented factor of uncertainty for the performance of Companies in 2020. Estimates of its future impact are highly dependent on the duration of the containment measures and on how a return to economic activity is permitted. It is therefore difficult to offer a reliable quantification of the financial impacts.

At Navigator, the swift implementation of containment measures and the Company's pro-active response to the pandemic have meant that its operations have continued on a normal basis, without no disruption to client service. In February, the Company implemented a contingency plan and set up a Crisis Office in charge of managing the evolving spread of Covid-19. The Executive Board was involved on a permanent basis and the first priority has been to protect the health and welfare of all of our workforce, whilst ensuring operational continuity. Measures taken to ensure worker safety have included organising working areas and shared areas so as to reduce the number of persons in the same space, increased disinfection materials in workplaces, distribution of protective equipment to internal and external personnel, restrictions on access by non-company personnel and organisation of teleworking for around 940 employees.

The business continuity plan includes a range of initiatives, which include monitoring the situation throughout the supply chain - from supplies of wood and raw and subsidiary materials (including logistics) to technical and support services provided by foreign companies, and providers of outsourced services. Other measures adopted by the Company were control of operations at the various industrial units and in different businesses, boosting the capacity of information systems, which has allowed almost a thousand employees to work from home, and stepping up security measures in the Company's networks so that telework can proceed without any disruption, development of a new plan to cut fixed and variable costs, robust cash management, a significant review of the 2020 capex plan and an increase in immediate liquidity.

On the market side, however, the sharp downturn in economic activity, in most of the markets where the company operates, has had a significant impact on UWF paper consumption and demand, and Navigator accordingly decided to cut its output by approximately 700 to 2 000 tons a day, for a period of 30 days, as previously announced to the market.

At this time, considering the signs currently visible in relation to paper orders, the Company has decided to extend the cut in production until the end of June, which will preserve a better balance between supply and demand, minimising the risk of stocks accumulating along the supply chain.

In order to ensure operational normality and stability in stock levels, adjustments have been made to the pace of production at the mills producing pulp integrated into UWF paper, rather than to shut them down, and also to alter and shorten the maintenance shutdowns planned for Q2.

Following this situation, Navigator has also decided to apply the simplified partial furlough measure in the form of temporary suspension of employment contracts or reduction in worktime, provided for in subparagraph (a) of article no. 4 of Decree-Law no. 10-G/2020 of 26th March. Approximately 1201 workers will be impacted by these furlough measures, 97 of which will be in full furlough, with impacts as of June 1st. In term of full-time equivalent (FTE), this represents less than 13% of the total numbers of workers within the Group. It is noted that the Company will maintain the full remuneration of these workers, excluding the components associated to the actual provision of work.

Considering the recent developments, for the sake of prudence and because of the use of the furlough measure, the Board of Directors has decided to withdraw the proposal related to profit allocation in the agenda of the next General Meeting to be held on May 28th 2020. As previously mentioned, Navigator has already paid to shareholders an amount of approximately € 100 million related to reserves in January 2020 and the proposal that is being withdrawn referred to an additional distribution of approximately € 99 million. The Company will issue a new convening notice for a new General Meeting with the discussion the new proposal for allocation of net profits - to be made by the Board of Directors, for such profits to be fully applied into free reserves – as the sole item in the agenda.

Outlook for Navigator's businesses in 2020

UWF Paper

Since the start of the Covid-19 pandemic, Navigator has implemented models for monitoring and forecasting the likely impacts on its core business. The sales volume has so far been in line with the projections initially made in March. The UWF sales volume fell by 22% in April in relation to the same month in the previous year, whilst the combined drop in the first four months of the year, in relation to 2019, is only 2%.

Demand for printing and writing paper is severely affected by a situation of social paralysis, with schools, shops and offices all closed. Even so, UWF paper is more versatile in its final applications than other forms of printing and writing paper, and continues to display a stronger level of resilience. Preliminary figures for April show that demand for UWF is being less affected than demand for other printing papers. The YoY percentage drop in domestic sales by European producers in Uncoated Woodfree has been around half of that for Coated Woodfree.

The dynamism of the UWF market in the near future is dependent, like most economic sectors, on the success of the reopening of the economy, which is believed to be happening gradually alongside plans for ending lockdowns and a return to normality, to the extent possible.

The demand for office paper will be boosted in particular by the reopening of schools and universities, the return of employees working from home to an office environment and the resurgence of the service sector. Demand for folio paper and reels will depend on the revival of the publishing and advertising sectors.

Significant drops in demand are therefore expected in the second quarter, most acutely in key European markets and in the United States, and a gradual recovery is then anticipated until the end of the year.

Pulp

Navigator expects to achieve a slight increase in its sales of pulp to the market, in particular in the second quarter, in line with its budget projections. At the Figueira da Foz mill, the capacity expansion implemented in 2018, combined with reduced needs for integration in paper and the current drying capacity, will enable the Company to free up some pulp capacity for the market, in addition to sales from the Aveiro mill.

Tissue

COVID-19 had a positive effect on first quarter sales, and continued business growth is expected in the months ahead, in line with Navigator's budget projections, despite predictions of a slight downturn in demand in the Tissue market, as economic activity slows, especially in the tourism sector. As previously envisaged, Tissue business should enjoy a positive impact from growing output and sales, and from a more efficient cost structure combined with economies of scale.

However, it should be stressed that sales in Q2 may be impacted by the reduction already made by Portuguese and international insurers in the credit cover ceilings for paper, pulp and tissue clients. Navigator awaits the Portuguese government measures regarding the increase in credit lines supporting exports, as several European governments have already done, namely in Germany and France, in order to defend their local export industries.

Measures implemented in procurement operations

Operational measures have been taken to reduce wood imports, including both non-Iberian markets and the Spanish market, as well as to cut deliveries from our own forests and the home market. In the Spanish and Portuguese market, and in forest operations on our own holdings, Navigator has taken care to ensure work for all suppliers and service providers, reflecting significant efforts to protect Portuguese forestry producers and the forestry value chain, adjusting daily supply needs to the needs of production, and maintaining balanced stock levels, despite the reduction in volume. Complementing these measures, plans to cut fixed costs have been stepped up, and work has proceeded on projects in progress.

As regards financial measures, arrangements have been designed to support our suppliers, to permit greater flexibility in cash management and to provide guidance to their companies in the wake of COVID-19.

In the rest of the supply chain, a plan has been implemented for daily monitoring of supply risks, in order to anticipate any interruptions to supply, originating from the production units of our Suppliers or from logistical transportation chains. In addition, a new stocks control process has been implemented at our production sites allowing them not only to streamline stocks of raw materials but also to make rapid adjustments in orders in line with our real needs, in the current situation with COVID-19. In relation to operating costs, additional containment measures have been implemented, ensuring that the team is fully functioning on a telework basis.

These initiatives are also a way to protect and support our relationship with our regular providers, most of which are small and mid-size companies, allowing them to continue to operate in this difficult environment, keeping their ability to remain as our business partners and as providers of the Portuguese Economy.

Measures to support Group liquidity

Navigator increased its immediate liquidity to € 256 million at the end of the quarter (to which should be added the continued existence of sizeable unused medium/long term backup facilities, standing at € 75 million at the end of the period, as well as short term facilities of € 20 million), and has maintained a sound financial position enabling it to face comfortably the current situation, with all its financial needs for 2020 assured.

The Group continued to pursue this policy in April, with the contracting of additional short term finance, with a value of € 65 million, which, in combination with implementation of new measures to manage working capital, have made it possible to reinforce this liquidity position still further.

Reduction of 2020 capex by 56%

In view of the current situation, Navigator decided to review its capex plans for 2020, which in its budget were estimated at around 158 million. In addition to capex allocated to maintenance and efficiency gains, this sum also included environmental investments, major repairs and other capex projects for reconditioning assets, which will now be cut very significantly by around € 88 million to € 70 million.

Measures to optimise and reduce costs and improve operational efficiency

As part of systematic and ongoing efforts to improve operational efficiency and the Group's economic and financial sustainability, a new cost optimisation and operational efficiency plan was implemented at the start of the year, involving the entire organisation and all its business areas, as well as a new Digital Transformation project in the corporate sector.

However, with the shift to a deep recession, as a result of the measures to contain and mitigate the Covid-19 pandemic, the Group has had to review and extend the scope and depth of the cost reduction initiatives originally envisaged, and to contemplate a thorough reformulation and streamlining of the Group's operating structure, addressing fixed costs, variable and investment costs. This should make it possible to obtain very significant reductions, in particular in fixed costs, totalling € 46 million in 2020, in relation to 2019.

Keeping their focus on boosting sales in business areas in this particularly challenging context, all the Group's sectors are also committed to the essential efforts to optimise costs, as a way of preserving the Group's sustainability in the immediate future and the long term.

The Group is taking all the steps in its power to mitigate the impacts of the Covid-19 pandemic, firm in the belief that the dedication of its workforce and its business model, founded on a continued and growing presence in the hardwood pulp sector, on a strategic commitment to diversification into tissue and on the resilience and soundness of its UWF business, will enable it to face the difficult period ahead with confidence and determination.

Lisbon, 20 May 2020

Conference call and Webcast

Date: May 26 of 2020

Schedule: 10:00 AM (Western European Summer Time – UTC+1)

Dial-in:

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All numbers should be followed by the pincode: 80212912#

CONSOLIDATED FINANCIAL STATEMENT

(Unaudited)

Amounts in Euros	3 months 31-03-2020	3 months 31-03-2019
	(unaudited)	(unaudited)
Revenue	405,760,730	421,835,168
Other operating income	7,836,993	9,705,380
Change in the Fair Value of Biological Assets	(2,276,035)	(1,298,685)
Cost of Inventories Sold and Consumed	(173,137,029)	(193,920,298)
Variation in Production	3,248,213	25,051,523
External services and supplies	(109,591,419)	(111,929,332)
Personnel expenses	(36,238,634)	(38,476,632)
Other operating expenses	(7,202,990)	(6,093,544)
Provisions	(1,882,075)	(1,289,005)
Depreciation, Amortization and Impairment charges	(38,215,771)	(37,419,356)
Operational Results	**48,301,983**	**66,165,217**
Other financial income and gains	4,394,504	2,480,907
Other financial expenses and losses	(10,559,916)	(6,414,757)
Financial Results	**(6,165,412)**	**(3,933,850)**
Gains/(losses) of associates and joint ventures	-	(5,812)
Profit Before Tax	**42,136,571**	**62,225,555**
Income Tax	(11,518,145)	(12,953,611)
Net profit for the period	**30,618,426**	**49,271,944**
Attributable to Navigator's equity holders	30,614,407	49,274,893
Attributable to non-controlling interests	4,019	(2,949)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Unaudited)

Amounts in Euros	31/03/2020	31/12/2019
	(unaudited)	
ASSETS		
Non-Current Assets		
Goodwill	377,339,466	377,339,466
Other Intangible Assets	16,006,672	4,506,689
Property, plant and equipment	1,232,179,886	1,249,651,599
Right-of-use assets	47,466,080	45,517,924
Biological Assets	129,493,806	131,769,841
Investment Properties	95,470	95,882
Non-current receivables	57,670,722	58,778,469
Deferred Tax Assets	29,784,503	31,638,565
	1,890,036,604	**1,899,298,435**
Current Assets		
Inventories	228,375,645	217,879,700
Receivables and other current assets	301,298,924	247,408,647
Income tax	30,256,261	25,145,169
Cash and Cash Equivalents	255,669,250	161,880,403
	815,600,079	**652,313,920**
Total Assets	**2,705,636,683**	**2,551,612,355**
EQUITY AND LIABILITIES		
Capital e Reserves		
Share Capital	500,000,000	500,000,000
Treasury Shares	(20,189,264)	(20,189,264)
Currency translation reserve	(17,979,341)	(18,728,949)
Fair Value Reserves	(7,899,680)	(6,384,412)
Legal Reserves	100,000,000	100,000,000
Other Reserves	98,153,331	98,153,331
Retained earnings	360,259,796	206,004,258
Net Profit for the Period	30,614,407	168,290,315
Equity attributable to Navigator's equity holders	**1,042,959,249**	**1,027,145,277**
Non-Controlling Interests	279,198	273,817
Total Equity	**1,043,238,447**	**1,027,419,095**
Non-Current Liabilities		
Loans	876,964,947	863,936,941
Lease liabilities	43,693,932	42,450,826
Pensions and Other Post-Employment Benefits	21,597,926	6,588,076
Deferred Taxes Liabilities	83,143,836	80,413,906
Provisions	21,738,546	19,948,347
Non-current payables	27,931,687	30,837,585
	1,075,070,875	**1,044,175,681**
Current Liabilities		
Loans	178,194,444	13,194,444
Lease liabilities	4,853,744	4,396,971
Payables and other liabilities	367,615,604	426,197,436
Income tax	36,663,568	36,228,728
Non-Current Liabilities Available for Sale	-	-
	587,327,360	**480,017,579**
Total Liabilities	**1,662,398,235**	**1,524,193,260**
Total Equity and Liabilities	**2,705,636,683**	**2,551,612,355**