

The logo for inapa, featuring the word "inapa" in a bold, lowercase, sans-serif font. The letter "i" has a dot above it. The background of the entire page is a light green color with a pattern of thin, white, branching lines that resemble a network or a tree structure.

IMPROVING
THE WORLD

Results Announcement

1ST HALF 2022

Highlights

GENERATION OF RESULTS

- During the first half of 2022 the closure and conversion of production capacity continued, which together with the limitations on paper imports from other continents, had an unprecedented impact on paper supply.
- Sales volume in tons in line with H1 2021.
- Sales increased by EUR 167.9m, or 37.7%, compared with the same period of 2021.
- EUR 45.5m increase in Gross Margin generated, corresponding to 20.8% of Sales, 2.4 pp more than in the 1st half of 2021.
- Net operating costs represented 13.4% of sales (reduction of 2.6 pp in comparison with the 1st half of 2021).
- EBITDA of EUR 42.5m (EUR 33.1m more than in 2021), corresponding to 6.9% of Sales.
- Operational profit (EBIT) of EUR 33.1m (EUR 31.5m increase).
- Net profit of EUR 16.0m.

FINANCIAL STRUCTURE

- Net debt decreased EUR 35.4m compared to December 2021 (-99.0m compared to June 2021), with a significant improvement on the Debt/EBITDA ratio, to 3.4x.
- Working capital increased EUR 12.9m compared to December 2021 (-67.2m compared to June 2021).

Main activity Indicators

Amounts in MILLION EUROS except when specified otherwise)

	1H22	1H21	VAR.22/21
Tonnes ('000)	390	393	-0,8%
sales	613,6	445,7	37,7%
Gross Margin	127,5	82,0	55,6%
<i>Gross margin (%)</i>	20,8%	18,4%	2,4 pp
Net operating costs	82,2	71,4	15,1%
Operating income	14,4	13,2	8,7%
Operating costs	96,6	84,7	14,1%
Impairment of current assets	0,4	0,9	-61,6%
Re-EBITDA	45,0	9,6	35,4
<i>Re-EBITDA (%)</i>	7,3%	2,2%	5,2 pp
Costs/ (Profits) non current	2,4	0,2	2,3
EBITDA	42,5	9,4	33,1
<i>EBITDA (%)</i>	6,9%	2,1%	4,8 pp
EBIT	33,1	1,6	31,5
<i>EBIT (%)</i>	5,4%	0,4%	5,0 pp
Net Financial function	7,9	7,0	12,6%
EBT	25,2	-5,4	30,6
Income tax	9,2	2,4	6,8
Net income	16,0	-3,0	19,0

	30/06/22	30/06/21	VAR.22/21
Net Debt	226,4	325,4	-30,4%
Net Debt/Re-EBITDA ¹	3,4 x	12,4 x	-9,0 x
Net Debt excluding Trade Finance	207,3	250,7	-17,3%
Interest coverage	5,7 x	1,4 x	4,3 x
Working capital	24,3	91,5	-73,5%

¹ Re-EBITDA for the last 12 months

Relevant Events

29.04.2022

2021 Results Announcement

29.04.2022

Notice of Ordinary General Meeting
and 2021 Annual Report publication

29.04.2022

2021 Sustainability Report publication

20.05.2022

Ordinary General Meeting

SUBSEQUENT EVENTS

No subsequent events have been recorded
up to the release of this announcement.

Consolidated Performance

The first six months of the year were marked by the invasion of Ukraine by Russia at the end of February, which is causing blockages in the supply chain and increasing the cost of gas and transport, thus worsening the already high production (raw materials, energy) and logistics costs, leading to a further increase in prices. With the recovery of economies after the Covid-19 pandemic crisis, there has been an increase in demand for paper in a context of continuing factory closures or conversions. The strike in one of the major European producers, which lasted until April, also contributed to a lower availability of paper.

In this context, Inapa consolidated sales reached 613.6 million euros, an increase of 37.7% compared to the same period last year. Paper sales in tonnes were in line with the first semester of 2021, and the average paper price maintained the global trend of sharp increase that we have been witnessing since the end of 2021.

Sales related to the complementary businesses of packaging, visual communication and office supplies registered, in the first six months of the year, a growth of 10% compared to the first half of 2021. The packaging area continued to show a very positive progression compared to the same period last year. With the start of events and fairs, which had been suspended since 2020, we have seen an upturn in the

visual communication area, which also recorded growth compared to 2021.

The gross margin in the first six months of 2022 reached 20.8% of sales, +2.4 percentage points compared to the same period in 2021. In this period we continued to work on a careful price management and on improving the sales mix, by focusing on products with higher margins.

Net operating costs, excluding customer impairments, represented 13.4% of sales in H1 2022, a decrease of 2.6 percentage points when compared to H1 2021. In absolute terms, we recorded an increase of 10.8 million euros resulting essentially from the increase in staff costs (associated to better sales performance and termination of Governmental aids that were still in place in the first half of 2021) and transportation costs (due to combined effect of higher activity and higher fuel costs. In 2022 the Group benefited from gains resulting from the reorganisations implemented in different geographies in recent years.

Meanwhile, additional cost reduction measures were identified in the areas of logistics and commercial organisation in Germany, which are currently being implemented, and whose savings will be progressively reflected between 2022 and 2023.

Trade receivables impairments in the first half of 2022 amounted to 0.4 million euros, 0.1% of sales. Inapa keeps a strict monitoring of risks, following rigorous internal procedures for credit control of its customer portfolio, always working closely with the Group's credit insurer.

Re-EBITDA rose in the first half of 2022 to 45.0 million euros (7.3% of sales), a significant improvement of 35.4 million euros compared to 2021, benefiting from the improvement in margins, as well as the gains resulting from the different operational efficiency measures already implemented.

Non-recurring costs totalled 2.4 million euros (+2.3 million euros compared to 2021) and are mostly related to the implementation of the additional cost reduction measures in the logistics and commercial organisation areas taking place in Germany.

EBITDA was 42.5 million euros (6.9% of sales), 33.1 million euros above 2021.

Operating results (EBIT) were 33.1 million euros, a positive development of 31.5 million euros.

Financial charges for the first half of 2022 increased 0.9 million euros to 7.9 million euros compared to the same period of 2021, impacted essentially by non-recurring costs associated with the early repayment of lease financing.

Consolidated net profit before tax stood at a positive 25.2 million euros. Income tax amounted to 9.2 million euros, of which around 3.8 million euros related to current taxes and 5.4 million euros related to deferred taxes, leading to a positive net result in the first half of 2022 of 16.0 million euros.

Working capital registered a relevant reduction of -67.2 million euros compared to June 2021, to 24.3 million euros. This evolution is impacted by the change of the factoring contract without recourse negotiated this year in Inapa France (covering a significant portion of the receivables balances in that geography), similarly to what was done in 2021 for the Group's operations in Germany. After a phase of strong demand and lower supply of paper, we are currently reviewing inventory levels in view of the uncertainty of future market developments, namely regarding the normal operation of the manufacturing units due to the impacts of the discontinuity of energy and raw materials supplies, along with inflationary pressures.

Consolidated net debt stood at 226.4 million euros, 35.4 million euros less than in December 2021, reflecting the operational cash flow generation in the period, as well as the above mentioned effect of the recognition of factoring without recourse in the subsidiary Inapa France. The short-term debt balance remained stable, with current debt excluding Trade Finance standing at 66.1 million euros, or 26% of total gross debt (25% in December 2021).

Business Areas Performance

With the economic upturn, demand for paper increased. However, the reduction in installed production capacity, as a result of mill closures or conversions, together with import limitations due to logistical constraints, limited market development, with Western Europe showing an increase in volumes of only 0.4% compared to the first half of 2021 (Eurograph data).

We continued with our strategy of improving the sales mix, supported by the adaptation of the product portfolio to customer needs and the reorganisation of commercial areas, combined with a continued focus on efficiency and productivity, through the systematic adjustment of business models and organisation. In this sense, additional cost rationalisation measures were identified in the logistics and commercial organisation areas of our subsidiary in Germany, which are being implemented throughout 2022, with full year impact in 2024.

The Covid-19 pandemic accelerated the change in consumption patterns that resulted in consumers shifting their purchasing behaviours to online, which has been one of the driving forces behind the increase in packaging demand in the last two years, with these patterns being maintained in 2022.

Inapa continues to focus on the development of complementary businesses of packaging and visual communication which, in the first half of 2022, recorded an overall increase of about 10% compared with the same period of 2021, with a very positive contribution to the operating results.

PAPER

Throughout the first half of 2022 there was an improvement in demand, across all geographies and product segments.

The first quarter was marked by a strong economic recovery, with high levels of activity. The second quarter was impacted by some negative factors such as the invasion of Ukraine by Russia and inflationary pressures.

In this context, sales in volume in the first half of 2022 were 390 thousand tonnes, in line with the same period in 2021. In value terms, sales reached 569.7 million euros (+41.4% vs. H1 2021).

In the first six months of 2022, the average sales price⁽¹⁾ grew by 37.9% over the second half of 2021 (+44.1% year-on-year). The upward trend in paper prices was underpinned by rising producer prices, in turn largely determined by rising production costs (namely pulp, energy and chemicals). We are witnessing here a change in the producers' commercial strategy, currently more reactive and short term, with high and immediate increases, order selection (and cancellation) and the discontinuation of less profitable businesses (brand, quality, customer, contract).

Inapa remains focused on boosting cross-selling of packaging materials, visual communication and graphic and office consumables, as a way to increase its penetration in customers, thus offsetting part of the decrease in paper. In this sense, we continue to explore cross-selling in the areas of packaging and visual communication through the sale of hygiene and safety products, in the part of protection and social distancing equipment, sign & display and adhesive & floor marking, as well as premium packaging.

The operating results (EBIT) of this business were positive 34.5 million euros (increasing about 33.5 million euros compared to the same period of 2021), as a result of the increase in margin, transversal to all geographies, along with the cost containment measures following the implementation of the different restructuring plans in Germany, France and Spain.

⁽¹⁾ Average Sales Price: Paper Sales / Tonnes

PACKAGING

Inapa Group's packaging companies' business represented 47.5 million euros in sales, showing a growth of about 12% compared to the first half of 2021.

This evolution reflects the continued good performance of sales to the health (hygiene and safety), agri-food and food processing sectors and packaging for e-commerce or transport boxes (food, medicine, etc.), along with a recovery in sales to the cosmetics, automotive and electronics industries.

The operating profit (EBIT) of the packaging companies was 2.6 million euros, representing 5.4% of sales (2.6 million euros and 6.2% in the same period of 2021). Notwithstanding the continuous effort to protect the margin through a very disciplined pricing policy, this was impacted by the strong pressure at the level of producer prices, due to the producer prices due to the increase in the cost of raw materials.

VISUAL COMMUNICATION

The visual communication business recorded a turnover of 16.0 million euros, an increase of around 13% compared with the same period of 2021.

Notwithstanding the inflationary pressures that the first half of 2022, we witnessed a market recovery, together with a greater willingness to invest from our customers market, together with a greater willingness to invest by our customers, with a higher flow of orders compared with the same period last year (increase in the LFP - Large Format Printing - segment in its Media and Inks components) and growth in the maintenance services and spare parts area. The semester was also marked by the participation in a speciality fair, the first since April 2020.

The operating results were break-even (negative 27 thousand euros), impacted essentially by a slower recovery of the activity level during the first quarter of the year.

Future prospects

The current tense global geostrategic situation should translate into a continuation of the economic environment felt throughout the first half of the year.

The conflict in Ukraine led to disruption in Europe's energy supply, leading to sharp increases in electricity and gas prices, and to shortages of raw materials from Russia (wood, pulp), which, aggravated by the disruptions in international logistics chains introduced by the Covid-19 pandemic outbreak, hinder market normalisation.

These factors causing high inflation, led to a new element with economic impact on the life of companies due to the increase in interest rates.

During the first months of 2022, with the continued pressure of raw material costs raw material costs, associated with higher energy and chemical and chemical products and the reduction of production capacity, we saw a generalized increase in paper and packaging prices, which are expected to remain high, which may affect the demand for these goods and lead to market retraction.

Inapa maintains its focus on improving margins, both through the optimization of

the product mix (boosting sales of products with higher added value and through electronic channels) and a very disciplined pricing policy. pricing policy. This vector is a fundamental pillar of Inapa's strategy for the future, even in a context of strong price increases by producers.

The creation of an organisational structure with reduced operational costs, leveraging scale and betting on flexibility, will also remain a central line of action. We continued with the plan to integrate our operations in Germany, where we have already achieved significant cost reductions, and additional cost rationalisation measures have been identified in the areas of logistics and commercial organisation which will be implemented throughout 2022 and 2023, with full impact in 2024.

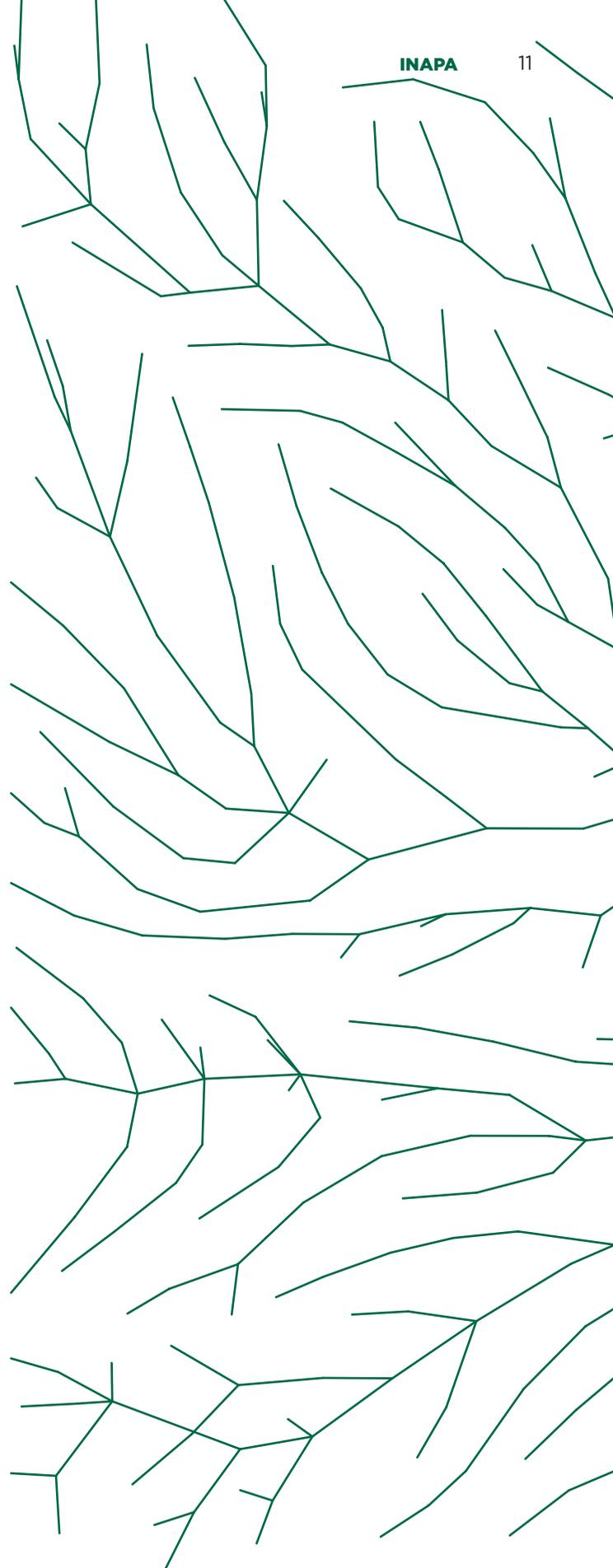
After the conclusion in 2021 of the implementation of the new Group ERP (SAP 4/HANA) in Inapa Deutschland, Inapa Belgium and in the companies in Portugal, we are in 2022 advancing with the roll-out to the other geographies.

In addition to the obvious benefits of cost reduction and increased productivity, the harmonisation of processes and systems across all Group operations will enhance the Group's strategy of creating shared centres for some functions, which has already begun by the end of 2020. It should also be noted the transformational impact on our IT applications ecosystem, significantly reducing its complexity and maintenance effort and increasing its resilience.

Inapa will continue to focus on the packaging and visual communication businesses, promoting organic growth through a greater penetration in the markets where it operates and strengthening cross-selling. Given that these businesses are characterized by a high fragmentation, we will also actively pursue investment opportunities that present perspectives of growth, profitability and value creation in line with the Group's standards.

We will maintain a disciplined management of working capital, particularly important in the context of volatility described above.

This posture, together with the levels of optimisation and profitability achieved in operations, allows us to anticipate, in the current context of activity, the maintenance of cash flow balance and reduction of the weight of the financial debt.



Interim Consolidated Accounts

INAPA - Investimentos, Participações e Gestão, SA

CONSOLIDATED INCOME STATEMENT AT JUNE 30, 2022 AND JUNE 30, 2021

(Amounts in thousands of Euros)

	JUNE 30, 2022	JUNE 30, 2021
Sales and services rendered	623,186	453,015
Other income	6,763	5,910
Total income	629,949	458,925
Cost of sales	-488,022	-361,086
Personnel costs	-52,202	-45,350
Other costs	-47,219	-43,039
Operating results before depreciations and amortizations	42,507	9,449
Depreciations and amortizations	-9,452	-7,869
Operating results	33,055	1,580
Gains / (Losses) in associates	154	-13
Net financial function	-8,030	-6,983
Net profit before income tax	25,178	-5,416
Income tax	-9,218	2,400
Net profit / (loss) for the period	15,960	-3,016
Attributable to:		
Shareholders of the company	15,960	-3,016
Earnings per share on continuing operations		
Basic	0,0303	(0,0057)
Diluted	0,0234	(0,0044)

* Non audited.

INAPA - Investimentos, Participações e Gestão, SA

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF JUNE 30, 2022 AND DECEMBER 31, 2021

(Amounts in thousands of Euros)

	JUNE 30, 2022	DECEMBER 31, 2021
Assets		
Non current assets		
Tangible fixed assets	46,021	57,390
Goodwill	232,620	232,620
Right of use	33,803	33,105
Intangible assets	124,801	125,471
Investments in associate companies	1,315	2,260
Assets at fair value through profit or loss	120	120
Other non current assets	2,460	3,373
Deferred taxed assets	30,112	37,148
Total non current assets	471,252	491,487
Current assets		
Inventários	85,174	55,032
Clientes	71,346	65,801
Imposto sobre o rendimento a recuperar	4,936	5,437
Outros ativos correntes	46,972	60,482
Caixa e equivalentes de caixa	27,537	7,982
Total current asset	235,965	194,734
Total assets	707,217	686,221
SHAREHOLDERS' EQUITY		
Share capital	180,135	180,135
Share issue premium	431	431
Reserves	21,811	19,782
Retained earnings	-42,926	-46,240
Net profit for the period	15,960	3,314
Total shareholders' equity	175,412	157,422
LIABILITIES		
Non current liabilities		
Loans	168,693	183,408
Deferred tax liabilities	48,063	48,618
Provisions	5,672	5,648
Employees benefits	17,822	21,780
Other non current liabilities	17	17
Total non current liabilities	240,267	259,472
Current liabilities		
Loans	85,252	86,387
Trade payables	132,223	109,470
Tax liabilities	12,449	10,387
Provisions	1,808	1,542
Other current liabilities	59,807	61,542
Total current liabilities	291,538	269,327
Total shareholders' equity and liabilities	707,217	686,221

Additional Information

Warning

This document contains information and future estimates based on current expectations and management opinions deemed reasonable. Future estimates must not be considered historical facts and are subject to several unpredictable factors that may have an impact on future results.

Despite the fact that the above mentioned estimates represent current expectations, investors, analysts and all those who may

make use of this document are warned that future information is subject to uncertain factors and risks, of which many are difficult to forecast. All readers are warned not to attribute an inappropriate importance to future estimates and information. We exempt ourselves of any responsibilities concerning any future estimates or information.

Inapa is admitted to trading on the Euronext Stock Exchange.

Information about the company may be checked under the ticker INA.LS

INVESTOR RELATIONS

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