



inapa

Results Announcement

1ST HALF 2021

RESULTS

- Lockdowns related to Covid-19 with a significant impact on business, limiting paper consumption recovery (market 17% below 2019).
- Sales decreased 73.3M €, or 14.1%, compared to the same period in 2020.
- Gross margin increased to 18.4% of sales, 0.9 pp above the same period of the previous year.
- Net operating costs decreased 7.9M € (10.0% reduction, compared to 2020).
- EBITDA of 9.4M € (more 1.1M €, compared to 2020), corresponding to 2.1% of sales.
- Operating results (EBIT) of 1.6M € (increase of 2.7M €).
- Negative net income of 3.0M €.

FINANCIAL STRUCTURE

- Net debt increased 10.3M € compared to December 2020 (+20.8M € compared to June 2020), of which 18.3M € in Trade finance.
- Working capital increased 18.5M € compared to December 2020 (+16.3M € compared to June 2020).

	1H21	1H20	VAR.21/20
Tonnes ('000)	393	460	-14.6%
Sales	445.7	519.0	-14.1%
Gross margin	82.0	91.0	-9.9%
Gross margin (%)	18.4%	17.5%	0.9 pp
Net Operating costs	71.4	79.3	-10.0%
Operating Income	13.2	13.4	-0.8%
Operating Costs	84.7	92.7	-8.6%
Impairment of current assets	0.9	0.9	7.2%
Re-EBITDA	9.6	10.8	-10.9%
Re-EBITDA (%)	2.2%	2.1%	0.1 pp
Costs/ (Profits) non current	0.2	2.4	-2.2
EBITDA	9.4	8.4	12.7%
EBITDA (%)	2.1%	1.6%	0.5 pp
EBIT	1.6	-1.2	2.7
EBIT (%)	0.4%	-0.2%	0.6 pp
Net Financial function	7.0	8.2	-15.1%
EBT	-5.4	-9.4	4.0
Income tax	2.4	1.0	1.4
Net income	-3.0	-8.4	5.4

	JUNE 30, 21	JUNE 30, 20	VAR.21/20
Net Debt	325.4	304.6	6.8%
Net Debt excluding Trade Finance	250.7	245.8	2.0%
Interest coverage	1.4 x	1.3 x	0.1 x
Working capital	91.5	75.2	21.7%

(Amounts in MILLION EUROS except when specified otherwise)

Relevant Events

30.04.2021

2020 Results Announcement

30.04.2021

2020 Annual Report Publication

30.04.2021

Notice of Ordinary General Meeting

21.05.2021

Ordinary General Meeting

SUBSEQUENT EVENTS

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

Consolidated Performance

During the first half of 2021 the pandemic outbreak continued, with the confinements that took place impacting significantly the economic environment, which naturally had a significant effect on the activity of the Group's subsidiaries, particularly in Germany.

The travel restrictions imposed in the first half had a particular influence on the implementation of the new ERP in Germany, extending the transition period beyond what was initially planned, with repercussions on commercial and logistical activities throughout the first half of 2021, but in the meantime surpassed with the conclusion of the migration process.

In this context, Inapa's consolidated sales amounted to 445.7 million euros, a decrease of 14.1% compared to the same period last year. Paper sales in tonnes decreased 14.6%.

Sales related to complementary businesses of packaging, visual communication and office consumables recorded a growth of 2.7% in the first six months of the year compared to the first half of 2020.

The different areas showed distinct behaviors, with strong growth in the area of packaging compared to the same period of the previous year, and with the visual communication area registering a fall, more penalized by the Covid-19 outbreak due to the widespread postponement of events and fairs.

Gross margin in the first six months of 2021 amounted to 18.4% of sales, +0.9 pp compared to the same period in 2020. Despite the drop in sales, we continued to work on a careful pricing management and on improving the sales mix, by focusing on higher margin products.

Net operating costs, excluding impairment of current asset, recorded a decrease of 7.9 million euros in the first half of 2021 compared to the first half of 2020, a reduction of 10.0%. In 2021 we have already fully benefited from the gains resulting from the reorganization of the logistics and distribution network in the Paris area, completed at the end of 2020, as well as from the restructuring implemented in the first quarter of 2021 in Spain.

The gains inherent in the integration plan and capture of synergies with the merger of the operations in Germany were already significant, but still below to their medium-term potential. In 2021 there was a strong decrease in government supports obtained, namely layoffs, despite the still tenuous market recovery.

Impairment of current assets in the first half of 2021 remained in line with the same period of 2020 and amounted to 0.9 million euros, 0.2% of sales. Inapa maintains strict risk monitoring, following rigorous internal credit control procedures for its customer portfolio,

always working in close coordination with the Group's credit insurer.

Re-EBITDA amounted to 9.6 million euros in the first half of 2021, corresponding to 2.2% of sales.

Non-recurring costs totaled 0.2 million euros (-2.2 million euros compared to 2020) and relate to expenses with the restructuring processes still taking place in the logistics and commercial areas.

EBITDA was 9.4 million euros (2.1% of sales), 1.1 million euros above 2020.

Operating results (EBIT) were 1.6 million euros, an improvement of 2.7 million euros.

Financial charges for the first half of 2021 decreased 1.2 million euros to 7.0 million euros compared to the same period in 2020. This progression is essentially due to the reduction in the average cost of debt reflecting a greater weight of debt associated with the activity financing.

Consolidated earnings before taxes were negative 5.4 million euros. Income tax amounted to 2.4 million euros, of which around 0.4 million euros are related to current taxes and 2.8 million euros are related to deferred taxes, leading to a negative net income in the first half year of 2021 of 3.0 million euros.

Working capital increased by 16.3 million euros compared to June 2020, to 91.5 million euros. This increase results from a higher level of customer balances, reflecting the activity increase during the second quarter (following the progressive lifting of containment measures) and a lower balance of suppliers, explained by access to exceptionally extended payment terms in the second quarter of 2020. On the other hand, the decrease in inventories already reflects the optimization of the logistics network resulting from the consolidation of warehouses.

Consolidated net debt stood at 325.4 million euros, 10.3 million euros more than in December 2020. This evolution results essentially from the increase in Trade Finance (+18.3 million euros), associated with factoring contracts, to finance the higher working capital needs arising from the recovery of activity in the second quarter of 2021. The balance of short-term debt remained stable, with current debt excluded from Trade Finance standing at 51.7 million euros, ie 15% of the total gross debt (14% in December 2020).

To face the uncertainty of the impact of the Covid-19 pandemic, the Group raised in 2020 several State guaranteed credit lines. Some of these were revised in 2021, with the extension of the maturity up to 60 months the inclusion of an additional 12-month moratorium.

BUSINESS AREAS PERFORMANCE

The pandemic outbreak had a significant impact on the activity developed by the Inapa Group, namely in the Paper and Visual Communication areas.

We continued with the strategy of improving the sales mix, supported by the adaptation of the product portfolio to the needs of customers and the reorganization of the commercial areas, in conjunction with a systematic focus on efficiency and productivity, through the continuous adjustment of business models and organization. In this sense, we carried out a sale and lease back operation of Markt Schwaben warehouse and the sale of Porto Salvo warehouse, with a net joint impact of 3.0 million euros.

Inapa continues to invest in the development of complementary packaging and visual communication businesses, which in the first half of 2021 recorded an overall increase of around 3% compared to the same period of 2020, with a very positive contribution in terms of operating results.

PAPER

In the first quarter of 2021 there was still a sharp drop in turnover in the different geographies, with activity recovering from the second quarter as the containment measures were being lifted.

The activity in Germany was strongly impacted by travel restrictions, which caused a considerable delay in the conclusion of the transition process to the new ERP, causing several inefficiencies on the commercial area as well as on the logistics and customer service. The implementation of the new ERP has already been concluded with the end of travel restrictions, and it is now possible to recover and improve service levels and efficiency.

In this context, volume sales in the first half of 2021 registered a drop of 14.6% compared to the same period of 2020, to 393 thousand tonnes. In value, sales amounted to 403.0 million euros (-17.2% compared to the first half of 2020).

The average sales price⁽¹⁾ recorded, in the first six months of 2021, a growth of 1.8% compared to the second half of 2020 (-1.5% compared to the same period of 2020). As a result of the fall in demand in Europe, we witnessed in the first months of 2021 some price stability on the producers' side.

However, from the second quarter onwards there was a resumption of price increases, sustained by a higher rate of utilization of production capacity induced by the closure or conversion of mills and by the disruption of global logistics chains together with the need to deal with increases in raw materials, namely in the cost of pulp, chemicals and energy.

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

The operating results (EBIT) of this business were positive by around 1.0 million euros (increasing around 3.1 million euros compared to 2020), as a result of the increase in the margin, across all geographies, as well as cost containment measures following the implementation of restructuring plans in Germany, France and Spain.

⁽¹⁾ Average sales price: Paper sales / Tonnes

PACKAGING

The Inapa Group's packaging companies business accounted for 42.4 million euros in sales, showing an increase of around 13% compared to the first half of 2020.

This evolution reflects a good sales performance for the health and safety sectors (on the hygiene and safety parts), agro-food and food processing sectors and packaging for e-commerce or transport boxes (food, medicine, etc.), along with sales recovery for the cosmetics, automobile and electronics industries.

The operational results (EBIT) of the packaging companies were 2.6 million euros, representing 6.2% of sales (1.8 million euros and 4.7% in the same period of 2020).

The improvement in the EBIT margin reflects the continuous effort to protect the margin through a very disciplined pricing policy, despite price pressures on producers due to the increase in the cost of raw materials due to the scarcity, namely, of steel and plastic.

VISUAL COMMUNICATION

The visual communication business recorded a turnover of 14.2 million euros, a decrease of about 19% compared to the same period of 2020.

The first half of 2021 continued to be marked by the cancellation of major fairs in the specialty. We witnessed a slight recovery in the market as of March, together with a greater willingness, by our customers, to invest, although with a low flow of incoming orders compared to the same period of the previous year (decrease particularly in the LFP (Large Format Printing) in its Hardware, Media and Inks components).

In order to counter the market trend, Inapa launched a more intensive plan of visits to customers and marketing campaigns (Demos, Newsletters, promotions, etc.) together with a focus on diversifying the sales mix towards higher value-added products such as the specialty media.

Despite the drop in activity, operating results were positive (170 thousand euros), as a result of the efficiency measures implemented.

FUTURE PROSPECTS

The pandemic continued to have a relevant economic impact during the first months of 2021, despite the progress of the vaccination campaigns and the substantial supplementary fiscal policy measures announced.

The containment measures in the first half of 2021 were significantly stricter than expected, with a rapid reversal of these measures being expected in the second half.

It is expected that the end of restrictions (reopening of all trade, greater mobility, return to tourism and events...) should translate into a recovery in consumption in the most affected business segments (graphic and office papers and viscom), although very probably the change in work habits could be reflected in a part-time return to the office, with an impact on consumption levels that may be below those prior to the pandemic.

We still do not have full visibility on the medium-term impact of the pandemic in the sectors in which we operate, and we must anticipate the maintenance of the digitalization trend that has been felt. In the short term, we are witnessing, on the one hand, a general drop in demand for coated and uncoated papers for the printing industry, schools or offices, as a result of the

containment measures implemented, on the other hand, unprecedented opportunities have been created in the area of packaging with the growing demand for products for the food or health industry, packaging for e-commerce, etc.

During the first months of 2021, and taking into account the decreases in consumption, paper producers kept prices stable. However, with the maintenance of pressure on raw material costs, associated with higher energy and chemical costs, we again witnessed a generalized movement of price increases from the second quarter onwards, supported by a higher rate of use of the productive capacity induced by the closure or conversion of mills and a disruption of global supply chains.

As a result of longer-term containment measures in Germany and consequent travel restrictions that were imposed over the last year, the transition period for the new ERP in this geography has been extended beyond what was initially planned, with repercussions on commercial and logistical activities throughout the first half of 2021. These operational difficulties resulted in a drop of around 74 million euros in turnover in this geography, while in the other countries the level of activity remained stable.

With the conclusion of the ERP migration already achieved, we expect to progressively resume the level of activity in Germany.

Despite the unfavorable context, Inapa maintained its focus in 2021 on improving the margin, through both the optimization of the product-mix (stimulating sales of higher value-added products and through electronic channels) and a very strong pricing policy discipline, a focus that should remain a fundamental pillar of Inapa's strategy in the future.

The implementation of an organizational structure with reduced operating costs, leveraging scale and investing in flexibility, will also remain a key line of action. We continued with the plan to integrate our operations in Germany, where we have already achieved significant cost reductions, where there is still great potential in the medium term. In 2021 we are also benefiting from the savings from the reorganization of the Paris area logistics operation, which we concluded in 2020, as well as from the impact of the restructuring implemented in the first quarter of 2021 in Spain.

As already mentioned, we continued with the implementation of the Group's new ERP (SAP 4/HANA), despite the impact of travel restrictions associated with Covid-19, imposed both in 2020 and in 2021.

After the conclusion of the implementation at Inapa Deutschland, we are already moving forward with the roll-out to other geographies.

Besides the obvious benefits of cost reduction and increased productivity, the harmonization of processes and systems across all the Group's operations will enhance the Group's strategy of creating shared centers for some functions, which started at the end of 2020. To notice also the transformational impact on our ecosystem of IT applications, reducing their complexity and maintenance effort.

Inapa will also continue to invest in the packaging and visual communication businesses, promoting organic growth through greater penetration in the markets where it operates and the reinforcement of cross-selling. Given that these businesses are highly fragmented, we will also actively pursue investment opportunities that present prospects for growth, profitability and value creation in line with the Group's standards.

We will maintain a disciplined approach to working capital management, which is particularly important in a context of uncertainty. This attitude, together with the management of treasury support funds obtained within the scope of Covid-19 and the moratoria granted by the main financial institutions, allow us to anticipate, in a context of progressive recovery of the activity, the maintenance of the cash balance.

Interim Consolidated Accounts

INAPA - Investimentos, Participações e Gestão, SA

CONSOLIDATED INCOME STATEMENT AT JUNE 30, 2021 AND JUNE 30, 2020

(Amounts in thousands of Euros)

	JUNE 30, 2021	JUNE 30, 2020
Tonnes*	392 922	459 974
Sales and services rendered	453 015	526 943
Other income	5 910	6 258
Total income	458 925	533.201
Cost of sales	-361 086	-428 880
Personnel costs	-45 350	-50 310
Other costs	-43 039	-45 624
Operating results before depreciations and amortizations	9 449	8 388
Depreciations and amortizations	-7 869	-9 552
Operating results	1 580	-1 164
Gains / (Losses) in associates	-13	-75
Net financial function	-6 983	-8 165
Net profit before income tax	-5 416	-9 404
Income tax	2 400	987
Net profit / (loss) for the period	-3 016	-8 416
Attributable to:		
Shareholders of the company	-3 016	-8 416
Earnings per share on continuing operations		
Basic	(0.0057)	(0.0160)
Diluted	(0.0044)	(0.0123)

* Non audited

INAPA - Investimentos, Participações e Gestão, SA

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF JUNE 30, 2021 AND DECEMBER 31, 2020

(Amounts in thousands of Euros)

	JUNE 30, 2021	DECEMBER 31, 2020
Assets		
Non current assets		
Tangible fixed assets	58 941	69 518
Goodwill	232 620	232 620
Right of use	29 629	31 538
Intangible assets	124 475	121 724
Investments in associate companies	2 372	2 385
Assets at fair value through profit or loss	119	119
Other non current assets	3 149	3 514
Deferred taxed assets	37 316	33 584
Total non current assets	488 621	495 003
Current assets		
Inventories	66 847	62 212
Trade receivables	127 469	115 621
Tax to be recovered	6 459	11 892
Other current assets	44 516	33 262
Cash and cash equivalents	9 117	9 354
Total current assets	254 410	232 341
Total assets	743 031	727 344
SHAREHOLDERS' EQUITY		
Share capital	180 135	180 135
Share issue premium	431	431
Reserves	19 854	20 214
Retained earnings	-46 240	-30 786
Net profit for the period	-3 016	-15 454
Total shareholders' equity	151 164	154 540
LIABILITIES		
Non current liabilities		
Loans	208 058	221 462
Deferred tax liabilities	48 611	47 670
Provisions	5 638	7 119
Employees benefits	23 806	24 316
Other non current liabilities	31	58
Total non current liabilities	286.144	300 625
Current liabilities		
Loans	126 437	102 921
Trade payables	102 798	104 857
Tax liabilities	44 657	31 011
Provisions	4 883	7 179
Other current liabilities	26 948	26 211
Total current liabilities	305 723	272 179
Total shareholders' equity and liabilities	743 031	727 344

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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