RESULTS ANNOUNCEMENT

JUNE 30, 2020

Highlights

Generation of results

- Paper consumption in Western Europe fell by 22.6% in the 1st half due to Covid-19 effects.
- With the consolidation of Papyrus Deutschland's operations in 2020:
    - Sales increased by 95.2M € or 22.5% compared to the same period in 2019.
    - Total gross margin generated increased by 13.4M € or 17.2%.
    - Net operating costs increased by 16.4M €, equivalent to 15.3% of sales.
- Recurring EBITDA of 10.8M €, corresponding to 2.1% of sales.
- Negative operating results (EBIT) of 1.2M €.
- Negative net income of 8.4M €.

Financial structure

- Decrease in net debt by 32.7M € compared to December 2019. Compared to June 2019, there was a decrease of 1.7M €, despite the acquisition of Papyrus Deutschland.
- Working capital decreased by 26.0M € compared to June 2019.

Corporate organization

- Merger of Papier Union GmbH and Papyrus Deutschland GmbH & Co. KG under the new corporate name of Inapa Deutschland, GmbH on 30 June.
- Start of implementation of the new ERP of the Inapa Group (SAP 4 / HANA).

MAIN ACTIVITY INDICATORS

MILLION EUROS (unless otherwise specified)	1H20	1H19	VAR. 20/19
Tonnes ('000)	460	342	34,3%
Sales	519,0	423,9	22,5%
Gross margin	91,0	77,6	17,2%
Gross margin (%)	*17,5%*	*18,3%*	*-0,8 pp*
Net Operating costs	79,3	62,9	26,1%
Operating Income	13,4	8,9	4,5
Operating Costs	92,7	71,8	20,9
Impairment of current assets	0,9	0,6	56,9%
Re-EBITDA	10,8	14,1	-23,7%
Re-EBITDA (%)	*2,1%*	*3,3%*	*-1,3 pp*
EBITDA	8,4	13,5	-38,0%
EBITDA (%)	*1,6%*	*3,2%*	*-1,6 pp*
EBIT	-1,2	7,3	-115,9%
EBIT (%)	*-0,2%*	*1,7%*	*-1,9 pp*
Net Financial function	8,2	7,2	12,8%
EBT	-9,4	0,1	-9,5
Income tax	1,0	0,0	1,0
Net income	-8,4	0,1	-8,5

	30/06/20	30/06/19	VAR. 20/19
Net debt [1]	304,6	306,3	-0,6%
Interest coverage	1,3 x	2,0 x	-0,6 x
Working capital	75,2	101,3	-25,7%

[1] Includes financing associated to financial assets.

Relevant facts

24/4/2020	2019 Results Announcement
30/4/2020	2019 Annual Report Publication
40/4/2020	Notice of Ordinary General Meeting
22/5/2020	Ordinary General Meeting

Subsequent events

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

Consolidated Performance

In the first half of 2020, Inapa's turnover amounted to € 519.0 million, an increase of 22.5% compared to the same period last year. Sales of paper in tonnes increased by 34.3%. The evolution of these indicators reflects, on the one hand, the sector context, with a strong impact of the containment measures on the fall in activity of most of the Inapa Group's subsidiaries, particularly in April and May, and, on the other hand, the positive impact of the acquisition of Papyrus Deutschland, the integration of which took effect only from 1 August 2019.

In the first six months of 2020, sales related to the complementary packaging, visual communication and office consumables businesses decreased by 6% compared to the first half of 2019, with the visual communication area being the most penalised by the Covid-19 outbreak due to the widespread postponement of events and trade fairs.

Gross margin in the first six months of 2020 grew by €13.4 million or 17.2% compared to the same period in 2019, and in relative terms fell by 0.8 pp to 17.5% of sales. Despite the drop in sales as a result of the containment measures, we continue to work on careful pricing management and on improving the sales mix by focusing on higher margin products and the benefits of extending these measures to Papyrus Deutschland have already been seen.

Net operating costs, excluding current asset impairments, increased by 16.4 million euros in the first half of 2020 compared to the same period last year, mainly reflecting the integration of Papyrus Deutschland. Conditioned by the strong market downturn due to Covid-19, these costs represent 15.3% of sales, +0.5pp above 2019. During the months of greater decline in activity as a result of the pandemic outbreak, the Group resorted to forms of partial layoff in all geographies and companies where the framework existed. The merger of the companies in Germany took place on 30 June, so the gains from capturing synergies in the logistics and distribution network and from optimising resources were still relatively low compared to their medium-term potential.

In the first half of 2020, customer provisions amounted to €0.9 million, representing 0.2% of sales. In the current context of the crisis caused by the Covid-19 pandemic outbreak, Inapa has reinforced the monitoring of risks, following strict internal procedures for credit control of its customer portfolio, always working closely with the Group's credit insurer.

The Re-EBITDA totalled €10.8 million in the first half of 2020, a decrease of €3.4 million compared to the first half of 2019.

Non-recurring costs totalled €2.4 million (+1.8 million compared to 2019) and relate mainly to the restructuring processes underway in the logistics and commercial areas, particularly in France with the completion of the structure optimisation process following the integration of the former Papyrus but also in Germany where we have already begun implementation of the new organisational model.

The operational result (EBIT) was €1.2 million negative.

Financial charges for the first half of 2020 increased by 0.9 million euros to 8.2 million euros compared with the same period in 2019. This increase is mainly due to the costs associated with the increase in debt due to the acquisition of Papyrus Deutschland, while the average cost of financing was maintained.

Consolidated earnings before taxes were negative 9.4 million euros. Income tax amounted to EUR 1.0 million, of which around EUR 0.7 million relates to current tax and EUR 1.7 million to deferred tax, leading to a negative net income in the first half of 2020 of EUR 8.4 million.

The working capital was reduced by 26.0 million euros (-25.7%) compared to June 2019, to 75.2 million euros. This reduction was mainly due to lower customer balances and an increase in supplier balances, effects with greater impact than the increase in inventories.

Consolidated net debt stood at EUR 304.6 million, 32.7 million less than in December 2019. This evolution results from strict management of working capital (also driven by less activity), the application of the cash flow generated by operations and aid from the various states, while ensuring ongoing investment in the area of information systems, particularly in replacing the Group's ERP.

Performance of the Group's Business Areas

The Covid-19 pandemic outbreak had a very significant impact on Inapa Group activity. Nevertheless, we were able to ensure the continuity, without interruption, of the services provided to our clients. In view of the challenges presented, the Group quickly implemented a series of measures to minimise the short-term impact on the profitability and stability of its asset structure, and our companies made use of the various support instruments provided by governments in their respective countries.

We continued with the strategy of improving the sales mix, supported by the adaptation of the product portfolio to customer needs and the reorganisation of commercial areas, in conjunction with a systematic focus on efficiency and productivity, through the continued adjustment of business models and organisation.

Inapa continues to invest in the development of the complementary packaging and visual communication businesses, which in the first half of 2020 fell less sharply than in the paper area, with a positive contribution in terms of operational results.

Paper

In the first two and a half months of the year we have seen a very positive development of the Inapa Group's activity in the various countries where it is present. However, from mid-March onwards, and with the containment measures in the various countries where we operate, there was a very sharp drop in turnover, with countries where the rules were stricter being penalised (e.g. France, Spain, Portugal) than others where there were fewer restrictions (e.g. Germany). The integration of Papyrus Deutschland acquired with effect from 1 August 2019 boosted turnover growth compared to the first half of 2019.

In this context, volume sales in the first half of 2020 increased by 34.3% compared to the same period in 2019 to 460,000 tonnes. In value, sales totalled EUR 486.8 million (+28.3% compared to the 1st half of 2019).

The average sales price in the first 6 months of 2020 fell by 6.2% compared to the same period in 2019 to EUR 969 per tonne. As a result of the sharp drop in demand we saw a fall in prices from producers from the 2nd quarter onwards, with the consequent pressure on the Group's margins, and it is expected that over time the upward trend in prices will be resumed.

Inapa also continues to focus on boosting cross-selling of packaging materials, visual communication and graphic and office consumables, as a way of increasing its penetration of customers, thus offsetting part of the decrease in paper.

The operational results (EBIT) of this business were negative by around 2.0 million euros.

Packaging

Inapa Group's packaging business accounted for 37.6 million euros of sales, a decrease of 3% relatively to 2019.

As a result of the Covid-19 pandemic outbreak, there was a better sales performance for the health (hygiene and safety), agro-food and food processing sectors and packaging for e-commerce or transport boxes (of food, medicines, etc.), but this was not enough to totally counter the fall in sales to the cosmetics, automotive and electronics industry.

The operational results (EBIT) of the packaging companies were 1.8 million euros, representing 4.7% of sales (3.9% in the homologous period of 2019). The improvement in the EBIT margin reflects the continuous effort to protect the margin in conjunction with the reinforcement and optimisation of the resources allocated to the activity begun in 2018.

Visual Communication

The visual communication business recorded a turnover of 17.5 million euros, a decrease of about 13% compared to 2019.

The cancellation of major trade fairs in conjunction with uncertainty about the evolution of economic activity and greater competition led to a decrease in sales, particularly in the segment of LFP (Large Format Printing) in its Hardware, Media and Inks components. Technical support services also registered a decrease in activity.

Future Prospects

The Covid-19 pandemic outbreak had a more negative impact on the world economy during the first half of 2020 than anticipated in March and by this date the recovery is expected to be more prolonged. Despite the opening of the economies, which will mark the second half, social withdrawal and fear of contagion remain, factors that will certainly delay economic recovery. In this context, a weaker private consumption is estimated as well as an increase in savings for precautionary reasons. In the business sector, investment decisions may continue to be delayed.

In the banking sector, the support provided by central banks has been very important because it has ensured the smooth functioning of financial markets and the sector. The different lines of finance created for companies were fundamental so that they could continue to operate during the period of loss of revenue to which they were completely alienated, thus avoiding more structural and difficult to recover unemployment consequences. In economies emerging from lockdown, it is expected that support will gradually be directed to the most fragile sectors after the pandemic.

In this context, we are witnessing a significant impact on global industrial supply chains and the pulp and paper industry is also experiencing enormous challenges. While on the one hand we have a general fall in demand for coated and uncoated papers for the printing industry, schools or offices, 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.

At the moment, we do not yet have visibility on the future impact of the pandemic in the sectors where we operate. Following the cooling of demand, we have seen a fall in prices on the part of producers, with consequent pressure on the Group's margins, and it is hoped that in time the upward trend in prices will be resumed.

We maintain the estimate that the pressure still felt in the industry due to the high costs of the raw material will remain. Considering that no further increases in pulp production capacity are expected before 2021, we anticipate that its cost will remain at least stable.

We continue to manage the impacts of the challenges posed by the Covid-19 outbreak on our workers, customers and stakeholders, and we maintain a regular assessment of financing needs and short-term government support. The Group's various operations continue to operate without interruption of supply.

We estimate that the progressive recovery trend that we have seen since the beginning of the second half will continue. However, there is still a great deal of uncertainty as to how it will develop in the coming months, depending on the intensity of new outbreaks as winter approaches, which may prevent a return to normality.

Inapa will maintain a permanent focus on maintaining margin improvement through product-mix optimisation, boosting sales of higher value-added products and through electronic channels, and a disciplined pricing policy. We will continue to work to build a flexible structure with low operating costs and will continue to implement the logistics and distribution management model, with a focus on Inapa Deutschland in 2020 and 2021.

In the paper business area, the purchase of 100% of Papyrus Deutschland's share capital from OptiGroup AB, with effect from 1 August 2019, has put the Group in a leading position in Germany where substantial efficiency gains are expected to be achieved by implementing the reorganisation model already defined. As a result of Covid-19, although we have already achieved some gains from resource optimisation, these will be of greater relevance from the fourth quarter of 2020 and in 2021.

With regard to the packaging and visual communication businesses, Inapa will continue to focus on organic growth through increased penetration in the markets where it operates and strengthened cross-selling. These markets, which are still rather fragmented, where small and medium-sized companies typically operate, lead us to actively pursue investment opportunities that reveal prospects of growth, profitability and value creation in line with the standards that have been followed by the Group in recent years.

The implementation of the Group's new ERP (SAP 4/HANA) has continued despite the constraints associated with Covid-19. We are currently in the implementation phase in Inapa Deutschland's business, where we maintain our expectations of having the majority of our operations running in SAP by the end of the fourth quarter of 2020. We will then roll out to the remaining geographies. On completion of the project, benefits are expected in terms of harmonisation of processes across all Group operations, which will allow for cost reduction and increased productivity and enhance the Group's strategy of creating shared centres for some functions. This initiative will also transform and simplify our IT application ecosystem, greatly reducing its complexity and maintenance effort.

Considering the cash support funds obtained under Covid-19 and the moratoriums granted by the main financial institutions, and that all the short-term lines are currently secured, we estimate, in a context of gradual recovery of activity, to maintain a balanced cash flow for the next twelve months. We continue to maintain a disciplined stance with regard to the management of working capital, which is particularly important in the current climate of great uncertainty. The impact on financial ratios of the acquisition of Papyrus Deutschland (transmitted without financial debt) is estimated to be positive, despite the increase in indebtedness through the payment of the price. We will continue to work towards keeping the burden of short-term debt adapted to current activity.

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED JUNE 30, 2020 AND 2019
(Amounts in thousands of Euros)

	Period ended	
	JUNE 30, 2020	**JUNE 30, 2019**
Tonnes *	**459 974**	**342 407**
Sales and services rendered	526 943	428 755
Other income	6 258	6 367
Total income	**533 201**	**435 122**
Cost of sales	-428 880	-348 681
Personnel cost	-50 310	-36 876
Other costs	-45 624	-36 037
	8 388	**13 529**
Depreciations and amortizations	-9 552	-6 244
Gains / (losses) in associates	-75	19
Net financial function	-8 165	-7 238
Net profit before income tax	**-9 404**	**67**
Income tax	987	-5
Net profit / (loss) for the period	**-8 416**	**62**
Attributable to:		
Shareholders of the company	-8 416	62
Earnings per share on continuing operations		
Basic	(0,0160)	0,0001
Diluted	(0,0123)	0,0001

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF JUNE 30, 2020 AND DECEMBER 31, 2019
(Amounts in thousands of Euros)

	JUNE 30, 2020	DECEMBER 31, 2019
ASSETS		
Non-current assets		
Tangible fixed assets	71 884	73 726
Investment property	-	-
Goodwill	232 619	231 905
Right of use	34 866	41 778
Other intangible assets	121 952	119 472
Investments in associate companies	2 408	2 482
Assets at fair value through profit or loss	122	122
Other non-current assets	3 185	3 194
Deferred taxes assets	30 778	28 813
Total non-current assets	**497 815**	**501 493**
Current Assets		
Inventories	70 314	71 098
Trade receivables	113 532	136 343
Tax to be recovered	6 460	7 012
Other current assets	32 679	40 162
Cash and cash-equivalents	16 264	37 668
Total current assets	**239 250**	**292 285**
Total assets	**737 065**	**793 778**
SHAREHOLDERS' EQUITY		
Share capital	180 135	180 135
Share issue premium	431	431
Reserves	23 236	23 698
Retained earnings	-30 786	-26 644
Net profit for the period	-8 416	-4 143
Total shareholders' equity	**164 600**	**173 478**
LIABILITIES		
Non-current Liabilities		
Loans	192 113	220 985
Financing associated to financial assets	-	43 953
Deferred tax liabilties	46 943	46 680
Provisions	8 217	9 176
Employees benefits	24 210	24 618
Other non-current liabilities	27	40
Total non-current liabilities	**271 510**	**345 452**
Current Liabilities		
Loans	128 751	110 066
Trade payables	108 619	119 805
Tax liabilities	41 448	21 600
Other current liabilities	22 137	23 377
Total current liabilities	**300 955**	**274 848**
Total shareholders' equity and liabilities	**737 065**	**793 778**

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.

Report available on Inapa's website
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Inapa is admitted to trading on the Euronext Stock Exchange.
Information about the company may be checked under the ticker INA.LS

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