

# Annual Results Announcement



**inapa**

IMPROVING  
THE WORLD

MAY 3, 2023

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# 01 Message of the CEO

The results achieved in 2022 were very positive and reinforce our optimism regarding the development of Inapa Group. This performance is the corollary of the strategy executed in recent years, which was marked by structural processes of acquisition and optimization that have implied an enormous dedication of our teams.

Turnover reached 1,212 million euros, corresponding to an increase of 26% compared to 2021, while the gross margin grew by 35% (plus 63 million euros), from 18.6% to 20.0% of sales.

Despite an increase in operating costs (induced by higher activity, rising inflation and by the end government supports obtained in the context of the Covid-19 period), efficiency measured as a percentage of sales increased significantly. Operating costs accounted for 15.3% of sales, corresponding to an improvement of 2.9pp compared to 2021. This variation reflects gains from reorganizations implemented in Germany, France and Spain.

The increase in gross margin, combined with the decrease in the weight of operating costs, led to a significant improvement in the recurring EBITDA which amounted to 86.9 million euros (more 55.4 million euros than in

2021). This improvement corresponds to an expressive evolution of the recurring EBITDA margin (vs sales) from 3.3% to 7.2%.

Net income reached 17.8 million euros (corresponding to an increase of 14.4 million euros compared to 2021), despite the increase in financial charges related with higher interest rates.

Regarding the balance sheet, I highlight that net debt decreased by 40.7 million euros compared to December 2021, to 221 million euros. As a consequence, the Net Debt/Re-EBITDA ratio declined to 2.5x (compared to 8.3x in 2021).

These results reinforce the confidence in our strategy and in the Groups' ability to meet the challenges we may face in the coming years. Particularly, considering that they were achieved in a highly demanding context marked by the post-Covid-19 challenges, the conflict in Ukraine, and by the limitations on paper availability related with the closure or suspension of several paper mills (at a time when demand was higher than supply).

The abovementioned effects led to a substantial increase in production costs and consequently to an increase in market

prices. In the last quarter of 2022, there was a significant drop in paper demand, related to a generalized option, by the different players across the value chain, to reduce paper stock levels. This pattern was extended to the beginning of 2023.

In 2022, we continue our optimization activity by implementing new processes to reduce costs and create more flexible structures. We extended the use of the Group's new ERP (SAP S/4HANA) to Portugal and Spain. The implementation of the new ERP in the Group should be completed in 2023 in France and Turkey.

From a sustainable development point of view, besides having continued with investment and improvement actions, we have made significant progress, of which I highlight, for example, the increase in the share of ecological papers in sales and the reduction of energy consumption, GHG emissions, waste generation, occupational accidents and diseases.

We have achieved a substantial part of the targets we set in relation to the United Nations Sustainable Development Goals (SDGs), and we have established new targets for 2023 and 2024.

I therefore believe that we have successfully started the implementation of the strategic guidelines defined for the 2022-2024 period. These lines follow the plan of the previous triennium and promote three pillars: efficiency, growth in the non-paper business and impact on sustainability.

Finally, I would like to express my gratitude to our employees, clients, suppliers, financial institutions, shareholders, and communities where we operate for the significant impact they have had on the development of our values, mission and performance. This contribution is crucial to the success of the Inapa Group.

**Diogo Rezende**  
*CEO of Inapa Group*

# 02 Main Activity Indicators

(Amounts in Million Euros, except when specified otherwise)

	2022	2021	2020	2019	VAR.22/21
Tonnes ('000)	714	841	913	887	-15,1%
Sales	1 211,7	964,6	1015,5	1030,8	25,6%
Gross margin	242,7	179,3	185,5	178,4	35,4%
<i>Gross margin (%)</i>	20,0%	18,6%	18,3%	17,3%	1,4 pp
Net Operating costs	154,7	146,2	156,6	148,6	5,8%
Operating Income	30,5	28,8	23,6	24,8	5,9%
Operating Costs	185,2	175,0	180,2	173,4	5,8%
Impairment of trade receivables	1,1	1,6	1,5	1,5	-34,4%
Re-EBITDA	86,9	31,5	27,4	28,3	176,3%
<i>Re-EBITDA (%)</i>	7,2%	3,3%	2,7%	2,7%	3,9 pp
Non recurrent costs	10,8	0,7	11,6	1,6	10,2
EBITDA	76,1	30,8	15,8	26,7	147,0%
<i>EBITDA (%)</i>	6,3%	3,2%	1,6%	2,6%	3,1 pp
EBIT	52,8	15,5	-2,7	10,8	241,1%
<i>EBIT (%)</i>	4,4%	1,6%	-0,3%	1,0%	2,8 pp
Financial Function	16,0	14,2	15,5	15,7	13,0%
EBT	36,8	1,3	-18,2	-4,9	35,5
Income Tax	-19,1	2,0	2,8	0,8	-21,0
Net income	17,8	3,3	-15,5	-4,1	14,4

	31/12/22	31/12/21	31/12/20	31/12/19	VAR.22/21
Net debt	221,1	261,8	315,0	337,3	-15,6%
Net debt/Re-EBITDA	2,5 x	8,3 x	11,5 x	11,9 x	-5,8 x
Net debt excluding Trade Finance	202,9	241,8	258,7	248,4	-16,1%
Interest coverage	5,4 x	2,2 x	1,8 x	1,8 x	3,2 x
Working capital	35,8	11,4	73,0	87,6	215,1%

# 03 Relevant Facts

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## **29.04.2022**

2021 Results Announcement  
2021 Annual Report  
Notice of Ordinary General Meeting

## **20.05.2022**

Ordinary General Meeting  
Governing Bodies triennial 2022-24

## **15.09.2022**

Gender Equality Plan

## **21.09.2022**

First half 2022 results announcement

## **04.10.2022**

Qualified Holding of Nova Expressão SGPS, SA

## **10.10.2022**

New representative for Investor Relations  
and the CMVM

## **16.11.2022**

Qualified Holding of BCP

## **30.11.2022**

JJ Loos acquisition

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## **Subsequent Facts**

Up to the date of publication of the report no subsequent events have been registered.

# 04 Management Report

## 4.1 Macroeconomic context

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The year of 2022 was one of uncertainty and global-scale challenges. The conflict in Ukraine, which started when the world economy was still recovering from the impact of Covid-19, contributed to the acceleration of inflation in energy and subsequent contagion to food and service goods. Central banks have tightened their monetary policies in order to contain inflationary pressures. Purchasing power and consumer confidence have been reduced and investment decisions have been postponed or cancelled.

However, unlike in the world's two largest economies (the US and China), the Eurozone activity was less affected by the conflict than expected at the beginning of the year. This evolution is explained by different aspects that contributed to avoid a contraction in the last quarter, such as a mild winter, high levels of gas reserves and savings in gas consumption. These aspects coincided with the easing of inflation and historic low levels of unemployment in December (6.1%), generating positive signals for 2023.

The global growth for 2022 was 3%, which represents half of the growth in 2021. For 2023, a growth of 2% is forecasted. In the case of the European Union, the estimated growth

in 2022 is 3.5%, with 0.8% expected for 2023. The inflation rate was 9.2%, with a projection of 6.4% for 2023. The evolution will be strongly related to the development of the conflict in Ukraine and the consequent pressures on inflation and central bank policies.

In the next paragraphs, some comments are presented regarding the economic evolution in 2022 and future prospects in the countries where the Inapa Group operates.

In 2022 the **German economy** grew by 1.8%, stimulated by demand (mainly for services) related with the reopening of the economy in the post-pandemic period. Despite the growth, investment and private consumption had not yet reached pre-pandemic levels in the third quarter. In the fourth quarter, decreases were observed in these indicators, contributing to a reduction in GDP of 0.2%. In 2023, GDP is expected to grow by 0.2%. The evolution of energy prices, the development of government support for families, the gradual adjustment of global supply chains, as well as the financial strength of companies and order portfolios, are expected to contribute to the recovery of economic growth later on. Inflation in 2022 was 8.7%, with a projection of 6.3% for 2023

The **French economy** grew by 2.6% in 2022, driven by a carry-over effect. A slowdown in the second half of the year related to supply constraints and increases in energy and raw material prices is highlighted. During this period, private consumption remained stable with a decline in the levels of consumer confidence. Increased imports have dampened growth. By 2023, GDP is projected to grow by 0.6%. The economy is expected to present restrained dynamism in the first half of the year. Investment will be reduced in line with rising production costs, tightening financial conditions and uncertainty. The expected slowdown in inflation will contribute to a gradual recovery in the second half of the 2023. Private consumption and investment will increase as domestic demand and international trade recover. Inflation in 2022 was 5.9%, and in 2023 it is expected to be 5.2%.

In 2022, the **Spanish economy** grew by 5.5%. This evolution was fostered by the recovery of the tourism sector, private consumption and developments in the labour market. However, in the last quarter, the economy was still below pre-pandemic levels (4Q2019). In 2023, the economy is expected to grow in the first semester, earning greater dynamism in the second semester. The expected growth for the year is 1.4%.

The slowing down of inflation throughout the year should contribute to the strengthening of private consumption, as well as to the normalization of the tourism sector. The implementation of the Recovery and Resilience Mechanism (MRR) will positively

impact investment. In terms of constraints, the impact of the tightening of monetary policies and the reduction of the dynamism of the labour market stand out. Inflation in 2022 was 8.3%, and in 2023 it is expected to be 4.4%.

The **Portuguese economy** grew by 6.7% in 2022. Growth was spurred by private consumption and exports, benefiting from the dynamism of the tourism sector following the easing of restrictions associated with Covid-19. Industrial activity and construction presented a moderate performance, particularly in the last four months of the year. This evolution was related to unfavourable external conditions and volatility of raw material prices. For 2023, a growth of 1.0% is anticipated. The prospects for the beginning of the year are moderate, being related to uncertainties regarding energy prices during the winter months. Growth is expected to increase in the second quarter of the year, intensifying thereafter. Inflation in 2022 was 8.1%, and is expected to be 5.4% in 2023.

In 2022, the **Turkish economy** grew by 5.3%, presenting one of the highest growth rates among OECD countries in the first half of the year (7.5%). The strong growth in private consumption was fuelled by a favourable trend in the labour market. The tourism sector fully recovered, and exports benefited from supply constraints in Asia. However, investment activity was moderate, and imbalances were developed, with the current account deficit increasing due to energy imports. Inflation reached 85.5% for consumer

prices and 158% for producer prices in October 2022, driven by the depreciation of the lira and higher import prices. For 2023, growth is projected to be 3.0%, but uncertainties in global demand and geopolitical risks may limit investment and affect exports. Inflation is expected to persist above 40%.

The growth of the **Belgian economy** in 2022 was 3.1%. The easing of Covid-19-related restrictions contributed to a period of momentum in the first half of 2022, particularly in private consumption. In the second half of the year, there was a slowdown related with high inflation. In the third and fourth quarters, GDP increased by 0.2% and 0.1%, respectively. In 2023 the expected growth is 0.8%. The indexation of wages and social benefits to inflation will continue to contribute to the recovery of household purchasing power, with an expansion of

private consumption expected. The response of economic actors to the needs of the energy transition and the financial contributions associated with the Recovery and Resilience Mechanism (MRR) should contribute to growth. On the other hand, uncertainty, tightening financial conditions, rising wages and input costs are likely to negatively affect investment decisions.

Unlike in 2022, net exports are expected to slow the pace of growth (reflecting the trend associated with global trade). Inflation in 2022 was 10.3%, and in 2023 it is estimated to be 4.3%.

### Gross domestic product, volume (percentage of change on preceding year)

	2018	2019	2020	2021	2022 F	2023 F
Global	3,6%	2,8%	-3,2%	5,9%	3,1%	2,2%
Euro Zone (20)	1,8%	1,6%	-6,1%	5,3%	3,5%	0,9%
European Union	2,1%	1,8%	-5,7%	5,4%	3,5%	0,8%
Germany	1,0%	1,1%	-3,7%	2,6%	1,8%	0,2%
France	1,9%	1,8%	-7,8%	6,8%	2,6%	0,6%
Spain	2,3%	2,0%	-11,3%	5,5%	5,5%	1,4%
Portugal	2,8%	2,7%	-8,3%	5,5%	6,7%	1,0%
Belgium	1,8%	2,2%	-5,4%	6,1%	3,1%	0,8%
Turkey	3,0%	0,9%	1,8%	11,4%	5,3%	3,0%

SOURCE: EUROPEAN COMMISSION (FEBRUARY 2023). FOR GLOBAL AND TURKEY, OCDE (NOVEMBER 2022)

## 4.2 Sector framework

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In the first half of 2022, paper consumption volumes in Western Europe remained stable compared to the previous year. However, in the second half of the year, there was a decrease in paper demand. This was due to the decision by operators along the value chain to reduce paper stocks (stocks had been reinforced in previous months to avoid disruptions in activity due to paper shortages, given the instability in paper production). The return to a more stable situation in logistics chains, mainly felt from September onwards, made part of the safety stocks redundant.

In Western Europe, the reduction in the consumption of paper for graphic arts, writing and printing was, according to Eurograph (European Association of Graphic Producers), 7.4% (in the first half of the year there was an increase of 0.4%). This level of reduction was felt in both the demand for coated woodfree and uncoated woodfree papers. It should be noted that, in overall, the decrease in paper consumption in Western Europe compared to the pre-pandemic period was around 20%.

Inapa's main markets - Germany, France, Spain, Portugal and Belgium - recorded

a combined volume reduction of 9.7%. All these countries have experienced declines in demand. According to Eurograph, Germany recorded a reduction of 11.8%, France 8.4%, Spain 7.4% and Portugal 1.8%. These figures refer to the consumption of coated and uncoated papers – which represents about 90% of the papers marketed. These figures do not include the remaining subfamilies that include specialties, cardboard and self-adhesives, among others. In the Benelux (Belgium and Luxembourg), where Inapa is mainly represented in the office paper segment, the market decreased by 8.1%. In Europe, the total reduction in aggregate volumes of coated and uncoated paper was 9.6%.

According to statistics from CEPI (Confederation of European Paper Industries), there was a decline of 5.9% in the production of paper and board compared to 2021, to 84.8 million tons. In 2022, the structural divergence between the evolution of production for graphic, writing, and printing papers and paper and cardboard for packaging persisted. This was related with longer periods of inactivity in mills in the second half of the year (due high electricity and gas costs), and with the

conversion processes of mills. There was a decrease in the production of woodfree coated papers by 12.0% and woodfree uncoated papers by 5.8%, while newspaper paper continued its downward trend with a 9.9% decrease. Coated and uncoated mechanical pulp papers also experienced declines in production by 19.5% and 13.2%, respectively.

The production of paper and board for packaging presented a more moderate decline, reducing 4.6% versus 2021. The combined effect of the fall in exports to countries outside the CEPI universe by 13.3%, with the periods of inactivity of the mills (previously mentioned), resulted in an overall reduction in activity of 3.3%. Imports from markets outside CEPI's coverage area grew by 6.8% compared to 2021, driven by greater availability in the maritime sector (e.g. reduction of container tariffs and increased availability).

In summary, the share of graphic grades in total production decreased to 26.1% in 2022, compared to 27.1% in 2021. The share of packaging grades was 59.8% (compared to 59.1% in 2021) and the share of all other grades of paper and board – mainly for industrial and special purposes - decreased to 4.8%. Finally, it is noteworthy that the sanitary and household paper segment increased its share to 9.3%, reaching levels similar to those seen during the Covid-19 pandemic.

In 2022, the price of coated papers increased by around 62.0%, depending on the weight, while the price of office papers in general grew by 37.2% and the price of newsprint increased by 78.9% (January to December - Fastmarkets<sup>1</sup> FOEX indices for Europe). Paper producers were impacted by successive increases in pulp prices in the early months of the year, as well as by a significant increase in energy costs in Europe related with the rise in gas prices (stimulated by the conflict between Russia and Ukraine), and by the high prices of CO<sub>2</sub> emission rights.

It is not expected that there will be any increases in pulp production capacity in the first half of 2023. Therefore, and given that there is growth in certain segments (such as tissue), prices are expected to remain stable. Potential price variations will be related to changes in cost variables such as energy.

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<sup>(1)</sup> FASTMARKETS RISI IS AN INDEPENDENT COMPANY THAT PUBLISHES PRICE STATISTICS FOR PULP, PAPER, RECYCLED PAPER AND WOOD BIOMASS

## 4.3 Consolidated performance

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In 2022, after two years of crisis caused by Covid-19, the activity was marked by the invasion of Ukraine by Russia in late February. The conflict resulted in sustained increases in energy costs, raw materials and transportation, which, combined with a shortage of paper supply in a context of mill closures and conversions, contributed to a further increase in prices. A strike in one of the major European paper producers, which lasted from December 2021 to April 2022, also contributed to a lower availability of paper in the European market.

The consolidated sales of the Inapa Group in 2022 were 1,211.7 million euros, representing an increase of 25.6% compared to 2021. This evolution reflected a very significant increase in paper prices in the various segments, which was related with substantial increases in paper production costs, in a context where demand was clearly higher than the supply.

Sales related to the complementary packaging, visual communication and office consumables businesses grew by 7.1% in 2022 compared to 2021. These areas showed positive performances, with the packaging business maintaining its resilience, registering

a strong growth (+8.1% when compared to the previous year). With the resumption of events and fairs, which were suspended since 2020, the area of visual communication has witnessed a recovery, having recorded a growth of 4.3% in 2022 compared to 2021.

At the end of the year, Inapa Group concluded the acquisition of JJ Loos, a company specialized in the sale of printing equipment and consumables for visual communication (Viscom) in France. This transaction is part of Inapa's strategic plan for the 2022-2024 triennium, which highlights exploring acquisition opportunities in the packaging and visual communication areas as one of its priorities. By acquiring JJ Loos, the Group strengthens its position in France, where it is already present in the paper distribution sector through Inapa France, and in the packaging sector with Inapa Packaging, Semaq, and Embaltec. The Group consolidated the operations of JJ Loos SAS on December 31, 2022.

The gross margin on sales increased by 1.4 percentage points, from 18.6% in 2021 to 20.0% in 2022. During this period, in a context of strong price increases by producers, our teams

maintained a careful management of pricing and sales mix, continuing to focus on products with higher margins.

Net operating costs as a percentage of sales (excluding impairment of trade receivables), decreased by 2.4 percentage points compared to the previous year (15.2% in 2021 to 12.8% in 2022), benefiting from gains from the reorganizations implemented in Germany, France, and Spain in recent years. In absolute terms, Inapa recorded an increase of 8.5 million euros in net operating costs (excluding impairment of trade receivables), mainly due to the increase in personnel expenses (associated with commissions and bonuses related with better sales performances, as well as with the cancellation of government supports obtained in the context of the pandemic, namely layoffs), and transportation costs (mostly due to the increase in fuel costs). Inapa remained focused on implementing cost reduction measures by creating more flexible structures. In this regard, additional cost reduction measures have been identified in logistics and commercial organization in Germany. These measures are currently being implemented and savings are expected to be progressively reflected in 2023 and 2024.

In 2022, impairment of trade receivables amounted to 1.1 million euros, representing a decrease of 0.5 million euros compared to 2021. Inapa maintains strict monitoring of

risks, following internal procedures for credit control of its client portfolio, while working closely with the Group's credit insurer to mitigate potential credit risks.

Recurring EBITDA improved significantly in 2022, reaching 86.9 million euros (+55.4 million euros compared to 2021). This amount represents 7.2% of sales, +3.9 p.p. compared to 2021.

The non-recurrent costs amounted to 10.8 million euros and were primarily related to expenses incurred with ongoing restructuring processes in the logistics and commercial areas in Germany aimed at optimizing the operations of the Group.

In 2022, EBITDA reached 76.1 million euros (equivalent to 6.3% of sales), representing an increase of 45.3 million compared to 2021.

Operating results (EBIT) were of 52.8 million euros, corresponding to an improvement of 37.3 million compared to the previous year.

The financial function for 2022 increased by 1.8 million euros to 16.0 million euros (compared to 14.2 million euros in 2021). This increase was driven by the rise in the average cost of debt, as reference rates progressively increased in the second half of the year, as well as non-recurring costs associated with early repayments of leasing financings.

The consolidated earnings before taxes grew to 36.8 million euros (compared to 1.3 million euros in 2021) driven by the positive operational performance achieved during 2022. Income tax amounted to 19.1 million euros, of which around 12.6 million euros were related to deferred taxes and 6.5 million euros to current taxes. The net income for 2022 was positive at 17.8 million euros, representing an improvement of 14.4 million euros compared to 2021.

Working capital increased by 24.4 million euros compared to December 2021, to 35.8 million euros. This variation was related with the combined effects of, on the one hand, the application of the non-recourse factoring contract negotiated this year at Inapa France (covering a significant portion of customer balances in that geography) and, on the other hand, by the increase in inventories by 34.9 million euros.

As of December 31, 2022, the consolidated net debt amounted to 221.1 million euros, representing a significant reduction of 40.7 million euros compared to December 2021. This translates into a significant improvement in the net debt / Re-EBITDA ratio from 8.3x in 2021 to 2.5x in 2022. The balance of short-term debt remained stable, with current debt excluding Trade Finance standing at 64.1 million euros, or 27% of the total gross debt (25% in December 2021).

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## 4.4 Business areas performance

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In 2022, the structural changes in consumption patterns, combined with the trend of digitalization and e-commerce, continued to stimulate the growth in demand for paper and board packaging, which is essential for transportation, in the agri-food, pharmaceutical and other industries. Sanitary and household products also maintained a growth trend. On the other side, the more traditional writing and printing papers continued to record declines in consumption. Globally, in Western Europe, the decline was of around 20%, when compared to the pre-pandemic period.

Paper will always have its relevance to the global economy and will continue to be irreplaceable in many instances. There are many studies that prove the greater impact and recall of the messages transmitted on paper compared to electronic media, proving that the written word on paper has a tangible and tactile presence that can never be replaced by the information that is transmitted digitally. It is worth mentioning that paper is one of the most renewable and recyclable materials available, which is a highly relevant fact in the context of overall growing concerns regarding environmental sustainability.

On the supply side, throughout 2022, a progressive increase in the average prices of paper producers was witnessed. This was driven by a significant increase in the cost of various production factors (pulp, chemicals, energy), as well as a new balance between supply and demand related with the economic recovery that resulted in an increase in paper demand in Europe. This occurred within a context of reduced supply by producers and strong limitations on paper imports from other continents due to constraints in the global logistics chain. In the second half of the year, predictions of an economic slowdown, coupled with rapid regularization in logistics chains, led to a sharp reduction in stocks (which were previously at very high levels across the distribution chain).

Paper distribution, the core business of the Inapa Group, was subject to the market dynamics described above, with sales in 2022 increasing by 28% compared to 2021, representing approximately 90% of the Group's total turnover. Inapa remained focused on margin optimization, organic growth, and cost reduction measures, creating more flexible structures. In this regard, additional cost

reduction measures were identified in the logistics and commercial organization areas in Germany. These measures which are currently being implemented, will gradually be reflected in performance in 2023 and 2024. We also carried out sale and leaseback operations for the Sintra and Leganés warehouses.

The packaging and visual communication businesses recorded an overall growth of 7% compared to the same period in 2021. The packaging area has shown great resilience and has continued to evolve in a very positive way, supported by the growth in the e-commerce and agri-food industry, wine, chemical and cosmetic sectors, among others.

Visual communication witnessed a positive evolution in the first months of 2022. This was related with the economic recovery and with the resumption of major specialty fairs and open-house events or webshops for our customers, who have shown a greater willingness to invest. In the second half of the year, there was a lower flow of orders compared to 2021, due to fears of recession in Europe caused by the risk of shortages of energy sources, high inflation levels and rising interest rates.

Inapa remains focused on boosting the cross-selling of packaging materials, visual communication and graphic and office consumables, as a way to increase its penetration in customers and off-set the decrease in the paper activity. In this sense, we continued to explore cross-selling in the areas of packaging through the sale of hygiene and safety products such as protective equipment for social distancing, sign & display and adhesive & floor marking.

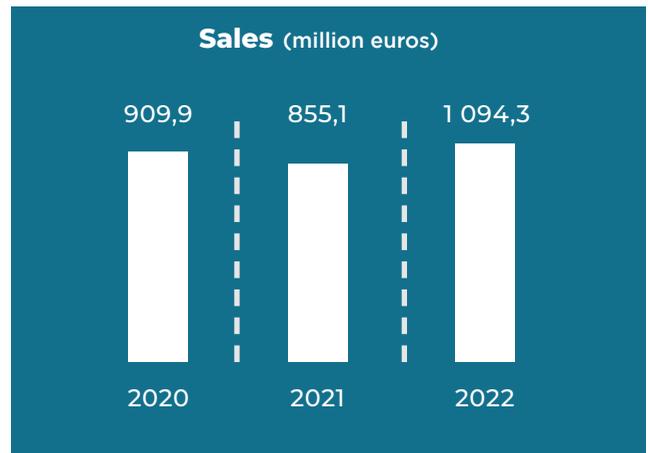
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## PAPER

**In 2022, the Paper business of Inapa Group companies accounted for €1,094.3 million in sales, representing a growth of approximately 28% compared to the same period in 2021.**

After a first half of the year, in which paper consumption volumes in Western Europe were stable compared to the previous year, the second half saw a reduction in paper demand. This evolution was determined by the decision, by the operators along the value chain, to reduce paper stocks. Note: In the previous months the operators across the value chain strengthened the (security) stocks to avoid stoppages of activity due to lack of paper, given the instability in paper production. The return to a more stable situation in the logistics chains, especially after September, made these security stocks redundant.

In 2022, Western Europe experienced a decrease in paper consumption of 7.4% compared to 2021. In the European countries where Inapa operates, consumption declined by 9.7% compared to 2021.



In this context, volume sales in 2022 were 714 thousand tons. This amount represents a decrease of 15% compared to the same period of 2021. However, the sales reached 1,094.3 million euros, which represents an increase of 28% compared to 2021.

Throughout the year, we continued to explore cross-selling opportunities (for solutions related with packaging, hygiene and safety products, PPE and social distancing equipment, sign & display, adhesive & floor marking, among others) as a way to increase penetration within customers and to offset the decline in the paper segment.

In Germany, the integration plan for Papyrus Deutschland was successfully implemented, with cost savings exceeding the targeted amount. However, the market decline related with the effects of Covid-19, exacerbated by the loss of market share during the merger and restructuring process, led to the need for further operation reduction. Inapa identified additional potential cost savings in logistics, commercial organization, and administration, which are currently in the implementation phase, and will progressively have impact in 2023 and 2024. Throughout the year, Inapa stabilized its market share and increased margins, reaching a good level of profitability.

In France, strict pricing discipline and control of sales conditions led to a positive evolution of gross margin percentage (in relation to sales) compared to the same period of the previous year. This commercial dynamic, combined with an optimized and flexible cost structure, resulted in significant growth in profitability levels with a Re-EBITDA margin above the market average. In 2022, Inapa began the implementation project for the Group's new ERP (SAP S/4HANA), which is expected to be concluded in the second quarter of 2023.

Inapa continued its strategy of improving the sales mix, amidst a strong increase in prices by producers, largely driven by rising production costs (particularly pulp, energy, and chemicals). We have observed a change

in the producers' commercial strategy, which is currently more reactive and focused on short-term, with immediate and high price increases, order selection (and cancellation), and discontinuation of less profitable businesses.

Given the new balance between supply and demand, we were able to pass on these increases in prices<sup>1</sup> to our customers and increase the margin on sales in 2022.

We remained focused on constant improvement of efficiency levels and sought new ways to optimize our structures. In 2022, we benefited fully from significant savings in operating costs resulting from the implementation of various restructuring plans in Germany, France, and Spain, while experiencing an increase in personnel expenses (related to commissions and bonuses due to improved sales performances and cancellations of government support obtained during the pandemic, including layoffs) and transportation costs (mostly due to the increased cost of fuel).

The operating results (EBIT) for the paper business were a positive €50.6 million, representing 4.6% of sales (€14.9 million and 1.7% in 2021).

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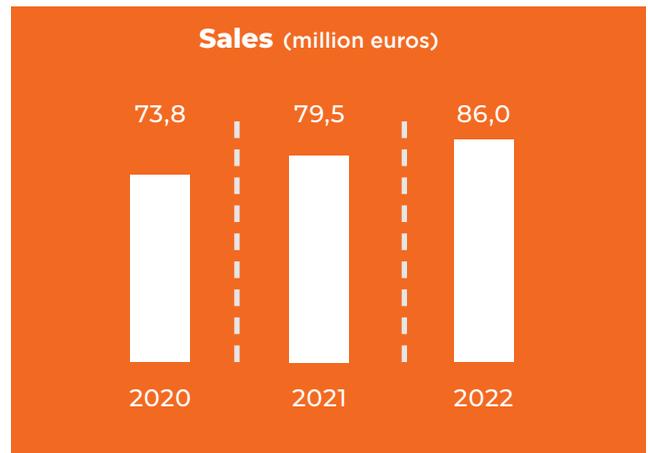
<sup>(1)</sup> AVERAGE SELLING PRICE: PAPER SALES/TONS

## PACKAGING

**In 2022, the Packaging business of the Inapa Group companies represented €86.0 million in sales, presenting a growth of approximately 8% compared to the same period in 2021.**

The year 2022 was characterized by constraints in the logistics area, the energy crisis, and disruption in production and supply chains. In this context, the packaging segment once again demonstrated its resilience by increasing sales by 8% compared to the same period in 2021. According to statistics from the Confederation of European Paper Industries (CEPI), it is estimated that the packaging market share has remained stable, representing 59.8% of the total production of paper and cardboard (59.1% in 2021).

The packaging sector continued to benefit from the substitution effect resulting from the community phase-out standards for plastic packaging. Paper packaging can be easily recycled and does not pose any threat to the environment. With the increasing demand in its various uses such as food and beverages (Thermal packaging or Packaging for food) or in other sectors of the industry and transportation (Lightweight packaging),



growth is expected to continue in the coming years.

In Germany, we continued the promotion of the different product ranges in our portfolio, particularly in the areas of e-commerce and maritime transportation solutions (one of the fastest growing areas in the German packaging market), and in the sale of standard products from Inapa Packaging (Stop Gliss solutions, among others). We also maintained our focus on process improvement and in the harmonization of the product portfolio through the Inapa Deutschland sourcing chain, thereby optimizing costs and increasing profitability.

Despite the challenges presented in 2022, Inapa maintains its prominent position in the French market. The economic situation of great uncertainty experienced this in 2022 led to disruptions across the supply chains which we were able to overcome due to our strong relationships with our suppliers. This advantage allowed us to continue to support our customers by providing them a wide range of offerings for sectors such as agri-food, wine, chemical industry, and cosmetics, among others. We maintained a solid business development capacity supported by the modernization of our sales tools (websites) and by the reinforcement of the training to our sales team (in topics such as new products and sales techniques). We remained focused on maintaining our margin and on the operational integration strategy of the three packaging companies in France. The goal of the integration is to optimize best practices in logistics and back-office areas, thereby ensuring high levels of profitability.

In Portugal, despite the positive return on investment from different options (e.g. offering customized and engineered packaging solutions; pursuing a diversification agenda for our customer portfolio; entering new market segments), sales evolution was negatively

impacted by the transition in early January to the new ERP of the Group (SAP S/4HANA) leading to the reduction in volume in the key & major accounts, automotive, and e-commerce channels. The impact of the slowdown in our commercial performance associated with the increase in operational costs (particularly in transportation and distribution, energy & utilities, and personnel costs) resulted in a deterioration of profitability compared to 2021. We were, however, successful in controlling and protecting the commercial margins by applying an effective pricing strategy and the implementation of actions to increase productivity and mitigate risks caused by high inflation.

The operational results in the packaging area were €3.9 million, representing 4.5% of sales (€4.4 million and 5.5% in 2021).

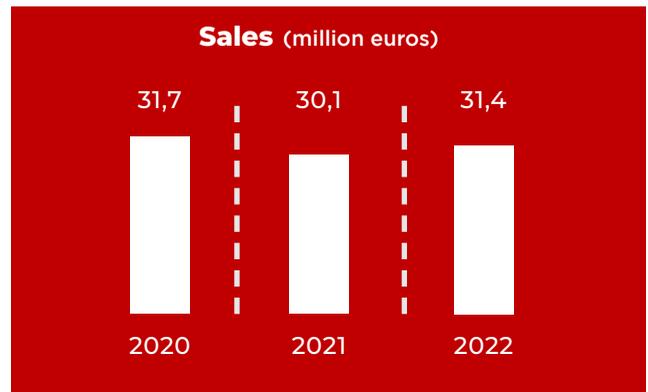
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## VISUAL COMMUNICATION

**In 2022 the business of the Visual Communication generated 31.4 million euros of sales, presenting a growth of about 4% compared to 2021.**

After two years of being impacted by the challenges posed by the Covid-19 pandemic, in particular, the reduction of events and advertising investments, the market has seen a recovery in the first months of 2022. Along with a greater willingness to invest in new equipment by our clients, there has been an increase in the flow of orders and in the demand for maintenance and spare parts services. For the first time since April 2020, we participated (again) in specialty fairs (such as FESPA in Berlin, CPrint in Madrid, and Portugal Print in Portugal, among others). This is a great sales booster, especially in the LFP (Large Format Printing) segment.

However, the maintenance of high levels of inflation in the second half of the year, the increase in interest rates, the uncertainty regarding energy prices, combined with forecasts of recession in 2023, led to a slowdown in demand, more specifically to a greater reluctance of customers to make new investments in hardware, along with a



greater competition in the market, generating pressure on margins.

In Germany, we launched different initiatives to boost sales such as the diversification of the product portfolio and the reactivation of the webshop, along with the holding of open house events and technical assistance workshops in the different locations of Inapa ComPlott. We have also organised technical training programmes related with maintenance services in the LFP segment which is an area of high added value.

In Portugal, there was a slight increase in sales which was driven by investments in large format digital printing equipment and

diversification of our portfolio. However, the combined impact of inflation with the worsening of our operational cost structure, a decrease in demand for higher value-added products and intense competition, resulted in a reduction in gross margin and profitability. The transition to the new ERP of the Group (SAP S/4HANA), at the beginning of the year, brought some challenges and disruptions that required resilience and perseverance from the entire organization.

In 2022 the operational performance stood at break-even (vs 0.8 million euros and 2.8% in 2021).

At the end of the year, the Inapa Group completed the acquisition of JJ Loos, a French company specialized in the commercialization of printing equipment and consumables for visual communication (Viscom). JJ Loos was founded in 1964 and is headquartered in Mulhouse, France, where it is a market leader.

With this acquisition we have taken another important step towards the growth and strengthening of our presence in the French market, creating the conditions for the development of commercial synergies and the logistics chain. The Group consolidated JJ Loos' operations on December 31, 2022.

We will continue to develop the visual communication business area in a sustainable way through organic growth, and we will keep an eye out for new opportunities that can drive growth through acquisitions.

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## 4.5 Outlook for 2023

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The year 2022 was a period of uncertainty and challenges, with the conflict in Ukraine and its repercussions on economic activity being particularly noteworthy: inflation, tightening of central bank monetary policies, and a significant reduction in consumer and investor confidence, among other. Despite this, the European Union's economy grew by around 3%, supported by the easing of Covid-19 restrictions and carry-over effects from 2021. In 2023, economic growth is expected to be more moderate, being projected at 1% (and in line with the slowdown observed in the second half of 2022). The outcome of the conflict in Ukraine will be crucial for growth and inflation.

In the paper industry, in addition to the ongoing structural trend of digitization, sustainability issues, and energy trends, other significant movements and trends were observed in 2022. These include a reduction in demand for coated and uncoated papers, an increase in the importance of packaging paper compared to graphic art paper, and a significant increase in prices.

We anticipate that 2023 will be, like previous years, a highly challenging period in terms of the context. We will continue with the implementation of the 2022-24 strategy, which consists in promoting efficiency, growth in non-paper business, and our sustainability impact, to consolidate our positioning.

We will maintain our focus on margin management, by optimizing the product mix and driving sales of higher value-added products, and also by using electronic sales channels and adopting a highly disciplined pricing approach. The importance of this focus is significant given the context of high price volatility.

The process of consolidating the organizational structure to leverage scale and increase efficiency and flexibility will continue. In 2022, several initiatives were implemented towards this goal, such as the adoption of the new Group ERP (SAP S/4HANA) in Portugal and Spain, and the development of a logistics project in Germany which aims to optimize operations in that geography.

The implementation of SAP in France and Turkey is planned for 2023. This process will complete the digital transformation of the Group. We will continue focused on leveraging synergies from the acquisitions of Papyrus Deutschland (including additional opportunities identified for implementation in 2022 and 2023) and JJ Loos (a visual communication company acquired in November 2022).

Regarding growth, Inapa will continue investing in non-paper products to promote organic growth through cross-selling. As in 2022, with the acquisition of JJ Loos, we will continue to explore opportunities for inorganic growth in the Packaging and Visual Communication (Viscom) areas.

Financial sustainability will continue to be essential in the context of inflation and rising interest rates. We will carry on highly focused on debt reduction, working capital management, and optimization of gross margin.

The reduction in debt levels registered in recent years illustrates the path we intend to pursue. We will also strive to improve our impact on the non-financial sustainability aspects, through the reduction of our ecological footprint, the strengthening and rejuvenating of our teams, and the improvement of the overall impact of our activities on society.

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# 05 Consolidated Accounts

## INAPA - Investimentos, Participações e Gestão, SA

CONSOLIDATED INCOME STATEMENT AT DECEMBER 31, 2022 AND DECEMBER 31, 2021

(AMOUNTS IN THOUSANDS OF EUROS)

	31 DECEMBER 2022	2 <sup>nd</sup> HALF 2022*	31 DECEMBER 2021	2 <sup>nd</sup> HALF 2021*
<b>Tonnes*</b>	<b>714 356</b>	<b>324 471</b>	<b>841 225</b>	<b>448 303</b>
Sales and services rendered	1 230 390	607 204	980 911	527 896
Other income	16 164	9 402	12 506	6 596
<b>Total income</b>	<b>1 246 554</b>	<b>616 605</b>	<b>993 417</b>	<b>534 492</b>
Cost of inventories sold	-973 364	-485 342	-782 581	-421 495
Personnel costs	-107 193	-54 992	-94 096	-48 746
Other costs	-89 936	-42 718	-85 952	-42 912
<b>Operating results before depreciations and amortizations</b>	<b>76 060</b>	<b>33 553</b>	<b>30 789</b>	<b>21 339</b>
Depreciations and amortizations	-23 239	-13 787	-15 304	-7 435
<b>Operating results</b>	<b>52 822</b>	<b>19 767</b>	<b>15 484</b>	<b>13 904</b>
Gains / (losses) in associates	188	34	655	668
Financial results	-16 187	-8 157	-14 807	-7 825
<b>Net profit before income tax</b>	<b>36 823</b>	<b>11 644</b>	<b>1 332</b>	<b>6 747</b>
Income tax	-19 064	-9 846	1 982	-417
<b>Net profit for the period</b>	<b>17 759</b>	<b>1 799</b>	<b>3 314</b>	<b>6 330</b>
<b>Attributable to:</b>				
Shareholders of the company	17 759	1 799	3 314	6 330
<b>Earnings per share on continuing operations - euros</b>				
Basic	0,0337	0,0034	0,0063	0,0120
Diluted	0,0272	0,0028	0,0048	0,0093

\* Non audited

**INAPA - Investimentos, Participações e Gestão, SA****CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2022 AND DECEMBER 31, 2021**

(AMOUNTS IN THOUSANDS OF EUROS)

	<b>31 DECEMBER, 2022</b>	<b>31 DECEMBER, 2021</b>
<b>Assets</b>		
<b>Non current assets</b>		
Tangible fixed assets	30 822	57 390
Goodwill	228 971	232 620
Right of use assets	34 596	33 105
Intangible assets	129 401	125 471
Investments in associate companies	1 346	2 260
Financial assets at fair value through profit or loss	119	120
Other non current assets	2 749	3 373
Deferred tax assets	25 911	37 148
<b>Total non current assets</b>	<b>453 914</b>	<b>491 487</b>
<b>Current assets</b>		
Inventories	89 956	55 032
Trade receivables	49 281	65 801
Income tax receivables	1 321	652
Other current assets	53 017	60 481
Cash and cash-equivalents	16 503	7 982
<b>Total current assets</b>	<b>210 078</b>	<b>189 950</b>
<b>Total assets</b>	<b>663 992</b>	<b>681 437</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	180 135	180 135
Share issue premium	431	431
Reserves	21 282	19 782
Retained earnings	-42 926	-46 240
Net profit for the period	17 759	3 314
<b>Total shareholders' equity</b>	<b>176 681</b>	<b>157 422</b>
<b>LIABILITIES</b>		
<b>Non current liabilities</b>		
Loans	155 395	183 408
Deferred tax liabilities	50 993	48 618
Provisions	453	62
Employees' benefits	16 866	21 780
Other non current liabilities	17	17
<b>Total non current liabilities</b>	<b>223 724</b>	<b>253 886</b>
<b>Current liabilities</b>		
Loans	82 183	86 387
Trade payables	103 428	109 470
Income tax liabilities	13 302	11 189
Provisions	7 389	1 542
Other current liabilities	57 284	61 542
<b>Total current liabilities</b>	<b>263 587</b>	<b>270 129</b>
<b>Total shareholders' equity and liabilities</b>	<b>663 992</b>	<b>681 437</b>

# 06 Additional information

## Warning

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While the indications reflect current expectations, investors and analysts, and in general all users of this document, are cautioned that future indications are subject to a variety of uncertainties and risks, many of which are difficult to anticipate.

Everyone is cautioned not to give inappropriate importance to future information and indications.

We assume no obligation to update any future information or indication.

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Inapa is admitted to trading on the Euronext Stock Exchange.

Information about the company can be consulted through the symbol INA or by ISIN PTINA0AP0008

**Miguel Loureiro**  
miguel.loureiro@inapa.com  
Tel.: +351 213 823 007

**Inapa – Investimentos,  
Participações e Gestão, SA**

Rua Braamcamp,  
40 - 9.º Dto  
1250-050 Lisboa  
Portugal

**inapa**

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