



**Management report on activities
of InPost Capital Group
for the period of 6 months ended 30 June 2022**

Luxembourg, 31 August 2022

1 General information about the InPost Group and its Parent

InPost S.A., (hereinafter referred to as the “Company”) was incorporated on November 6, 2020 and is organised under the laws of Luxembourg as a “société anonyme” for an unlimited period and is registered with the Luxembourg Register of Commerce and Companies under n° B 248669. The address of InPost S.A registered office is 70 route d’Esch, L-1470 Luxembourg.

InPost S.A. is the parent company in the InPost Capital Group. Functional currency of InPost S.A. is Euro (EUR). Polish zloty (PLN) has been used as the presentation currency of the interim condensed consolidated financial statements and is functional currency for most of Group’s subsidiaries.

Since 27 January 2021 InPost S.A. shares are traded on Euronext Amsterdam, where the Company is part of the AEX Index and has a credit rating of Ba2/BB.

Composition of the Management Board

Rafał Brzoska – President of the Management Board

Adam Aleksandrowicz – Vice President of the Management Board

Michael Rouse – Vice President of the Management Board

Composition of the Supervisory Board

Mark Robertshaw – Chairperson, Member of the Supervisory Board

Mike Roth – Member of the Supervisory Board

Nick Rose – Member of the Supervisory Board

Ranjan Sen – Member of the Supervisory Board

Ralf Huep – Member of the Supervisory Board

Marieke Bax – Member of the Supervisory Board

Cristina Berta Jones – Member of the Supervisory Board

Description of the organisational structure of the Group in which InPost S.A. is the parent company

InPost Group offers complex logistic solutions mostly for customers from the e-commerce industry. The core business of the InPost Group includes the following operating activities: automatic parcel machines services, courier services, production and sale of automatic parcel machines, research and development works, internet portals, data processing, website management (hosting), and holding activities including management of the InPost Group.

For management purposes, the Group presents results in four reportable segments divided into two following geographical regions:

- Segment outside Poland:
 - A. Mondial Relay segment, which includes APM business and PUDO points in France, Spain, Belgium, Netherlands and Portugal,
 - B. International Other APM segment, which includes APM business (delivery of parcels to automated parcel machines) in the United Kingdom and Italy.
- Segment in Poland:
 - C. APM segment, which is focused on the delivery of parcels to automated parcel machines,
 - D. To-Door segment, which includes delivery of parcels using door-to-door couriers.

Non reportable segment – other segments in Poland, which consists mainly of fulfilment, fresh, marketing and IT services provided for external customers.

Period of 6 months ended on 30-06-2022	International		Poland				Total	Total reportable segments
	Mondial Relay	Other	APM	To-Door	Other	Inter-segment elimination		
	A	B	C	D				
Revenue	1,245.9	87.2	1,439.2	414.3	67.0	(15.0)	3,238.6	3,186.6
External	1,245.9	76.9	1,439.2	414.3	62.3	-	3,238.6	3,176.3
Inter-segment	-	10.3	-	-	4.7	(15.0)	-	10.3
Direct costs:	(970.4)	(144.0)	(560.0)	(298.4)	(51.2)	15.0	(2,009.0)	(1,972.8)
Logistic costs	(732.5)	(108.3)	(507.8)	(287.3)	-	10.3	(1,625.6)	(1,635.9)
External	(722.2)	(108.3)	(507.8)	(287.3)	-	-	(1,625.6)	(1,625.6)
Inter-segment	(10.3)	-	-	-	-	10.3	-	(10.3)
APM network	(4.8)	(21.0)	(25.4)	-	-	4.7	(46.5)	(51.2)
External costs	(4.8)	(16.3)	(25.4)	-	-	-	(46.5)	(46.5)
Inter-segment	-	(4.7)	-	-	-	4.7	-	(4.7)
PUDO points ¹	(183.4)	(2.5)	(7.2)	(2.2)	-	-	(195.3)	(195.3)
Other direct costs	(49.7)	(12.2)	(19.6)	(8.9)	(51.2)	-	(141.6)	(90.4)
Gross profit:	275.5	(56.8)	879.2	115.9	15.8	-	1,229.6	1,213.8

	Mondial Relay	Other International	Poland	Total
Gross profit	275.5	(56.8)	1,010.9	1,229.6
General costs	(100.7)	(32.3)	(187.4)	(320.4)
- Sales & Marketing	(23.3)	(8.8)	(36.3)	(68.4)
- Call Centre	(10.5)	(8.4)	(18.7)	(37.6)
- IT Maintenance	(28.5)	(1.0)	(29.0)	(58.5)
- MIP Valuation	-	-	(2.2)	(2.2)
- LTIP Valuation	(1.2)	(0.8)	(2.2)	(4.2)
- Restructuring costs	(4.5)	-	-	(4.5)
- Other general costs	(32.7)	(13.3)	(99.0)	(145.0)
Operating EBITDA	174.8	(89.1)	823.5	909.2
Depreciation and amortisation	(97.6)	(32.3)	(313.8)	(443.7)
Operating profit	77.2	(121.4)	509.7	465.5

¹ PUDO points – commissions for handling parcels at collection and delivery points.

2 Current and projected financial situation

Operational activity in Poland

As at June 30, 2022, the Group had 18,418 automatic parcel machines in Poland, which means an increase by 5,071, or 38% compared to the analogous period last year. The Group believes that increasing the scale and density of its network to increase the reach of its population with new parcel machines implementations is a key element of its strategy of continuously improving user experience for both traders and consumers.

For the half year ended June 30, 2022, the Group's total volume of shipments in Poland reached 234.9 million, an increase of 35.8 million or 18% compared to the analogous period last year. The total volume of APM parcels in Poland reached 192.2 million for the first half of 2022, which means an increase of 30.4 million, or 18% compared to the same period in previous year. This increase was primarily driven by agreements with new merchants, and strong growth in volumes from existing customers. The total volume of courier items in Poland amounted to 39.7 million as at June 30, 2022, which is an increase of 5.4 million or 16% compared to the analogous period last year.

Operating activities abroad

As at June 30, 2022, the Group had a network of 5,848 parcel machines outside Poland (3,935 in Great Britain, 1,012 in France and 901 in other markets). The number of parcel machines outside Poland increased by 3,623, or 163%, compared to the analogous period last year. In France, the company is accelerating automation to enhance standardisation, simplicity, and satisfaction of Mondial Relay's existing out-of-home customer base. The number of APMs in France reached 1,012, which is more than 3 times higher than at the beginning of 2022 (and up from zero at the time of Mondial Relay's acquisition). In Great Britain the number of APMs at the end of June 2022 reached 3,935 units, up 109% compared to the analogous period last year, with an average of 45% of the population of London, Birmingham and Manchester having an InPost locker within 7-minute walking distance. The Group's international shipment volume reached 109.2 million, an increase of 106.3 million compared to the same period in previous year. This increase is mainly due to the acquisition of Mondial Relay to InPost Group. Volumes in Great Britain reached 8.3 million parcel comparative to 2.9 million parcel in the same period last year. This significant growth has been driven by InPost's increasingly differentiated returns offering and strong growth in merchant partners.

Revenue

Revenues increased by PLN 1,582.9 million, or 97%, to PLN 3,221.9 million for the half year ended June 30, 2022 compared to the analogous period last year. The increase was driven by the acquisition of Mondial Relay. The Group continued to grow in each segment. Without the new business in like-for-like comparison, revenue increased by PLN 337.0 million, or 21%, by further growth of its business in Poland, the UK and Italy.

Other operating income

Other operating income increased by PLN 5.0 million, or 43.0%, to PLN 16.7 million for the period of 6 months ended on June 30, 2022 from PLN 11.7 million for the period of 6 months ended on June 30, 2021. This increase was mainly due to higher revenues from contractual penalties and damages, and – to a lesser extent – it was affected by higher income from subsidies.

Depreciation

Depreciation and amortisation increased by PLN 201.8 million, or 83.4%, to PLN 443.7 million for the period of 6 months ended on June 30, 2022 from PLN 241.9 million for the period of 6 months ended on June 30, 2021. This was primarily the result of Mondial Relay acquisition, which is responsible for increase of depreciation and amortisation costs by PLN 97.6 million. Moreover, the expansion of the Group's APM networks and the related increase in the number of APMs contributed to the growth of the depreciation costs, which was reflected in the increase of the value of the InPost Group's APM network on its statement of financial position.

External Services

External services increased by PLN 1,004.0 million, or 127.7%, to PLN 1,790.0 million for the period of 6 months ended on June 30, 2022 from PLN 786.0 million for the period of 6 months ended on June 30, 2021. The increase was mainly contributed by Mondal Relay – PLN 853.7 million and also increased use of external courier services, handling a greater number of parcels in the parcel locker and courier segments.

Payroll

Payroll increased by PLN 103.0 million, or 52.1%, to PLN 300.8 million for the period of 6 months ended on June 30, 2022 from PLN 197.8 million for the period of 6 months ended on June 30, 2021. This increase was primarily driven by an increase in the number of employees to support the growth of the Group's business, mainly Mondial Relay contribution – PLN 101.9 million, headcount increase in all markets and increase of the minimum salary in Poland as well as Share-based programmes expenses.

Total MIP costs recognised in statement of profit or loss for the period of 6 months 2022 amounted to PLN 2.2 million (for the period of 6 months 2021 it was 55.4 million). Total LTIP costs recognised in statement of profit or loss for the period of 6 months 2022 amounted to PLN 4.2 million (for the period of 6 months 2021 it was 2.7 million).

Social security and other benefits

Social security and other benefits increased by PLN 52.8 million, or 160.5%, to PLN 85.7 million for the period of 6 months ended on June 30, 2022 from 32.9 million the period of 6 months ended on June 30, 2021. This increase was mainly contributed by Mondial Relay (PLN 36.0 million) and an increase in the number of employees and in wages and employee benefits as well as higher costs of staff training.

Operating profit

Operating profit increased by PLN 134.1 million, or 40.5%, to PLN 465.5 million for the period of 6 months ended on June 30, 2022 from PLN 331.4 million for the period of 6 months ended on June 30, 2021. This increase was mainly contributed by Mondial Relay and an increase in revenues, which was greater than the increase in total operating costs as a result of the development of the InPost Group's business and an increase in the volume of parcels delivered.

Financial costs/Financial income

Net financial expenses rose from PLN 45.6 million in H1 2021 to PLN 79.1 million in H1 2022. Out of this H1 2022 value, PLN 43.1 million were mainly due to Mondial Relay acquisition debt. The FX positive effect of PLN 52.5 million was caused by valuation of borrowings denominated in PLN, incurred by InPost S.A. which functional currency is EUR thus due to depreciation of PLN vs EUR foreign exchange profit was recognised on those items. Remaining change is attributable to higher rates on variable debt.

Profit before tax

Profit before tax increased by PLN 100.6 million, or 35.2%, to PLN 386.4 million for the period of 6 months ended on June 30, 2022 from PLN 285.8 million for the period of 6 months ended on June 30, 2021. This was a result of all the above-mentioned factors.

Income tax

Income tax increased by PLN 2.4 million, or 2.5% to PLN 100.1 million for the period of 6 months ended on June 30, 2022 from PLN 97.7 million for the period of 6 months ended on June 30, 2021.

Net profit

Net profit increased by PLN 99.3 million, or 53.4%, to PLN 285.3 million for the period of 6 months ended on June 30, 2022 from PLN 186.0 million for the period of 6 months ended on June 30, 2021. This was a result of all the factors described above.

The list of the Group entities is presented in the below table.

The list of the Group entities

	Company name	Country	Functional Currency	Shareholders as at 30-06-2022	Interest in the share capital as at 30-06-2022
Direct subsidiaries					
1	Integer.pl S.A.	Poland	PLN	InPost S.A.	100%
2	InPost Technology	Poland	PLN	InPost S.A.	100%
3	Integer France SAS	France	EUR	InPost S.A.	100%
Indirect subsidiaries					
4	Mondial Relay SAS	France	EUR	Integer France SAS	100%
5	InPost Sp. z o.o.	Poland	PLN	Integer Group Services Sp. z o.o.	100%
6	Locker InPost Italia Srl	Italy	EUR	InPost Paczkomaty Sp. z o.o.	100%
7	Granatana Limited in liquidation	Cyprus	EUR	InPost Paczkomaty Sp. z o.o.	100%
8	Giverty Holding Limited in liquidation	Cyprus	EUR	Granatana Limited	100%
9	InPost UK Limited	United Kingdom	GBP	InPost Paczkomaty Sp. z o.o.	100%
10	InPost Paczkomaty Sp. z o.o.	Poland	PLN	Integer.pl S.A.	100%
11	Integer Group Services Sp. z o.o.	Poland	PLN	Integer.pl S.A.	38.35%
				InPost Paczkomaty Sp. z o.o.	61.65%
12	M.P.S.L. Modern Postal Services Ltd	Cyprus	EUR	Integer.pl S.A.	100%

3 The most important events affecting the Group's operations in 2022 and until the approval of the financial statement

Russian invasion of Ukraine

On February 24, 2022 Russia launched a large-scale invasion of Ukraine, Poland's neighbour to the east. The Group is taking a number of activities aimed at providing support to its employees of Ukrainian nationality, their families and relatives and all other people in need of help. The Group is actively engaged in helping Ukrainians by using Group's huge transport fleet to help deliver large amounts of products collected as part of campaigns and collections organised throughout Poland to the Ukrainians.

Up until the date of authorisation of the interim condensed consolidated financial statements for issue, the InPost Group has not been directly affected by the military conflict, as the Group does not conduct any operations and does not have any assets located in either Russia, Belarus or Ukraine. At the date of authorisation of the interim condensed consolidated financial statements for issue, the Group does not identify the risk of interrupting continuity of deliveries due to the lack of employees or due to any other reason.

On February 28, 2022 the Group communicated that it will not acquire any goods or services from those companies whose shareholding is above 5% Russian or Belarusian. This decision in itself does

not have significant negative impact on the Group's business as the sourcing is focused on mainly local markets and some on China.

It cannot be excluded that situation in Ukraine will have negative effects for the Polish national economy, as well as regional and world economy both in the short and long term, such as: increase in petroleum prices, change in exchange rates and increase in inflation rate, which may negatively affect Group's financial results in subsequent periods. It cannot be excluded that the situation may cause changes to customers' behaviours resulting in decreased demand for logistics services.

Management Board of the Parent Company constantly monitors the impact of the political and economic situation in Ukraine on the activities of the Group and on the financial results in the perspective of subsequent periods and adjusts the Group's budgets accordingly.

4 Strategy and development prospects as well as information on risk factors

Development prospects and factors influencing it

The strategic goal of the Group is the development of logistics services in the parcel machine and courier segment on the Polish and International market. We expect to continue growing market share driven by our strategic advantage of convenience and sustainability, as well as our core cost advantage for merchants which is all more significant in the context of the ongoing high inflationary environment.

Information about the development strategy

The strategy of InPost Group is based on full concentration on broadly understood logistic services for clients from the e-commerce sector. Both courier services on the Polish market and parcel machine services on the European markets on which the Group operates are offered to the vast majority of online stores and individual customers, which allows to take advantage of the very dynamically growing e-commerce market and significantly diversify the number of customers.

Description of the main threats and risks

The activities carried out by companies from the InPost Capital Group are exposed to the following financial risks:

- **market risk:** it entails such a risk for the company where the fair value of a financial instrument or the related future cash flows will change due to changes in market prices. It includes three types of risk: currency risk, interest rate risk and other price risk;
- **credit risk:** it was assumed that it is a risk related to a financial instrument when one of the parties fails to meet its obligations towards the other;

- **liquidity risk:** it was assumed that it concerns the company's difficulties in meeting its financial obligations;
- **risk of changes in interest rates:** it was assumed that it relates to the impact of changes in the interest rate on the Group's financial liabilities;
- **currency risk:** it was assumed that it concerns only unsettled monetary items denominated in foreign currencies, adjusted for currency translation at the end of the accounting period by 10% change in exchange rates.

InPost Capital Group tries to minimize the potential unfavourable impact of these risks on the financial results. Risk is managed directly by the Management Board of the Company, analysing the scale of the risk on an ongoing basis and taking appropriate decisions.

5 Key personnel remuneration

	Period of 6 months ended on 30-06-2022	Period of 6 months ended on 30-06-2021
Management Board of which:	9.0	5.5
<i>Share-based</i>	3.0	1.3
<i>Short-term employee benefits</i>	6.0	4.2
Executive Committee of which:	2.6	2.2
<i>Share-based</i>	0.6	0.3
<i>Short-term employee benefits</i>	2.0	1.9
Supervisory board of which:	1.4	1.0
<i>Share-based</i>	-	-
<i>Short-term employee benefits</i>	1.4	1.0
Total key personnel remuneration	13.0	8.7

6 Research and development

The scope of our R&D is very wide, but our priority is, of course, the further development of parcel lockers. APMs are designed in InPost's in-house R&D facility.

Our key R&D projects are focused on our Go to Green strategy. As part of one of these projects, we designed an electric car charger integrated with APM. We deployed the first APM with an energy self-sufficient parcel locker that draws power from photovoltaic modules and the screenless type, which has a user panel designed to be used exclusively via the mobile app. We are also implementing anti-smog paver blocks next to the parcel machines, which will further support our efforts to improve air quality.

We continuously work on the design of APMs, which allows us to unlock additional APM locations to be as close as possible to our consumers. We have recently developed L-shaped and U-shaped APMs which can be placed in a location where a typical straight-line APM would not fit. Secondly, we have

designed and implemented an indoor parcel locker adjusted for use in enclosed spaces such as shopping malls, underground car parks or office buildings.

Each project is divided into several phases. We start with the research phase, during which we search for and analyse the best solutions. Then we move on to a phase of designing, developing and prototyping. The most important stage is the testing phase during which we thoroughly check each of our solutions. Only a validated product can be approved for production.

7 Own shares

Share Capital

Series	Face value	Number of shares as at 30-06-2022	Number of shares 31-12-2021
Normal shares	EUR 0.01 each	500,000,000	500,000,000
		500,000,000	500,000,000

Treasury Shares

Series	Weighted Average Cost of purchase	Number of shares as at 30-06-2022	Number of shares 31-12-2021
Treasury shares owned by Group	EUR 5.17 each	358,044	-
		358,044	-

8 Branches

For the period of 6 months ended 30 June 2022, the Group did not have any branches.

9 Financial instruments

The book value of the financial instruments held reflects the maximum exposure to credit risk. The instruments held are not covered by any collateral that would improve the credit conditions. Information on the financial instruments held by the Group and the risks related to them was disclosed in Note 29 to the interim condensed consolidated financial statements.

10 Events after the balance sheet date

There were no significant events after the balance sheet date.

Luxembourg, 31 August 2022 –

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Rafał Brzoska

*President
of the Management Board*

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Adam Aleksandrowicz

*Vice President
of the Management Board*

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Michael Rouse
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Michael Rouse
*Vice President
of the Management Board*