Management report on activities of InPost Group for the period of 6 months ended 30 June 2023

- Luxembourg, September 5, 2023 –

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 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: automated parcel machines services, courier services, fulfilment services, production and sale of automated parcel machines, research and development works, internet portals, data processing, website management (hosting), and holding activities including management of the InPost Group.

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

- Segments outside Poland:
  - A. Mondial Relay segment, which includes APM[1] and PUDO[2] business points in France, Spain, Belgium, the Netherlands, Luxembourg and Portugal,
  - B. International Other segment, which includes APM and PUDO business points in the United Kingdom and Italy.
- Segments in Poland:
  - C. APM segment, (the delivery of parcels to automated parcel machines),
  - D. To-Door segment, (the delivery of parcels using door-to-door couriers).

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

Period of 6 months ended on 30-06-2023	International		Poland					
	Mondial Relay	Other	APM	To-Door	Other	Inter-segment elimination	Total	Total reportable segments
	A	B	C	D				A+B+C+D
Revenue and other operating income[3]	**1,459.1**	**250.0**	**1,865.7**	**524.3**	**90.2**	**(52.9)**	**4,136.4**	**4,099.1**
External	1,432.1	234.4	1,865.7	524.3	79.9	-	4,136.4	4,056.5
Inter-segment	27.0	15.6	-	-	10.3	(52.9)	-	42.6
Direct costs	**(1,165.9)**	**(256.4)**	**(660.8)**	**(335.1)**	**(65.8)**	**52.9**	**(2,431.1)**	**(2,418.2)**
Logistic costs	**(945.0)**	**(214.4)**	**(601.7)**	**(323.0)**	**-**	**42.6**	**(2,041.5)**	**(2,084.1)**
External costs	(929.4)	(187.4)	(601.7)	(323.0)	-	-	(2,041.5)	(2,041.5)
Inter-segment costs	(15.6)	(27.0)	-	-	-	42.6	-	(42.6)
APM network	**(7.3)**	**(15.0)**	**(28.9)**	**-**	**-**	**10.3**	**(40.9)**	**(51.2)**
External costs	(3.6)	(8.4)	(28.9)	-	-	-	(40.9)	(40.9)
Inter-segment costs	(3.7)	(6.6)	-	-	-	10.3	-	(10.3)
PUDO points[4]	**(189.9)**	**(15.3)**	**(7.6)**	**(2.0)**	**-**	**-**	**(214.8)**	**(214.8)**
Other direct costs	**(23.7)**	**(11.7)**	**(22.6)**	**(10.1)**	**(65.8)**	**-**	**(133.9)**	**(68.1)**
Gross profit	**293.2**	**(6.4)**	**1,204.9**	**189.2**	**24.4**	**-**	**1,705.3**	**1,680.9**

[1] APM is Automated Parcel Machine
[2] PUDO is Pick-Up and Drop-Off points
[3] The Group's revenue is recognised at the point in time.
[4] PUDO points – commissions for handling parcels at collection and delivery points.

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	Mondial Relay	Other international	Poland	Total
Gross profit	**293.2**	**(6.4)**	**1,418.5**	**1,705.3**
General costs	(141.1)	(65.6)	(277.3)	(484.0)
- Sales & Marketing	(29.5)	(10.3)	(48.4)	(88.2)
- Call Centre	(18.9)	(12.3)	(23.5)	(54.7)
- IT Maintenance	(22.9)	(17.5)	(45.5)	(85.9)
- MIP Valuation	-	-	(2.2)	(2.2)
- LTIP Valuation	(1.2)	(1.8)	(7.4)	(10.4)
- Restructuring costs	(13.5)	-	-	(13.5)
- Other general costs	(55.1)	(23.7)	(150.3)	(229.1)
Operating EBITDA	**152.1**	**(72.0)**	**1,141.2**	**1,221.3**
Depreciation and amortisation	(130.0)	(49.1)	(389.0)	(568.1)
Operating profit	**22.1**	**(121.1)**	**752.2**	**653.2**

2 Current and projected financial situation

Operational activity in Poland

As at June 30, 2023, the Group had 20,652 automatic parcel machines in Poland, which means an increase by 2,234 or 12.1% compared to the analogous period last year. The Group believes that increasing the scale and density of its network is a key element of its strategy of continuously improving user experience for both merchants and consumers.

For the half year ended June 30, 2023, the Group's total volume of shipments in Poland reached 273.6 million, an increase of 38.7 million or 16.5% compared to the analogous period last year. The total volume of APM parcels in Poland reached 229.7 million for the first half of 2023, which means an increase of 34.5 million, or 17.6% 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 44.0 million as at June 30, 2023, which is an increase of 4.3 million or 10.8% compared to the analogous period last year.

Operating activities abroad

As at June 30, 2023, the Group had a network of 10,791 parcel machines outside Poland (5,403 in United Kingdom, 3,585 in France and 1,803 in other markets). The number of parcel machines outside Poland increased by 4,943 or 84.5% 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 3,585, which is more than 3 times higher than in the middle of the previous year). In Great Britain the number of APMs at the end of June 2023 reached 5,403 units, up 37.3% compared to the analogous period last year, with an average of 48% of the population of core cities (with population over 175,000) lives within 7 mins walk from InPost APM/PUDO. The Group's international shipment volume reached 139.7 million, an increase of 30.6 million compared to the same period in previous year. In the first half of 2023 there was a strong volume growth across all Mondial Relay markets – total volumes reached 116.1 million parcel (approximately 15.8 million more than in the analogous period last year). Volumes in United Kingdom reached 15.9 million parcel comparative to 8.2 million parcel in the same period last year. Volume growth potential in the UK has been unlocked thanks to new logistics capacity. Italy's volumes surging have also been observed – up to 7.7 million parcel from 0.6 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 899.8 million, or 27.9%, to PLN 4,121.7 million for the half year ended June 30, 2023 compared to the analogous period last year. The increase was driven by strong increase in the volumes in Poland and abroad.

Other operating income

Other operating income decreased by PLN 2.0 million, or 12.0%, to PLN 14.7 million for the period of 6 months ended on June 30, 2023 from PLN 16.7 million for the period of 6 months ended on June 30, 2022. This decrease was mainly due to lower revenues from contractual penalties and damages.

Depreciation

Depreciation and amortisation increased by PLN 124.4 million, or 28.0%, to PLN 568.1 million for the period of 6 months ended on June 30, 2023 from PLN 443.7 million for the period of 6 months ended on June 30, 2022. This increase was primarily the result of the expansion of the Group's APM network.

External Services

External services increased by PLN 397.8 million, or 22.2%, to PLN 2,187.8 million for the period of 6 months ended on June 30, 2023 from PLN 1,790.0 million for the period of 6 months ended on June 30, 2022. The increase was mainly contributed by InPost Sp. z o.o. – PLN 1,676.9 million and Mondial Relay – PLN 1,026.0 million and also increased use of external courier services, handling a greater number of parcels in the parcel locker and courier segments and an increase in PUDO costs commission. As a percentage of revenue and other operating income, external services costs decreased from 55.3% for the period of 6 months ended on June 30,2022 to 52.9% for the period of 6 months ended on June 30, 2023. The amount of logistics costs is mainly influenced by fuel prices.

Payroll

Payroll increased by PLN 83.8 million, or 27.9%, to PLN 384.6 million for the period of 6 months ended on June 30, 2023 from PLN 300.8 million for the period of 6 months ended on June 30, 2022. 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 140.0 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 2023 amounted to PLN 2.2 million (the same value as for the analogous period last year). Total LTIP costs recognised in statement of profit or loss for the period of 6 months 2023 amounted to PLN 10.4 million (for the period of 6 months 2022 it was 4.2 million).

Social security and other benefits

Social security and other benefits increased by PLN 29.9 million, or 34.9%, to PLN 115.6 million for the period of 6 months ended on June 30, 2023 from PLN 85.7 million the period of 6 months ended on June 30, 2022. This increase was mainly contributed by Mondial Relay (PLN 55.6 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 187.7 million, or 40.3%, to PLN 653.2 million for the period of 6 months ended on June 30, 2023 from PLN 465.5 million for the period of 6 months ended on June 30, 2022. This increase was mainly caused by the development of the InPost Group's business, increase in the volume of parcels delivered and improving margins thanks to the operational leverage.

Financial costs/ Financial income

Net financial expenses rose from PLN 79.1 million in H1 2022 to PLN 270.7 million in H1 2023. Finance costs increased by 113.3% (PLN 144.5m). This increase was the effect of a PLN 83.0m FX losses (in the analogous period of the previous year there were FX gains which amounted to PLN 48.4m) driven by the consolidation translation of PLN denominated borrowings InPost S.A. level, whose functional currency is EUR. The increase in financial costs was also caused higher interest costs of PLN 61.2m, resulting from the increase in interest rates.

Profit before tax

Profit before tax decreased by PLN 3.9 million to PLN 382.5 million for the period of 6 months ended on June 30, 2023 from PLN 386.4 million for the period of 6 months ended on June 30, 2022. This was a result of all the above-mentioned factors.

Income tax

Income tax increased by PLN 38.5 million, or 38.5% to PLN 138.6 million for the period of 6 months ended on June 30, 2023 from PLN 100.1 million for the period of 6 months ended on June 30, 2022. Income tax increased as result of increase in operating profit - most of the financial costs are non-taxable and as result they don’t impact income tax for the group.

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Net profit

Net profit decreased by PLN 41.4 million, or 14.5%, to PLN 243.9 million for the period of 6 months ended on June 30, 2023 from PLN 285.3 million for the period of 6 months ended on June 30, 2022. This was a result of increases in financial costs and tax described above.

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

	Company name	Country	Functional Currency	Shareholders as at 30-06-2023	Interest in the share capital as at 30-06-2023
	Direct subsidiaries				
1	Integer.pl S.A.	Poland	PLN	InPost S.A.	100%
2	InPost Technology S.à r.l.	Luxembourg	EUR	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	InPost Paczkomaty Sp. z o.o.	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 in liquidation	Cyprus	EUR	Integer.pl S.A.	100%

After the balance sheet date, on July 19, 2023, InPost Group has announced acquisition of a 30% equity stake in Menzies Distribution Group. More details in note 10.

3 The most important events affecting the Group's operations in 2023 and until the approval of the financial statement

There were no significant events in the reporting period.

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 markets. The Group expects to continue growing market share driven by the Group strategic advantage of convenience and sustainability, as well as 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 core focus of the InPost Group's strategy revolves around providing comprehensive logistic services tailored to clients within the expansive e-commerce sector. The Group offers services within the Polish market and across the European markets in which it operates. This approach caters to a wide array of online stores and individual customers, enabling the Group to tap into the expanding e-commerce landscape and broaden its customer base.

Description of the main threats and risks

The activities carried out by companies from the InPost 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 is further divided into three types of risk: currency risk, interest rate risk and other price risk;
    - **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.
- **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;

InPost Group actively seeks to mitigate any 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.

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5 Key personnel remuneration

	Period of 6 months ended on 30-06-2023	Period of 6 months ended on 30-06-2022
Management Board of which:	**11.8**	**9.0**
Short-term employee benefits	5.1	6.0
Share-based compensation	6.7	3.0
Executive Committee of which:	**1.4**	**2.6**
Short-term employee benefits	0.8	2.0
Share-based compensation	0.6	0.6
Supervisory Board of which:	**1.4**	**1.4**
Short-term employee benefits	1.4	1.4
Share-based compensation	-	-
Total key personnel remuneration	**14.6**	**13.0**

6 Research and development

While our research and development efforts encompass a broad spectrum, our primary focus naturally gravitates towards further development of parcel lockers. InPost's proprietary R&D facility is responsible for the design of Automated Parcel Machines (APMs).

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.

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7 Own shares

Share Capital

Series	Face value	Number of shares as at 30-06-2023	Number of shares as at 31-12-2022
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 30-06-2023	Number of shares as at 31-12-2022
Treasury shares owned by Group	EUR 5.17 each	182,500	358,044
		182,500	**358,044**

8 Branches

For the period of 6 months ended 30 June 2023, 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 25 to the interim condensed consolidated financial statements.

10 Events after the balance sheet date

Acquisition of shares in Menzies Distribution Group

On July 19, 2023, the InPost Group entered into a binding Share Purchase Agreement for the acquisition of 30% economic and voting rights (29.3% of issued number of shares) of a logistics company operating on the markets of the United Kingdom and the Republic of Ireland – Menzies Distribution Group Limited. Menzies Group nationwide logistic capability will give InPost Group the ability to scale at speed in the UK to match increasing consumer demand. The purchase price of shares amounted to GBP 49.3 million, and the whole amount was paid in cash. As part of the Strategic Partnership Agreement, InPost Group secured a 3-year option to purchase the remaining 70% of economic and voting rights (70.7% of issued number of shares) in Menzies Distribution Group Limited. Completion of the transaction post exercise of the call option is subject to approval of several parties including banks and key contractors. InPost Group received two non-executive seats oin the Board of Directors of Menzies Distribution Group Limited, acting as non-executive Directors. In accordance with IFRS 10, Management of InPost Group has preliminary concluded that the Group does not hold control over Menzies Distribution Group Limited but has significant influence over this entity; thus, in future consolidated financial statements, it will be presented using the equity method.

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Submission of the Supervisory Board member nominations

On July 17, 2023 and August 8, 2023 Supervisory Board of InPost S.A. has submitted nominations for the appointment of Magdalena Dziewguć as independent director and Jiří Šmejc as non-independent director.

Change the Group's accounting policy

Members of the Management Board has decided to change the Group's accounting policy and extend expected useful life of automatic parcel machines from 10 years to 15 years. The New Accounting Policy shall apply to all members of the InPost Group of companies as of July 1, 2023.

Luxembourg, September 5, 2023

Signed by / Podpisano przez: Rafał Brzoska Date / Data: 2023-09-05 11:12	Signed by / Podpisano przez: Adam Aleksandrowicz Date / Data: 2023-09-05 11:19	DocuSigned by: Michael Rouse 43DB51337D124E4...
Rafał Brzoska	**Adam Aleksandrowicz**	**Michael Rouse**
President of the Management Board	*Vice President of the Management Board*	*Vice President of the Management Board*