InPost
out of the box

Integrated Annual Report 2020

OUT OF THE BOX

Table of contents

Chapter 1

Key information

OUT OF THE BOX

Letter from the CEO

Dear Shareholders,

It is with great pleasure and immense pride that I write this letter as the CEO of InPost. 2020 was a year of unprecedented change, impacting our ways of life in so many ways. COVID-19 has accelerated an irreversible shift towards the digital economy, fast-tracking years of e-commerce penetration in only 12 months. Against this backdrop, InPost had an outstanding year. We took multiple steps to accelerate our pan-European growth strategy and delivered exceptional financial results.

As the safest, most convenient and greenest solution for e-commerce deliveries, we expect to continue to benefit from these structural tailwinds in all our geographies, supporting our vision of becoming Europe's leading out-of-home automated solution for e-commerce.

I am also proud of how we reacted to support our communities and economy, as the impact of the pandemic started to take effect. Our automated parcel machines (APMs) quickly became the only automated and contactless form of delivery, available 24 hours a day, 7 days a week, enabling merchants and local governments to continue to safely offer goods and services to tens of millions of consumers.

At the heart of InPost sits our consumers. Since we created InPost, our focus has been on continually bringing new innovations to the marketplace. With 5.7 million active users, the InPost mobile app has quickly become the most downloaded mobile application in Poland, driving user engagement and brand loyalty. By combining unique innovations such as remote locker openings and labelless returns, with our unrivalled convenience and speed of delivery, we have created a best-in-class consumer experience and e-commerce ecosystem.

The backbone of our consumer-centric offering and operating model are our investments in technology. We have created a scalable platform that allows us to drive both continual improvements to the user experience, as well as delivering even greater operational efficiencies in areas such as automation and courier routing. By leveraging the unique insights and data we have gained, this provides multiple opportunities to further differentiate and extend our leadership position.

APMs are also the most sustainable form of delivery. Over the course of the year, we generated more than 100,000 tons of CO_2 savings to the environment, while simultaneously reducing traffic and noise pollution. We recently piloted our "Green City" projects which aim to educate consumers and support local governments to reduce air pollution in Poland.

One of our key elements of strategy is to expand the capacity and density of our APM network to drive consumer and merchant adoption. During 2020, we increased the number of APM locations in Poland by 50% and expanded our locker capacity to almost 1.5 million, an increase of 78% compared to 2019. Putting this into context, we estimate that half of the Polish population live within a 7 minute walk of an InPost APM.

We also deepened and broadened our merchant relationships, both in Poland and internationally, who continue to benefit from the significant value we bring them. Deliveries to APMs are typically 20-25% cheaper than traditional to-door services, while providing additional capacity and quality of experience to support their growth. Towards the end of the year, we agreed a new "win-win" 7-year contract with Allegro, that will support the long-term growth of both companies.

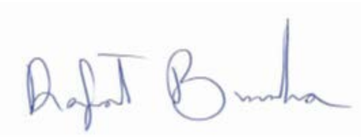
We also continued to expand our network and enhance our consumer offering in the UK, and saw a significant acceleration in our performance throughout the year. In the fourth quarter of 2020, parcel volumes increased by 400% year-on-year as we integrated new merchants to our platform and accelerated our APM rollout.

Looking ahead, we plan to accelerate the flywheel effect in Poland and internationally, further enhancing our value proposition to consumers, and supporting our long-term growth ambitions.

We delivered exceptional financial results in 2020. Revenues more than doubled, adjusted EBITDA surpassed PLN 1 billion, and free cash flow increased ten-fold, while we still continued to increase our investments in Poland and the UK. This strong momentum has continued into the early parts of 2021, and we are well positioned to have another year of strong growth, while delivering additional margin expansion and further improvements to our cash conversion rate.

The beginning of the new year has also seen us achieve two important milestones. First, we completed a successful listing on Euronext Amsterdam, which was Europe's largest ever technology IPO. Second, we announced the proposed acquisition of Mondial Relay - which would accelerate our international expansion strategy, giving us an immediate footprint in one of Europe's largest e-commerce markets and providing multiple levers to create shareholder value. Combined with our rapid rollout in the UK, we would become Europe's leading out-of-home automated solution for e-commerce.

Finally, I would like to thank our employees for their dedication and passion – particularly given the challenging circumstances over the last year- as well as our customers, partners and investors for their ongoing support. Through our combined efforts and clear mission, we continue to look forward to the future with confidence.



RAFAŁ BRZOSKA

Our operations

InPost is the leading e-commerce enablement platform in Poland, providing APM delivery services, to-door delivery services and fulfilment services to e-commerce merchants and has growing operations in the UK. During the year ended 31 December 2020, the Group handled 310 million parcel deliveries, and as at the year-end had more than 1.5 million lockers installed across its network of 12,254 APMs, it also had approximately 26,227 integrated merchants and 5.7 million active mobile users on our mobile application. Although historically the Group has primarily handled B2C deliveries, its operations increasingly also involve C2X deliveries. InPost's vision is to become Europe's leading out-of-home automated solution for e-commerce.

The Group generates revenue primarily by providing APM delivery services. APMs are units with automated parcel machines that allow for the delivery and receipt of parcels. APMs provide consumers with a flexible and convenient delivery option, as they allow pick-up from any locker at any time of day, while the delivery costs are generally lower than the costs for traditional to-door delivery. Additionally, through the Group's mobile application „InPost Mobile", consumers can access the parcel lockers in Poland in a fully remote, contactless manner and manage all their parcels, as they automatically appear in the application as soon as they are generated in the system. The mobile application also allows individual consumers to access certain services offered by the Group that have product features not offered by other e-commerce delivery providers such as label-less parcel sending via the APM. The mobile application is expected to be launched in the UK in 2021. The Group also offers next day and weekend delivery, which is a crucial part of its value proposition , as consumers increasingly wish to receive their parcels as soon as possible after the order has been placed. Approximately 98% of the parcels handled by the Group in Poland during 2020 were delivered within 24 hours of being ordered.

By the end of 2020, Poland had the largest number of APMs of any country in the European Union,, while approximately 98% of these APMs in Poland were owned and operated by the Group (Source: Company, Market Reports). Over the course of the year, the Group handled 247 million parcel deliveries through its APM delivery services, compared to 102 million parcel deliveries during 2019. As of the end of 2020, the Group owned and operated 10,776 APMs with almost 1.5 million lockers across its network in Poland. The Group intends to expand and densify its APM network in Poland in the upcoming years.

In order to ensure that the Group can serve all of its merchants' delivery needs in Poland, it also provides to-door delivery services to e-commerce merchants, where it delivers parcels directly to the home or office address of consumers. During 2020, the Group handled almost 61 million parcel deliveries through its to-door delivery services, compared to 40 million parcel deliveries in 2019.

The Group also generates additional revenue by providing fulfilment services to e-commerce merchants. These services provide merchants with a one-stop-shop solution and enable the Group to offer its merchants later cut-off times. Through the InPost fulfilment services, it stores, prepares, picks and packs and finally delivers the products to the consumer as well as manages product returns. Furthermore, for certain merchants, the Group collects the products directly from the manufacturers and transports them to its sorting hubs and depots for further handling, allowing merchants to completely outsource their fulfilment and delivery process and allowing them to focus on generating revenue, rather than managing logistics operations.

To meet the needs of its customers, the Group has also chosen to expand its services to include the delivery of groceries. In April 2020, the Group established cooperation with Auchan, a leading supermarket chain, under the brand name Auchan Direct, to offer door-to-door deliveries of products purchased in its network of stores. Moreover, the Group has expanded its network of refrigerated locker machines (RLMs) to provide its customers with the option to collect any ordered food products, including catering foods. The RLMs have been specifically designed with compartments in three different temperature zones (ambient, chilled and frozen) to allow the safe storage of the purchased items.

During the year ended 31 December 2020

310m
parcels delivered
(307.8 in Poland and
2.2 International)

1.5m
lockers installed

12,254
APMs
(10,776 in Poland and
1,478 International)

OUT
OF
THE
BOX

Innovative and consumer-centric approach to redefine the e-commerce delivery experience

At the heart of InPost is its culture of innovation and its focus on creating the best-in-class user experience. Through the combination of its APM network, merchant relationships, end-to-end logistics capabilities and unique customer experience, the Group makes receiving parcels more convenient, cheaper, safer and more environmentally friendly. In addition to supporting the Group's financial performance, its consumer-centric approach has resulted in a net promoter score of 71, which is significantly ahead of its peers and of other leading global consumer internet brands.

As a leader, the Group has continually added new innovations that have shaped the e-commerce delivery market and significantly increased convenience for its consumers. For example, over the course of the year, the Group scaled up the remote locker opening functionality of its APMs, which was particularly relevant during the current COVID-19 pandemic. More recently, the Group started offering labelless delivery of parcels, which allows consumers to send parcels to any locker for pick-up, without having to print a label.

Responding to the COVID-19 pandemic

In response to the ongoing COVID-19 pandemic, the Group has taken multiple steps to protect the safety of its employees the tens of millions of consumers, and the thousands of merchants who rely on our APMs to enable their purchases and support their businesses.

Through the services the Group offers, its APMs became the only automated and contactless delivery option available 24 hours a day, 7 days a week. Over the course of 2020, there were more than 85 million remote locker openings in Poland. In addition, through its partnership with Allegro, the leading e-merchant in Poland, the Group supported a three month period of free deliveries for Allegro's customers.

The Group also took measures to support its communities. In 2020, InPost donated more than 100,000 face-masks to 18 hospitals in Poland to support the frontline medical workers. In July 2020, InPost fully funded the "CareBox" project, a mobile epidemiological point for the Voivodeship Specialist Hospital in Łódź. Together with Lotte Wedel, the Group delivered sweets packages to over 465 hospitals all over Poland. The Group also became a partner in the #DajżeKompa computer donation campaign, delivering 425 computers to children in Kraków.

In April 2020,

the Group introduced the InPost Urząd 24 service, supporting the uninterrupted operation and administration of public services.

OUT OF THE BOX

2020 at a glance

Revenue doubled to more than
PLN 2.5
billion

Operating EBITDA increased by
184%
Operating EBITDA margin increased by
11 percentage points

10x
increase in free cash flow

Generated more than
100K tons
of CO_2 savings

50%
increase in # APMs and
78%
in # of lockers

38%
increase in the UK APM network

OUT OF THE BOX

15M
Consumers used inPost APMs

26K
merchants in Poland

Much loved consumer brand with NPS of
71

5.7
million mobile app users

Launched Green City Project
Łódź

7 year
contract with Allegro until 2027

Readiness for Europe's largest ever tech IPO
INPST

Total headcount
2,832

41%
women in senior and middle management position

OUT OF THE BOX

InPost on EURONEXT

On 13 January 2021, InPost S.A. announced its intention to proceed with an offering and listing of its ordinary shares on Euronext Amsterdam. Due to significant investor demand, the offering period was accelerated and the Company's ordinary shares began trading under the symbol "INPST" on 27 January 2021.

The total issued and outstanding share capital consists of 500,000,000 ordinary shares. The number of ordinary shares in the offering, which included full exercise of the Over-Allotment Option, was 201,250,000, representing 40.3% of the total shares, sold by: AI Prime & Cy SCA (entity controlled by the funds managed by Advent International), Templeton Strategic Emerging Markets Fund IV, LDC and PZU Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych BIS 2. The global coordinators of the offering were: Citigroup Global Markets Europe, Goldman Sachs Bank Europe and J.P. Morgan. No new shares were issued as part of the IPO.

History

The Group was founded in 1999 by Rafal Brzoska who has continued to serve as its CEO. The Group entered the Polish postal market under the "InPost" brand in 2006, and over the following years, developed into the largest independent postal operator in Poland.

The Group entered the parcel delivery market and installed its first APM in 2010, followed by the further development of its APM delivery services and the roll--out of its APM network in Poland, the United Kingdom and Italy. To further complement the Group's activities in the parcel delivery market, it launched its to-door delivery services in 2016. In 2017, the Group decided to exit the postal segment and fully focus on the e-commerce parcel delivery market

In October 2007, Integer.pl obtained a listing on the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.).. InPost, the holding company of the postal business of the Group, was spun off from the Group and obtained a listing on the Warsaw Stock Exchange in October 2015.. Both Integer.pl and InPost were delisted from the Warsaw Stock Exchange in April 2017 after Advent acquired both companies through a successful tender offer. Together with Advent, the Group focused on further expanding its APM network, broadening its merchant base and enhancing its consumer-centric value proposition, which resulted in the accelerated growth of the Group's APM network in Poland from 2,300 APMs in 2017 to 10,776 at the end of 2020.

Key milestones:

1999	founding of the Group
2007	debut on the Warsaw Stock Exchange
2010	installation of the first APM
2012	entry into the United Kingdom
2014	start of cooperation with Allegro
2014	entry into Italy
2016	launch of door-to-door delivery service
2017	delisting from the Warsaw Stock Exchange
2017	acquisition by Advent
2020	total number of APMs exceeded 10,000
2021	debut on Euronext Amsterdam
2021	announcement of proposed acquisition of Mondial Relay

Chapter 2

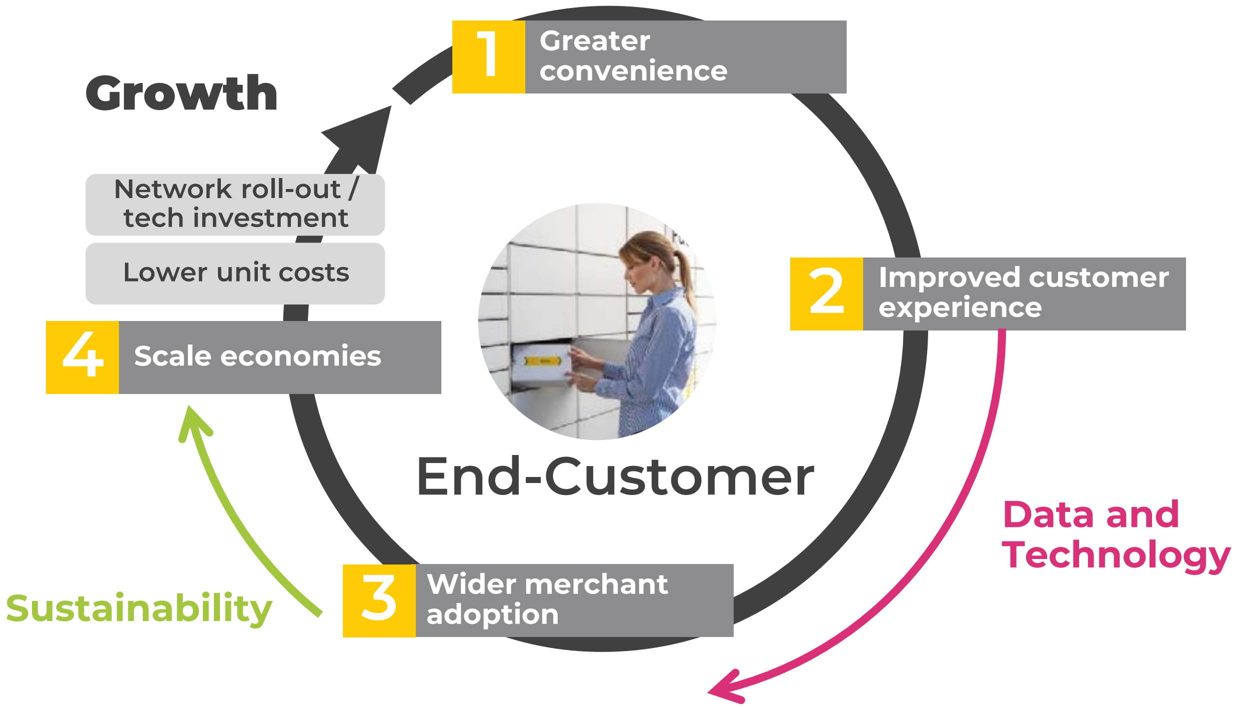
Our strategy

OUT OF THE BOX

Our strategy

The Group's strategy is to accelerate the "flywheel" effect to drive sustainable long-term growth. The Group will seek to achieve this through a combination of (i) optimising its existing operations and services, (ii) increasing the population coverage with new APM roll outs, (iii) driving the adoption of its offering to support a sustainable future, (iv) expanding internationally through a combination of organic investments and acquisitions and (v) introducing additional products and establishing a foothold in the e-Grocery market. In addition, the Group aims to ramp up its fulfilment offering to further enhance its speed of delivery.

The Group's growth model is underpinned and accelerated by, among other things, the "flywheel" effect (illustrated below), which drives its financial performance. Its consumers are at the centre of the Group's flywheel concept. The Group delivers ever increasing convenience to its consumers, which increases adoption and consequently the demand for more lockers. As the Group continues to expand and increase the density of its APM network, its services become increasingly more attractive for consumers. Consumer satisfaction encourages merchants to use the Group's delivery method and promote APM usage to their consumers. As this ecosystem expands, the Group is able to achieve lower unit costs due to enhanced scale benefits and ongoing focus on productivity. These costs savings enable the Group to further roll out the APM network and invest in technology to enhance its offering. This, in turn, results in greater convenience for both the Group's consumers and merchants. The flywheel therefore creates a virtuous cycle.



OPTIMISING EXISTING OPERATIONS AND SERVICES

The Group has access to a significant amount of data that enables it to achieve efficiency and effectiveness in its operations. During 2020 approximately 15 million consumers usd the Group's APMs, which represented approximately 74% of online shoppers in Poland (Source: Company, Market Reports) and 26.2 thousand merchants usd its delivery services, which is approximately 35% of Polish retailers. This unique e-commerce ecosystem provides the Group with a significant amount of data and insights on e-commerce that it is able to leverage into its operations and enhance its offering. For example, the ability to monitor capacity in real time and forecast next day APM utilisation together with the Group's algorithmic APM location finder allows it to optimise APM utilisation and re-loading. Based on the data the Group collects, it is also able to personalise content and identify inactive customers and opportunities for cross-sell and up-sell. Through profiling the Group can predict pick-up and drop-off times of parcels in real time based on machine learned consumer habits, merchants and several other factors. In addition, the Group has a system that provides a dynamic linehaul and delivery route optimisation and a system which predicts churn. The Group aims to further expand the usage of the data and further develop new solutions, such as personalised pricing, churn management, whitespace targeting and sales force education, which it believes will accelerate the flywheel, and as a result, the Group's growth.

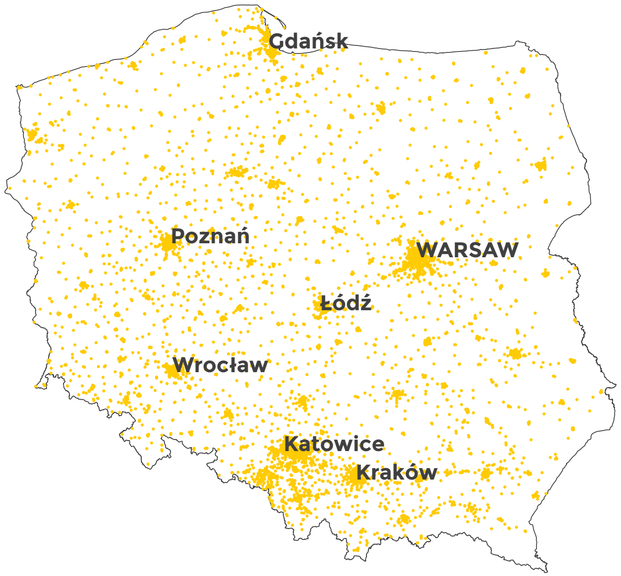
INCREASING THE SERVICEABLE VOLUME AND COVERED POPULATION WITH NEW WHITESPACE ROLL OUT

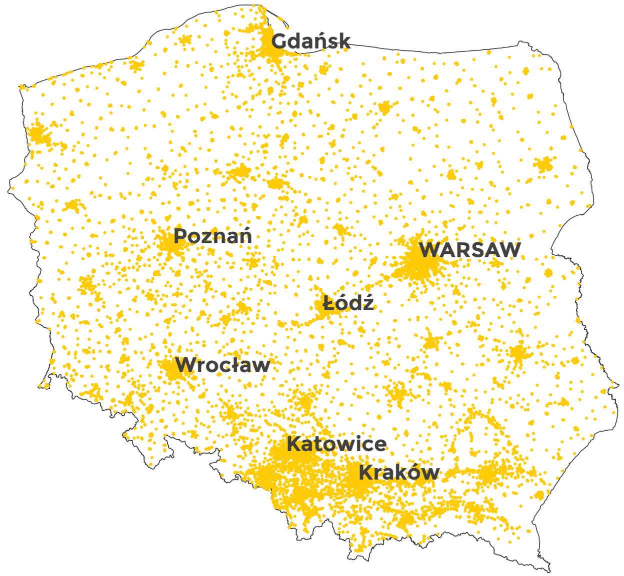
Increasing the Group's APM network will help it to improve the percentage of population covered in Poland. Scale and density of the APM network are critical drivers for consumer convenience and operating efficiency. Expanding its APM network ensures that the Group's services become increasingly more attractive for consumers, which in turn encourages merchants to use its delivery method and promote APM usage to their consumers. The Group has a demonstrated track record of successful APM deployment. As of the end of 2020, 50% of the Polish population was able to arrive at an APM location in seven minutes from their homes (walking time) (Source: Company information). As of the end of 2020, the Group had more than 1.2 million lockers in urban areas and more than 0.3 million lockers in rural areas. The Group aims to continue expanding APM locations in cities and it also sees large opportunities to increase its presence outside of cities, as approximately 40% of the Polish population lives outside of cities. This is a key element of the Group's value proposition for consumers, as it estimates that 73% of people who do not use APM delivery indicate that the reason for this is the lack of accessibility. The Group has identified over 31,000 APM locations across Polish cities and villages where the roll-out of new APMs will increase accessibility, improve the consumer experience , enable merchants to reach even more consumers and increase their checkout conversion rate.

As of the end of 2020, approximately 70% of its APM locations were leased from single site landlords and 23% of existing lease contracts were signed less than one year ago. The Group believes that its leading market position and agnostic offering are attractive to landlords and by securing the most attractive locations for its APMs, provides a significant competitive advantage.

The Group also focuses on increasing the capacity of its current APM network. As extensions are a cost effective way to increase capacity without requiring new locations, the Group increased the average number of lockers per APM from 100 in January 2019 to 139 in December 2020. Other solutions the Group has implemented include multi-parcel delivery, multiple refills per day and several data driven initiatives to increase end-user engagement and foster quick pick-up habits. Multi-parcel is a unique offering that allows the Group to deliver multiple parcels for the same consumer to the same locker compartment. For the eight months from May 2020 to December 2020, an average of more than 8% of total network capacity was freed up each day as a result of multi-parcel deliveries. Through multiple locker refills, the Group has been able to increase its utilisation rates, e.g. for the month of December 2020 the average locker utilisation rate was 116% whereas the average locker utilisation rate was 94% in the same month in 2019. The Group offers consumers the opportunity to win various prizes in periodic promotional activities and lotteries in peak periods to incentivize faster parcel collection from its lockers. The InPost mobile app has a functionality where consumers are notified when they are near an APM location at which a parcel is waiting to be picked up. These initiatives increase end-user engagement and encourage quick pick-up habits.

	Density of APM network in Poland 2019	Density of APM network in Poland 2020	Planned density of APM network in Poland 2021
#APMs	**7.2K**	**10.8K**	**14.5-15.5K**
#Lockers	**830K**	**1.5M**	**>2M**
% of Population within 7 mins walk of InPost APM	**43%**	**50%**	**~60%**





Supporting a sustainable future

A key element of the Group's strategy is to increase the adoption of its services to support a sustainable future. The Group believes that APMs are the most sustainable form of delivery and its solutions are focused on reducing harmful emissions, reducing traffic congestion and improving overall air quality.

The shift to the digital economy, accelerated by the COVID-19 pandemic, has resulted in a significant increase in demand for delivery services, as well as the increasing importance of sustainability as a priority for consumers and merchants. Relative to traditional courier services, APM deliveries provide significant benefits to the environment, as they reduce the distance travelled during the last mile delivery process, as well as significantly increasing the number of parcels delivered per courier drop off. For example, a courier during a working day is able to drop off more than 10 times the number of parcels to APMs than to-door, while also driving a much shorter overall distance.

This not only translates into a significant cost saving to merchants and consumers, but also significant reductions in CO_2 emissions. In collaboration with our partners, the Foundation for the Economy and Public Administration in Kraków and the Polish Academy of Sciences, we have developed a proprietary carbon footprint calculator for the delivery of parcels. We use this tool to measure our environmental impact and reduce our CO_2 emissions.

Relative to to-door deliveries, the Group estimates that APM deliveries reduce CO_2 emissions by approximately two-thirds in urban areas, and by approximately 90% in rural areas.

The Group also strives to be fully aligned with its merchants on their sustainability policies and targets. Through the use of the Group's APM delivery services instead of to-door delivery, some of its merchants have been able to reduce their costs and CO_2 emissions significantly. For example, the Group estimates that Allegro has saved more than 57,000 tons of CO_2 and PLN 6.5 million of CO_2 offset by using InPost's APMs rather than its to-door delivery service; Vinted has saved more than 2,000 tons of CO_2 and PLN 229,000 million of CO_2 offset and CCC & eobuwie.pl has saved 962 tons of CO_2 and PLN109,000 on CO_2 offset (CO_2 offset saving calculated using EUA Futures EUR/t CO_2) as at 16 October 2020 settlement price of PLN 113.68).

To further advance the Group's focus on sustainable deliveries, it has expanded its fleet of electric delivery vehicles with 40 all-new Nissan e-NV200 XL Voltia and e-NVs 200 acquired during 2020. These vehicles are operating in large urban cities such as Warsaw, Wrocław, Łódź and Kraków. In 2021 the Group intends to expand its fleet of electric vehicles to 300 and by the end of 2024, the Group's goal is to have 50% of its fleet being electric vehicles within partner cities. The Group also plans to start testing and expanding its fleet of delivery vehicles to include electric bicycles, which will further reduce traffic and the need for parking spaces. Finally, the Group is also involved in research and development work to deploy APMs that consume less electricity and are powered by photovoltaic panels.

In addition to the Group's initiatives to support sustainable deliveries, it is currently engaged in a series of initiatives under its "Green City" programme, which aims to improve the air quality and well-being of the communities it serves. Working with local governments in Poland, the Group is taking steps to increase residents' access to the Group's APM network and enhance their awareness of how APMs support the local environment. This has included adding electric vehicle chargers and air pollution sensors to the Group's APMs. In addition, the Group intends to launch the following projects, in conjunction with local governments during 2021:

- environmentally friendly transport, for example deploying bicycle stations nearby the Group's APMs for short-term bicycle parking.
- creating green areas in cities near the Group's APMs.
- supporting local communities to plant trees and use public transport by offering a marketing program in the InPost mobile application
- installing automated recycling machines near APMs, which can collect plastic, glass and aluminium
- offering the Group's APMs as advertising space to promote local environmental and social campaigns
- installing anti-smog pavement surfaces near APMs which can absorb air pollution, reducing NO_2 by up to 70%

EXPAND INTERNATIONALLY BY CONTINUING SUCCESSFUL ROLL-OUT IN THE UK AND EXPAND FURTHER IN OTHER COUNTRIES BOTH ORGANICALLY AND THROUGH ACQUISITIONS

International expansion is a key element of the Group's growth strategy. The Group is already active in the UK, which is the largest e-commerce market in Europe, where it has strong relationships with carriers and merchants and it has a number of partnerships with landlords. The Group has identified multiple high growth volume channels in the UK in order to activate its share of checkout with merchants. Some of the Group's integrated partners include Karen Millen, Boohoo, JD, French Connection, Schuh and Missguided and integrated partners which have been added recently include Zara, Topshop, Topman and Superdry. Through the onboarding of new merchants and services the Group's weekly parcel volume increased from approximately 6,000 weekly parcels in January 2020 to approximately 65,000 weekly parcels in the first week of November 2020 and ultimately reached over 100,000 weekly parcels during the holiday season peak in December 2020. The Group's APM network in the UK is expanding rapidly, as demonstrated by the increase of its 4 week rolling average of APM deployments per week from 13 as at July 2020 to 85 as at December 2020. The Group's operations in the UK demonstrate early signs of the flywheel effect compared to its operations in Poland at a similar scale, e.g. an APM utilisation rate which improved by 77% from January 2020 to 31 December 2020 and a growth in total APM volume of approximately 219% from January 2020 to 31 December 2020.

On 15 March 2021, the Group announced the proposed acquisition of Mondial Relay, the French out-of-home parcel delivery provider, for a transaction value of EUR 565 million (approximately PLN2.5 billion), in cash. The proposed acquisition would immediately provide the Group with an established and fully integrated e-commerce delivery platform in Europe's third largest e-commerce market. At an estimated ~EUR 56bn, the French e-commerce market is approximately 5x the size of Poland's. The French e-commerce market also boasts one of the highest out-of-home penetration rates, estimated to be approximately 40%, in Europe. In addition, Mondial Relay's scaled logistics network, broad pan-European merchant relationships and strong consumer recognition would provide a strong foundation for accelerated growth.

The Group believes that the proposed acquisition would significantly accelerate the "flywheel effect" for its international business. The combination of Mondial Relay's leading market position and InPost's high net promotor score (NPS) consumer proposition, with a fully scaled, technology-driven and efficient APM network at its core, would create a compelling new value proposition for consumers, merchants, business partners and French cities.

In addition, the combination would provide attractive cross-selling opportunities to drive incremental parcel volume growth. The Group believes this would further accelerate the "flywheel effect". In addition, InPost plans to leverage its strong and extensive pan-European landlord relationships to support, among other items, the deployment of its APM network.

FOCUS ON CONTINUOUS AND SCALEABLE INNOVATION TO ENHANCE CONSUMER OFFERING AND ENTER NEW ADJACENCIES

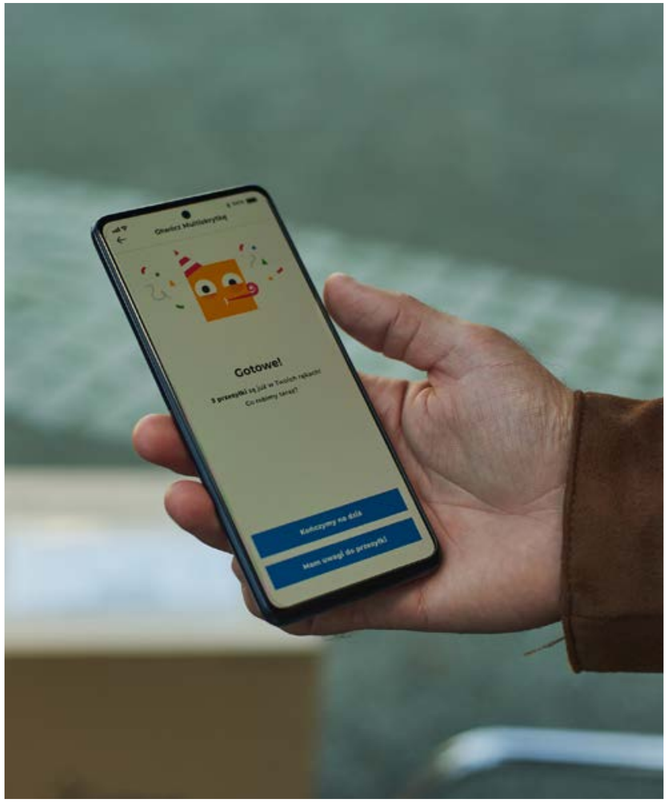
Data and technology are central to the Group's success. It has developed a highly efficient IT infrastructure, underpinning the Group's operations, linking all stages of the value chain from first to last mile, and allowing it to offer both our merchants and consumers a best-in--class experience. The Group's IT strategy is focused on expanding user experiences and its value proposition to merchants as the business continues to scale.

To improve the consumer experience for its delivery service, the Group has introduced a range of innovative solutions which it intends to expand and enhance over the coming years. These enhancements are focused on increasing the convenience and overall consumer experience that will further differentiate the Group's offering. This includes providing services such as same day and weekend deliveries. InPost is among the first operators to offer weekend delivery throughout Poland.

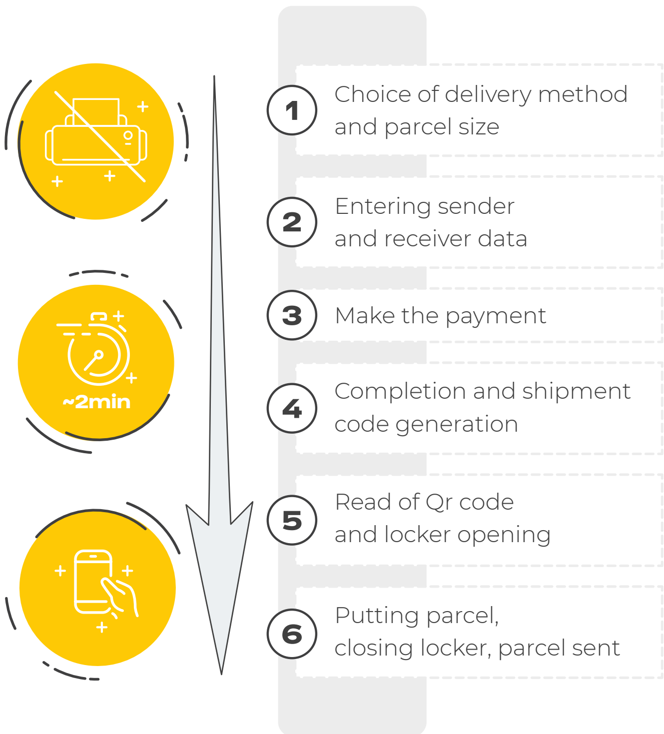
In 2020, the Group added an electronic signature option to the Smart Courier, a document delivery service with verification of the addressee's identity and confirmation of receipt. It is the first service of this type in the market, developed in response to the increasing document digitization needs during the COVID-19 pandemic.

The Group also offers labelless returns, which significantly increases the convenience for the consumer when returning parcels. The Group enhanced its offering by adding labelless delivery of parcels, which allows consumers to send parcels to any locker for pick-up by other consumers or businesses through its mobile application, without having to print a label.

Another key element of the InPost consumer experience is its mobile application. The InPost Mobile application is one of the most popular apps in Poland with 5.7 million active users as of the end of 2020, adding 4.6 million users over the course of the year. The mobile application provides a platform for the Group to build consumer engagement and loyalty, rapidly deploy new features, as well as driving an increase in volume of parcels.



QUICK SEND PROCESS IN CUSTOMER APP



Furthermore, the Group has developed various specific data related products that enable it to provide our users with a premium experience, such as remote locker opening, smart APM selection, notifications when in proximity of locker with parcel ready for pickup, mobile app tracking, seamless parcel pick-up, fast and user friendly returns, cash on delivery payment using the application (CoD) and general consumer care by way of a chatbot (an automated conversation partner that serves as first point of contact for InPost consumers).

The Group sees a significant opportunity for growth in the e-Grocery segment. The Polish e-Grocery market is accelerating but remains largely underpenetrated compared to other European markets. e-Grocery penetration in 2019 was 1.9%, compared to 6.9% in the United Kingdom and 5.4% in France (Source: Company, Market Reports). Further acceleration is expected due to COVID-19. The Group is already active in the home delivery e-Grocery segment, and it is currently working on an e-Grocery pilot with a dedicated application that also allows home delivery or office address. The consumer will be able to choose the desired service level: one-hour delivery, same day delivery or next day delivery. Currently, the Group already has also 50 refrigerated locker machines "RLM" in Cracow and Warsaw to facilitate e-Grocery delivery to machines as well as offering catering delivery services with door to door deliveries being tested.

OFFERING SYNERGISTIC FULFILMENT SERVICES

The Group intends to increase fulfilment services, where it offers a one-stop-shop solution for merchants. By expanding its fulfilment offering, the Group is able to increase the speed of delivery and enable extended cut-off times. The Group offers merchants an integrated fulfilment offering including order proces-

sing, completion, packaging, dispatch and storage of goods. The Group sees significant potential for growth in the fulfilment industry as merchants increasingly wish to outsource fulfilment services. Currently only 19% of merchants outsource fulfilment services, and this level is expected to grow to 25-30% in 2024 (based on a survey with 250 respondents, source: Company, Market Reports). Outsourcing fulfilment results, among others, in the avoidance of first mile logistics as the Group's fulfilment centres are located near the central sorting hubs. This provides merchants with later-cut off times and the option to offer next-day delivery for orders created in the evening. This ultimately results in a higher cart conversion and an improved consumer experience. In addition, due to increased integration and the mutual cost benefit the Group expects an increased loyalty from its merchants and an increased share of checkout. The increased share of checkout (the total volume of the Group's merchants using its delivery services divided by the volume for which they used its fulfilment services) was evident in 2020 when it increased from 49% in January 2020 to 93% in December 2020. As the Group increases the number of merchants it offers fulfilment services to, it is expected that this should also increase the business volumes that it does with them and the Group expects that this will further accelerate its growth.

The Group's technology platform is designed to provide a best-in-class experience for its merchants and consumers with a strong focus on scalability, security and performance of each component of the platform. The core of the Group's technology platform consists of two systems: the in-house developed central APM management system (SZOP) – an in-house developed and exclusively owned platform which is the key differentiation element of the Groups end-to-end technology solution - and the third party developed transportation management system (Trucker) which is currently being replaced with an in-house developed solution (InPost Logistics System).

A key component of the Group's technology platform is its highly rated (a 5.0 star rating in the Apple App Store) consumer-facing mobile application "InPost Mobile", which is one of the most successful apps in Poland with 5.7 million active users as of 31 December 2020.

Chapter 2

Performance & developments

OUT OF THE BOX

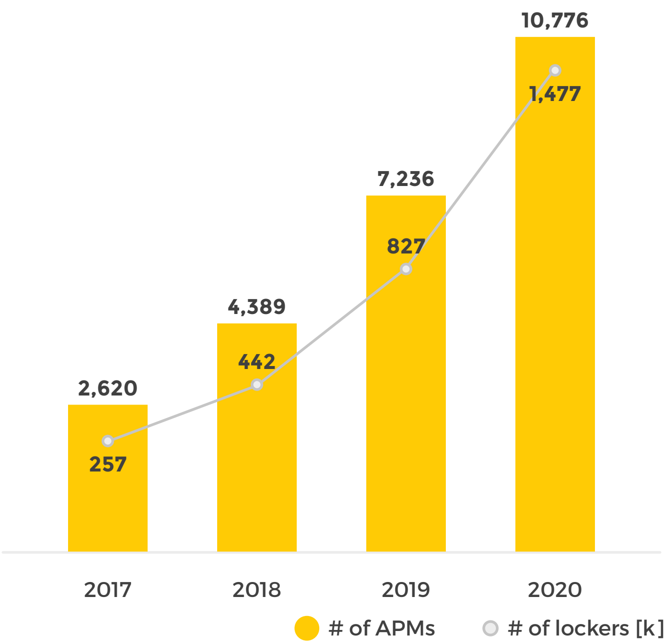
Operating activities – Poland

As of 31 December 2020, the Group has 10,776 APMs in Poland. The number of APMs in Poland increased with 993, or 10.2%, since 30 September 2020, and increased with 3,540, or 48.9%, since 31 December 2019. The Group continues to implement its strategy to increase population coverage with new APM rollouts in order to provide a continuously improving user experience for both merchants and end users.

The Group's strategy to continue to expand and optimise its merchant base consists of two main components. Firstly, the Group seeks to leverage its reputation in Poland as consumers' preferred parcel delivery service. By aiming to be the parcel delivery service of choice for consumers, the Group tries to entice merchants to select it as their parcel delivery services provider in order for those merchants to increase their popularity as a user-friendly seller. Secondly, the Group seeks to win new merchant contracts and further leverage its existing merchant base through direct sales efforts. As of 31 December 2020, Group's sales department consisted of approximately 205 FTEs. The sales department comprises a telesales team, direct sales representatives and key account managers. The Group's telesales team focuses on SME merchants whilst its large, key and strategic merchants are served by direct sales representatives and key account managers. More recently, the Group's sales department has also been focusing on contracting international merchants for their inbound deliveries into Poland. Finally, an important part of the activities of Group's sales department consists of their efforts to increase Group's share of its existing merchants' overall delivery volumes, effectively growing the business of the Group with its existing merchants. In the fourth quarter of the year ended 31 December 2020 in Poland the Group added 3,361 new clients, including IKEA, Nutridome, Top Secret, W. Kruk, Ziko Apteka, Dino Polska. Throughout the year, the Group's client portfolio was expanded by the addition of 13,412 companies.

The following graph shows the development of the APM network of the Group during the periods indicated:

APM network in Poland



Source: Company information

In the fourth quarter of the year ended 31 December 2020, the Group's total parcel volume in Poland amounted to 104 million. This represents a 43% increase compared to the third quarter of 2020 when the total parcel volume in Poland was 73 million and a 121% increase compared to the fourth quarter of the year ended 31 December 2019, when the total parcel volume in Poland was 47 million. The number of parcels delivered in Poland for the year ended 31 December 2020 was 308 million, of which 247 million were APM deliveries and 61 million were to-door deliveries.

The total APM parcel volume in Poland for the fourth quarter of the year ended 31 December 2020 was 86 million. This represents a 46% increase compared to the third quarter of 2020, when the total APM parcel volume was 59 million and a 146% increase compared to the fourth quarter of the year ended 31 December 2019, when the total APM parcel volume was 35 million. This increase is mainly due to the strong e-commerce growth as well as the increasing network size of the Group and popularity of APM as the preferred delivery method.

The total to-door parcel volume in Poland for the fourth quarter of the year ended 31 December 2020 was 18 million. This represents a 29% growth compared to the third quarter of 2020 when the Group's total to-door parcel volume in Poland was 14 million, and a 50% growth compared the fourth quarter of the year ended 31 December 2019, when the Group's total to-door parcel volume in Poland was 12 million.

Operating activities – international

As of 31 December 2020, the Group has a network of 1,478 APMs outside of Poland (1134 in the UK and 344 in Italy). The number of APMs outside of Poland increased by 190, or 15%, compared to the number of APMs outside of Poland as of 30 September 2020 and by 312, or 27%, compared to the number of APMs outside of Poland as of 31 December 2019. The Group's international operations continue to grow and international expansion forms a key part of the Group's strategy. All new APMs were installed in the UK.

The total international parcel volume reached 1 million in the fourth quarter of the year ended 31 December 2020, all of which were delivered to APMs. The total number of parcels delivered in international markets in the year ended 31 December 2020 amounted to 2.2 million, largely due to the significant increase in parcel volume in the UK during the fourth quarter. The fourth quarter of the year ended 31 December 2020 has seen a strong growth of 100% in parcel volume compared to the third quarter of 2020 and a 400% increase compared to the fourth quarter of the year ended 31 December 2019. The increase in parcel volume in UK is mainly driven by the expanding merchants base and the accelerated roll-out of APMs. This has enabled the Group to ramp up its UK operation at a significantly quicker pace in the fourth quarter of the year ended 31 December 2020 than it was able to in the past. In the fourth quarter of the year ended 31 December 2020 internationally the Group acquired 3 new clients: Zara, Superdry, New Look. Throughout the year, the Group's client portfolio was expanded by the inclusion of 48 firms, including Zara, Superdry, Missguided, The Hut Group, New Look, Karen Millen, Coast, Topshop, Topman.

The Group aims to pursue an international expansion strategy, both through its structured direct entry model, which will focus on organic growth, and its opportunistic M&A model. The Group expects to pursue selective acquisitions of existing out-of-home delivery networks and automating them through the development of a dense APM network. It seeks to then leverage its existing pan-European merchants to provide additional parcel volumes and drive performance improvement by leveraging its existing technology and operational know how. The Group's current M&A strategy considers acquisitions only where they accelerate the APM "flywheel".

As part of their opportunistic M&A strategy, the Group expects to continue to evaluate on an ongoing basis possible acquisition targets on European markets of strategic priority. Relevant opportunities are considered to be those which can accelerate expansion into those markets or offer opportunity to integrate the value chain in the core segment where the Group operates. The Group cannot predict the timing or probability of completion of any potential transaction that can be considered in the future.

On 15 March 2021, the Company announced the proposed acquisition of Mondial Relay, the French out-of-home parcel delivery provider, for a transaction value of EUR 565 million (approximately PLN 2.5 billion), in cash. The proposed transaction, subject to its completion, would be financed through a committed 12 month bridge facility, provided by a consortium of seven banks. At the discretion of the Company, it has the option to extend the facility for an additional 12 months. The Company currently expects the transaction to be completed in the second quarter of 2021, subject to customary closing conditions, including the receipt of regulatory approvals.

The proposed acquisition is expected to be immediately earnings and cashflow accretive and would allow InPost to take a major step in its ambition to become Europe's leading out-of-home automated solution for e-commerce.

Founded in 1997, Mondial Relay is a leading out-of-

-home delivery player in the European market with approximately 15,800 PUDO points across France, Benelux and Iberia (as of February 2021) and serviced 131 million parcels (LTM December 2020). Mondial Relay operates the second largest Pick-up Drop-off ("PUDO") network in France via a network comprising 24 depots and 4 hubs and around 11,000 PUDO points (as of February 2021), making it the largest independent PUDO player by volume in the country.

Mondial Relay supports many of the largest e-commerce marketplaces in France, as well as individual merchant retailers. Outside of France, it operates a network of approximately 4,800 PUDO points across Benelux and Iberia (as of February 2021), integrated within the broader France network.

In the twelve months to 31 December 2020, Mondial Relay achieved revenues of EUR 437 million and Operating EBITDA of EUR 60 million.

The proposed acquisition would immediately provide the Company with an established and fully integrated e-commerce delivery platform in Europe's third largest e-commerce market. At an estimated ~EUR 56 bn, the French e-commerce market is approximately five times the size of Poland's. The French e-commerce market also boasts one of the highest out-of-home penetration rates, estimated to be approximately 40%, in Europe. In addition, Mondial Relay's scaled logistics network, broad pan-European merchant relationships and strong consumer recognition would provide a strong foundation for accelerated growth and shareholder value creation.

Related to this, the Company has identified approximately EUR 100-150 million incremental EBITDA enhancements over the medium-term, through the combination of commercial enhancements, network design and operational improvements.

Subject to the completion of the proposed acquisition, and on a pro-forma basis, the Company's net leverage is expected to reach approximately 3.5x. Supported by the Company's strong cash flow generation and EBITDA growth, further enhanced by the proposed acquisition, its capital allocation priority would be on deleveraging its balance sheet. The Company would target to return to a net leverage ratio of approximately 2.0–2.5x within 18-24 months following the completion of the proposed acquisition, while continuing to invest to support growth in existing and new key geographies – most notably Poland, the UK and France.

Financial overview

SEGMENTATION

The internal reporting of the Group is split into three reportable segments comprising two geographical areas.

Segments in Poland:

- APM segment – The APM segment offers APM delivery services through the APM network of the Group in Poland.
- To-door segment – The to-door segment offers to-door delivery courier services in Poland.

Segment outside of Poland:

- International segment – The international segment offers APM delivery services through the APM networks of the Group in certain regions in the UK and Italy.

The segments are based on the structure of internal management reporting of the Group to facilitate decision-making with respect to the allocation of resources and to assess the performance of the operations of Group. The performance of the segments is measured and assessed on the basis of revenue and Gross Profit.

Additionally, the performance of the combined operations is measured and assessed on the basis of Operating EBITDA per geographical area (Poland and International).

COMPARISON OF RESULTS OF OPERATIONS FOR THE 2020 AND 2019

Revenue

Revenue increased by PLN 1,285.8 million, or 104.4%, to PLN 2,517.8 million for year ended 31 December 2020, from PLN 1.232.0 million for the year ended 31 December 2019. This increase was primarily driven by a strong growth in revenue in Group's APM segment as a result of parcel volume growth on the back of the efforts of the Group to further optimise its APM network. The Group also achieved revenue growth in its to-door segment which was driven by increased parcel volumes in this segment as a result of the further growth of its business.

Other operating income

Other operating income increased by PLN 3.7 million, or 35%, to PLN 14.3 million for the year ended 31 December 2020, from PLN 10.6 million for the year ended 31 December 2019. This increase was primarily the result of higher income from contractual penalties and compensations, as well as – to a lesser extent – higher income from subsidies. The Group agrees certain key performance indicators with the courier partners that it engages to handle parcel deliveries. These key performance indicators set certain standards for the Group's couriers with respect to the quality of their delivery services and are subject to a contractual penalty if the agreed standards are not met. As parcel volumes increase, breaches of contractual key performance indicators by courier partners also increase. Consequently, as a result of parcel volume growth during the 12 months ended 31 December 2020 compared to the same period in the preceding year, the Group invoiced more contractual penalties to its courier partners.

Revenue and other operating income per segment

Revenue and other operating income[1]	2020	2019	2018
Poland	2,514.4	1,235.6	729.2
APM segment	1,815.3	776.4	393.8
To-door segment	634.9	420.1	290.6
Other[2]	66.8	71.4	100.7
Inter-segment elimination[3]	(2.7)	(32.3)	(55.9)
International	17.7	7.0	7.7
Total	**2,532.1**	**1,242.6**	**736.8**

[1] Revenue and other operating income are combined on a segment level in order to be able to reconcile to operating profit on a segment level by deducting all costs.

[2] Other consists mainly of APM production & sale (to third parties) and marketing and IT services (intercompany and to third parties).

[3] Transactions between segments are eliminated upon consolidation and reflected in the ‚inter-segment elimination' row.

APM segment

Revenue and other operating income for the APM segment increased by PLN 1,038.9 million, or 133.8%, to PLN 1,815.3 million for the year ended 31 December 2020, from PLN 776.4 million for the year ended 31 December 2019. This increase in revenue was mainly driven by a sharp increase in parcel volumes in the APM segment on the back of an acceleration of e-commerce penetration in Poland as a result of the COVID-19 pandemic, as well as the efforts of the Group to further optimise its APM network and to contract new key and strategic merchants. This increase in revenue was partially offset by lower average prices per parcel in the APM segment for the year ended 31 December compared to the same period in the preceding year as a result of an increased share in parcel volumes of the Group's large, key and strategic merchants with whom it typically agrees lower prices per parcel in consideration of the higher parcel volumes that they process through the Group compared to smaller merchants.

To-door segment

Revenue and other operating income for the to-door segment increased by PLN 214.8 million, or 51,1%, to PLN 634.9 million for the year ended 31 December 2020, from PLN 420.1 million for the year ended 31 December 2019. This increase was driven by an increase in parcel volumes in this segment on the back of an acceleration of e-commerce penetration in Poland as a result of the COVID-19 pandemic, as well as the efforts of the Group to contract new key and strategic merchants such as Vinted, an online marketplace for second-hand clothing, and LPP, a large Polish clothing manufacturer and retailer.

International

Revenue and other operating income for the international segment increased by PLN 10.7 million, or 152.9%, to PLN 17.7 million for the year ended 31 December 2020, from PLN 7.0 million for the year ended 31 December 2019. This increase was mainly driven by higher sales in the UK and – to a lesser extent – Italy. The growth of the UK business was mainly the result of a new strategy for the UK, and the integration of new business volumes, from the Hermes Group and other strategic merchants.

Depreciation and amortisation

Depreciation and amortisation increased by PLN 134.6 million, or 60.8%, to PLN 356.1 million for year ended 31 December 2020, from PLN 221.5 million for the year ended 31 December 2019. This increase was primarily the result of the expansion of the Group's APM network and the related increase in the number of APMs and parcel lockers, resulting in an increase in the value of the Group's APM network on its statement of financial position, as well as increases in operating equipment and sorting machines as a result of opening new branches to handle parcel volume growth.

Raw materials and consumables

Raw materials and consumables increased by PLN 3.3 million, or 8.2%, to PLN 43.5 million for year ended 31 December 2020, from PLN 40.2 million for the year ended 31 December 2019. This increase was primarily driven by increased costs for consumables, such as packaging, envelopes, stickers and courier uniforms, as well as an increase in energy costs relating to the expansion of the Group's APM network and logistics network to handle parcel volume growth.

External services

External services increased by PLN 548.1 million, or 79.9%, to PLN 1,233.7 million for the year ended 31 December 2020, from PLN 685.6 million for the year ended 31 December 2019. This increase was mainly driven by an increased use of external parcel delivery services to handle higher parcel volumes in the Group's APM and to-door segments. However, the percentage increase in external costs was lower than the overall increase in parcel volumes as a result of a continued shift from to-door delivery to APM delivery which has lower costs per parcel compared to to-door delivery. Additionally, the Group achieved cost reductions as a result of operating efficiencies such as the further automating of its sorting hubs and branches.

As a percentage of revenue, external services costs declined from 55.6% in the year ended 31 December 2019 to 49.0% in the year ended 31 December 2020, reflecting an increase in the share of APM deliveries in the total parcel volumes of the Group as well as benefits from operating leverage as its business grew.

Taxes and charges

Taxes and charges remained relatively stable between 2020 and 2019. The decrease was PLN 0.4 million, or 17.4%, to PLN 1.9 million for the year ended 31 December 2020, from PLN 2.3 million for the year ended 31 December 2019.

Payroll

Payroll increased by PLN 84.1 million, or 78.5%, to PLN 191.2 million for the year ended 31 December 2020, from PLN 107.1 million for the year ended 31 December 2019. This increase was primarily driven by an increase in the number of employees to support the growth of the Group's business.

As at 31 December 2020, the Group had 2.832 employees, compared to 2.106 employees at 31 December 2019, representing an increase of 726 employees, or 34.5%. As a percentage of revenue, payroll costs declined from 8.7% in the year ended 31 December 2019 to 7.6% in the year ended 31 December 2020, reflecting an improvement in operating leverage as the business of the Group grew.

Social security and other benefits

Social security and other benefits increased by PLN 14.3 million, or 51.4%, to PLN 42.1 million for the year ended 31 December 2020, from PLN 27.8 million for the year ended 31 December 2019. This increase was primarily driven by an increase in the number of employees and increases in employee salaries and benefits and higher costs of personnel training.

Other expenses

Other expenses increased by PLN 1.2 million, or 10.6%, to PLN 12.5 million for the year ended 31 December 2020, from PLN 11.3 million for the year ended 31 December 2019. This increase was driven by higher parcel volumes, partially offset by lower insurance premiums which the Group succeeded in negotiating with its insurers as a result of a substantial reduction in claims for lost and damaged parcels in the year ended 31 December 2019. The reduction of lost and damaged parcels was the result of investments in video surveillance and in the Group's security department as well as the implementation of operational process improvements at each stage of its logistics process.

Costs of goods and materials sold

Costs of goods and materials sold remained relatively stable with an increase of PLN 1.6 million, or 18.6%, to PLN 10.2 million for year ended 31 December 2020, from PLN 8.6 million for the year ended 31 December 2019.

Other operating expenses

Other operating expenses decreased by PLN 6.4 million, or 48.9%, to PLN 6.7 million for the year ended 31 December 2020, from PLN 13.1 million for the year ended 31 December 2019. This decrease was mainly the result of recognising PLN 2 million less in impairment of assets in the year ended 31 December 2020 compared to the same period of the preceding year.

Impairment (gain) loss on trade and other receivables

Net impairment gain on trade and other receivables increased by PLN 0.4 million to a gain of 3.9 million for the year ended 31 December 2020, from a gain of PLN 3.5 million for the year ended 31 December 2019. This increase was driven by an improvement in the collections process and massive automation of the client debt collection process which led to lower DSO (days sales outstanding).

Total operating expenses

Total operating expenses increased by PLN 779.9 million, or 70%, to PLN 1,893.9 million for the year ended 31 December 2020, from PLN 1,114.0 million for the year ended 31 December 2019. This increase was primarily the result of the growth of the Group's business, which led to increases in external services and payroll costs, as described above.

Operating profit

Operating profit increased by PLN 509.6 million, or 396.3%, to PLN 638.2 million for the year ended 31 December 2020, from PLN 128.6 million for the year ended 31 December 2019. This increase was primarily driven by a substantial increase in revenue which was greater than the increase in total operating costs as a result of the growth of the Group's business and increased parcel volumes.

Gross Profit

Gross Profit increased by PLN 770.5 million, or 139.4%, to PLN 1,323.2 million for the year ended 31 December 2020, from PLN 552.7 million for the year ended 31 December 2019.

Gross Profit per segment

Gross Profit	2020	2019	2018
Poland	1,333.0	560.1	285.5
APM segment	1,074.0	418.9	205.3
To-door segment	198.3	106.6	42.5
Other[1]	62.1	50.2	81.2
Inter-segment elimination[2]	(1.4)	(15.6)	(43.5)
International	(9.8)	(7.4)	(6.5)
Total	**1,323.2**	**552.7**	**279.0**

[1] Other consists mainly of APM production & sale (to third parties) and marketing and IT services (intercompany and to third parties).

[2] Transactions between segments are eliminated upon consolidation and reflected in the ,inter-segment elimination' row.

APM segment

Gross Profit for the APM segment increased by PLN 655.1 million, or 156.4%, to PLN 1,074.0 million for the year ended 31 December 2020, from PLN 418.9 million for the year ended 31 December 2019. This increase was primarily driven by a 139.8% parcel volume growth in this segment. As a result of increased parcel volumes, the Group achieved lower costs per parcel as a result of the benefits from operating leverage such as higher efficiency by the increased automation at its sorting hubs and branches.

To-door segment

Gross Profit for the to-door segment increased by PLN 91.7 million, or 86.0%, to PLN 198.3 million for the year ended 31 December 2020, from PLN 106.6 million for the year ended 31 December 2019. This increase was primarily driven by a 49.8% parcel volume growth in this segment. As a result of increased parcel volumes, the Group achieved lower costs per parcel driven by higher efficiency in its logistics network such as increased courier efficiency (i.e. couriers increasing their daily parcel shipping capacity), and at its depots by the increased automation at its sorting hubs and branches. Additionally, the Group made use of new IT tools for couriers to plan more efficient routes for to-door delivery and refilling of APMs to further increase the courier efficiency.

International

Gross Profit for the international segment decreased by PLN 2.4 million, or 32.4%, to a loss of PLN 9.8 million for the year ended 31 December 2020, from a loss of PLN 7.4 million for the year ended 31 December 2019. Although revenue in the international segment increased, the increase was more than offset by higher logistic costs per parcel as a result of a new contract with one of the Group's international courier partners. However, these higher logistic costs will decline per parcel if parcel volumes increase, as this new agreement contains an arrangement that lowers the price per parcel as the Group parcel volumes grow. Additionally, the increase in revenue was also offset by unfavourable exchange rates between the British Pound and Euro on the one hand and PLN on the other.

Finance income

Finance income decreased by PLN 20.8 million, or 99.5%, to PLN 0.1 million for the year ended 31 December 2020, from PLN 20.9 million for the year ended 31 December 2019. This decrease was mainly the result of a PLN 18.6 million gain on the valuation of a financial instrument (a currency interest rate swap) in the year ended 31 December 2019.

Finance costs

Finance costs increased by PLN 101.7 million, or 161.9%, to PLN 164.5 million for the year ended 31 December 2020, from PLN 62.8 million for the year ended 31 December 2019. This increase was mainly the result of increased foreign exchange losses and deposits, fees and commissions, and to a lesser extent the result of an increase of PLN 16.9 million, or 29.9%, in interest expenses on loans, leases and others to PLN 73.5 million for the year ended 31 December 2020 from PLN 56.6 million for the year ended 31 December 2019.

Profit before tax

Profit before tax increased by PLN 389.0 million, or 448.7%, to PLN 475.7 million for the year ended 31 December 2020, from PLN 86.7 million for the year ended 31 December 2019, as a result of the factors described above.

Income tax expense (benefit)

Income tax expense increased by PLN 80.4 million to PLN 113.1 million for the year ended 31 December 2020, from PLN 32.7 million for the year ended 31 December 2019. This change was primarily the result of the increase in profit before income tax in the year ended 31 December 2019.

Profit from continuing operations

Profit from continuing operations increased by PLN 308.6 million to PLN 362.6 million for the year ended 31 December 2020, from PLN 54.0 million for the year ended 31 December 2019, as a result of the factors described above.

Profit (loss) from discontinued operations

Loss from discontinued operations amounted to PLN 1.2 million for the year ended 31 December 2020, as compared to a loss of PLN 3.2 million for the year ended 31 December 2019, despite the Group's disclosure of PLN 6.8 million in discontinued operations in Canada due to a favorable ruling issued by a Canadian court related to a bankruptcy proceeding.

While several operations were discontinued in the years ended 31 December 2017 and 2016, no further operations have been discontinued since. Most of the costs of winding-up these discontinued operations were incurred in the years ended 31 December 2017 and 2016, but the Group still recognises income and cost from discontinued operations as the winding-up of certain of these discontinued operations in the years ended 31 December 2016 and 2017 are still ongoing. However, the remaining costs of these discontinued operations are not expected to be material (approximately PLN 1 million).

Net profit

Net profit increased by PLN 310.6 million, or 611.4%, to PLN 361.4 million for the year ended 31 December 2020, from PLN 50.8 million for the year ended 31 December 2019, as a result of the factors described above.

Operating EBITDA

Operating EBITDA increased by PLN 644.2 million, or 184%, to PLN 994.3 million for the year ended 31 December 2020, from PLN 350.1 million for the year ended 31 December 2019, primarily as a result of an increase in revenue, which was partially offset by an increase in operating costs, as described above.

Adjusted Operating EBITDA

Adjusted Operating EBITDA (calculated as operating EBITDA plus costs related to the recognition of the incentive program) increased by PLN 652.6 million, or 185.5%, to PLN 1,004.4 million for the year ended 31 December 2020, from PLN 351.8 million for the year ended 31 December 2019. Operating EBITDA Margin

Operating EBITDA Margin increased by 11.1 pp to 39.5% for the year ended 31 December 2020, from 28.4% for the year ended 31 December 2019. This increase was partially driven by an increase in the share of the APM segment revenue of the Group's total revenue since the Group incurs lower logistics costs per parcel in the APM segment compared to the to-door segment. In addition, the Group benefitted from operating leverage as general costs decreased as a percentage of revenue on the back of parcel volume growth across the segments.

Adjusted Operating EBITDA Margin

Adjusted Operating EBITDA Margin increased by 11.3 percentage points to 39.9% for the year ended 31 December 2020, from 28.6% for the year ended 31 December 2019.

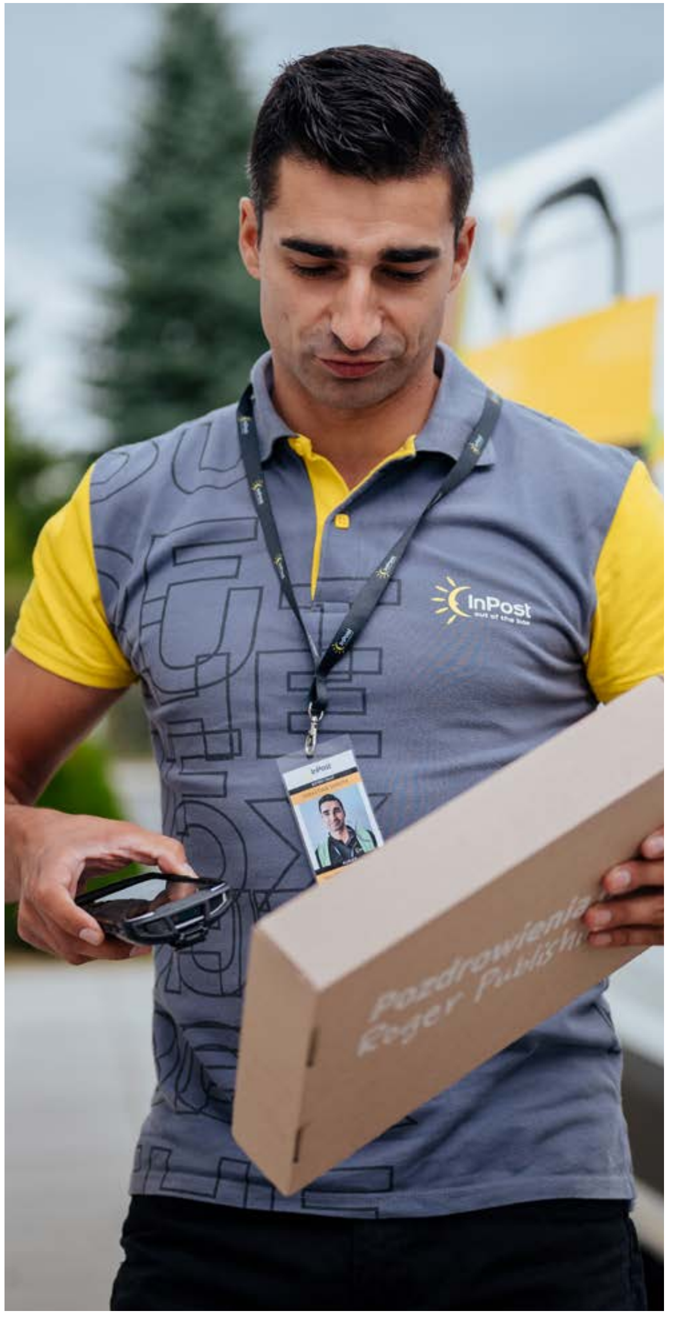
Operating EBITDA per geographical area

Poland

Operating EBITDA in Poland increased by PLN 662.8 million, or 176.5%, to PLN 1,038.4 million for the year ended 31 December 2020, from PLN 375.6 million for the year ended 31 December 2019. This increase was primarily the result of the revenue growth in the Group's APM and to-door segment, partially offset by an increase in general costs by PLN 779.9 million, or 70%, to support the further growth and development of its business.

International

Operating EBITDA for the international segment decreased by PLN 18.6 million, or 72.9%, to a negative Operating EBITDA of PLN 44.1 million for the year ended 31 December 2020, from a negative Operating EBITDA PLN 25.5 million for the year ended 31 December 2019. Although revenue in the international segment increased, the increase was more than offset by higher logistic costs per parcel as a result of a new contract with one of the Group's international courier partners. However, these higher logistic costs will decline if parcel volumes increase, as this new agreement contains an arrangement that lowers the price per parcel when higher parcel volumes are purchased by the Group. Additionally, the increase in revenue was also offset by unfavourable exchange rates between the British Pound and other currencies, as well as additional investments in general costs (such as sales and marketing) to support the growth of the international segment of the business of the Group.



Chapter 2

Environment

OUT OF THE BOX

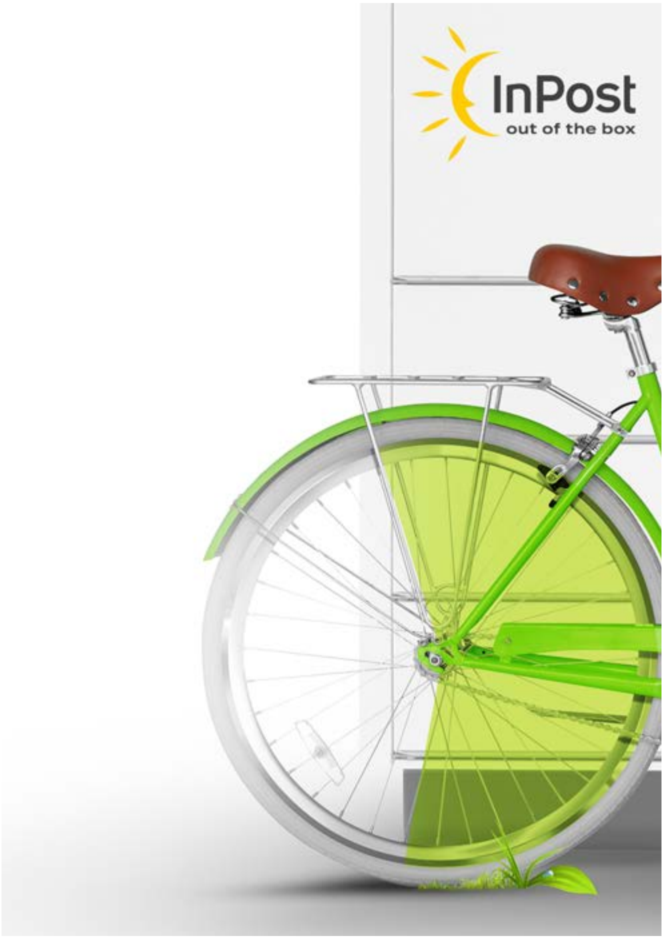
Environmental management

We are acutely aware of our impact on the environment and the climate, and we strive to act as responsibly as possible towards our planet. According to our projections, the popularity of online shopping will continue to grow, not only in Poland but in other countries across the globe. For this reason, we believe that raising awareness of the significance of environmentally friendly and sustainable delivery solutions will increasingly be an important differentiator for the e-commerce industry. We intend to provide our customers, on a regular basis, with information about the environmental benefits of using automated parcel machines as a form of e-commerce delivery.

We will also continue to work on greener solutions for increasing e-commerce delivery volumes reducing pollution and congestion. Our unique offerings reduce the impact on the environment and are aligned with the goals of cities and e-tailers, as they aim to reduce harmful emissions as part of their broader environmental targets.

Our main objectives are to:

1. reduce CO_2 emissions through the use and expansion of the APM network
2. electrify our fleet of delivery vehicles
3. help our partners to reduce carbon footprint
4. operate our APM network using solar energy
5. use innovative and sustainable measures to maintain our operations which reduce our impact on the environment (e.g. reducing water waste).



Reducing the impact on the climate

APM NETWORK

GRI 201-2

Climate change: financial implications, risks and opportunities

We believe that APMs are the most sustainable form of delivery and our solutions are focused on reducing harmful emissions, reducing traffic congestion and improving overall air quality.

The shift to the digital economy, accelerated by the COVID-19 pandemic, has resulted in a significant increase in demand for delivery services, as well as the increasing importance of sustainability as priority for merchants and consumers. Relative to traditional courier services, APM deliveries provide significant benefits to the environment, as it reduces the distance travelled during the last mile delivery process, as well as significantly increasing the number of parcels delivered per courier drop off. For example, a courier is able to drop off more than 10 times the number of parcels to an APM than to-door, while also driving for a much shorter distance.

Compared to to-door deliveries, we estimate that APM deliveries reduce CO_2 emissions by approximately two-thirds in urban areas, and by approximately 90% in rural areas.

In order to advance our focus on sustainable deliveries, we have expanded our fleet of electric delivery vehicles and target to electrify 50% of our fleet by 2024 in partner cities.

We also strive to be fully aligned with our partners on their sustainability policies and targets. Through the use of the Group's APM delivery services instead of to-door delivery, they have been able to reduce their costs and CO_2 emissions significantly in 2020:

- Allegro has saved 57,317 tons of CO_2 and PLN 6,505,000 on CO_2 offset
- Vinted has saved 2019 tons of CO_2 and PLN 229,000 on CO_2 offset
- CCC & eobuwie.pl has saved 962 tons of CO_2 and PLN 109,000 on CO_2 offset by using APM delivery rather than to-door.

As part of the manufacturing process for APMs, we aim to eliminate the most energy-intensive production processes and components. To further reduce the impact on the environment, we plan to introduce a network of electric vehicle chargers to our APMs in 2021. We are also undertaking research and development work to develop APMs that consume less electricity and are powered by photovoltaic panels. During – 2020 we started testing APMs powered by solar energy. In addition, we plan to deploy screenless APMs, which would be operated from the application. Not only would this provide an electricity consumption saving in comparison to standard machines, but would also potentially extend the life cycle of our APMs operated only from the level of the app.

We also make sure that our automated parcel machines are washed in an environmentally-friendly way without using chemicals. To this effect, we use special steam cleaners which use up to 90% less water than traditional methods.

Best practice
we resolve the last mile problem

Last mile deliveries are responsible for the biggest share of CO_2 emissions in the whole logistic process. This is due to, among other things, customers providing an incorrect address, difficulties with finding the location or absence of the recipient, which results in multiple delivery attempts. During standard courier working hours, customers are usually not at their place of residence or the delivery time may not be convenient for them. This necessitates a re-delivery of the parcel to the same address. The re-delivery problem pertains to approximately 20-30% of all customers, generating excess amounts of CO_2.

The use of automated parcel machines contributes to the reduction of traffic and noise pollution associated with the transport and, consequently, a reduction of harmful emissions. For example, a courier who delivers a number of parcels to one single location generates much lower mileage per parcel than one who makes numerous individual deliveries. Ultimately, the collection of parcels using APMs significantly addresses the problem of the last mile.

According to our research, as many as 37% of APM users walk to the machine to collect the parcel. In addition, 62% of InPost users admit that they pick-up parcels from APMs only while driving to work or doing other things. To optimize our deliveries, we have implemented a new service under the name Multiparcel, which makes it possible for a consumer to collect a number of parcels from a single locker compartment.

The carbon footprint calculator we have developed shows that if traditional to-door deliveries are replaced with APM deliveries, the CO_2 emissions could be reduced by as much as 75%.

The carbon footprint for a parcel delivered to-door is on average 0.659 kg CO_2, for the whole route of the parcel, and 0.294 kg CO_2 of this is attributable to only the last mile. The average result for deliveries to automated parcel machines is only 0.229 kg CO_2 over the entire route and only 0.075 kg CO_2 for the last mile. The reduced carbon footprint also takes into account the footprint of the addressee's journey to the APM.

The carbon footprint of deliveries to the APM is even lower if the parcel is collected on the way to work or during shopping. Due to the proximity and accessibility of the APMs, we also promote reaching them on foot or by bicycle.

OUT OF THE BOX

PARCEL CARBON FOOTPRINT CALCULATOR

It is very important to us that our customers know that we deliver their parcels sustainably and responsibly which, in our opinion, will promote APMs as they make their decision about which delivery method to choose. Related to this, we have created a carbon footprint calculator for consumers, which will be available at our company website under the link: https://inpost.pl/eco this year. Consumers will be able to check the carbon footprint generated by the delivery of each parcel and how much CO_2 they saved by selecting delivery to an APM.

The calculator has been developed in cooperation with the scientists from the Mineral and Energy Economy Research Institute of the Polish Academy of Sciences and the Economy and Public Administration Foundation in Kraków. The calculator is based on actual data regarding the parcels delivered by InPost, taking into account both the place of shipment and the place of collection. The tool is unique as the carbon footprint of each parcel, whether it is delivered to-door or to an APM, is calculated separately, regardless of the volume of the parcels of the given customer. The tool has calculated the following:

- 75% CO_2 reduction compared to traditional deliveries
- 52 kg CO_2 – daily reduction of emissions compared to to-door deliveries, assuming that the courier delivers 150 parcels to the APM in one drop
- 14 tons CO_2 – annual reduction of CO_2 emissions by one parcel locker, or that one APM reduces the annual CO_2 consumption for nearly 2 people.

Over the coming years, we plan to be able to calculate not only the carbon footprint and related CO_2 savings, but also, among others, electricity, water, paper, business travel and production of waste. This will include our offices, ParcelPoint branches, Sorting Plants and production facilities.

GREEN VEHICLES FLEET

As part of our responsibility for the natural environment, we aim to reduce the amount of harmful emissions of hazardous substances into the atmosphere, as well as noise pollution.

To further advance our focus on sustainable deliveries, we have introduced and expanded our fleet of electric delivery vehicles, adding 40 all-new Nissan e-NV200 XL Voltia and e-NVs 200 during 2020. These vehicles are operating in large urban cities such as will Warsaw, Wrocław, Łódź and Kraków. Ten of the new electric vehicles are equipped with vaporisers used to clean APMs, which reduces our water consumption.

In 2021 we intend to expand our fleet of electric vehicles to 300, which will deliver parcels to major Polish cities. By the end of 2024, the Group's goal is to have 50% of its fleet to be electric vehicles in partner cities. The Group also plans to start testing and expanding its fleet of delivery vehicles to include electric bicycles, which will further reduce traffic and the need for parking spaces.

Awards

Award for InPost for development of its own fleet of electric vehicles in the Polish Leader of Electromobility 2020 contest organized for the third time by PwC Polska and the Polish Alternative Fuels Association. The "Leader of Electromobility" title is granted to entities that are the most committed to development of Poland's eco-friendly transport market.

In 2020, our company received, for the first time ever, the prestigious 'Fleet Leader of Electromobility' award in the 'Company Most Deeply Committed to the Deployment of Fully Electric vehicles' category, granted by the Polish Association of Vehicle Rentals and Leases in collaboration with the Polish Alternative Fuels Association (PSPA).

OUT OF THE BOX

ENERGY EFFICIENCY

Our goal in the energy efficiency management area is to reduce consumption of energy within the whole organization. We will strive to track and monitor all energy consumption within the organization to report in the future. This year we collect data of energy consumption concerning our APM network. We reduce consumption of energy through powering the APMs with solar panels, construction of screenless APMs and low energy-intensity production.

GRI 302-1

Energy consumption within the organization

Energy source	Energy consumption in GJ
electricity - APMs	53,412
diesel oil	5,665
petrol	2,693
natural gas	441
light heating oil	392
propane/butane	116
Total	**62,720**

The data on fuel consumption comes from statements containing information and data on the types and volumes of gas and dust emissions and the fee amounts due. The energy consumption by automated parcel machines was estimated on the basis of the numbers of individual APM models and their average annual energy consumption. Energy consumption for fuels was converted into GJ using the calorific values specified in KOBIZE (National Emissions Balancing and Management Center) documents: calorific values and CO_2 emissions in 2017 for reporting under the 2020 Emission Trading Scheme. Energy consumption of buildings such as sorting plants, offices or warehouses is not included.

In newly leased facilities, our standard practise is to focus on reducing energy consumption. This includes:

- sourcing energy from photovoltaics (installation up to 50kWp)
- preparing the installation and connections for electric car/bus chargers
- motion sensors limiting consumption of energy
- building facades with good insulation properties
- energy-saving LED lighting in the halls and offices
- bicycle shelters
- faucet aerators, recovery of grey water in some facilities, solar collectors for heating hot water in selected facilities.

In 2020, we developed an energy audit which will enable us to implement actions aimed at reducing consumption of energy generated by infrastructural facilities in the future. One of our objectives is to significantly improve the infrastructure, combined with improved energy consumption efficiency, and installation of photovoltaic panels in branches to use solar energy.

In fourteen of our new facilities, we also plan to install solutions allowing for sourcing renewable energy for a combined surface area of 8,000 m2 which will enable us to satisfy the demand of between 13-17% of our total energy consumption. The new buildings are contracted in 2021 and planned to be operational by 2022.

In our offices and sorting hubs, we have installed energy-saving LED lighting which consumes 20-25% of the energy needed to ensure the same intensity with conventional bulbs. We plan to introduce motion sensors limiting consumption of energy under bus shelters, in corridors, changing rooms and bathrooms. In addition, we are adding electric vehicle chargers to our new APMs and plan to introduce these solutions in the biggest cities, such as: Gdańsk, Katowice, Kraków, Łódź, Poznań or Szczecin.

305-1

Direct (Scope 1) GHG emissions
Energy indirect (Scope 2) GHG emissions
Other indirect (Scope 3) GHG emissions

Currently greenhouse gas emissions are controlled in accordance with prevailing regulations. Each year we submit our reports to the National Emissions Balancing and Management Centre and to Marshal Office of the Lesser Poland.

GHG emissions

Scope, emission source	Emissions - tons of CO_2e
scope 1	**743**
diesel oil	420
petrol	187
hydrofluorocarbons - automated refrigerated machines	76
light heating oil	29
natural gas	24
propane/butane	7
scope 2	**10,058**
electricity - APMs	10,058
scope 3	**122,028**
couriers, freight	122,028
Total	**132,829**

Not entired organisation has been analyzed in terms of emissions - energy consumption of buildings such as sorting plants, offices or warehouses is not included.

The sources of data on fuels and energy, their scope and the conversion factors used are presented in the section pertaining to Indicator 302-1 Energy. Additionally, the number of kilometers covered by couriers and freight was estimated. The emission calculations were prepared in accordance with the following standards: The Greenhouse Gas Protocol A Corporate Accounting and Reporting Standard Revised Edition, GHG Protocol Scope 2 Guidance and Corporate Value Chain (Scope 3) Accounting and Reporting Standard. The greenhouse gases identified and taken into account in the calculations include CO_2, CH_4, N_2O and hydrofluorocarbons which were expressed as a CO_2 equivalent and no biogenic CO_2 emissions were identified. The emissions factors were derived from KOBIZE (National Emissions Balancing and Management Center) and Energy Regulatory Office publications and the DEFRA (UK Department for Environment Food & Rural Affairs) database. Emission levels from generation of consumed electricity were calculated using two methods. In the case of the location-based method, the average emission factors for Poland was used.

In the next few years, we plan to systematize data collection on the basis of the GHG Protocol in Scope 1, Scope 2 and, at least partly, in Scope 3.

As mentioned, we also plan to calculate the emissions from delivery of parcels . Therefore, we are aiming cooperate with couriers, who are our sub-contractors, to collect the following information:

- quantity and type of consumed fuel (during the year)
- identify the type of vehicle used for transport (e.g., engine in a vehicle up to 3.5t other than a passenger car)
- the European emissions standard that the vehicle complies with.

REDUCTION OF WASTE

To minimize the environmental impact of our operations, we take actions specifically aimed at efficient waste management. Our goal is to: reuse cartons, foil envelopes, use of eco-friendly packaging and to educate our partners in this respect.

In 2020, we reduced the volume of waste related to the number of parcels we delivered by 34%. In addition, the volume of paper generated reduced relative to the number of parcels by 32%.

We also work on minimizing the volume of generated foil. To this effect, we have purchased additional carriers – transport cages and roll containers and 1,000 Black-Boxes to minimize the use of stretch film and wooden pallets. In 2020 we reduced their consumption by 77% compared to 2016.

We also launched a project involving the purchase of plastic pallets instead of wooden ones, to limit the volume of wooden waste. In 2020 we purchased further 1,500 pallets.

Best practice

InPost's warehouse in Mszczonów logistics park awarded BREEAM certificate

Our warehouse, within the boundaries of the Mszczonów park and developed by P3 Logistic Parks, for InPost was awarded the highest score (65.4%) among facilities of this kind on the Polish market under the BREEAM 2016 NC Industrial certification system.

Working in conjunction with environmental design experts, , a number of diverse innovative solutions were implemented during its construction. These sustainable solutions included materials with an Environmental Product Declaration (EPD) certificate, communicating information about the components and the life-cycle environmental impact of the product, wood with a confirmation of its lawful sourcing in the form of a Forest Stewardship Council (FSC) certificate and an installation and system of eight photovoltaic collectors for heating tap water. The building also has a retention tank for collecting rainwater from the roof and paved areas. The fittings in the restrooms have been selected for specific water flow intensities. As a result, savings on water consumption in the facility may reach up to 55%.

The high score of the warehouse in the certification process was driven by the energy model of the facility, consisting of all the solutions implemented in it, such as automatically controlled energy-saving LED lighting fixtures, partitions with a suitable heat permeability coefficient, minimization of the heat island effect by using light-colored materials on the roof enabling the reflection of sun rays, preventing overheating of the facility in summer and thus reducing the need for cold, space zoning and a control system for building installations, photovoltaic collectors reducing the need for energy to heat tap water.

The facility has an area of over 17,300 square meters and serves as a cross-docking center for our branches from across the country, as well as a sorting center for the key Warsaw area. It also serves as an auxiliary facility for the operator's main sorting center located in the P3 Piotrków park. It dispatches as many as several hundred thousand parcels daily. The facility is operated by 300 employees.

OUT OF THE BOX

Highlights:

400
trees

32
bicycle parking spots

5
car chargers

5
houses for insects

OUT OF THE BOX

Educational activities

Our aim is to expand the knowledge and inspire customers to be more environmentally-friendly and change their daily habits. To this effect we undertake a number of educational efforts in media. We also introduce our own proprietary programs and solutions.

GREEN CITY

GRI 413-2

Operations with significant actual and potential negative impacts on local communities

In 2020 we started work on introducing an innovative program for the cities under the name "Green City". The program aims to significantly reduce pollution emissions resulting from the development of e-commerce – through reducing CO_2 emissions and car traffic in city centres and introducing electric vehicles in place of internal combustion engine ones. As part of the program, we support the implementation of the idea of a "smart city" i.e., mobile access to a variety of city services and the construction of a network of electric chargers located in the vicinity of our APMs.

At the beginning of 2021 we entered into an agreement with the City of Łódź on implementation of the "Green City" concept. The residents of Łódź will soon gain access, among other benefits, to an even more extensive network of InPost APMs in 70 new locations, and a more comprehensive range of city services, including electric vehicle chargers located near our APMs. In accordance with the contract entered into with the city, InPost will gradually expand its fleet of electric vehicles in Łódź, to achieve the full zero-emission target.

In addition to our Green City program, we execute a number of measures, such as:

- expansion of the APM network so that more consumers have access the most sustainable form of delivery
- expansion of electric delivery vans, targeted to reach 50% of our fleet by the end of 2024 in partner cities
- testing cargo bikes that will further help to reduce the amount of carbon footprint in cities
- environmental education
- actions optimizing the use of the APM potential (Multiparcel)
- campaigns accelerating collection of parcels from the APM
- R&D projects related to launch of screenless APMs.
- APMs powered by RES energy.

In addition, we plan to initiate a number of projects which will have positive impact on the local environment:

- environmentally friendly transport, for example deploying bicycle stations nearby the Group's APMs for short-term bicycle parking
- creating green areas in cities near the Group's APMs
- supporting local communities to plant trees and use public transport by offering a loyalty program in the InPost mobile application
- installing automated recycling machines near APMs, which can collect plastic, glass and aluminium
- other sustainability focused projects initiated by cities and in line with local needs.

EDUCATIONAL CAMPAIGNS

We continually promote and educate our customers and consumers that APMs are the most sustainable form of e-commerce delivery, providing the best-in--class user experience, while minimizing the carbon footprint of parcel deliveries. We also have an extensive social media presence, highlighting the benefits of our services and the impact of the collective actions of our consumers on the environment.

- we encourage customers to walk to the APM and contribute to reduction of emissions of harmful exhaust gases and to recycle the packaging from parcel deliveries. We also inform our customers how to precisely pack items in cartons to optimise space. In addition, we encourage customers to select, when packing a parcel, a package that only a little bigger than the item being mailed. As a result, we are able to transport more parcels per trip, and thus reduce CO_2 emissions

- offering the Group's APMs as advertising space to promote local environmental and social campaigns
- installing anti-smog pavement surfaces near APMs which can absorb air pollution, reducing NO2 by up to 70%
- we emphasize the importance of using sustainable materials to our merchants, e.g., carton materials and, instead of film fillers, we recommend foam peanuts, wood wool, crumpled paper, bubble paper and limiting the use of labels and stickers.

In 2021 we plan to strengthen our sustainability efforts and encourage individual customers to live a "zero-waste" life.

We will also continue to offer merchants, educational webinars on sustainable development for the e-commerce segment.

Chapter 2

Society and employees

OUT OF THE BOX

Employment, upgrading employee skills and benefits

EMPLOYMENT

InPost's employment policy defines the priorities based on which we build our competitive advantage and market success. The company's objective in this area is to create the culture and manage human resources so to create a work environment based on high efficiency and innovation. Investment in the constant development and training of our employees is helping us to increase productivity and engagement.

We strive to build highly qualified experts and leaders who tie career development with the success of the company. We achieve this through attracting employees with the best fit to our organization,, and through creating optimum work conditions. Our ambition is to build an innovative workplace which will attract and retain the best candidates from the labour market.

Our values are based on innovation, reliability, proactiveness, responsibility and respect.

Key documents regulating employee issues in InPost are:

- Remuneration Rules and Regulations
- Labour Rules and Regulations
- Internal Recruitment Rules and Regulations
- Employment and Onboarding Procedure
- Bonus Rules and Regulations.

Policies which regulate the employment area apply to all employees in the organization. These are:

- Code of Practice and Ethics
- Harassment, Discrimination and Mobbing Prevention Policy
- Diversity Policy
- Anti-corruption Policy
- Recruitment Procedure
- Internal Recruitment Procedure.

GRI 102-8

Total number of employees by type of employment, type of employment contract, region

InPost 2020

Type of employment contract	Women	Men	Total
Permanent	775	853	1,628
Temporary	597	607	1,204
Total	**1,372**	**1,460**	**2,832**

Functions	Women	Men	Total
Deployment & Expansion	1	140	141
Finance &Administration	132	34	166
IT	32	130	162
Customer Service	236	94	330
Marketing	19	7	26
HR	38	1	39
Operations	63	57	120
E-Grocery	1	8	9
ESH	6	5	11
Legal	3	2	5
Sales	93	149	242
Fulfilment	20	21	41
Management Board & Advisors		5	5
Sorting Branches	469	602	1,071
Central Sorting Hubs	203	137	340
SSecurity & ISO	14	23	37
Transport	3	5	8
Engineering	2	1	3
Logistic Operation	37	39	76
Total	**1,372**	**1,460**	**2,832**

	Women	Men	Total
Full time	1,366	1,456	2,822
Part time	6	4	10
Total	**1,372**	**1,460**	**2,832**

- 1,205 – average number of employees employed by the Temporary Work Agencies for sorting and warehousing operations
- 5,563 – average number of couriers employed in 2020, regardless of the form of cooperation, courier logistics / transport of parcels
- 829 – contractors (providing services on the basis of mandate agreements), sorting operations, mobile parcel collection points

Impact of the COVID-19 pandemic on our employees

The COVID-19 pandemic created unprecedented challenges for almost every company and community across the globe. The initial focus of the Company was the safety of its employees, whilst maintaining business continuity across its operations, sites and offices.

Due to the increased demand for our services, which quickly became recognised as the safest solution for e-commerce deliveries, we accelerated the hiring and on-boarding of hundreds of new employees.

In addition, we had to adapt rapidly and responsibly to modify existing and establish new practises and processes to maintain safety in the workplace. These measures included, among other things:

- educating our employees about safety and prevention against COVID-19
- providing disinfectants, personal protective equipment. facemasks, antibacterial hand gels and gloves
- working in shifts, employee rotation in the workplace and designating safe zones in the branches, and warehouse and production halls
- shutting down offices and shifting employees to home office work, and implementing new safety rules in the office in the new reality
- implementing fully funded group insurance for employees performing their duties on the front line.

We also maintained regular and engaging communication addressing employee needs and concerns associated with the pandemic. For example, we sent video messages from the CEO, organized regular webinars with the company's Management Board, and created an internal knowledge database on the "Speed City" gamification platform which supported employees with the new remote working methods.

We offered a special online training package aimed at minimizing stress during times of change, appropriate communication and psychological care. We expanded the training offer on the Dolineo e-learning platform. We devised creative and sport challenge zones on the SpeedCity platform for the children of our employees to make it easier for them to work remotely. We sent online educational materials for children and for parents, teaching them how to care for the work-life balance. On the occasion of the Family Day, we delivered a parental webinar, which enjoyed high viewing rates.

On the SpeedCity platform, in turn, we created a well-being zone. Using it, we encouraged employees to develop healthy eating habits and care for mental comfort and healthy body.

Appreciating the engagement of our employees and striving to attract new talents, we executed a campaign under the name "**We are the #TeamInPost**". We encouraged employees to join the #TeamInPost and communicated the stability, security and long-term prospects of employment in our organization. The campaign involved publication on LinkedIn, Facebook and Instagram. We invited our employees to participate in the campaign to emphasize the authenticity of our efforts.

We also implemented a virtual recruitment process and onboarding of new employees in the company in the online format. The onboarding currently has two forms: remote internal training on the company and its products, and education on the systems in place in the company on the SpeedCity gamification platform.

UPGRADING EMPLOYEE SKILLS

GRI 404-1

Average hours of training per year per employee

GRI 404-2

Programs for upgrading employee skills and transition assistance programs

At InPost we believe that caring for employee development is the best investment in the future of our organization. Therefore, we constantly develop our offering of innovative training and development programs. Employees have access to a broad offering of initiatives supporting responsible and dynamic career management. The development program offered by InPost is aligned with its business strategy. The evolving environment forces us to adapt to the new requirements through offering tailor-made development efforts.

The training and development strategy implements the following objectives:

- building expertise, developing leadership competences on different management levels as well as soft skills
- creating a training course offer in cooperation with the best training providers
- building a network of internal experts who share their knowledge with other employees.

After each training course we carry out evaluation questionnaires. We analyse the results of the training by collecting feedback from the company management. We regularly run competency assessments using state-of-the-art platforms for measuring employee performance developed by external consulting firms and we apply assessment center and development center methodologies to evaluate the degree of our employees' potential.

Over the course of last year, we adapted our development activities to online training. We made every effort to ensure that the standard of distance learning remained at the highest level.

GRI 404-1

Average hours of training per year per employee

Breakdown by structure	Women	Men	Total
Managerial	17.4	17.3	17.3
Specialist	0.62	0.53	0.57

GRI 404-2

Programs for upgrading employee skills and transition assistance programs

Training delivered in 2020

- Talent Pool program – intended for high potential (HiPo) employees and for the establishment of conditions for participants to proceed with their own development based on custom-built development plans aligned with the company's strategic objectives
- Dolineo – e-learning platform and database containing over 150 off-the-shelf training courses and development paths
- Knowledge management training – building an organization rooted in knowledge and values aimed at improving employee competences and development opportunities
- Effective Leader – training for managers in assigning and delegating tasks and incentivizing reports
- Engaging Leader – training aimed at developing competences in building the authority and credibility of a manager and strengthening employee engagement and team management based on values or change management
- Agile Leader – training focused on improving skills in managing change, building employee engagement and being agile
- Wellbeing Zone – on-line platform available through the Speed City app, enabling employees to build awareness of the significance of a healthy lifestyle in 3 areas: fit body, healthy spirit, good life
- Continuous learning program: professional training focused in improving the knowledge and skills of employees across the organization (Project Management, Excel, Power BI), managerial training, topic-specific training provided on the basis of a survey of needs for selected employee groups, language training, internal webinars for employees.

The company has developed an organization-wide hiring strategy to ensure business continuity. Moreover, the company has in place a succession plan for managerial positions with specific objectives to be attained and a succession plan for managerial positions in courier operations.

Best practice
Effective Leader – Committed Leader

In 2020, we delivered dedicated training courses for our leaders. This program is designed specifically for distance learning purposes and is intended to help participants learn and exercise key managerial functions and methods of putting them into practice easily.

The program covers managerial basics, such as:
- assigning and delegating tasks, incentivizing reports
- communication and feedback as fundamental tools of an effective leader
- managerial talks: about objectives, monitoring talk.

and strengthens team engagement competences:
- building the authority and credibility of a manager
- strengthening employee engagement
- value-based team management
- change management
- team diversity management.

In 2020, a total of 214 leaders participated in these training courses.

OUT OF THE BOX

SpeedCity

For all our resources we have created SpeedCity app. It is a comprehensive tool for building employee engagement, especially relevant during times of remote working. The SpeedCity app is a state-of-the-art platform in the form of a city, the concept of which was created by our employees, and the software developer Gamfi provided a tool for its creation.

We use it to gamify the knowledge required to be a valuable member of our organization and, additionally, we apply this tool to keep our employees engaged, to strengthen communication, hold competitions and motivate our employees. SpeedCity is also an excellent tool for new employees to familiarize themselves with our company, its organizational culture and people. It helps us run a remote onboarding process from anywhere in the country.

In 2020, regular meetings with the Management Board were held on the SpeedCity platform. Within it, we have also devised creative and sporting activities for the children of our employees to make it easier for them to work remotely. We have also included a variety of interactive and engaging content related to health and well-being.

In a dedicated space on the platform, we have created 3 well-being zones: fit body, healthy spirit, good life.

number of tasks completed by all employees

21,328

OUT OF THE BOX

total points scored by all employees

131,116

OUT OF THE BOX

27%

of active SpeedCity users take advantage of the Well-Being zone

OUT OF THE BOX

Employee satisfaction survey

We make efforts to create an environment that supports professional development and employee engagement. The opinions of our employees are of key significance to us, which is why we regularly conduct employee satisfaction surveys in our organization. Every year, we measure the degree of employee engagement in our company. This year's score of our engagement index was 63%, with an attendance at almost 78% (up 3 percentage points compared to the prior year). Given these surveys, we know where to make any necessary changes in our organization and how to formulate priorities and strategy for the coming years.

Response categories with the largest number of positive responses:

- 75% – Work-life balance (coping with stress)
- 74% – Management (supportive manager, responsibility and approach toward employees)
- 71% - Managing covid situation (team spirit while home office, safety, and company reactions to manage pandemic situation)

Award

Our practice was appreciated by the Wellbeing Institute, which ranked us third in the contest titled “The best of Wellbeing 2020”, in the “Best Pro-Wellbeing Initiative” category.

OUT OF THE BOX

Employer branding

Our company is the largest independent logistics and technological support operator for e-commerce businesses in Poland. Accordingly, building engagement and recruiting the right employees is a key component of our company's growth. We strive to build highly qualified expert and managerial employees who tie professional promotion opportunities with the development of the company. We achieve this by hiring the best people through our internal and external recruitment processes.

Internally, these activities are based on the Internal Recruitment Procedure which defines the methods applied to the acquisition of candidate who meets the requirements for the respective job opening, through a transfer or promotion of an existing employee.

We also enable our employees to recommend external candidates through the Recommend-and-Benefit Program. The reward for the referral of an employee is paid out to the referring employees after the successful completion of a 3-month trial period by the recommended individual. A condition for the disbursement of the reward is an extension of the employment contract following the trial period or a favourable opinion of the recommended individual's work by his or her superior.

We are active in social media channels, where we carry out Employer Branding campaigns to reach out to potential external candidates as effectively as possible.

In 2020, we ran a campaign dubbed "**We are the #TeamInPost**". For more information about this campaign, please refer to the section devoted to the impact of the pandemic on the management of the employment area. We also successfully completed other social media campaigns encouraging potential candidates to take part in our recruitment procedure for the sorting plant in Mszczonów and for courier positions.

BENEFITS

GRI 401-2

Benefits provided to full-time employees that are not provided to temporary or part-time employees

At InPost, we attach great significance to the health and well-being of our employees. That is why our employees have a dedicated range of fringe benefits at their disposal, including the following:

- Multisport card (sports offering co-funded by the employer, available to employees, their children and partners)
- medical insurance for employees and their family members and partners (3 types of medical packages, co-funded by the employer)
- life insurance – attractive life insurance and accident insurance for employees and family members available in 3 convenient options
- optional additional days off, depending on the years of employment in the company: over 3 years – 1 day, over 6 years – 2 days, over 10 years – 3 days.

Best practice #I Am a Female Leader – cooperation with Vital Voices Poland

For our organization, the promotion of development, education and leadership is extremely important. For this reason, we became involved in cooperation with Vital Voices Chapter Poland in the execution of a program called "I Am a Female Leader".

In collaboration with Vital Voices, we helped develop the talents of ambitious young women and helped them embark on their first business adventure. We provided mentoring support to the program finalists from across Poland. Under the program, our leaders shared their knowledge and suggestions for professional development to young women participating in the program. We encouraged and inspired them to act. We are sure that the program will result in its finalists reaching out for many achievements in the future.

For more information about the paragraph, please visit: https://vitalvoices.pl/mowia-o-nas/jestem-liderka/

Five female leaders from our company participated in the program "I Am a Female Leader" organized by Vital Voices Chapter Poland. We promoted these participants inside our company and through a campaign on LinkedIn to show our appreciation for the female leadership style and show how InPost's female leaders initiate changes and inspire others on a daily basis.

OUT OF THE BOX

Diversity

GRI 405-1

Percentage of individuals within the organization's governance bodies in each of the following diversity categories

In the company, issues related to diversity are governed by our Diversity Policy.

Management Board	Women	Men	Total
aged below 30	0%	0%	0%
aged between 30 and 50	0%	100%	100%
aged above 50	0%	0%	0%
Total	**0%**	**100%**	**100%**

Supervisory Board	Women	Men	Total
aged below 30	0%	0%	0%
aged between 30 and 50	0%	17%	17%
aged above 50	17%	67%	83%
Total	**17%**	**83%**	**100%**

Percentage of employees per employee category in each of the following diversity categories

Senior management	Women	Men	Total
aged between 30 and 50	0%	80%	80%
aged above 50	0%	20%	20%
Total	**0%**	**100%**	**100%**

Middle management	Women	Men	Total
aged below 30	8%	12%	19%
aged between 30 and 50	33%	45%	77%
aged above 50	2%	2%	3%
Total	**42%**	**58%**	**100%**

Other employees	Women	Men	Total
aged below 30	22%	25%	47%
aged between 30 and 50	25%	22%	47%
aged above 50	2%	4%	7%
Total	**49%**	**51%**	**100%**

Health and safety

GRI 403-1

Occupational health and safety management system

The safety and health of our employees are the crucial element of our organizational culture and business activity. We strive to always comply with generally applicable laws, our internal instructions and industry standards. We engage not only our employees in the execution of safety improvement activities, but also encourage our collaborators to do the same, as reflected in our policy titled "Code of practice and ethics".

As part of our management endeavours in this area, we have put in place internal regulations in the form of the Occupational Health and Safety Management Procedure and a number of Instructions. They relate to work not only in the head office, but also in our branches.

Next year, we intend to launch preparatory work for the implementation of the ISO 45001 OHS Management System.

Our objective in the occupational health and safety area is to ensure the highest safety standards for our employees and to reduce the number of work-related incidents. To this end, we have implemented dedicated communication to promote health and safety issues and make our employees aware of potential threats.

GRI 403-2

Hazard identification, risk assessment, and incident investigation

We monitor the number of accidents at work and investigate their causes. The way we keep an eye on this area by keeping accident logs, as required by law, an additional internal log of accidents and near-miss incidents where direct and indirect causes of each accident and incident are analysed in the light of their accompanying circumstances.

For all positions, we have developed an Occupational Risk Assessment document. Our identification and reduction of hazards are based on the process hazard analysis (PHA) method. Our employees are required to sign statements confirming their familiarity with the Occupational Risk Assessment at the outset of their employment. Moreover, for selected jobs, where legally justified, we have performed measurements of the work environment, which constitute part of the Occupational Risk Assessment. We have performed such measurements in areas such as noise, general vibrations for truck operators and energy expenditure.

We conduct OHS status analyses, the outcomes of which, including accidents, are presented in monthly health and safety status reports submitted to the Management Board and heads of relevant organizational units. Out of caution, we also inform the managers of other organizational units about accidents in the form of Health and Safety Alerts containing an abbreviated summary of the accident with photographic documentation and recommended preventive steps.

Charity and sponsorship

SOCIAL ACTIVITY AND RELATIONS WITH COMMUNITIES

Our commitment

Our business makes contributions to developing local communities in Poland. We contribute to the socio-economic development of the regions and make an indirect contribution to the prosperity of our communities.

Our activities

Our activities in the social responsibility area are conducted through projects executed in collaboration with non-governmental organizations, through charity campaigns aimed at supporting local communities and through sponsorship of sporting events. We involve our employees in the charitable activities we pursue.

In 2020, our social initiatives were focused on the following areas:

- Charitable support for local communities in the areas of health care, education and reaching out to people suffering from social exclusion
- Sponsorship and promotion of sports

Charitable support during the pandemic

The outbreak of the SARS-CoV-2 virus has changed the world we were familiar with. In early 2020, the word "change" took on a new meaning on all continents. Almost in an instant, everyone was forced to start functioning in new, previously unknown circumstances. At InPost, from day one of this calamity, we were aware that the sense of responsibility towards local communities requires us to take active steps in the fight against the pandemic. Not only through our services did we support our fellow citizens in what has become a tough reality for all of us. Above all, we extended a helping hand to our medical workers who are still on the front lines in the fight against the pandemic. We considered it our duty to get involved in a variety of initiatives that would improve the safety and comfort of their work. Moreover, in this challenging period, we supported initiatives aimed at help the youngest among us.

#Dajże Kompa (#Gimme a Compy)

#This initiative was aimed at supporting Kraków primary school and high school students and teachers who, due to the absence or insufficient quality of their hardware, were unable to fully participate in online classes. Through the Dajzekompa (Gimme a Compy) internet platform www.dajzekompa.pl, both the donors and the beneficiaries were able to connect for the hardware to change hands. The campaign participants were provided with a trusted platform for donating computers to the neediest students.

Through our logistics support, we were able to deliver 425 computers to the neediest children in Kraków.

Best practice

At InPost, #PomagamyPomagać (#WeHelpYouToHelpOthers)

In 2020 we donated 109,000 face masks to 18 hospitals in Poland. We were aware of the difficult situation in which healthcare professionals have found themselves in many hospitals in Poland. Lack of proper personal protective equipment is still unfortunately a serious and frequent problem. **We supported hospitals which where the most in need in: Kraków, Łód , Nowa Sól, Kielce, Bolesławiec, Wołomin, Brzesko, Elbl g, Stargard, Szczecin, Płock, Bydgoszcz, Olsztyn, Gdańsk, Sanok, Łom a, Wałbrzych, Gliwice.**

Additionally in cooperation with Lotte Wedel we aimed to send parcels with sweets to infectious disease hospitals. We wanted to appreciate hard and outstanding work of Polish doctors. Together with Lotte Wedel **we delivered sweets packages to over 465 hospitals all over Poland**. With this small gesture, we wanted to give a little treat to those who are on the front-line of the fight for our health and safety.

We are also proud to support grassroots initiatives in which volunteers unite, dedicating their private time and resources to help medical staff. **We provided logistic support in the form of 200 free shipments and cardboard boxes to the initiative #DrukarzeDlaSzpitali**. The action brings together volunteers from all over Poland, who print on their own devices personal protective equipment (mainly in the form of face shields), which then goes to hospitals that are most in need.

In cooperation with Akuratna Foundation we supported #poMOCnaMaseczka initiative, organized by the Fundacja Akuratna. Its purpose was to collect funds that will be used in full for the purchase of portable ventilators for the County Hospital in Myślenice and the Children's Infectious Disease and Paediatrics Ward at the Stefan Żeromski Specialist Hospital in Kraków. Our customers were encouraged to buy the mask, which then delivered free of charge to the Parcel Locker with the proceeds going to the fund-raiser to purchase life-saving equipment. As InPost, we have supported the initiative by providing as many as 3,000 secure shipments.

Portable ventilators to hospitals

We have also provided logistics support to the initiative of ambitions Polish engineers who, as part of the VentilAid concept, have developed a design for a ventilator which can be printed on a 3D printer. The design makes use of cheap and commonly available components and, most importantly, may save the lives of thousands of people where access to these devices is limited. Work on the second prototype is almost finished. We were proud to support this unique initiative, by delivering elements and prototypes of portable ventilators to hospitals in April-June 2020.

CareBox Project – funding a mobile epidemiological point

In 2020 we fully fund CareBox which is a mobile epidemiological point meant to fight the coronavirus.

CareBox is a safe, sterile space designed as a modern, external admission room with strictly defined operating principles. Appropriate paths of the patient with symptoms, safe selection, and subsequent testing with the least contact with uninfected persons. **We are proud that InPost funded one of the 10 planned mobile points, and thus improve the safety of medical staff and patients**.

The InPost CareBox was implemented in July 2020 in Voivodeship Specialist Hospital under the name of dr Wł. Biegańskiego in Łódź.

You may read more at: https://inpost.pl/aktualnosci-inpost-ufundowal-mobilna-izbe-przyjec

OUT OF THE BOX

Charitable action for Kacperek

Our goal is to help our employees and their relatives. We want to unite our employees around the idea of helping and develop their feeling of solidarity with those in need. Charitable actions are inherent in our organizational culture.

In 2020 we executed philanthropic activities which attracted the involvement of all our employeesFor example we raised funds for a very costly treatment for the son of one of our employees. Kacper is suffering from SMA and needed a gene therapy before turning 2.

Through our use of social media channels we united the community supporting InPost around the joint action to fight for Kacperek's life with our business partners also taking part.

The commitment and the huge support of InPost's employees and local communities enabled us to collect the entire amount and give the boy a chance to undergo the gene treatment in the US.

Thanks to our campaign we hope to save the boy's life.

The total amount raised was PLN 8,147,905.99 including PLN 800,000 donated directly by InPost.

We are an integrated team (#TeamInPost) and are very happy to help each other in difficult life situations.

Noble Parcel

The Noble Parcel (Szlachetna Paczka) initiative has been connecting Poles around the idea of helping wisely for 20 years. Our company, with helping those in need forming part of our DNA, has been involved in this campaign for 7 years.

During the period of the pandemic, this initiative was particularly significant to us, which is why we became its main partner. We helped on two fronts: in partnership with Allegro and our customers, and owing to the commitment of our employees.

As part of last year's edition of the campaign, in collaboration with Allegro, we launched the initiative "Every Parcel May Be Noble", through which anyone was welcome to help by making even small online purchases under the slogan "By buying on Allegro and ordering to an APM, you help others!"

Consumers were encouraged to shop without additional costs on the Allegro platform. They could provide individual contribution to help Polish families in a difficult situation. InPost delivered all parcels in a fast and safe way. Together InPost and Allegro supported this action and people in difficult situation.

By ordering purchases to an APMs, picking up pre--Christmas orders was quick and safe, while Allegro provided an offering of everything anyone might need to acquire unique gifts for their loved ones. Owing to the transactions executed by our clients, InPost in collaboration with Allegro provided financial support to the Noble Parcel campaign, and thus to the neediest families.

Our employees were also involved in this initiative for another consecutive year. They helped in a variety of ways, not only financially, but also by packing up and transporting the parcels. Each of our employee had the opportunity to be involved in stacking, moving or transporting the prepared parcels to the warehouse, while observing the highest safety standards.

Moreover, as an organization, we provided logistic support to the safe transport of parcels between individuals who volunteered to take part in filling the parcels.

Dorota Potelicka
IT Office

“For 5 years, The company has been involved in supporting the Noble Parcel and coordinating this extraordinary initiative. Every year, hundreds of our employees are involved in it as well. I believe that each of us has a little “superhero” inside, because helping others gives you a lot of positive emotions! I was under the impression this year that, because of the pandemic, our help was needed even more than before. Owing to our collaboration with Allegro and the Wiosna (Spring) Association, we were able to provide not only financial aid to selected families, but also to give something more valuable than just the gifts, namely care, interest and hope for a better tomorrow in these difficult times.”

OUT OF THE BOX

421,390
people joined our campaign

14,016
families in need received support

PLN 51,012,140
total value of the gifts delivered

Best practice

In 2020, on the occasion of Christmas, we joined the Helpful Box campaign as a logistics partner. The initiator and organizer of the campaign was the Association of Operators of the Dietary Catering Industry.

As part of this initiative, we provided needy people in Warsaw with 50 fully valuable fresh meals prepared by catering companies participating in the project. Due to the InPost e-grocery specialized refrigerated transport, the meals were delivered to the recipients fully fresh and in perfect condition.

OUT OF THE BOX

Wheelkathon 2020

As a technologically innovative company, we support organizations that implement innovative ideas to change the world around us. In 2020, we became involved in supporting the Wheelkathon initiative, which is a kind of innovation marathon for contemporary inventors and innovators seeking to change the situation of people with physical disabilities. In collaboration with these inventors and innovators, we were able to provide our support to efforts aimed at the social integration of people with disabilities.

SPONSORSHIP OF SPORTS

InPost AthleticTeam

We are a company for which sports, a healthy competition and the rules of fair play are encoded in our DNA. For over 10 years now, we have been supporting a team of track and field athletes called **InPost AthleticTeam**, whose sports achievements are a great inspiration for us, a reason to be proud and an enormous motivation for further work. We support these athletes, because they adhere to the same values we do on a daily basis. We are interested in sports, because athletic performance is what best reflects the nature of our company, which is why we stand behind our athletes at times of victory and defeat alike.

We share common values, such as commitment that allows us to break down barriers, determination that makes us come back stronger, dedication that makes us fight until the very end, perseverance that helps us turn what is impossible into what is possible, ambition that drives us to take new actions and joy that makes us happy even with the smallest of achievements.

Members of the InPost AthleticTeam have for many years been: **Marcin Krukowski, Robert Urbanek, Wojciech Nowicki, Konrad Bukowiecki, Magda Gorzkowska, Ola Kowalewska** and **Magda Wierczyńska.**

Best practice

As a brand that has been continuously supporting and identifying itself with the values avowed by athletes, we have decided to establish the InPost Sport Team to support both the key ambassadors of our team and to provide new development opportunities for sports enthusiasts among our employees. In collaboration with our ambassadors, we jointly hold initiatives aimed at promoting physical exercise and fitness among our employees. Our InPost Sport Team members receive a large dose of knowledge from our masters during organized meetings and motivation to take up new challenges and support in achieving more ambitious sports goals.

We also support young talents who are at the beginning of their sports career helping them financially so that they can have access to possibly best training conditions hence making most of their talents and helping them make their dreams come true and compete with the best at the top of their game.

OUT OF THE BOX

MEMBERSHIP IN THE ASSOCIATIONS

Together with our stakeholders we initiate and support projects and initiatives which we perceive as vital to sustainable development and consistent with our strategy. We are also a member of business organizations and organization promoting corporate social responsibility.

Organizations and associations to which InPost belonged in 2020:

Poland

- Polish Chamber of Electronic Economy
  The Chamber of Electronic Economy represents and supports the interests of companies related to the electronic economy market in Poland, with particular emphasis on companies associated in the e-Chamber. InPost has been setting new standards in the e-commerce industry for years and that's why is a member who works on the development of the Polish digital industry through cooperation and exchange of know-how
- Program Council, Retail Tech Congress
  The mission of RetailTec Congress is to support trade in following the constant changes in the retail industry, catalyse its development and help in finding and introducing the necessary innovations to the Polish market. We are member of Presidium and Program Council and we work together to shape strategic directions for the operation of the trade sector in Poland
- Polish Alternative Fuels Association
  The Polish Alternative Fuels Association (PSPA) is the largest industry organization shaping the e-mobility and hydrogen technology market in Poland and in the CEE region. We associate over 120 companies, which makes us the third largest industry organization in Europe in terms of the number of associated legal entities. Together, with InPost we create an appropriate economic and legal environment that supports the dynamic development of zero- and low-emission technologies in transport
- Polish Confederation Lewiatan
  It is the most impactful Polish business organization representing the interests of employers in Poland and the European Union. Together with our business partners associated in the organization we strive for competitive business conditions. We care about sustainable economic growth, better law, healthy competition, employment growth and strengthening social capital
- The Polish Business Roundtable is an organization uniting owners and key managers of the largest Polish and international companies doing business in Poland. We collaborate with representatives of other organizations to enhance innovation of the Polish economy and promote entrepreneurship
- We are a member of the Polish Economic Society, which is an association of employers. Our membership in the PES enables us to cooperate with Polish businesses, exchange experiences and provide each other with support. Together, we contribute to building the prosperity of Poland and to the comprehensive growth of Polish society.

United Kingdom

- IMRG
  IMRG provide unique insight into the online retail market, helping to inform your commercial and strategic decisions.

Chapter 2

Governance

OUT OF THE BOX

Corporate Governance report

GENERAL INFORMATION

Initial Public Offering and Listing

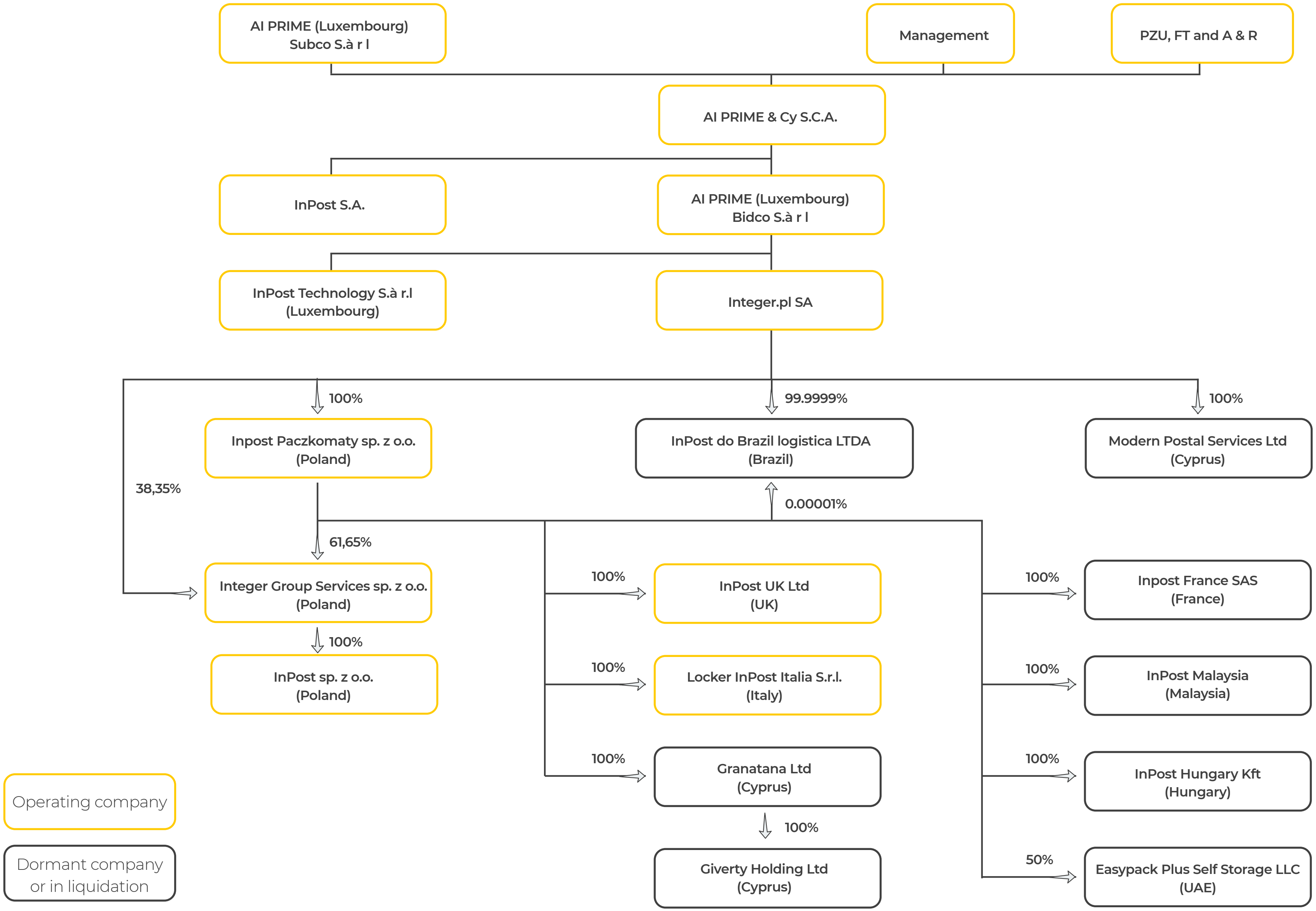
On 13 January 2021, InPost S.A. announced its intention to proceed with an offering and listing of its ordinary shares on Euronext Amsterdam. Due to significant investor demand, the offering period was accelerated and the Company's ordinary shares began trading under the symbol "INPST" on 27 January 2021. The total issued and outstanding share capital consists of 500,000,000 ordinary shares. The number of ordinary shares offered in the offering, which included full exercise of the Over-Allotment Option, was 201,250,000, representing 40.3% of the total shares.

The Shares of the Company have been admitted for listing and trading at Euronext Amsterdam (the "**Admission**"). The Shares were listed at Euronext Amsterdam (the "**Listing**") on January 27, 2021 (the "**Listing Date**"). In connection with the intended Initial Public Offering on 1 February 2021 reorganisation took place within the Company and its Group. As part of the reorganization the Company acquired the entire issued share capital of Integer.pl and Inpost Technology S.à r.l from Bidco, which is a subsidiary of AI Prime in exchange for an issue of shares to Bidco.

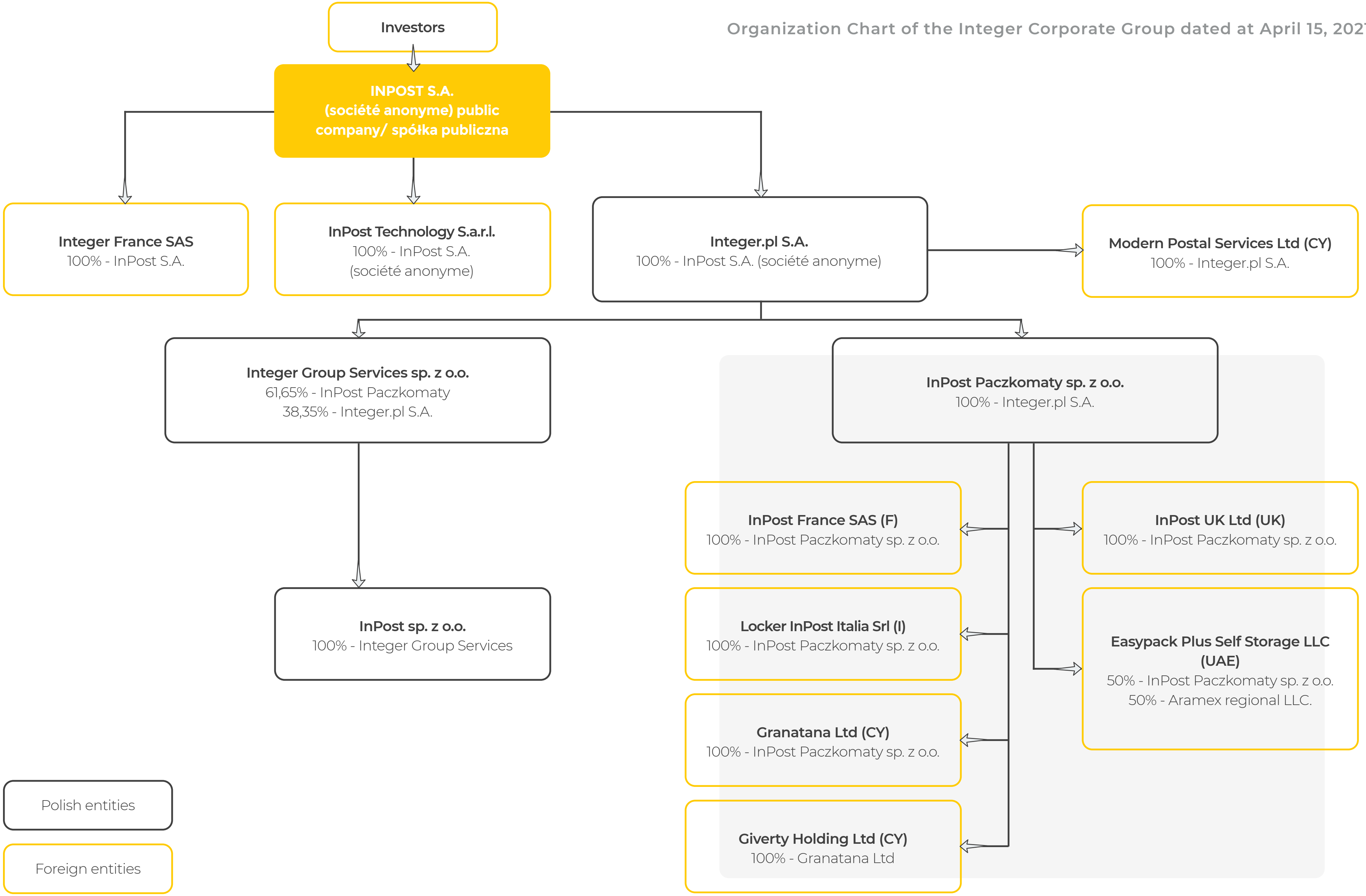
This report mainly describes the situation after the reorganisation.

Organization structure

The structure chart below sets out the Group's structure at December 31, 2020 (immediately prior to Listing):



Organization Chart of the Integer Corporate Group dated at April 15, 2021



GOVERNANCE

General

InPost S.A. is a public limited company (société anonyme) incorporated and existing under the laws of the Grand Duchy of Luxembourg (the "**Company**"), and together with its subsidiaries is hereafter referred to as the "**Group**". It operates a two-tier board structure consisting of a Management Board and a Supervisory Board.

Composition of the Management Board and the Supervisory Board

In 2020, most of the members of the Management Board and the Supervisory Board acted as members of the management board and/or the supervisory board of Integer.pl. The composition below describes the situation as of the Settlement Date.

Composition of the Management Board

Management Board	Age	Nationality	Position	Member since	Term
Rafal Brzoska	43	Polish	CEO / Chair of the Management Bo-ard / Management Board member	2021	2025
Adam Aleksandrowicz	48	Polish	CFO / Management Board member	2021	2025

Mr. Brzoska

is a founder of InPost and shareholder of the Group. He is also a member of the management board of Integer.pl, InPost Paczkomaty and other companies within the Group. Mr. Brzoska is furthermore director of Giverty Holding Limited, Granatana Limted, CEO of AR Holding sp. z. o.o. and FH FENIKS sp. z o.o., member of the supervisory board of Social WIFI sp. z o.o. Web2Print sp. z o.o., Benhauer sp. z o.o. and Bright Future sp. z o.o. and limited partner of WLW Inwestycje sp. k., BVALUE Bridge sp. z o.o. and BVALUE Unicorns sp. z o.o. Previously, he was a director of Fenix Investment Limited (from 2005 to 2018), a member of the supervisory board of Hubstyle S.A. (from 2011 to 2017), a member of the management board of DJW Inwestycje sp. z o.o. (from 2014 to 2018) and CEO of OneClick Investment sp. z o.o. (from 2016 to 2018), Inticket sp. z o.o. (from 2016 to 2018), InSupport Center sp. z o.o. (from 2017 to 2018), Inittec sp. z o.o. (from 2011 to 2018), Dyskontownia.pl sp. z o.o. (from 2016 to 2018), AQ-Tec sp. z o.o. (from 2013 to 2018) and 4M Technology sp. z o.o. (from 2017 to 2018). Overall, Mr Brzoska has more than 21 years of experience in logistics, technology, management and leadership. Mr Brzoska holds a Master's degree in Marketing and Management from the Cracow University of Economics.

Mr. Aleksandrowicz

joined InPost in 2017 as CFO of the Group. He is also a member of the management board of Integer.pl, InPost Paczkomaty and other companies within the Group. Previously, he was CFO of American Heart of Poland (2012-2016) and member of the supervisory board of American Heart of Poland (2016-2018), WSiP S.A. (2015-2018) and vice-president of the board of AHP Inwestycje. Mr Aleksandrowicz holds a Master's degree in Banking and Finance from University of Gdańsk.

Composition of the Supervisory Board

Name	Age	Nationality	Position	Committee	Member since	Term
Mark Robertshaw	52	UK	Chair of the Supervisory Board/ Supervisory Board member	Audit Committee/ Selection, Appointment and Remuneration Committee	2021	2024
Mike Roth	54	German and US	Supervisory Board member	Selection, Appointment and Remuneration Committee	2021	2024
Ranjan Sen	51	German	Supervisory Board member	n/a	2021	2025
Ralf Huep	59	German	Supervisory Board member	n/a	2021	2023
Marieke Bax	59	Dutch	Supervisory Board member	Chair of the Audit Committee/ Selection, Appointment and Remuneration Committee	2021	2025
Nick Rose	40	UK	Member of the Supervisory Board	Audit Committee, Chairperson of the Selection, Appointment and Remuneration Committee	2021	2025

Mr. Robertshaw
is a member of the Supervisory Board and member of the supervisory board of Integer.pl (since 2017). He is currently also chairperson of the board of Vita Global Limited.

Mr. Roth
is a member of the Supervisory Board and member of the supervisory board of Integer.pl (since 2020). He is currently also member of the board of Rent The Runway (since 2020), Fleetprice (since 2019) and advisor to the CEO of Revolut (since 2019).

Mr. Rose
is a member of the Supervisory Board and member of the supervisory board of Integer.pl (since 2017). He is currently also managing director of Advent International Ltd., member of the board of Mercury A Capital Limited (since 2015) and of Hermes UK and Germany (since 2020).

Mr. Sen
is a member of the Supervisory Board and member of the supervisory board of Integer.pl (since 2021). He is currently also managing partner at Advent International, head of the German office and a member of the European and Asian Investment Advisory Committee of Advent International. Furthermore, he currently is a member of the board of Dufry AG.

Mr. Huep
is a member of the Supervisory Board and a member of the supervisory board of Integer.pl (since 2017). He is currently also managing director of Circap Sp.z.o.o., Holistic Group Holding Sp.z.o.o., Holistic Clinic Sp.z.o.o. and Aslan Investment Sp.z.o.o, Amberger & Co. GmbH, M&A Bauträger GmbH, RH-Verwaltungsgesellschaft mbH, LH Reitsport Verwaltungsgesellschaft mbH, Gustav Pepenbrink GmbH and QIN-Form GmbH Verwaltungsgesellschaft and a member of the board of Plastic Energy Global SL.

Ms. Bax
is a member of the Supervisory Board and a member of the supervisory board of Integer.pl (since 2021). She is currently also non-executive director of Frontier Economics (since 2020), non-executive director and a member of the audit committee of Fastned (since 2020), non-executive director and chairperson of the audit committee of Vion Food Group (since 2015), interim executive director of the Enterprise Chamber of the Court of Appeal of Amsterdam and a member of the advisory board of the Dutch Faculty of Law of the University of Amsterdam.

Corporate governance

Since the incorporation of the Company until the Settlement Date, the governance of the Company was set out in the Articles of Association. Due to the intended and realised Admission to Euronext Amsterdam, the corporate governance structure was further set up in January 2021. This chapter will describe the corporate governance structure of the Company as of January 2021.

The Management Board and the Supervisory Board are responsible for the Company's corporate governance structure. The corporate governance of the Company is determined by Luxembourg Law and the Articles of Association. The Company has also chosen to voluntarily apply the regulations of the Dutch Corporate Governance Code (the "**Code**").

Management Board

The Management Board is responsible for the day-to-day management, strategy of the Group and the advocacy of the general stakeholders' interests. The Management Board may perform all acts necessary or useful for achieving the Company's corporate purposes, except for those expressly attributed to the General Meeting or the Supervisory Board under the Luxembourg law of 10 August 1915 on commercial companies (the "**1915 Law**") or the articles of association of the Company (the "**Articles of Association**").

Composition, appointment and dismissal

The Articles of Association provide that the Management Board must consist of at least two members. The composition of the Management Board and information about its members is provided on page 67 of this Annual Report.

The members of the Management Board shall be appointed by the Supervisory Board. The members of the Management Board shall be appointed for a term of up to four years and shall be eligible for reappointment in accordance with the Articles of Association for a term of up to four years at a time, provided that, unless a Management Board member resigns earlier, his or her appointment period shall end immediately after the annual general meeting of the Company (the "**Annual General Meeting**") that will be held in the financial year in which such term would end, unless specified otherwise in the resolution appointing such Management Board member. Subject to the Articles of Association, a member of the Management Board may at any time be dismissed or replaced with or without cause by the Supervisory Board.

No person can simultaneously be a member of the Management Board and a member of the Supervisory Board. However, in the event of one or more vacancies in the Management Board, because of death, resignation or otherwise, the Supervisory Board may appoint one or more members of the Supervisory Board, as the case may be, to temporarily fill any such vacancy until the next meeting of the Supervisory Board. During this period, the duties of this person in their capacity as a member of the Supervisory Board will be suspended.

Meetings and decision-making

The Management Board shall meet as often as the business and interests of the Company shall require. As the Company was incorporated in November 2020 and did not employ any activities during 2020, there were no meeting of the Management Board in 2020.

The functioning of and decision-making within the Management Board are governed by the Articles of Association, the Management Board Rules and Luxembourg law.

The Management Board has adopted rules governing its decision-making process and working methods (the "**Management Board Rules**"), which have become effective as of the Settlement Date. The Management Board Rules describe the duties, tasks, composition, procedures and decision-making of the Management Board. The Management Board Rules are available on the Company's website.

Furthermore, the Management Board has adopted, among others, the following policies/rules related to its public company status, which are also available on the Company's website:

- Insider Trading Policy (adopted on 20 January 2021)
- Code of Conduct (adopted on 20 January 2021)
- Bilateral Contracts Policy (adopted on 20 January 2021)
- Whistle blower Policy (adopted on 20 January 2021).

Please observe that other policies, including the compliance policy and other policies in the area of compliance, were adopted on the Integer.pl S.A. level. For summary of compliance-related policies within the Corporate Group, please see the "Ethics and compliance" chapter.

Supervisory Board

The Supervisory Board supervises and advises the Management Board, without interfering in the management of the Company.

Composition, appointment and dismissal

The Articles of Association provide that the Supervisory Board must consist of at least three members. No person can simultaneously be a member of the Management Board and the Supervisory Board. The composition of the Supervisory Board and information about its members is provided on page 68 of this Annual Report.

The members of the Supervisory Board shall be appointed by the General Meeting upon proposal by the Supervisory Board, subject to compliance with any applicable nomination right of AI Prime and/or A&R as set out in the Articles of Association. The members of the Supervisory Board shall be appointed for a term of up to four years, provided that, unless a Supervisory Board member resigns earlier, his or her appointment period shall end immediately after the Annual General Meeting that will be held in the financial year in which such term would end, unless specified otherwise in the resolution appointing such Supervisory Board member. The members of the Supervisory Board may be reappointed for another four-year period and then subsequently be reappointed again for a period of two years, which reappointment may be extended by up to two years. In the event of a reappointment after an eight-year period, reasons for such reappointment should be given in the report of the Supervisory Board.

Subject to the Articles of Association and the Supervisory Board Rules, a member of the Supervisory Board may at any time be dismissed or replaced with or without cause by a resolution adopted by the General Meeting.

In the event of one or more vacancies in the Supervisory Board because of death, resignation or otherwise, the remaining members of the Supervisory Board may appoint one or more new members to the Supervisory Board, as the case may be, to temporarily fill any such vacancy until the next General Meeting where a new member of the Supervisory Board will be appointed, subject to compliance with any applicable nomination right of AI Prime and/or A&R as set out in the Articles of Association.

The Supervisory Board shall appoint a member of the Supervisory Board as chair (the "**Chair**") and may appoint another member as vice-chair (the "**Vice-Chair**").

The Chair and, in his or her absence, the Vice-Chair, if any, will be responsible for, among other things, the effective operation of the Supervisory Board, and shall ensure that Supervisory Board members receive adequate information in advance of meetings of the Supervisory Board; promote debate and the active involvement of Supervisory Board members during Supervisory Board meetings; safeguard their rights to freely take a position and express their opinion; ensure that the Supervisory Board has proper contact with the Management Board; and, working with the chairs of the appropriate Committees, organise and coordinate regular evaluations of the Supervisory Board and the Management Board.

Meetings and decision-making

The Supervisory Board shall meet at least four times a year and as often as the business and interests of the Company require. As the Company was incorporated in November 2020 and did not employ any activities during 2020, there were no meeting of the Supervisory Board in 2020.

The functioning of and decision-making within the Supervisory Board are governed by the Articles of Association, the Supervisory Board Rules and Luxembourg law.

The Supervisory Board has adopted rules governing its decision-making process and working methods (the "**Supervisory Board Rules**"), which have become effective as of the Settlement Date. The Supervisory Board Rules describe the duties, tasks, composition, procedures and decision-making of the Supervisory Board. The Supervisory Board Rules are available on the Company's website.

Furthermore, the Supervisory Board has adopted or approved the following policies/rules, which are also available on the Company's website:

- Rules for the Management Board (approved on 20 January 2021)
- Supervisory Board Profile (adopted on 20 January 2021)
- Supervisory Board rotation schedule (adopted on 20 January 2021)
- Charter of the Audit Committee (adopted on 20 January 2021)
- Charter of the Selection, Appointment and Remuneration Committee (adopted on 20 January 2021)
- Diversity Policy (adopted on 20 January 2021)
- Bilateral Contracts Policy (approved on 20 January 2021).

Committees

The Supervisory Board has two committees: an audit committee (the "**Audit Committee**") and a selection, appointment and remuneration Committee (the "**Selection, Appointment and Remuneration Committee**") (together referred to as the "**Committees**"). The Committees may seek assistance from external experts for the fulfilment of their duties.

With respect to the composition of the Committees the following applies:

- each of the Committees shall consist of at least three members
- AI Prime has the right to have one of its proposed members of the Supervisory Board on each Committee as long as AI Prime has the right to propose at least one member to the Supervisory Board pursuant to the Relationship Agreement; and
- the chair of the Audit Committee shall be an independent Supervisory Board member.

Audit Committee

The Audit Committee assists the Supervisory Board in monitoring the Group's systems of internal controls, the quality and integrity of the Group's financial reporting process and the content of the Group's financial statements and reports, and in assessing and mitigating the Group's business and financial risks.

The Audit Committee assists the Supervisory Board by advising on matters such as the Group's financing policy, its compliance with applicable laws and regulations, its disclosure of financial information, including its accounting principles, the procedure and recommendation for the appointment of the Group's external auditor to the General Meeting, the recommendations from the Group's external auditor, and the review of the Group's internal risk management and control systems and business continuity safeguards.

The roles and responsibilities of the Audit Committee as well as the composition and the manner in which it discharges its duties are set out in the charter of the Audit Committee. The Audit Committee will meet as often as circumstances dictate, but in any event at least two times per year.

The members of the Audit Committee are: Marieke Bax (chair), Mark Robertshaw and Nick Rose.

Selection, Appointment and Remuneration Committee

The duties of the Selection, Appointment and Remuneration Committee include assisting the Supervisory Board in supervising the Management Board with respect to the Group's compensation programs and compensation of the senior management and other personnel of the Group, advising the Supervisory Board on the remuneration of the individual members of the Management Board and the Supervisory Board within the scope of the remuneration policy adopted by the General Meeting, monitoring the application of the Group's remuneration policy and assisting the Supervisory Board with the selection and appointment procedures for the members of the Supervisory Board, the Management Board, the Executive Committee and other senior management. The Selection, Appointment and Remuneration Committee is also responsible for the preparation of the annual remuneration report of the Supervisory Board. Such report shall be published on the Company's website.

The role and responsibility of the Selection, Appointment and Remuneration Committee as well as the composition and the manner in which they discharge their respective duties are set out in the charter of the Selection, Appointment and Remuneration Committee. The Selection, Appointment and Remuneration Committee will meet as often as circumstances dictate, but in any event at least two times per year.

The members of the Selection, Appointment and Remuneration Committee are: Nick Rose (chair), Mike Roth and Mark Robertshaw.

Disclosure Committee

The Group has also established the Disclosure Committee which consists of both Supervisory and Management Board members. The role of the Disclosure Committee is to ensure meeting obligations arising from the status of the public company, especially to ensure full compliance with the provisions of Regulation (EU) 596/2014 (EU Market Abuse Regulation, the "**MAR**") and the disclosure requirements regarding Inside Information within the meaning thereof in a timely and accurate manner.

The Committee's responsibilities include primarily (but are not limited to): determining on a timely basis the disclosure treatment of Inside Information and other material information; assisting in the design, implementation and periodic evaluation of disclosure controls and procedures; identification of Inside Information for the purpose of maintaining the Company's Insider List and ensuring its compliance with the provisions of the Company's Insider Trading Policy.

The general quorum for a meeting of the Committee is any two members of Management and Supervisory Boards, one of whom must be the Chief Executive Officer or the Chief Financial Officer and one must be one of the independent Supervisory Board members. In case of a significant event or issue, the Secretary of the Committee may decide that it is necessary for both the Chief Financial Officer and the Chief Executive Officer to participate in the Committee.

Executive Committee

The Group has an executive committee (the "**Executive Committee**") that supports the members of the Management Board in the day-to-day management of the Group's business. The Executive Committee consists of the Management Board and the following members:

Name	Member since
Damian Niewiadomski	2021
Dariusz Lipiński	2021
Marcin Pulchny	2021
Michael Rouse	2021

Diversity

On 20 January 2021, the Supervisory Board has adopted the policy regarding the diversity principles. The leading principle for diversity is that the Group values diversity and recognises the benefits that diversity within the Management Board and the Supervisory Board can bring. Diversity within the boards comprises multiple aspects, such as age structure, the members' educational and professional background, the experience relevant for their position and personal characters.

For the Group, diversity is not a static concept, but rather a relevant mix of required elements for the Management Board and the Supervisory Board as a whole that evolves with time, based on, among others, the Group's business objectives and future needs. The Group treats diversity of the Management Board and the Supervisory Board as means for improvement and development rather than a means to an end.

Independence

The Supervisory Board meets the requirements of the Code with regards to independence of the Chair and its members. However, in deviation of the Code, two of the members of the Supervisory Board (Nick Rose and Ranjan Sen) do not qualify as independent members of the Supervisory Board within the meaning of the Code, as they are appointed upon nomination of AI Prime and A&R. Page 73 contains further information about deviations from the Code.

Conflicts of interest

If a member of the Management Board or the Supervisory Board has a direct or indirect financial interest, in a transaction submitted for approval to the Management Board or the Supervisory Board that conflicts with the Company's interest, he or she is obligated to inform the Management Board and the Chair of the Supervisory Board. Such member may not take part in the deliberations relating to the transaction and may not vote on transaction related resolutions.

Auditor and financial reporting

The General Meeting has the authority to appoint the external auditor on recommendation of the Audit Committee. PricewaterhouseCoopers Société coopérative (Luxemburg) was appointed as the auditor for the 2020 and 2021 financial years.

The Company is required to publish its annual accounts within four months after the end of each financial year and its semi-annual accounts within three months after the end of the first six months of each financial year. After approval by the Annual General Meeting, the financial statements and the consolidated financial statements are filed with the Luxembourg Register of Commerce and Companies.

The financial statements for 2020 were prepared by the Management Board and have been audited by the external auditor.

Amendment of the articles

Luxembourg law requires an Extraordinary General Meeting to vote on any amendment of the Articles of Association. The agenda of the Extraordinary General Meeting must indicate the proposed amendments to the Articles of Association. An amendment of the Articles of Association shall be drawn up in the form of a notarial deed.

General Meeting of shareholders

Frequency, notice, agenda and quorum

The Management Board and the Supervisory Board ensure that the general meeting of shareholders (the "**General Meeting**") is properly informed and advised.

An annual general meeting of shareholders shall be held once per year to approve the annual financial statements of the Company (the "**Annual General Meeting**"). This meeting must be held within six months after the end of each financial year. For other general meetings of shareholders held throughout the year, the Luxembourg law distinguishes between ordinary General Meetings ("**Ordinary General Meetings**") and extraordinary General Meetings ("**Extraordinary General Meetings**") of shareholders.

General Meetings may be convened by the Management Board, the Supervisory Board or the statutory auditors of the Company. A General Meeting must also be called upon written request including an indication of the agenda for such meeting, made to the Management Board by one or more shareholder(s) holding, in aggregate, at least 10% of the voting rights in the General Meeting.

The convening notice of the meeting must be published no later than 30 days, or in case of convening a second meeting due to lack of quorum in the first meeting – 17 days (provided that (i) the first meeting was properly convened; and (ii) no new item has been added to the agenda), prior to the date of the meeting and must include the agenda for the meeting, including the voting items, the place and time of the meeting, the procedure for participating at the meeting by written proxy-holders, the address of the website of the Company and, if applicable, the procedure for participating at the meeting and exercising voting rights by electronic means of communication. Shareholders individually or jointly representing at least 5% of the issued share capital may request to the Management Board to place items on the agenda and may submit draft resolutions. Such request must be received at least 22 days before the relevant General Meeting and be in compliance with the conditions under the 1915 Law and the Articles of Association. The Company shall acknowledge receipt of such requests within 48 hours from receipt.

Ordinary General Meetings

Ordinary General Meetings shall be held at least once a year. Ordinary General Meetings have no quorum requirements and resolutions can be adopted by a simple majority, irrespective of the number of Shares represented.

Extraordinary General Meetings

Extraordinary General Meetings are convened to vote on the following matters:

- the exclusion or limitation of preferential subscription rights (to the extent this has not been delegated to the Management Board in respect of any Authorised Capital)
- approving a legal merger or demerger (to the extent required by law)
- the voluntary liquidation of the Company
- changes to the registered office of the Company to another jurisdiction or
- an amendment of the Articles of Association, including: (i) an increase or decrease of the authorised capital, (ii) an issuance of new Shares and the corresponding increase of the share capital or (iii) a reduction of the share capital.

Extraordinary General Meetings have a quorum requirement of at least 50% of the Company's issued share capital to which voting rights are attached under the Articles of Association or Luxembourg law, unless otherwise provided by the Articles of Association or mandatorily required by law. If such quorum is not present, a second Extraordinary General Meeting may be convened at a later date with no quorum required, according to the appropriate notification procedures. Extraordinary resolutions must be adopted at an Extraordinary General Meeting by a two-thirds' majority of the votes validly cast on such resolution. Abstentions are not considered votes.

Attendance and voting rights

Each shareholder is entitled to attend a General Meeting, to address such meeting and, to the extent applicable, to exercise their voting rights. Shareholders may vote by proxy or written voting forms as specified in the convening notice. The notice of the meeting may determine that the voting rights may be exercised by means of electronic communication.

Shareholders may only attend the General Meeting and participate in the voting in respect of Shares which are registered in their name on the record date as specified in the notice of the meeting. The record date is midnight on the day falling 14 days prior to the date of the meeting (the "**Record Date**"). Each shareholder must notify the Company of their intention to participate at the General Meeting, no later than on the date as set out in the notice of the meeting, which shall not be later than the Record Date.

Each share is entitled to one (1) vote at General Meetings. The Management Board may suspend the voting rights of any shareholder in breach of their obligations as described in the Articles of Association, their subscription agreement, deed of covenant or any relevant contractual arrangement entered into by such shareholder.

Relationship agreement with shareholders AI Prime and A&R

The Company, AI Prime and A&R have entered into a relationship agreement (the "**Relationship Agreement**"), which became effective on the Settlement Date. The Relationship Agreement provides that the Company shall not propose any resolution to its shareholders which would, if passed, remove, restrict or reduce the rights of A&R or AI Prime set out in the Relationship Agreement. AI Prime and A&R have agreed that they undertake that the voting rights on the Shares directly or indirectly held by them shall not be exercised to procure anything, such as an amendment of the Articles or the Board Rules, which would be inconsistent with any of the provisions of the Relationship Agreement.

Furthermore, the Relationship Agreement provides for arrangements regarding the composition of the Supervisory Board as described on page 68 and the composition of the Committees of Supervisory Board as described on page 71. Moreover, the Relationship Agreement provides for orderly market arrangements and information sharing.

Deviations from the Dutch Corporate Governance Code

As a public limited company organised under the laws of the Grand Duchy of Luxembourg, the Company is not subject to the Dutch Corporate Governance Code. However, the Company has chosen to voluntarily apply the regulations of the Code. The Management Board and the Supervisory Board believe deviations of some individual provisions of the Code are justified. These deviations are explained below.

Internal audit function – best practice provisions 1.3.1-1.3.5

The Company does not comply with best practice provisions 1.3.1 through 1.3.5, regarding the internal audit function. The Company deviates from this best practice provision as it does not have a separate department for the internal audit function. However, the Company intends to set up an internal audit function over the course of 2021.

Independence of the Supervisory Board – best practice provision 2.1.7

The Company does not comply with best practice provision 2.1.7, which provides that in order to safeguard its independence, the Supervisory Board should be composed in accordance with the criteria as set out in best practice provisions 2.1.7 and 2.1.8. The Company deviates from best practice provision 2.1.7 (iii) as two of the members of the Supervisory Board are appointed upon nomination of AI Prime and A&R.

Establishment of the Committees – best practice provision 2.3.2

The Company does not comply with best practice provision 2.3.2, which provides that if there are more than four Supervisory Board members, the Supervisory Board shall appoint an audit committee, a remuneration committee and a selection and appointment committee. The Company deviates from this best practice provision as the functions and the responsibilities of the remuneration committee and the selection and appointment committee are combined in one committee, the Selection, Appointment and Remuneration Committee.

Remuneration Policy – best practice provision 3.1.2

The Company does not fully comply with best practice provision 3.1.2, which provides that if Management Board members are awarded remuneration in the form of shares, these shares should be held for at least five years after they are awarded. The Company deviates from this best practice provision as the Company's Remuneration Policy requires members of the Management Board to hold any shares acquired pursuant to their annual deferred bonus for three years rather than five years after they have been awarded.

Remuneration of Supervisory Board member – best practice provision 3.3.2

The Company does not comply with best practice provision 3.3.2, which provides that Supervisory Board members may not be awarded remuneration in the form of shares. The Company deviates from this best practice provision as certain members of the Supervisory Board may as per the agreed policy receive up to 25% of their annual remuneration in Shares. Currently, there are no members of the Supervisory Board who receive any remuneration in Shares. The remuneration of the Supervisory Board members, including the share component, is not dependent on the results of the Company or the Group.

Cancelling the binding nature of a nomination of dismissal – best practice provision 4.3.3

Pursuant to the Articles of Association, AI Prime has a right to nominate candidates for appointment as members of the Supervisory Board. Pursuant to Luxembourg law, if AI Prime, when exercising its nomination right, includes at least two candidates for the position in the proposal for the appointment to the Supervisory Board, the General Meeting has to appoint one of the proposed candidates. In that case, it is not possible under Luxembourg law to set aside the binding nature of the nomination right, which results in a deviation from best practice provision 4.3.3.

SHARE INFORMATION

Share listing

The Company's Shares have been listed on Euronext Amsterdam since 29 January 2021.

Share capital

The Company's issued share capital amounted to EUR 5,000,000 divided into 500,000,000 shares of EUR 0.01 each (the "**Shares**"). The Shares have been created under the laws of Luxembourg. All Shares have been fully paid up and are registered. At year-end 2020, the total number of issued ordinary shares was 500,000,000.

The table below sets out the number of Shares the shareholders held on December 31, 2020 (prior Settlement):

Shareholders	Shares owned – number	Shares owned – percentage
AI Prime & Cy SCA	416,056,820	83.2%
AI Prima Bidco S.a.r.l.	400,000	0.1%
Templeton Strategic Emerging Markets Fund IV LDC	12,399,999	2.5%
PZU Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych BIS 2	9,899,983	2,0%
A&R Investments Limited	61,243,198	12.2%
Total	**500,000,000**	**100.0%**

Major shareholdings

The Luxembourg Transparency Law, the Luxembourg Transparency Regulation and Dutch Financial Supervision Act require investors who hold a share interest or voting interest exceeding (or falling below) certain thresholds to (inter alia) notify their interest with the Commission de Surveillance du Secteur Financier ("**CSSF**") in Luxembourg, the Company and the Authority for the Financial Markets ("**AFM**") in the Netherlands.

The following notifications have been made to the AFM at the date of this report:

Shareholders	Shares owned – number	Shares owned – percentage
Advent International Corporation	230,111,829	46.02%
A&R Investments Ltd	61,243,198	12.25%
The Capital Group Companies Inc	26,250,129	5.25%
Others	183,394,844	36.48%
Total	**500,000,000**	**100.0%**

Insider Trading Policy

The Market Abuse Regulation and Luxembourg Market Abuse Law set our important market abuse rules relevant for investors. To promote compliance with the relevant obligations and restrictions under the applicable securities laws, the Management Board has adopted the Insider Trading Policy on January 20, 2021. This policy contains specific rules for employees of the Group, incidental insiders, permanent insiders and managers of the Group.

Dividend Policy

There are no fixed dates on which a shareholder is entitled to receive a dividend. The Company may declare and pay dividends in accordance with the 1915 Law. Dividends may be declared by the General Meeting upon approval of the annual financial statements for the immediately preceding financial year.

The payment of dividend, if any, and the amounts and timing of these dividends, will depend on a number of factors, including future profits, financial conditions, general economic and business conditions and future prospects and such other factors as the Management Board may seem relevant, as well as other legal and regulatory requirements.

The Company will consider the opportunity to pay a dividend in the medium term while maintaining financial flexibility to invest in its growth both organically and inorganically.

Ethics and compliance

The Group's values and objectives are laid down in the Code of Ethics. The Code of Ethics is the basic document comprising ethical principles to be followed by the Personnel in their business activity. All Compliance Procedures should be compliant with the Code of Ethics.

THE COMPANY'S VALUES ARE:

Compliance with law
– preventing any actions that are non-compliant with the law. The Group does not tolerate corruption behaviours or any actions in a conflict of interest situations.

Equality and non-discrimination
– the Group opposes discrimination and unequal treatment for whatever reason. Such behaviours are combated, both in internal relations and in cooperation with business partners.

Transparency and communication
– fostering clear, transparent communication both in internal relations (employees and collaborators) and external relations (investors, stakeholders, general public). Ensuring legally required reporting and caring for the use of social medial that is lawful and compliant with good practices.

Employee rights
– in internal relations, ensuring compliance with the provisions of the Labour Code, in particular with regard to taking advantage of the rights associated with parenthood and obligations related to employment of foreigners. Compliance with occupational safety and health regulations – constant monitoring of compliance of the Group's actions with these regulations.

Protection of privacy and legally protected secrecy
– implementation of a solution ensuring the highest level of protection of privacy (including personal data processing). Ensuring protection of legally protected secrecy, in particular postal secrecy entrusted to us by customers.

GRI 406-1

Incidents of discrimination and corrective actions taken

Two e-mail addresses managed by the Compliance Officer are dedicated to reporting irregularities and abuses, including those associated with discriminatory behaviours, harassment and mobbing: etyka@inpost.pl and compliance@inpost.pl. Employees may also report irregularities and abuses to the HR Department or directly to the Business Partner assigned to the given HR Department. The Compliance Officer ensures full confidentiality and anonymity of submitted reports. Employees have been informed about the possibility of emailing the reports and, in addition, the HR team has been trained on the whistleblowing procedure. No report was submitted in 2020.

The Compliance Policy is the key document defining the framework of the Compliance Management System in the Group. For the Company it is a priority to satisfy the legal requirements resulting from applicable regulations and prevailing recommendations and regulatory authority's regulations. In addition, the Company complies with non-legal obligations defined in its internal regulations, including in particular the Code of Ethics, giving consideration to the social, ethical and economic values followed by the Company.

The Company's objective is to exercise due diligence in ensuring such organisation of its activity that prevents commission of crime by the Personnel, Partners and other Stakeholders. This due diligence of the Company's Management Board is manifested by the implementation of the Compliance Management System to ensure consistency and sustainability of the solutions in the area of Compliance and minimise non-compliance risk. In addition, the Company promotes the Compliance Policy among all its Stakeholders as part of corporate social responsibility.

All employees, including members of the executive and managerial staff are obligated to comply with the Compliance Procedures and act in accordance with the principles following from the Compliance Management System.

The key documents regulating the ethical and compliance issues are:

- Compliance Policy
- Code of Ethics
- Anti-corruption Policy
- Conflict of Interest Prevention Policy
- Business Partner Verification Procedure
- Anti-money Laundering (AML) Policy
- Anti-harassment and Anti-discrimination Policy
- Diversity Policy
- Data Governance Policy.

Compliance Management

To make sure our operations are conducted in compliance with the law and best standards, we have implemented Compliance Management Principles.

The Compliance System has been developed to monitor the Company and its employees as regards compliance with the adopted policies and procedures. Employees are encouraged to perform the obligations defined therein and follow the values laid down in the Code of Ethics in their activity.

The Group supports and develops the system making it possible to report irregularities in the Compliance area and encourages the Personnel, Partners and other Stakeholders to inform the Company about identified or suspected irregularities.

The person responsible for compliance is the Compliance Officer, whom each employee may contact at any time to find out more and obtain support in ensuring Compliance and report a situation of concern.

The management of the compliance area in the Company is the responsibility of the Management Board, Compliance Officer, Risk Manager, members of the Executive Staff and Managerial Staff.

The Compliance Management System covers, in particular, prevention of prohibited acts, including corruption and other irregularities, and prevention of Conflicts of Interest. To manage this area, the Company declares zero tolerance for any corruption behaviours; defines rules ensuring transparency and integrity of the business processes, in particular procurement and sales processes; implements mechanisms ensuring identification and management of conflicts of interest. The Company communicates the principles prevailing in this area and delivers training devoted to the anti-corruption policies and procedures.

GRI 205-2

Communication and training about anti-corruption policies and procedures

In 2020 the training on prevention of corruption was attended in total by 211 persons, including the entire Management Board and 31 persons from senior management and 178 other employees. All employees were informed about the anti-corruption policy. It took the form of special announcements prepared by the Legal and HR Department.

GRI 205-3

Confirmed incidents of corruption and actions taken

Suspected or actual corruption cases can be reported to the mail boxes managed by the Compliance Officer etyka@inpost.pl and compliance@inpost.pl. No report was submitted in 2020.

Actions taken to prevent negative effects:

Prevention of money laundering and financing of terrorism. To manage this area the Company identifies and evaluates the risk associated with money laundering and financing of terrorism pertaining to its activity. It applies safety measures in a manner corresponding to the recognised risk level and implements pertinent procedures. The Group has designated an AML Officer and AML proxy within the Group structures. Additionally annual obligatory AML training has been conducted in 2020 and the Company plans to organize further training in 2021.

- **Prevention of circumventing tax and accounting regulations and conduct of activity in breach of such regulations**. In this respect the Company implements mechanisms ensuring identification and notification of tax schemes in the cases defined by the regulations, prevents breaches of regulations pertaining to tax withholding rules and verifies the accuracy of concluded agreements and executed transactions from tax perspective.
- **Verification of Partners in connection with business cooperation**. In this respect the Company exercises due diligence to establish the identity of the Partners and their beneficial owners, at least to the extent required by the regulations, assesses the Partners' financial credibility (including clients and suppliers and other business entities with which it cooperates) and verifies the reputation of the Partners in the conduct of their business activity in compliance with the law and principles of ethics.
- **Prevention of discriminatory behaviours and mobbing**. In this respect the Company declares zero tolerance for any behaviours having the features of discrimination or mobbing, ensures the possibility of reporting any cases of discrimination or mobbing using internal communication channels, prohibits any retaliatory actions against persons reporting cases of discrimination or mobbing.

Our policies

The Group attaches great significance to corporate social responsibility, respect for human rights and prevention of corruption and fraud both within the Group and in its business environment. To this end, it has adopted and promoted the following Policies.

I. Group Compliance Policy

The Policy is the key document defining the framework of the Compliance Management System in the Group. The Group recognises supporting and promoting Compliance, both in internal and external relations, as an important element of corporate social responsibility.

II. Code of Practice and Ethics

The Group's most important document devoted to ethics. The Code of Ethics defines the Company's key values. Through appropriate actions in internal and external communication, the Company builds the Compliance awareness and strives to ensure that the adopted values are observed by the Company's Employees and Partners.

III. Anti-corruption Policy

The policy defines the guidelines pertaining to identification and mitigation of corruption risk and defines the key principles of the code of conduct and the scope of responsibilities in this area. No management board member, manager, employee or related person may justify application of corruption practices or bribery relying on the Company's interests.

Within the Group, corruption practices are defined as: committing, attempting, inciting, or assisting in crimes and other behaviours related to offering or accepting benefits in exchange for taking specific actions, which do not meet the criteria of the crimes mentioned above, but are violating the principles of ethics and of the occupational deontology ethics.

The Company does not accept any cases of corruption.

In the event of receiving a corruption offer, it shall not be accepted. Each case of receiving a corruption offer must be reported to the e-mail address: etyka@grupainteger.pl and contact with Compliance Officer. It is also acceptable to file an anonymous report by sending a letter by mail, addressed to the Compliance Officer.

IV. Conflict of Interest Prevention Policy

The principles pertaining to prevention of conflict of interest are an element of the Compliance System. Correct management of conflicts of interest is part of the organizational culture and is an obligation of the employees at all levels of the organizational structure. The management of this area in the Company is the responsibility of the Compliance Officer The conflict-of-interest area is addressed in the Code of Conduct and Ethics and in the Compliance Policy. These policies were announced to all Group employees. Furthermore, the issue of conflicts of interest and methods of preventing them was addressed in the anti-corruption training course attended by more than 200 group employees.

V. Prevention of money laundering and financing of terrorism

The Company operates in compliance with Polish and international regulations. Money laundering is a crime. Fully support by its Code of Conduct, the Company is obliged to prevent it, especially with regard to the postal services it provides, through appropriate procedures.

To prevent money laundering and financing of terrorism, the Company has adopted the following principles:

- it identifies and verifies the identity of the beneficial owners of our customers
- it identifies the money laundering risk
- it refuses to establish cooperation with customers if money laundering risk is identified
- it monitors the transactions of our customers to prevent money laundering
- it designated an AML Officer and AML proxy within the Group structures.

VI. Diversity Policy

The Diversity Policy lays down rules regulating the conduct as regards management of discrimination risk. It aims to create and promote a diverse labour environment leveraging the potential of all employees. The Policy imposes an obligation to comply with the adopted rules in all human resource management processes. The Policy defines what diversity means for the Company. It provides for non-discrimination due to: age, skin colour, disability, gender, marital status, nationality, race, religion, sexual orientation or other ethic or cultural aspects.

The Policy defines also the approach to diversity in the Management Board. Diversity is critical to our ability to be open to different ways of thinking and acting, eventually enhancing our long-term sustainability. Diversity within our Boards comprises multiple aspects, such as the age structure, the members' educational and professional background, the experience relevant for their position and personal characters.

Diversity management in the Company is the responsibility of Management Board, actively propagated by the Chief Executive Officer, in cooperation with HR Department.

VII. Anti-harassment and Anti-discrimination Policy

The organisation requires fair and lawful behaviour of all its employees, customers and business partners. The Group does not accept harassment, discrimination and mobbing, and prevents such behaviours. The Policy applies to all Group Personnel and business partners. The Policy defines these behaviours and describes how to report abuses, if any.

VIII. Data Governance Policy

The Information Security Policy is the key document of the established Information Security Management System for the Group.

The Policy defines general frameworks and principles regarding protection of information processed by the Group and is an overriding document in relation to the internal legal acts pertaining to information security prevailing in the Group which may not collide with it, creating together comprehensive security documentation.

In addition, the Company has in place additional procedures strengthening information security, such as: information security incident management procedure, Personal Data Retention Policy, Information Classification Policy, Crisis Management Procedure.

GRI 418-1

Substantiated complaints concerning breaches of customer privacy and losses of customer data

In 2020 we didn't have significant number of substantiated complaints received concerning breaches of customer privacy, substantiated by the organisation nor complaints submitted to regulatory bodies. We had 0.0000116% complaints received from outside parties and substantiated by the organization and 0.0000013% complaints submitted to regulatory bodies. We had also identified 0.0000006% of thefts, or losses of customer data. All these complaints were carefully analyzed by the organization and supervisory authority and were deemed to be groundless.

IX. Risk Management Policy

The Group has defined its risk management policy which is designed and developed to facilitate a common understanding and consistent approach in measuring and mitigating various types of risks.

The policy consists of risk identification and analysis processes as well as the reporting process of risk analysis results. The Board Members, Risk Committee and Directors are responsible for risk management and its organisation at Group level, including re-sourcing and reviewing the risk management principles.

For more information about risk management see the Risk Management System section.

X. Business Partner Verification Procedure

The Business Partner Verification Procedure lays down the rules for verification of each Business Partner before establishing cooperation with them, periodic verification during the term of the cooperation, and conclusion of agreements with Business Partners and collection of the required declarations from them.

Business Partners are subject to verification before establishing cooperation with the Company and then periodically and on an ad hoc basis, according to the rules laid down in the procedure.

Management Board, Risk Manager, Compliance Officer, Manager of the Procurement Department, Business Director and Director of the Legal Department hold responsibilities for proper implementation of the procedure in their respective control areas.

Risk Management System

The Group maintains a risk management system which includes a set of processes, organisational measures and documented rules that are designed to mitigate risk and ensure that all significant risks related to the Group's activities are properly measured, reported and controlled, and do not pose a threat to the stability and continuity of operations.

The risk management system has been designed to identify, assess and continuously monitor those risks that may affect the achievement of strategic, operational and compliance objectives across the Group's business and organizational units.

The objectives of the Group's risk management system include:

- ongoing and proactive risk management
- identification of threats and irregularities
- reducing the risk to acceptable levels
- fully exploiting business opportunities
- improving efficiency of internal processes
- improving service quality
- effective use of financial, human and material resources and prevention of financial losses.

The Group has implemented the Risk Management Strategy and the Risk Management Procedure, which define the risk management framework, the scope of the system and its rules. They also describe the Group's approach to risk management and the individual components of the system.

The documents that are integral part of the risk management framework and provide details of the principles of risk management within the Group of Companies include in particular:

- policies and procedures with regard to ensuring business continuity
- information Security Policy
- personal Data Security Policy
- AML and business partner verification procedures
- compliance Policy
- documentation of the organisational structure and the division of competences and tasks with regard to risk management.

The Group places significant emphasis on the process of improving the employee awareness in the area of risk involving assessment of significance of an effective risk management process for the organization. Building a risk awareness culture is a long-term process, supported by the Group through a system of training and workshops, current monitoring and reduction of the risk and introduction of a comprehensive risk knowledge management system, including the employees' access to all policies and procedures explaining the risk management system. The adopted organisational structure ensures effective risk management and control by proper division of tasks.

Risk management responsibilities are divided between appropriate participants of the Risk Management system:

- Management Board – is responsible for strategic risk management and supervision over the operation of the risk management system
- Risk Committee – is the opinion-making advisory body of the Management Board with regard to risks. The Committee reviews the Risk Management Team's actions and approves the report for the Management Board. It also gives action recommendations for the nearest period
- Directors – are responsible (also as risk business owners) for verification of significant threat on the strategic and organizational level in their respective areas which the given company is exposed to

Risk management process

- Risk Management Team – is responsible for coordination and compliance assurance of risk management actions, in particular for keeping a strategic risk register and updating of the risk matrix on an ongoing basis (at least once every quarter)
- Employees – are responsible for reporting information about any emerging risks.

The Group of Companies pursue goals related to risk management by:

- Risk identification – identification of potential risk indicators. Risk identification is a necessary precondition for correct risk assessment.
- Risk analysis and assessment – analysis of identified threats for the Group's operations, in order to determine the risk profile.
- Risk reduction and mitigation – minimization of the risk present in the Group's operations based on a system of risk-restricting limits.
- Risk monitoring – early warning system allowing remedial actions to be taken.
- Risk reporting – consists in providing cyclical information to the Group's Management about the risk profile.

RISK FACTORS

In the Prospectus, the Company presented all significant risks and uncertainties from the strategic Risk Register concerning the Group's operations and the Offered Shares.

Since InPost is a company listed on Euronext Amsterdam, the risks directly related to the prospective IPO have been removed from the register. Accordingly, this report does not include the risks relating to admission and the shares.

The report presents the key risks which may materially affect the achievement by the Company of its long-term strategic objectives. The key risks were identified as those which, in accordance with the adopted methodology and specified significance and probability weights, received an overall rating of medium or high. It is worth noting that the Group uses w two factor risk assessment system in which the risks are re-assessed quarterly based on probability and potential impact. The latest risk assessment has been made and approved at the end of 2020.

Presented below are the key risks the Group has identified for its business and industry.

The Group's business is dependent on the overall level of consumer spending, which is affected by general economic conditions and spending patterns.

The Group's business is dependent on the overall level of consumer spending, in particular the level of consumer spending in Poland where it generates most of its revenues (in the year ended 31 December 2020 the Group generated 95% of its revenues in Poland). The number of consumer goods purchased by shoppers online is affected by general economic conditions, particularly those which underpin consumer spending and shopping in the countries in which the Group is active. This in turn impacts the number of parcels the Group processes and delivers. Economic recession and other economic indicators, such as levels of employment, levels of disposable income, inflation, consumer credit availability and interest rates, may negatively impact spending patterns and can affect the Group's business. Furthermore, the economic situation in Poland in particular depends on a number of other factors that are beyond the Group's control, including government measures to influence the economy, such as setting levels of taxation, formulating government budgets and regulating the currency supply, interest rates and the labour market. The Polish demographic situation, macroeconomic conditions both globally and in Europe, as well as the inflow of funds from the European Union also affect the country's economic situation.

The Group's business, as well as the successful implementation of its strategy, including its plans for international growth, is highly dependent on the financial condition of e-commerce merchants and consumers and their continued and increased use of the Group's and its merchants' services. The financial condition of households, including the consumers of the Group's merchants, is highly correlated with the unemployment rate. An increase in the unemployment rate in the countries in which the Group is active could reduce consumer spending and lead to reduced use of the Group's services. Similarly a decrease in the unemployment rate in such countries could impact the Group's ability to hire and retain couriers and other employees, or result in labour inflation.

In addition, a potential prolonged economic slowdown in the United Kingdom resulting from the UK's decision to leave the EU could negatively impact the Group's operations in the UK.

The Group closely monitors this risk and its potential impact on operations, however no visible signs of e-commerce slowdown had been noted to date. Also the Company closely monitors trends and uses specialist advisors to better understand the changing consumer expectations and be attractive with its offering.

The Group may face competition from new entrants and existing competitors on the e-commerce delivery market in Poland.

The Group may face competition both from new entrants and from existing carriers. Other large e-commerce platforms or large delivery companies, some of which currently only have limited or no activities in Poland and/or logistics capabilities and some of whom are currently the Group's merchants, may seek to expand their presence in Poland and may set up their own delivery network, including delivery to APMs. In 2020 Allegro, the Group's largest customer, announced its intention to launch its own network of parcel machines In addition, AliExpress launched its first parcel locker in Warsaw in March 2021. If other parties are able to effectively compete with the Group in the APM delivery market, this could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group also continues to observe increased competition in its international markets from various players including Amazon, DPD, Lockar and many other who have recently announced their intention to roll out their own parcel locker networks mainly in the UK and France or continue to extend their presence in that space in those markets.

Furthermore, the Group expects continued competition on a local, regional, national and international basis with respect to its home delivery business. The Group's competitors in the home delivery business include the national postal provider of Poland, Polish Post (Poczta Polska), other courier service providers such as DPD, UPS and DHL and local same-day delivery companies. Competitors may have or develop cost and organisational structures that differ from the Group's, and from time to time may offer services or pricing terms that the Group may not be able or willing to offer. If the Group is unable to adequately respond, and in timely fashion, to competitive pressures, its business, financial condition and results of operations could be materially and adversely affected.

The Group closely monitors the announcements and actions of its competitors, and potential competitors, related to existing and new forms of delivery services. The Group continues to believe that it has established significant barriers to entry and a compelling value proposition to its customers, merchants and landlords.

The Group's performance depends on the continued growth of e-commerce and the corresponding shift from offline to online shopping in the markets in which it operates.

The growth of the Group's business depends on the development and growth of the retail market in the countries in which the Group is active and in particular the online retail and e-commerce segment in which it currently operates. E-commerce penetration for non-food and beverages categories in Poland, which remains underpenetrated relative to Western European countries, is expected to grow from approximately 13% in 2019 to 29% in 2024 (Source: Company, Market Reports). There is no guarantee, however, that the Polish e-commerce market will grow at the rates that the Group is projecting to occur.

A significant part of the growth of e-commerce, at the expense of offline shopping, in the year ended 31 December 2020 was attributable to the COVID-19 pandemic and may therefore not be representative of future growth of the e-commerce segment.

Slowing growth, stagnation or contraction in the e-commerce market in Poland and the UK or in geographies where the Group may expand its operations in the future, such as France, Italy and Spain, could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group closely monitors and analyses the potential impact of the COVID-19 impact on its business and industry, including consumer behaviours and changes to omni-channel merchant strategies. The Group believes that the acceleration in e-commerce penetration, catalysed by the COVID-19 pandemic, in its markets is structural, supporting its growth strategy.

Allegro and certain other large merchants provide a substantial share of the Group's revenues and the termination of agreements with such merchants or reduction in business with them could harm the Group's business.

Some of the Group's largest merchants provide substantial contributions to its revenue. In particular, for the year ended 31 December 2020, the Group's largest merchant, Allegro, represented 28.1% of its revenue through its Allegro Smart! platform. In addition, for the year ended 31 December 2020, merchants with direct contracts with the Group and selling their products through the Allegro platform represented an additional 19.6% of the Group's revenue. On 11 September 2020, the Group entered into a framework agreement with Allegro with a duration of seven years. Pursuant to the Framework Agreement, Allegro committed to deliver a minimum volume of parcels on its Allegro Smart! Platform through the Group's delivery network for the 4.5 years following the entering into force of the agreement.

If the contract with Allegro is terminated or if the Group is unsuccessful in retaining its business with Allegro, its merchants or other large merchant contracts or if certain merchants do not growth their business, maintain their market share or maintain their size of business with the Group in line with its expectations or if they develop their own delivery solutions, the Group's business, financial condition and results of operations could be materially and adversely affected. Merchants may also seek price reductions due to price competition or due to economic needs or pressures being experienced by the merchant.

In addition, with respect to the Group's home delivery business, where its couriers deliver directly to a consumer's chosen address, large merchants typically have arrangements with multiple e-commerce delivery companies. These merchant could shift business away at any given time without terminating their contract with the Group. If such large merchants terminate their contracts with the Group, if they shift their business away from it, or if the Group is unsuccessful in retaining current pricing and other terms with such merchants, the Group's business, financial condition and results of operations could be materially and adversely affected.

The Group may not be able to identify or secure suitable new APM locations in a timely manner or at all, the Group may not be able to expand its current APM locations and it may not be able to renew its existing leases for APM locations or negotiate acceptable lease terms for new APM locations.

The Group's strategy entails the deployment of new APMs and expanding the capacity of existing APM locations in Poland as well as in certain other countries, in order to increase the density of its APM network and manage increasing volumes of parcel deliveries in existing locations. Securing attractive APM locations and expanding current APM locations is critical for the Group's business as density and proximity of APM locations are a key component of the Group's value proposition. The Group may face competition for APM locations that meet its selection criteria. The Group also may face competition in the search for attractive APM locations in city centres and other urban areas. For merchants, it is important that the Group has APM locations which are convenient for their consumers. If the Group fails to secure new APM locations or expand the capacity of its existing APM locations, this could slow its growth.

Furthermore, there is a risk that landlords of current APM locations will terminate existing leases. If a lease for an APM location is terminated, the Group will have to relocate the lockers. When relocating the lockers, the Group may incur significant costs in identifying and securing suitable alternative locations and it may be unable to find a suitable location at all. If the Group fails to find alternative APM locations which are convenient for its merchants' consumers, it may impact the Group's ability to retain existing merchants and attract new merchants. In addition, this may also adversely affect the Group's consumer satisfaction and its reputation.

The Group's ability to negotiate commercially acceptable lease terms for APM locations may be adversely affected by fluctuations in the commercial property rental market, such as decreases in the number of available locations, increases in market rents or increased competition for attractive locations. Such fluctuations in the commercial property rental market may increase the Group's cost base which could have a material adverse effect on its business, financial condition and results of operations.

The Group believes that it offers a compelling value proposition to its landlords and plans to continue to co-operate with its landlords to deploy new APMs to increase the capacity and density of its APM network to support its growth.

Systems failures, downtime and interruptions in the availability of the Group's websites, applications, products or services could materially and adversely affect its business, financial condition and results of operations

The Group's technology platform is critical to the day-to-day management of its operations and administration. The reliability of the Group's technology platform is particularly critical for the Group because the full-time availability of its services is necessary to attract, retain and service its merchants and consumers as well as facilitate provision of its service across the entire value chain.

The Group experienced high growth rates in delivery volumes over the past years and expect volume growth to continue for the coming years. Despite efforts to implement architectural changes and upgrades to the Group's technology platform to ensure sufficient processing capacity on its delivery services as its business evolves and grows, the Group's technology platform may in the future, without additional investment, reach the limits of the number of deliveries it is able to process, resulting in longer processing time or even downtime or disruptions. The Group's efforts to ensure sufficient future processing capacity are time-consuming, involve technical risk and may divert its resources from new features, and there can be no guarantee that these efforts will succeed. Furthermore, any efforts to further scale the Group's technology platform or increase its complexity to handle a larger number of deliveries could result in performance issues, including downtime and disruptions. A failure to adequately scale the Group's technology platform could materially and adversely affect its business, financial condition and results of operations.

The Group's systems and those of its third-party service providers, including data centre facilities, cloud storage services and telecom service providers, have experienced service interruptions in the past and may experience service interruptions in the future. Those service interruptions may be caused by hardware and software defects or malfunctions, and other events such as human error, fire, natural disaster, power loss, disruption in telecommunications services, fraud, terrorist attacks, computer viruses or other malware. The Group's systems also may be subject to break-ins, sabotage and intentional acts of vandalism, such as Distributed-Denial-of-Service „DDoS" attacks, which the Group experienced twice in 2020. The DDoS attacks the Group has experienced so far did not have any material impact on its operations.

If third parties cease to provide the facilities, components or services the Group or its merchants rely on, breach their agreements with the Group or its merchants, or fail to meet the Group or its merchants' requirements due to financial or regulatory issues, labour issues, or other problems, the Group's operations could be disrupted or otherwise negatively affected. Despite any precautions the Group may take, the occurrence of unanticipated problems could result in interruptions in the Group's services or could result in related liabilities. If any third parties were to stop providing services to the Group or its merchants, the Group may be unable to procure alternatives from other third parties in a timely and efficient manner and on acceptable terms, or at all, which could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group relies on third-party suppliers and service providers for several important functions, such as courier services, certain warehousing activities, transport logistics, APM deployment, APM manufacturing, payment processing and IT. The failure to find qualified service providers or the failure of the Groups service providers to perform their obligations could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group relies on third-party suppliers and service providers to provide certain important products and services, such as courier services, certain warehousing activities, transport logistics, APM deployment, APM manufacturing, payment processing and IT.

The Group relies on third-party suppliers for the manufacturing of APMs. In particular, the Group relies on third-party suppliers for the delivery of parts for the APMs and on third-party manufacturers for producing the majority of the APM extension modules and part of the central units. Any defaults or failure to provide the Group with the materials it requires in a timely manner or at all, may delay or disrupt the Group's plans to expand its APM network.

In addition, the Group relies on the services of its IT supplier, which develops and maintains certain key components of the Group's technology platform, such as it current transport management system. If the Group's IT supplier fails to provide maintenance or development of the Group's technology platform to the Group of sufficient quality, or exercises its right to terminate its contract with the Group, this could have a material adverse effect on the Group's ability to operate its business and provide its services to merchants and consumers.

While the Group seeks to monitor such third-party suppliers and service providers, it does not have direct control over the quality of the services that they provide. Poor performance, defaults, the failure to deliver products or perform services effectively or in a timely manner or other failures by a third-party supplier or provider may lead to delays, unanticipated additional costs, disruptions to the services the Group provides and penalties and liabilities incurred by the Group, and may harm its business and reputation. Disputes with suppliers or service providers that fail to deliver products or perform services properly or otherwise fail to meet their obligations towards the Group may result in extended and time-consuming litigation.

Any of these developments could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group is making efforts to ensure sufficient control over the key third-party suppliers and their performance. The quality of services and goods is monitored and contractual provisions are enforced, if necessary, in case of any quality issues. The Group had no major quality issues concerning third-party suppliers in 2020.

To mitigate the risk of dependency on the third-party IT supplier which developed the legacy transportation management system, the Group decided to replace the software with an internally developed platform (InPost Logistic System – ILS). The Group is in process of developing the new system which is planned to gradually replace the functionalities of the current logistic system over the next few years.

A major breach of information security, data regulation or a major cyber security incident could trigger material service or operational interruption

The provision of services to the Group's merchants and consumers and the operation of its delivery networks and systems involve the collection, storage and transmission of significant amounts of proprietary information and sensitive or confidential data, including personal information of consumers, employees and others. Consequently, the Group is subject to a range of evolving regulations, contractual obligations, and consumer expectations around the governance and protection of various classes of data. For example, the European Union's General Data Protection Regulation („GDPR"), which adds a broad array of requirements for handling personal data, including the public disclosure of significant data breaches, became effective in May 2018.

These evolving compliance and operational requirements impose significant costs that are likely to increase over time. In addition, any compliance failure may also give rise to civil liability, administrative orders to stop processing personal data, fines or even criminal charges and could subject the Group to legal and reputational risks and could have a material adverse effect on the Group's business, financial condition and results of operations. The Group collects, stores and uses data in the ordinary course of its operations that is protected by data protection laws. Although the Group takes precautions to protect customer data in accordance with the privacy requirements provided for under applicable laws, it may fail to do so and certain subscriber data may be leaked as a result of human error, wilful misconduct or technological failure or otherwise be used inappropriately, which could have a material adverse effect on the Group's business, financial condition and results of operations.

Furthermore, the Group is a potential target of cyber-attacks that could threaten the confidentiality, integrity and availability of data in its systems. A cyber-attack, accidental or unauthorised disclosure of data could lead to recovery costs, damage to the Group's reputation, litigation brought by the Group's merchants or consumers or a diminished ability to operate the Group's business.

The Group continually upgrades its internal procedures and policies related to personal data and cybersecurity, as well as adding additional control measures, insurance cover and periodic assessments.

The Group is subject to laws and regulations. Changes in the laws and regulations that the Group is subject to could have a negative effect on its business

The Group's operations and business practices are subject to laws and regulations in the various jurisdictions in which its business is located. It is difficult to predict with accuracy die future development of such laws or regulations. For example, it cannot be excluded that in the future regulations will be implemented which would introduce permit requirements for deployment of APMs. Compliance with such changes to laws and regulations may result in increases of the Group's cost base. If the Group fails to comply with such changes to laws and regulations, it could suffer fines or other penalties, including regulatory or judicial orders enjoining or curtailing aspects of the Group's operations. Such increased costs, fines or penalties could materially and adversely affect the Group's business, results of operations and financial condition.

Although there are currently no pending proceedings concerning the Group's compliance with competition, anti-trust laws or consumer protection laws, from time to time the Group receives inquiries from the Polish Office of Competition and Consumer Protection as a part of explanatory or verification proceedings. Any change in applicable antitrust legislation or interpretative policy, including a re-categorisation of the relevant markets in which the Group is active, could lead to antitrust procedures or otherwise materially and adversely affect the Group's ability to operate and grow its business and could materially and adversely affect its business, results of operations and financial condition.

The Group has implemented various policies and appointed roles to enforce compliance with the regulatory framework (compliance policy, anti-money laundering etc.). The Group also constantly monitors any changes in laws and Regulations ongoing in Poland and the international markets in which it operates.

Interpretation of Polish laws and regulations may be unclear.

The Group's key operating companies have been established and operate under Polish law. The Polish legal system is based on statutory law enacted by the parliament of Poland. A number of regulations relating to the issue of and trading in securities, shareholders' rights, foreign investments, issues related to corporate operation and corporate governance, commerce, taxes and business activity have been introduced and changed in recent years and/or may be changed in the future. Certain Polish regulations have been subject to different interpretations and may in the future be interpreted in an inconsistent manner. Moreover, not all court decisions are published in official journals and, as a matter of general rule, they are not binding in other cases and are therefore of limited importance as legal precedent. In recent years, the Polish government has proposed or implemented a number of changes to the judicial system. Some of those changes have attracted the attention of EU institutions and have been questioned by members of the Polish legal community who perceive them as potential threats to both judicial independence and the rule of law. Ongoing tensions between the government and the judiciary may potentially indirectly results in some additional delays to the proceedings. If the stability of the Polish judicial system deteriorates, it may make the outcome of various legal proceedings in which the Group is or may be involved in relation to its business less predictable than it is presently. The Group cannot provide assurance that its interpretation of Polish laws and regulations will not be challenged and any successful challenge could result in fines or penalties or could require the Group to modify its practices, all of which could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group constantly monitors any upcoming laws and regulations and their potential impact on its operations. Where necessary, the Group is supported. by external advisors both in Poland and other geographies to anticipate the impact of any regulatory changes on the Group's operations.

Polish tax rulings which the Group relies on may be subject to review.

Poland applies a tax ruling system that generally protects taxpayers or tax remitters, or in certain cases groups of taxpayers or tax remitters, against negative tax consequences of their actions if: (i) a tax ruling is obtained prior to the tax effect of an action or prior to an action which is subject to a tax ruling, (ii) the taxpayer or tax remitter complies with the tax treatment of the action confirmed in a tax ruling and (iii) the matter subject to a tax ruling is not subject to tax proceedings initiated, conducted or ended by the tax authorities at the time the tax rifling application is filed. Tax rulings can protect a taxpayer or tax remitter against negative tax consequences only if facts presented for the purpose of a tax ruling duly and accurately describe a real action subject to such tax ruling and its circumstances.

The tax authorities may review the facts presented by the taxpayer or tax remitter and compare diem with what subsequently occurs. If they find that the facts are different or not adequate, then a tax ruling will not protect the taxpayer or tax remitter against negative tax consequences.

The Group has obtained many individual tax rulings in Poland and has been applying them in day-to-day tax settlements. Even if the Group believes that the facts are properly presented for the purpose of the tax rulings it obtained, the tax authorities could still attempt to challenge what subsequently occurs (or has occurred) as not being in compliance with the facts described by the Group for the purpose of its tax rulings and, therefore, challenge the tax protection which might result from such rulings. GAAR implications cannot be subject to a tax ruling and therefore, tax rulings that relate to any matters subject to or challenged under the GAAR are not binding and will not protect a taxpayer or tax remitter against negative tax consequences. If the Polish tax authorities were successful in challenging the application of certain tax rulings, that die Group relied upon, this could have a material adverse impact on the Group's business, financial condition and results of operations.

The Group closely reviews the changing tax framework and interpretations and, when necessary, applies for new rulings to gain protection in face of the fact-pattern changes. The Group uses external tax advisors to support all tax matters. During 2020, the Group received two rulings in favour of its proposed tax treatment. So far in 2021, the Group has received one ruling supporting its proposed treatment and one positive tax opinion on its application for withholding tax exemption on interest paid abroad.

Tax authorities may perform tax audits that could result in additional costs for the Group.

Based on publicly available information, tax audits in Poland in recent years have been carefully targeted and are increasingly effective. In particular, the audits were addressed to large taxpayers or taxpayers from individual industries on the basis of information obtained by tax authorities from standard control files, such as JPK (jednolity plik kontrolny), which are the Polish equivalent of the Standard Audit File for Tax international standard for electronic exchange of reliable accounting data from organizations to domestic tax authorities. From 1 July 2018, all Polish taxpayers are required to submit JPK files at the request of the tax authorities in the course of VAT proceedings, verification activities or tax and customs inspections.

The Polish tax authorities have recently focused on settlements for corporate income tax and transfer pricing, with an emphasis on all group restructuring activities, intra-group settlements, new or innovative offers and their terms, as well as debt financing.

The Group is not subject to any ongoing tax inspections as at the date of this report. The Group cannot exclude the risk that the tax authorities during a tax audit may take a different approach from the one adopted by the Group. However, in order to mitigate the risk, the Group engages external advisors to support its interpretation and application of tax law. The Group also employs advisors to perform external assessment of the tax reconciliations made, in order to flag any significant risks and facts that can have different legal interpretations.

The Group may fail to acquire other businesses as contemplated by its growth strategy or to realise the expected benefits from such acquisitions and the Group may inadvertently acquire actual or potential liabilities.

Pursuing selected acquisitions of existing delivery businesses and transforming them into APM delivery businesses is part of the Group's strategy to expand its operations outside of Poland.

In furtherance of its strategy, the Group is evaluating and expects to continue to evaluate on an ongoing basis, possible acquisition transactions in continental Europe, including transactions that would be significant to it. The success of this part of the Group's strategy depends on its ability to identify suitable acquisition candidates and investment opportunities. The Group cannot guarantee that it will be able to identify and acquire suitable acquisition candidates or investment opportunities, including the potential acquisition described above, on reasonable terms, or at all, or that it will be able to obtain the necessary funding to finance any of them. To the extent it is successful in making acquisitions, the Group may have to commit substantial management resources, expend substantial amounts of cash, incur debt, assume lossmaking divisions and incur other types of costs and expenses. In addition, the Group may not achieve the cost savings, synergies or other benefits that it hopes to achieve from acquisitions and it may not be successful in transforming the acquired business to an APM delivery business. The Group cannot guarantee that the integration of any future acquisitions will yield benefits to it that are sufficient to justify the expenses the Group incurs in completing such acquisitions. The Group could also incur extraordinary or unexpected legal, regulatory, contractual, labour or other costs as a consequence of acquisitions. As such, the Group's broader growth strategy could be unsuccessful and may fail to achieve anticipated benefits for its future earnings and profitability.

Furthermore, through acquisitions the Group may inadvertently acquire actual or potential liabilities despite the due diligence it performs. These liabilities may include, but are not limited to, exposure to legal claims such as third-party liability and other tort claims, claims or penalties as a result of breach of applicable laws or regulations, claims for breach of contract, employment-related claims, environmental liabilities or tax liabilities. Although acquisition agreements may include indemnities in the Group's favour, these indemnities may not always be enforceable, may expire or be limited in amount and the Group may have disputes with the sellers regarding their enforceability or scope. If the Group acquires any of these or other liabilities, and such liabilities are not adequately covered by an applicable and enforceable indemnity, keep-well, guarantee or similar agreement from a creditworthy counterparty, it will be exposed to these liabilities. Such liabilities, if they materialise, could have a material adverse effect on the Group's business, results of operations and financial condition .As announced on March 15th 2021, the Group announced that it has entered into exclusive discussions with Otto Group to acquire Mondial Relay, the French out-of-home parcel delivery provider, for a total consideration of €565 million (approximately PLN2.5 billion), in cash. The proposed acquisition is subject to approval by the Companies' respective committees and the subsequent signing of the transaction agreement.

On April 6 2021, the Group announced that following the receipt of the unanimous favourable opinion of Mondial Relay's Worker's Council and the subsequent exercise of the put option granted to the Seller, it has entered into a binding share purchase agreement with respect of the acquisition of 100% of the share capital and voting rights of Mondial Relay.

The Group currently expects the transaction to be completed by the end of the second quarter of 2021, subject to customary closing conditions, including the receipt of regulatory approvals.

The Group may face challenges in expanding its operations outside of Poland.

As the Group continues to expand its operations into new markets, it will face risks associated with expanding into markets in which the Group has limited or no experience and in which its brand may be less well-known. The Group may be unable to attract a sufficient number of merchants or consumers, fail to anticipate competitive conditions or face difficulties in operating effectively or profitably in these new markets. In addition, the Group may not be able to find suitable APM locations or a suitable logistics partner in these countries at commercially acceptable terms or at all. The Group may also not be able to recruit a sufficient number of courier drivers to perform the deliveries. Furthermore, the Group may require permits or planning consents from local authorities when setting up APM locations in these countries. Any inability or delays in adding APM locations in these countries could restrict or delay the Group's roll-out plans or increase its roll-out costs in these countries and materially and negatively affect the Group's international growth strategy.

The expansion of the Group's business will also expose it to risks inherent in transacting business internationally, including:

- lack of acceptance of the Group's service offerings
- challenges and increased expenses associated with staffing and managing international operations and managing an organisation spread over multiple jurisdictions
- differing and potentially adverse legal and tax consequences
- increased and conflicting regulatory compliance requirements
- challenges caused by distance, language and cultural differences
- increased costs to protect intellectual property;
- exchange rate fluctuations and
- general economic or political conditions in particular countries or regions.

Failure to expand the Group's business internationally could have a material adverse effect on its business, financial condition and results of operations.

As part of its opportunistic M&A strategy, the Group expects to continue to evaluate on an ongoing basis possible acquisition targets on European markets of strategic priority. Relevant opportunities are considered to be those which can accelerate its expansion into those markets or offer opportunity to ingrate the value chain in the core segment where the Group operates.

The Group's business and operating results may be adversely affected by disruption to its facilities.

Logistics services require a complex operating infrastructure (which includes the availability of internal as well as external infrastructure such as roads) with high quality standards to avoid disruptions to the flow of deliveries. The infrastructure the Group relies on, its sorting hubs, warehouse facilities, APMs and delivery vans could be adversely affected by extraordinary events, including fire, explosion, structural collapse, mechanical failure, extended or extraordinary maintenance, road construction or closures of primary access routes, extraordinary weather conditions such as heavy snow, flood, windstorm or other severe weather conditions, directives from government agencies or power interruptions. If any aforementioned extraordinary event occurs at the infrastructure the Group uses, or any of its main warehouse facilities, APM locations or delivery vans, storage and delivery capacity could be reduced, which could have a material adverse effect on the Group's business, financial condition and results of operations. The measures which the Group has in place to mitigate such risks may prove to be insufficient or ineffective. Disaster recovery plans may not prevent business disruption and reconstruction of any damaged facilities could require a significant amount of time and money. In addition, parcels could be stolen, damaged or lost. The Group has implemented a new monitoring system in order to reduce theft, but it have not yet been able to fully eliminate this issue. Furthermore, although the Group carries insurance to cover losses at its warehouses, sorting hubs, APMs and delivery vans and losses due to interruptions in the business, such policies are subject to limitations such as deductibles and maximum liability amounts. These insurance policies therefore may not cover all losses, including loss of the business that merchants or consumers may place with competitors as a result of such interruptions. The Group may also incur losses that are outside the scope of coverage of its insurance policies. As a result, losses could occur if any of the Group's facilities were damaged or ceased operating.

The Group has implemented numerous measures to mitigate this risk. Disaster recovery plans had been developed for its key facilities, including the potential impact from COVID-19 on its logistic operations. Additionally the Group buys insurance to cover the impact of events such as fires, flood and other events at its warehouses, sorting hubs, APMs and delivery vans. However, such policies are subject to limitations such as deductibles and maximum liability amounts. During 2020, there were no material cases of such disruptions.

The continued success of the Group 's business depends on its reputation and the value of the InPost brand.

The Group believes that the InPost brand name symbolises high-quality service, reliability and speed. The Group also believes that InPost is a recognised and trusted e-commerce delivery company in Poland generating positive customer feedback. As a result, the InPost brand is one of the Group's most important and valuable assets. The InPost brand name and the Group's corporate reputation are powerful sales and marketing tools and the Group devotes significant resources to promoting and protecting them. Adverse publicity (whether or not justified) relating to the Group's activities, its team members or third parties with whom the Group does business, including customer service mishaps, accidents, loss and theft of parcels, accidents involving vehicles operating in the Group's delivery business, data breaches or technology infrastructure disruptions or die non-compliance with laws, could tarnish the Group's reputation and reduce the value of its brand. With the increased use of social media outlets such as LinkedIn, Facebook, YouTube, Instagram, TikTok and Twitter, adverse publicity can be disseminated quickly and broadly, making it difficult for the Group to respond effectively. Also, a malfunctioning or safety issue of the APMs could have an adverse effect on the Group's reputation. In addition, if the Group is not able to maintain and continually improve user experience with the APMs or its mobile application or other interfacing tools, the Group's reputation may be damaged. Damage to the Group's reputation and loss of brand equity could reduce demand for its services and could have a material adverse effect on its business, financial condition and results of operations, as well as require additional resources to rebuild the Group's reputation and restore the value of its brand.

If the Group cannot retain its management team and other key employees, it may not be able to manage its operations successfully and pursue its strategic objectives

The Group's business, future growth and success depend to a large extent on its ability to recruit, retain and motivate high-quality senior management and other personnel with extensive experience and knowledge in the e-commerce and delivery business. Competition for suitably qualified employees is intense and could further intensify.

In particular, the Group is dependent on the continued involvement of its senior management, many of whom have significant experience in the e-commerce and delivery industries and could be difficult to replace. The loss of any of the members of the Group's senior management or a significant diminution in their contribution to the Group's business could adversely affect its ability to continue to operate its business and pursue its strategic objectives.

As disclosed in its prospectus, the Group has developed new and existing incentive programmes aimed at maintaining and motivating key management and personnel.

Information on financial risk management and information on COVID-19 was included in the company's financial statements for 2020:
[Financial Results | InPost S.A.]

OTHER KEY RISKS

Risks Relating to the Group's Business and Industry

Development of the e-commerce market - The Group's performance depends on the continued growth of e-commerce and the corresponding shift from offline to online shopping in the markets in which it operates.

Consumer preferences - The Group's industry is continuously and rapidly evolving. Consumer preference may change and may shift away from APM delivery.

Operating efficiency - The Group may be unable to effectively manage its growth and the Group's operations might not be able to keep up with increasing demand.

Implementation of strategy - The Group may fail to successfully implement its strategy.

Fraud prevention - The Group is subject to laws aimed at preventing money laundering, bribery and the financing of terrorism. Failure to comply with these laws could have a negative effect on the Group's business.

Line employees - If the Group is not able to attract a sufficient number of couriers and sorting-employees and employees for other facilities, it may not be able to operate its business and successfully pursue its strategic objectives. In addition, salary increases could have a negative effect on the Group's business.

Transportation costs - Increasing transportation costs may negatively affect the Group's results of operations.

Litigation - Litigation, proceedings, employee complaints, consumer complaints or investigations could result in material settlements, fines, penalties or adverse publicity and may adversely affect the Group's business, financial condition and results of operations.

Non-payment - Delayed payment or failure to pay by the Group's merchants could have an adverse effect on its business.

Insurance - The Group may not be able to maintain the required level of insurance coverage on acceptable terms or at an acceptable cost and the Group's insurance coverage may not adequately cover all losses.

Intellectual property - The Group is subject to risks relating to intellectual property.

Risks Relating to Financial Matters and the Group's Capital and Corporate Structure

Ability to meet financial obligations and/or pay dividends- The Company relies on its operating subsidiaries to provide it with funds necessary to meet its financial obligations and the Company's ability to pay dividends may be constrained.

Loan agreements - Failure to comply with the covenants or other obligations contained in any of the Group's Facilities Agreements could result in an event of default. Any failure to repay or refinance the outstanding debt under any of the Group's Facilities Agreements when due could materially and adversely affect the Group's business.

Acquisition of capital - The Group's inability to raise capital could affect its ability to execute its strategic plans.

Seasonality - The Group's business is subject to seasonal fluctuations.

Risks Relating to the Group's Tax Position

Changing regulations - Changes in the Polish tax regulations may have an adverse effect on the Group's operations and financial results.

Implementation of the ATAD 2 rules - In the current tax environment, the Group cannot exclude the risk that the tax authorities (e.g. during a tax audit) may take a different approach from the one adopted by the Group. Tax inspections, which are often lengthy may force the Group to engage its resources and, as a result, to bear additional costs. Implementation of the ATAD 2 rules in Poland as of 1 January 2021 may adversely impact tax deduction of the Group's cross border payments.

GAAR clause - The Group's activity and/or transactions in selected areas could be reviewed under the GAAR, the effect of which may be unfavourable to the Group and may adversely affect its business.

Future liabilities - Upcoming withholding tax liabilities may influence the Group's financial position and cash--flow.

Definition of the basic principles and elements of the risk management system, and definition of the risk management as a separate process within the Group ensures effective identification and estimation of risk. As a result, it is possible to control and monitor the risk on an ongoing basis to mitigate it to an acceptable level, which enables the Group to effectively execute its defined strategic objectives.

The Company is in the process of implementing a system supporting the risk management process and linking process risks with strategic risk. The system is planned to be implemented by the end of 2021. Automation of the process will allow the Management Board and the Risk Committee to keep continuous track of the impact of process risks on the Group's strategy. Implementation of the system will significantly increase the awareness of the importance of the risk management process among employees.

The Group is in the process of analysing risks associated with the climate and the environment – their catalogue will be formalized in 2021 and will be reported on in the future.

Chapter 3

Supervisory Board report

OUT OF THE BOX

Report of the Supervisory Board

MAIN TOPICS IN 2020

The Company's application for admission of listing and trading of the Company's to Euronext Amsterdam has primarily determined the agenda of the Supervisory Board. The Supervisory Board has mainly been engaged in the preparation and implementation of legal documentary in relation to the stock exchange listing of the Company.

COMPOSITION

Since the Settlement Date, the composition of the Supervisory Board has been as follows: Mark Robertshaw (Chair), Marieke Bax, Ralf Huep, Nick Rose, Mike Roth and Ranjan Sen. The Company announced on February 15, 2021, that Cristina Berta Jones will be nominated by the Supervisory Board for appointment as a new member of the Supervisory Board at the Annual General Meeting on May 19, 2021. With the proposed nomination, the Company's Supervisory Board will comprise 7 members.

The composition of the Supervisory Board is in line with the Supervisory Board profile as drawn up by the Supervisory Board and published on the Company's website on January 20, 2021. Future members of the Supervisory Board will continue to be selected based on the combination of experience, expertise, independence and diversity aspects as described in the Supervisory Board profile. Following the appointment of Ms. Jones, the gender ratio of the Supervisory Board will be 71%-29%.

The Supervisory Board does not comply with best practice provision 2.1.7 of the Code, which provides that in order to safeguard its independence, the Supervisory Board should be composed in accordance with the criteria as set out in best practice provisions 2.1.7 and 2.1.8. The Supervisory Board deviates as two of the members of the Supervisory Board are appointed upon nomination of A&R and AI Prime.

The Supervisory Board has two committees: the Audit Committee and the Selection, Appointment and Remuneration Committee as described on page 71.

EVALUATIONS

The Management Board, the Supervisory Board and the Committees have been appointed in January 2021, hence no evaluations have taken place in 2020. In 2021, the composition and functioning of the Managing Board, the Supervisory Board and the Committees and the performance of its individual members will be assessed and discussed.

GENERAL MEETINGS

The Annual General Meeting will be held on May 19, 2021.

INTERNAL AUDIT

The Company deviates from this best practice provision as it does not have a separate department for the internal audit function. In accordance with best practice provision 1.3.6 of the Code the Supervisory Board recommends the installation on an internal audit function for the financial year of 2021. This recommendation has been actioned by the Management Board.

FINANCIAL STATEMENTS AND DIVIDEND

The financial statements were prepared by the Management Board and have been audited by the external auditor.

The Audit Committee discussed the financial statements in detail with the Management Board and the Supervisory Board and the audit of the financial statements with the external auditor. The Supervisory Board has approved the 2020 financial statements and recommends that the Annual General Meeting to be held on May 19, 2021 adopt these financial statements and discharge the members of the Management Board and Supervisory Board for their management and supervision for the financial year 2020.

APPRECIATION

Last year was an exceptional year with the preparation of the IPO as a major milestone. We are pleased with the completion of the Settlement and the results achieved so far. We would like to thank our Shareholders and Business Partners for their commitment to our Company. In particular, we wish to thank the Management Board, the Executive Committee and all staff for their contribution and hard work. We are looking forward to the upcoming year.

Remuneration Report

The remuneration of the members of the Management Board and the Supervisory Board is received in their capacity as members of the boards of Integer.pl.

As of 2021, the members of the Management Board and the Supervisory Board will be entitled to a remuneration based on the principles as set out in the Remuneration Policy. The Remuneration Policy for the Company was adopted by the General Meeting on 20 January 2021. The Remuneration Policy will be further described in this chapter.

REMUNERATION POLICY

The Remuneration Policy aims to provide a remuneration structure that will allow the Group to attract, reward, and retain highly qualified Management Board and Supervisory Board and provide and motivate them with a balanced and competitive remuneration that is focused on superior and sustainable financial results and is aligned with the long-term strategy of the Group.

The remuneration of the members of the Management Board and the Supervisory Board is determined in aggregate by the General Meeting, with due observance of the Remuneration Policy as adopted by the General Meeting. The Supervisory Board (on the advice of the Selection, Appointment and Remuneration Committee), within the limits of the aggregate remuneration approved by the General Meeting and with due observance of the Remuneration Policy, shall resolve on the individual remuneration of the members of the Management Board and the Supervisory Board. The remuneration of the members of the Executive Committee, who are not members of the Management Board, shall be determined by the Management Board, subject to prior approval of the Supervisory Board.

The Remuneration Policy does not meet all the requirements of the Code, as the policy requires members of the Management Board to hold any share acquired pursuant to their annual deferred bonus for three years rather than five years after they have been awarded and as certain members of the Supervisory Board will receive a portion of their annual remuneration in shares. Furthermore, the Company does not comply with best practice provision 3.3.2, which provides that Supervisory Board members may not be awarded remuneration in the form of shares. The Company deviates from this best practice provision as certain of the Supervisory Board members will receive a portion of their annual remuneration in Shares. The remuneration of the Supervisory Board members, including the share component, is not dependent on the results of the Company or the Group.

REMUNERATION OF THE MANAGEMENT BOARD

The remuneration of the members of the Management Board is made up of fixed and variable elements. The Supervisory Board has determined the weighting of fixed and variable elements and the balance between short and long-term awards in such a way that fixed pay is moderate compared to other comparable listed companies, and the proportion of the total remuneration that is performance-related for delivering superior performance is market-leading in comparison to other comparable listed companies, reflecting the Group's highly performance-oriented and entrepreneurial culture, the objectives of growth and expansion and the aim to foster alignment of the interests of the members of the Management Board with the Company's shareholders.

Pursuant to the Remuneration Policy, the remuneration of the members of the Management Board will consist of:

- annual base salary;
- annual and deferred bonus plan;
- long-term incentive plan; and
- pension and fringe benefits.

The Management Board members may have service agreements and/or employment agreements with the Company and/or any other member of the Group. These shall be agreements for an indefinite period of time and shall contain severance provisions which provide for a severance payment of 50% of annual salary payable under such agreement. The agreements may contain a notice period of up to 6 months and non-compete undertakings which if breached may result in penalties of up to 9 months annual salary in addition to the requirement to pay back any and severance payments.

Annual base salary

The annual base salary of the members of the Management Board aims to reflect the responsibility

and scope of their role, taking into account their level of seniority and experience. The annual base salary for each member of the Management Board is a fixed cash compensation paid on a monthly basis. In light of the Group's remuneration philosophy to have a remuneration package for the members of the Management Board that is more heavily weighted to performance-based elements, the annual base salary is targeted to be around the lower quartile of executives with similar roles in comparable companies.

The annual base salary will be reviewed by the Supervisory Board on an annual basis, or when there is a change in position or responsibility, taking into account individual performance and degree of individual responsibility, the general operational performance of the Group, as well as the economic environment and sustainable development of the Group.

Annual and deferred bonus plan

Members of the Management Board are eligible to receive an annual bonus subject to the achievement of certain pre-determined financial, strategic, and operational performance measures. The annual bonus is capped as a percentage of salary. Unless the Supervisory Board determines otherwise, at least 50% of the annual bonus will be deferred into Shares for a period of three years, meaning that the member normally forfeits his or her rights to those Shares if he or she leaves the Company before the end of that period. Any shares awarded to the members of the Management Board as part of their annual bonus must be held by them for at least three year from the award date. The Supervisory Board will determine the bonus to be awarded following the end of the relevant financial year.

Long-term incentive plan

Pursuant to the terms of the long-term incentive plan (the "**LTIP**"), the members of the Management Board (as well as certain other senior managers) are eligible to receive awards for Shares, which shall normally vest after a three-year performance period, subject to the achievement of certain pre-determined financial performance metrics and continuing the employment. The maximum value of Shares over which a member of the Management Board may be eligible to receive an LTIP award on an annual basis will be equal to 200% of the sum of the annual base salary and the prior year's annual bonus including any portion of the bonus that is deferred in Shares. The award of LTIP shares in any year shall not exceed a maximum of 600% of the annual base salary. Any Shares awarded to the member of the Management Board under the LTIP must be held by them for at least two years from the vesting date.

The variable remuneration of the members of the Management Board may be reduced or members of the Management Board may be obliged to repay (a part of) their variable remuneration of the Company if certain circumstances apply. The Supervisory Board will have the discretionary power to adjust the value downwards or upwards of any variable remuneration component conditionally awarded to a member of the Management Board in a previous financial year which would, in the opinion of the Supervisory Board, produce an unfair result due to extraordinary circumstances during the period in which the predetermined performance criteria have been or should have been applied. In addition, the Company may recover from a member of the Management Board any variable remuneration awarded on the basis of incorrect financial or other data (claw back). The Supervisory Board may furthermore adjust the variable remuneration (to the extent that it is subject to reaching certain targets an the occurrence of certain events) to an appropriate level if payment of the variable remuneration were to be unacceptable according to the requirements of reasonableness and fairness.

Pension and fringe benefits

At the date of this report, the members of the Management Board do not participate in any personal pension schemes. However, pursuant to the Remuneration Policy new members of the Management Board may be given the opportunity to participate in a personal pension scheme.

Furthermore, the members of the Management Board are eligible for certain benefits, such as private healthcare, life insurance, a mobile phone, a company car, business expense allowance or allowances in lieu of such benefits. The Supervisory Board may offer other additional benefits, such as expatriate benefits (housing and travel allowance), relocation allowances and reasonable tax advice or support.

REMUNERATION OF THE SUPERVISORY BOARD

The Remuneration Policy with respect to the members of the Supervisory Board has been designed to ensure that the Group attracts, retains, and appropriately compensates a diverse and highly experienced group of members of the Supervisory Board. The remuneration of the members of the Supervisory Board reflects the time spent and responsibilities of the roles.

The Chair will receive an annual fee of EUR 220,000. The other members of the Supervisory Board, excluding Mr. Rose and Mr. Sen, will each receive an annual fee of EUR 75,000 for their services. The chair of each of the Committees will receive an additional annual fee of EUR 25,000.

The fees of each of the members of the Supervisory Board will be paid in cash although the Supervisory Board may decide to pay up to 25% of the annual fee in Shares. The number of Shares to be issued or allocated to each member of the Supervisory Board as part of his or her remuneration will be calculated based on the average share price on the three working days prior to the delivery of the Shares.

Members of the Supervisory Board are also eligible to receive reimbursement of reasonable expenses incurred undertaking their duties, including any applicable taxes.

REMUNERATION OF THE MANAGEMENT BOARD IN THE YEAR ENDED 31 DECEMBER 2020

The total aggregate remuneration received by the members of the Management Board in 2020 amounted to PLN 4 million, in their capacity as members of the management board of Integer.pl.

For the year 2020, the individual remuneration received by each member of the Management Board amounted to the following:

- **Mr. Brzoska:** PLN 1.3 million fixed remuneration, PLN 0.8 million variable remuneration.
- **Mr. Aleksandrowicz:** PLN 1.2 million fixed remuneration, PLN 0.7 million variable remuneration.

Please note that Mr. Brzoska and Mr. Aleksandrowicz were appointed as members of the Management Board of InPost S.A. on 15 January 2021. Therefore, they were not eligible for remuneration from the Company in the year ended 31 December 2020. The abovementioned amounts were awarded Mr. Brzoska and Mr. Aleksandrowicz in their capacity as President and Vice-President of the Management Board, respectively, of the company Integer.pl S.A., in accordance with their respective contracts with that company. Information about Mr. Brzoska's and Mr. Aleksandrowicz's remuneration in InPost S.A. will be included in the Company's 2021 Annual Report.

REMUNERATION OF THE SUPERVISORY BOARD IN THE YEAR ENDED 31 DECEMBER 2020

The total aggregate remuneration received by the members of the Supervisory Board in 2020 amounted to PLN 1 million, in their capacity as members of the supervisory board of Integer.pl.

For the year 2020, the individual remuneration received by each member of the Supervisory Board amounted to the following:

- **Mr. Robertshaw:** PLN 0.7 million fixed remuneration, Nil variable remuneration.
- **Mr. Rose:** Nil fixed remuneration, Nil variable remuneration.
- **Mr. Huep:** Nil fixed remuneration, Nil variable remuneration.
- **Mr. Roth:** PLN 0.3 million fixed remuneration, Nil variable remuneration.

Please note that Mr. Robertshaw, Mr. Rose, Mr. Huep and Mr. Roth were appointed as Members of the Supervisory Board of InPost S.A. on 15 January 2021. Therefore, they were not eligible for remuneration from the Company in the year ended 31 December 2020. The abovementioned amounts were awarded the Members of the Supervisory Board in their capacity as Members of the Supervisory Board of the company Integer.pl S.A., in accordance with that company's internal regulations. Information about Mr. Robertshaw's, Mr. Rose's, Mr. Huep's and Mr. Roth's remuneration in InPost S.A. will be included in the 2021 Annual Report.

REMUNERATION 2021

In the financial year of 2021, remuneration will be received by the Management Board and the Supervisory Board in accordance with the Remuneration Policy as adopted by the General Meeting on January 20, 2021.

Chapter 4

Consolidated financial statements

Integer.pl s.a. group

OUT OF THE BOX

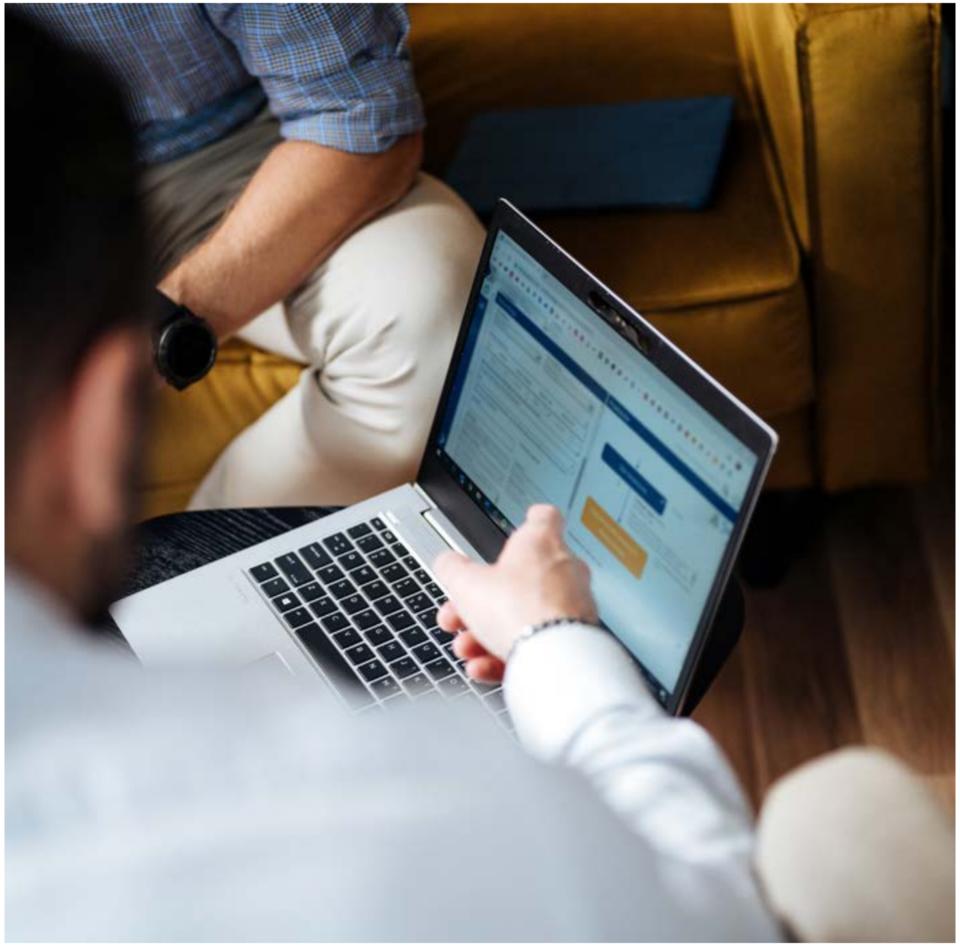
Consolidated statement of comprehensive income

	Note	2020	2019 restated*
Revenue	**9.1**	**2 517.8**	**1 232.0**
Other operating income	**9.2**	**14.3**	**10.6**
Depreciation and amortization	**9.6**	356.1	221.5
Raw materials and consumables		43.5	40.2
External services		1 233.7	685.6
Taxes and charges		1.9	2.3
Payroll	**9.7**	191.2	107.1
Social security and other benefits	**9.7**	42.1	27.8
Other expenses		12.5	11.3
Cost of goods and materials sold		10.2	8.6
Other operating expenses	**9.3**	6.7	13.1
Impairment gain/(loss) on trade and other receivables	**17**	(3.9)	(3.5)
Total operating expenses		**1 893.9**	**1 114.0**
Operating profit		**638.2**	**128.6**
Finance income	**9.4**	0.1	20.9
Finance costs	**9.4**	164.5	62.8
Profit from the sale of an organized part of the enterprise		1.9	-
Profit before tax		**475.7**	**86.7**
Income tax expense	**10.1**	113.1	32.7

	Note	2020	2019 restated*
Profit from continuing operations		**362.6**	**54.0**
Loss from discontinued operations		**(1.2)**	**(3.2)**
Net profit		**361.4**	**50.8**
Other comprehensive income			
Exchange differences from translation of foreign operations	**9.5**	(0.1)	(10.1)
Exchange differences from investments in subsidiaries		-	-
Other comprehensive income, net of tax		**(0.1)**	**(10.1)**
Total comprehensive income		**361.3**	**40.7**
Net profit (loss), attributable to:			
Owners of Integer		361.4	50.8
Non-controlling interests			
Total comprehensive income, attributable to:			
Owners of Integer		361.3	40.7
Non-controlling interests			
Basic/diluted earnings per share (in PLN)	**11**	**20.2**	**2.7**
Basic/diluted earnings per share (in PLN) - Continuing operations	**11**	**20.3**	**2.9**
Basic/diluted earnings per share (in PLN) - Discontinued operations	**11**	**(0.1)**	**(0.2)**

** See note 40*

Consolidated statement of financial position



Assets	**Note**	**31 December 2020**	**31 December 2019 restated***	**1 January 2019 restated***
Non-current assets		**1.828,5**	**1,201.5**	**904.0**
Intangible assets	**12**	147.5	122.0	122.8
Property, plant and equipment	**13**	1 564.4	998.0	687.4
Other receivables		6.0	3.2	5.9
Other financial assets		-	-	0.1
Deferred tax assets	**10.3**	109.9	78.1	87.8
Other assets	**16**	0.8	0.2	-
Current assets		**658.3**	**368.3**	**267.7**
Inventory		5.7	2.2	2.2
Other financial assets		-	2.5	0.9
Trade and other receivables	**17**	443.0	215.8	180.1
Income tax asset		-	6.2	0.1
Other assets	**16**	70.2	28.6	22.9
Cash and cash equivalents	**19**	139.3	113.0	61.5
Non-current assets held for sale		**-**	**-**	**5.6**
Total assets		**2,486.8**	**1,569.8**	**1,177.3**

Equity and liabilities	Note	31 December 2020	31 December 2019 restated*	1 January 2019 restated*
Equity				
Equity attributable to owners of Integer		631.6	389.6	347.1
Share capital	**20**	17.5	18.6	18.6
Reserve capital	**21**	651.4	944.5	944.5
Retained earnings/ (accumulated losses)		(44.8)	(571.1)	(622.0)
Reserves		7.5	(2.4)	6.0
Non-controlling interests		**-**	**(0.2)**	**(0.2)**
Non-controlling interests		-	(0.2)	(0.2)
Total equity		**631.6**	**389.3**	**346.9**
Liabilities				
Loans and borrowings	**24**	743.4	613.3	398.3
Employee benefits and provisions	**28**	13.9	10.6	5.5
Government grants	**32**	9.2	11.2	8.0
Deferred tax liability	**10.3**	35.0	16.8	2.9
Other financial liabilities	**25**	304.0	124.4	79.2
Other liabilities		**-**	**-**	**0.1**
Total non-current liabilities		**1,105.5**	**776.3**	**494.0**

Equity and liabilities	Note	31 December 2020	31 December 2019 restated*	1 January 2019 restated*
Trade and other payables	**31**	310.2	191.3	162.3
Loans and borrowings	**24**	23.7	4.9	39.7
Government grants	**32**	4.2	3.2	6.9
Current tax liabilities		22.4	3.4	1.1
Employee benefits and provisions	**28**	40.3	18.8	15.9
Other financial liabilities	**31**	232.7	152.3	90.0
Other liabilities		116.2	30.3	20.4
Total current liabilities		**749.7**	**404.2**	**336.3**
Liabilities directly associated with the assets held for sale		-	-	0.1
Total liabilities		**1,855.2**	**1,180.5**	**830.4**
Total equity and liabilities		**2,486.8**	**1,569.8**	**1,177.3**

** See note 40*

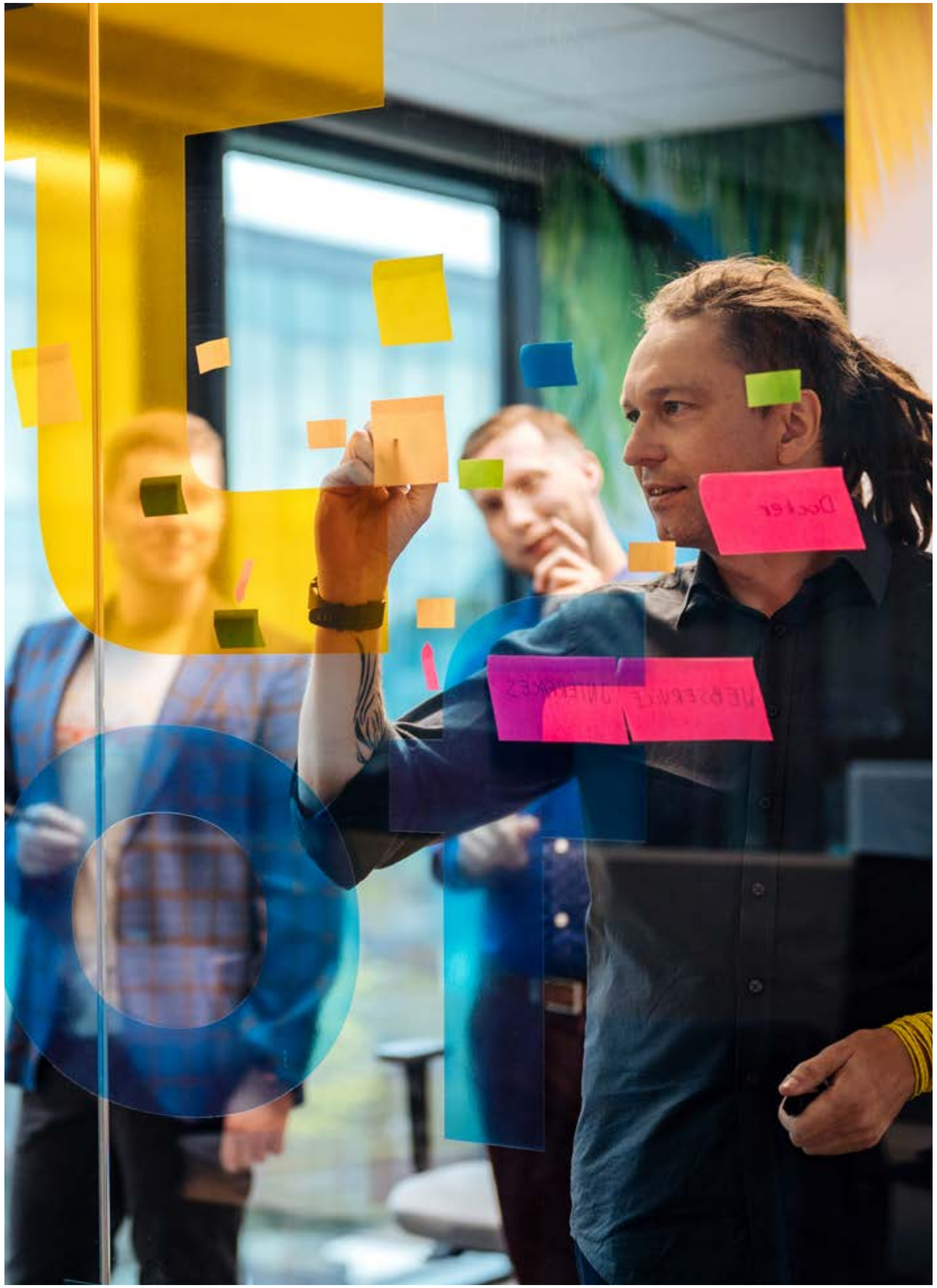
Consolidated statement of cash flows

	Note	Period of 12 months ended on 31 December 2020	Period of 12 months ended on 31 December 2019 restated*
Cash flows from operating activities			
Net profit (loss)		**361.4**	**50.8**
Adjustments:		**636.8**	**294.8**
Income tax expense	**10.1**	113.2	33.5
Finance cost	**33**	173.7	40.1
Gain/ (loss) on sale of property, plant and equipment	**9.2-9.3**	(7.6)	0.5
Depreciation and amortization	**9.6**	356.1	221.5
Impairment losses		(6.7)	(2.3)
Gain loss on sale of subsidiaries/OPE		(1.9)	(0.2)
Group settled share-based payments	**29**	10.1	1.7
Changes in working capital:		**(78.0)**	**4.5**
Trade and other receivables	**33**	(231.6)	(30.6)
Inventories	**33**	(3.5)	-
Other assets	**33**	**(2.6)**	**(2.4)**
Financial liabilities other than loans and borrowings	**33**	49.9	22.1
Employee benefits, provisions and contract liabilities	**33**	23.9	5.5
Other liabilities		85.9	9.9

	Note	Period of 12 months ended on 31 December 2020	Period of 12 months ended on 31 December 2019 restated*
Cash generated from (used in) operating activities		**920.2**	**350.1**
Interest paid		(74.7)	(43.4)
Income tax paid		(102.9)	(13.9)
Net cash generated from (used in) operating activities		**742.6**	**292.8**
Cash flows from investing activities			
Purchase of property, plant and equipment		(483.4)	(288.2)
Purchase of intangible assets		(53.1)	(31.5)
Proceeds from sale of assets held for sale		-	4.5
Proceeds from financial leases		4.0	25.9
Proceeds from sale of OPE		16.7	-
Net cash used in investing activities		**(515.9)**	**(289.3)**
Cash flows from financing activities			

	Note	Period of 12 months ended on 31 December 2020	Period of 12 months ended on 31 December 2019 restated*
Proceeds from loans and borrowings	**26**	84.9	182.8
Repayment of principal portion of loans and borrowings		(8.8)	-
Proceeds from issue of debt financial instruments		-	-
Payment of principal portion of lease liability	**26**	(204.2)	(136.5)
Proceeds from issue of share capital		(73.1)	-
Government grants		-	2.4
Net cash generated from financing activities		**(201.2)**	**63.4**
Net increase in cash and cash equivalents		**25.5**	**52.2**
Cash and cash equivalents at 1 January		113.0	61.5
Effect of movements in exchange rates on cash held		0.8	(0.7)
Cash and cash equivalents at 31 December		**139.3**	**48.7**

**See note 40*



Consolidated statement of changes in equity

	Share capital	Reserves: Reserve capital*	Reserves: Translation reserve**	Other reserve***	Retained earnings/ (accumulated losses)	Attributable to owners of Integer	Attributable to non-controlling interests	Total equity
Balance at 01.01.2019	**18.6**	**944.5**	**13.0**	**-**	**(623.8)**	**352.3**	**(0.2)**	**352.1**
Impact of errors correction			(7.0)	-	1.8	(5.2)		
Balance at 01.01.2019 restated	**18.6**	**944.5**	**6.0**	**-**	**(622.0)**	**347.1**	**(0.2)**	**346.9**
Net profit/ (loss)	-	-	-	-	50.8	50.8	-	50.8
Other comprehensive income for the period	-	-	(10.1)		-	(10.1)	-	(10.1)
Total comprehensive income for the period	**-**	**-**	**(10.1)**	**-**	**50.8**	**40.7**	**-**	**40.7**
Share based payment (equity settled)	-	-	-	1.7	-	1.7	-	1.7
Balance as at 31.12.2019	**18.6**	**944.5**	**(4.1)**	**1.7**	**(571.1)**	**389.5**	**(0.2)**	**389.3**
Balance at 01.01.2020	**18.6**	**944.5**	**(4.1)**	**1.7**	**(571.1)**	**389.5**	**(0.2)**	**389.3**
Net profit/ (loss)	-	-	-	-	361.4	361.4	-	361.4
Other comprehensive income for the period	-	-	(0.1)	-	-	(0.1)	-	-
Total comprehensive income for the period	-	-	(0.1)	-	361.4	361.3	-	361.3
Redemption of shares	(1.1)	(88.1)	-	-	-	(89.2)	-	(89.2)
Redemption of minorities	-	-	-	-	(0.2)	(0.2)	0,2	-
Payment of Dividends	-	-	-	-	(40.0)	(40.0)	-	(40.0)
Share based payment (equity settled)	-	-	-	10.1	-	10.1	-	10.1
Distribution of profit from previous years	-	120.3	-	-	(120.3)	-	-	-
Coverage of losses from previous years		(325.3)	-		325.3	-	-	-
Balance at 31.12.2020	**17.5**	**651.4**	**(4.2)**	**11.8**	**(44.8)**	**631.6**	**-**	**631.6**

** Reserve capital consists of the share premium representing difference between the nominal value of the issued shares and the issue price. Reserve capital has not been created for a specific purpose.*

*** Translation reserve includes exchange differences from translation of foreign operations.*

**** Other reserve includes share based payment.*

Notes and explanations

1. STATEMENT OF COMPLIANCE

The accompanying consolidated statements of financial position, as of December 31, 2020 and December 31, 2019 as well as the related consolidated statements of comprehensive income, changes in equity, and cash flows for the financial years ended December 31, 2020 and December 31, 2019 with the related notes (collectively, the "consolidated financial statement") have been prepared in accordance with International Financial Reporting Standards as adopted by European Union (hereinafter referred to "IFRS").

The IFRS consist of standards and interpretations approved by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee.

The Management Board of Integer.pl S.A. declares that according to its best judgement this consolidated financial statements have been prepared in accordance with accounting principles currently in force, and gives a true, and fair view of the consolidated financial position of the Integer.pl S.A. Group as at December 31, 2020 and December 31, 2019 and of its consolidated financial performance and consolidated cash flows for the years then ended

Significant accounting policies applied by the Group as the basis for the preparation of this consolidated financial statements are described in Note 6.

These policies have been consistently applied to all periods presented in this consolidated financial statement.

2. ADDITIONAL INFORMATION AND EXPLANATIONS

2.1. General information about the Integer.pl S.A. Group and its Parent

Integer.pl S.A. Group ("the Group"; "Integer Group", "Integer.pl Group") is composed of Integer.pl S.A. ("the Parent", "Integer") and its subsidiaries. Integer.pl S.A. is located in Kraków at Wielicka 28 in Poland. Integer is a joint-stock company incorporated by a notarized deed on March 19, 2007. Prior to that, Integer was a limited liability company established by a notarial deed on December 9, 2002.

The Parent has been entered in the Register of Entrepreneurs of the National Court Register kept by the District Court for Kraków-Śródmieście, 11th Business Division of the National Court Register, under number 0000276519. The lifetime of the Parent and the companies in the Group is unlimited.

The core business of the Integer.pl Group includes the following: automatic parcel machines, courier services, production and sale of automatic parcel machines, research and development, internet portals, data processing, website management (hosting), and investment holding activities including management of the Integer.pl Group.

Composition of the Management Board

As at December 31, 2020, the composition of the Management Board of Integer was as follows:

- Rafał Brzoska – President of the Management Board;
- Adam Aleksandrowicz – Vice President of the Management Board;
- Marcin Pulchny – Vice President of the Management Board;
- Dariusz Lipiński – Vice President of the Management Board;
- Damian Niewiadomski - Vice President of the Management Board.

On February 1, 2020 Damian Niewiadomski was appointed as Vice President of the Management Board, this change was registered with the National Court Register on March 6, 2020.

Marcin Rosati was appointed the Vice President of the Management Board on April 23, 2020, this change was registered by the National Court Register on June 23, 2020.

On September 2, 2020, Marcin Rosati resigned from the position of the Vice President of the Management Board, this resignation was effective from September 2, 2020, and was registered by the National Court Register on November 10, 2020.

Composition of the Supervisory Board

As at December 31, 2020, the composition of the Company's Supervisory Board was as follows:

- Mark Robertshaw – Chairman of the Supervisory Board;
- Nick Rose – Member of the Supervisory Board;
- Ralf Huep – Member of the Supervisory Board.

On January 18, 2021, by resolution of the General Meeting of Shareholders, Ranjan Sen and Marieke Bax were appointed to the Supervisory Board, until the date of issuing these financial statements the change has not been registered by the National Court Register.

2.2. Group structure

This consolidated financial statements of the Integer.pl S.A. Group includes the financial information of the Parent, which is Integer.pl S.A. and of 4 direct subsidiaries and 7 indirect subsidiaries of Integer.pl S.A.

Information about the parent entity and global ultimate parent

As at December 31, 2020 and until January 28, 2021, the direct parent company of Integer.pl S.A was AI Prime (Bidco) S.a.r.l. On January 28, AI Prime contributed shares in Integer.pl S.A. to InPost S.A. based in Luxembourg as part of an increase in the share capital of InPost S.A. At the time of issuing these financial statements, the direct parent company is InPost S.A.

The global ultimate parent of the Group in which the Company operates was Advent International Corporation based in Boston (USA) as at December 31, 2020 and January 28, 2021. As at the date of this report, the Company's ultimate parent is InPost S.A. (Lux).

The Group structure is presented below:

	Entity name	Seat	Functional Currency	Shareholders as at 31 December 2020	Interest in the share capital as at 31 December 2020
	Direct subsidiaries				
1	InPost Paczkomaty Sp. z o.o.	Poland	PLN	Integer.pl S.A.	100%
2	Integer Group Services Sp. z o.o.	Poland	PLN	Integer.pl S.A.	38,35%
				InPost Paczkomaty Sp. z o.o.	61,65%
3	M.P.S.L. Modern Postal Services Ltd	Cyprus	EUR	Integer.pl S.A.	100%
4	InPost do Brasil logistica e locacao de equipamentos LTDA	Brazil	BRL	Integer.pl S.A.	99%
	Indirect subsidiaries				
5	InPost Sp. z o.o.	Poland	PLN	Integer Group Services Sp. z o.o.	100%
6	InPost France SAS	France	EUR	InPost Paczkomaty Sp. z o.o.	100%
7	Locker InPost Italia Srl	Italy	EUR	InPost Paczkomaty Sp. z o.o.	100%
8	Granatana Limited	Cyprus	EUR	InPost Paczkomaty Sp. z o.o.	100%
9	Giverty Holding Limited	Cyprus	EUR	Granatana Limited	100%
10	InPost UK Limited	United Kingdom	GBP	InPost Paczkomaty Sp. z o.o.	100%
11	InPost Malaysia	Malaysia	RM	InPost Paczkomaty Sp. z o.o.	100%
	Affiliates				
12	Easypack Plus Self-Storage LLC	United Arab Emirates	AED	50% - InPost Paczkomaty Sp. z o.o.	50%

The following changes have taken place during the reporting period, in the structure of Integer.pl S.A. Group:

- In February 2020 InPost S.A. (PL) was transformed into a limited partnership - MPSL Sp.k., with InPost sp. z o.o. as a limited partner and MPSL Ltd (formerly Integer EU) as a general partner. The transformation was registered by the court on February 28, 2020, and on the same day the MPSL was dissolved.
- Pursuant to the resolution of the MPSL shareholders, organized part of the enterprise (OPE) related to courier services was transferred to InPost Sp. z o.o., while the organized part of the enterprise related to the postal business was transferred to MPSL Ltd (formerly Integer EU). On March 16, 2020, dissolution of the company was completed and MPSL was deregistered. It was an intra-group transaction and the result on this transaction has been eliminated in these Consolidated Financial Statements.
- In February 2020, InPost Paczkomaty sold an organized part of the enterprise (OPE) related to courier and parcel machine services to InPost for the amount of PLN 9.6 million. This was an intra-group transaction and the result of this transaction has been duly eliminated from the Consolidated Financial Statements.
- In July 2020, organized part of the enterprise consisting of a business unit providing IT development and maintenance services was sold to InPost Technology S.a.r.l, which was not part of the Integer Group but a subsidiary of AI Prime (Bidco) S.a.r.l. The profit on the sale of the organized part of the enterprise was recognized in the amount of PLN 1.9 million. The total net assets of OPE as at the settlement date amounted to PLN 14.8 million, and the total revenues and costs for 2020 generated by OPE as at the date of sale amounted to PLN 21.3 million and PLN 17.1 million, respectively.
- On December 26, 2020, InPost Hungary Kft was liquidated and removed from the register of entrepreneurs.

3. FOREIGN CURRENCY

3.1. Functional and presentation currency

Polish zloty (PLN) has been used as the presentation currency for these consolidated financial statements.

PLN is the functional currency of the Parent Entity and the Group's subsidiaries, except for the foreign entities referred to in Note 2.2.

All values in these consolidated financial statements are in PLN million, unless otherwise stated.

For purposes of preparing the consolidated financial statements in the presentation currency of Integer Group, i.e. in PLN, individual items of financial statements of foreign operations whose functional currencies are other than PLN are translated in the following manner:

- assets and liabilities – at the closing rate, i.e. at the average exchange rate for that currency announced by the National Bank of Poland ("NBP") at the end of the reporting period
- items in the statement of comprehensive income and the statement of cash flows - at the arithmetical average of average exchange rates announced for a given currency by the NBP at the end of each month

The Group have granted long-term loans that are receivable from foreign operations. Where the Group assessed that settlement of long-term loans granted to foreign operations is neither planned nor likely to occur in the foreseeable future, they are accounted as part of the Group's net investment in that foreign operation.

Exchange differences from the translation of foreign operations are recognized in other comprehensive income as a translation reserve, except to the extent that the translation difference is attributable to NCI.

When a foreign operation is disposed of in its entirely or partially, the cumulative amount in the translation reserve related to that foreign operation is reclassified from equity to profit or loss as part of gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI.

3.2. Reporting foreign currency transactions

Foreign currency transactions at initial recognition are translated into respective functional currencies of Group companies at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the closing exchange rate at the reporting date. For entities whose functional currency is PLN the closing rate is the average exchange rate published for the currency by the NBP as at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences are recognized in profit or loss and presented within finance costs/income, except for exchange differences from the translation of foreign operations.

4. DISCONTINUED OPERATIONS

A discontinued operation is a component of the Group's operations, for which cash flows and operations can be distinguished from the rest of the Group's operations and additionally:

- it constitutes a separate major line of business or geographical area of activity,
- is a part of a single, coordinated plan to dispose of a separate major line of business or geographical areas of operations, or
- is a subsidiary acquired exclusively with a view to resale.

An operation is classified as discontinued at the earlier of disposal or when it meets the criteria to be classified as held for sale. The results of discontinued operations are presented separately from results of continued operations in all periods presented in the consolidated financial statement. If an operation is classified as discontinued, the prior statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the earliest period presented.

5. NEW STANDARDS OR AMENDMENTS AND FORTHCOMING REQUIREMENTS

New standards issued by the International Accounting Standards Board ("IASB") and approved for use in the European Union (EU) are presented below:

Standards and interpretations approved by IASB and have come into a force for the financial periods starting from January 1 2020:

- Amendments to IFRS 3: Definition of Business
- Amendments to IFRS 3 clarify definition of business as an integrated set of activities and assets which must include at least the input and the substantive process, which together significantly contribute to the ability to generate results. They also explain that a business can exist without considering all the inputs and processes needed to create products. This means that the inputs and processes used for those inputs must have the ‚ability to contribute to the creation of products', not the ‚ability to create products'.
- Amendments to IFRS 7, IFRS 9 and IAS 39: Interest rate benchmark reform.
- Amendments to IFRS 9 and IAS 39 contain a number of reliefs applicable to all hedging transactions affected by the interest rate benchmark reform. The reform affects the hedging transaction if it creates uncertainty about the timing and / or amount of cash flows based on the benchmark of the hedged item or hedging instrument.
- Amendments to IAS 1 and IAS 8: definition of the term „material".
- Amendments to IAS 1 and IAS 8 introduce new definition of the term "material", which states that „information is material if it can be reasonably expected that its omission, distortion or obscuration will affect decisions made by key users of financial statements. The amendments clarify that materiality will depend on the nature or extent of the information, or both. An entity will need to evaluate whether the information, either alone or in combination with other information, is material in the context of the financial statements.

- Reference changes to the March 29, 2018 International Financial Reporting Standards conceptual framework.
- The revised financial reporting framework is not a standard, and none of the terms overrides those in any standard or any requirement in the standard. The purpose of the conceptual framework is to assist the board in developing standards, to help preparers to develop consistent accounting policies where there is no relevant standard, and to assist all parties in understanding and interpreting the standards. The conceptual framework includes some new thoughts, updates the definitions and criteria for recognizing assets and liabilities, and clarifies some important concepts.
- Amendments to IFRS 16 - the Board issued a draft of the letter ED / 2020/2 Covid-19-Related Rent Concessions (Proposed amendment to IFRS 16), and then an amendment to IFRS 16, which exempts lessees from the need to treat contractual changes as a result of the consequences of COVID-19 as amendments „modifying the contract" and requiring appropriate accounting adjustments to the value of the lease liability and the value of the right to use assets.

Standards, amendments to standards and interpretations approved by the IASB, endorsed by the EU, which did not enter into force for annual periods beginning on January 1, 2020:

- IFRS 14: Deferred Balances from Regulated Activities (of January 30, 2014) - the European Commission decided not to start the process of approving this interim standard and to wait for the final standard - until the date of approval of these financial statements, not approved by the EU - applicable for financial years beginning on or after 1 January 2016;
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets by an Investor to a Joint Venture or Associate (issued September 11, 2014) - the approval process for these amendments has been postponed by the EU - the effective date has been postponed indefinitely by the IASB;
- IFRS 17: Insurance Contracts (issued May 18, 2017) incorporating amendments to IFRS 17 (issued June 25, 2020) - IFRS 17 replaces IFRS 4, which relieves companies from the obligation to account for insurance contracts by using existing practices. The standard requires classes of insurance contracts to be recognized and measured at: (i) risk-adjusted present value of future cash flows (cash flows from realization) that includes all available information about the cash flows related to the realization in a manner that is consistent with maintainable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) the amount representing unrealized profit in a group of contracts (contractual service margin). Insurers will recognize the profit of a group of insurance contracts over the period in which they provide coverage, and as they are released from risk. If a group of contracts results or becomes loss-making, the entity recognizes the loss immediately. Until the date of approval of these financial statements, not approved by the EU - applicable for financial years beginning on January 1, 2021 or later;
- Amendments to IAS 1: Presentation of Financial Statements 1: Classification of liabilities as short-term or long-term - postponement of the effective date (issued on January 23, 2020 and July 15, 2020, respectively) - until the approval of these liabilities not yet approved by the EU - applicable for financial years beginning on or after 1 January 2023;
- Amendments to IFRS 3: Changes to the conceptual assumptions (issued on May 14, 2020) - not approved by the EU until the date of approval of these financial statements - applicable to the financial years beginning on January 1, 2022 or later;
- Amendments to IAS 16: Property, plant and equipment - revenues earned before putting into use (issued on May 14, 2020) - not approved by the EU until the date of approval of these financial statements - applicable to financial years beginning on January 1, 2022 or later;
- Amendments to IAS 37: Onerous Contracts - Contract Execution Costs (issued on May 14, 2020) - until the date of approval of these financial statements, not approved by the EU - applicable to financial years beginning on January 1, 2022 or later;
- Annual amendments to IFRS for the period 2018-2020 (issued on May 14, 2020) - until the date of approval of these financial statements, not approved by the EU - applicable to the financial years beginning on January 1, 2022 or later;
- Amendments to IFRS 4 Insurance Contracts - deferral of IFRS 9 (issued on June 25, 2020) - until the date of approval of these financial statements not approved by the EU - applicable to financial years beginning on January 1, 2023 or later;
- Amendments to IFRS 17 and IFRS 4 - (issued on June 25, 2020) until the date of approval of these financial statements, not approved by the EU - applicable to financial years beginning on January 1, 2023 or later; year and effective for annual periods beginning on or after January 1, 2023). The amendments contain a number of clarifications aimed at facilitating the implementation of IFRS 17, simplifying some of the standard's requirements and transition. The amendments concern eight areas of IFRS 17 and are not intended to change the basic principles of the standard;

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform - Phase 2 (issued August 27, 2020) - Amendments to Phase 2 address issues that arise from the implementation of reforms, including the replacement of one indicator, an alternative indicator. Until the date of approval of these financial statements, not approved by the EU - applicable to financial years beginning on January 1, 2021 or later.
- Amendments to IAS 1 (published on July 15, 2020 and effective for annual periods beginning on or after January 1, 2023).

Effective dates are the dates given by the International Accounting Standards Board. The dates of entry into force in the European Union may differ from the dates of entry into force specified in the standards and are published when the standards are approved by the European Union.

In the opinion of the Company, the above changes will not have a significant impact on the financial statements of the entity.

6.SIGNIFICANT ACCOUNTING POLICIES

6.1. Basis of preparation

This consolidated financial statements were prepared under the assumption that the Group will continue to operate on a going concern basis in the foreseeable future. As at the date of approval of the consolidated financial information there is no evidence indicating that the Group will not be able to continue its business activities on a going concern basis.

The consolidated financial statements of Integer.pl Group have been prepared on a historical cost basis, except for certain financial instruments, acquisitions of companies and employee benefits settled in the form of shares, which are measured at a fair value.

Mergers

During mergers, when the acquired services and assets meet the definition of business and control is transferred, the group applies the acquisition method. When determining whether services and assets meet the definition of a venture, the Group assesses whether acquired services and assets include inputs and the processes applied to those inputs that are capable of contributing to the creation of products.

The remuneration transferred and the identifiable net assets acquired are, in principle, measured at their fair value. The resulting goodwill is tested for impairment once a year. The gain on purchasing assets below their market value is immediately recognized in the profit and loss account. Transaction costs are expensed as incurred, unless they are related to the issue of debt or equity securities.

Subsidiaries

Subsidiaries are entities controlled by the Group. Integer Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee .

The financial statements of subsidiaries are included in the consolidated financial statements from the date of acquiring control to the date of the termination of control.

Non-controlling interests

Non-controlling interests („NCIs") are initially measured at their proportional share of the acquiree's identifiable net assets at the acquisition date.

Changes in share of Integer.pl S.A. Group in a subsidiary that do not result in a loss of control are accounted for as equity transactions with shareholders.

Loss of control

Upon loss of control, the Group ceases to recognize the assets and liabilities of the subsidiary, non-controlling interests and other capital components related to the subsidiary. Any gains or losses arising from the loss of control are recognized in the profit and loss account.

Share of profit of investments accounted for using the equity method

The Group's shares in entities accounted for using the equity method include shares in associates. Associates are those entities over which the Group has significant influence, but does not exercise control or joint control over the financial and operating policies.

Shares in associates and joint ventures are accounted for using the equity method. They are initially recognized at cost which includes transaction costs. After initial recognition, the consolidated financial statements include the Group's share of the financial result and other comprehensive income of entities that were settled using the equity method, until the date of the cessation of significant influence.

Transactions eliminated on consolidation

Intra-group balances and transactions, as well as any unrealized gains and costs (except gains or losses on foreign currency transactions) arising from intra-group transactions are eliminated. Unrealized losses are also eliminated unless there are premises indicating that the asset transferred was impaired.

Accounting principles applied by subsidiaries were changed, when necessary, to adjust them to the principles adopted by the Group.

6.2. Use of judgements and estimates

In preparing this consolidated financial statements, management has made judgements and estimates that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

The summary of judgements and estimates with references to respective notes is presented in the table below:

Note	Title
6.3; 13	Property, plant and equipment
6.4; 12	Intangible assets
6.16 10	Deferred tax assets
6.7 17 37 38	Trade and other receivables
6.11 28 29	Provisions and employee benefits
6.12; 14	Leases

6.3. Property, plant and equipment

The most important property, plant and equipment of the Group are machinery and equipment i.e. automatic parcel machines, as well as assets under construction i.e. parts of automatic parcel machines that are in the process of completion or assembled and are not yet installed.

Property, plant and equipment is recognized at cost, less accumulated depreciation and any accumulated impairment

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Government grants obtained to purchase property, plant and equipment are recognized in the consolidated statement of financial position as deferred income and are subsequently recognized in profit or loss (as other operating income) on a straight line basis over the average depreciation period of the respective item of property, plant and equipment.

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group. Subsequent expenditures that are capitalized by the Group to property, plant and equipment are mainly related to spare parts and extensions of automatic parcel machines that are installed when utilization of the machine is close to its maximum technical capabilities. Maintenance and repair costs incurred after commencement of depreciation are recognized in profit or loss.

When substantially all activities necessary to prepare an asset under construction for its intended use are completed it is reclassified to other class of property, plant and equipment according to the nature of that item and depreciation is commenced.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss.

Impairment losses and subsequent reversals are recognized in profit or loss in other operating expense (income).

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss and presented within other operating income/expenses

Key judgements, assumptions and estimation uncertainties

Borrowing costs

The Group incurs borrowing costs. However, the Group assessed that the time necessary to assemble and install automatic parcel lockers is relatively short and they are not to be treated as the qualifying asset for capitalization of borrowing costs, therefore respective borrowing costs incurred by the Group are recognized in profit or loss.

Depreciation

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted prospectively if appropriate.

The estimated useful lives of property, plant and equipment for all presented periods are as follows:

Type:	Period:
Buildings	10 - 40 years
Technical equipment and machines	8 - 10 years
Automatic parcel machines	10 years
Vehicles	5 years
Other	2 - 5 years

The above specified useful lives relate to new items. For used items, the remaining useful lives are estimated on an individual basis.

Impairment losses

The Group assesses at the end of each reporting period whether there is any indication that an asset may be impaired or whether there is any indication that an impairment loss recognized in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the recoverable amount of the asset is estimated. In assessing whether there is any indication that an asset may be impaired, the Group consider internal and external sources of information.

Recoverable amount is determined for individual assets or cash-generating units ("CGU"). The Group determines separate CGUs for operations in Poland and for foreign operations. Information about impairment testing for the Group's cash generating units is disclosed in Note 13.

6.4. Intangible assets

The Group identifies the following categories of intangible assets: development costs, software (including internally developed), trademarks, other intangibles and intangible assets in progress.

Development cost relate to capitalized expenditure incurred on product design of so-called refrigerated locker machines and banking parcel machines and development of business processes for providing courier and logistics services.

Under trademarks the Group recognizes trademarks that were acquired. Software includes licenses and software used in the Group's business operations, both internally developed and acquired.

An intangible asset is recognized if it is probable that the expected future economic benefits attributable to the asset will flow to the Group and the cost of the asset can be measured reliably.

Intangible assets are initially recognized at cost. For intangible assets acquired in a business combination, the cost of that intangible asset is its fair value at the acquisition date. Subsequent to initial recognition, intangible assets are measured at cost less accumulated amortization and impairment losses.

The Group assessed that the useful lives of all its intangible assets are finite, therefore they are amortized. Amortization begins when the asset is available for use, i.e. it is in the location and condition necessary to be capable of operating as intended by the Group. Such intangible asset is reclassified from intangibles in progress to the appropriate category of intangibles and amortization is commenced.

Amortization is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is recognized in profit or loss. For major items of intangibles the Group assessed that their residual values are zero.

Any gain or loss on disposal of an item of intangible assets is recognised in profit or loss and presented within other operating income/expenses.

Key judgements, assumptions and estimation uncertainties

Amortization

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

The estimated useful lives of intangible assets for all presented periods are as follows:

Type:	Period:
Development costs	5 - 10 years
Trademarks	30 years
Software	2 – 10 years
Other intangible assets	2 – 10 years

Impairment losses

The Group assesses at the end of each reporting period whether there is any indication that an asset may be impaired or whether there is any indication that an impairment loss recognized in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the recoverable amount of the asset is estimated. In assessing whether there is any indication that an asset may be impaired, the Group consider internal and external sources of information.

Recoverable amount is determined for individual assets or cash-generating units ("CGU"). The Group determines separate CGUs for operations in Poland and for foreign operations.

6.4.1. Development costs

Expenditure on research activities is recognized in profit or loss as incurred. The basic purpose for conducting research activities is to gain new knowledge and understanding, but the Group is not able at this phase to demonstrate that an intangible asset exists and will generate future economic benefits.

Development costs are the application of research findings or other knowledge to a plan or design for the production of new or substantially improved products and processes before they are introduced and commercially used in the Group's operating activities.

An intangible asset arising from development is recognized only if all of the following criteria are met and the Group is able to demonstrate it:

- the product or process is technically and commercially feasible so that it will be available for use or sale,
- the Group intends and has sufficient resources (technical, financial and other) to complete the works and use or sell the product,
- the Group is able to demonstrate how the intangible asset will generate future economic benefits,
- the expenditure attributable to the intangible asset under development can be measured reliably.

Development costs are measured initially at cost, which is the sum of expenditure incurred from the date when the intangible asset first meets the general recognition criteria for intangible assets and above listed criteria for recognition of an intangible asset arising from development. Subsequent to initial recognition, development costs are measured at cost less accumulated amortization and any accumulated impairment losses. Detailed information about recoverability of development costs is presented in Note 12.

6.5. Non-current assets held for sale

ANon-current assets or disposal groups comprising assets and liabilities are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. The requirements for such classification are satisfied if the assets or disposal groups are available for immediate sale in their present condition and the sale is highly probable, i.e. the Management of the Group is committed to a plan to sell the assets and an active programme to search for potential buyers had been initiated.

Such assets or disposal groups are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognized in profit or loss.

Intangible assets and property, plant and equipment, upon classification as held for sale or disposal are no longer amortized and depreciated.

Assets and liabilities classified as held for sale are presented separately from other assets and liabilities in the statement of financial position and they are not offset. The major classes of assets and liabilities classifies as held for sale are separately disclosed in the notes.

6.6. Financial instruments

Recognition and initial measurement

The Group recognizes a financial asset or financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. The Group derecognizes a financial asset from the consolidated statement of financial position when the contractual rights to the cash flows from the financial asset expire. The

financial liability (or a part of a financial liability) is removed from the consolidated statement of financial position when the obligation specified in the contract is discharged or cancelled or expires.

At initial recognition the Group measures financial instruments at its fair value adjusted, in the case of a financial asset or financial liability not at fair value through profit or loss, for transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Trade receivables with a maturity date not exceeding 12 months (i.e. without a significant financing component) are initially measured at the transaction price.

Classification

The Group classifies financial assets and financial liabilities recognized in the consolidated statement of financial position to the following categories:

a. financial assets measured at fair value through profit or loss ("FVTPL"),
b. financial assets measured at amortized cost,
c. financial liabilities at fair value through profit or loss ("FVTPL"),
d. other financial liabilities

Financial assets

Classification of financial assets into particular categories is carried out on the basis of the Group business model for managing financial assets and the contractual cash flow characteristics of the financial asset (the SPPI test). The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

A financial assets is classified as measured at amortized cost if it meets both of the following criteria and is not designated as measured at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (meets the SPPI test).

AFinancial assets with cash flows that are not SPPI ('solely payments of principal and interest on the principal amount outstanding') are classified and measured at FVTPL, irrespective of the business model.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The Group's financial assets measured at amortized cost include mainly trade receivables (not subject to non-recourse factoring). Other financial assets in this category embrace among others: deposits, granted loans and other receivables. Financial assets measured at FVTPL include derivative instruments that are not financial guarantee contracts and are not designated as effective hedging instruments (CIRS) and trade receivables under non-recourse factoring.

Financial liabilities

A financial liability is classified as at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Other financial liabilities include financial liabilities, which have not been classified as measured at fair value through profit or loss.

The Group's financial liabilities include trade payables and other liabilities, loans and borrowings including bank overdrafts, lease liabilities, factoring liabilities and derivative financial instruments.

Category of financial asset or financial liability	Subsequent measurement: Measurement method	Subsequent measurement: Recognition principle
Financial assets measured at FVTPL	at fair value	a result from subsequent measurement is recognized in profit or loss
Financial assets measured at amortized cost	at amortized cost by applying the effective interest rate	a result from subsequent measurement, derecognition or modification is recognized in profit or loss, the amortized cost is reduced by impairment losses
Other financial liabilities	at amortized cost by applying the effective interest rate	a result from subsequent measurement, derecognition and modification is recognized in profit or loss
Financial liabilities at FVTPL	at fair value	a result from subsequent measurement is recognized in profit or loss

Derecognition

The Group derecognizes a financial asset from the consolidated statement of financial position when the contractual rights to the cash flows from the financial asset expire or the Group transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial assets.

The financial liability (or a part of a financial liability) is removed from the consolidated statement of financial position when the obligation specified in the contract is discharged or cancelled or expires. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Derivative financial instruments

The Group uses derivative financial instruments, such as CIRS to hedge its foreign currency risks and interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. The Group has not designated any derivatives as hedging instruments in hedge relationships as defined by IFRS 9.

Impairment of trade receivables and other financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all financial assets not held at fair value through profit or loss. Expected credit losses are credit losses weighed by the default probability. A credit loss is measured as the difference between cash flows due in accordance with the contract and cash flows the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default.

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 60 days past due. An individual assessment of the trade receivables is performed before the application of the simplified ECLs approach and in certain cases, the Group considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

In case of remaining trade receivables, the Group applies a simplified approach in calculating ECLs. Please refer to Note 42 below for detailed description.

The Group applies an individual approach to calculating allowance for expected credit losses for non-current receivables resulting from deposits made mainly in connection with APM locations and rental of branches. A more detailed description is presented in Note 6.7 and 14.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

6.7. Trade and other receivables

According to IFRS 15, trade receivables with a maturity date not exceeding 12 months (i.e. without a significant financing component) are initially recognized in the amount equal to the transaction price, during or at the moment of transfer of the goods or services promised by the agreement, namely transfer of control over the asset to the customer.

At initial recognition, receivables in a foreign currency are measured at the average exchange rate of the NBP from the day immediately preceding the recognition of the receivable.

Trade receivables with a significant financing component are recognized initially at fair value which is determined as the discounted value of future cash flows that are expected to flow to the Group.

For the purposes of subsequent measurement, trade receivables are sub-divided by customers into two portfolios:

- Hold to collect business model for trade receivables not subject to non-recourse factoring arrangement: where the receivables are measured at amortized cost;
- Selling business model for trade receivables intended to be subject to non-recourse factoring arrangements: where the receivables are measured at fair value through profit or loss

An impairment analysis of trade receivables measured at amortized cost is performed at each reporting date. As the Group's exposure to credit risk is influenced mainly by the individual characteristics of the customers, detailed individual monitoring and assessment of the trade receivables is performed resulting in 100% expected credit loss allowance for the receivables:

- past due for more than 1 year;
- subject to a debt restructuring process (immediately upon the Group receiving information regarding the debtors being placed in a state of bankruptcy or liquidation);
- subject to legal proceedings – as soon as there is a decision to take the debtor to court;
- cancelled subscriptions (Integer.pl S.A. has a separate treatment for subscription customers which are subject to a debt collections process immediately after cancelling the subscription due to non-payment and are then subject to legal proceedings).

To reflect factors that may influence the credit risk of the customer database and changes in credit quality not yet detected at an individual level, the Group uses a provision matrix to measure expected credit losses ("simplified approach"). As trade receivables up to 60 days past due are generally covered by letters of credit or other forms of credit insurance, the Group divided the portfolio of trade receivables into two segments: (i) up to 60 days past due and (ii) 61 – 365 days past due.

The Group considers a trade receivable in default when contractual payments are over 60 days past due.

The allowance rates are based on actual loss experience for segments that group trade receivables with similar loss patterns. These rates are also adjusted to reflect differences between economic conditions during the period over which the historical loss experience has been analysed, current conditions and the Group's view of economic conditions over the expected lives of the trade receivables.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 37. The letters of credit and other forms of credit insurance are considered in the calculation of impairment.

Other receivables consist mainly of deposits, receivables from settlement of cash-on-delivery option (receivables represent cash to be received from payment service providers or couriers for payments collected from the recipient upon delivery of parcel) and other advance payments.

Key judgements, assumptions and estimation uncertainties

Estimation of ECL

Measurement of ECL allowances for trade and other receivables requires to assumptions and estimates especially in terms of determining the weighted average loss rate.

The Group uses a provision matrix to calculate ECLs for trade receivables measured at amortized cost. The provision rates are based on days past due. The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information.

For instance, if forecast economic conditions (i.e. gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default rates in the future. Information about ECLs on the Group's trade receivables and contract assets is disclosed in Note 38.

Classification of financial assets

Based on management's judgment applied to all relevant facts and circumstances regarding the factoring arrangements, the terms of the non-recourse factoring arrangements result in the transfer of substantially all the risks and rewards of ownership of the receivables. Therefore all receivables that are factored under non-recourse arrangements meet the financial asset derecognition criteria, resulting in the original receivable being derecognized from the statement of financial position once invoices are transferred to the factor. The balance of trade receivables subject to non-recourse factoring arrangements represents the value of invoices not yet transferred to the factor (but concerning customers subject to the non-recourse factoring arrangement). Trade receivables are transferred within approximately 7 days from initial recognition date.

Impact of factoring arrangements on the trade receivables business model assessment

For the purposes of the business model assessment of trade receivables, the Group considers that for a particular customer it can identify whether or not receivables will be factored without a recourse, therefore trade receivables are sub-divided by customers into two portfolios:

- Hold to collect business model for trade receivables not subject to non-recourse factoring arrangement: where the relevant activities represent collection of contractual cash flows. These receivables are measured at amortized cost;
- Selling business model for the trade receivables subject to non-recourse factoring arrangements: where the Group's objective is to realize cash flows primarily through selling. These receivables are measured at fair value through profit or loss.

When evaluating the business model the Group considered an analysis of past sales and expectation of future sales in terms of frequency and value.

Cash inflows from trade receivables subject to factoring arrangements are presented as cash flows from operating activities.

6.8. Trade payables and other liabilities

Trade payables are non-interest bearing liabilities for the goods and services purchased in the course of ordinary business operations from suppliers. Other financial liabilities include mainly liabilities recognised in relation to settlement of cash-on-delivery option (liabilities represent cash collected from the recipient on behalf of the sender for item delivered in parcel) and investment liabilities. Other non-financial liabilities consist mainly of payroll liabilities and payables to the state.

Liabilities are classified as current liabilities, if the payment term is within year or if they arise in the ordinary cycle of business operations, if longer. Otherwise, liabilities are reported as non-current.

At recognition trade payables and other liabilities are initially measured at fair value, and they are subsequently measured at amortized cost, using the effective interest rate method.

In the event that the effect of the time value of money is not significant, the amount of liabilities is recognized without discounting.

6.9. Cash and cash equivalents

Cash and cash equivalents reported in the consolidated statement of financial position include cash in bank and at hand, bank deposits payable on demand and short-term highly liquid deposits with the primary maturity period not exceeding three months, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

Bank overdrafts are presented as a component of current loans and borrowings under current liabilities, and are not considered as cash and cash equivalents for the purposes of the consolidated statement of cash flows.

6.10. Inventories

The Group measures inventories at the lower of cost and net realisable value. The cost of inventories is based on the first-in, first out principle.

The Group classifies inventories write-down to net realizable value as cost of goods and materials sold in the statement of comprehensive income. A new assessment of net realizable value is made in each reporting period. When the circumstances that previously caused inventories to be written down below cost no longer exist, the amount of the write-down is reversed, so that the new carrying amount is the lower of cost and the revised net realizable value.

6.11. Provisions

Provisions are recognized, if the Group has a present obligation (legal or constructive) resulting from past events, and it is expected to result in an outflow of the Group's resources on settlement and it is possible to reliably estimate the amount of this liability.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Provision for exit costs

– a provisions for exit costs is recognised for obligations resulting from decisions to discontinue operations and liquidate a subsidiary. Future operating losses

6.11.1. Employee benefits

Short-term employee benefits

Short-term benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay an amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Unused holiday and performance bonus provision representing short-term employee benefits are recognized at the undiscounted amount of benefits expected to be paid in exchange for the respective service.

Share-based payment arrangements

The grant-date fair value of equity settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

Defined benefit plan

The Group's obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounted to determine their present value. The discount rate is determined based on interest rates on treasury bonds expressed in the currency of the future benefit payments, with maturities similar to the date of settlement of the respected liabilities. The calculation of defined benefit obligations at the end of the reporting period is performed by a qualified actuary using the projected unit credit method. Cost of defined benefit plan is recognized in profit or loss with an exception to actuarial gains and losses which are recognized in other comprehensive income.

Other long-term employee benefits

The Group's obligation in respect of other long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognized in profit or loss in the period in which they arise.

Key judgements, assumptions and estimation uncertainties

Estimation of employee benefits

The carrying amount of the defined benefit liability is equal to the present value of the benefits payable. The amount of the liability depends on many factors, which are used as assumptions in the actuarial model. Any changes to the assumptions may impact the carrying

amount of the liability. Interest rates are one of the primary variables in measuring the liability. At the end of the reporting period, based on the opinion of an independent actuary, an appropriate discount rate for the Group's companies is used for determining the present value of estimated future cash outflow in relation to these benefits. Detailed information about key actuarial assumptions and sensitivity analysis is disclosed in Note 29.

6.12. Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, the customer has both of the following:

- the right to obtain substantially all of the economic benefits from use of the identified asset; and
- the right to direct the use of the identified asset.

The Group recognises a right-of-use assets and a lease liability as at lease commencement date. The Group applies practical expedient for short-term leases and leases of low-value assets.

Measurement of right-of-use asset

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or the site on which it is located less any lease incentives.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Measurement of lease liability

The lease liability is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the interest rate implicit in the lease or, if the rate cannot be readily determined, the Group`s incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is change in the Group's assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognised in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Lease term

For each lease contract, the Group determines the lease term as the non-cancellable period of a lease together with periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

Lease income

The Group concludes sublease transactions consisting in subletting the leased subject, according to which, on the basis of a leasing agreement (subleasing) specifying the conditions such as payment and duration of the contract, it transfers the leased object to third parties for use. Each time the Group assesses whether a given sublease should be classified as operating or financial.

Sale and leaseback

The Group enters into a sale and leaseback transactions. A sale and leaseback transaction is one where the Group sells an asset and immediately reacquires the right of use by entering into a lease with the buyer.

The gains or losses arising from sale and leaseback transactions are disclosed in the notes to the consolidated financial statements.

Key judgements, assumptions and estimation uncertainties

Lease definition

Despite the legal form of contracts for logistic services (warehouses); courier and transportation services (vehicles and trailers) such contracts are accounted for as contracts with lease component. The Group assessed that those contracts convey the right to control the use of an identified asset. Underlying assets are explicitly identified in these contracts and there is no substantive substitution right of the supplier. Services are provided to the Group on an exclusive basis therefore the Group obtain economic benefits from use of warehouses and vehicles and trailers. The provision of services is directly related to logistics operations. Suppliers are incorporated into the logistics chain of the Group and are part of the respective processes managed by Group's employees. Based on an analysis of key decision-making rights it was assessed, that the Group has the right to direct how and for what purpose the asset is used.

Purchase option

At the lease commencement date, the Group assesses whether it is reasonably certain to exercise the right to purchase the underlying asset. This primarily applies to leases of automatic parcel machines. Key aspects taken into consideration are their importance to the Group's operations, commercial terms and available alternatives. Due to the fact that the Group is in the process of network expansion it was assessed that it is reasonably certain that the Group will exercise purchase option for currently leased automatic parcel machines in vast majority of cases. As a result lease payments include the exercise price of purchase options, what results in a higher lease liability and right-of-use assets. In such instances, right-of use asset is depreciated to the end of the useful life of the underlying asset.

Lease term of contracts concluded for an indefinite period

Leases for key assets are concluded for definite periods. However, a significant portion of contracts for courier and transportation (vehicles and trailers) and logistic services (warehouses) as well as leases of land for automatic parcel machines are concluded for an indefinite period with the right to terminate by each party upon termination notice. Those leased assets are important for the Groups operations as they are part of the logistics operations (warehouses, vehicles, trailers) or enable the provision of services to customers (land for automatic parcel machines). As the Group is expanding its operations it is expected that the need for the services and lands will increase in the next few years. Service providers rotate and the Group changes locations of automatic parcel machines, what results in frequent changes in the lease portfolio. In order to determine the lease term the Group identifies portfolios of leases with similar characteristics and assesses factors that create an economic incentive for the Group to continue such leases for periods longer than the termination notice period. Key aspects taken into consideration are the importance of the underlying assets to the Group's operations and available alternatives.

The Group generates a significant share of revenue from automatic parcel machines located on land that is leased under contract for an indefinite period. In order to conduct operations in accordance with agreed business plans the Group plans to expand the logistics network which will result in an increase number of locations in the next few years, which creates an economic incentive to prolong a certain number of such leases. In order to determine the lease term those leases the Group has allocated the contracts into five portfolios based on the following characteristics:

- utilization of locations (from very low – 40% up to very high-150%); and
- new contracts (including relocations) and contracts for which a previously determined lease term has ended.

As a rule the higher utilization of automatic parcel machine in a given location the higher the probability of a longer lease term. The highly utilized APM's are only moved when the current lease is terminated by the counterparty or the location is inconvenient (e.g. too small to expand the APM). The determined lease term varies between 6 and 36 months for the portfolios whereas the weighted average in 2019 and 2020 amounted to 12 months.

Below is a summary of average lease terms applied in 2019 and 2020 for each underlying class of asset:

	Period:
Land	12 months
Warehouses	12 months
Vehicles and trailers, including:	
▪ Key providers	12 months
▪ Other	1-3 months

Discount rate

The lease liability is measured at the present value of the lease payments that are unpaid at that date. Lease payments are discounted using the interest rate implicit in the lease (mainly applicable for lease of equipment) or the Group uses the lessee's incremental borrowing rate. The incremental borrowing rate is estimated based on a model that determines the interest rate that the Group, as a lessee, would have to pay to borrow over a similar term, and with similar security, the funds necessary to obtain an asset of a similar value to the right-of use asset in a similar economic environment. The interest rate is determined based on the risk--free rates for instruments denominated in PLN or EUR and adjusted by a margin reflecting the Group's rating, and further adjusted to the nature of underlying assets.

In connection with the global pandemic and the related decline in interest rates, in June 2020 the Group recalculated the discount rates that were used for all contracts concluded from June 2020 onwards.

The below table presents the weighted average discount rates applied for leases in 2020 and 2019:

	2019		2020	
	PLN	EUR	PLN	EUR
up to 12 months	6.01%	3.89%	5.34%	4.08%
1-3 years	6.21%	4.22%	5.96%	4.18%
3-5 years	6.79%	4.36%	6.13%	4.23%
5-7 years	6.95%	4.75%	6.25%	4.35%
7-10 years	7.40%	5.15%	6.43%	4.47%
more than 10 years	7.45%	5.53%	6.80%	5.13%

6.13. Revenue

Revenue is recognized when (or as) the performance obligation is fulfilled in the form of transferring the promised goods, products, materials (i.e. assets) or rendering a service to a client. The Group recognizes revenue in a way that reflects the transfer of promised goods or services to a customer, in the amount of consideration to which an entity expects to be entitled in exchange for these goods or services (transaction price), excluding amounts collected on behalf of third parties, for example - Value Added Tax (VAT). Detailed information about the nature, timing of satisfaction of performance obligations and significant payment terms that apply to the Group is presented in Note 9.1.

6.14. Contract liabilities

Contract liabilities comprise the Group's obligation to transfer services to a customer for which the Group has received consideration. The Group recognizes the contract liability mainly in relation to the contracts for which payment is received upfront (prepaids) whereas revenue recognition is deferred. The contract liability is gradually derecognized (and respective revenue is recognized) as services are provided to a customer - when parcels are delivered to recipient or to automatic parcel machines. Contract liabilities are presented in "Other liabilities".

6.15. Government grants

Government grants related to assets are initially recognised as deferred income at fair value if there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. The Group recognises grants in profit or loss as other income on a systematic basis over the useful life of the asset.

Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the periods in which the expenses are recognised.

6.16. Income tax

Income tax expense for the reporting period comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination or items recognized directly in equity or other comprehensive income.

Current income tax

Current income tax comprises the expected tax payable or receivable on the taxable income or loss for the reporting period and any adjustments to the tax payable or receivable relating to previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received taking into account any uncertainties related to income taxes. Current tax is calculated using the tax rates enacted or substantively enacted at the reporting date in countries where the Group's entities operate and generate taxable income or losses.

Deferred tax

A deferred tax liabilities and deferred tax assets are recognized for all temporary differences between the carrying amounts of assets and liabilities and amounts used for taxation purposes, except for:

- temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting profit nor taxable profit (loss), and
- temporary differences related to investments in subsidiaries and associates to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets are recognized for unused tax losses and unused tax credits and for deductible temporary differences to the extent that it is probable that future taxable profit will be available against which they can be utilised.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, using tax rates enacted or substantially enacted at the reporting date, taking into account any uncertainties related to income taxes.

Deferred tax assets and deferred tax liabilities are offset if the entity has a legally enforceable right to set off current tax assets and current tax liabilities, and if the deferred tax assets and deferred tax liabilities relate to income taxes levied on a given entity by the same tax authority.

Key assumptions and estimation uncertainties

Recognition of deferred tax assets

Estimated future taxable profits are determined based on the budgets of the entities of the Group. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized. At each reporting date the Management of the Group reassess unrecognized deferred tax assets and recognizes them to the extent that it has become probable that future taxable profits will be available against which they can be used. Unrecognized deferred tax assets are mainly related with tax losses carried forward.

Information regarding deferred tax assets and liabilities of the Group is presented in Note 10.

7. SEGMENT INFORMATION

For management reporting purposes, the Group has three reportable segments in two geographies, as follows:

- Segments in Poland
  - APM segment, which is focused on delivery of parcels to automated parcel machines;
- To-Door segment, which includes delivery of parcels using door-to-door couriers;
- Segment outside Poland:
  - International segment, which includes APM business (delivery of parcels to automated parcel machines) in the United Kingdom and Italy.

No operating segments have been aggregated to form the above reportable operating segments.

The Management Board is the Chief Operating Decision Maker (CODM) and monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is assessed on the basis of Revenue and Gross Profit. Additionally aggregated segments at the geography level are assessed based on Operating EBITDA. The accounting policies adopted are uniform for all segments and consistent with those applied by the Group.

Segments direct costs include among others costs of PUDO Points, which are delivery at pick-up drop-off facilities.

Segment performance is evaluated based on gross profit or loss and is measured consistently with profit or loss in the consolidated financial statement.

Transfer prices between operating segments are on an arm's-length basis in a manner similar to transactions with third parties.

Inter-segment revenue is eliminated upon consolidation and are presented in the 'Inter-segment eliminations' column.

General cost, depreciation, finance costs, finance income, fair value gains and losses on financial assets and income taxes are not allocated to individual segments as these activities are managed on a Group wide basis.

Period ended December 31, 2020	International	Poland				Total	Total reportable segments
	APM	APM	To-Door	Other	Inter-segment elimination		
		B	C				A+B+C
Revenue	**17.7**	**1 815.3**	**634.9**	**66.8**	**(2.7)**	**2 532.1**	**2 468.0**
External	17.7	1 815.3	634.9	64.1	-	2 532.1	2 468.0
Inter-Segment	-	-	-	2.7	(2.7)	-	-
Direct Costs:	**(27.5)**	**(741.3)**	**(436.6)**	**(4.8)**	**1.3**	**(1 208.9)**	**(1 205.4)**
Logistic costs	(17.1)	(671.6)	(422.9)	-	-	(1 111.6)	(1 111.6)
APM Network	(7.5)	(34.5)	-	-	1.3	(40.8)	(42.1)
External costs	(6.2)	(34.5)	-	-	-	(40.8)	(40.8)
Inter segment	(1.3)	-	-	-	1.3	-	(1.3)
PUDO Points*	-	(11.6)	(4.0)	-	-	(15.6)	(15.6)
Other Direct Costs	(2.9)	(23.6)	(9.6)	(3.3)	-	(39.4)	(36.2)
Cost of Sold APM's and IT Projects	-	-	-	(1.5)	-	(1.5)	-
Gross Profit:	**(9.8)**	**1 074.0**	**198.3**	**62.1**	**(1.4)**	**1 323.2**	**1 262.6**

** PUDO points – commissions for handling parcels at collection and delivery points*

2020	International	Poland	Total
Gross Profit/(Loss):	**(9.8)**	**1 333.0**	**1 323.2**
General costs	(34.3)	(294.6)	(328.9)
Sales&Marketing	(5.7)	(63.7)	(69.4)
Call Centre	(2.3)	(28.3)	(30.6)
IT Maintenance	-	(22.2)	(22.2)
Other general costs	(26.3)	(180.4)	(206.7)
Operating EBITDA	(44.1)	1 038.4	994.3
Depreciation and amortization	(14.4)	(341.7)	(356.1)
Operating Profit	**(58.5)**	**696.7**	**638.2**

2020	International	Poland	Total
Operating EBITDA	**(44.1)**	**1,038.4**	**994.3**
MIP Valutation	-	10.1	10.1
Adjusted EBITDA	**(44.1)**	**1,048.5**	**1,004.4**

Period ended December 31, 2019	International	Poland					
	APM	APM	To-Door	Other	Inter-segment elimination	Total	Total reportable segments
	A	B	C				A+B+C
Revenue:	**7.0**	**776.4**	**420.1**	**71.4**	**(32.3)**	**1 242.6**	**1 203.5**
External	7.0	776.4	420.1	39.1	-	1 242.6	1 203.5
Inter-Segment	-	-	-	32.3	(32.3)	-	-
Direct Costs:	**(14.4)**	**(357.5)**	**(313.5)**	**(21.2)**	**16.7**	**(689.9)**	**(685.4)**
Logistic costs	(7.1)	(304.5)	(303.9)	-	-	(615.5)	(615.5)
APM Network	(7.0)	(22.2)	-	-	3.1	(26.1)	(29.2)
External costs	(3.9)	(22.2)	-	-	-	(26.1)	(26.1)
Inter segment	(3.1)	-	-	-	3.1	-	(3.1)
PUDO Points*	-	(9.1)	(3.6)	-	-	(12.7)	(12.7)
Other Direct Costs	(0.3)	(21.7)	(6.0)	(6.7)	-	(34.7)	(28.0)
Cost of Sold APM's and IT Projects	-	-	-	(14.5)	13.6	(0.9)	-
Gross Profit:	**(7.4)**	**418.9**	**106.6**	**50.2**	**(15.6)**	**552.7**	**518.1**

** PUDO points – commissions for handling parcels at collection and delivery point*

2019	International	Poland	Total
Gross Profit/(Loss):	**(7.4)**	**560.1**	**552.7**
General costs	(18.1)	(184.5)	(202.6)
Sales&Marketing	(3.1)	(41.4)	(44.5)
Call Centre	(1.0)	(16.6)	(17.6)
IT Maintenance	-	(15.7)	(15.7)
Other general costs	(14.0)	(110.8)	(124.7)
Operating EBITDA	(25.5)	375.6	350.1
Depreciation and amortization	(10.1)	(211.4)	(221.5)
Operating Profit	**(35.6)**	**164.2**	**128.6**

2019	International	Poland	Total
Operating EBITDA	**(25.5)**	**375.6**	**350.1**
MIP Valutation	-	1.7	1.7
Adjusted EBITDA	**(25.5)**	**377.3**	**351.8**

Revenues between segments and elimination of direct costs relate to revenues from repairs and sales of parcel machines within the group, revenues from APM sales to Poland and international segments and management services to the international segment.

Corrections and eliminations

Revenues between segments are eliminated on consolidation.

Reconciliation of gross profit

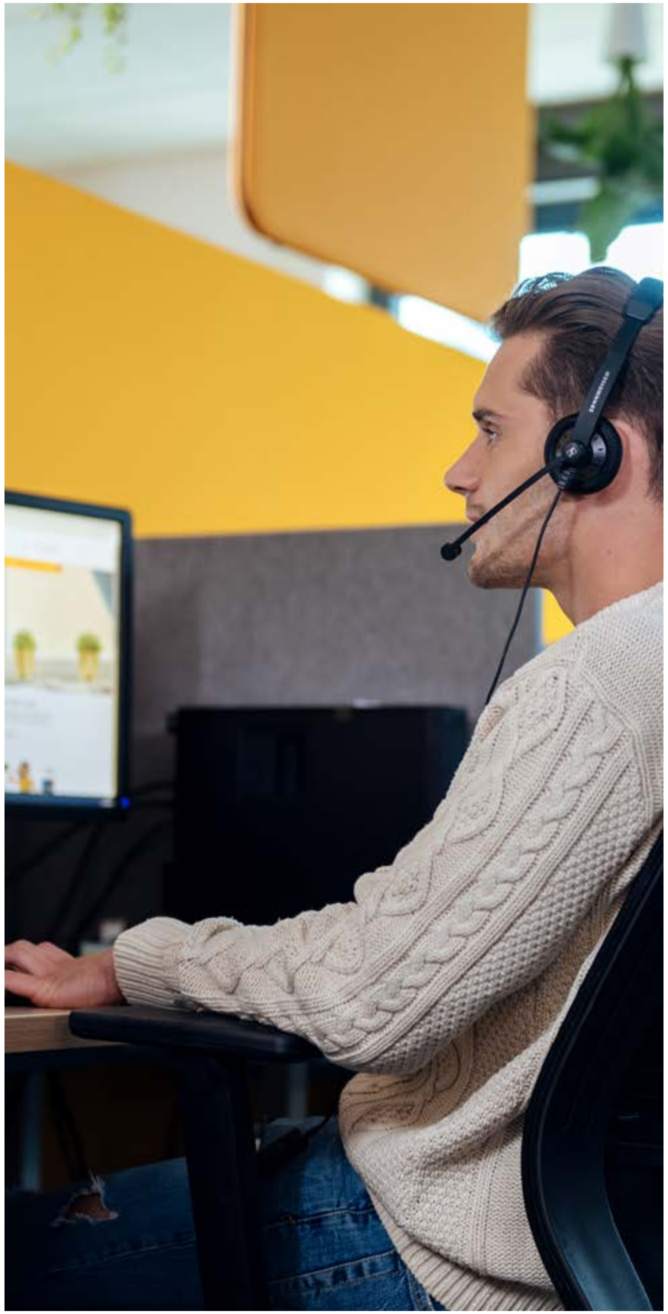
	For 12 month period ended December 31, 2020	For 12 month period ended December 31, 2019
Operating profit	638.2	128.6
Financial income	0.1	20.9
Financial costs	164.5	62.8
Revenues from the sale of an organized part of the enterprise	1.9	-
Profit before tax and excluding discontinued operations	**475.7**	**86.7**

Revenue from external customers

	For 12 month period ended December 31, 2020	For 12 month period ended December 31, 2019
Poland (domestic sales)	2,398.9	1,205.0
International (foreign sales)	118.9	27.0
Total revenues	**2,517.8**	**1,232.0**

The above revenue information is based on customers' operating locations.

One customer's revenue from sales in Poland was responsible for 28.08% of the Group's revenue for the 12 months ended December 31, 2020.



7.1 Alternative performance measures – Gross Profit, operating EBITDA and adjusted EBITDA

Our segments are based on the structure of our internal management reporting to facilitate decision--making with respect to the allocation of resources and to assess the performance of our operations. The performance of our segments is measured and assessed on the basis of revenue (including other operating income) and Gross Profit. Additionally, the performance of our combined operations is measured and assessed on the basis of Operating EBITDA per geographical area, i.e. for each country where we operate. Given the relative size of our operations outside Poland, we aggregated information relating to all countries other than Poland and presented this as one reportable segment - International.

We consider Gross Profit, operating EBITDA and adjusted EBITDA as alternative performance measures and we present these measures because we consider them as important supplemental measures of our performance and believe that these and similar measures are used in the industry in which we operate as means of evaluating a company's operating performance. However, Gross Profit operating EBITDA and adjusted EBITDA are not recognized measures of financial performance, financial condition or liquidity under IFRS. In addition, not all companies may calculate Gross Profit and EBITDA in the same manner or on a consistent basis. As a result, this measure may not be comparable to measures used by other companies under the same or similar names. Accordingly, undue reliance should not be placed on these measures and they should not be considered in isolation or as a substitute for profit for the year, cash flow, expenses or other financial measures computed in accordance with IFRS.

Gross Profit represents a margin realized on deliveries to clients which takes into account only revenue and other operating income related to deliveries as well as costs directly attributable to such deliveries.

Gross Profit is defined as net profit (loss) for the period adjusted for profit (loss) from discontinued operations, income tax expense, profit on sales of organized part of an enterprise, share of profits of equity-accounted investees, finance costs and income, and depreciation and amortization and general costs.

Operating EBITDA represents a metric for evaluating the Group's performance which facilitates comparisons of the Group's operating results from period to period and between segments by removing the impact of, among other things, its capital structure, asset base and tax consequences.

Operating EBITDA is defined as net profit (loss) for the period adjusted for profit (loss) from discontinued operations, income tax expense (benefit), profit on sales of organized part of an enterprise, share of profits of equity-accounted investees, finance costs and income, and depreciation and amortization.

The Group decided to add an additional alternative method of measuring the result in 2020, in its opinion, the added measure allows for a better understanding of the translation of costs into the actual outflow of funds. Adjusted EBITDA shows how operating EBITDA will translate into profits in cash, i.e. after eliminating costs settled in accordance with IFRS2, which are costs included in the Group's results but do not lead directly to a cash outflow. It is calculated as operating EBITDA increased by the costs related to the recognition of the MIP programme described in the Note 29.

	2020	2019
Net profit / (loss) from continuing operations	**362.6**	**54.0**
Income tax	113.1	32.7
Profit / (loss) from continuing operations before tax	475.7	86.7
correction by:		
net financial costs	164.4	41.9
depreciation	356.1	221.5
profit from the sale of organized part of the enterprise	1.9	-
Operating EBITDA	**994.3**	**350.1**
MIP	10.1	1.7
Adjusted EBITDA	**1,004.4**	**351.8**

8. SEASONALITY OF OPERATIONS

The Group's business is subject to predictable seasonality because the majority of the business serves the e-commerce retail industry, which is particularly active during the end-of-year holiday season which runs from mid-November, starting around Black Friday, through the end of December. As a result of these seasonal fluctuations the Group experience a peak in sales and generates a substantial part of its revenue in the fourth quarter of the year.

Income and other operating income	Q1	Q2	Q3	Q4	Total
2020	412.0	653.9	611.1	855.1	2 532.1
2019	245.1	292.4	301.7	403.4	1 242.6

9. REVENUE AND COSTS

9.1. Revenue

The Group generates revenue primary from the provision of various courier services to its customers. There are two groups of courier services – traditional and deliveries of parcels to automatic parcel machines owned or leased by the Group. The devices are located in residential areas and close to shops and are open 24/7, which allows customers to easily pick up parcels. Parcels delivered by courier to automatic parcel machines can be collected by recipient within 48h. If parcel is not collected by the recipient (from courier/automatic parcel machines) it is relocated to one of the collection points or returned to the sender.

In addition to delivery services the Group generates revenue from sale of goods (mainly APMs) and provision of marketing, maintenance and installation services.

Services	Nature, timing of satisfaction of performance obligations and significant payment terms
Courier services and Automatic parcel machines services	The Group recognizes revenue at the point in time upon collection of a parcel by the recipient either from a courier, automatic parcel machine or collection point. For uncollected parcels, revenue is recognized upon return to the sender. Typically delivery takes places within 48h. Parcels delivered by courier to automatic parcel machines can be collected by recipient within 48h. Therefore, contrary to traditional courier services delivery and collection do not occur at the same time. Although parcel cannot be relocated within 48h from the automatic parcel machine to which they have been delivered, the Group assessed that control over the service is transferred upon collection of the parcel by the recipient, which triggers revenue recognition. Services are provided to customers through a 'pay-as-you-go' model in accordance with standard price lists or based on long-term framework delivery contracts as well as subscription contracts for 12 or 24 months. Performance obligation under the framework contract – delivery of parcels - becomes binding once a delivery is requested by the customer. These contracts do not require a minimum shipment volume and are generally multi-year rolling contracts with a one-month notice period for termination. Remuneration for services provided under the long-term contracts is determined on the basis of actual deliveries in the period and agreed prices. Prices per parcel can be differentiated based on the delivery method and certain thresholds in respect of the number, the size and the weight of the parcels. Pricing is typically reviewed on an annual basis. For subscription contracts, the customer pays an agreed fixed monthly fee for deliveries of a defined number of parcels per month. The performance obligation under the subscription contract – delivery of a parcel - becomes binding once a delivery is requested by customer. Unused deliveries (the breakage) do not roll forward to the next month and therefore the Group recognizes the breakage amount as revenue at the month-end. Services may be prepaid or billed at the end of month. There is no significant financing component in the contracts as payment terms are relatively short - from 14 up to 90 days. Transaction prices for some contracts may vary due to contractual penalties (variable consideration), resulting in lower revenue. However, this does not represent a significant adjustments. Some contracts with major customers include consideration payable for distinct marketing services provided on behalf of the Group. This is accounted for separately from revenue. If consideration is payable for services that are not distinct it decrease transaction prices accordingly. Deliveries by couriers and deliveries to APM may be regulated by one contract with a customer. However, they are alternatives to each other and are deemed to be separate performance obligations. In addition to core services the Group might also provide some minor services for an additional fee (e.g. express delivery). For such bundles the Group assessed that contractual prices represent stand-alone selling prices and consideration is not reallocated between services.
Sale of APMs and other equipment	Revenue from the sale of APMs is recognized at a point in time when the significant risks and rewards of ownership of a promised asset are transferred. In the absence of specific condition in the arrangements between the parties (e.g. Incoterms) revenue from the sale is recognized when goods are physically delivered to the customer. The majority of contracts are however realised in accordance with EXW incoterms.
Other services (marketing, installations, maintenance)	The Group recognizes revenue from marketing and maintenance services when those services are duly performed. If the revenue is a monthly maintenance fee it is recorded over time on a straight-line basis. The Group recognizes revenue from installation services at a point in time i.e. when installation is complete.

The table below contains information on receivables and liabilities resulting from contracts with customers.

	Note	2020	2019
Receivables, included in 'Trade and other receivables'	**17**	410.7	186.8
Contract liabilities, included in 'Other liabilities'	**31**	-	(1.5)

Upon receipt of a prepayment from a customer, the Group recognizes a contract liability in the amount of the prepayment for its performance obligation to deliver parcels in the future. The contract liability is gradually derecognized (and respective revenue is recognized) as services are provided to a customer. The settlement period for prepaids generally does not exceed 12 months, whereas the majority are settled within a few months. There is insignificant revenue from breakage amounts, as customers generally exercise all their contractual rights related with prepaids.

No information is provided about remaining performance obligations as December 31, 2020 or December 31, 2019 that have an original expected duration of one year or less.

9.2. Other operating income

	2020	2019
Gain on disposal of non-current assets	0.5	0.1
Government grants	1.0	3.0
Reversal of impairment losses on current assets	0.6	0.4
Penalties and compensation	9.3	3.0
Receivables recovered	0.8	0.8
Other	2.1	3.3
Total other operating income	**14.3**	**10.6**

9.3. Other operating expenses

	2020	2019
Loss on disposal of non-current assets	-	0.7
Impairment loss on current assets	0.1	1.6
Impairment loss on property, plant and equipment and intangible assets	1.0	6.8
Penalties and compensation	1.2	0.8
Other	4.4	3.2
Total other operating expenses	**6.7**	**13.1**

9.4. Financial income and expenses

	2020	2019
Net profit from exchange rate differences	-	18.6
Interest income	0.1	0.6
Other financial income	-	1.7
Total financial income	**0.1**	**20.9**

	2020	2019
Net losses from exchange rate differences	60.5	-
Interest expenses	73.5	56.6
Write-offs for impairment of other financial assets	-	0.7
Bank charges	2.3	2.5
Commissions on loans and borrowings *	24.6	2.4
Deposits, Fees and Commissions	1.1	0.5
Valuation of financial instruments	2.5	-
Other financial expenses	-	0.1
Total financial costs	**164.5**	**62.8**

** The effect of the reversal of the valuation of loans received at the adjusted purchase price due to refinancing after the balance sheet date, described in Note 41*

9.5. Foreign exchange differences related to investment in subsidiaries

The Group has provided long-term loans to its foreign subsidiaries. These items are essentially reported as a part of net investments foreign operations. The Group has reported foreign exchange differences resulting from conversion of these items in a separate items of the statement of comprehensive income. Foreign exchange differences from investments in subsidiaries amounted to PLN (0.1) million for the year ended December 31 2020 and PLN (10.1) million for the year ended December 31 , 2019.

9.6. Depreciation and amortization

	2020	2019
Depreciation of property, plant and equipment	324.4	190.9
Amortization of intangible assets	31.7	30.6
Depreciation and amortization - continued operations	**356.1**	**221.5**
Total	**356.1**	**221.5**

9.7. Employee benefit costs

	2020	2019
Payroll	181.1	107.1
Social security contributions	42.1	26.1
Other	10.1	1.7
Total employee benefit costs	**233.3**	**134.9**

9.8. Impairment loss on property, plant and equipment and intangible assets

	2020	2019
Impairment loss on property, plant and equipment	2.0	4.4
Impairment loss on intangible assets	0.6	2.4
Reversal of impairment loss on property, plant and equipment	(0.4)	-
Reversal of impairment loss on intangible assets	(1.1)	-
Impairment on property, plant and equipment and intangible assets - continued operations	**1.1**	**6.8**
Impairment loss on property, plant and equipment - discontinued operations	0.1	2.3
Reversal of impairment loss on property, plant and equipment - discontinued operations	-	-
Impairment on property, plant and equipment and intangible assets - discontinued operations	**0.1**	**2.3**

10. INCOME TAX

10.1. Income tax expense (benefit) in profit or loss

	2020	2019
Current income tax expense	126.6	9.1
Deferred income tax expense	(13.5)	23.6
Income tax expense - continued operations	**113.1**	**32.7**
Current income tax expense	0.2	0.8
Income tax expense - discontinued operations	**0.2**	**0.8**

In each of the periods presented, the tax rate for the Parent Entity was 19%. In 2020, tax rates for the Group's companies ranged from 19% in Poland and Great Britain to 31.4% in Italy. The table below presents the effect of applying different tax rates in individual countries.

10.2. Reconciliation of effective tax rate

	2020		2019	
Profit (loss) before tax		**475.7**		**86.7**
Tax using the Group's domestic tax rate	19.0%	**90.4**	19%	**16.5**
Effect of tax rates in foreign jurisdictions	0.2%	0.9	(2.0%)	(1.6)
Tax effect of:	**356,1**	**221,5**		
Tax-exempt income	(0.9%)	(4.2)	(1.0%)	(0.7)
Non-deductible expenses	3.1%	14.8	3.0%	2.6
Non-deductible intercompany expenses (representing taxable income for counterparties)	-	-	11.0%	9.2
Deferred tax asset for tax losses not recognised	0.6%	3.0	15.0%	12.6
Derecognition of deferred tax asset for tax losses carried forward and other temporary differences	0.8%	3.8	9.0%	7.5
Deferred tax written off as a result of the company's liquidation	0.8%	4.0		
Other	0.1%	0.4	(15.0%)	(13.4)
Income tax expense		**113.1**		**32.7**
Effective tax rate		**23.8%**		**37.7%**

The Management of the Group regularly reviews business plans and projected tax results of the Group in the five-year term. In 2019 and 2020, the Polish entities of the Group used deferred tax assets against losses in relation to taxable profit for a given year in accordance with tax budgets.

The amount of unrecognized deferred tax asset on tax losses in 2020 (PLN 3.0 million) relates to tax losses incurred by InPost UK Limited and Locker InPost Italia S.r.l. The Management Board assessed that it is unlikely that future taxable income for these entities will be achieved in the near future. The excluded deferred tax assets in 2020 (PLN 3.8 million) relate to overdue tax losses in Integer.pl S.A. and Integer Group Services Sp. z o.o .

10.3. Changes in deferred tax assets and liabilities

	Balance at 31 December 2020	Recognized in profit or loss 2020	Balance at 31 December 2019	Recognized in profit or loss 2019
Deferred tax assets				
Impairment allowance for trade and other receivables and inventories	15.0	3.1	18.1	1.5
Provisions and accruals	31.8	(13.5)	18.3	(12.5)
Lease liabilities	111.4	(66.9)	44.5	(15.6)
Property, plant and equipment and intangible assets	-	12.2	12.2	1.5
Deferred income	2.2	(0.8)	1.4	0.3
Interest accrued	0.3	1.2	1.5	0.9
Foreign exchange differences	8.7	(8.7)	-	0.6
Other items	1.3	0.2	1.5	(0.2)
Tax losses carried forward	9,3	15,9	25,2	20,2
Total	**180.0**	**(57.3)**	**122.7**	**(3.3)**
Net presentation	(70.2)	25.6	(44.6)	12.9
Net deferred tax assets	**109.9**	**(31.7)**	**78.1**	**9.6**
implemented within 12 months	**69.2**		**38.1**	
implemented over 12 months	**40.7**		**40.0**	
Deferred tax liabilities				
Property, plant and equipment and intangible assets	102.8	44.4	58.4	26.1
Interest accrued	0.1	(1.5)	1.6	0.9
Other items	2.3	0.9	1.4	(0.1)
Total	**105.2**	**43.8**	**61.4**	**26.9**
Net presentation	(70.2)	(25.6)	(44.6)	(12.9)
Net deferred tax liabilities	**35.0**	**18.2**	**16.8**	**14.0**
implemented within 12 months	**2.4**		**3.0**	
implemented over 12 months	**32.6**		**13.8**	
Net effect recognized in profit or loss		**(13.5)**		**23.6**

10.4. Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items. In the Management's judgment, it was assessed that it is not probable that future taxable profit will be available against which the Group will be able to use benefits therefrom

Unrecognized deferred tax assets	2020		2019	
	Gross amount	Tax effect (19%)	Gross amount	Tax effect (19%)
Tax losses carried forward (UK, IT)	294	55.9	284	54
Total unrecognized deferred tax assets	**294**	**55.9**	**284**	**54**
Tax losses carried forward for which no deferred tax assets was recognized	**2020**	**Expiry date**	**2019**	**Expiry date**
Never expire (UK, IT)	294	-	284	-
Will expire	-	-	-	-
Total tax losses carried forward for which no deferred tax asset was recognized	**294**		**284**	

11. EARNINGS PER SHARE (EPS)

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the parent (after adjusting for interest on convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. In the period covered by this consolidated financial statement, there were no equity instruments diluting the weighted average number of ordinary shares issued used to calculate basic earnings per share.

On March 26, 2020, the Extraordinary General Meeting adopted a resolution to reduce the Company's share capital by PLN 1,030,085. After the decrease, the share capital amounted to PLN 17,541,213. As part of the share redemption, the Company was to pay the shareholder PLN 89.1 million, by December 31, 2020, the amount of PLN 73.1 million was paid. On January 25, 2021, the company repaid the remaining amount of PLN 16 million.

The following table reflects the profit and share information used in the basic and diluted EPS calculations:

	2020	2019
Profit attributable to ordinary equity holders of the Parent:		
Continuing operations	362.6	54.0
Discontinued operations	(1.2)	(3.2)
Profit attributable to ordinary equity holders of the Parent for basic EPS	361.4	50.8
Effect of dilution	-	-
Profit attributable to ordinary equity holders of the parent adjusted for the effect of dilution	361.4	50.8
Weighted average number of ordinary shares for basic EPS	17.9	18.6
Basic / Diluted earnings per share (in PLN)	20.2	2.7
Basic / Diluted earnings per share (in PLN) - Continuing operations	20.3	2.9
Basic / Diluted earnings per share (in PLN) - Discontinued operations	(0.1)	(0.2)

** Weighted average number of shares takes into account the weighted average effect of movements in shares during the year.*

	12 month period ending on December 31st 2020	12 month period ending on December 31st 2019
Weighted average number of ordinary shares for basic earnings per share at end of period	17 851 650	18 571 298

12. INTANGIBLE ASSETS

	Trademarks	Development costs	Software	Intangible assets in progress	Total
Cost at 01-01-2020	**6.0**	**146.7**	**145.9**	**6.4**	**305.0**
Additions	-	7.2	35.9	9.2	52.3
Disposal	-	-	(29.0)	(1.2)	(30.2)
Other movements	-	(0.3)	(0.2)	-	(0.5)
Effect of movements in exchange rates	-	0.1	-	-	0.1
Cost at 31-12-2020	**6.0**	**153.7**	**152.6**	**14.4**	**326.7**
Accumulated amortization at 01-01-2020	**1.0**	**82.1**	**63.0**	**-**	**146.1**
Amortization for the period	0.1	15.0	10.9	-	26.0
Disposal	-	-	(9.7)	-	(9.7)
Other movements	-	-	(0.3)	-	(0.3)
Effect of movements in exchange rates	-	-	-	-	-
Accumulated amortization at 31-12-2020	**1.1**	**97.1**	**63.9**	**-**	**162.1**
Impairment losses at 01-01-2020	**-**	**10.9**	**26.8**	**(0.8)**	**36.9**
Impairment loss	-	0.6	-	-	0.6
Reversal of impairment loss	-	(1.1)	-	-	(1.1)
Disposal	-	-	(19.3)	-	(19.3)
Other movements	-	(0.8)	-	0.8	-
Effect of movements in exchange rates	-	-	-	-	-
Impairment losses at 31-12-2020	**-**	**9.6**	**7.5**	**-**	**17.1**
Carrying amount at 31-12-2020	**4.9**	**47.0**	**81.2**	**14.4**	**147.5**

	Trademarks	Development costs	Software	Intangible assets in progress	Total
Cost at 01-01-2019	**6.0**	**110.5**	**126.7**	**44.7**	**287.9**
Additions	-	0.5	-	32.8	33.3
Disposal	-	(2.2)	(4.7)	(9.2)	(16.1)
Other movements	-	37.9	23.9	(61.9)	(0.1)
Effect of movements in exchange rates	-	-	-	-	-
Cost at 31-12-2019	**6.0**	**146.7**	**145.9**	**6.4**	**305.0**
Accumulated amortization at 01-01-2019	**0.8**	**67.5**	**50.1**	**-**	**118.4**
Amortization for the period	0.2	16.8	13.6	-	30.6
Disposal	-	(2.2)	(0.7)	-	(2.9)
Other movements	-	-	-	-	-
Effect of movements in exchange rates	-	-	-	-	-
Accumulated amortization at 31-12-2019	**1.0**	**82.1**	**63.0**	**-**	**146.1**
Impairment losses at 01-01-2019	**-**	**10.4**	**30.7**	**5.6**	**46.7**
Impairment loss	-	0.5	-	1.9	2.4
Reversal of impairment loss	-	-	-	-	-
Disposal	-	-	(3.9)	(7.5)	(11.4)
Other movements	-	-	-	(0.8)	(0.8)
Effect of movements in exchange rates	-	-	-	-	-
Impairment losses at 31-12-2019	**-**	**10.9**	**26.8**	**(0.8)**	**36.9**
Carrying amount at 31-12-2019	**5.0**	**53.7**	**56.1**	**7.2**	**122.0**

Recoverability of development costs

The processes related to development costs until July 2020 were centralized at the group level in Integer Group Services Sp. z o.o. from July 2020, services related to development works are performed by the related company InPost Technology S.a.r.l. Development costs include mainly software and key IT systems. Due to the relatively specific nature of the Group's operations, most intangible assets are developed internally, including software. The software is developed in cooperation with external IT solution providers. The Group is constantly looking for new solutions to increase the efficiency of processes or to improve / implement new services, therefore various research and development (and sub-projects) projects are carried out at various stages.

The Group recognizes intangible assets, if they are related with development projects, for which:

a. it is probable that the expected future economic benefits that are attributable to the development costs will flow to the Group; and
b. espective cost can be measured reliably.

Realisation of development project and capitalization of respective costs to intangible assets is subject to corporate approvals. In order to approve project for development a comprehensive analysis is performed based on information provided by sale, logistics, marketing and finance functions. The analysis aims to determine:

- technical feasibility of a project;
- impact on efficiency of processes or magnitude of potential demand for new products;
- capital expenditures requirements; (including cost of third party providers); and
- project timeline.

To demonstrate whether the output will generate probable future economic benefits the Group assesses the output of projects as a separate asset or in combination with other assets forming a cash-generating unit.

Development costs are realized by dedicated teams in accordance with approved project budgets. The Group records directly attributable expenses for development project using management accounts and respective allocation keys. Major directly attributable costs are costs of materials and services used or consumed as well as costs of employee benefits. Realisation of budgets is regularly monitored. In case of changes resulting in an increase in capital expenditures requirements or decrease in expected economic benefits the project is reviewed in terms of actual recoverability and if the recoverability is assessed as satisfactory the project is continued under the adjusted assumptions.

Amortization is commenced upon completion of acceptance procedures aiming to demonstrate that the asset is ready for intended use.

The most significant development costs are:

- Software: Trucker Transition Programme, Workflow Programme, Pricing Tool and InPost Mobile Application
- Development costs: product design of refrigerated locker machines ("RLM's") and banking parcel machines as well as documented business processes related to courier and logistics operations
- Intangible assets in progress: outlays related to the creation of the new TMS sales and logistics system.

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Machinery and equipment	Vehicles	Other	RoU	Assets under construction	Total
Costs at 01-01-2020	**10.6**	**873.6**	**1.4**	**10.3**	**497.1**	**70.4**	**1 463.4**
Additions	4.2	414.2	5.1	6.5	-	14.7	444.7
Additions – leases	-	-	-	-	511.7	-	511.7
Disposal	(0.2)	(15.3)	-	(0.4)	(55.0)	-	(70.9)
Other movements*	-	1.1	-	-	(12.4)	(9.6)	(20.9)
Effect of movements in exchange rates	-	6.3	-	0.1	0.6	0.2	7.2
Costs at 31-12-2020	**14.6**	**1 279.9**	**6.5**	**16.5**	**942.0**	**75.7**	**2 335.2**
Accumulated depreciation at 01-01-2020	**2.3**	**262.6**	**0.5**	**4.2**	**169.6**	**-**	**439.2**
Depreciation for the period	1.2	102.9	0.3	3.2	222.4	-	330.0
Disposal	-	(12.7)	-	(0.4)	(11.0)	-	(24.1)
Other movements*	-	1.9	-	-	(3.9)	-	(2.0)
Effect of movements in exchange rates	-	3.1	-	-	0.4	-	3.5
Accumulated depreciation at 31-12-2020	**3.5**	**357.8**	**0.8**	**7.0**	**377.5**	**-**	**746.6**
Impairment losses at 01-01-2020	**-**	**14.9**	**-**	**-**	**6.6**	**4.7**	**26.2**
Impairment loss	-	0.8	-	-	-	1.2	2.0
Reversal of impairment losses	-	(0.4)	-	-	-	-	(0.4)
Disposal	-	(1.8)	-	-	(2.0)	-	(3.8)
Other movements	-	-	-	-	-	-	-
Effect of movements in exchange rates	-	-	-	-	-	0.2	0.2
Impairment losses at 31-12-2020	**-**	**13.5**	**-**	**-**	**4.6**	**6.1**	**24.2**
Carrying amount at 31-12-2020	**11.1**	**908.6**	**5.7**	**9.5**	**559.9**	**69.6**	**1 564.4**

** Other movement in 2020 are mainly related to the adjustments of the value of the right of use in connection with the signed annexes to lease agreements and the write-off related to the sale of fixed assets under construction to the related company InPost Technology S.a.r.l.*

	Land and buildings	Machinery and equipment	Vehicles	Other	RoU	Assets under construction	Total
Costs at 01-01-2019	**8.3**	**536.2**	**1.3**	**12.5**	**338.2**	**88.3**	**984.8**
Additions	3.4	280.9	3.0	3.2	-	(5.8)	284.7
Additions – leases	-	-	-	-	249.4	-	249.4
Disposal	(1.1)	(3.5)	(0.3)	(5.4)	(9.1)	-	(19.4)
Other movements*	-	57.0	(2.6)	-	(82.0)	(12.1)	(39.7)
Effect of movements in exchange rates	-	3.0	-	-	0.6	-	3.6
Costs at 31-12-2019	**10.6**	**873.6**	**1.4**	**10.3**	**497.1**	**70.4**	**1 463.4**
Accumulated depreciation at 01-01-2019	**1.8**	**172.3**	**0.7**	**3.6**	**94.9**	**-**	**273.3**
Depreciation for the period	0.6	69.5	0.2	1.9	118.7	-	190.9
Disposal	(0.1)	(2.7)	(0.3)	(1.3)	(8.4)	-	(12.8)
Other movements*	-	22.4	(0.1)	-	(35.8)	-	(13.5)
Effect of movements in exchange rates	-	1.1	-	-	0.2	-	1.3
Accumulated depreciation at 31-12-2019	**2.3**	**262.6**	**0.5**	**4.2**	**169.6**	**-**	**439.2**
Impairment losses at 01-01-2019	**-**	**15.0**	**-**	**0.1**	**6.6**	**2.4**	**24.1**
Impairment loss	-	-	-	-	-	6.7	6.7
Reversal of impairment losses	-	-	-	-	-	-	-
Disposal	-	(0.1)	-	(0.1)	-	(4.4)	(4.6)
Other movements	-	-	-	-	-	-	-
Effect of movements in exchange rates	-	-	-	-	-	-	-
Impairment losses at 31-12-2019	**-**	**14.9**	**-**	**-**	**6.6**	**4.7**	**26.2**
Carrying amount at 31-12-2019	**8.3**	**596.1**	**0.9**	**6.1**	**320.9**	**65.7**	**998.0**

** Other movement in 2019 are mainly related to the change in the presentation of the right-of-use asset after the exercise of the purchase option at the end of the lease period (mainly parcel lockers and IT equipment) and the derecognition related to sale and leaseback sales.*

Impairment testing for CGU related to foreign operation

In 2020 and 2019, the Group observed that foreign entities (Italy and the UK) incurred operating losses, which was assessed as an impairment indicator, and therefore the Group tested non-financial assets related to these foreign branches and estimated the recoverable amount of individual units generating operating losses.

The recoverable amount of the CGU was estimated based on their fair value less cost of disposal. The major assets of the CGUs are property, plant and equipment (APMs) and since there are no other operations then related with APM's (nor related assets) the Group assessed that the fair value less costs of disposal of APMs represents a reasonable estimation of the CGU's fair value less costs of disposal of the CGU's. The value in use of the CGU was not determined because the Group assessed that there is no reason to believe that value in use materially exceeds its fair value less costs of disposal for operations that are discontinued. Some of the tested CGUs are continued foreign operations that generate revenue (the UK, Italy) and their value in use potentially could be determined. However, operations in the UK and Italy currently generate operating losses as they are in the process of strategic changes of their business model, which aims to improve results in subsequent periods. In the light of the above the Group determined that the value in use would be lower than fair value less cost of disposal and therefore recoverable amount was determined based on fair value less costs of disposal of CGU.

Due to the fact that the recoverability of APM's is very high as compared to their cost, the Group determines fair value less cost of disposal using expected cash flows per APM as if the APMs were used in Poland multiplied by the number of APMs in the tested CGU. Even a significant change in the underlying assumptions of APM's cash flows would not result in impairment, as the resulting surplus of recoverable amount over carrying amount of the CGUs is significant. APM's cash flows are calculated taking into consideration that they are standardized and upon minor adjustments can be easily relocated and used in Poland, where the Group is expanding its network and operations are profitable. In order to determine fair value less cost of disposal there is a further adjustment for estimated cost of transportation of the APM's to Poland .

When calculating the fair value of the parcel machine after it was brought to Poland, the WACC ratio was used at the level of 12.88% and the annual growth rate of 0%.

The following is a summary of the total recoverable amount and carrying amount at the end of each year for all tested foreign-related cost-generating units:

All units tested	2020	2019
Recoverable value	196.1	232.9
Balance sheet value	63.6	45.6
Surplus	**132.4**	**187.3**

In the years 2019-2020 there were no changes in the methodology used.

14. LEASES

The Group leases mainly the following underlying assets:

1. Equipment, mainly including automatic parcel machines and sorting equipment;
2. Land on which automatic machines are installed;
3. Warehouses and offices;
4. Vehicles and trailers.

Leases of automatic parcel machines are concluded for a definite period of time, and typically run for a period of 3-4 years with the option to purchase the underlying assets at the end of the lease term. Contracts for leases of automatic parcel machines are denominated in PLN and EUR.

Contracts for the remaining classes of underlying assets are concluded either for a definite or indefinite period with relatively short termination notice period (up to a few months). The Group does not apply the short-term lease exemption for such contracts and recognizes right-of-use assets and lease liabilities. Contracts for leases of office space, warehouses and some of the land leases are denominated in EUR, what increases the Group's exposure to currency risk.

Payments for some leases vary due to a change in an index or rates i.e. WIBOR rate and consumer price index. Contracts containing variable lease payments that depend on an index or rate are initially measured using the index or rate as at the lease commencement and are subsequently remeasured when the underlying index or rate is changed.

Contracts concluded for a definite period generally do not include early termination or option to extend the lease term.

14.1. Right-of-use of assets

Right-of-use assets are presented in Property, plant and equipment. The below table presents a disaggregation of the right-of-use assets by class of underlying asset:

	Land and buildings	Machinery and equipment	Vehicles	Other	Total
Costs at 01-01-2020	**269.5**	**139.0**	**88.1**	**0.5**	**497.1**
Additions	343.5	51.7	116.5	-	511.7
Disposal	(39.0)	(0.9)	(14.6)	(0.5)	(55.0)
Other movements*	(11.8)	0.3	(0.9)		(12.4)
Effect of movements in exchange rates	0.6	-	-	-	0.6
Costs at 31-12-2020	**562.8**	**190.1**	**189.1**	**-**	**942.0**
Accumulated depreciation at 01-01.2020	**91.8**	**36.2**	**41.6**	**-**	**169.6**
Depreciation for the period	109.4	30.8	82.2	-	222.4
Disposal	(9.1)	(0.9)	(1.0)	-	(11.0)
Other movements*	(0.8)	(2.5)	(0.6)	-	(3.9)
Effect of movements in exchange rates	0.4			-	0.4
Accumulated depreciation at 31-12-2020	**191.7**	**63.6**	**122.2**	**-**	**377.5**
Impairment losses at 01-01-2020	**-**	**6.6**	**-**	**-**	**6.6**
Impairment losses at 31-12-2020	**-**	**4.6**	**-**	**-**	**4.6**
Carrying amount at 31-12-2020	**371.1**	**121.9**	**66.9**	**0.0**	**559.9**

**Other movement in 2020 are primarily related to the right to value adjustments use in connection with signed annexes to lease agreements*

	Land and buildings	Machinery and equipment	Vehicles	Other	Total
Costs at 01-01-2019	**125.4**	**206.6**	**5.7**	**0.5**	**338.2**
Additions	157.2	9.8	82.4	-	249.4
Disposal	(9.1)	-	-	-	(9.1)
Other movements*	(4.6)	(77.4)	-	-	(82.0)
Effect of movements in exchange rates	0.6	-	-	-	0.6
Costs at 31-12-2019	**269.5**	**139.0**	**88.1**	**0.5**	**497.1**
Accumulated depreciation at 01-01-2019	**41.6**	**51.2**	**2.1**	**-**	**94.9**
Depreciation for the period	58.3	20.9	39.6	-	118.8
Disposal	(8.4)	-	-	-	(8.4)
Other movements*	-	(36.0)	-	-	(36.0)
Effect of movements in exchange rates	0.3	-	-	-	0.3
Accumulated depreciation at 31-12-2019	**91.8**	**36.2**	**41.6**	**-**	**169.6**
Impairment losses at 01-01-2019	**-**	**6.6**	**-**	**-**	**6.6**
Impairment losses at 31-12-2019	**-**	**6.6**	**-**	**-**	**6.6**
Carrying amount at 31-12-2019	**177.7**	**96.2**	**46.5**	**0.5**	**320.9**

**Other movement in 2019 are primarily related to the right to value adjustments use in connection with signed annexes to lease agreements*

14.2. Lease liability

Lease liability	2020	2019
up to 1 year	232.7	150.9
from 1 to 3 years	131.6	68.4
from 3 yo 5 years	116.9	48.1
more than 5 years	55.4	7.9
Total	**536.6**	**275.3**

14.3. Amounts recognized in the statement of cash flows

	2020	2019
Payment of principal portion of lease liability	204.9	136.5
Lease interest paid	21.1	12.3
Total	**226.0**	**148.8**

15. ASSETS PLEDGED AS SECURITY FOR LIABILITIES

In accordance with provisions of the loan agreement of September 6, 2018, assets of the Integer Group Companies constitute security for this agreement. In accordance with provisions of the agreement, collateral in 2020 is as follows:

- cash in bank accounts;
- intra-group loans; and
- intra-group receivables.

The value of all assets pledged as cover in the statement of financial position is as follows:

Item in the statement of financial position	31 December 2020	31 December 2019
Cash and cash equivalents	139.3	113.0
Total assets pledged as collateral	**139.3**	**113.0**

16. OTHER ASSETS

	31 December 2020	31 December 2019
Non-current	**0.8**	**0.2**
Policies, other insurance	-	0.2
Prepaid services	0.8	-
Current	**70.2**	**28.6**
Policies, other insurance	1.7	2.9
Prepaid services	5.0	2.8
Prepayments for property, plant and equipment and intangible assets	63.5	22.9

17. TRADE AND OTHER RECEIVABLES

	31 December 2020	31 December 2019
Trade receivables	415.9	186.8
Other receivables	27.1	29.0
Trade and other receivables	**443.0**	**215.8**

Trade receivables are non-interest bearing and usually have a maturity of 7–90 days.

	31 December 2020	31 December 2019
Trade receivables at fair value through profit or loss (designated to be subject to non-recourse factoring arrangements)	91.6	54.4
Trade receivables (gross) at amortized cost	401.1	220.2
Expected credit losses - individual approach	(74.0)	(86.0)
Expected credit losses - collective approach	(2.8)	(1.8)
Total trade receivables	**415.9**	**186.8**

Trade receivables at fair value through profit or loss (designated to be subject to non-recourse factoring arrangements)

Trade receivables are measured at fair value based on the pricing terms of factoring arrangements regarding transfer of receivables, which are assessed by the Management as reflecting their fair value as of the reporting date.

Trade receivables (gross) at amortized cost

Set out below is the movement in the allowance for expected credit losses on trade receivables:

	31 December 2020	31 December 2019
Opening balance	**87.8**	**111.5**
Decrease – utilization	(6.4)	(4.7)
Expected/incurred credit losses recognised / (reversed)	(4.5)	(19.0)
Closing balance	**76.8**	**87.8**

Movements in the allowance for expected credit losses on trade and other receivables

The total impact of the allowance movements on profit or loss for 2020 amounted to PLN 4.5 million - as a net increase of profit for 2020 (2019 had a similar effect on the result in the amount of PLN 14.1 million).

Reconciliation of trade receivables allowance movements to profit or loss is presented below:

	2020	2019
Impairment loss (gain) - trade receivables	(4.5)	(19.0)
Impairment loss (gain) - other non-current receivables	-	(4.2)
Impairment loss (gain) - other receivables (financial assets)	-	9.1
Total impact on profit or loss for the year	(4.5)	(14.1)
Of which:		
Continued operations (impairment of trade receivables and other financial assets)	(3.9)	(3.5)
Discontinued operations	(0.6)	(10.6)

The information about credit exposures and expected credit losses are disclosed in Note 38.

18. OTHER RECEIVABLES

	31 December 2020	31 December 2019
Financial assets	**4.7**	**3.0**
Receivables from settlement of cash-on-delivery option	-	-
Deposits	4.7	3.0
Non-financial assets	**22.5**	**26.0**
Receivables from the state	5.8	16.2
Other	16.7	9.8
Total other receivables	**27.1**	**29.0**

19. CASH AND CASH EQUIVALENTS

	31 December 2020	31 December 2019
Cash in bank and at hand	139.3	113
Total cash	**139.3**	**113**
Including in currency:	**25.7**	**35.6**
Cash in EUR converted to PLN	21	15,4
Cash in GBP converted to PLN	4,2	20,0
Cash in USD converted to PLN	0,4	0,1
Cash in other foreign currencies converted to PLN	0,1	0,1

20. SHARE CAPITAL

Series	Nominal value	31 December 2020	31 December 2019
A series shares	PLN 1 each	3,083,500	3,083,500
B series shares	PLN 1 each	111,934	111,934
C series shares	PLN 1 each	535,708	535,708
D series shares	PLN 1 each	656,603	656,603
E series shares	PLN 1 each	1,550,000	1,550,000
H series shares	PLN 1 each	301,003	301,003
I series shares	PLN 1 each	296,886	296,886
J series shares	PLN 1 each	292,771	292,771
K series shares	PLN 1 each	46,950	46,950
L series shares	PLN 1 each	888,862	888,862
N series shares	PLN 1 each	5,110,653	5,110,653
O series shares	PLN 1 each	-	1,030,085
P series shares	PLN 1 each	4 666 343	4,666,343
		17,541,213	**18,571,298**

On March 26, 2020, the Extraordinary General Meeting adopted resolution on the redemption of 1,030,085 series O shares for PLN 89.21 million. According to the resolution, payment for redeemed shares was to be made by March 31, 2021. By December 31, 2020, payment of EUR 16.3 million (PLN 73.1 million) was made. The remaining part is presented in the balance sheet under „other liabilities", in the amount of PLN 16 million, the amount was paid on January 25, 2021. The change in share capital was registered in the National Court Register in April 2020. The difference between the purchase price of shares and their nominal value (which reduces the share capital) is reflected in the supplementary capital.

21. RESERVE CAPITAL

	31 December 2020	31 December 2019
Reserve capital:	**651.4**	**944.5**
Share premium	856.3	944.5
Coverage of losses from previous years	(325.3)	-
Results from previous years	120.4	-

The surplus of nominal value of shares is the difference between the nominal value of issued shares and issue price.

22. DIVIDENDS PAID AND PROPOSED FOR PAYMENT

On September 30, 2020, the Annual General Meeting of the Company approved standalone financial statements of Integer.pl S.A. for the year ended December 31, 2019. The General Meeting approved the financial statements and decided to distribute the net profit: to pay PLN 40 million of dividends to the sole shareholder AI Prime (Luxembourg) Bidco S.a.r.l. and PLN 120.4 million for supplementary capital with the possibility of paying advances for dividends in subsequent years.

23. CAPITAL MANAGEMENT

The Group's policy is to maintain a strong capital base so as maintain market, investor and creditor confidence and to sustain future development of the business. Management monitors capital four times a year including analysis of cost of capital and respective risks associated with each source of capital. The Group aims to ensure that its companies are able to continue operating while maximizing profitability for shareholders by optimizing the debt-to-equity ratio and maximization the return on capital.

The capital of the Group includes debt including loans and borrowings (presented in Note24), lease liabilities (presented in Note 25) and capital attributable to shareholders (including: shares issued, capital reserve and retained earnings).

Management seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowing and the advantages and security afforded by a sound capital position. The weighted-average interest expense on interest-bearing borrowings was 7.08% (2019: 6.63%).

The Group monitors capital using a ratio of "net debt" to "equity". Net debt is calculated as total liabilities (as shown in the statement of financial position) less cash and cash equivalents. Total equity is calculated as the sum of equity presented in the consolidated statement of financial position and net debt.

The Group's net debt to equity ratio as at December 31, 2020 and December 31, 2019 was as follows:

	31 December 2020	31 December 2019
Total liabilities	1 855.2	1 180.5
Less: cash and cash equivalents	(139.3)	(113.0)
Net debt	**1 715.9**	**1 067.5**
Equity	**631.6**	**389.3**
Net debt to equity	**2.72**	**2.74**

The Group's capital management, among other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit creditors to immediately call loans and borrowings. There have been no breaches of the financial covenants of any interest-bearing loans and borrowing in the presented periods.

No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2020 and December 31, 2019.

On September 30, 2020, the Ordinary General Meeting of the Company decided to pay PLN 40 million in the form of dividends to the sole shareholder of AI Prime (Luxembourg) Bidco S.a.r.l. and allocated PLN 120.4 million from the result of previous years to supplementary capital with the possibility of paying advances for dividends in future years.

24. LOANS AND BORROWINGS

	31 December 2020	31 December 2019
Current liabilities	**23.7**	**4.9**
Loans from related parties	4.7	-
Bank loans	0.1	4.9
Loans secured by fixed assets	18.8	-
Non-current liabilities	**743.4**	**613.3**
Loans from related parties	686.0	613.3
Bank loans	-	-
Loans secured by fixed assets	57.4	-
Total	**767.1**	**618.2**

Increase in loans and borrowings by PLN 148.9 million (PLN 767.1 million as at December 31, 2020, compared to PLN 618.2 million as at December 31, 2019) was due to:

- conversion of some loan tranches (April 7, 2020) - EUR 48.5 million was converted at the exchange rate of 4.5392, which gives PLN 220 million, which means an increase in value by PLN 13.3 million compared to December 31, 2019;
- valuation of remaining loan principal as at December 31, 2020, which resulted in an increase in value by PLN 36.1 million. As a result of signing letter of intent in December 2020 on the repayment of the existing financing and in its place obtaining new financing from a syndicate of banks, the Group valued loans at nominal value, which resulted in an increase in value of loans by PLN 24.6 million. Additionally, an overdraft facility was taken out in the amount of PLN 0.1

million. The increase was compensated by the payment made in the amount of PLN 4.9 million. An additional increase in credit obligations resulted from secured credit transactions secured with parcel machines, sorters and IT equipment. As a result, the Group received PLN 84.9 million of cash inflows.

Loans and borrowings	Currency	Agreement	Purpose	Changes	Interest rate	Nominal value	Carrying amount 2020	Carrying amount 2019	31 grudnia 2019
AI Prime Bidco S.à r.l.	Due date	Agreement dated 27.09.2018 Annex concluded 6.09.2019 Annex concluded 09.04.2020	Not specified	annex increasing financing facility form EUR 125 million to EUR 173 million annex imp annex introducing currency conver-sion from EUR 48.5 million to PLN 220 million	EURIBOR01 + margin 6.25% - 6.5%; interest accrued in each interest period is payable on the last day of that period	EUR 173 million	360.1	518.6	31.03.2024
	PLN				WIBOR + margin 7.75% - 8%; interest accrued in each interest period is payable on the last day of that period (the interest period of PLN financing lasts 6 months)		224.7	-	31.03.2024
AI Prime Bidco S.à r.l.	EUR	Agreement of April 12, 2018 Annex concluded on October 31, 2019 Annex concluded on Decem-ber 31, 2019	Not specified	Annex changing the interest rate from a fixed 10% to EURI-BOR01 + a margin of 6.5% per annum conversion of EUR 2.9 million in interest into equity	EURIBOR01 + 6.5% margin annually; interest capitalized at the reporting date up to the principal amount of the loan	EUR 22.9 million	105.9	99.6	31.12.2028
mBank S.A.	PLN	Agreement of 09/27/2018 The annex concluded on September 6, 2019 Annex concluded on June 22, 2020	Not specified	an annex increasing the financing instru-ment from EUR 12.5 million to EUR 23.5 million an annex changing the currency to PLN 125 million	WIBOR 1M + 2.5 %	PLN 125 million	0.2	-	27.09.2023
Bank Polska Kasa Opieki S.A.	PLN	Agreement of 09/27/2018 The annex concluded on September 6, 2019 Annex concluded on June 18, 2020	Not specified	an annex increasing the financing instru-ment from EUR 12.5 million to EUR 23.5 million an annex changing the currency to PLN 125 million	WIBOR 1M + 2.5 %	PLN 125 million	-	-	27.09.2023

Collaterals for loans and borrowings are presented in Note 34.

25. OTHER FINANCIAL LIABILITIES

	31 December 2020	31 December 2019
Non-current	**304.0**	**124.4**
lease liabilities	304.0	124.4
Current	**232.7**	**152.3**
lease liabilities	232.6	150.9
factoring liabilities	0.1	1.4
Total	536.7	276.7
Other financial liabilities	**27,1**	**29,0**

26. RECONCILIATION OF MOVEMENTS OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

31 December 2020	Loans and Borrowings	Lease liabilities	Factoring liabilities
Amount at the beginning of period	**618.2**	**275.3**	**1.4**
Changes from financing cash flows			
Proceeds from loans and borrowings	84.9	-	-
Payment of principal portion of lease liability	-	(204.9)	-
Repayment of loans and credits	(8.8)	-	-
Repayment of interest and commission on the loan	(53.6)	(21.1)	-
Total changes from cash flows from financing activities	**22.5**	**(226.0)**	**-**
Other changes			
Lease additions	-	450.0	-
Interest cost	52.4	21.1	-
Other changes *	24.6	1.2	(1.3)
Effect of changes in foreign exchange rates	49.4	15.0	-
Total liability-related other changes	**126.4**	**487.3**	**(1.3)**
Amount at the end of period	**767.1**	**536.6**	**0.1**

** The effect of the reversal of the valuation of loans received according to the amortized cost due to refinancing after the balance sheet date, described - in Note 41 .*

31 December 2020	Loans and Borrowings	Lease liabilities	Factoring liabilities
Amount at the beginning of period	**438.0**	**167.2**	**2.0**
Changes from financing cash flows			
Proceeds from loans and borrowings	182.8	**-**	**1.4**
Payment of principal portion of lease liability	-	(136.5)	-
Repayment of loans and credits	(31.1)	-	-
Total changes from cash flows from financing activities	**151.7**	**(136.5)**	**1.4**
Other changes			
Lease additions	-	249.4	-
Interest cost	39.2	14.7	-
Interest paid	-	(12.3)	-
Other changes	4.2	-	(2.0)
The effect of netting liabilities and leasing receivables	-	(4.2)	-
Effect of changes in foreign exchange rates	(14.9)	(3.0)	-
Other changes total	**28.5**	**244.6**	**(2.0)**
Amount at the end of period	**618.2**	**275.3**	**1.4**

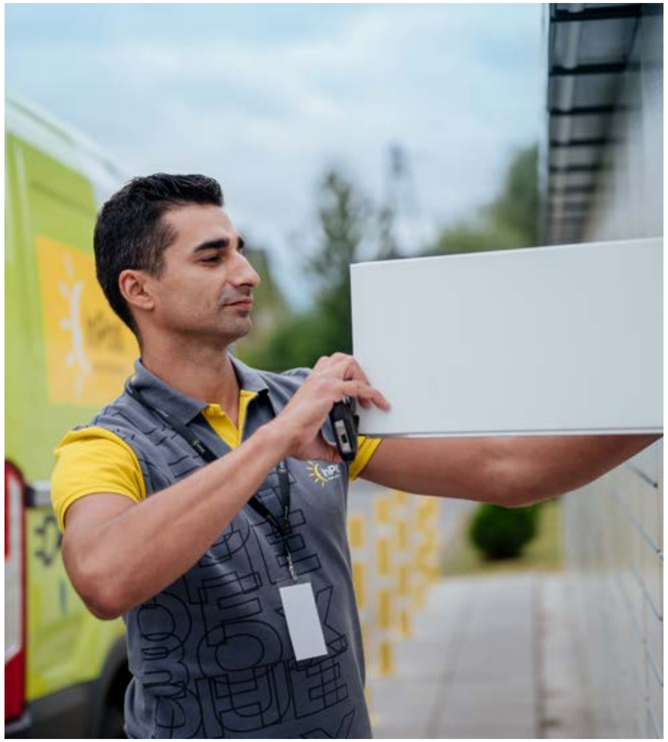
27. CONTINGENT ASSETS AND LIABILITIES

Coverage of net cost of common services provided by the appointed operator - Poczta Polska (contingent liability))

InPost Paczkomaty sp. z o.o. and InPost sp. z o.o. are registered as a postal operators in the register maintained by the Polish authority charged with regulating postal operators.

The Polish Postal Act provides that universal postal services, comprising sorting, transport and delivery of letter-post items and postal parcels of specified dimensions, are provided by the designated operator (currently, Poczta Polska S.A. ('Polish Post')). Further, the Polish Postal Act provides that the designated operator may apply for a certain subsidy in the form of the financing of the net cost, due to the fact that designated operator is obliged to fulfil a number of obligations, including providing services throughout the country and incurs certain costs. The net cost is the difference between the justified net cost of operations of the designated operator and the net cost of operations of the same operator providing postal services but not subject to the universal service obligation, minus the indirect benefits related to the provision of universal services and the benefits resulting from special or exclusive rights granted to the designated operator.

The financing of the net cost is triggered when the provision of universal services has resulted in a loss, understood as a negative result on the sale of these services. The net cost is financed up to the amount of the loss on the provision of universal services. The Polish Postal Act establishes a mixed method of financing the net cost. In the first place, the net cost should be financed by postal operators providing universal services or services falling within the scope of universal services, whose revenue from these services in the financial year for which the surcharge is determined exceeded PLN 1.0 million. Each postal operator is obliged to participate in the surcharge finances the net cost in the amount established as the proportion of their revenues from the provision of universal services or services falling within the scope of universal services to the total revenues of all postal operators obtained from the provision of such services. The Polish Postal Act provides for a maximum share of each operator in the subsidy of up to 2% of the amount of revenues obtained by the relevant operator from universal services or services falling within the scope of universal services. It should be noted, however, that in the case of the 2013 surcharge, the amount of the surcharge is not calculated for income exceeding PLN 1 million, but covers the entire income of the operator. It results directly from Art. 2 of the Act of On April 21, 2017 amending the Postal Law Act (Journal of Laws of 2017, item 1128), which states: „To determine the net cost of the obligation to provide services general, the amount of the surcharge, the obligation of the postal operator to participate in the surcharge and the amount of this share, as well as for the publication by the President of the Office of Electronic Communications in the Public Information Bulletin on the website of the President of the Office of Electronic Communications final findings referred to in Art. 119 of the Act amended in Art. 1 in the current wording, for the years 2013-2015, the current provisions shall apply. „ The regulations in force before the above change provided that the additional payment is calculated on the entire income, not on the part exceeding PLN 1 million. In real terms, this translates into an increase in the surcharge by PLN 20,000 for each of the operators obliged to participate in the net cost for 2013. If the sum of the shares in the surcharge is



not sufficient to finance the total net cost, the excess is financed from the State.

This above means that if the designated operator (i.e. the Polish Post) incurs a loss from the provision of universal services, it may apply for the financing the net cost, resulting in the obligation of InPost Paczkomaty sp. z o.o. and InPost sp. z o.o. to participate in the surcharge of up to 2% of the amount of revenues obtained by InPost Paczkomaty sp. z o.o. and InPost sp. z o.o. from universal services or services falling within the scope of universal services (if their revenue from these services in the financial year for which the surcharge is determined exceeded PLN 1.0 million). Since the introduction of the above-described regulation concerning the financing of the net costs, the designated operator (Polish Post) sustained a loss on the provision of universal services for the 2013. As a result, the President of the Office of Electronic Communications (Urząd Komunikacji Elektronicznej – 'UKE') issued a decision obliging postal operators other than Polish Post to transfer PLN 95.1 million to Polish Post as a surcharge .

Decision establishing the amount of the additional payment due to Poczta Polska S.A. was contested by InPost Paczkomaty Sp. z o.o. The Provincial Administrative Court in Warsaw revoked the above decision for formal reasons. The judgment of the Provincial Administrative Court is not final due to the cassation appeal brought by InPost Paczkomaty Sp. z o.o.. However, when the decision of the Voivodship Administrative Court becomes final, the proceedings will be returned to the President of UKE, because the revocation of the President of UKE's decision is based solely on formal reasons.

Subsequently, the President of UKE instigated proceedings aimed at establishing the amount to be paid by each entity, including Paczkomaty sp. z o.o . (which in 2013 provided universal postal services). As of today, the President of UKE has not yet determined the amounts of the surcharge to the universal services that would be payable by InPost Paczkomaty sp. z o.o . On October 15, 2020, the proceedings were suspended due to the above mentioned revocation by the Provincial Administrative Court in Warsaw of the decision of the President of UKE establishing amount of the surcharge due to Poczta Polska SA . As at moment of publishing this consolidated financial statement it is difficult to determine exact moment when the President of UKE will determine the amount of participation in the surcharge from InPost Paczkomaty Sp. z o.o. It is estimated that the maximum aggregate sum to be paid by InPost S.A. and InPost Paczkomaty sp. z o.o. will amount to approx. PLN 3.2 million. After 2013 the Polish Post did not incur losses from provision of universal services and the re. If the Polish Post (or another relevant designated operator) would incur losses from the provision of universal services in the future, the above-mentioned regime would apply levant Group entities providing universal services or services falling within the scope of universal services in the financial year to which the loss would relate, could be obliged to participate in covering the relevant amount of the net costs.

On October 15, 2020, the proceedings were suspended due to the abovementioned revocation by the Provincial Administrative Court in Warsaw of the decision of the President of UKE establishing the amount of the surcharge due to Poczta Polska SA At present, it is difficult to determine the moment when the President of UKE will determine the amount of participation in the surcharge InPost Paczkomaty Sp. z o.o.

By letter of 27 January 2021, Poczta Polska S.A. requested the President of UKE to agree and approve the draft description of the net cost calculation for 2020. Pursuant to § 8.1 of the Regulation of 30 April 2013 on the calculation of the net cost of universal service obligations, if the designated operator intends to apply for the subsidy, it submits to the President of UKE a draft description of the net cost calculation for the financial year in which the loss on universal services is forecast, understood as a negative result on their sale, within 1 month after the end of this financial year. This means that Poczta Polska S.A. intends to apply for a subsidy for 2020.

InPost Paczkomaty Sp. z o.o. also accused the European Commission that the decision of the President of UKE approving granting by the State aid to the designated operator (i.e. Poczta Polska S.A.) is inconsistent with European law. However, in the proceedings before the European Court of Justice, both first and second instance judgments were not favourable for InPost Paczkomaty Sp. z o.o.

28. PROVISIONS AND EMPLOYEE BENEFITS

	Provision for exit costs*	Employee benefits	Performance bonuses	Cash Bonus Plan	Other	Total
Balance as at 31.12.2019	**4.3**	**3.9**	**8.3**	**10.1**	**2.8**	**29.4**
Recognition / Creation	1.0	**4.1**	**7.1**	**21.8**	**5.6**	**39.6**
Release	-	-	-	-	(1.6)	(1.6)
Use	(0.3)	(1.5)	(8.3)	(3.1)	-	(13.2)
Balance as at 31.12.2020	**5.0**	**6.5**	**7.1**	**28.8**	**6.8**	**54.2**

** Provisions for liquidation of activities in foreign markets.*

The analysis of the impact of creating and releasing provisions and employee benefits on the financial result is presented below:

	2020	2019
Total impact of net recognition/ (release) on profit or loss for the year	38.0	17.3
Of which:		
Continued operations	37.0	18.7
Discontinued operations	1.0	(1.4)

Provision for exit costs

Provisions for exit costs are created for liabilities arising from decisions to discontinue operations and liquidation of a subsidiary. Provisions were created mainly due to court cases with completed postal activities. Provisions were created in the amount of expected costs to be incurred in cases where the Group is expected to lose.

The below table presents a summary of employee benefits:

	31 December 2020		31 December 2019	
	Long-term	Short-term	Long-term	Short-term
Post-mortem severance	0.2	-	0.2	-
Retirement benefit	0.5	0.1	0.4	-
Unused holiday provision	-	5.6	-	3.3
Performance bonuses	-	7.0	-	8.3
Cash Bonus Plan	13.5	15.4	10.0	-
Total	**14.2**	**28.1**	**10.6**	**11.6**

The Group is not a party to any wage bargaining agreements or collective employment agreements. The costs of employee benefits include salaries payable according to the terms and conditions of employment contracts concluded with individual employees and the costs of retirement benefits payable to employees pursuant to the Labour Code provisions at the end of their employment period. Short-term and long-term employee benefits also include performance bonuses and a Cash Bonus Plan for senior management.

Short-term employee benefit liabilities are measured according to general principles. Long-term benefits are estimated using actuarial methods.

Defined benefit obligation

For the purpose of determining employee benefits related to defined benefit obligations the Group applied the projected unit credit method.

The following were the principal actuarial assumptions at the reporting date:

	2020	2019
Discount rate	1.4%	1.68%
Future salary growth	1.5% for 2021 2.1% for 2022 2.5% for 2023 and further	2.50%

Other long-term employee benefits – Cash Bonus Plan

The Group recognizes other long-term employee benefits concerning the Cash Bonus Plan ("CBP") for senior management. Members were added to the programme in 2018 and 2019. Under the CBP, members are eligible for a one-off cash payment based on their remuneration from Integer for the 12 months prior to Exit (Exit is defined as either the listing of Integer on the stock exchange or a disposal by the parent of the Group) and the multiple which depends on the exit EBITDA of Integer. Full CBP participation is only possible if the employee is still employed by Integer at the Exit date. Appropriate bad leaver definitions and penalties apply if the person leaves Integer before Exit. In estimating the provision in 2018 and 2019 the Exit was assumed to occur in Q2 2022 however, in 2020 it was assumed that the exit would take place in accordance with the annexes signed in 2021, 2022 and 2023 in the relevant part accordingly.

For the purpose of determining the provision for employee benefits related to other long term employee benefits ("CBP"), the Group applied the projected unit credit method.

The following were the principal actuarial assumptions at the reporting date:

	2020	2019
Discount rate	0.19%	1.68%
Estimated EBITDA*	>400.0	>400.0

** Highest possible EBITDA threshold for the bonus.*

The table below shows the hypothetical amounts of provisions for exit premiums subject to changes in key actuarial assumptions:

	2020	2019
Provision for Exit Fee bonuses	28.8	10.0
Discount rate - 1%	0,2	0.4
Discount rate - 0,5%	0,1	0.2
Discount rate + 0,5%	(0.1)	(0.1)
Discount rate + 1%	(0,2)	(0.3)
Forecasted EBITDA PLN -100 million	(5.8)	(2.0)
Forecasted EBITDA PLN + 100 million	-	-
Forecasted leavers - 1 person (Good Leaver)	-	0.3
Forecasted leavers + 1 person (Good Leaver)	-	(0.2)

29. SHARE-BASED PAYMENTS

The Key Management Personnel of the Group has been granted shares in AI Prime & CY S.C.A. ("MIP Shares") as part of the Management Incentive Plan ("MIP"). The F-class shares had been purchased by the MIP participants at a nominal value of 0.07 EUR per share. The shares granted in November 2020 were purchased at a price different from the nominal value, i.e. EUR 21 per share. The granted shares acquired the right of 10% on the grant date, then 10% per annum and finally 50% on the full or partial exit date (Exit is defined as the listing of the Company on the stock exchange or sale by the parent company of the Group). Each of the 10% and 50% of the shares was treated as a separate parallel tranche (staged vesting). However, at the end of 2020, there was a change in the provisions of the programme and the entitlement is acquired at the time of a partial exit in the amount equal to the reduction in the number of shares held by the main shareholder. The number of shares granted varies depending on the role of the Key Personnel. Members were added to the program in 2018, 2019, 2020, and 2021. MIP shares are subject to a number of restrictions:

- cannot be sold at the discretion of the holder,
- are subject to a call option, which may be exercised upon departure of an MIP member from the Company, the relevant definitions of 'bad leaver' apply; and
- are not entitled to dividends.

The following table presents the number and change in MIP Shares during the year:

	2020 MIP Shares granted	2019 MIP Shares granted
Outstanding at 1 January	**957 704.0**	**667 967.0**
Granted during the year	14 272.0	289 737.0
Forfeited during the year	-	-
Exercised during the year	-	-
Expired during the year	-	-
Outstanding at 31 December	**971 976.0**	**957 704.0**

As the Group does not have any obligation to settle the plan (and hence it will not impact the Group's cash--flow), the programme is treated as equity settled. The fair value of the shares is estimated at the grant date using the Black-Scholes Merton pricing model, taking into account the terms and conditions on which the shares were granted and the restrictions referred to above. There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these shares nor a previous practice of exercising the call option. The Management assumed the following in the below calculation of the value of shares granted: The following conditions need to be met for the MIP shares to provide a return in excess of nominal value (i) successful exit and (ii) cash on cash return higher than 2.

The Management has determined the value of shares granted based on the parameter set out below:

Valuation parameters	Jan-18	Feb-18	Jun-18	Sep-18	Jul-19	Oct-19	Nov-19	Nov-20
Value of MIB share(EUR)	0.07	0.07	0.07	0.07	0,56	10,59	10,59	300,78
Number of shares granted	304.011	149.864	71.364	142.728	107.046	142.728	39.963	14.272
Expiration date (expected exit)	1.02.2021 – 40% 31.12.2022 – 30% 31.12.2023 – 30%							
Risk free interest rate	2.63	2.63	2.55	2.55	1.8	1.8	1.8	-0,01
Annual dividend yield (%)	0	0	0	0	0	0	0	0
Volatility (%)	5.7	5.7	5.7	6.3	20	20	20	20
Assumed call option execution (%)	0	0	0	0	0	0	0	0
Model used	Black-Scholes Merton				Intrinsic value + Black- Scholes Merton relating to option time value			Fair value

The MIP programme does not have an exercise price. The payoff depends on the waterfall as provided for in the shareholders agreement in SHA. The exercise price assumed in the BSM model amounts to EUR 490 million.

The fair value as at July, October and November 2019 and November 2020 was higher than the nominal value. Accordingly, the Company recognizes an expense over the vesting period along with a corresponding parent contribution recognized in equity (other provisions) for the MIP Shares granted on those dates.

	2020	2019
Expense arising from MIP	10.1	1.7
Total expense	**10.1**	**1.7**

In 2020, the MIP program was not cancelled, although changes were made as described above. The costs of the valuation of the Incentive Plan have been included in the income statement under the Remuneration line.

30. Other liabilities

Current other liabilities	31 December 2020	31 December 2019
Non-financial liabilities		
Payroll liabilities	18.8	12.9
Advances received	0.1	-
Liabilities to the state	44.0	15.2
Financial liabilities		
Other reserves	0.3	0.7
Contract liabilities	-	1.5
Liabilities due to dividend payment and share redemption	52.9	-
Other short-term liabilities total	**116.2**	**30.3**

31. Trade payables and other liabilities

	31 December 2020	31 December 2019
Financial liabilities		
Trade payables	**265.6**	**154.3**
to related entities	20.3	-
to third parties	245.3	154.3
Other payables	**44.6**	**37**
Liabilities from settlement of cash-on-delivery option	25.3	16.2
Investment liabilities	17.8	18.3
Other	1.5	2.5
Trade and other liabilities total	**310.2**	**191.3**

Terms and conditions of the above financial liabilities:

- trade payables are non-interest bearing, unless in default, and are normally settled on 30-day terms; and
- cash-on-delivery collected from recipients of parcels is passed on to the sender shortly after receipt.

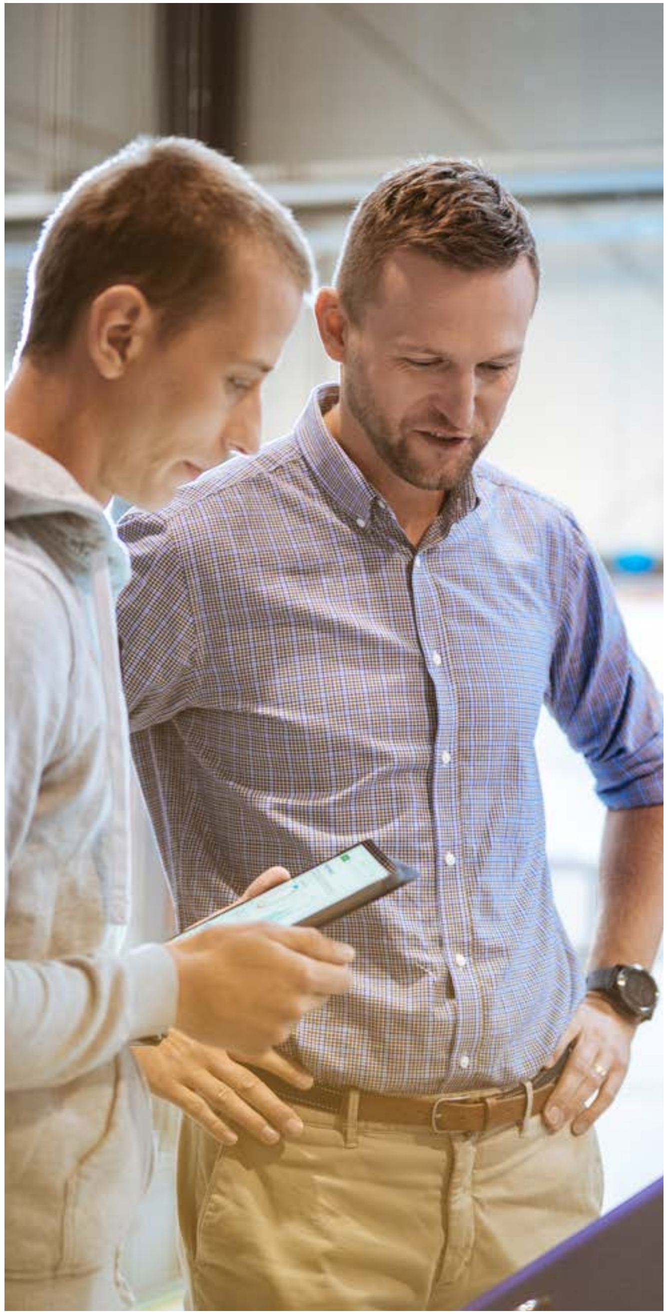
For explanations of the Group's liquidity risk management processes, refer to Note 38.

32. Government grants

	31 December 2020	31 December 2019
Goverment grants	**13.4**	**14.4**
Non-current	9.2	11.2
Current	4.2	3.2

Government grants from EU projects are granted with a purpose of extending the network of automatic parcel machines in various regions of Poland, to develop and implement new technological solutions in the production of the automatic parcel machines and to launch in a unique automatic sorting hub in Wola Bykowska. The Group also obtained grants for FMCG shipping and delivery technologies through a prototypical network of RLM's as well as manufacturing a demo installation of terminals combining the functionalities of an ATM and a parcel machine.

As of the end of each presented year the Group complied with the relevant conditions to receive grants. There is no future obligations to be fulfilled in relation to those grants.



33. Explanations to the cash flow statement

	2020	2019
Change in trade and other receivables in the consolidated statement of financial position	**(230,0)**	**(33,0)**
Discounting of other non-current receivables	-	-
Trade and other receivables impairment losses	7.9	14.1
Compensation of VAT returns from CIT	1.5	
Advances for materials for the production of parcel machines (included in investment flows)	(0.3)	
Set-off against lease liabilities	-	-
Change in receivables from sale in sale and lease-back transaction	(4.4)	(5.0)
Exchange differences	(6.1)	(5.1)
Other	(0.2)	0.3
Change in trade and other receivables	**(231.6)**	**(30.6)**

	2020	2019
Change in inventories in the consolidated statement of financial position	**(3.5)**	**-**
Impairment of current assets	-	-
Change in inventories	**(3.5)**	**-**

	2020	2019
Change in other assets in the consolidated statement of financial position	**(42.2)**	**(5.9)**
Prepayments for materials used in the manufacture of automatic parcel machines	39.5	3.5
Change in other assets	**(2.6)**	**(2.4)**

	2020	2019
Change in finance liabilities other than loans and borrowings in the consolidated statement of financial position	**118.9**	**28.6**
Change in liabilities due to capital expenditures	5.7	(2.4)
Exchange differences	(6.0)	(5.0)
Sales of OPE	(13.8)	-
Redemption of shares	(14.7)	-
Declared dividend payment	(40.0)	-
Change in presentation for financial liabilities	(0.2)	-
Other	-	0.9
Change in finance liabilities other than loans and borrowings	**49.9**	**22.1**

	2020	2019
Change in employee benefits, provisions and government grants in the consolidated statement of financial position	**23.8**	**7.4**
Government grants received	-	(2.4)
Reversal of provisions in relation to receivables written down	-	-
Other	0.1	0.5
Change in employee benefits, provisions and government grants	**23.9**	**5.5**

	2020	2019
Total net finance costs	**164.4**	**39.1**
Foreign exchange differences realised on working capital	9.3	(0.5)
Bank fees paid	2.3	2.5
Penalty interest paid	0.4	2.5
Other	(2.7)	(5.5)
Finance costs/(income) adjustment	**173.7**	**40.1**

34. GUARANTEES AND OTHER SECURITY

As at December 31, 2020, total amount of bank guarantees granted on behalf of the Group amounted to PLN 52.9 million (as at December 31, 2019, it was PLN 23.6 million). Bank guarantees secure liabilities resulting from agreements concluded by the Group.

Pursuant to the provisions of the loan agreement of September 13, 2018 (the agreement concluded between GK Integer.pl, AI Prime Bidco S.a.r.l. and KKR Lending Partners (GBP)), certain assets of the Integer Group Companies constitute a security for this agreement. In accordance with the provisions of the contract, the collateral is: - shares of Integer.pl S.A., InPost sp.z o.o. (formerly InPost Express Sp.z o.o.), InPost Paczkomaty sp.z o.o., InPost S.A. and Integer Group Services sp.z o.o., - cash in bank accounts and intra-group receivables.

In these Consolidated Financial Statements, the items of intra-group shares and receivables have been excluded.

The value of all assets pledged as collateral in the balance sheet as at December 31, 2020 and December 31, 2019 is as follows:

	31 December 2020	31 December 2019
Cash on hand and in a bank account	139.3	113
Including cash in VAT accounts (restricted)	8.2	6.8
Total	**139.3**	**113**

35. INFORMATION ABOUT RELATED PARTIES

35.1. Transactions with personally-related entities

Services provided to the Group by related entities include, but are not limited to: management services, quality control, marketing, distribution, advertising and legal advice.

Due to these transactions, no revaluation write-off was created. Receivables from related entities do not bear interest and are not secured. The repayment terms are at arm's length.

Entity`s name	Transactions	
	2020	2019
Purchases		
Benhauer Sp. z o.o.	0.2	0.1
BValue Angels 1 sp. z o.o.	-	0.1
Consulting Services Marcin Pulchny	0.4	0.4
F.H. Fenix Rafał Brzoska	1.4	1.0
Lidar Management Dariusz Lipiński	0.5	0.4
FINSTRAT Adam Aleksandrowicz	0.8	0.7
QUANTUM Damian Niewiadomski	0.7	0.7
Usługi Doradztwa biznesowego Sebastian Anioł	1.0	0.7
Nowa Idea Joanna Burgieł	0.7	0.5
Just Trust Izabela Karolczyk-Szafrańska	1.0	0.4
ML Trade Michał Lis	0.9	0.6
Magdalena Ociepka	0.9	0.5
Michał Wróbel	0.8	0.5
Łukasz Turczyński	0.7	0.5
Total	**10.0**	**7.1**

Entity`s name	Transactions	
	2020	2019
Sales		
Lidar Management Dariusz Lipiński	-	0.1
F.H. Fenix Rafał Brzoska	0.1	-
Total	**0.1**	**0.1**

Entity`s name	Balances	
	31 December 2020	31 December 2019
Liabilities		
Advent International Corporation.	0.8	0.7
DJW Inwestycje sp. z o.o.	-	0.1
Total	**0.8**	**0.8**

35.2. Transactions with equity-related entities

The list of equity related entities include associates and the parent of the Group, AI Prime Bidco S.a r. l. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

Investments in associates are accounted using the equity method.

All outstanding balances with these related parties are priced on an arm's length basis. No expense has been recognised in the current year or prior years due to impairment of amounts owed by related parties. No guarantees have been given or received.

Related party transactions and balances

Entity`s name	Transactions		Balances	
	2020	**2019**	**31 December 2020**	**31 December 2019**
Parent of the Group - AI Prime Bidco S. a r. l.				
Loan and related interest	-	-	(690.7)	(618.2)
Other liabilities (dividends and share redemption)	-	-	(52.9)	-
Financial income	-	0.1	-	-
Financial costs	43.5	39.2	-	-
Affiliated entities – InPost Technology S. a. r. l.				
Purchase of development projects / Other obligations	17.0		13.8	
Purchase of services / Commercial obligations	6.5		6.5	
Sales of products and services / Trade receivables	4.0		3.2	
Affiliated entities – InPost S.A. (Luxemburg)				
Other receivables			5.2	
Associates - revenues and receivables				
EasyPack Plus Self Storage LLC (UAE)	-	-	-	-

36. REMUNERATION OF KEY MANAGEMENT PERSONNEL

Integer defines the Key Management Personnel as those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any directors (whether executive or otherwise) of the Group. As per this definition the Key Management Personnel has been defined as the Management Board and Supervisory Board of the Parent plus the Key Management Personnel eligible under the MIP (SBP) described in Note 29.

	2020	**2019**
Base remuneration and other short-term employee benefits	15.3	9.4
Other long-term employee benefits (MIP)	10.1	1.7
Total remuneration	**25.4**	**11.1**

Certain key management personnel are eligible for cash rewards under the Cash Bonus Scheme described in Note 28. Costs related to this are recognized in external services and the table above shows actual pay-outs from this program in 2020.

37. FINANCIAL INSTRUMENTS

37.1. Financial instruments by category

	Category under IFRS 9	Carrying amount	
		31 December 2020	31 December 2019
Financial assets measured at fair value through profit or loss			
Derivative instruments other than used for hedging	at FVTPL	-	2.5
Trade receivables designated to be transferred under non-recourse factoring arrangements	at FVTPL	91.6	54.4
Financial assets not measured at fair value			
Trade receivables not transferred to non-recourse factoring and other receivables	at amortized cost	324.3	132.4
Other receivables - current	at amortized cost	4.7	3.0
Other receivables - non-current	at amortized cost	6.0	3.2
Loans granted	at amortized cost	-	-
Cash and cash equivalents	at amortized cost	139.3	113.0
Total financial assets		**565.9**	**308.5**

	Category under IFRS 9	Carrying amount	
		31 December 2020	31 December 2019
Financial liabilities measured at fair value			
Derivative instruments other than used for hedging	FVTPL	-	-
Financial liabilities not measured at fair value			
Current loans and borrowings	Other financial liabilities	23.7	4.9
Non-current loans and borrowings	Other financial liabilities	743.4	613.3
Trade and other payables	Other financial liabilities	310.2	191.3
Non-current lease liabilities	Other financial liabilities	304.0	124.4
Current lease liabilities	Other financial liabilities	232.6	150.9
Other liabilities	Other financial liabilities	0.3	2.2
Current factoring liabilities	Other financial liabilities	0.1	1.4
Total financial liabilities		**1,614.3**	**1,088.4**

37.2. The fair value hierarchy of financial instruments

The management assessed that the fair values of cash and short-term deposits, trade and other short-term financial receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of the Group's interest-bearing loans and borrowings are determined by using the DCF method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The own non--performance risk as of the reporting date was assessed to be insignificant. Based on the analysis performed, the Management assessed that the carrying amount of the long-term loans and borrowings are reasonable approximations of fair values.

Measurement of derivative instruments not designated for hedge accounting is classified as level 2 in the fair value hierarchy, which is based on various valuation methods using market observable data. The fair value of derivative contracts is determined by the Group based on the valuation provided by banks.

Trade receivables designated as to be transferred under non-recourse factoring arrangements are measured at fair value classified to level 2 in the fair value hierarchy. The fair value of these receivables is determined by the adjustment of nominal amounts transferred to the factor by the factor's commissions/ fees, which was assessed by the management to reflect market prices of these receivables.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES

The Group's operations are exposed to many different types of financial risk: market risk (including the risk of changes in foreign exchange rates and the risk of changes in fair value or cash flows due to changes in interest rates), credit risk and liquidity risk.

The Group's risk management policy aims to minimize the potential unfavourable financial risks impact on financial result. The Management Board of the Parent is responsible for risk management through conducting ongoing analysis of financial risks and taking appropriate decisions in this regard.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

Currency risk

The Group is exposed to currency risks resulting from transactions in various foreign currencies, predominantly EUR and GBP. However, due to the fact, that the Group conducts its operations mainly domestically, the currency risk is minimized.

Following exchange rates were used at the reporting dates:

Exchange rate at reporting date	31 December 2020	31 December 2019
EUR	4.6148	4.2585
GBP	5.1327	4.9971
Average exchange rate for the period	**31 December 2020**	**31 December 2019**
EUR	4.4742	4.3018
GBP	5.0240	4.9106

The tables below present the exposure to currency risk and sensitivity analysis of a reasonable possible strengthening (weakening) of foreign currencies which would have affected the measurement of financial instruments denominated in a foreign currency and affected profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of changes on forecasts sales and purchases.

Exposure and sensitivity analysis to currency risk in 2020:

2020	Carrying amount	Amount exposed to risk	GBP/PLN financial result after tax		EUR/PLN financial result after tax	
			GBP/PLN exchange rate „+10%"	GBP/PLN exchange rate „-10%"	EUR/PLN exchange rate „+10%"	EUR/PLN exchange rate „-10%"
Cash and cash equivalents	139.3	25.7	0.3	(0.3)	1.7	(1.7)
Trade receivables and other	443.0	24.3	0.5	(0.5)	0.3	(0.3)
CIRS	0.0	0.0	0.0	0.0	0.0	0.0
Trade liabilities and other payables	310.2	20.2	(1.1)	1.1	(0.4)	0.4
Loans and borrowings	767.1	690.9	0.0	0.0	(55.9)	55.9
Other financial liabilities	536.7	12.3	(0.5)	0.5	(0.5)	0.5
Total	**2 196.3**	**773.3**	**(0.8)**	**0.8**	**(54.8)**	**54.8**

Exposure and sensitivity analysis to currency risk in 2019:

2019	Carrying amount	Amount exposed to risk	GBP/PLN financial result after tax		EUR/PLN financial result after tax	
			GBP/PLN exchange rate „+10%"	GBP/PLN exchange rate „-10%"	EUR/PLN exchange rate „+10%"	EUR/PLN exchange rate „-10%"
Cash and cash equivalents	113.0	35.7	1.6	(1.6)	1.3	(1.3)
Trade receivables and other	193.0	5.7	0.2	(0.2)	0.2	(0.2)
CIRS	2.5	2.5	-	-	6.7	(6.7)
Trade liabilities and other payables	191.3	8.7	(0.4)	0.4	(0.2)	0.2
Loans and borrowings	618.2	613.3	-	-	(49.7)	49.7
Other financial liabilities	276.7	26.0	(0.6)	0.6	(1.5)	1.5
Total	**1 394.7**	**691.9**	**0.8**	**(0.8)**	**(43.2)**	**43.2**

Interest rate risk

The interest rate risk arises on bank loans, leases and loans granted by changing their future cash flows. The Group analyses the level of interest rate risk on an on-going basis aiming to minimize interest rate risk. The Group assesses the impact of interest rate fluctuations on profit and loss and adjusts the debt instruments structure when necessary.

The tables below presents the profile of the Group's interest-bearing financial instruments and sensitivity of analysis as follow.

A reasonably possible change of 10 basis points in interest rates at the reporting date would have increased (decreased) the financial result by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

Exposure and sensitivity analysis to interest rate risk in 2020:

2020	Carrying amount	Amount exposed to risk	Change in financial result after tax	
			Rate + 0.1 pp	Rate - 0.1 pp
Loans and borrowings	767.1	767.1	(0.6)	0.6
Leases	536.7	536.7	(0.4)	0.4
Total	**1 303.8**	**1 303.8**	**(1.1)**	**1.1**

Exposure and sensitivity analysis to interest rate risk in 2019:

2019	Carrying amount	Amount exposed to risk	Change in financial result after tax	
			Rate + 0.1 pp	Rate - 0.1 pp
Loans and borrowings	618.2	618.2	(0.5)	0.5
Leases	275.3	275.3	(0.2)	0.2
CIRS	2.5	2.5	0.2	(0.2)
Total	**896**	**896**	**-0.5**	**0.5**

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Trade receivables

Due to the nature of its operations, the Group can be exposed to a significant risk to sales with deferred payment. Sales are made to companies, with deferred payment from 14 to 90 days.

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables and contract assets are regularly monitored and trade receivables are generally covered by letters of credit or other forms of credit insurance obtained from reputable banks and other financial institutions.

Additionally the Group is a party to non-recourse factoring arrangements for a significant portfolio of trade receivables, resulting in the original receivable being derecognized from the statement of financial position upon its transfer. The provisions of the non-recourse factoring arrangements meet the derecognition criteria for the trade receivables.

The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

An impairment analysis is performed for trade receivables measured at amortized cost (excluding receivables designates as to be transferred under non-recourse factoring arrangements) at each reporting date.

Set out below is the information about trade receivable past due for more than one year as well as those that have been written-off base on an individual assessment (e.g. subject to legal proceedings, bankruptcy, etc.).

	31 December 2020	31 December 2019
Trade receivables written-off based on individual assessment	74.0	86.0
Allowance for expected credit losses	(74.0)	(86.0)
Total carrying amount of trade receivables under individual impairment assessment		

Set out below is information about the credit risk exposure on the Group's trade receivables which are subject to a provision matrix:

31 December 2020	Trade receivables			
	Current	0-60 days	61-365 days	Total
Expected credit loss rate	0.3%	0.6%	16.8%	
Estimated gross carrying amount at default	389.3	14.6	5.7	409.6
Expected credit loss	**0.1**	**0.1**	**1**	**2.2**

31 December 2019	Trade receivables		
	0-60 days	61-365 days	Total
Expected credit loss rate	0.42%	25.52%	
Estimated gross carrying amount at default	129.2	5	1342.0
Expected credit loss	**0.5**	**1.3**	**1.80**

Cash and cash equivalents

Credit risk from balances with banks and financial institutions is limited because the Group's business partners are banks with a high credit rating granted by international rating agencies.

The Group's maximum exposure to credit risk for the components of the statement of financial position at December 31, 2020 and 2019 is their carrying amount.

The expected credit loss relating to cash and short--term deposits of the Group rounds to zero.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk management of the Group assumes maintaining an adequate level of liquid assets or available overdrafts to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputations. Additionally to above, the Group intends to maintain flexibility of financing under the available funds.

The liquidity risk is mitigated by ongoing planning of liquidity requirements and by monitoring liquidity. The Group controls its liquidity by maintaining sufficient cash and cash equivalents and constant monitoring of its cash flow as well as by ensuring that the lines of credit at banks and similar overdraft instruments are available in addition to cash inflows from operating activities. On top of that, as part of liquidity risk management, the Group is taking advantage of factoring agreements as well as ensuring that in certain cases a significant part of the price for services is prepaid by the customers before the service is provided (subscriptions, pre-paid services).

The current cash flow enables the Group to settle its obligations as they arise in a timely manner. The Group also has access to a revolving borrowing facility of PLN 250 million although it has not been utilized, as at 31 December 2020 the use of revolving loans amounted to PLN 0.2 million.

Taking into account the positive cash flow and cash balance, actual and planned results, the long-term nature of loans and liabilities (mainly related to leasing or purchase of fixed assets), available overdraft facilities, the Management Board believes that the liquidity risk has been limited.

The table below presents an analysis of the Group's financial liabilities based on the period remaining until the contractual maturity date as at the balance sheet date. The amounts presented in the table are contractual undiscounted cash flows.

2020	< 1 year	1-3 years	3-5 years	> 5 years	Contractual cash flows total	Carrying amount
Variable interest						
Leases	244.8	145.3	129.1	61.2	580.3	536.6
Loans and borrowings	714.5	63.4			777.9	767.1
Non-interest-bearing						
Trade and other payables	310.2	-	-	-	310.2	310.2
Factoring liabilities	0.1	-	-	-	0.1	0.1
Total	**1 269.6**	**208.6**	**129.1**	**61.2**	**1 668.4**	**1 614.0**

2019	< 1 year	1-3 years	3-5 years	> 5 years	Contractual cash flows total	Carrying amount
Variable interest						
Leases	159.8	87.1	53.6	7.9	308.3	275.3
Loans and borrowings	53.8	97.7	581.5	123.6	856.6	618.2
Non-interest-bearing						
Trade and other payables	191.3	-	-	-	191.3	191.3
Factoring liabilities	1.4	-	-	-	1.4	1.4
Total	**406.3**	**184.8**	**635.1**	**131.5**	**1 357.6**	**1 086.2**

39. EMPLOYMENT STRUCTURE

The employment structure of the Group is as follows (total number of employees at the period end):

	31 December 2020	31 December 2019
Management Board	5	4
Management	184	76
White-collar employees	1 883	1 548
Blue-collar employees	760	478
Total employment	**2 832**	**2 106**

40. OPENING BALANCE ADJUSTMENT

In preparing this consolidated financial information, the Group identified and corrected errors and omissions in relation to the previously issued consolidated financial statements of the Group. Furthermore, certain reclassification changes were made, and disclosures revised to enhance presentation. All corrections of errors and changes in presentation have been recognized retrospectively.

Below is a summary of errors and changes in presentation recognized in this consolidated financial statements of the Group in relation to the previously issued statutory consolidated financial statements of the Group:

Change of presentation:

1. In the consolidated statement of comprehensive income for each of the periods presented the Group changed the presentation of impairment gain (loss) on trade and other receivables. Previously they were presented in Other operating expenses/income. After the change they are presented in a separate line item "Impairment gain (loss) on trade and other receivables" within operating expenses;
2. In the consolidated statement of financial position as at the end of each period presented the Group changed the presentation of non-financial assets and liabilities. Previously they were presented in Trade and other receivables and in Trade and other payables. After the change non-financial assets are presented in the Other assets line item, whereas non-financial liabilities are presented in the Other liabilities line item, consistently with other similar items;
3. In the consolidated statement of financial position as at the end of each period presented the Group changed the presentation of contract liabilities and other accruals. Previously they were presented in the Employee benefits and provisions line item. After the change contract liabilities and other accruals are presented in the Other liabilities line item.
4. In the consolidated statement of financial position as at 31 December 2019 the Group changed the presentation of deferred commissions and fees in relation with loans and borrowings measured at amortized cost. Previously they were presented in current Other financial liabilities. After the change such deferred commissions and fees are presented as current Loans and borrowings.
5. In the consolidated statement of financial position as at 31 December 2018 the Group changed the presentation of the carrying amount of the CIRS derivative, which previously was presented net against current Loans and borrowings. After the change it is presented as current Other financial assets.

Correction of errors:

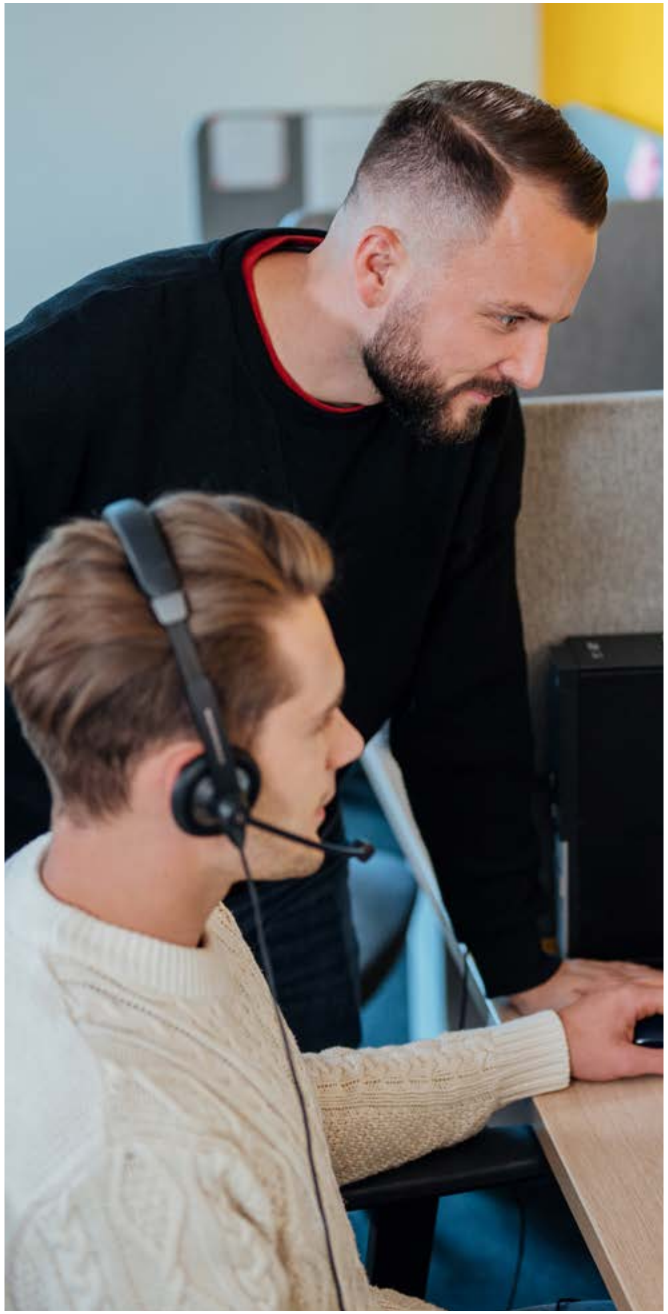
1. In the consolidated statement of financial position as at 31 December 2019, the Group corrected an error related to property, plant and equipment. The Group derecognized expenditures on property, plant and equipment that did not meet IAS 16 recognition criteria. Such expense were recognized in profit or loss when incurred with an appropriate adjustment of Depreciation, Deferred taxes and Retained earnings.
2. In the consolidated statements of comprehensive income for 2019 the Group corrected an error in exchange differences from translation of net investment in foreign operations. Unrealised exchange differences from translation of loans granted to foreign operation were incorrectly recognized in translation reserve and profit or loss. The correction of errors resulted in adjustments to Finance income/costs, other comprehensive income and translation reserve.
3. In the consolidated statement of financial position as at 31 December 2019 and In the consolidated statement of comprehensive income for 2019 the Group corrected an error in employee benefits related to the equity settled share based payment programme. Previously employee benefits related to the equity settled share based payment programme were not recognized. The correction of errors resulted in adjustments to Social security and other benefits expenses. The adjustment also

resulted in the change of presentation in the consolidated statement of financial position as at 31 December 2019 where the Other reserve recognized in relation to the programme is presented in Reserves together with the Translation reserve.

4. In the consolidated statement of financial position as at December 31, 2019, the Group corrected the lease error. The Group recognized lease liabilities and corresponding right-of-use assets related to leases commenced before the end of the year.
5. The Group has adjusted the consolidated cash flow statement for 2019 to reflect the above changes in presentation and to correct errors. Additionally, the Group identified and corrected numerous additional cash flow errors as a result of reconciling the consolidated statement of cash flows with other financial statements and additional notes.

The above was adjusted by restating each of the affected financial statements items for the respective periods presented. The table below summarizes the impact of the above changes in presentation and correction of errors on the consolidated financial statements of Integer.pl Capital Group prepared in 2019:

Consolidated statement of comprehensive income	2019			
	As previously reported	Adjustments		As restated
Revenue	**1,252.0**	**(20.0)**		**1,232.0**
Other operating income	**12.4**	**(1.8)**	**[1]**	**10.6**
Depreciation and amortization	222.7	(1.2)	**[6]**	221.5
Raw materials and consumables	40.2	-		40.2
External services	699.8	(14.2)	**[6]**	685.6
Taxes and charges	2.3	-		2.3
Payroll	107.1	-		107.1
Social security and other benefits	26.1	1.7	**[8]**	27.8
Other expenses	11.3	-		11.3
Cost of goods and materials sold	8.6	-		8.6
Other operating expenses	11.5	1.6	**[1]**	13.1
Impairment gain/ (loss) on trade and other receivables	-	(3.5)	**[1]**	(3.5)
Total operating expenses	**1,129.6**	**(15.6)**		**1,114.0**
Operating profit (loss)	**134.8**	**(6.2)**		**128.6**
Finance income	29.4	(8.5)	**[7]**	20.9
Finance costs	62.8	-		62.8
Share of profits of equity-accounted investees	-	-		-
Profit (loss) before tax	**101.4**	**(14.7)**		**86.7**
Income tax expense (benefit)	33.5	(0.8)	**[6]**	32.7
Profit (loss) from continuing operations	**67.9**	**(13.9)**	**[7],[8]**	**54.0**
Loss from discontinued operations	**(3.2)**	**-**		**(3.2)**
Net profit (loss)	**64.7**	**(13.9)**	**[5],[6],[7]**	**50.8**



Consolidated statement of comprehensive income	2019			
	As previously reported	Adjustments		As restated
Other comprehensive income, net of tax Items that may be reclassified subsequently to profit or loss				
Exchange differences from translation of foreign operations	(18.7)	8.6	**[7]**	(10.1)
Income tax	-	-		-
Other comprehensive income, net of tax	**(18.7)**	**8.6**		**(10.1)**
Total comprehensive income	**46.0**	**(5.3)**	**[6]**	**40.7**
Net profit (loss), attributable to:	**64.6**	**(13.8)**		**50.8**
Owners of Integer	64.6	(13.8)	**[6],[7],[8]**	50.8
Non-controlling interests				
Total comprehensive income, attributable to:	**46.0**	**(5.3)**		**40.7**
Owners of Integer	46.0	(5.3)	**[6],[8]**	40.7
Non-controlling interests	-	-		-

Consolidated statement of financial position	31 December 2019			
	As previously reported	Adjustments		As restated
Assets				
Non-current assets	**1,181.3**	**20.2**		**1,201.5**
Intangible assets	122.0	-		122.0
Property, plant and equipment	979.9	18.1	**[6], [9]**	998.0
Other receivables	3.2	-		3.2
Deferred tax assets	76.0	2.1	**[6]**	78.1
Other assets	0.2	-		0.2
Current assets	**368.3**	**-**		**368.3**
Inventories	2.2	-		2.2
Other financial assets	2.5	-		2.5
Trade and other receivables	238.6	(22.8)	**[2]**	215.8
Income tax asset	6.2	-		6.2
Other assets	5.8	22.8	**[2]**	28.6
Cash and cash equivalents	113.0	-		113.0
Assets held for sale	**-**	**-**		**-**
Total Assets	**1,549.6**	**20.2**		**1,569.8**

Consolidated statement of financial position	31 December 2019			
	As previously reported	Adjustments		As restated
Equity and liabilities				
Equity attributable to owners of Integer				
Share capital	18.6	-		18,6
Reserve capital	944.5	-		944.5
Retained earnings/ (accumulated losses)	(559.2)	(12.0)	**[6],[7],[8]**	(571.1)
Reserves	(5.7)	3,2	**[7],[8]**	(2.4)
Non-controlling interests	**398.2**	**(8.8)**		**389.5**
Non-controlling interests	**(0.2)**			**(0.2)**
Total equity	**398.0**	**(8.8)**		**389.3**
Loans and borrowings	613.3	-		613.3
Employee benefits and provisions	10.6	-		10.6
Government grants	11.2	-		11.2
Deferred tax liability	16.8	-		16.8
Other financial liabilities	100.1	24,3		124.4
Other liabilities	**-**	**-**		**-**
Total non-current liabilities	**752.0**	**24.3**		**776.3**
Trade and other payables	219.3	(28.0)	**[2]**	191.3
Loans and borrowings	-	4.9	**[4]**	4.9
Government grants	3.2	-		3.2
Current tax liabilities	3.4	-		3.4
Employee benefits and provisions	21.1	(2.3)	**[3]**	18.8
Other financial liabilities	152.6	(0.3)	**[4]; [9]**	153.2
Other liabilities	-	30.3	**[2], [3]**	30.3
Liabilities directly associated with the assets held for sale	**-**	**-**		**-**
Total current liabilities	**399.6**	**4.6**		**404.2**
Total liabilities	**1,151.6**	**28.9**		**1,180.5**
Total equity and liabilities	**1,549.6**	**20.2**		**1,569.8**

Consolidated statement of cash flows	2019			
	As previously reported	Adjustments		As restated
Cash flows from operating activities				
Net profit (loss)	**64.7**	**(13.9)**	**[6];[7];[8]**	**50.8**
Adjustments:	**275.0**	**19,8**		**294.8**
Income tax expense (benefit)	34.3	(0.8)	**[6]**	33.5
Finance cost/ (income)	28.5	11,6	**[7]; [10]**	40.1
(Gain)/ loss on sale of property, plant and equipment	0.5	-		0.5
Depreciation and amortization	222.7	(1.2)	**[6]**	221.5
Impairment losses – or reversals	7,9	(10.2)	**[10]**	(2.3)
Impairment losses and provisions - discontinued operations	-	(0.2)	**[10]**	(0.2)
(Gain)/ loss on sale of subsidiaries /OPE	(0.2)	1,9	**[10]**	1,7
Profit attributable to non-controlling interests	-	-		-
Foreign exchange differences from translation of foreign operations	(18.7)	18,7	**[7];[10]**	-
Changes in working capital:	**2,5**	**2.0**		**4,5**
Trade and other receivables	(42.9)	12,3	**[2]; [10]**	(30.6)
Inventories	-	-		-
Other assets	(1.9)	(0.5)	**[2]; [10]**	(2.4)
Financial liabilities other than loans and borrowings	46.4	(24.3)	**[2]; [10]**	22,1
Other liabilities	-	9,9	**[2]; [3]; [10]**	9,9
Employee benefits, provisions and contract liabilities	0,9	4,6	**[3], [10]**	5,5
Cash generated from (used in) operating activities	**343.2**	**7,9**		**350.1**
Interest paid	(43.4)	-		(43.4)
Income tax paid	(13.9)	-		(13.9)
Net cash generated from (used in) operating activities	**286**	**7,9**		**292.8**

Consolidated statement of cash flows	2019			
	As previously reported	Adjustments		As restated
Cash flows from investing activities				
Interest received	-	-		-
Proceeds from loans granted and investments in shares	-	-		-
Purchase of property, plant and equipment	(283.1)	(5.1)	**[10]**	(288.2)
Purchase of intangible assets	(29.6)	(1.9)	**[10]**	(31.5)
Proceeds from sale of assets held for sale	4,5	-		4,5
Government grants received		2,4	**[10]**	2,4
Proceeds from sale of assets in sale and lease back		25,9	**[10]**	25,9
Net cash used in investing activities	**(308.2)**	**21,3**		**(286.9)**
Cash flows from financing activities				
Proceeds from loans and borrowings	182.8	-		182.8
Repayment of principal portion of loans and borrowings	-	-		-
Proceeds from sale and lease back and finance leases	25,9	(25.9)	**[10]**	-
Payment of principal portion of lease liability	(136.5)	-		(136.5)
Government grants	2,4	(2.4)	**[10]**	-
Net cash generated from financing activities	**74.6**	**(28.3)**		**46.3**
Net increase/(decrease) in cash and cash equivalents	**52.3**			**52.2**
Cash and cash equivalents at 1 January	61.5	-		61.5
Effect of movements in exchange rates on cash held	-	(0.7)	**[10]**	(0.7)
Cash and cash equivalents at 31 December	**113.8**			**113.0**

Consolidated statement of financial position	1 January 2019			
	As previously reported	Adjustments		As previously reported
Assets				
Non-current assets	**909,2**	**(5,2)**		**904**
Intangible assets	122.8	-		122.8
Property, plant and equipment	693,8	(6,4)	**[6]**	687,4
Other receivables	5,9	-		5,9-
Deferred tax assets	86,6	1,2	**[6]**	87,8
Other assets	-	-		-
Current assets	**266,9**	**0,8**		**267,7**
Inventories	2.2	-		2.2
Other financial assets	0,1	0,8	**[5]**	0,9
Trade and other receivables	198,9	(18,8)	**[2]**	180,1
Income tax asset	0,1	-		0,1
Other assets	4,1	18.8	**[2]**	22,9
Cash and cash equivalents	61,5	-		61,5
Assets held for sale	**-**	**-**		**-**
Total Assets	**1.181,7**	**(4,4)**		**1.171,3**

Consolidated statement of financial position	1 January 2019			
	As previously reported	Adjusted		As previously reported
Equity and liabilities				
Equity attributable to owners of Integer				
Share capital	18.6	-		18.6
Reserve capital	944.5	-		944.5
Retained earnings/ (accumulated losses)	(623.8)	1.8	**[6],[7]**	(622.0)
Reserves	13.0	(7.1)	**[7]**	(2.4)
Non-controlling interests	**352.3**	**(5.2)**		**347.1**
Non-controlling interests	(0.2)			(0.2)
Total equity	**352.1**	**(5.2)**		**346.9**
Loans and borrowings	397,6	0.7	**[5]**	398.3
Employee benefits and provisions	5.5	-		5.5
Government grants	8.0	-		8.0
Deferred tax liability	2.9	-		2.9
Other financial liabilities	79.2	-		79.2
Other liabilities	-	0.1	**[3]**	0.1
Total non-current liabilities	**439.2**	**0.8**		**494.0**
Trade and other payables	175.9	(13.6)		162.3
Loans and borrowings	39.7			39.7
Government grants	6.9	-		6.9
Current tax liabilities	1.1	-		1.1
Employee benefits and provisions	22.7	(6.8)	**[3]**	15.9
Other financial liabilities	90.0	-		90.0
Other liabilities	-	20.4	**[2], [3]**	20.4
Liabilities directly associated with the assets held for sale	0.1	-		0.1
Total current liabilities	**336.4**	**-**		**336.4**
Total liabilities	**829.6**	**0.8**		**830.4**
Total equity and liabilities	**1,181.7**	**(4.4)**		**1,177.3**

41. EVENTS AFTER THE BALANCE SHEET DATE

Coronavirus pandemic

The Management Board analysed potential effects that the coronavirus outbreak may have on disclosures, assumptions and estimates adopted in preparation of the Consolidated Financial Statements for the period ended December 31, 2020.

At the time of publication of the statement, the pandemic did not cause any significant restrictions on the Group's operations, such as suspension or limitation of operations, or operational problems in the course of its operations.

Certainly, the pandemic will change the structure of recipients and customers as well as the type of goods transported, but the Management Board does not expect a significant decrease in demand. Parcel lockers remain one of the safest delivery methods in the pandemic era, enabling social distancing and non-contact pickup of goods ordered by buyers. All potential supplier issues are analysed and contingency plans and alternative suppliers are put in place if needed. The company is constantly adapting its activities to the changing legal requirements introduced by the Polish government. At the moment, the Group does not expect any significant negative impact of the pandemic on the expected results and cash flows.

Change of the owner of the Parent Company

Until January 28, 2021, the sole owner of the parent company was AI Prime BidCo S.a.r.l. based in Luxemburg, on January 28, the company AI Prime contributed shares in Integer.pl S.A. to InPost S.A. with its registered office in Luxemburg as part of the increase in the share capital of InPost S.A. The main shareholder of the Company is currently InPost S..A., joint stock company under Luxembourg law with its registered office in Luxembourg, at 2-4, rue Beck, L-1222 Luxembourg. The change of owner has not yet been registered with the National Court Register.

Brexit

From January 1, 2021, when working with subsidiaries and contractors based in the United Kingdom, the group will have to comply with the Agreement on Trade and Cooperation (TCA), announced in December 2020, and concluded between the EU and the United Kingdom

Areas that will primarily be affected by the above-mentioned agreement are import and export of goods (with particular emphasis on the impact of changes on the export of elements necessary for the construction and renovation of parcel machines), VAT procedures, as well as changes in treatment of transport and logistics services, rights copyrights, trademarks and patents as well as regulations concerning the transfer of personal data between the EU and Great Britain.

Signing a new loan agreement

On January 25, Integr.pl S.A. and INPOST S.A. signed loan agreement with a consortium of banks (Bank Handlowy w Warszawie SA, Bank PeKaO SA, BNP Paribas Bank Polski SA, Goldman Sachs Bank Europe SE, JP Morgan AG, mBank SA, PKO BP SA, Barclays Bank Ireland PLC, DNB Bank Polska SA, Erste Group Bank AG, ING Bank Śląski SA). On the basis of the signed loan agreement, the existing loans received from AI Prime (Bidco) S.a.r.l. were transferred, in the amount of PLN 690.7 million to new parent company, INPOST S.A. and the Group was able to take out working capital loans up to the maximum amount of PLN 800 million.

Intention to acquire Mondial Relay by the parent company - InPost S.A.

On March 15, 2021, the parent company Integer.pl - InPost S.A. announced that it had entered the advanced stage of negotiations about the potential acquisition of Mondial Relay. Mondial is one of the leading French parcel operators and is expected to be acquired for approximately EUR 565 million. The proposed transaction, if it occurs, will take place at the level of InPost S.A. and will be financed through a special credit line (bridge facility). The purchase of Mondial Relay should significantly accelerate the international expansion of InPost S.A. Group, in particular through the opportunities resulting from the possibility of implementing parcel locker solutions .

Auditors' remuneration

	"Period of 12 months finalized on 31 December 2020"	"Period of 12 months finalized on 31 December 2019"
Remuneration for audit of the financial statement	0.8	0.6
Other services	2.1	0.1
Total auditor's remuneration	**2,9**	**0.7**

RAFAŁ BRZOSKA
President of the Board

MARCIN PULCHNY
Vice President

ADAM ALEKSANDROWICZ
Vice President

DARIUSZ LIPIŃSKI
Vice President

DAMIAN NIEWIADOMSKI
Vice President

Chapter 5

About the report

OUT OF THE BOX

This Report has been prepared on the basis of selected GRI (Global Reporting Initiative) guidelines for the period from 1 January to 31 December 2020. It presents data pertaining to the InPost sp. S.A. The report describes the company's approach to ESG issues. In particular, it gives consideration to the following topics: impact on the climate, energy, emissions, OSH, employee training and education, diversity and equal opportunities, non-discrimination, human rights, actions in favor of local communities, customer privacy and prevention of corruption. The Report has been prepared with the support of an independent advisory firm Go Responsible. The publication has not been subject to any additional external verification.

205-2	Communication and training about anti-corruption policies and procedures
205-3	Confirmed incidents of corruption and actions taken
302-1	Energy consumption within the organization
305-1	Direct (Scope 1) GHG emissions
201-2	Climate change: financial implications, risks and opportunities
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees
403-1	Occupational health and safety management system
403-2	Hazard identification, risk assessment, and incident investigation
404-1	Average hours of training per year per employee
404-2	Programs for upgrading employee skills and transition assistance programs
405-1	Diversity of governance bodies and employees
406-1	Incidents of discrimination and corrective actions taken
413-2	Operations with significant actual and potential negative impacts on local communities
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data

PLEASE CONTACT US TO SHARE YOUR COMMENTS ON THE REPORTED NON-FINANCIAL MATTERS.

More at: www.inpost.eu

GRI IndexThe InPost 2020 Annual Report including non-financial information is based on selected GRI indicators.

OUT
OF
THE
BOX