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ANNUAL REPORT
OF ALLEGRO.EU S.A. GROUP

for the year ended 31 December 2023

allegro

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Dear Shareholders,

Our business has a well-established culture of technically based service innovation. Allegro began life in December 1999 as a consumer-to-consumer auction site in Poland. Over the ensuing twenty-five years we have become Europe's largest native business-to-consumer marketplace , one that now spans six countries. We have innovated to continuously improve our users' experience, transform our business model, and operate at an ever-growing scale. Our creativity in meeting and often anticipating user needs has been central to our ability to attract new customers and merchants to our marketplace. My letter of last year spent time articulating the strength of the network model. I wrote that the collective power of close to 150,000 traders, making millions of independent decisions based on their own knowledge and experience, broadens selection and creates value for consumers. As a result, the network model attracts millions of customers every year who seek an always-growing selection at fantastic prices. The beauty lies in its flexibility. Whatever the prevailing need may be, Allegro is the place to look first. In 2023, consumers were trading down in search of discounts and everyday items amid inflation. We grew steadily while most retailers really struggled. Consumer interest may shift back towards more discretionary items in 2024 and they will be able to find them on Allegro as well. Our marketplace has it all!

Our continued growth during the relatively difficult times for e-commerce in recent years also highlights another important aspect to our way of doing business: Loyalty. We want to be sure that customers are so pleased by our marketplace experience that they visit us again and again. Our research shows that Allegro buyers most often enter the site directly and the higher the importance of the purchase, the greater the chance of it being made on Allegro. What is more, buyers' attachment to Allegro goes hand-in-hand with routinely shopping on our platform. The more customers shop with us, the more loyal they become. More than a third of Poles are already active buyers on Allegro. Half of Polish businesses shop with us too. One quarter of active buyers (3.7 million) made at least one purchase from us at least every week last year. Another fourteen percent (2.1 million) bought with us at least every two and a half weeks. Merchants stick with us too – almost half have been with us for over five years and generate three quarters of GMV. We want to intensify these relationships this year even more.

The digital revolution has made relationships with customers much easier, but it also made it much harder to make them last. Smart!, our loyalty programme, offers unlimited free shipping and member-only special offers. It continues to be a core way to maintain that loyal customer connection. New Smart! members typically increase their purchases by over 30% in the twelve months after joining. Although Smart! membership remained relatively constant last year, we significantly lifted the share of paid subscriptions to over 95%. Clearly, customers value the benefits that membership provides. We see that our mobile app significantly increases the frequency of shoppers' visits. It is clearly Poland's most popular online shopping tool with an average of fifteen and a half million monthly users. We are combining the "stickiness" of the app and Smart! by offering special deals and coupons available only on the app to Smart! members.

We also prioritised Health & Beauty and Am bient Grocery categories just over a year ago, not only because they were underdeveloped online segments, but also because they enlist more frequent shopping runs. We continue to enhance functionality such as shopping lists, product scanning and favourites which make buying products in these categories easier. Our fintech arm, Allegro Pay, now in its third year, supports a growing share of customers' purchases. We are now adding Allegro Cash (currently in its pilot phase) as a new payment method with a cashback option for purchases on our platform – the more one shops with us, the more złoty appear in one's account.

Encouraging customer loyalty is worthwhile. Allegro is now a business serving almost 20 million active buyers across Central Europe. The annual gross merchandise value (GMV) of our average Polish active buyer grew 6.4% YoY in Q4 2023 to PLN 3,739. In total, Allegro closed 2023 with GMV at PLN 55 billion in Poland. That is 11% growth for the full year and consistently better than the overall retail sales dynamics in Poland where we generate 94% of our business.

This solid performance confirms that we are the go-to shopping platform for everyone looking for value for money, especially in times of high inflation.

Allegro's strengths in innovation and cultivating customer loyalty are well established. However, as we grow and the number of people involved in any decision or task increases, achieving operational excellence has become an area of increasing management attention. This is especially true for repetitive processes, where the inputs to decision-making are always the same. The 'Fit to Grow' programme established new rigour regarding capital expenditure and headcount decisions, resulting in a 35% decline in the group's capital spending last year. Office headcount shrank by 3% at the same time. We have also introduced new resource management and investment-gating processes (known internally as RAMP and 4D), which provide new visibility into the scope and scale of software investments.

Although our rate of investment in people and capital may vary in the future, we will always use return on investment as our foremost criterion for approvals. The same is true for variable expenses such as Marketing. Almost everything in the online world is measurable, so our analytical models allow us to make sophisticated ROI-based decisions for every click we buy. In the physical world, in areas such as fulfilment and delivery, we are directing laser-like attention to unit cost, delivery speed and reliability. Over the course of last year, the utilisation of our own parcel machine network increased by over three times and we continue to work closely with our suppliers to contain our costs.

We will apply the same operations mindset to every introduction of our marketplace into a new country. Most of the countries in our catchment area are small relative to Poland, so we must be highly cost efficient and fast. We are very pleased with the initial results in the Czech Republic. We offer a selection ten times the size of the next largest ecommerce player. Our Best Price Guarantee already features over 70,000 products, we are increasingly recognised as the most price-competitive shopping destination in the country, and despite several quarters of contracting real consumer demand, around 15% of the Czech population have become active buyers on Allegro. Over half a million Czech consumers already benefit from Smart!, and our mobile app is the country's second-most popular by downloads.

We took our time launching in the Czech Republic in order to learn and painstakingly specify the playbook for subsequent launches. We invested ca. PLN 33 million in software. Customers could first access Allegro.cz in May last year. We did not begin heavy marketing until late July. In the following half a year we became the second largest e-commerce player in the country by traffic. We opened our virtual doors to Slovak customers on 29 February and plan to begin full launch activities very shortly. We are excited by the prospects of this second new launch in less than twelve months. Our playbook has served us well so far. Allegro is not only faster with this second launch, but also more frugal, with software costs at only PLN 5 million. Our expectation is that we will break even in every new market in 3 to 4 years.

[1] Sorted by traffic. Source: company information, SimilarWeb.

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A final theme that I would like to share with you is Talent Recruitment and Development. Talent remains our most precious asset, one that we must deploy and develop in a careful and conscious way. We have dedicated substantial effort this year towards heightening both efficiency and rigour of core HR processes, especially hiring, performance evaluation and career planning. We also simplified and clarified our functional structure in order to operate as a single organisation across multiple countries. A key design principle was to eliminate overlapping responsibilities whilst encouraging greater cross-functional collaboration. We are proud of our Polish and Czech roots and do not intend to grow large offices outside our home countries. However, we are also one of the largest ecommerce employers in our home region and by implication, there are not that many nearby firms where a manager can gain experience of operating at our scale, complexity and rate of growth. We have successfully attracted international talent over the past years, but we need to grow more great managers from within our own ranks. I mentioned last year that we were working to articulate how we would like our leaders to behave. Several hundred people were involved in defining The Allegro Way; twelve principles that both reflect the ethos of our company over twenty-five years and describe how we grow, show commitment and work (both on our own and with others). We believe when managers' behaviour embodies the strengths reflected by these principles; they also demonstrate their potential as leaders at Allegro. As a consequence we have incorporated The Allegro Way in our core hiring, evaluation and career planning processes.

We have made significant progress in 2023, especially the remarkable improvements in Polish EBITDA performance and group leverage reduction. We have put our Polish business back onto a very solid financial footing despite still cautious consumer spending. We have made great strides towards our ultimate goal of becoming Europe's most loved online marketplace by creating new mechanisms that support customer loyalty, efficient execution, and low-investment new market entry. Yet we are very dissatisfied with the continued underperformance of the MALL and CZC legacy businesses and the resulting accounting impairments. It is the main and most painfully visible "piece of unfinished business" from the Seven Priorities that we set when I took over as CEO in September 2022. Given the much improved financial performance of the Polish business and the success of Allegro.cz, we have substantially heightened management attention to this challenge. We are giving ourselves no more than twenty-four months to complete our transformation project and achieve positive cash contribution to the Group.

I told you last year that I felt incredibly lucky to be the Chief Executive of Allegro. Nothing has changed. I am so very thankful for all the work and often fabulous results that our many teams have achieved during 2023. Clearly, we have much more to do, but we have made great progress both in strengthening the fundamentals of our Polish business as well as introducing our marketplace to new customers in our region.

Allegro is on a mission to simplify shopping and selling. We have completed all but one of the Seven Priorities that we shared with you in September 2022. We have introduced some substantial innovations to further encourage customer loyalty – and there are good signs that loyalty continues to rise. We have begun to emphasise operational excellence to a higher degree in Poland and we are beginning to demonstrate really good financial results. Our "investment-light" expansion plan is demonstrating some early success. We are working hard to develop and deploy more effectively our most valuable assets, namely the minds of our immensely talented employees. We have most of the tools we need. We set our course last year, we are still following it, and making headway.

Roy Perticucci
CEO

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I. General information

1. Definitions

Unless otherwise required by the context, the following definitions shall apply throughout the document:

Term	Definition
"1P"	First-party.
"3P"	Third-party.
"9M"	Nine-month period ended 30 September for a given year
"AIP"	Allegro Incentive Plan.
"Allegro"	Allegro sp. z o.o. (from 1 July 2022, previously Allegro.pl sp. z o.o.)
"Allegro International Segment"	Newly created segment covering business-to-consumer (B2C), trading on territory of the Czech Republic, comprising the online marketplace and relevant services such as consumer lending and logistics operations (includes solely Allegro.cz trading conducted by the Allegro sp. z o.o. legal entity).
"Allegro Pay"	Allegro Pay Sp. z o.o.
“APMs” or “Lockers”	Automated Parcel Machines.
“BaaS”	Bank-as-a-Service
“BNPL”	Buy Now Pay Later.
“Board”	Board of Directors of Allegro.eu
"Ceneo.pl"	Ceneo.pl sp. z o.o.
“CEE”	Central and Eastern Europe
“CE-5”	Five countries in Central Europe where Mall Group operates: Croatia, Czechia, Hungary, Slovakia, Slovenia
"Cinven"	Depending on the context, any of, or collectively, Cinven Partnership LLP, Cinven Holdings Guernsey Limited, Cinven (Luxco 1) S.A. and their respective "associates" (as defined in the UK Companies Act 2006) and/or funds managed or advised by any of the foregoing.
"Company" or "Allegro.eu"	Allegro.eu, a public limited liability company (société anonyme), incorporated under the laws of the Grand Duchy of Luxembourg, having its registered office at 1, rue Hildegard von Bingen, L-1282 Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg Trade and Companies' Register (Registre de Commerce et des Sociétés, Luxembourg) under number B214830.
"CPC"	Cost Per Click.
"eBilet"	eBilet Polska Sp. z o.o.
"EC"	European Commission.

Term	Definition
"EU"	European Union.
“excl. Mall”	excluding relevant information for the Mall Group a.s. and WE|DO CZ s.r.o. and their operating direct and indirect subsidiaries.
"FY"	A financial year of the Group ending on 31 December of the relevant civil year.
"GMV"	Gross merchandise value.
"Group"	Allegro.eu and its consolidated subsidiaries.
"IAS"	International Accounting Standards as adopted by the EU.
"IFRS"	International Financial Reporting Standards, as adopted by the EU.
"IPO"	The initial public offering of the shares of the Company on the WSE.
“incl. Mall”	including relevant information for the Mall Group a.s. and WE|DO CZ s.r.o. and their operating direct and indirect subsidiaries.
“International Operations”	Sum of “Mall Segment” and “Allegro International Segment”, after inter-segment eliminations.
"IT"	Information Technology.
“Items sold”	The sum of all items of product sold on the marketplace over a period of time. For example, a purchase of two units of a specific product from a seller in a single purchase transaction is counted as two items.
"H1"	First half of a given year, six-month period ended 30 June.
"H2"	Second half of a given year, six-month period ended 31 December.
"Key Managers"	Person Discharging Managerial Responsibilities, jointly: Members of the Board of Directors of Allegro.eu, Management Board Members of Allegro and – only for Q1'22 Management Board Members of Ceneo.pl. Following the Mall Group Acquisition, starting from April 1st 2022, Ceneo.pl Management Board Members were no longer considered Key Managers of the enlarged Group.
“Lockers” or “APMs”	Automated Parcel Machines.
“LTM”	Last twelve months. Represents twelve months preceding the end of a period.
"Luxembourg"	The Grand Duchy of Luxembourg.

Term	Definition
“Mall Group”	Mall Group a.s., including its operating direct and indirect subsidiaries.
“Mall Group Acquisition”	Acquisition of the Mall Group a.s. and WE|DO CZ s.r.o., announced on 4 November 2021 and closed on 1 April 2022.
“Mall Segment”	Mall Group a.s. and WE|DO s.r.o. (CZ) and their operating direct and indirect subsidiaries as of FY 2022: WE|DO s.r.o (SK), Internet Mall a.s., Internet Mall Hungary Kft, Mimovrste, spletna trgovina d.o.o., Internet Mall Slovakia s.r.o., Internet Mall d.o.o., Netretail Sp. z.o.o. in liquidation, m-HU Internet Kft., E-commerce Holding a.s., CZC.cz s.r.o., AMG Media a.s. These entities comprise the “Mall Segment” reportable in the Group’s financial statements.
“MOV”	Minimum order value necessary to receive a service or a discount.
“N/A”	Not applicable.
“NDD”	Next Day Delivery.
“OCCP”	Office of Competition and Consumer Protection (in Polish: Urząd Ochrony Konkurencji i Konsumentów, UOKIK)
"Permira"	Depending on the context, any of, or collectively, Permira Holdings Limited, Permira Debt Managers Limited, Permira Advisers (London) Limited, Permira Advisers LLP and each of Permira Holdings Limited's subsidiary undertakings from time to time, including the various entities that individually act as advisers or consultants in relation to the funds advised and/or managed by Permira.
"PLN" or "złoty"	Polish złoty, the lawful currency of Poland.
"Poland"	The Republic of Poland.
“Polish Operations”	Allegro.eu, Allegro Treasury S.à r.l. and its consolidated subsidiaries operating in Poland, being the sum of “Allegro”, “Ceneo” and “Other” reportable segments: Allegro Sp. z o.o. (previously operating under the name: Allegro.pl sp. z o.o.), Allegro Pay sp. z o.o., Allegro Finance sp. z o.o., Opennet.pl sp. z o.o. and SkyNet Customs Brokers sp. z o.o. together form the “Allegro segment”; Ceneo.pl Sp. z o.o. forms the “Ceneo segment”; Allegro Treasury S.à r.l., Allegro.eu and eBilet Polska Sp. z o.o. together form the “Other segment”.
“pp”	Percentage points.
“PPA”	Purchase Price Allocation
“PPC”	Pay Per Click.

Term	Definition
“PSU”	Performance Share Unit plan which represents part of AIP.
“Q1”	First quarter of a given year, a three-month period ended 31 March.
“Q2”	Second quarter of a given year, a three-month period ended 30 June.
“Q3”	Third quarter of a given year, a three-month period ended 30 September.
“Q4”	Fourth quarter of a given year, a three-month period ended 31 December.
“QoQ”	Quarter over quarter, i.e. sequential quarterly change.
"Report"	This annual report of the Company for the year ended 31 December 2023.
“RSU”	Restricted Stock Unit plan which represents part of AIP.
“SDG”	Sustainable Development Goals
“Senior Managers”	Individuals, in addition to the Board of Directors, considered relevant to establishing that the Group has the appropriate expertise and experience for the management of the business.
“Significant Shareholders”	Cidinan S.à r.l., representing the interests of Cinven & Co-Investors, Permira VI Investment Platform Limited, representing the interests of Permira & Co-Investors and until October 10th 2023 Mepinan S.à r.l., representing the interests of Mid Europa Partners Funds. From October 10th 2023, Mepinan S.à r.l is no longer considered a Significant Shareholder following a share disposal that resulted in their stake falling to below 5% of shares in the Company.
“SPA”	Share purchase agreement to acquire Mall Group a.s. and WE|DO CZ s.r.o. that Allegro.eu and Allegro entered into on 4 November 2021.
"UOKiK or OCCP"	Polish Office for Competition and Consumer Protection (Urząd Ochrony Konkurencji i Konsumentów).
"WE|DO "	WE|DO CZ s.r.o. and its operating subsidiary WE|DO Slovakia s.r.o.
"WIBOR"	The Warsaw Interbank Offered Rate is the average interest rate estimated by leading banks in Warsaw that the average leading bank would be charged if borrowing from other banks. Unless specified otherwise, this refers to three-month WIBOR for loans for a three-month period.

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2. Introduction

This is the report relating to the financial year ended 31 December 2023 of Allegro.eu, a public limited liability company (société anonyme), incorporated under the laws of the Grand Duchy of Luxembourg, having its registered office at 1, rue Hildegard von Bingen, L-1282 Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg Trade and Companies' Register (Registre de Commerce et des Sociétés, Luxembourg) under number B214830. This Report summarises consolidated financial and operating data of Allegro.eu and its subsidiaries.

Allegro.eu is a holding company (together with all of its subsidiaries, the "Group"). The Group operates the leading online marketplace in Poland, Allegro.pl, and the leading price comparison platform in Poland, Ceneo.pl. Allegro, Allegro Pay and Ceneo are the Group's key operating companies in Poland and are all incorporated under the laws of Poland. The Group also operates eBilet, which is the leading event ticket sales site in Poland. The Group's fintech operations in Poland are conducted through other Polish subsidiaries: Allegro Pay and Allegro Finance.

From 1st April 2022, the Allegro.eu Group includes also the Mall Group, a leading e-commerce platform across Central and Eastern Europe and WE|DO, a last mile delivery business. Mall Group operates as an online retailer, using three different brands across multiple shopping verticals in the Czech Republic, Slovakia, Slovenia, Hungary and Croatia.

WE|DO provides last mile distribution services in the Czech Republic and Slovakia, counting the Mall Group as one of its key customers. Both Mall Group and WE|DO have been acquired as 100% subsidiaries of Allegro. Together they form the "Mall Segment" of the Group's operations.

In May 2023, the Group launched its third party marketplace in the Czech Republic, allegro.cz, starting a new phase in Group's international expansion. Results of allegro.cz operations are reported in a newly formed Allegro International Segment, which together with the Mall Segment comprises the Group's "International Operations". Upon the soft launch of "Allegro.sk" in early 2024, the next step in the marketplace expansion, results of the newly launched Slovak marketplace will also be reported within Allegro International Segment.

The shares of the Company have been traded on the Warsaw Stock Exchange since 12 October 2020.

At the date of the Report, (i) 21.59% of the issued shares of the Company are controlled by Cidinan S.à r.l., a private limited liability company (société à responsabilité limitée) incorporated and existing under the laws of the Grand Duchy of Luxembourg, having its registered office at 4, rue Albert Borschette, L-1246 Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg Trade and Companies' Register (Registre de Commerce et des Sociétés, Luxembourg) under number B204672 ("Cidinan S.à r.l."), representing the interests of Cinven & Co-Investors, (ii) 24.88% by Permira VI Investment Platform Limited, representing the interests of Permira & Co-Investors. Following a block disposal of shares on October 10th 2023, the stake held by Mepinan S.à r.l., a private limited liability company (société à responsabilité limitée) incorporated and existing under the laws of the Grand Duchy of Luxembourg, having its registered office at 163, rue du Kiem, L-8030 Strassen, Grand Duchy of Luxembourg and registered with the Luxembourg Trade and Companies' Register (Registre de Commerce et des Sociétés, Luxembourg) under number B246319 ("Mepinan S.à r.l."), representing the interests of Mid Europa Partners Funds, fell from 5.52% to below the 5% threshold. As a result shares held by Mepinan S.à r.l. are included in the free float from October 2023. At the date of the Report, to the best of Management's knowledge, the 53.54% is owned by shareholders other than Significant Shareholders, including management of the Allegro Group. The number of shares held by each investor is equal to the number of votes, as there are no privileged shares issued by the Company in accordance with the articles of association of the Company.

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3.
Forward-looking Statements

This Report includes forward-looking statements, which include all statements other than statements of historical facts, including, without limitation, any statements preceded by, followed by or that include the words "targets," , "guidance," "believes," "expects," "aims," "intends," "will," "may," "anticipates," "would," "could", or similar expressions or the negative thereof. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the Group's control that could cause the Group's actual results, its financial situation and results of operations or prospects of the Group to materially differ from any of those expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which it currently operates and will operate in the future. Among the important factors that could cause the Group's actual results, financial situation, results of operations or prospects to differ from those expressed in such forward-looking statements are those factors discussed in the "Management's discussion and analysis of financial condition and result of operations" section and elsewhere in this Report. These forward-looking statements speak only as of the date of this Report. The Group has no obligation and has made no undertaking to disseminate any updates of or revisions to any forward-looking statements contained in this Report, unless it is required to do so under applicable laws or the WSE Rules.

Investors should be aware that several important factors and risks may cause the actual results of the Group to differ materially from the plans, objectives, expectations, estimates, and intentions expressed in such forward-looking statements.

The Group makes no representation, warranty, or prediction that the factors anticipated in such forward-looking statements will be present, and such forward-looking statements represent, in each case, only one of many possible scenarios, and should not be viewed as the most likely or typical scenario.

The Group has not published and does not intend to publish any profit estimates or forecasts.

4.
Presentation of Financial Information

Unless otherwise stated, the financial information in this Report has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The significant IFRS accounting policies applied in the financial information of the Group are applied consistently in the financial information in this Report.

HISTORICAL FINANCIAL INFORMATION

This Report includes the consolidated financial information of the Group as of 31 December 2023 and for the twelve-month periods ended 31 December 2023 and 31 December 2022, which have been derived from the audited Consolidated Financial Statements of the Group, prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, and included elsewhere in this Report. PricewaterhouseCoopers, Société coopérative, having its registered office at 2, rue Gerhard Mercator, B.P. 1443, L-1014 Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg Trade and Companies' Register (Registre de Commerce et des Sociétés, Luxembourg) under number B65477, has audited the consolidated financial statements in its capacity as independent statutory auditor (réviseur d'entreprises agréé) of the Group.

ALTERNATIVE PERFORMANCE MEASURES

The Group has included certain alternative performance measures in this Report, including, among others: GMV, EBITDA, Adjusted EBITDA, Adjusted EBITDA/net revenue, Adjusted EBITDA/GMV, take rate, total capital expenditure, capitalised development costs, 1P gross margin, other capital expenditure, net debt, net leverage, and working capital.

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The Group has defined the alternative performance measures as follows:

"1P Gross Margin" means the difference between the 1P retail revenue and cost of goods sold (comprising purchasing costs, purchasing rebates, packaging, delivery costs, inventory valuation reserves, shortages and damages) divided by 1P retail revenue;

"EBITDA" means operating profit before depreciation and amortisation and impairment losses of non-current non-financial assets and decreased by reversal of such impairment losses.

"Adjusted EBITDA" means EBITDA further adjusted to exclude transaction costs, employee restructuring costs, regulatory proceeding costs, group restructuring and development costs, donations to various public benefit organisations, certain bonuses for employees, funds spent on protective equipment against COVID-19, and expenses related to share based payments in connection with the Allegro Incentive Plan;

"Adjusted EBITDA/GMV" means Adjusted EBITDA divided by GMV;

"Adjusted EBITDA/revenue" means Adjusted EBITDA divided by Revenue;

"Adjusted net profit" means net profit (loss) adjusted for the same one-off items as those described for Adjusted EBITDA above, net of the tax impact, and further adjusted for impact of tax proceedings, impairment of non-financial assets, any one-off financial expenses, such as early repayment fees and deferred amortised costs arising on refinancing arrangements, net of their tax implications;

"Capitalised development costs" means the costs that are capitalised and have been incurred in relation to the production of software containing new or significantly improved functionalities by the technology department and incurred before the software is launched commercially or the technology is applied on a serial basis;

"GMV" means gross merchandise value, which represents the total gross value of goods and tickets sold on the following platforms (including value added taxes):

(i) for the Polish Operations: Allegro.pl, Allegrolokalnie.pl and eBilet.pl;

(ii) for the Mall Segment: Mall.cz, Mall.hu, Mall.sk, Mall.hr, Mimovrste.com, CZC.cz;

(iii) for Allegro International Segment: allegro.cz;

(iv) for the International Operations: all the platforms operated by the Mall Segment and the Allegro International listed in (ii) and (iii) above;

(v) for the consolidated Group: all the platforms operated by the Group listed above;

"LTM GMV" means GMV generated in the twelve months prior to the balance sheet date, by the (i) Polish Operations; (ii) Mall Segment; (iii) Allegro International Segment; (iv) International Operations, or the consolidated Group, respectively;

"Net debt" means the sum of borrowings and lease liabilities minus cash and cash equivalents;

"Leverage" means Net debt divided by Adjusted EBITDA for the preceding twelve months;

"Other capital expenditure" means amounts paid for investments in building the relevant capacity of data centres and logistics infrastructure (mainly APMs), equipping employees with appropriate equipment (i.e. workstations), office equipment (e.g. fit-out and IT devices) and copyrights;

"Take rate" represents the ratio of marketplace revenue divided by GMV after deducting the GMV generated by 1P retail sales (grossed up for VAT);

"Total capital expenditure" means cash outflows in respect of property, plant and equipment and intangible assets, and comprises capitalised development costs and other capital expenditure; and

"Changes in working capital" means the sum of the changes in inventory, trade and other receivables, prepayments and restricted cash, consumer loans, trade and other liabilities and the liabilities to employees during the period.

The Group presents the alternative performance measures because the Group's management believes that they assist investors and analysts in comparing the Group's performance and liquidity across reporting periods. The Group presents GMV as a measure of the total value of goods sold over a certain period, which allows for growth to be compared over different periods, including weekly, monthly, quarterly, and annually. The Group considers Adjusted EBITDA to be a useful metric for evaluating the Group's performance as they facilitate comparisons of the Group's core operating results from period to period by removing the impact of, among other things, its capital structure, asset base, tax consequences and specific non-recurring costs. The Group uses Adjusted EBITDA for the purposes of calculating Adjusted EBITDA/net revenue and Adjusted EBITDA/GMV. The Group presents total capital expenditure split between capitalised development costs and other capital expenditure in order to show the amount of expenditures, including, among other things, staff costs and costs of contractors and third party service providers, incurred in relation to the production of new or improved software before it is put to use on the Group's various software platforms. The Group believes this split is important for investors to understand its amortisation of intangible assets. The Group presents net debt and net leverage because the Group believes these measures provide indicators of the overall strength of its balance sheet and can be used to assess, respectively, the impact of the Group's cash position and its earnings as compared to its indebtedness. The Group monitors working capital to evaluate how efficient it is at managing its cash provided by operating activities.

The alternative performance measures are not accounting measures within the scope of IFRS and may not be permitted to appear on the face of Financial Statements or footnotes thereto. These alternative performance measures may not be comparable to similarly titled measures of other companies. Neither the assumptions underlying the alternative performance measures have been audited in accordance with IFRS or any generally accepted accounting standards. In evaluating the alternative performance measures, investors should carefully consider the Financial Statements included in this Report.

The alternative performance measures have limitations as analytical tools. For example, Adjusted EBITDA and related ratios do not reflect: the Group's cash expenditures, or future requirements, for capital expenditures or contractual commitments; changes in, or cash requirements for, the Group's working capital needs; interest expense, income taxes or the cash requirements necessary to service interest or principal payments, on the Group's debt; or the impact of certain cash charges resulting from matters that the Group does not consider to be indicative of its ongoing operations.

In evaluating Adjusted EBITDA, investors are encouraged to evaluate each adjustment and the reasons the Group considers it appropriate as a method of supplemental analysis. In addition, investors should be aware that the Group may incur expenses similar to the adjustments in this presentation in the future and that certain of these items could be considered recurring in nature. The Group's presentation of Adjusted EBITDA should not be construed as an inference that the Group's future results will be unaffected by unusual or non-recurring items. Adjusted EBITDA has been included in this Report because it is a measure that the Group's management uses to assess the Group's operating performance.

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Investors are encouraged to evaluate any adjustments to IFRS measures and the reasons the Group considers them appropriate for supplemental analysis. Because of these limitations, as well as further limitations discussed above, the alternative performance measures presented should not be considered in isolation or as a substitute for performance measures calculated in accordance with IFRS.

Where applicable, the Group presents a reconciliation of the Alternative Performance Measures to the most directly reconcilable line item, subtotal, or total presented in the financial statements of the corresponding period, separately identifying and explaining the material reconciling items in sections "Management's discussion and analysis of financial condition and result of operations" and "Appendix 1: Reconciliation of the key Alternative Performance Measures to Financial Statements" .

NON-FINANCIAL MEASURES

The Group has further to the listed above Alternative Performance Measures, included certain non-financial measures, including, among others, Active Buyers and GMV per Active Buyer.

The Group has defined the non-financial measures as follows:

"Active Buyers" represents, as of the end of a period, each unique email address connected with a buyer that has made at least one purchase in the preceding twelve months on any of the following sites;

(i) for the Polish Operations: Allegro.pl, Allegrolokalnie.pl and eBilet.pl;

(ii) for the Mall Segment: Mall.cz, Mall.hu, Mall.sk, Mall.hr, Mimovrste.com, CZC.cz;

(iii) for Allegro International Segment: allegro.cz;

(iv) for the International Operations: all the platforms operated by the Mall Segment and Allegro International listed in (ii) and (iii) above;

(v) for the consolidated Group: all the platforms operated by the Group listed above;

"GMV per Active Buyer" represents LTM GMV divided by the number of Active Buyers as of the end of a period, for the (i) Polish Operations; (ii) Mall Segment; (iii) Allegro International Segment; (iv) International Operations, or the consolidated Group, respectively.

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II. Business report

1.

Selected consolidated financial and operational highlights

Income Statement, PLN m	FY 2023 (audited)	FY 2022 (audited)	Change %	Q4 2023 (unaudited)	Q4 2022 (unaudited)	Change %
Total revenue and other operating income	**10,250.6**	**9,004.9**	**13.8%**	**3,100.0**	**3,082.8**	**0.6%**
of which Polish Operations	*7,951.5*	*6,644.9*	*19.7%*	*2,397.6*	*2,025.0*	*18.4%*
of which International Operations	*2,334.2*	*2,365.8*	*(1.3%)*	*723.6*	*1,060.6*	*(31.8%)*
of which Eliminations & Other	*(35.2)*	*(5.8)*	*507.2%*	*(21.2)*	*(2.8)*	*664.3%*
EBITDA	**2,414.1**	**2,000.5**	**20.7%**	**720.7**	**628.1**	**14.7%**
of which Polish Operations	*2,859.3*	*2,198.8*	*30.0%*	*882.5*	*683.7*	*29.1%*
of which International Operations	*(442.3)*	*(198.3)*	*123.0%*	*(159.0)*	*(55.6)*	*185.8%*
of which Eliminations & Other	*(2.9)*	—	*N/A*	*(2.8)*	—	*N/A*
Adjusted EBITDA	**2,540.1**	**2,152.7**	**18.0%**	**751.8**	**668.3**	**12.5%**
of which Polish Operations	*2,957.6*	*2,309.4*	*28.1%*	*905.7*	*707.7*	*28.0%*
of which International Operations	*(414.6)*	*(156.8)*	*164.5%*	*(151.1)*	*(39.4)*	*283.4%*
of which Eliminations & Other	*(2.9)*	—	*N/A*	*(2.8)*	—	*N/A*
EBIT	**790.1**	**(1,182.1)**	**N/A**	**(150.9)**	**372.4**	**(140.5%)**
Profit / (Loss) before Income tax	**500.2**	**(1,639.5)**	**N/A**	**(196.4)**	**262.1**	**(174.9%)**
Net Profit / (Loss)	**284.1**	**(1,916.8)**	**N/A**	**(233.6)**	**179.6**	**(230.1%)**

Balance sheet	31.12.2023 (audited)	31.12.2022 restated [1]	Change %
Assets	18,538.8	19,205.8	(3.5%)
Equity	9,043.3	8,981.3	0.7%
Net Debt	4,635.9	6,266.1	(26.0%)

Cash Flow, PLN m	FY 2023 (audited)	FY 2022 (audited)	Change %	Q4 2023 (unaudited)	Q4 2022 (unaudited)	Change %
Net cash inflow/(outflow) from operating activities	2,540.9	1,854.7	37.0%	896.1	854.9	4.8%
Net cash inflow/(outflow) from investing activities	(466.8)	(3,075.9)	(84.8%)	(120.6)	(162.3)	(25.7%)
Net cash inflow/(outflow) from financing activities	(883.9)	141.5	(724.7%)	(455.8)	(668.2)	(31.8%)
Net increase/(decrease) in cash and cash equivalents	1,190.1	(1,079.7)	N/A	319.8	24.4	1,210.5%
Effect of movements in exchange rates on cash held	(18.6)	—	N/A	(18.6)	—	N/A

[1] For details please refer to note 3.2.3 to the Consolidated Financial Statements of Allegro.eu S.A. Group for the year ended 31 December 2023

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2. Management's discussion and analysis of financial condition and result of operations

2.1. Key performance indicators

The following KPIs are measures used by the Group's management to monitor and manage operational and financial performance:

KPIs (unaudited)	FY 2023	FY 2022	Change %	Q4 2023	Q4 2022	Change %
Active Buyers (millions)	**19.6**	**14.1**	**39.7%**	**19.6**	**14.1**	**39.7%**
of which Polish Operations	*14.6*	*14.1*	*4.2%*	*14.6*	*14.1*	*4.2%*
of which International Operations	*5.0*	*N/A*	*N/A*	*5.0*	*N/A*	*N/A*
GMV per Active Buyer (PLN)	**2,974.0**	**3,514.9**	**(15.4%)**	**2,974.0**	**3,514.9**	**(15.4%)**
of which Polish Operations	*3,739.3*	*3,514.9*	*6.4%*	*3,739.3*	*3,514.9*	*6.4%*
of which International Operations	*724.0*	*N/A*	*N/A*	*724.0*	*N/A*	*N/A*
GMV (PLN in millions)	**58,373.4**	**52,495.7**	**11.2%**	**16,940.1**	**15,866.9**	**6.8%**
of which Polish Operations	*54,770.5*	*49,388.8*	*10.9%*	*15,676.0*	*14,442.8*	*8.5%*
of which International Operations	*3,605.7*	*3,106.9*	*16.1%*	*1,264.1*	*1,424.1*	*(11.2%)*
Intersegment eliminations	*(2.8)*	*—*	*N/A*	*—*	*—*	*N/A*

KPIs (unaudited)	FY 2023	FY 2022	Change %	Q4 2023	Q4 2022	Change %
LTM GMV (PLN in millions)	**58,373.4**	**49,388.8**	**18.2%**	**58,373.4**	**49,388.8**	**18.2%**
of which Polish Operations	*54,770.5*	*49,388.8*	*10.9%*	*54,770.5*	*49,388.8*	*10.9%*
of which International Operations	*3,605.7*	*N/A*	*N/A*	*3,605.7*	*N/A*	*N/A*
Intersegment eliminations	*(2.8)*	*N/A*	*N/A*	*(2.8)*	*N/A*	*N/A*
Items sold (in millions)	**1,173.8**	**1,050.3**	**11.8%**	**327.0**	**286.0**	**14.3%**
of which Polish Operations	*1,153.4*	*1,036.7*	*11.3%*	*318.4*	*279.4*	*13.9%*
of which International Operations	*20.4*	*13.6*	*49.9%*	*8.6*	*6.5*	*31.8%*
Take Rate (%)	**11.44%**	**10.83%**	**0.61pp**	**11.58%**	**10.93%**	**0.65pp**
of which Polish Operations	*11.48%*	*10.82%*	*0.66pp*	*11.68%*	*10.91%*	*0.77pp*
of which International Operations	*9.87%*	*12.04%*	*(2.17pp)*	*8.49%*	*12.36%*	*(3.87pp)*
1P Gross Margin	**10.65%**	**10.62%**	**0.03pp**	**9.86%**	**12.08%**	**(2.22pp)**
of which Polish Operations	*3.35%*	*3.11%*	*0.24pp*	*(0.68%)*	*8.95%*	*(9.63pp)*
of which International Operations	*12.30%*	*12.27%*	*0.04pp*	*12.92%*	*12.67%*	*0.25pp*
Adjusted EBITDA (PLN in millions)	**2,540.1**	**2,152.7**	**18.0%**	**751.8**	**668.3**	**12.5%**
of which Polish Operations	*2,957.6*	*2,309.4*	*28.1%*	*905.7*	*707.7*	*28.0%*
of which International Operations	*(414.6)*	*(156.8)*	*164.5%*	*(151.1)*	*(39.4)*	*283.4%*
Intersegment eliminations	*(2.9)*	*—*	*N/A*	*(2.8)*	*—*	*N/A*
Adjusted EBITDA/total revenue and other operating income (%)	**24.78%**	**23.91%**	**0.87pp**	**24.25%**	**21.68%**	**2.57pp**
of which Polish Operations	*37.19%*	*34.75%*	*2.44pp*	*37.78%*	*34.95%*	*2.83pp*
of which International Operations	*(17.76%)*	*(6.63%)*	*(11.14pp)*	*(20.88%)*	*(3.72%)*	*(17.17pp)*
Adjusted EBITDA/GMV (%)	**4.35%**	**4.10%**	**0.25pp**	**4.44%**	**4.21%**	**0.23pp**
of which Polish Operations	*5.40%*	*4.68%*	*0.72pp*	*5.78%*	*4.90%*	*0.88pp*
of which International Operations	*(11.50%)*	*(5.05%)*	*(6.45pp)*	*(11.95%)*	*(2.77%)*	*(9.19pp)*

[1] All LTM measures and their derivatives (Active Buyers, GMV per Active Buyer, LTM GMV) for the International Operations were not available for 2022, as its sole component in 2022 (the Mall Segment) is consolidated from Q2 2022.
[2] Items sold for International Operations include only Q2-Q4 2022 for the Mall Segment and Q2-Q4 2023 for the newly established Allegro International Segment, therefore FY growth rates are not comparable.
[3] Take Rate is a blended average take rate.

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GMV AND ACTIVE BUYERS

For FY 2023 GMV for the consolidated Group increased by PLN 5,877.7 million, or 11.2% YoY from PLN 52,495.7 million for FY 2022 to PLN 58,373.4 million for FY 2023, whereas for Q4 2024 GMV for the consolidated Group increased by PLN 1,073.2 million, or 6.8% YoY, from PLN 15,866.9 million for Q4 2022, to PLN 16,940.1 million.

Consolidated GMV growth in FY 2023 was based on sound results of the Polish Operations and fuelled by the impact of the successful commercial launch of Allegro.cz marketplace on 9 May 2023 (representing 100% of the newly created Allegro International Segment in FY 2023). This was partially offset by the decrease in the Mall Segment's GMV reflecting the impact of seven quarters of continually contracting retail sales in the Czech Republic on the largely consumer discretionary 1P legacy business of the Mall Segment.

For FY 2023 GMV of the Polish Operations increased by 10.9% YoY, while GMV growth in Q4 2023 reached 8.5% YoY. From the quarterly perspective, YoY GMV growth was gradually decelerating from the Q1 2023 YoY growth rate of 14.0% to Q3 2023 growth rate of 10.5% due to trading down by customers impacted by declining real wages and looking for value in the market. As a result they continued to increase shopping frequency with Allegro with the number of transactions growing in the low teens while the change in the average value of these transactions gradually fell towards a low single digit decline from Q2 2023. This trading down effect in Q4 2023 was coupled with an inflated YoY comparative base, reflecting increased demand in Q4 2022 driven by war in the Ukraine and purchases of higher value items related to expected difficult winter conditions. As a result, in Q4 2023, the Group noted a further slow-down in GMV growth to 8.5% as consumers continued to restrict spending during the Christmas period, despite a return to growth in real incomes as inflation fell. Overall, the Allegro marketplace showed its resilience in difficult trading conditions throughout 2023 as its proposition of everyday shopping on the widest selection at attractive prices continued to provide relevant solutions for Polish consumers. Organic growth in GMV was further supported by continued growth in Smart! users, strong performance of price benchmarking and pricing assistance and rapid adoption of Allegro Pay services. eBilet, the ticketing subsidiary, contributed 0.1pp positive growth to the Q4 GMV growth, while from the annual perspective eBilet contributed 0.4pp positive growth to the FY 2023 GMV growth.

These impacts were anticipated by the Group management, reflected in the outlook for Q4 2023 and subsequently confirmed by slowing Polish retail sales data.

Active Buyers of the Polish Operations grew by 4.2% YoY and by 1.2% QoQ, adding nearly 600 thousand buyers during the year and reaching 14.6 million at the end of FY 2023. Q4 2023 was the seventh consecutive quarter of growth in Active Buyers, reflecting the success of Allegro's marketing focus on price, selection and loyalty which yielded a positive impact on new shopper acquisition. The average annual spend per buyer kept on growing as the structural shift to online shopping continues, with GMV per Active Buyer reaching PLN 3,739 for Polish Operations, up by 6.4% YoY.

Overall GMV contributed to the Group by the International Operations rose 16.1% YoY. This increase in large part reflected only three quarters of consolidation in the prior year versus a full year in 2023. While the newly launched Allegro International Segment provided PLN 662.2 million of GMV from its successful launch in May 2023, the Mall segment was contracting and lost PLN 875.7 million of GMV, or 28.2%, in the three comparable quarters of Q2-Q4 2023.

Active Buyers of the International Operations grew by 19.2% YoY (pro-forma) to reach 5 million. This growth was driven by excellent performance of Allegro International Operations which arrived at 1.6 million buyers (of which 0.6 million were Active Buyers of the Mall Segment) since its launch in Q2 2023, while the Mall Segment's Active Buyers number declined by 3.9% YoY to 4 million. Such evolution of the Active Buyers' base of the International Operations underlines strength of Allegro.cz marketplace performance, attracting Czech customers thanks to the unparalleled selection and attractive pricing of its offers.

ADJUSTED EBITDA

The Group's Adjusted EBITDA increased by PLN 387.4 million, or 18.0% YoY from PLN 2,152.7 million to PLN for FY 2022 to PLN 2,540.1 million for FY 2023, whereas for Q4 2023 Adjusted EBITDA for the consolidated Group increased by PLN 83.5 million, or 12.5% YoY, from PLN 668.3 million for Q4 2022, to PLN 751.8 million for Q4 2023.

The Adjusted EBITDA of the Polish Operations increased by 28.1% for FY 2023 to reach PLN 2,957.6 million. The growth in Q4 2023 was 28.0% YoY, sequentially lower than 32.4% in Q3 2023, however once again exceeding Management's expectations. Excellent development of the Polish Operations profitability, both in Q4 and FY 2023, was an outcome of strong marketplace revenue growth, additionally fuelled by increasing and highly margin accretive Advertising and Allegro Pay revenues. These impacts were partially offset by increases in Net Costs of Delivery and Marketing expenses. SG&A costs were maintained under tight control throughout the year.

Outside of Poland, the launch phase of Allegro.cz produced PLN 208.8 million of start-up losses in FY 2023. The new marketplace had a strong Q4 2023 as GMV more than doubled sequentially while loss to GMV margin fell slightly despite heavy advertising campaigns, producing an Adjusted EBITDA loss of PLN 109.2 million. The legacy Mall Segment produced a full year Adjusted EBITDA loss of PLN 204.6 million, of which PLN 40.7 million was incurred in Q4. Despite a 36.0% contraction in GMV in Q4 as the Management reduced selection and marketing spend to focus on profitability, cost cutting ensured that the Q4 deficit grew by only 3.4% YoY.

For FY 2023 the Take Rate for the Group reached 11.44%, up by 0.61pp YoY, whereas for Q4 2023, Take Rate reached 11.58%, up by 0.65pp YoY. For the Polish Operations Take rate improved by 0.66pp to 11.48% in FY 2023 and by 0.77pp to 11.68% in Q4 2023. These improvements reflect predominantly changes to rate cards and raised co-financing fees for Smart! Deliveries implemented since July 2023

For FY 2023 the Group consolidated GMV margin was 4.35% compared to 4.10% a year ago. For Q4 2023, Group Consolidated GMV margin was 4.44% compared to 4.21% for Q4 2022. GMV margin for the Polish Operations segment increased by 0.72pp YoY to 5.40% for FY 2023 and by 0.88pp YoY to 5.78% for Q4 2023. These higher GMV margins in Poland reflect aforementioned improvements in the Take Rate, partly offset by delivery contracts indexation effective from November, coupled with growth in advertising revenues, improvements to the economics of the Smart! Programme and tight control of staff costs and operating expenses.

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THE FOLLOWING TABLES PRESENT A RECONCILIATION BETWEEN REPORTED AND ADJUSTED EBITDA FOR THE PERIODS UNDER REVIEW:

Reconciliation of Adjusted EBITDA, PLN m (unaudited)	FY 2023	FY 2022	Change %	Q4 2023	Q4 2022	Change %
EBITDA Group	**2,414.1**	**2,000.5**	**20.7%**	**720.7**	**628.1**	**14.7%**
EBITDA Polish Operations	**2,859.3**	**2,198.8**	**30.0%**	**882.5**	**683.7**	**29.1%**
Regulatory proceeding costs [1]	0.2	3.3	(95.0%)	0.1	2.3	(94.2%)
Group restructuring and development costs [2]	25.6	46.6	(45.0%)	7.1	6.8	4.3%
Donations to various public benefit organisations [3]	0.5	3.0	(83.4%)	—	—	N/A
Bonus for employees and funds spent on protective equipment against COVID-19 [4]	—	0.4	(100.0%)	—	—	N/A
Allegro Incentive Plan [5]	70.0	47.7	46.7%	16.0	14.2	12.1%
Transaction costs [6]	—	3.2	(100.0%)	—	0.5	(100.0%)
Employees restructuring cost [7]	2.0	6.3	(68.3%)	—	0.1	(100.0%)
Adjusted EBITDA Polish Operations	**2,957.6**	**2,309.4**	**28,1%**	**905.7**	**707.7**	**28.0%**
EBITDA International Operations	**(442.3)**	**(198.3)**	**123.0%**	**(159.0)**	**(55.6)**	**185.8%**
Regulatory proceeding costs [1]	0.4	—	N/A	—	—	N/A
Group restructuring and development costs [2]	13.9	34.0	(59.2%)	6.3	10.8	(41.6%)
Allegro Incentive Plan [5]	7.8	4.8	61.5%	1.6	2.7	(40.4%)
Employees restructuring cost [7]	5.7	2.7	108.6%	—	2.7	(100.0%)
Adjusted EBITDA International Operations	**(414.6)**	**(156.8)**	**164.5%**	**(151.1)**	**(39.4)**	**283.4%**
Eliminations & Other	**(2.9)**	**—**	**N/A**	**(2.8)**	**—**	**N/A**
Adjusted EBITDA Group	**2,540.1**	**2,152.7**	**18.0%**	**751.8**	**668.3**	**12.5%**

Reconciliation of Adjusted EBITDA, PLN m (unaudited)	FY 2023	FY 2022	Change %	Q4 2023	Q4 2022	Change %
EBITDA International Operations	**(442.3)**	**(198.3)**	**123.0%**	**(159.0)**	**(55.6)**	**185.8%**
EBITDA Mall Segment	**(218.6)**	**(198.3)**	**10.2%**	**(46.8)**	**(55.6)**	**(15.8%)**
Regulatory proceeding costs [1]	0.4	—	N/A	—	—	N/A
Group restructuring and development costs [2]	0.2	34.0	(99.5%)	4.5	10.8	(58.5%)
Allegro Incentive Plan [5]	7.8	4.8	61.5%	1.6	2.7	(40.4%)
Employees restructuring cost [7]	5.7	2.7	108.6%	—	2.7	(100.0%)
Adjusted EBITDA Mall Segment	**(204.6)**	**(156.8)**	**30.5%**	**(40.7)**	**(39.4)**	**3.4%**
EBITDA Allegro International Segment	**(222.5)**	**—**	**N/A**	**(111.0)**	**—**	**N/A**
Group restructuring and development costs [2]	13.7	—	N/A	1.8	—	N/A
Adjusted EBITDA Allegro International Segment	**(208.8)**	**—**	**N/A**	**(109.2)**	**—**	**N/A**
Eliminations & Other	**(1.2)**	**—**	**N/A**	**(1.2)**	**—**	**N/A**
Adjusted EBITDA International Operations	**(414.6)**	**(156.8)**	**164.5%**	**(151.1)**	**(39.4)**	**283.4%**

[1] Represents legal costs mainly related to non-recurring regulatory proceedings, legal and expert fees and settlement costs.

[2] Represents legal and financial due diligence and other advisory expenses with respect to:
- potential acquisitions or discontinued acquisition projects,
- integration and other advisory expenses with respect to signed and/or closed acquisitions,
- non-employee restructuring cost.

[3] Represents donations made by the Group to support health service and charitable organisations and NGOs during the COVID-19 pandemic and to provide humanitarian aid to people affected by the war in Ukraine.

[4] Represents expenses incurred by the Group to buy employees' protective equipment against COVID-19 and to pay employees' bonuses for the purchase of equipment necessary to enable them to work remotely during the COVID-19 pandemic.

[5] Represents the costs of the Allegro Incentive Plan, under which awards in the form of Performance Share Units ("PSU") and Restricted Stock Units ("RSU") are granted to Executive Directors, Key Managers and other employees.

[6] Represents pre-acquisition advisory fees, legal, financial, tax due diligence and other transactional expenses incurred in relation to the completed acquisition of Mall Group a.s. and WE|DO CZ s.r.o.

[7] Represents certain payments related to reorganisation of the Management Boards of the parent entity and the underlying operating entities, as well as redundancy payments for employees affected by restructuring projects.

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2.2. Review of the Group financial and operational results

2.2.1. REVIEW OF ALLEGRO.EU GROUP FINANCIAL AND OPERATIONAL RESULTS

The following tables present the Group's summary consolidated statements of comprehensive income for FY 2023, FY 2022, Q4 2023 and Q4 2022.

	Consolidated Group					
Consolidated statement of comprehensive income, PLN m	FY 2023 (audited)	FY 2022 (audited)	Change %	Q4 2023 (unaudited)	Q4 2022 (unaudited)	Change %
GMV	**58,373.4**	**52,495.7**	**11.2%**	**16,940.1**	**15,869.9**	**6.8%**
of which 1P	3,082.7	3,191.1	(3.4%)	980.9	1,410.5	(30.5%)
of which 3P	55,290.7	49,304.6	12.1%	15,959.2	14,456.4	10.4%
Total revenue and other operating income	**10,250.6**	**9,004.9**	**13.8%**	**3,100.0**	**3,082.8**	**0.6%**
Revenue	**10,185.3**	**9,004.9**	**13.1%**	**3,034.7**	**3,082.8**	**(1.6%)**
Marketplace revenue	6,327.5	5,340.8	18.5%	1,847.5	1,580.1	16.9%
Price comparison revenue	207.9	193.8	7.2%	60.8	60.2	1.0%
Advertising revenue	833.4	612.3	36.1%	260.8	200.3	30.2%
Retail revenue	2,598.8	2,694.7	(3.6%)	817.1	1,180.3	(30.8%)
Logistic Service Revenue	140.5	87.2	61.2%	56.4	32.9	71.3%
Other revenue	77.2	76.1	1.4%	(7.9)	29.0	(127.4%)
Other operating income	**65.2**	**—**	**N/A**	**65.2**	**—**	**N/A**
Operating expenses	**(7,836.5)**	**(7,004.4)**	**11.9%**	**(2,379.3)**	**(2,454.7)**	**(3,1%)**
Payment charges	(159.6)	(154.8)	3.1%	(45.1)	(45.1)	(0.1%)
Cost of goods sold	(2,322.1)	(2,408.0)	(3.6%)	(736.6)	(1,037.6)	(29.0%)
Net costs of delivery	(2,307.6)	(1,773.4)	30.1%	(705.7)	(571.7)	23.4%
Marketing service expenses	(1,231.7)	(971.1)	26.8%	(436.6)	(335.5)	30.1%
Staff costs	(1,169.5)	(1,015.8)	15.1%	(289.0)	(278.2)	3.9%
IT service expenses	(201.9)	(173.7)	16.2%	(54.9)	(50.2)	9.4%
Other expenses	(396.3)	(437.3)	(9.4%)	(105.8)	(118.5)	(10.7%)
Net impairment losses on financial and contract assets	(47.7)	(67.0)	(28.7%)	(5.6)	(17.4)	(68.0%)
Transaction costs	—	(3.2)	(100.0%)	—	(0.5)	(100.0%)
Operating profit before amortisation and depreciation Impairment losses of non-current non-financial assets (EBITDA)	**2,414.1**	**2,000.5**	**20.7%**	**720.7**	**628.1**	**14.7%**

YoY growth rates for FY 2023 are not meaningful as Mall Segment was not consolidated in Q1 2022. Detailed discussion on key data in this table is presented in the following sections concerning the results of Polish Operations and International Operations, respectively.

For a reconciliation between Group results and the Polish and International Operations, please refer to the Appendix 2 to this report.

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2.2.2 RESULTS OF THE POLISH OPERATIONS

The following tables present the Group's summary consolidated statements of comprehensive income for FY 2023, FY 2022, Q4 2023 and Q4 2022.

Consolidated statement of comprehensive income, PLN m	Polish Operations					
	FY 2023 (audited)	FY 2022 (audited)	Change %	Q4 2023 (unaudited)	Q4 2022 (unaudited)	Change %
GMV	**54,770.5**	**49,388.8**	**10.9%**	**15,676.0**	**14,442.8**	**8.5%**
of which 1P	584.2	574.8	1.6%	221.6	228.3	(2.9%)
of which 3P	54,186.3	48,814.0	11.0%	15,454.4	14,214.5	8.7%
Total revenue and other operating income	**7,951.5**	**6,644.9**	**19.7%**	**2,397.6**	**2,025.0**	**18.4%**
Revenue	**7,886.2**	**6,644.9**	**18.7%**	**2,332.3**	**2,025.0**	**15.2%**
Marketplace revenue	6,218.5	5,281.7	17.7%	1,804.7	1,550.2	16.4%
Price comparison revenue	207.9	194.0	7.2%	60.8	60.2	1.0%
Advertising revenue	830.4	607.4	36.7%	260.1	198.3	31.2%
Retail revenue	486.1	483.9	0.4%	181.8	188.7	(3.7%)
Logistic Service Revenue	53.7	27.5	95.2%	20.3	8.8	129.7%
Other revenue	89.6	50.4	77.8%	4.7	18.8	(74.8%)
Other operating income	**65.2**	**—**	**N/A**	**65.2**	**—**	**N/A**
Operating expenses	**(5,092.2)**	**(4,446.1)**	**14.5%**	**(1,515.0)**	**(1,341.3)**	**13.0%**
Payment charges	(139.9)	(143.7)	(2.6%)	(38.2)	(40.2)	(4.9%)
Cost of goods sold	(469.8)	(468.9)	0.2%	(183.0)	(171.8)	6.5%
Net costs of delivery	(2,230.6)	(1,760.5)	26.7%	(673.1)	(565.2)	19.1%
Marketing service expenses	(879.6)	(762.4)	15.4%	(279.2)	(231.2)	20.8%
Staff costs	(824.5)	(757.2)	8.9%	(208.0)	(187.2)	11.1%
IT service expenses	(170.6)	(152.5)	11.9%	(46.9)	(43.9)	6.8%
Other expenses	(330.8)	(331.8)	(0.3%)	(80.6)	(84.9)	(5.0%)
Net impairment losses on financial and contract assets	(46.4)	(65.9)	(29.7%)	(6.0)	(16.3)	(63.4%)
Transaction costs	—	(3.2)	(100.0%)	—	(0.5)	(100.0%)
Operating profit before amortisation and depreciation Impairment losses of non-current non-financial assets (EBITDA)	**2,859.3**	**2,198.8**	**30.0%**	**882.5**	**683.7**	**29.1%**

REVENUE AND OTHER OPERATING INCOME

Revenue and other operating income increased by PLN 1,306.5 million, or 19.7%, from PLN 6,644.9 million for FY 2022 to PLN 7,951.5 million for FY 2023, whereas for Q4 2023 revenue increased by PLN 372.6 million, or 18.4%, from PLN 2,025.0 million for Q4 2022 to PLN 2,397.6 million for Q4 2023. This increase resulted primarily from strong performance in the 3P marketplace, Advertising and Allegro Pay revenues. Main drivers of key revenue streams are described below.

MARKETPLACE REVENUE

Marketplace revenue increased by PLN 936.8 million, or 17.7%, from PLN 5,281.7 million for FY 2022 to PLN 6,218.5 million for FY 2023, whereas for Q4 2023 marketplace revenue increased by PLN 254.5 million, or 16.4% from PLN 1,550.2 million for Q4 2022 to PLN 1,804.7 million for Q4 2023. This increase resulted primarily from 3P GMV growth which for FY 2023 reached 11.0% YoY (and up by 8.7% YoY in Q4 2023) in combination with a higher Take Rate. Changes in commission rates and two increases in co-financing charges for Smart! free deliveries, in August 2022 and July 2023, resulted in Take Rates being up by 0.66pp YoY in FY 2023 and 0.77pp in Q4 2023.

ADVERTISING REVENUE

Advertising revenue increased by PLN 223.0 million, or 36.7%, from PLN 607.4 million for FY 2022 to PLN 830.4 million for FY 2023, whereas for Q4 2023 advertising revenue increased by PLN 61.8 million, or 31.2%, from PLN 198.3 million for Q4 2022 to PLN 260.1 million for Q4 2023. This increase resulted primarily from further improvements in sponsored ads reflecting higher CPC rates, as well as increased inventory and more participating merchants. Advertising revenue continued to grow ahead of GMV, rising to 1.52% as a percentage of GMV for FY 2023, up by 0.29 pp versus FY 2022.

OTHER REVENUE AND OTHER OPERATING INCOME

Other revenue increased by PLN 39.2 million, or 77.8%, from PLN 50.4 million for FY 2022 to PLN 89.6 million for FY 2023, whereas for Q4 2023 other revenue decreased by PLN 14.1 million, or 74.8%, from PLN 18.8 million for Q4 2022 to PLN 4.7 million for Q4 2023. Other Operating Income amounted to PLN 65.2 million in both Q4 and FY 2023 as compared to nil in comparative periods. Other Operating Income reflects results from fair value valuation and sales of consumer loans portfolios originated by Allegro Pay to the Group's financing partner, which reached the materiality threshold to be presented separately in Q4 2023, previously presented within Other Revenue. The value for Q4 2023 includes retrospective cumulative adjustment of PLN 39.0 million for the first nine months of 2023, which was reclassified from Other Revenue to Other Operating Income.

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OPERATING EXPENSES

Operating expenses increased by PLN 646.1 million, or 14.5%, from PLN 4,446.1 million for FY 2022 to PLN 5,092.2 million for FY 2023, whereas for Q4 2023 operating expenses increased by PLN 173.8 million, or 13.0%, from PLN 1,341.3 million for Q4 2022 to PLN 1,515.0 million for Q4 2023. These increases resulted primarily from higher net costs of delivery, marketing expenses, IT service expenses and staff costs.

NET COSTS OF DELIVERY

Net costs of delivery increased by PLN 470.1 million, or 26.7%, from PLN 1,760.5 million for FY 2022 to PLN 2,230.6 million for FY 2023, whereas for Q4 2023 net costs of delivery increased by PLN 107.8 million, or 19.1%, from PLN 565.2 million for Q4 2022 to PLN 673.1 million for Q4 2023. These increases resulted primarily from further growth in the volume of transactions in FY 2023 relative to the prior year and increase in unit costs resulting from indexation of delivery contract costs effective from November 2022 and November 2023. Such inflationary pressure was partially mitigated by a change in delivery mix.

In November 2022, the Group introduced changes to the SMART! terms and pricing, with the intention of improving the programme's profitability. From 21 November price of the annual Allegro SMART! subscriptions that are renewed or newly purchased increased to PLN 59.90 from PLN 49.00 and the minimum order value for purchase amounts from one seller to qualify for free delivery increased to PLN 45 from PLN 40 for APMs and PUDO points, and to PLN 65 from PLN 40 for courier deliveries. The impact of these changes helped to offset partially the impact of higher delivery costs per parcel.

Share of more expensive courier deliveries fell by 6.6pp in FY 2023 versus the prior year period, whereas for Q4 2023 share of courier in the delivery mix was down by 7.9pp YoY. Overall, the average cost of a subsidised package delivery increased by 7.0% in FY 2023 vs the prior year, while for Q4 2023 it was up by 7.5% YoY.

Net costs of delivery mainly represent the excess of SMART! free delivery costs over the revenues earned from SMART! subscriptions, while co-financing contributions from sellers are recorded as marketplace revenue and thus included in the Take Rate.

MARKETING SERVICE EXPENSES

Marketing service expenses increased by PLN 117.2 million, or 15.4%, from PLN 762.4 million for FY 2022 to PLN 879.6 million for FY 2023, whereas for Q4 2023 marketing service expenses increased by PLN 48.1 million, or 20.8%, from PLN 231.2 million for Q4 2022 to PLN 279.3 million for Q4 2023.

Marketing service expenses as a percentage of GMV increased YoY by 0.07 pp to 1.61% for FY 2023 and by 0.18 pp to 1.78% for Q4 2023. The Group invested more mainly in PPC expenses to boost internet traffic acquisition, and to a smaller extent in brand and promotional advertising as well as in its buyer protection programme. In 2023 the Group held eight Allegro Days promotional events and "Black Week" was extended to cover a three week period, as compared to six and one in 2022, respectively. These events were responsible for the increase in brand and promotional spend relative to GMV.

STAFF COSTS

Staff costs increased by PLN 67.3 million, or 8.9%, from PLN 757.2 million for FY 2022 to PLN 824.5 million for FY 2023, whereas for Q4 2023 staff costs increased by PLN 20.8 million, or 11.1%, from PLN 187.2 million for Q4 2022 to PLN 208.0 million for Q4 2023. This full year increase by less than GMV growth, resulted primarily from well controlled growth in headcount in combination with moderate growth in base salaries.

Overall, starting from Q2 2022 net recruitment slowed significantly, reflecting focus on efficiency and productivity improvements, with headcount at the end of 2023 lower by 1.6% YoY. From the quarterly perspective headcount was up by 2.3% vs. Q3 2023. With such headcount evolution, the YoY staff costs dynamics was predominantly driven by increase in base salaries and costs of the Allegro Incentive Plan.

OTHER EXPENSES

Other expenses decreased by PLN 0.9 million, or 0.3%, from PLN 331.8 million for FY 2022 to PLN 330.8 million for FY 2023, whereas for Q4 2023 other expenses decreased by PLN 4.2 million, or 5.0%, from PLN 84.9 million for Q4 2022 to PLN 80.6 million for Q4 2023. These decreases resulted primarily from reducing spending on contractor services and consulting for FY 2023 with additional positive impact in Q4 2023 from lower rental costs stemming from optimisation of office space used, within the scope of the Fit to Grow efficiency project.

FIT TO GROW PROJECT

In Q4 2022 the Group started to implement an efficiency project named "Fit to Grow". One of the Group's seven priorities announced during Q3 2022, "Fit to Grow" comprised three pillars. Firstly, the organisational efficiency stream targeted creation of a comprehensive organisation chart covering all resources, strengthening cost control and people management processes as well as driving productivity improvements. This has resulted in reduction in the Group headcount by 4.8% YoY in Q4, mostly in the Mall Segment.

Secondly, a cost avoidance and savings pillar scaled down the operating costs and capital expense bases through optimisations and tightening the cost control across the Allegro Group without affecting the day-to-day business or the ability to grow profitably. Lastly, the project management and capital allocation stream aimed to implement a company-wide process of careful selection of investment projects, monitoring of resource allocation and review of project results. By refocusing on costs, efficiency, capital expenditure and returns on investment, the Management aimed to improve operating leverage and capital investment metrics to free up more cash flow to support the Group's growth priorities. A dedicated team led the Group wide effort with further savings and efficiencies continuing to be targeted in business as usual mode. The Group estimates the approximately PLN 250 million was saved (cf. the Group's original cost outlays planned for the year) throughout FY 2023 as a result of Fit to Grow, while lasting effects are expected from the cultural mindset changes and the project management and capital allocation stream.

OPERATING PROFIT BEFORE AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES OF NON-CURRENT NON-FINANCIAL ASSETS (EBITDA)

EBITDA increased by PLN 660.4 million, or 30.0%, from PLN 2,198.8 million for FY 2022 to PLN 2,859.3 million for FY 2023, whereas for Q4 2023 EBITDA increased by PLN 198.8 million, or 29.1%, from PLN 683.7 million for Q4 2022 to PLN 882.5 million for Q4 2023. This increase resulted primarily from the factors described in the section 2.2.2.1. above.

Adjusted EBITDA for the Polish Operations increased to PLN 905.7 million, up by 28.0% for Q4 2023, setting the Adjusted EBITDA growth for FY 2023 at 28.1% YoY, reaching PLN 2,957.6 million.

Adjusted EBITDA includes PLN 98.3 million of one-off EBITDA adjustments reported in FY 2023, compared to PLN 110.6 million one-offs reported in the prior year. Key adjustments to EBITDA in the current period included PLN 25.6 million of Group restructuring and development costs, as well as PLN 70.0 million of costs related to the Allegro Incentive Plan, under which awards in the form of Performance Share Units ("PSU") and Restricted Stock Units ("RSU") are granted to Executive Directors, Key Managers and other employees, of which PLN 16.0 million was incurred in Q4 2023.

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2.2.3
RESULTS OF THE INTERNATIONAL OPERATIONS

The following KPIs are measures used by the Group's management to monitor and manage operational and financial performance of the International Operations. International Operations include the results of two reportable segments: Mall Segment and a newly operational Allegro International Segment. Results of the Polish Operations are not included in this section.

Results for the Mall Segment presented for FY 2022 include only the results for Q2-Q4 2022 as pre-acquisition results do not form part of the Group's consolidated results. This impacts the YoY dynamics for FY 2023 presented below, as the results of the Mall Segment were consolidated by the Group for FY 2023 as compared with only three quarters in FY 2022 (Mall Group Acquisition was closed on 1 April 2022).

Allegro International Segment is a newly created segment covering the business-to-consumer (B2C) e-commerce platform, Allegro.cz, trading on the territory of the Czech Republic, comprising the online marketplace and relevant services such as advertising and logistics operations. This segment was identified following the launch of Allegro.cz on May 9th, 2023, hence there is no prior year comparative data.

KPIs (unaudited)	FY 2023	FY 2022	Change %	Q4 2023	Q4 2022	Change %
Active Buyers (millions) [1]	**5.0**	**N/A**	**N/A**	**5.0**	**N/A**	**N/A**
of which Mall Segment	*4.0*	*N/A*	*N/A*	*4.0*	*N/A*	*N/A*
of which Allegro International Segment	*1.6*	*N/A*	*N/A*	*1.6*	*N/A*	*N/A*
Intersegment eliminations	*(0.6)*	*N/A*	*N/A*	*(0.6)*	*N/A*	*N/A*
GMV per Active Buyer (PLN) [1]	**724.0**	**N/A**	**N/A**	**724.0**	**N/A**	**N/A**
of which Mall Segment	*755.0*	*N/A*	*N/A*	*755.0*	*N/A*	*N/A*
of which Allegro International Segment	*415.9*	*N/A*	*N/A*	*415.9*	*N/A*	*N/A*
GMV (PLN in millions)	**3,605.7**	**3,106.9**	**16.1%**	**1,264.1**	**1,424.1**	**(11.2%)**
of which Mall Segment	*3,031.1*	*3,106.9*	*(2.4%)*	*911.8*	*1,424.1*	*(36.0%)*
of which Allegro International Segment	*662.2*	*N/A*	*N/A*	*410.6*	*N/A*	*N/A*
Intersegment eliminations	*(87.7)*	*—*	*N/A*	*(58.3)*	*—*	*N/A*

KPIs (unaudited)	FY 2023	FY 2022	Change %	Q4 2023	Q4 2022	Change %
LTM GMV (PLN in millions) [1]	**3,605.7**	**N/A**	**N/A**	**3,605.7**	**N/A**	**N/A**
of which Mall Segment	*3,031.1*	*N/A*	*N/A*	*3,031.1*	*N/A*	*N/A*
of which Allegro International Segment	*662.2*	*N/A*	*N/A*	*662.2*	*N/A*	*N/A*
Intersegment eliminations	*(87.7)*	*N/A*	*N/A*	*(87.7)*	*N/A*	*N/A*
Items sold (in millions)	**20.4**	**13.6**	**49.9%**	**8.6**	**6.5**	**31.8%**
of which Mall Segment	*12.8*	*13.6*	*(6.1%)*	*3.7*	*6.5*	*(43.2%)*
of which Allegro International Segment	*8.0*	*—*	*N/A*	*5.2*	*—*	*N/A*
Intersegment eliminations	*(0.4)*	*—*	*N/A*	*(0.3)*	*—*	*N/A*
Take Rate (%) [2]	**9.87%**	**12.04%**	**(2.17pp)**	**8.49%**	**12.36%**	**(3.87pp)**
of which Mall Segment	*13.32%*	*12.04%*	*1.28pp*	*13.32%*	*12.36%*	*0.96pp*
of which Allegro International Segment	*6.60%*	*N/A*	*N/A*	*6.41%*	*N/A*	*N/A*
1P Gross Margin	**12.30%**	**12.27%**	**0.04pp**	**12.92%**	**12.67%**	**(0.25pp)**
of which Mall Segment	*12.03%*	*12.27%*	*(0.24pp)*	*12.25%*	*12.67%*	*(0.43pp)*
of which Allegro International Segment	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Adjusted EBITDA (PLN in millions)	**(414.6)**	**(156.8)**	**164.5%**	**(151.1)**	**(39.4)**	**283.4%**
of which Mall Segment	*(204.6)*	*(156.8)*	*30.5%*	*(40.7)*	*(39.4)*	*3.4%*
of which Allegro International Segment	*(208.8)*	*N/A*	*N/A*	*(109.2)*	*N/A*	*N/A*
Intersegment eliminations	*(1.2)*	*—*	*N/A*	*(1.2)*	*—*	*N/A*
Adjusted EBITDA/revenue (%)	**(17.76%)**	**(6.63%)**	**(11.14pp)**	**(20.88%)**	**(3.72%)**	**(17.17pp)**
of which Mall Segment	*(8.80%)*	*(6.63%)*	*(2.17pp)*	*(5.61%)*	*(3.72%)*	*(1.88pp)*
of which Allegro International Segment	*(371.93%)*	*N/A*	*N/A*	*(296.42%)*	*N/A*	*N/A*
Adjusted EBITDA/GMV (%)	**(11.50%)**	**(5.05%)**	**(6.45pp)**	**(11.95%)**	**(2.77%)**	**(9.19pp)**
of which Mall Segment	*(6.75%)*	*(5.05%)*	*(1.70pp)*	*(4.47%)*	*(2.77%)*	*(1.70pp)*
of which Allegro International Segment	*(31.53%)*	*N/A*	*N/A*	*(26.59%)*	*N/A*	*N/A*

[1] All LTM measures and their derivatives (Active Buyers, GMV per Active Buyer, LTM GMV) for the International Operations are not available for 2022, as its sole component in 2022 (the Mall Segment) is consolidated for the first time since Q2 2022 while the newly formed Allegro International Segment was established in Q2 2023.
[2] Take Rate is a blended average take rate.

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THE FOLLOWING TABLE PRESENTS SELECTED CONSOLIDATED FINANCIAL DATA FOR THE INTERNATIONAL OPERATIONS FOR FY 2023 AND FY 2022.

Consolidated statement of comprehensive income (audited), PLN m	International Operations						Eliminations			Total		
	Mall Segment			Allegro International								
	FY 2023	FY 2022	Change %	FY 2023	FY 2022	Change %	FY 2023	FY 2022	Change %	FY 2023	FY 2022	Change %
GMV	**3,031.1**	**3,106.9**	**(2.4%)**	**662.2**	**—**	**N/A**	**(87.7)**	**—**	**N/A**	**3,605.7**	**3,106.9**	**16.1%**
of which 1P	2,501.3	2,616.3	(4.4%)	—	—	N/A	—	—	N/A	2,501.3	2,616.3	(4.4%)
of which 3P	529.8	490.6	8.0%	662.2	—	N/A	(87.7)	—	N/A	1,104.4	490.6	125.1%
Total revenue and other operating income	**2,325.3**	**2,365.8**	**(1.7%)**	**56.1**	**—**	**N/A**	**(47.2)**	**—**	**—**	**2,334.2**	**2,365.8**	**(1.3%)**
Revenue	**2,325.3**	**2,365.8**	**(1.7%)**	**56.1**	**—**	**N/A**	**(47.2)**	**—**	**N/A**	**2,334.2**	**2,365.8**	**(1.3%)**
Marketplace revenue	70.6	59.1	19.5%	43.7	—	N/A	(5.3)	—	N/A	109.0	59.1	84.5%
Advertising revenue	10.6	4.9	116.8%	5.1	—	N/A	(11.1)	—	N/A	4.6	4.9	(5.8%)
Retail revenue	2,116.1	2,214.4	(4.4%)	—	—	N/A	—	—	N/A	2,116.1	2,214.4	(4.4%)
Logistic Service Revenue	93.2	59.7	56.2%	7.3	—	N/A	(13.7)	—	N/A	86.9	59.7	45.5%
Other revenue	34.8	27.7	25.6%	—	—	N/A	(17.1)	—	N/A	17.7	27.7	(36.2%)
Other operating income	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Operating expenses	**(2,543.9)**	**(2,564.1)**	**(0.8%)**	**(278.6)**	**—**	**N/A**	**45.9**	**—**	**N/A**	**(2,776.6)**	**(2,564.1)**	**8.3%**
Payment charges	(14.4)	(11.1)	29.8%	(5.2)	—	N/A	—	—	N/A	(19.7)	(11.1)	76.8%
Cost of goods sold	(1,861.5)	(1,942.8)	(4.2%)	—	—	N/A	5.8	—	N/A	(1,855.8)	(1,942.8)	(4.5%)
Net costs of delivery	(69.9)	(12.9)	443.3%	(15.6)	—	N/A	8.6	—	N/A	(76.9)	(12.9)	497.8%
Marketing service expenses	(194.8)	(208.7)	(6.7%)	(177.9)	—	N/A	17.5	—	N/A	(355.2)	(208.7)	70.2%
Staff costs	(291.5)	(258.6)	12.7%	(55.3)	—	N/A	1.7	—	N/A	(345.1)	(258.6)	33.4%
IT service expenses	(33.8)	(21.2)	59.5%	(3.6)	—	N/A	—	—	N/A	(37.5)	(21.2)	76.7%
Other expenses	(76.5)	(107.7)	(28.9%)	(20.8)	—	N/A	12.4	—	N/A	(85.0)	(107.7)	(21.1%)
Net impairment losses on financial and contract assets	(1.3)	(1.0)	23.3%	(0.1)	—	N/A	—	—	N/A	(1.4)	(1.0)	33.0%
Operating profit before amortisation and depreciation Impairment losses of non-current non-financial assets (EBITDA)	**(218.6)**	**(198.3)**	**10.2%**	**(222.5)**	**—**	**N/A**	**(1.2)**	**—**	**N/A**	**(442.3)**	**(198.3)**	**123.0%**

Note: YoY growth rates for the Mall Segment in FY 2023 are not meaningful as it was not consolidated in Q1 2022. The table below presents pro-forma key financial data for the Mall Segment to consistently present trends versus FY 2022

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INTERNATIONAL OPERATIONS – MALL SEGMENT: FY 2023 VS PROFORMA FY 2022

The following table presents estimates of selected pro-forma information for the Mall Segment as comparative financial data for the full twelve months of FY 2022, based on the acquired organisational structure that has continued to operate post acquisition.

Results of entities that were carved out from the Mall Group a.s. by its previous owners, as they did not form part of the agreed acquisition perimeter, have been excluded from this selected pro-forma historical financial information.

Selected pro-forma financial data for Mall Segment, PLN m (unaudited)	FY 2023	FY 2022 pro-forma [1]	Change % pro-forma [1]
GMV	3,031.1	3,910.9	(22.5%)
Revenue	2,325.3	2,996.8	(22.4%)
Adjusted EBITDA	(204.6)	(197.0)	3.9% [2]
LTM Active Buyers (millions)	4.0	4.2	(3.9%)
GMV per Active Buyer (PLN)	755.0	936.3	(19.4%)

[1] historical GMV data for Mall based on pro-forma for the same organisational structure as acquired by the Group

Pro-forma historical financial information for the Statement of Comprehensive Income in the same form and level of detail used by the Group is not available at the time of this report. Pre-acquisition, the Mall Segment operated using a different chart of accounts and historical results include the results of entities carved out during the course of its financial year ending 31 March 2021. The Group's management has concluded that preparing fully comparable pro-forma information for the prior year pre-acquisition for all financial information included by the Group in its consolidated financial statements would be too costly to prepare and of minimal additional value to the user of this management report relative to the five pro-forma historical metrics presented above.

GMV

Pro-forma GMV for the Mall Segment for FY 2023 declined by 22.5% YoY, driven by a 25.6% and 11.0% YoY declines in 1P and 3P GMV, respectively. Performance reflects continued weaker consumer demand in the countries of operations of the Mall Segment in FY 2023, which impacted both GMV and margins.

This weak FY 2023 trading environment is the result of a combination of three key factors. Firstly, like most of Central Europe, the countries where the Mall Group operates experienced a significant acceleration in inflation in 2022 (ranging from 9.3% in Slovenia to 15.3% in Hungary) which, despite slowing down on average, continued at high levels in 2023 (from 7.2% in Slovenia to 17.0% in Hungary) [2]. Such inflation imposed pressure on disposable incomes which in turn negatively impacted retail sales, driving range of real terms YoY change in the Mall Group's footprint from – 4.1% in Slovenia to – 6.7% in Slovakia, with exception of Croatia which rebounded by 2.4% [3]. As the Mall Segment's retail assortment is significantly skewed towards electronics and white goods, which form part of consumer discretionary spending, the Mall Segment's GMV is significantly underperforming the Polish Operations as the Allegro.pl marketplace offers much wider selection across many more categories and at more competitive prices. Secondly, in Q3 and Q4 2023, the Group focused on the profitability of the Mall Segment and cut back on marketing support for many low margin or poorly converting products. And finally, there was a significant reduction in selection held in inventory to try to refocus on higher margin items. Year end inventory declined by 36% YoY, with idle stock down by 25% YoY.

These actions resulted in an acceleration of GMV declines in H2 2023, while losses stayed broadly flat over the period. Falling inventory released cash that substantially covered the losses incurred during 2023. Additionally, since allegro.cz marketplace launch in May 2023, Mall and CZC brands have been trading as merchants and pivoting towards selling effectively on the new platform. This resulted in their contribution to allegro.cz GMV increasing from PLN 6.0 million for Q2 2023 and PLN 23.4 million for Q3 2023 to PLN 58.3 million for Q4 2023, reaching 14.2% of allegro.cz marketplace GMV. Contribution of mall.cz and CZC to allegro.cz GMV are represented as inter-segment eliminations between Mall Segment and Allegro International Segment.

REVENUE

Pro-forma revenue of the Mall Segment was down by 22.4% YoY for FY 2023, driven by the decline in GMV.

ADJUSTED EBITDA

Pro-forma Adjusted EBITDA loss for the Mall Segment in FY 2023 reached the level of PLN 204.6 million vs PLN 197.0 million pro-forma Adjusted EBITDA loss in FY 2022, only 3.9% higher YoY despite the revenue decline. This reflects the Management's focus on operating efficiency which offset falling revenue with progress on optimisation of marketing and sales costs, as well as reduction of fixed overhead expenses, driven by headcount reductions (-20.5% YoY), consolidation of warehousing capacity and closure of Mall's branded physical stores and pick-up points. These savings were so significant that incremental costs of free delivery (of PLN 57 million YoY) driven by introduction of the Smart! programme at Mall.cz in late 2022, were almost absorbed in full.

[2] Source: Eurostat, annual average rate of change in Harmonised Index of Consumer Prices (HICP).
[3] Source: Eurostat, YoY change of deflated turnover in Retail trade, except of motor vehicles, motorcycles and fuel

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INTERNATIONAL OPERATIONS – ALLEGRO INTERNATIONAL SEGMENT: FY 2023

Following the Mall Group acquisition in April 2022, the Group began working on preparing a version of the Allegro marketplace adapted to trade on the territory of the Czech Republic. After several quarters incurring start-up expenses and software development costs to adapt Allegro's software stack to the requirements of the new market, the new marketplace, "Allegro.cz" was soft launched on 9 May 2023. Allegro.cz makes offers of Polish and International merchants available to Czech consumers, along with offers from Czech merchants, including the Group's brands Mall and CZC. Allegro.cz is translated into Czech and transactions are conducted in Czech Crowns (CZK) and delivered by international and Czech transportation methods, including the Group's WE|DO delivery business.

A full commercial launch, supported by ATL ("Above the Line", i.e. mass media, advertising campaigns) began on 31 July. Marketing communication has focused on selection and price advantages. Significant start-up investment in internet marketing to acquire new buyers from the market and encourage existing Mall Group Active Buyers to try the sister new marketplace were incurred during the nearly three quarters of Allegro.cz's operations. By December 2023, five months after full commercial launch, Allegro.cz had achieved over 90% prompted awareness and was one of the most visited e-commerce sites and downloaded apps in the Czech Republic.

During its period of operation in 2023, Allegro.cz's Active Buyer base reached 1.6 million, including 0.6 million currently active buyers of the Mall Segment and LTM GMV per Active Buyer grew from zero to 415.9 PLN in the May-December period of operation. As a result, total GMV was PLN 662.2 million. Of this amount, 86.8% was the result of transactions by third party merchants connected directly to Allegro.cz and 13.2%, or PLN 87.7 million, was transacted by the Mall and CZC brands acting as merchants on the Allegro.cz marketplace. These latter transactions are eliminated in the consolidated financial statements and presented as GMV and revenues of the Mall Segment.

Take Rates were charged to all merchants, with the exception of an introductory trial period for newly signed Czech merchants, producing an average Take-Rate of 6.6% during the period. Along with revenue from the first advertising conducted on the new marketplace, Allegro.cz generated PLN 56.1 million of revenue during 2023. Payment charges and subsidised delivery costs for Smart! subscribers amounted to a total of PLN 20.8 million, while fixed costs of staff, IT services and other expenses totalled PLN 79.8 million. The costs of the staff supporting the international marketplace launches is expected to spread across all the markets where Allegro is expecting to launch, leading to economies of scale being achieved on these costs. Before marketing service expenses, the start-up loss was therefore PLN 30.8.million.

Marketing service expenses totalled PLN 177.9 million and included costs of ATL campaigns, costs of purchasing traffic to attract new Active Buyers and repeat transactions, plus costs of Smart! deliveries made as part of free of charge trial arrangements, mainly "Smart for Start" campaigns, which are classified as marketing spending as there is no paying buyer or merchant for the service. As the business grows, with more repeat transactions and free visits in the traffic mix, and more customers transition to paid Smart! subscriptions, the percentage of GMV spent on marketing service expenses is expected to fall over time.

The total start-up investment for Allegro.cz for the eight months of operation in 2023 was therefore reflected in an adjusted EBITDA loss of PLN 208.8 million PLN.

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INTERNATIONAL OPERATIONS: Q4 2023 VS Q4 2022

Consolidated statement of comprehensive income (unaudited), PLN m	International Operations											
	Mall Segment			Allegro International			Eliminations			Total		
	Q4 2023	Q4 2022	Change %	Q4 2023	Q4 2022	Change %	Q4 2023	Q4 2022	Change %	Q4 2023	Q4 2022	Change %
GMV	**911.8**	**1,424.1**	**(36.0%)**	**410.6**	**—**	**N/A**	**(58.3)**	**—**	**N/A**	**1,264.1**	**1,424.1**	**(11.2%)**
of which 1P	759.3	1,182.2	(35.8%)	—	—	N/A	—	—	N/A	759.3	1,182.2	(35.8%)
of which 3P	152.5	241.9	(37.0%)	410.6	—	N/A	(58.3)	—	N/A	504.8	241.9	108.6%
Total revenue and other operating income	**726.4**	**1,060.6**	**(31.5%)**	**36.8**	**—**	**N/A**	**(39.6)**	**—**		**723.6**	**1,060.6**	**(31.8%)**
Revenue	**726.4**	**1,060.6**	**(31.5%)**	**36.8**	**—**	**N/A**	**(39.6)**	**—**	**N/A**	**723.6**	**1,060.6**	**(31.8%)**
Marketplace revenue	20.3	29.9	(32.1%)	26.3	—	N/A	(3.8)	—	N/A	42.8	29.9	43.3%
Advertising revenue	3.4	2.0	71.6%	3.8	—	N/A	(6.9)	—	N/A	0.3	2.0	(86.0%)
Retail revenue	635.7	993.1	(36.0%)	—	—	N/A	—	—	N/A	635.7	993.1	(36.0%)
Logistic Service Revenue	41.6	24.1	72.4%	6.7	—	N/A	(13.2)	—	N/A	35.1	24.1	45.6%
Other revenue	25.4	11.5	121.2%	—	—	N/A	(15.7)	—	N/A	9.7	11.5	(15.7%)
Other operating income	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Operating expenses	**(773.2)**	**(1,116.3)**	**(30.7%)**	**(147.8)**	**—**	**N/A**	**38.5**	**—**	**N/A**	**(882.6)**	**(1,116.3)**	**(20.9%)**
Payment charges	(3.6)	(4.9)	(26.0%)	(3.2)	—	N/A	—	—	N/A	(6.8)	(4.9)	38.5%
Cost of goods sold	(557.8)	(867.2)	(35.7%)	—	—	N/A	4.3	—	N/A	(553.5)	(867.2)	(36.2%)
Net costs of delivery	(27.2)	(6.4)	322.1%	(13.3)	—	N/A	7.9	—	N/A	(32.6)	(6.4)	406.3%
Marketing service expenses	(66.3)	(104.4)	(36.4%)	(105.1)	—	N/A	13.4	—	N/A	(158.0)	(104.4)	51.4%
Staff costs	(70.6)	(91.0)	(22.4%)	(12.3)	—	N/A	1.7	—	N/A	(81.1)	(91.0)	(10.8%)
IT service expenses	(9.4)	(6.3)	49.7%	(1.0)	—	N/A	—	—	N/A	(10.5)	(6.3)	65.1%
Other expenses	(38.6)	(34.9)	10.5%	(13.0)	—	N/A	11.2	—	N/A	(40.4)	(34.9)	15.7%
Net impairment losses on financial and contract assets	0.4	(1.0)	N/A	—	—	N/A	—	—	N/A	0.4	(1.0)	N/A
Operating profit before amortisation and depreciation Impairment losses of non-current non-financial assets (EBITDA)	**(46.8)**	**(55.6)**	**(15.8%)**	**(111.0)**	**—**	**N/A**	**(1.2)**	**—**	**N/A**	**(159.0)**	**(55.6)**	**185.8%**

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INTERNATIONAL OPERATIONS – MALL SEGMENT: Q4 2023 VS Q4 2022

Selected financial data for Mall Segment. PLN m (unaudited)	Q4 2023	Q4 2022	Change %
GMV	911.8	1,424.1	(36.0%)
Revenue	726.4	1,060.6	(31.5%)
Adjusted EBITDA	(40.7)	(39.4)	N/A [1]
LTM Active Buyers (millions)	4.0	4.2	(3.9%)
GMV per Active Buyer (PLN)	1,109.8	936.3	18.5%

[1] Not applicable, as the pro-forma comparative was a negative number

GMV

GMV for the Mall Segment declined by 36.0% YoY in Q4 2023 on the backdrop of strong headwinds from continuing weak consumer demand combined with the Management's increased focus on stabilising gross margins and improving the effectiveness of traffic acquisition marketing spending in delivering profitable sales. A strengthening Polish Zloty against the Czech Crown in Q4 2023 was responsible for 3.4 pp of the total YoY decline.

REVENUE

Revenue for the Mall Segment declined by 31.5% YoY in Q4 2023, driven by continued decline in Retail Revenue from lower GMV, partially offset in Q4 2023 by Take Rate charged on Mall's 3P GMV higher by 0.95pp YoY.

OPERATING EXPENSES

Operating expenses decreased by PLN 233.7 million, or 20.9%, from PLN 1,116.3 million for Q4 2022 to PLN 882.6 million for Q4 2023. This decrease resulted primarily from costs of goods sold declining in line with sales as efforts to stabilise gross margins brought improved performance, along with continued efforts to improve efficiency in marketing and staff costs. These savings were partially offset by higher net costs of delivery reflecting the introduction of the Smart! programme at Mall Group in Q4 2022.

ADJUSTED EBITDA

As a result of the above described factors, Adjusted EBITDA loss for the Mall Segment amounted to PLN 40.7 million in Q4 2023, widening by only 3.9% YoY despite significant declines in GMV and revenue.

INTERNATIONAL OPERATIONS – ALLEGRO INTERNATIONAL SEGMENT: Q4 2023

Allegro.cz grew its GMV to PLN 410.6 million for Q4 2023, up by 110.6% QoQ . This rapid growth reflected both the high rate of customer acquisition and repeat purchasing, together with the positive impact of the fourth quarter peak shopping season on general demand. Successful Allegro Days, Black Week and Christmas shopping campaigns all helped to support spending during the quarter. Active Buyers doubled QoQ from 0.8 million to 1.6 million by year end, with 1.0 million of these being new buyers to the Group and 0.6 million being simultaneously current buyers in the Mall Segment. GMV per Active Buyer moved up by 27.3% QoQ to reach 415.9 zloty since the inception of Allegro.cz in May. The slowing rate of growth reflects the high proportion of new customers in the fourth quarter buyer base.

The Mall and CZC brands made significant progress selling as merchants on the Allegro.cz marketplace, with a 149.1% QoQ increase to PLN 58.3 million of GMV conducted over the marketplace in Q4 2023, representing 14.2% of total Allegro.cz GMV, with the rest coming from Polish, International and, increasingly, Czech third party merchants registered to sell on the marketplace. The total merchant base in Q4 reached approximately 30 thousand, with 150 million offers for 53 million products by the end of 2023.

GMV expressed in PLN was held back in Q4 2023 by a strongly appreciating Polish currency, creating an approximate 7.6pp headwind versus QoQ growth measured in local currency. In local currency terms, QoQ GMV growth would have been 118.2%.

Total revenue from Allegro.cz moved up by 128.6% QoQ to PLN 36.8 million, while Take Rate came in at 6.41% and advertising revenue moved up by 219.4% QoQ to PLN 3.8 million. Reinvesting Take Rate in deals for the shopping campaigns, together with rebates to newly signed merchants, were responsible for the fall in Take Rate versus Q3 when it stood at 7.34%.

Payment charges and subsidised delivery costs for Smart! subscribers (excl. Smart! na Start presented in marketing costs) amounted to PLN 16.5 million in Q4 2023, up by 316.6 % QoQ, while fixed costs from staff, IT services and other expenses totalled PLN 26.2 million, increasing by 87.0% QoQ. Before fixed costs and marketing expenses, the direct contribution was PLN 22.1 million, or 5.4% of GMV.

Marketing service expenses totalled PLN 105.1 million in Q4 2023, up by 89.3% QoQ, and included costs of ATL campaigns, costs of purchasing traffic to attract new Active Buyers and repeat transactions, plus costs of Smart! deliveries made as part of free of charge trial arrangements, mainly "Smart for Start" campaigns, which are classified as marketing spending as there is no paying buyer or merchant for the service. Together these marketing service expenses represented 25.6% of the GMV generated in Q4 2023.

The total start-up investment for Allegro.cz for Q4 2023 was therefore reflected in an adjusted EBITDA loss of PLN 109.2 million PLN, increasing by 92.8% QoQ, while the loss expressed as a percentage of GMV generated narrowed by 2.5pp from 29.1% in Q3 to 26.6% in Q4.

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2.2.4
GROUP TOTAL COMPREHENSIVE INCOME RECONCILIATION

Consolidated statement of comprehensive income, PLN m	FY 2023 (audited)	FY 2022 (audited)	Change %	Q4 2023 (unaudited)	Q4 2022 (unaudited)	Change %
EBITDA Polish Operations	**2,859.3**	**2,198.8**	**30.0%**	**882.5**	**683.7**	**29.1%**
EBITDA International Operations	**(442.3)**	**(198.3)**	**123.0%**	**(159.0)**	**(55.6)**	**185.8%**
Eliminations & other	**(2.9)**	**—**	**N/A**	**(2.8)**	**—**	**N/A**
EBITDA	**2,414.1**	**2,000.5**	**20.7%**	**720.7**	**628.1**	**14.7%**
Amortisation and Depreciation and Impairment losses of non-current non-financial assets	**(1,624.0)**	**(3,182.7)**	**(49.0%)**	**(871.6)**	**(255.6)**	**240.9%**
Amortisation	(730.0)	(632.0)	15.5%	(168.9)	(167.3)	0.9%
Depreciation	(244.1)	(240.0)	1.7%	(67.0)	(76.0)	(11.8%)
Impairment losses of non-current non-financial assets	(649.9)	(2,310.7)	(71.9%)	(635.6)	(12.3)	5,077.0%
Operating profit	**790.1**	**(1,182.1)**	**N/A**	**(150.8)**	**372.4**	**(140.5%)**
Net Financial result	**(290.0)**	**(457.3)**	**(36.6%)**	**(45.5)**	**(110.3)**	**(58.7%)**
Financial income	74.3	27.1	173.5%	17.0	7.6	123.8%
Financial costs	(290.9)	(490.6)	(40.7%)	(4.5)	(138.2)	(96.7%)
Foreign exchange profits/(losses)	(73.3)	6.1	(1,299.9%)	(58.0)	20.3	(386.0%)
Profit/(Loss) before Income tax	**500.2**	**(1,639.5)**	**N/A**	**(196.4)**	**262.1**	**(174.9%)**
Income tax expenses	**(216.1)**	**(277.3)**	**(22.1%)**	**(37.2)**	**(82.6)**	**(54.9%)**
Net profit/(loss)	**284.1**	**(1,916.8)**	**N/A**	**(233.6)**	**179.6**	**(230.1%)**
Other comprehensive income/(loss)	**(229.1)**	**185.3**	**(223.7%)**	**(26.8)**	**(102.6)**	**(73.9%)**
Total comprehensive income/(loss) for the period	**54.9**	**(1,731.5)**	**N/A**	**(260.4)**	**77.0**	**(438.3%)**

AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES OF NON-CURRENT NON-FINANCIAL ASSETS

Amortisation and Depreciation and Impairment losses of non-current non-financial asset decreased by PLN 1,558.7 million, or 49.0%, from PLN 3,182.7 million for FY 2022 to PLN 1,624.0 million for FY 2023, whereas for Q4 2023 Amortisation and Depreciation increased by PLN 615.9 million, or 240.9%, from PLN 255.6 million for Q4 2022 to PLN 871.6 million for Q4 2023.

In Q3 2022 a non-cash impairment loss of PLN 2,293 million was recognised, to bring the carrying amount of the Mall Group and WE|DO down to its estimated recoverable amount. It resulted from sustained increase in the cost of equity and borrowing and a serious deterioration in the economic environment which resulted in significantly worse than expected performance of the acquired businesses. At the same time similar e-commerce listed peers suffered a significant and sustained deterioration in their valuation

As of 31 December 2023 the Group performed annual impairment testing, including the assets of businesses allocated to the International Operations. Whilst the estimated fair value of the entire international business has increased compared to fair value in the impairment equivalent test performed for 2022, the positive impact is mainly attributable to Allegro.cz, which since its launch in May 2023, constituted a separate operating segment, Allegro International Segment, rolling into International Operations. In contrast, the legacy Mall businesses operating in the Czech Republic and Slovakia, being parts of the Mall North and CZC Cash Generating Units (CGUs), were underperforming previous projections and impairment tests of each of these CGUs showed that the portion of intangible assets that are not expected to contribute to ongoing roll-out of Allegro marketplaces should be impaired. As a result, the Group recognised impairment loss in the gross amount of PLN 629.2 million that was netted off with PLN 123.7 million of impact of deferred tax.

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NET FINANCIAL RESULT

Net financial result improved by PLN 167.4 million, or 36.6%, from a loss of PLN 457.3 million for FY 2022 to a loss of PLN 290.0 million for FY 2023, whereas for Q4 2023 net financial result improved by PLN 64.8 million, or 58.7%, from a loss of PLN 110.3 million for Q4 2022 to a loss of PLN 45.5 million for Q4 2023.

The improvement is mainly driven by the movement in the valuation of Group borrowings at amortised cost. The Group recognised non-cash financial income in the amount of PLN 109.1 million in FY 2023, while in the comparable period, the Group recognised a total of PLN 101.3 million of non-cash charges in financial expenses. The financial income generated in FY 2023 was primarily connected to refinancing in Q4 2023 which amended and extended the Senior Facilities Agreement duration by two years. The previous year's movement was caused by the acquisition of the Mall Group, which increased the Group's leverage, translating into a higher interest margin and the increased present value of future cash outflows, thereby reducing the amortised cost of debt and generating a non-cash charge in net financial expenses.

The financial results for each period include the cost of servicing the Group's borrowings. The Group faced the higher nominal cost of servicing the Group's borrowings in FY 2023 generating a cost of PLN 577.8 million in FY 2023, compared to PLN 485.0 million in FY 2022, resulting from a significant increase in WIBOR reference rate from Q3 2022. The higher cost of Group borrowings was partially offset by the favourable outcome on the settlement of the floating to fixed interest rate swap contracts generating an income of PLN 219.8 million in FY 2023 compared to an income of PLN 146.8 million in FY 2022.

Additionally, the Group's net financial result for FY 2023 was impacted by foreign exchange losses of PLN 73.3 million driven by the strengthening of PLN currency resulting in the recognition of both realised and unrealised losses arising mainly on assets denominated in Czech Crowns.

INCOME TAX EXPENSES

Income tax expenses decreased by PLN 61.2 million, or 22.1%, from PLN 277.3 million for FY 2022 to PLN 216.1 million for FY 2023, whereas for Q4 2023 income tax expenses decreased by PLN 45.4 million, or 54.9%, from PLN 82.6 million for Q4 2022 to PLN 37.2 million Q4 2023.

The majority of the Group's taxable income is generated in Poland and is subject to taxation according to the Corporate Income Tax Act (referred to as 'CIT'). The CIT rate is 19% in each of Poland, Czech Republic and Slovenia. Luxembourg companies are subject to taxation at 24.94% rate, in Slovakia at 21%, in Hungary at 9% and in Croatia at 18%. The Group's effective tax rate for FY 2023 was 43.2% mainly due to unrecognised deferred tax assets arising on tax losses incurred by the Mall Group. The effective tax rate for FY 2022 is not calculable, due to the recognition of non-tax deductible impairment loss of Goodwill related to the assets of Mall Group a.s. and WE|DO CZ s.r.o. The Group's effective tax rate for Q4 2023 is not calculable, due to impairment loss recognised in reference to Mall Group, as compared to 31.4% for Q4 2022.

PLN m	FY 2023 (audited)	FY 2022 (audited)	Change %	Q4 2023 (unaudited)	Q4 2022 (unaudited)	Change %
Current income tax on profits	(373.7)	(292.8)	27.6%	(135.2)	(105.0)	N/A
Adjustments for current tax of prior periods	13.1	(52.6)	N/A	(0.2)	(0.3)	(46.9%)
(Increase)/Decrease in net deferred tax liability	144.4	68.0	112.3%	98.2	22.7	332.4%
Income tax expense	**(216.1)**	**(277.3)**	**(22.1%)**	**(37.2)**	**(82.6)**	**(54.9%)**

The Group does not identify any transactions and operations that might represent risk from an Uncertain Tax Position, which might require creating the relevant provisions. However, the Group cannot exclude the risk that the tax authorities will apply a different approach from the one adopted by the Group, which may adversely affect the Group's business.

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NET PROFIT

Net profit increased by PLN 2,200.9 million from negative PLN 1,916.8 million for FY 2022 to PLN 284.1 million for FY 2023, whereas for Q4 2023 net profit decreased by PLN 413.2 million, or 230.1%, from PLN 179.6 million for Q4 2022 to negative PLN 233.6 million for Q4 2023.

ADJUSTED NET PROFIT

Adjusted net profit increased by PLN 181.7 million, or 29.2%, from PLN 622.4 million for FY 2022 to PLN 804.2 million for FY 2023, when PLN 126.0 million of EBITDA adjustments net of PLN 20.9 million of tax effect on the above adjustments along with PLN 505.6 million of impairment of non-financial assets in respect of Mall Group and WE|DO, net of PLN 76.1 million positive impact of remeasurement of borrowings and PLN 14.5 million for reversal of the previous year one-off impact of tax proceedings are excluded.

For Q4 2023 adjusted net profit increased by PLN 6.1 million, or by 2.7% YoY, from PLN 218.3 million for Q4 2022 to PLN 224.4 million when PLN 31.1 million of EBITDA adjustments net of PLN 2.6 million of tax effect on the above adjustments along with a PLN 0.3 million adjustment for one-off impact of tax proceedings are excluded.

The decrease in the adjusted net profit YoY is driven largely by the first-time consolidation of EBITDA losses from Mall Group and WE|DO, higher depreciation and amortisation charges which are also largely related to this first-time consolidation, as well as significantly higher net financial expenses as explained above.

The following table presents a reconciliation between reported and adjusted net profit for the period under review.

Reconciliation of Adjusted net profit, PLN m (unaudited)	FY 2023	FY 2022	Q4 2023	Q4 2022
Net profit/(loss)	**284.1**	**(1,916.8)**	**(233.6)**	**179.6**
EBITDA adjustments	126.0	152.2	31.1	40.1
Tax impact of EBITDA adjustments	(20.9)	(16.8)	(2.6)	(1.6)
Impairment, financial result and tax adjustments	**415.0**	**2,403.8**	**429.5**	**0.3**
Impairment of non-financial assets	505.6	2,293.0	505.6	—
Remeasurement of borrowings	(76.1)	58.2	(76.1)	—
Impact of tax proceedings	(14.5)	52.6	—	0.3
Adjusted net profit	**804.2**	**622.4**	**224.4**	**218.3**

OTHER COMPREHENSIVE INCOME

Other comprehensive income decreased by PLN 414.4 million, or 223.7%, from PLN 185.3 million for FY 2022 to a loss of PLN 229.1 million for FY 2023, whereas for Q4 2023 increased by PLN 75.8 million, or 73.9%, from a loss of PLN 102.6 million for Q4 2022 to a loss of PLN 26.8 million for Q4 2023.

This decrease results mainly from reclassification of cash flow hedges from Other Comprehensive Income to net profit, amounting to PLN 220.0 million for FY 2023, upon settlement of floating to fixed interest rate swap contracts, as well as reflecting changing interest rate expectations and their impact on the fair value of these contracts.

This decrease was further supported by PLN 42.4 million loss, compared to PLN 103.7 million gain in FY 2022, arising on translation of foreign operations, driven by strengthening of Polish zloty against Czech crown and Euro.

TOTAL COMPREHENSIVE INCOME

Total comprehensive income increased by PLN 1,786.4 million, from a loss of PLN 1,731.5 million for FY 2022 to PLN 54.9 million for FY 2023, whereas for Q4 2023 decreased by PLN 337.4 million, or 438.3%, from PLN 77.0 million for Q4 2022 to a loss of PLN 260.4 million for Q4 2023 as a result of the factors discussed above.

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2.2.5
REVIEW OF GROUP CASH FLOW PERFORMANCE

The following table summarises net cash flows from operating, investing and financing activities for FY 2023, FY 2022, Q4 2023 and Q4 2022.

Cash Flow, PLN m	FY 2023 (audited)	FY 2022 (audited)	Change %	Q4 2023 (unaudited)	Q4 2022 (unaudited)	Change %
Net cash inflow/(outflow) from operating activities	**2,540.9**	**1,854.7**	**37.0%**	**896.1**	**854.9**	**4.8%**
Profit before income tax	500.2	(1,639.5)	N/A	(196.4)	262.1	(174.9%)
Income tax paid	(365.2)	(450.3)	(18.9%)	(103.8)	(69.9)	48.5%
Amortisation and depreciation and impairment of non-current non-financial assets	1,624.0	3,182.7	(49.0%)	871.6	255.7	240.9%
Net interest expense	248.9	454.8	(45.3%)	(2.7)	128.9	(102.1%)
Changes in net working capital	342.4	217.3	57.6%	225.5	271.4	(16.9%)
Other operating cash flow items	190.7	89.7	112.6%	102.0	6.7	1,422.8%
Net cash inflow/(outflow) from investing activities	**(466.8)**	**(3,075.9)**	**(84.8%)**	**(120.6)**	**(162.3)**	**(25.7%)**
Capitalised development costs	(359.2)	(336.3)	6.8%	(81.5)	(87.1)	(6.4%)
of which Polish Operations	*(299.6)*	*(292.6)*	*2.4%*	*(70.8)*	*(61.7)*	*14.7%*
of which International Operations	*(59.6)*	*(43.7)*	*36.5%*	*(10.8)*	*(25.4)*	*(57.6%)*
Other capital expenditure	(111.3)	(385.9)	(71.1%)	(39.2)	(70.5)	(44.4%)
of which Polish Operations	*(92.3)*	*(369.4)*	*(75.0%)*	*(28.5)*	*(67.1)*	*(57.6%)*
of which International Operations	*(19.0)*	*(16.5)*	*14.9%*	*(10.7)*	*(3.4)*	*214.9%*
Acquisition of subsidiaries	—	(2,354.7)	(100.0%)	—	(4.8)	(100.0%)
Other investing cash flow	3.6	1.1	229.2%	0.1	0.2	(42.0%)
Net cash inflow/(outflow) from financing activities	**(883.9)**	**141.5**	**(724.7%)**	**(455.8)**	**(668.2)**	**(31.8%)**
Acquisition of treasury shares	(87.6)	—	N/A	(67.6)	—	N/A
Borrowings received	245.0	1,500.0	(83.7%)	245.0	—	N/A
Borrowings repaid	(487.5)	(888.9)	(45.2%)	(487.5)	(507.9)	(1,195.5%)
Interest paid	(576.8)	(493.9)	16.8%	(125.9)	(168.7)	(25.3%)
Interest rate hedging instrument settlements	234.9	130.5	80.0%	57.6	44.5	N/A
Lease payments	(166.1)	(88.4)	87.9%	(44.3)	(35.0)	26.6%
Other financing cash flow	(45.7)	(17.8)	157.0%	(33.0)	(1.0)	3,200.2%
Net increase/(decrease) in cash and cash equivalents	**1,190.1**	**(1,079.7)**	**N/A**	**319.8**	**24.4**	**1,210.5%**
Effect of movements in exchange rates on cash held	**(18.6)**	**—**	**N/A**	**(18.6)**	**—**	**N/A**

NET CASH FROM OPERATING ACTIVITIES

Net cash from operating activities increased by PLN 686.2 million or 37.0% from PLN 1,854.7 million in FY 2022 to PLN 2,540.9 million in FY 2023. That was mostly driven by the growth in profit before income tax by PLN 2,139.7 million YoY in FY 2023 that was offset by the decrease in the amortisation and depreciation and impairment of non-current non-financial assets by PLN 1,558.7 million YoY in FY 2023 and decrease in net interest expense by PLN 205.9 million YoY in FY 2023. The cash generation was further supported by the improvement in working capital by PLN 125.1 million of higher inflows than in FY 2022. That results from the boost from the merchant fee netting initiative, delivering a PLN 345 million reduction in receivables in FY 2023.

The improvement in net working capital was also driven by the managing down of Mall's inventory balance. The increase in net cash inflow from operating activities was further supported by the lower taxation outflows in the amount of PLN 365.2 million compared to an outflow of PLN 450.3 million in the comparable period. The Group generated also more inflows from bank deposits as a result of upward movement in the reference rate triggered by the raising of interest rates by the National Bank of Poland translating into better rate offers on bank deposits.

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NET CASH USED IN INVESTING ACTIVITIES

Net cash used in investing activities was PLN 466.8 million for FY 2023 which represents a YoY increase of 2,609.1. This fall in investing activities mainly reflects the one-off nature of the cash used in the acquisition of Mall Group and WE|DO which took place in H1 2022. The price for shares in Mall Group and WE|DO was settled via the combination of stock consideration and a cash payment from both new debt financing and the Group's own funds. The total cash outflow for H1 2022 recorded upon the completion of the acquisition transaction was PLN 2,354.7 million.

The Group recorded an increase in development costs qualified for capitalisation, growing in FY 2023 by PLN 22.9 million, or 6.8% YoY. The increase mainly reflected the increasing cost of employment and contracting of development engineers, while the size of the Group's development teams was nearly flat, reflecting Fit to Grow related focuses on efficiency and tighter control of the project portfolio.

The remaining increase in the outflow from investing activities results from the development costs qualified for capitalisation reflecting the upward trend in the headcount for the technology team, aiming to create the necessary capacity for the ongoing platform development projects.

The Group's other capital expenditures decreased in FY 2023 by PLN 274.6 million, or by 71.1% YoY. This decrease reflects the slower roll-out of Allegro's own parcel locker network and investments in the fit out of the Group's office buildings completed in Q2 2022. The locker network is being rolled out more slowly in the short term while the Group works on various levers to increase utilisation of the existing lockers. Lower other capital expenditures also reflects the impact of the Fit to Grow efficiency drive and the move towards use of cloud based solutions on IT infrastructure related expenditure, combined with lower investment in the Group's warehouses.

NET CASH USED IN FINANCING ACTIVITIES

Net cash flow from financing activities was PLN 883.9 million in FY 2023. Both borrowings received and repaid are connected with the refinancing process i.e. extension of the maturity date to all credit facilities under the Senior Facilities Agreement in respect to a total principal amount of PLN 7,257.5 million by 24 months to 14 October 2027. The Group made early prepayment and as a result reduction of credit facilities by the amount of PLN 242.5 million. The Group utilised the Original Revolving Credit Facility in the amount of PLN 245.0 million for the purpose of repaying a single non-consenting lender in 2023 refinancing process. The Group repaid the utilised Original RCF in full in Q4 2023. The movement in borrowings in FY 2022 is connected with the utilisation of a PLN 1,000.0 million bridge term loan and a PLN 500.0 million equivalent multi-currency revolving credit facility drawn in Czech crowns to partially fund the Mall Group and WE|DO acquisition completed on 1 April 2022. However, in Q4 2022, the Group repaid in full a PLN 500.0 million equivalent multi-currency revolving credit facility, and due to the unfavourable changes in the exchange rate, the total borrowings repaid amounted to PLN 507.9 million. Moreover, as part of the FY 2022 acquisition transaction described above, the Group repaid the entire outstanding indebtedness of the Mall Group and WE|DO (together "Acquired Entities") towards its financing banks in the amount of CZK 2,004.8 million (equivalent of PLN 381.0 million).

The net cash used in financing activities was further driven by the interest paid on the Group's borrowings which amounted to PLN 576.8 million compared to the outflow of PLN 493.9 million in previous year. The increase reflects the rise in the nominal value of debt by PLN 1,000.0 million starting from Q2 2022, drawn upon the completion of the acquisition transaction of Mall Group and WE|DO and a significant upward movement in the average WIBOR reference rate as the National Bank of Poland rapidly increased interest rates in H2 2022. At the same time, the Group recorded favourable outcomes arising on the settlement of floating to fixed interest rate swap contracts generating an inflow of PLN 234.9 million for FY 2023 compared to an inflow of PLN 130.5 million for FY 2022. Net cash used in financing activities was further driven by the lease payments amounting to PLN 166.1 million which increased by PLN 77.7 million YoY as rent free periods on new offices expired during 2023 .

The cash used in financing activities in FY 2023 was also impacted by the completion of the Group's share buyback programmes to satisfy awards granted under Allegro's employee incentive plan. The Group used PLN 67.6 million and PLN 20.1 million to acquire treasury shares under buy-backs completed in FY 2023..

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2.2.6
GROUP INDEBTEDNESS

PLN m (unaudited)	31.12.2023	31.12.2022
LTM Adjusted EBITDA Polish Operations	2,957.6	2,309.4
LTM Adjusted EBITDA International Operations	(414.6)	(156.8)
LTM Intersegment eliminations	(2.9)	N/A
Adjusted EBITDA LTM	**2,540.1**	**2,152.7**
Borrowings at amortised cost	6,067.5	6,453.5
Lease liabilities	617.6	690.2
Cash	(2,049.1)	(877.6)
Net Debt	**4,635.9**	**6,266.1**
Leverage	1.83 x	2.91 x
Equity	9,043.3	8,981.3
Net debt to Equity	51.3%	69.8%

As of 31 December 2023, the Group's total borrowings were PLN 6,067.5 million, representing PLN 6,257.5 million of principal and interest accrued, further adjusted to be presented at amortised cost.

As at 31 December 2023, all the Group's gross debt falls due in October 2027, following the Group's amendment and extension of maturity by 24 months in November 2023 of all credit facilities under the Senior Facilities Agreement ("SFA").

The extended SFA includes the following financing agreements:

i) PLN 5,257.5 million senior secured Term Loan B;

ii) PLN 500 million multi-currency Revolving Credit Facility ("RCF"),

iii) PLN 1,000.0 million Additional Facility which was drawn to fund the Mall Group / WE|DO acquisition and

iv) PLN 500.0 million Additional RCF.

As at 31 December 2023 the total debt principal outstanding under the extended SFA amounts to PLN 6,257.5 million and is comprised as follows:

i) Term Loan B: PLN 5,257.5 million;

ii) Additional Facility: PLN 1,000.0 million.

Both revolving facilities of PLN 500 million each were undrawn at 31 December 2023 and as at the date of this report.

Throughout 2023, the Group's leverage continued to decline as the Polish Operations LTM EBITDA increased and brought leverage down from 2.91x as of the end of December 2022 to 1.83x as of the end of December 2023. Deleveraging was supported by cash flow improvement on the back of successful profitability initiatives in Poland (monetisation and cost optimisation), tight control and optimisation of capex spend, extended scope of Allegro Pay loan sales to Aion Bank to include BNPL loans from Q4 2022. Cash balances were further boosted by the introduction of new merchant fee settlement policies to enable deduction of Allegro's fees from the gross proceeds of a transaction payable to the merchant. These changes are being introduced gradually since Q3 2023, and are expected to be completed in 2024. The new policy delivered PLN 345 million reduction in merchant receivables in 2023.

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3. Summary of key developments

The Group deems the developments described below as important for its business in 2023 and beyond.

3.1. Launch of allegro.cz

On May 9th 2023, the Group launched allegro.cz, an e-commerce platform fully tailored to the Czech market, marking a new stage in the expansion of the platform and its partners in the region. By launching the allegro.cz platform, the Group has extended its marketplace target addressable market to nearly 50 million people.

The new platform operates based on the "list once, sell everywhere" rule, meaning that merchants already registered on allegro.pl do not need to sign up in the new domain. The launch of Allegro.cz was another step, after acquiring MALL Group and WE|DO, in the Group's ambition to become the leading e-commerce platform in Central and Eastern Europe. Since the soft launch of the platform in early May the Group has been gradually building marketing investment, including paid traffic and free delivery for Smart! trialists.

Following successful soft launch of the Czech marketplace, on July 31st 2023 the Group moved on to the hard launch of the platform, with a broad ATL (Above The Line, i.e. using mass media) marketing campaign. The "Bigger, Bigger" campaign, emphasising the selection advantage, has shown promising early results, with rapidly increasing Allegro brand awareness and traffic. Allegro.cz successfully ran its first Allegro Days promotional event, followed by the first Black Week campaign and Christmas shopping peak season, developing a playbook for further international launches.

The results of Allegro.cz are reported in a new Operating Segment: Allegro International, which will also include all further new Allegro marketplace launches outside of Poland in due course. See sections 2.1 and 2.2.2.2 for commentary on financial and operating performance.

3.2. Allegro Pay

In 2023 the Group continued to develop Allegro Pay, its own proprietary fintech offering. The Allegro Pay offer allows for deferring payments by one month, or splitting them into convenient 2, 3, 5, 10 or 20-month instalments, giving greater financial flexibility to Active Buyers and ensuring safer and easier buying online. Extensive testing of purchasing patterns against control groups for Allegro Pay's Active Buyers has led the Group to conclude that an average Allegro Pay user increases his or her purchases by at least 35% relative to their observed pre-Allegro Pay buying behaviour. This strong incremental engagement effect drives additional GMV, commission revenues and margins for the Group and produces strong returns on investment from Allegro Pay's loan book. Allegro Pay proprietary lending solutions greatly improve the user experience with consumer credit solutions available for the Group's e-commerce marketplace buyers. Buyers appreciate the simplicity and convenience of Allegro's fintech offer, which is reflected in consistently high and sector-leading NPS of above 90.

Dynamic growth acceleration in Allegro Pay was reflected in strong acceleration in GMV financed during the year that grew by 49.1% to PLN 6.7 billion in 2023 in comparison with PLN 4.5 billion in 2022. The year-end loans balance increased only slightly by PLN 36.4 million to 403.3 million (net of receivables sold to Aion in FY 2023) from PLN 366.9 million at the end of previous year. This was possible due to expansion of cooperation with Aion to include BNPL loans as well as instalment loans into the non-recourse receivables purchase programme.

Throughout 2023 Allegro Pay continued its successful cooperation with Aion Bank SA / NV, its external financing partner and a credit institution incorporated as a joint-stock company under the laws of Belgium, acting through its Polish branch trading under the name "Aion Bank S.A. Spółka Akcyjna Oddział w Polsce" ("Aion", "Aion Bank"). On June 30th 2023, Allegro Pay sp. z o.o., Allegro sp. z o.o., Aion Bank and Vodeno sp. z o.o. ("Vodeno"), a company belonging to the same capital group as AION, entered into the cooperation agreement (the "Cooperation Agreement"). The Cooperation Agreement established rules of cooperation within the scope of certain banking products based on the Banking-as-a-Service model. Under the Cooperation Agreement, AION will provide certain banking services, including payment and saving accounts (the "Banking Accounts") for customers making purchases on the Allegro platform and will make available its technical platform functionalities via API which will be operated by Vodeno, as AION's subcontractor. Allegro Pay will act as AION's outsourcing service provider within the scope of: (i) supporting customers in the onboarding process, (ii) providing customer support in relation to the banking services and (iii) providing onboarding process and management of the Banking Accounts through the Allegro platform. Allegro Pay will provide Allegro platform functionalities through Allegro, as Allegro Pay's subcontractor. The Cooperation Agreement was concluded for a 5-year period with the possibility of its extension and it contains exclusivity and non-compete provisions.

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allegro

3.3.
Further development of One by Allegro and other logistics capabilities

Throughout 2023 the Group continued to develop its logistics brand, "One by Allegro", which includes "One Box" green parcel lockers, "One Fulfilment" service for merchants, "One Punkt" pick-up points, as well as "One Kurier" courier services provided, reflecting Group's innovative approach to swift and responsible deliveries.

One Fulfilment by Allegro is a comprehensive service for merchants that includes storing, packaging and delivering products, as well as customer service throughout the delivery process. Since the commercial launch of the logistics service in January 2022, One Fulfilment is now widely available to merchants, including international sellers for whom the offer is particularly attractive as it can significantly reduce their delivery times and offer competitive delivery experience. Fulfilment services complement Allegro's distribution method primarily based on merchants fulfilling their own orders, which continues to be the priority for Allegro.

In 2023 the Group also reached important milestones in development of its One Box green parcel lockers network. Launched in November 2021, the green lockers network has grown to over 3,500 state-of-the-art, eco – and socially friendly Allegro APMs across the country by 31 December 2023. In parallel, the possibility for merchants to fulfil their offers via One Box has grown significantly during 2023. As a result, consumers who live close to a One Box can now choose One Box delivery on the vast majority of purchases on Allegro. By moving ahead with the project, the platform is also addressing the needs of local communities, social activists and experts by creating environmentally friendly solutions that meet the needs of local residents and seamlessly blend in with the urban space.

All locker systems are powered by energy with guarantees of origin from renewable sources, over 90% of them are decorated with plants, with the plant support structures made of recyclable wood.

Within the One by Allegro brand, buyers can also use a network of approximately 2,200 One Punkt by Allegro pick-up points. Allegro's branded network is aimed at providing buyers and merchants with faster and more convenient delivery options. One Punkt and One Box by Allegro, combined with all PUDO partners and lockers networks that Allegro cooperates with across Poland, provide more than 60 thousand very convenient delivery pick-up options – the widest network in Poland. Continued shortening of delivery times and improving convenience remain at heart of Allegro's delivery experience strategy.

Throughout 2023, the Group continued to develop One Kurier, Allegro's own delivery company, complementing fulfilment and lockers services in driving faster deliveries, by eg. same-day and next-day deliveries to One Box and One Punkt and expanding its operations to more than 25 of the largest Polish cities. One Kurier provides the Group with its own same day delivery capability and collection and distribution capabilities.

Apart from the delivery capabilities developed under the 'Allegro One' brand, in H2'23 the Group also launched 'Allegro International' delivery method from Poland to the Czech Republic, partnering with InPost as a first-mile carrier and WE|DO, Allegro-owned last-mile carrier. 'Allegro International' cross-border delivery method was successfully adopted by merchants and customers, adding on average only one working day vs. average Allegro delivery times in Poland and allowing for significant unit cost savings per parcel compared to regular cross-border delivery costs.

3.4.
Funding

On 6th November 2023 the Group signed and executed an extension of the maturity date to all credit facilities under the Senior Facilities Agreement ("SFA") in total principal amount of PLN 7,257,500,000 by 24 months to 14 October 2027 and concurrently made early prepayment/reduction in the amount of PLN 242,500,000. Originally, the facilities under SFA were scheduled to mature in October 2025.

The Extended SFA originally included the following financing agreements:

i) a PLN 5,257,500,000 senior secured term loan facility (the "Term Loan B"),

ii) a PLN 500,000,000 multi-currency revolving credit facility ("RCF"),

iii) a PLN 1,000,000,000 Additional Facility (see the current report No. 20/2021, No. 24/2022, No. 35/2022) and

iv) a PLN 500,000,000 Additional RCF (see the current report No. 7/2022).

Following these changes, the total debt outstanding under the Extended SFA was PLN 6,502,500,000 and was comprised as follows: (i) Term Loan B: PLN 5,257,500,000, (ii) RCF: PLN 245,000,000, (iii) Additional Facility: PLN 1,000,000,000.

The rationale for the extension of the maturity is to ensure ample liquidity at favourable conditions for general corporate purposes to enable the Company to focus on driving future growth. All other conditions of the SFA remain unchanged. Following the extension of the debt maturity, all Group's gross debt is now due in October 2027.

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3.5. Results of the impairment test of the assets of some of the legal entities belonging to Mall Group a.s.

In performing its annual impairment testing of goodwill, the Company has noted that the estimated total fair value, less costs to sell, of all the cash-generating units that comprise Allegro's International Operations has increased in comparison to the equivalent test performed for 2022. However, this increase in valuation is mainly attributable to the Allegro.cz marketplace cash-generating unit launched in May 2023 (Allegro International Segment). In contrast, the Mall North (Czech Republic, Slovakia, and Hungary) and CZC cash-generating units (parts of the Mall Segment) are underperforming previous projections and Management has concluded that the remaining goodwill allocated to Mall Segment and a majority of intangible assets (that are not expected to contribute to the success of Allegro international platform) allocated to these two cash-generating units should be written down.

The impairment test was performed in accordance with International Accounting Standards and compared a financial projection estimating the fair value of each CGU, less costs to sell, as of 31 December 2023. This impairment loss was be allocated pro rata to intangible assets (mainly customer relationships, trademark, domains and software) and is presented in the Consolidated Statement of Comprehensive Income for the year ended 31 December 2023 in the cost line 'Impairment losses of non-current non-financial assets' and 'Income Tax' accordingly.

The impairment reduced the net income of the Group in the fourth quarter of 2023. In contrast, it did not affect earnings before interest, tax, depreciation, amortisation and impairment losses of non-current non-financial assets ("EBITDA"). Neither did it affect the Group cash flow generation. This accounting event did not have any impact on the stability of Allegro's business, nor the Group's business priorities – including the operations of Allegro's 3P marketplace in the Czech Republic and upcoming launches in other MALL markets.

The final value of the impairment loss is presented in the consolidated financial statements of the Company for 2023, which were audited by a certified auditor.

3.6. Appointment of two new independent non-executive Directors

On 12th May 2023, the Annual General Meeting of the Company appointed Catherine Faiers and Tomasz Suchański as independent directors of the Company for three years with effect from 12th May 2023. Catherine Faiers is a highly regarded e-commerce leader, with proven executive experience in roles across strategy, sales, marketing, product, technology, finance, and operations. Tomasz Suchański is CEO of Żabka Group, leader of the convenience model in Central and Eastern Europe. The Board believes that the appointment of Catherine Faiers and Tomasz Suchański as independent directors is in the best interests of the Company, being a step towards the announced target of achieving a majority of Board Members being independent directors not later than 1st September 2026

3.7. Announcement of intention to stand-down by two members of the Board of Directors: Chairman of the Board and Chairwoman of the Audit Committee

On 4th October 2023, Mr Darren Huston announced that he intends to transition his role as Chairman and Director of the Company in the coming months to a successor. Darren has been with the Company for seven years and continues to fulfil the responsibilities of his position until a successor is found and a smooth transition has been executed.

On 7th November 2023, Ms Clara (dit Carla) Smits-Nusteling announced that she intends to transition her role as Chairperson of the Audit Committee and Director of the Board of the Company to a successor. Carla intends to remain as Chairperson of the Audit Committee and non-executive Director until the Annual General Meeting in 2024, to complete the oversight of the Company's annual financial reporting for 2023. Carla also continues to fulfil the responsibilities of her position until a new Audit Committee Chairperson is appointed by the Board and a smooth transition has been executed.

3.8. Resignation of two members of the Management Board of Allegro Sp. z o.o. and appointment of a new member of the Management Board of Allegro Sp. z o.o.

On 12th September 2023, Mr Alvise Favara resigned from the position of member of the Management Board of Allegro sp. z o.o., a wholly owned indirect subsidiary of the Company, and other positions held within the Company's group, with immediate effect. Alvise Favara will remain available until 31 March 2024 to ensure a smooth transition of functions to his successor as Chief Commercial Officer (CCO), Mr Matthias Frechen who was appointed in September 2023 as CCO reporting to the Group CEO, Roy Perticucci.

On 29th December 2023, Mr David Roberts resigned from the position of member of the Management Board with immediate effect. Mr Roberts will remain employed by the Group in the position of Chief Technology and Product Officer (CTPO). Mr Roberts continues as a Member of Allegro's Executive Team reporting to the Group CEO, Roy Perticucci.

Mr Tom Ruhan was appointed as a member of the Management Board with effect from 2nd April 2024. Mr Ruhan joined Allegro in 2018, he is the Chief Legal Officer and Corporate Affairs Director of Allegro sp. z o.o. and the General Counsel of the Company as well as a Member of Allegro's Executive Team.

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4. Remuneration Report

REMUNERATION, NOMINATION & ESG COMMITTEE HIGHLIGHTS IN 2023:

- Consultations with shareholders on the 2023 Executive Director Remuneration Policy ahead of approval at the 2023 AGM
- Discussion and approval of compensation arrangements for the Executive Committee, including joiners, leavers and promotions
- Approved performance measures and targets for relevant annual bonus and consolidated LTIP awards
- Continued monitoring of the company's approach in response to high inflation economic environment and impact on Executive and wider workforce remuneration
- Adding ESG agenda to the committee's remit, including ratifying ESG strategy and monitoring execution

KEY FOCUS AREAS FOR THE COMMITTEE FOR NEXT YEAR:

- Continue engagement with shareholders on Remuneration and ESG Policy.
- Continue to monitor workforce pay ensuring that pay increases across Allegro remain appropriate to attract and retain talent
- Consider and monitor incentive plan targets that are appropriately stretching
- Continued focus on diversity, equity and inclusion agenda across Allegro
- Oversee Allegro's progress against our People strategy
- Continue to ensure that the composition of the Allegro board is expert, diverse and fit for purpose
- Keep abreast of European corporate governance changes and market practice

LETTER FROM THE CHAIR OF THE REMUNERATION AND NOMINATION COMMITTEE

Dear Shareholders,

I am pleased to present Allegro's 2023 Remuneration Report on behalf of the Remuneration and Nomination Committee.

At Allegro, we recognize that our remuneration policies and practices are pivotal in realizing the company's objectives. We are dedicated to crafting a remuneration framework that aligns with the company's nature, complexity, size, and dynamic challenges, and we benchmark ourselves accordingly vs WIG 20 and European technology peer groups. Our aim is to ensure that our remuneration strategy supports the company's overarching objectives, while also attracting, motivating, and retaining key talent, all in the best interest of our stakeholders.

Central to our remuneration approach is the Allegro Incentive Plan (AIP), a series of long-term share-based incentive plans designed to align with shareholder interests. In 2023, the inaugural AIP, in the form of Performance Share Units for the 2021-23 period, concluded. The results and assessment of this program can be found in the Report.

In 2024, we are committed to continuing to actively evaluate and refine our remuneration policy to ensure its efficacy, competitiveness in talent attraction, and alignment with performance, both individual and company-wide.

We value dialogue with our investors as we seek to continuously enhance our remuneration practices and the transparency of our Report. Over the past three years, we are grateful to our shareholders for their unwavering 90%+ approval for the Remuneration Report at our annual general meetings.

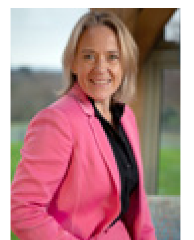
Paying close attention to feedback, we are dedicated to increasing the clarity and visibility of our data and disclosures.

This year, the committee's remit has extended to include ESG, a wide-ranging sustainability topic that is integral to our culture and how we operate as a business. The comittee provided a strategic recommendation on ESG priorities and monitors ESG & Climate strategy implementation.

The operation, performance and effectiveness of the Committee is monitored throughout the year, and also specifically reviewed as part of the internal board evaluation process. All feedback received is used to improve the Committee's effectiveness. I am pleased to confirm that the Committee continues to operate effectively, and I have been delighted to welcome two new board members to the committee in 2023, Catherine Faiers and Tomasz Suchanski.

I extend my gratitude for your ongoing support and trust. I look forward to engaging with many of you at our upcoming AGM in June or in 1-2-1 discussions, which can be organised via our company secretarial team.

Sincerely,
Nancy Cruickshank
Independent
Non-Executive Director



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This section of the Report constitutes the Remuneration Report of Allegro.eu in relation to the financial year ending on 31 December 2023, prepared by the Remuneration and Nomination Committee of the Company and adopted by the Board of Directors on 12 March 2024 in accordance with the Luxembourg Law of 24 May 2011 on the exercise of certain rights of shareholders in general meetings of listed companies and implementing Directive 2007/36/EC of the European Parliament and of the Council of 11 July 2007 on the exercise of certain rights of shareholders in listed companies, as amended (the "Law"), and in particular article 7ter of the Law.

Acknowledgement and approval of the Remuneration Report prepared by the Remuneration and Nomination Committee of the Company constituted a separate item of the agenda of the Annual General Meeting of shareholders of the Company. The Remuneration Reports for 2022 and previous years were approved by the Annual General Meeting of shareholders of the Company held on 17 June 2021, 22 June 2022 and 12 May 2023 respectively. The following table presents results of the vote of the AGM to the annual report on directors' remuneration.

AGM	2021		2022		2023	
	Number of shares for which votes have been validly cast	Corresponding proportion of the share capital	Number of shares for which votes have been validly cast	Corresponding proportion of the share capital	Number of shares for which votes have been validly cast	Corresponding proportion of the share capital
	755,269,149	73.80%	645,560,741	61.08%	734,258,174	69.48%
	Number	% of votes cast	Number	% of votes cast	Number	% of votes cast
Votes in favour	688,297,019	91.13%	675,384,842	95.77%	670,601,209	91.33%
Votes against	66,972,130	8.87%	29,824,101	4.23%	63,656,965	8.67%
Abstentions	—	0.00%	—	0.00%	4,674,020	—
Total votes cast	**755,269,149**		**705,208,943**		**734,258,174**	

The table presents corrected data for 2022 AGM voting results (administrative error on reporting Number of shares for which votes have been validly cast and Corresponding proportion of the share capital)

Since 2021, we have engaged regularly with proxy agencies and shareholders to garner ongoing input, and we continuously look for ways to improve our policy and disclosures. During the 2021-23 AGMs the Remuneration reports received above 90% of favorable votes each year.

4.1. Adoption of the Remuneration Policy

The remuneration policy of the Company (the "Remuneration Policy") was adopted by the Board of Directors on 28 September 2020 upon proposal from the Remuneration and Nomination Committee and approved by the general meeting on 29 September 2020 in accordance with the Law. The Allegro Incentive Plan (AIP) component of the Remuneration Policy was approved by shareholders of the Company on 20 September 2020, adopted by the board of the Company on 7 October 2020 and amended in 2021 and 2022 with the aim to clarify specific AIP rules and definitions. The remuneration policy is planned to be updated during the AGM in 2024.

4.2. Purpose and scope of the Remuneration Policy

The purpose of the Remuneration Policy provisions is to set out the principles governing the remuneration of the directors of the Company (each a "Director") and key managers of the Group (each a "Senior Manager") so as to contribute to the implementation of the long-term business strategy, long-term interests, sustainability, and stability of the Group. It takes into account the interests of the Group's shareholders and other stakeholders (including customers, business partners, employees, and society). This goal is to be addressed, in particular, by the amount, principles, and structure of the remuneration of the Directors and Senior Managers. The remuneration principles take into account the current financial situation of the Group.

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4.3. Remuneration of Executive Directors

The Remuneration Policy is intended to attract, motivate, and retain Directors who represent the highest level of competence and experience. Remuneration for Directors is determined based on market pay rates for persons performing functions of board members, including entities with a similar profile of business and scope of conducted activity, taking into account the needs and capabilities of the Company and its subsidiaries, individual qualifications, and the level of experience of individual Directors, as well as their scope of competence. In view of its aspiration to grow the Group's operations beyond the Polish market, when identifying candidates who meet this profile, the Group benchmarks against competencies of senior management active in more developed markets and does not require specific Polish or Central European experience (although an advantage).

The Remuneration and Nomination Committee consider the opinion of an independent advisor in the field of remuneration of Executive Directors. Similarly to the previous year, the appointed advisor in 2023 was hkp. The advice and recommendations of the external advisers were used to guide and supply the market benchmarks for Executive Directors and Senior Managers, but do not serve as a substitute for thorough consideration of the issues by each Committee member. Advisers attended Committee meetings occasionally, as and when required by the Committee.

With the acquisition of the Mall Group and WE|DO on 1 April 2022, the Group's operations were extended into five more European countries (Czechia, Slovakia, Slovenia, Hungary and Croatia). Allegro Group continues to be listed on the Warsaw Stock Exchange.

The Group competes with top international market players in the highly demanding technology and e-commerce industry. Hence, to maintain the Group's current competitive advantage and build the future business success the Group needs to be in a position to attract and recruit top talent in Poland and beyond (e.g. European Union market). In order to compete for the best talent, the Group provides competitive pay levels and structures based on objective market data.

Given this particular context, the Group has used two peer groups to define pay ranges for Directors a:

- Peer Group number 1 consists of 13 companies of the WIG 20 Index selected from the following sectors: financial services, software, telecommunications and retail. Allegro is currently a member of the WIG 20 Index, in the second quartile by market capitalization. The choice of this peer group reflects the key range and location of the Group's operations and takes into account local market practice for Director.
- Peer Group number 2 consists of 16 European listed high-growth companies in the e-commerce, technology, platform and retail sectors selected by the Remuneration and Nomination Committee. This group of companies has been selected due to industry (& related talent) symmetry to Allegro, as well as ensuring that the companies are of a relatable EV size & top/bottom line financial metrics and rate of growth to Allegro. The choice of this peer group is essential in order to assure Allegro's attractiveness as an employer to highly qualified individuals from Poland and throughout Europe as well as to provide a reference benchmark in line with Allegro's international growth strategy.

In the Peer Group benchmark analysis the Remuneration and Nomination Committee considered overall trends in Directors remuneration, as well as dynamics and structure for Directors performing specific scope of Officer responsibilities (e.g., Chief Executive Officer, Chief Financial Officer).

The remuneration package along with all of its components (fixed and variable) that Executive Directors receive is a direct result of the aforementioned analysis. The Executive Directors did not receive any remuneration (fixed or variable) from any other entity of the Group other than listed in this Remuneration Report.

The total Remuneration Package for Executive Directors consists of the following components:

4.3.1. FIXED REMUNERATION

Executive Directors are entitled to a fixed base salary for the work specified for each individual in their appointment letter and/or employment contract with the Company and/or its subsidiaries. Where a Director performs functions for more than one entity within the Group, they may receive fixed base salaries from each entity for the respective functions performed. The base salary varies depending on their functions in the Board of Directors, Supervisory Boards, or Management Boards of the Company's subsidiaries, additional functions in the Group, and the scope of their competence. The Remuneration and Remuneration and Nomination Committee of the Company approves all salary elements of the Directors and Senior Managers regardless of the contract type or the entity. Base salary levels are reviewed annually with effect from April 1 and are compared to the market benchmarks to ensure that the Group remains competitive.

Executive Directors are entitled to additional benefits including the right to use a selected healthcare package and life and disability insurance financed by the employer (fringe benefits). The Company provides the Executive Directors with insurance against any damage resulting from claims arising from the liability of members of the bodies of a listed company (Directors and Officers – D&O liability insurance). The Company does not provide any retirement schemes beyond what is required by local labor law requirements. In terms of any potential separation, severance regulations such as notice period are defined based on applied practice.

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4.3.2. SHORT-TERM VARIABLE REMUNERATION

In addition to the base salary, Executive Directors may receive a discretionary annual bonus. The purpose of this remuneration component is to:

- communicate the key priorities for the year and drive behavior
- motivate employees and incentivize delivery of performance over the one year operating cycle.

The amount of the annual bonus for an individual Director depends on:

- the annualized annual base salary, prorated for any base salary changes during the financial year and prorated for the part of the year employed,
- the target size of the bonus as a percentage of annual base salary. For the 2023 financial year, it was set at 75% for all Executive Directors apart from the Group CEO, for whom it was set at 100% of the annual base salary,
- results against agreed corporate performance criteria (CPI index) that determine the size of the relevant Corporate Bonus Pool expressed as a percentage of the target bonus of 100% and accrued for each participant in the pool (the detailed rules can be found in the "Corporate Bonus Pool" table below). For the 2023 financial year short-term variable remuneration of all Executive Directors and Senior Managers is calculated against the agreed corporate performance metrics of the Allegro (previously Allegro.pl) company. The corporate performance metrics are set as one-year targets to address short term performance of the organization and review the short term KPIs realization versus agreed budget/target for a specific year,
- an individual modifier based on evaluation of individual performance approved by the Remuneration and Nomination Committee. The modifier can boost or reduce the bonus within a range of +25% and – 100%, considering the following criteria:
  - realization of goals and tasks,
  - attitude and way of performing work in accordance with The Allegro Way (a framework of desired behaviours)
- any other objectives as may be determined by the Committee from time to time.

Mathematically, the short-term variable remuneration is calculated based on the formula as below:

(Annual base salary) x (Company Performance Index, %) x (bonus entitlement by Executive Directors or CEO, %) x (bonus modifier allocation based on evaluation, %) x (pro rata based on proportion of the financial year employed)

Executive Directors and Senior Managers may receive an annual bonus from the Corporate Bonus Pool of the entity in which they performed their function, which is calculated according to the criteria set out below. In the 2023 financial year, all Executive Directors perform their functions in Allegro. For the avoidance of doubt, the Executive Directors who are employed both at Allegro and Allegro.eu are entitled to an annual bonus from the Allegro pool for the 2023 financial year in addition to their Director fees received from Allegro.eu. The short-term variable remuneration is calculated based on performance conditions of Allegro.

Corporate Bonus Pool

Performance criteria	Operating Company's bonus pool is based on the company's annual performance criteria realization. Annual targets for a given year as agreed with the Board of Directors and the Committee. Company Performance Index (CPI) is a base for determining a company's bonus pool. It is driven by target achievement of three KPIs: • Group Adjusted EBITDA – weight 50% where 100% performance = annual budget • Group GMV – weight 25% where 100% performance = annual budget • GMV International (non PL) – weight 25% where 100% performance = annual budget
Min/Max payout (Cap) as of Base Salary	Min = 0%; 100% = annual budget Max Cap is limited for Group Adjusted EBITDA at level of 150% and for Group GMV and GMV International (non PL) at level of 200%
Bonus threshold	87.5% of company performance criteria realization, separately for each KPI, excluding GMV International for which the threshold is at level of 75%
Bonus pool acceleration	Linear (8% of bonus for 1% of target realization below/above the bonus threshold, continuing beyond the bonus target until any applicable cap is reached).
Bonus pool calculation based on Company Performance Index	Each KPI is reviewed separately against the targets. If the target is achieved at a minimum level of 87.5% or 75% (in case of GMV International), the KPI is treated as met and realization is calculated for this KPI. Then, the calculation starts. Each 1% of overachieving the threshold releases 8% of the bonus pool. Both KPIs weigh 50%, so the bonus pool is calculated based on overachievement or underachievement of metrics. Example: Group Adjusted EBITDA: target 100; actual 90; realization 90%; bonus threshold met – above 87.5%. Bonus pool calculation based on Group Adjusted EBITDA factor: 8% × (90% – 87.5%) × 50% = 10% Group GMV: target 100; actual 99; realization 99%; bonus threshold met – above 87.5% Bonus pool calculation based on Group GMV factor: 8% × (99% – 87.5%) × 25%= 23% GMV International (non PL): target 100, actual 110; realization 110%; bonus threshold met – above 87.5% Bonus pool calculation based on GMV International (non PL) factor: 8% × (110% – 87.5%) × 25%= 45% Bonus pool released: 10% + 23% + 45% = 78%
Payout frequency	Annually after annual results confirmation

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The performance targets and actual performance for purposes of calculating short-term bonuses for 2023 applicable to Allegro employees, including Executive Directors of the Company are presented in the table below.

FINANCIAL YEAR 2023

Allegro	Weight	Target (mPLN)	Actual (mPLN)	Target vs Actual Results Realization	Base for Bonus pool calculation	Company Performance Index
Group Adjusted EBITDA	50%	2,417.0	2,540.1	105.1%	140.7%	70.4%
Group GMV	25%	61,625.4	58,373.3	94.7%	57.8%	14.4%
GMV International	25%	4,846.0	3,605.6	74.4%	0%	0%
						84.8%

4.3.3. LONG-TERM VARIABLE REMUNERATION

The Group has introduced the Allegro Incentive Plan (AIP), a discretionary benefit offered to its employees (including Executive Directors and Senior Managers). AIP is a long-term incentive plan based on the Company's shares, approved by shareholders of the Company on 20 September 2020 and adopted by the Board of Directors on 7 October 2020. The objective of the AIP is to align the employees' (including Executive Directors and and Senior Managers) interests with that of the Group and to contribute to the actual long-term financial standing and stability of the Group and long-term shareholder value creation. The Remuneration and Nomination Committee is responsible for the detailed rules of the scheme, for approving grant proposals made by Management, and for deciding on the size of awards for Executive Directors.

The Group has internal share trading regulations in place for employees, who can trade Allegro shares during 4 week-long open periods after each quarterly results publication.

Group's employees (including Executive Directors) may be offered variable remuneration under the AIP in the form of Performance Share Units ("PSU") and Restricted Stock Units ("RSU"). Each type of unit is described in the table below:

Allegro Incentive Plan

Eligibility	Awards may be granted only to Employees (including Executive Directors) of the Group at the discretion of the Remuneration and Nomination Committee.
Targets	The targets are up to 200% for all Executive Directors . In exceptional circumstances the target may be increased to 300% (as measured at the date of grant).
Forms of Awards	Awards under the AIP may be granted in the form of PSU or RSU which give the participants a right to receive Shares without payment on completion of a vesting period and, in the case of PSUs, subject to the satisfaction of performance conditions. The AIP rules also include flexibility for the Remuneration and Nomination Committee to grant other forms of awards, such as share options. The Remuneration and Nomination Committee may also, at their discretion grant an additional PSU Special Award to eligible Group employees (including Executive Directors) provided that the Committee has determined that there are significant circumstances such as acquisition of a new entity by the Group. Such an award must be subject to performance conditions. As new joiners, employees (including Executive Directors) may also be granted a Special Award as compensation for, or buy out from a new joiner's contract in their previous employment.
Overall Plan Limits	In any ten-year period, not more than 10% of the issued share capital of the Issuer may be issued or transferred out of treasury for the purposes of awards granted under the AIP and any other discretionary employees' share plans adopted by the Company. This limit does not include management investment into the Company or awards that have been made or granted on or prior to Admission (including conditional upon Admission) or have lapsed.
Individual Limits	The maximum total market value of Shares over which an award is granted during any financial year may not exceed 200% of annual base salary of a given employee or 300% in exceptional circumstances (as measured at the date of grant). The aforementioned limit does not apply to any Special Award: • Granted in connection with significant circumstances such as acquisition of a new entity by the Group; such a Special Award must not exceed 100% of Executive Directors' and Key Managers' annual base salary ' annual base salary • Granted to a new joiner that in general relates to compensation for, or buy out from, the new joiner's contract in their previous employment
Source of Shares	Awards under the AIP may be granted over newly issued Shares, Shares held in treasury, or Shares purchased in the market (including Shares held in an employee benefit trust).
Timing of Awards	The first awards under the AIP were granted in April 2021. For 2022 and beyond, awards will normally be granted within a six-week period after the Issuer announces its annual results or 1 October of each calendar year. However, the Remuneration and Nomination Committee may grant awards outside this period at its discretion. No awards may be granted more than ten years after the AIP was approved by the Shareholders of allegro.eu, unless by further decision of the Shareholders' Meeting.
Performance Conditions	Awards in the form of PSUs are subject to performance conditions which are determined by the Remuneration and Nomination Committee at the time of grant. Awards vest between 0% (if the performance conditions are not met) to 200% (at maximum level) based on the extent to which the performance conditions are met in full or exceeded. Unlike the short term targets, the GMV-based and EBITDA-based performance conditions, which are derived from long-term targets, are expressed as compound annual growth rate (CAGR). It describes the rate at which a given indicator would grow if it grew at the same rate every year of a multi-year plan. The long-term target is reviewed based on three years performance conditions. Any performance condition may be amended or substituted if one or more events occur which cause the Remuneration and Nomination Committee to consider that an amended or substituted performance condition would be more appropriate. Any such amended or substituted performance condition will, in the reasonable opinion of the Remuneration and Nomination Committee, not be materially more or less difficult to satisfy.

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Allegro Incentive Plan

Vesting and Release of Awards	RSUs will vest and Shares be released in the ordinary course in three annual tranches – 25%, 25%, and 50% respectively on the first, second, and third anniversaries of the date of grant, subject to continued employment. RSUs granted to Executive Directors in the form of a sign-on bonus award may be vested in the ordinary course in three annual tranches or in specific cases in the course of two annual tranches – 50% and 50%. PSUs will notionally vest in the ordinary course in three annual tranches – 25%, 25%, and 50% respectively on the first, second, and third anniversaries of the date of grant, but will only be released on the third anniversary of grant, subject to continued employment and satisfaction of the relevant performance conditions applicable to such PSU. The Remuneration and Nomination Committee may grant awards subject to a different vesting period and release schedule, at its discretion.
Malus and Clawback	The Remuneration and Nomination Committee may decide at any time at its discretion that an employee (including Executive Directors and Senior Managers) shall in respect of their PSU award or RSU award be subject to: • a malus adjustment before an award vests, and/or • the clawback of any amount after an award vests, in accordance with the Company's applicable Malus and Clawback Policy and procedures, as amended from time to time.

Leaving the Group	In case of cessation of employment of a Participant within the Group, they will be considered:
	• a "bad leaver", if a Participant ceases to be employed by reason of (i) gross misconduct or (ii) resignation where the Participant joins a competitor (as determined by the Remuneration and Nomination Committee from time to time) within twelve months of the date on which they so cease to be employed (the „Termination Date"); and
	• a „good leaver", if a Participant ceases to be employed for any reason other than those specified in above.
	For PSU awards:
	• if a Participant is a „bad leaver," any outstanding awards lapse (vested and unvested portions) and any Shares received under the AIP in the twelve months prior to the Termination Date (and, if applicable, in the period between the Termination Date and the date on which the Participant joins a competitor) must (on a net of tax basis) be repaid to the Company; and
	• if a Participant is a „good leaver":
	  • subject to the bullet point below, the vested portion of the award will be released on the scheduled release date unless the Remuneration and Nomination Committee determines that the award will be released at, or immediately before, the Termination Date. The number of Shares that may be released shall be determined by reference to the extent to which the performance conditions have been met as at the release date, capped at 100% of the Shares that have vested at the Termination Date; and
	  • in the event an individual is dismissed by the Group (other than for gross misconduct) within six months following a change to the majority of (A) the Board or (B) the management board of Allegro, within any twelve month-period, the treatment is as for the bullet point above save that:
	    • the vested portion shall be calculated by reference to completed months served from the date of grant to the Termination Date as a proportion of the three-year vesting period (as opposed to the annual vesting schedule); and
	    • the Shares will be released on or around the Termination Date unless no additional tax liability for the Participant would be triggered if the Shares were released on the scheduled release date.
	For RSU awards:
	• if a Participant is a „bad leaver," no further awards shall vest and any Shares received under the AIP in the twelve months prior to the Termination Date must (on a net of tax basis) be repaid to the Issuer; and
	• if a Participant is a „good leaver," no further awards shall vest unless the Remuneration and Nomination Committee exercises its discretion otherwise.
	For both PSUs and RSUs, if a Participant who is considered a „good leaver" on their Termination Date later breaches their restrictive covenants, any outstanding awards held by them at that time would lapse and they would have to repay (on a net of tax basis) to the Company any Shares delivered to them under the AIP in the twelve-month period immediately prior to the breach.

The Management is committed to developing the Allegro Group in line with the multi-year planning horizon. GMV and absolute EBITDA are key metrics incentivizing the Management to stay focused on long-term growth, thus aligning long-term Shareholder and Management interests. In order to implement the multi-year roadmap, the Group implements annual budgeting cycles, which are anchored around the delivery of the long-term development roadmap. Short-term annual targets, which are derived from the long-term goals, provide strong incentive for the Management to stay on path towards delivery of the ambitious multi-year roadmap.

In the Short-Term Incentive programme (cash bonus) targets GMV and EBITDA-based company performance indices are based on a given year's budget values. Meanwhile for the Long-Term Incentive programme (AIP-PSU) the GMV and EBITDA-based performance conditions are derived from long-term targets, and expressed as compound annual growth rate (CAGR). It describes the rate at which a given indicator would grow, if it grew at the same rate every year of a multi-year plan. That separates the PSU performance conditions from short-term targets by focusing them on ensuring steady, continuous and sequential improvements on a set of operational inputs, allowing for even stronger alignment of interests with our Shareholders. In addition to the upon AIP-PSU grant release, the whole set of Performance Criteria is assessed against the full-cycle targets. This means that there are no partial releases based on each closed financial year within the 3-year plan. That is why the term of notional vesting was provided in the AIP Rules.

Under the rules of the PSU plan, the Remuneration and Nomination Committee has flexibility to choose other performance conditions than those selected for the 2021,2022 and 2023 grants if it considers other measures may be more appropriate to the particular circumstances impacting the Group at the relevant point in time. Accordingly, the performance measures selected may vary from annual grant to annual grant.

The AIP awards are issued in units, and for the purpose of estimating the value of a given award, units are valued in reference to the Group's stock price according to a methodology set out in the rules of the AIP, which is calculated as follows:

- Units are valued based on the average closing share price (as derived from the Warsaw Stock Exchange, rounded down to two places after the decimal (PLN1/100)) during a period of 60 dealing days ending with the dealing day before the grant date, excluding any period when dealings in shares are prohibited under the company's share dealing code, or any other such period.
- The Remuneration and Nomination Committee may, at its discretion, deem it necessary to employ another method of calculation in order to fairly represent the dealing price corrected for exceptional circumstances.

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4.3.3.1. ALLEGRO INCENTIVE PLAN – 2022 GRANT

On 17 December 2020 the Remuneration and Nomination Committee agreed the performance conditions for the PSU grant scheduled for April 2021.

The assumptions for setting the targets for PSU performance conditions were:

- PSU 200% (max level) – 3 Year Plan target values from year 3 of the 2021-2023 period of the multi-year plan reviewed by the board of directors in the Financial Year 2021 planning cycle, expressed as a 3 year CAGR%;
- PSU 100% (target level) – estimated e-commerce segment growth CAGR%;
- PSU 0% (threshold level) – minimum threshold CAGR%.

Performance conditions are based on Company Performance Index based on 3 year EBITDA and GMV perspective and defined in relation to 3Y CAGR to ensure sustainable return for shareholders and repeatability of the model in the following years.

The PSU Performance 2021-2023 targets:

- GMV – weight 50%, based on Allegro and eBilet figures;
- EBITDA – weight 50%, based on the Polish Operations Segment multi-year plan.

The 2021 Grant is the first to reach maturity and performance has been reconciled against the original targets as set in the table below out below:

PSU 2021 Targets (baseline 2020, Targets and Thresholds reflect CAGR to FY2023)

	2020	Threshold – 0%		Target – 100%		Max – 200%	
	PLNbn	PLNbn	CAGR	PLNbn	CAGR	PLNbn	CAGR
GMV	35.2	46.8	10.0%	53.5	15.0%	74.5	28.5%
% of GMV Target		87.5%		100.0%		139.4%	
Adjusted EBITDA	1.8	2.3	10.0%	2.7	15.0%	4.3	34.8%
% of adjusted EBITDA		87.5%		100.0%		160.8%	

Max 200% CAGR Targets were set based on a multi-year plan with the following 3 year progression:

	(Baseline)	2021	y/y %	2022	y/y %	2023	y/y %	3Y Growth	3Y CAGR
GMV	35.15	41.67	18.55%	56.18	34.83%	74.53	32.67%	39.38	28.47%
adjusted EBITDA	1.75	2.05	17.55%	2.84	38.38%	4.28	50.50%	2.53	34.78%

Payout levels are based on the 3Y plan and CAGR-driven model:

- max award (200%) = 3 Year Plan target values
- target (100%) = value for CAGR = 15%
- threshold (0%) = value for CAGR = 10%

Grant performance should be estimated on the base of the current forecast of 3Y results.

PSU 2021 actual CAGR achieved based on historical financial information

PLN bn	(Baseline)	2021	2022	2023	3Y CAGR
GMV	35.15	42.60	49.39	54.77	15.93%
adjusted EBITDA	1.75	2.07	2.31	2.96	19.11%

2021 AIP PSU assessment of actual CAGR performance relative to Target Thresholds

	Target CAGR 20-23 200% Threshold	Target CAGR 20-23 100% Threshold	Target CAGR 20-23 0% Threshold	Current 3YP CAGR 20-23	Realization above 100% threshold
GMV	28.47%	15.00%	10.00%	15.93%	0.93%
adjusted EBITDA	34.78%	15.00%	10.00%	19.11%	4.11%

2021 AIP PSU Actual Realization versus Target is interpolated as calculated below

KPI	Performance	Realization formula	Realization
GMV	>100%	(15.93-15.0)/(28.47-15)*100+100	106.9%
adjusted EBITDA	>100%	(19.11-15.0)/(34.78-15)*100+100	120.8%
PSU Performance			113.86%

3 year growth ratios of EBITDA and GMV are between target and max level. Grant result based on those numbers is 113.86%. Based on this multiplier the number of units provided in the table Allegro Incentive Plan – Executive Directors will be released in April 2024 (after obtaining the positive recommendation from the Remuneration and Nomination Committee).

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4.3.3.2. ALLEGRO INCENTIVE PLAN – 2022 GRANT

The Executive Team was granted 2022 PSU Allegro Incentive Plan as part of the reward package to incentivize achievement of the long term goals. The 2022-2024 PSU grant is a 3-year programme with on-target values of 100% – 250% and, in the case of the former CEO, 300% vs annual base salary, with one calculation of payout and delivery of shares in April 2025. The Remuneration and Nomination Committee approved the performance conditions for the 2022 – 2024 PSU grant on 25th April 2022.

The assumptions for setting the targets for PSU performance conditions are:

- PSU 200% (max level) – 3 Year Plan target values;
- PSU 100% (target level) – estimated e-commerce segment growth CAGR%;
- PSU 0% (threshold level) – minimum threshold CAGR%.

Performance conditions are based on Company Performance Index for the Group, which includes: Allegro, Allegro Finance, Allegro Pay, eBilet.pl, Opennet, Ceneo.pl, Allegro.eu, MALL Group and We|Do. The CPI will be calculated on the basis of a 3 year Adjusted EBITDA and GMV perspective which are defined in relation to 3Y CAGR for the years 2022 – 2024 and subject to leverage conditions that could limit maximum payouts.

The 2022 – 2024 PSU performance conditions are based on the following factors and their weights:

- GMV – weight 50%,
- Adjusted EBITDA – weight 50%,
- subject to leverage KPI as trigger condition for payout above 100%

The PSU award will be valued based on 3Y CAGR performance on the agreed KPIs over the 3 financial years covered by the plan to define a level of performance between 0% and 200%. Participants then receive shares on the third anniversary of the plan (April 2025) equivalent to the original number of units awarded multiplied by the performance percentage.

Participants who have left the Group as Good Leavers prior to the third anniversary of the plan receive shares proportionate to the part of their original award which vested prior to them leaving. Furthermore the performance condition is capped at a maximum of 100%.

Allegro does not disclose future targets for PSU performance as these are deemed commercially sensitive. However, going forward the Group intends to provide retrospective disclosure of performance against such targets after the year-end in which a given PSU grant is settled.

4.3.3.3. ALLEGRO INCENTIVE PLAN – 2022 SPECIAL AWARD

As the Mall Group and WE|DO acquisition was not closed on 1 April 2022, short term incentive plans and targets for the PSUs issued as part of the annual 2022 grant were set for Executive Directors based on approved plans for the Group's Polish Operations. This was because the group had no control over planning and performance at the acquired companies before the date of acquisition.

In order to focus management attention on timely and effective international expansion and support the functional integration of Mall Group and WE|DO with Allegro a Special PSU AIP Award was designed and granted. It was a programme covering financial targets for 2022 and 2023 related to the Acquisition of the Mall Group and WE|DO for Executive Directors with one vesting in April 2024. Performance conditions for this Special AIP-PSU Award referred to the Mall Group and WE|DO business results, and are based on a 2 year GMV (100%) perspective. As the targets were not achieved, there is no Allegro Incentive Plan release for the Special Award.

4.3.3.4. ALLEGRO INCENTIVE PLAN – 2023 GRANT

The Executive Team was granted 2023 PSU Allegro Incentive Plan as part of the reward package to incentivize achievement of the long term goals. The 2023-2025 PSU grant is a 3-year programme with on-target values of 200% and, in the case of CEO, 300% vs annual base salary, with one calculation of payout and delivery of shares in April 2026 covering financial targets for the period 2023-2025, set on the basis of the multi-year plan set in the 2023 planning round. The Remuneration and Nomination Committee approved the performance conditions for the 2023 – 2025 PSU grant on 2nd March 2023.

The assumptions for setting the targets for PSU performance conditions are:

- PSU 200% (max level) – 3 Year Plan target values;
- PSU 100% (target level) – estimated e-commerce segment growth CAGR%;
- PSU 0% (threshold level) – minimum threshold CAGR%.

Performance conditions are based on Company Performance Index for:

- GMV in PL target / result evaluation covers GMV for Polish Operations.
- Adjusted EBITDA in PL target / result for Polish Operations.
- GMV International target / result evaluation covers GMV for International Operations

Leverage vs target value covers the whole Allegro Group.

The CPI will be calculated on the basis of a 3 year Adjusted EBITDA and GMV in Poland and International perspectives which are defined in relation to 3Y CAGR for the years 2023 – 2025 and subject to leverage conditions that could limit maximum payouts.

The 2023 – 2025 PSU performance conditions are based on the following factors and their weights:

- 35% GMV in Poland,
- 35% Adjusted EBITDA in Poland,
- 30% GMV International (incl. Mall (1P, 3P), 3P launch)
- Leverage as 100% payout cap if limit not achieved

The PSU award will be valued based on 3Y CAGR performance on the agreed KPIs over the 3 financial years covered by the plan to define a level of performance between 0% and 200%. Participants then receive shares on the third anniversary of the plan (April 2026) equivalent to the original number of units awarded multiplied by the performance percentage.

Participants who have left the Group as Good Leavers prior to the third anniversary of the plan receive shares proportionate to the part of their original award which vested prior to them leaving. Furthermore the performance condition is capped at a maximum of 100%.

Allegro does not disclose future targets for PSU performance as these are deemed commercially sensitive. However, going forward the Group intends to provide retrospective disclosure of performance against such targets after the year-end in which a given PSU grant is settled.

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4.3.3.5. EXECUTIVE SUMMARY OF PSU AND RSU AWARDS

The individual PSU and RSU awards granted, forfeited and notional vested, vested in 2021,2022 and 2023 to Employees of the Group (including Executive Directors and Senior Managers), all valued using the prescribed valuation methodology based on recent trading, are presented in the tables below:

	The main conditions of share award plans					Information regarding the reported financial year													
						Opening balance (01.01.2023)			During the year				Closing balance			PSU Performance			
Name of Director	Specification of plan	Performance measurement period	Grant date	Vesting dates [1]	Unit price at grant date (PLN per unit)	Number of units granted	Number of units vested [6]	No of shares released	Number and market value [2] of units granted	Number and market value [3] of units vested [6]	Number of units forfeited	Number and market value of units released	Number of units granted	Number of units vested [6]	Number of units released	Number of units subject to a performance conditions	Performance conditions assesement	Final no of shares to be released	Release date [4]
Roy Perticucci	AIP-PSU	01.01.2023 – 31.12.2025	11.04.2023	11.04.2024 11.04.2025 11.04.2026	29.92	0	0	0	353,110 10,565 kPLN	0	0	0	353,110	0	0	353,110	will be assessed in 2026	will be assessed in 2026	11.04.2026
	AIP-RSU Special Award [5]	n/a	03.10.2022	11.04.2023 11.04.2024 11.04.2025	25.85	330,525	0	0	0	82,631 2,521kPLN	0	82,631 2,521kPLN	0	82,631	82,631	—	—	—	—
Jon Eastick	AIP-PSU	01.01.2021 – 31.12.2023	04.04.2021	04.04.2022 04.04.2023 04.04.2024	66.64	23,987	5,997	0	0	5,997 182kPLN	0	0	0	11,994	0	23,987	113.86%	27,312	04.04.2024
		01.01.2022 – 31.12.2024	26.04.2022	11.04.2023 11.04.2024 11.04.2025	32.28	94,889	0	0	0	23,723 724kPLN	0	0	0	23,723	0	94,889	will be assessed after 2024 closing	will be assessed after 2024 closing	11.04.2025
		01.01.2023 – 31.12.2025	11.04.2023	11.04.2024 11.04.2025 11.04.2026	29.92	0	0	0	117,116 3,504 kPLN	0	0	0	117,116	0	0	117,116	will be assessed after 2025 closing	will be assessed after 2025 closing	11.04.2026
	AIP-PSU Special Award	01.01.2022 – 31.12.2023	06.07.2022	11.04.2024	24.12	49,752	0	0	0	0	0	0	0	0	0	49,752	0.00%	0	no release
Francois Nuyts	AIP-PSU	01.01.2021 – 31.12.2023	04.04.2021	04.04.2022 04.04.2023 04.04.2024	66.64	163,949	40,988	0	0	0	0	0	0	0	0	40,988	113.86%	46,669	04.04.2024

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	The main conditions of share award plans					Information regarding the reported financial year													
						Opening balance (01.01.2023)			During the year				Closing balance			PSU Performance			
Name of Director	Specification of plan	Performance measure-ment period	Grant date	Vesting dates [1]	Unit price at grant date (PLN per unit)	Number of units granted	Number of units vested [6]	No of shares released	Number and market value [2] of units granted	Number and market value [3] of units vested [6]	Number of units forfeited	Number and market value of units released	Number of units granted	Number of units vested [6]	Number of units released	Number of units subject to a per-formance conditions	Performance conditions assesement	Final no of shares to be released	Release date [4]
Alvise Favara	AIP-PSU	01.01.2022 – 31.12.2024	26.04.2022	11.04.2023 11.04.2024 11.04.2025	32.28	143,614	0	0	0	35,904 1,095kPLN	71,807	0	0	35,904	0	71,807	will be assessed after 2024 closing	will be assessed after 2024 closing	11.04.2025
		01.01.2023 – 31.12.2025	11.04.2023	11.04.2024 11.04.2025 11.04.2026	29.92	0	0	0	140,962 4,218 kPLN	0	105,721	0	140,962	0	0	35,241	will be assessed after 2025 closing	will be assessed after 2025 closing	11.04.2026
	AIP-PSU Special Award	01.01.2022 – 31.12.2023	06.07.2022	11.04.2024	24.12	50,109	0	0	0	0	0	0	0	0	0	50,109	0.00%	0	no release
	AIP-RSU Special Award [5]	n/a	07.03.2022	04.04.2022 04.04.2023 04.04.2024	37.34	297,898	116,569	116,569	0	116,569 3,540kPLN	0	116,569 3,540 kPLN	0	233,138	233,138	—	—	—	—
David Roberts	AIP-PSU	01.01.2022 – 31.12.2024	26.04.2022	11.04.2023 11.04.2024 11.04.2025	32.28	144,046	0	0	0	36,012 1,099kPLN	0	0	0	36,012	0	144,046	will be assessed after 2024 closing	will be assessed after 2024 closing	11.04.2025
		01.01.2023 – 31.12.2025	11.04.2023	11.04.2024 11.04.2025 11.04.2026	29.92	0	0	0	206,745 6,186 kPLN	0	0	0	206,745	0	0	206,745	will be assessed after 2025 closing	will be assessed after 2025 closing	11.04.2026
	AIP-PSU Special Award	01.01.2022 – 31.12.2023	06.07.2022	11.04.2024	24.12	50,109	0	0	0	0	0	0	0	0	0	50,109	0.00%	0	no release
	AIP-RSU Special Award [5]	n/a	07.03.2022	04.04.2022 04.04.2023	37.34	129,521	64,761	64,761	0	64,760 1,967kPLN	0	64,760 1,967 kPLN	0	129,520	129,520	—	—	—	—

NOTE

Information provided above includes only Executive Directors and Key Managers who are Board Members and Persons Discharging Managerial Responsibilities.

[1] In case of PSU awards, vesting dates indicated in the table are dates of notional vesting, which is when the Executive Director or Key Manager becomes notionally entitled to have shares transferred to them (or their nominee) in the event of them becoming a Good Leaver, subject to the satisfaction of applicable performance conditions.
[2] The gross value of shares granted in 2023 is calculated using an average share price from 60 days prior to grant date.
[3] The gross value of shares vested in 2023 is calculated using a spot share price at vesting date.
[4] For administrative efficiency, the Remuneration and Nomination Committee may use its discretion to vary the Release Date in order to deliver all awards vesting in a given month to various AIP participants on a single date during that month
[5] The AIP-RSU Special Awards granted to three Executive Directors who joined the Group in 2022 were awarded as compensation for, or buy out from contracts in their previous employment, in line with the rules governing forms of awards.
[6] In case of PSU awards, vesting amounts indicated in the table are amounts of notional vesting, which is when the Executive Director, Key Manager or Senior Manager becomes notionally entitled to have shares transferred to them (or their nominee) in the event of them becoming a Good Leaver, subject to the satisfaction of applicable performance conditions.

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ALLEGRO INCENTIVE PLAN – COSTS INCURRED IN 2022 CALCULATED IN COMPLIANCE WITH IFRS2

	The main conditions of share award plans						Information regarding the reported financial year
Name of Director	**Specification of plan**	**Performance measurement period**	**Grant date**	**Award Date [1]**	**Vesting dates [2]**	**Unit spot price at award date**	**Costs incurred in 2023 calculated in compliance with IFRS2 (kPLN)**
Roy Perticucci	AIP-PSU	01.01.2023–31.12.2025	11.04.2023	11.04.2023	11.04.2024 11.04.2025 11.04.2026	30.51 PLN per unit	4,604
	AIP-RSU Special Award [3]	n/a	03.10.2022	30.09.2022	11.04.2023 11.04.2024 11.04.2025	21.55 PLN per unit	2,977
	Subtotal						**7,581**
Jon Eastick	AIP-PSU	01.01.2021–31.12.2023	04.04.2021	01.04.2021	04.04.2022 04.04.2023 04.04.2024	56.06 PLN per unit	276
		01.01.2022–31.12.2024	26.04.2022	11.04.2022	11.04.2023 11.04.2024 11.04.2025	28.36 PLN per unit	-207
		01.01.2023–31.12.2025	11.04.2023	11.04.2023	11.04.2024 11.04.2025 11.04.2026	30.51 PLN per unit	1,527
	AIP-PSU Special Award	01.01.2022–31.12.2023	06.07.2022	05.07.2022	11.04.2024	22.82 PLN per unit	0.00 [4]
	Subtotal						**1,596**
Alvise Favara	AIP-PSU	01.01.2022–31.12.2024	06.07.2022	11.04.2022	11.04.2023 11.04.2024 11.04.2025	28.36 PLN per unit	-924
		01.01.2023–31.12.2025	11.04.2023	11.04.2023	11.04.2024 11.04.2025 11.04.2026	30.51 PLN per unit	1,353
	AIP-PSU Special Award	01.01.2022–31.12.2023	06.07.2022	05.07.2022	11.04.2024	22.82 PLN per unit	0.00 [4]
	AIP-RSU Special Award [3]	n/a	07.03.2022	04.03.2022	04.04.2022 04.04.2023 04.04.2024	26.31 PLN per unit	2,999
	Subtotal						**3,428**

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Name of Director	The main conditions of share award plans						Information regarding the reported financial year
	Specification of plan	Performance measurement period	Grant date	Award Date [1]	Vesting dates [2]	Unit spot price at award date	Costs incurred in 2023 calculated in compliance with IFRS2 (kPLN)
David Roberts	AIP-PSU	01.01.2022–31.12.2024	06.07.2022	11.04.2022	11.04.2023 11.04.2024 11.04.2025	28.36 PLN per unit	-315
		01.01.2023–31.12.2025	11.04.2023	11.04.2023	11.04.2024 11.04.2025 11.04.2026	30.51 PLN per unit	2,696
	AIP-PSU Special Award	01.01.2022–31.12.2023	06.07.2022	05.07.2022	11.04.2024	22.82 PLN per unit	0.00 [4]
	AIP-RSU Special Award [3]	n/a	07.03.2022	04.03.2022	04.04.2022 04.04.2023	26.31 PLN per unit	1,004
	Subtotal						**3,385**
TOTAL							**15,990**

[1] The award date is a date at which the entity and an employee agree to a share based payment arrangement, being when the entity and the counterparty have a shared understanding of the terms and conditions of the arrangement.
[2] In case of PSU awards, vesting dates indicated in the table are dates of notional vesting, which is when the Executive Director, Key Manager or Senior Manager becomes notionally entitled to have shares transferred to them (or their nominee) in the event of them becoming a Good Leaver, subject to the satisfaction of applicable performance conditions.
[3] The AIP-RSU Special Awards granted to three Executive Directors who joined the Group in 2022 were awarded as compensation for, or buy out from contracts in their previous employment, in line with the rules governing forms of awards.
[4] The IFRS2 cost of 0.00 PLN incurred in 2023 for AIP-PSU Special Award is because the Performance Conditions' threshold value has not been met.

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4.3.4. REMUNERATION STATEMENT FOR EXECUTIVE DIRECTORS AND KEY MANAGERS

Remuneration statement for Executive Directors and Key Managers for 2023 and 2022 (in kPLN)

Employee Group	Name of Director	Company	Position (date of appointment – resignation from the Board of Directors)	Year	Fixed Remuneration			Variable Remuneration		Extraordinary item [3]		Pension Expenses	Total Remuneration	Proportion of fixed and variable remuneration	
					Base Salary	Fees	Other Benefits	One year variable accrued [1]	Multi year variable [2]	Cash-based	Extraordinary item [3]			Fixed	Variable
Executive Directors	Roy Perticucci	Allegro.eu	Executive Director (21.09.2022 –)	2023	—	217	—	—	—	—	—	—	217	100%	0%
		Allegro	Group CEO, MBM (01.09.2022 –)	2023	3,403	—	470	2,886	—	768	2,521	—	10,048	71%	29%
		Allegro.eu	Executive Director (21.09.2022 –)	2022	—	59	—	—	—	—	—	—	59	100%	0%
		Allegro	Group CEO, MBM (01.09.2022 –)	2022	1,184	—	172	805	—	196	—	—	2,357	66%	34%
	Jonathan Eastick	Allegro.eu	Executive Director (01.09.2020 –)	2023		217	—	—	—	—	—	—	217	100%	0%
		Allegro	Group CFO, MBM (01.02.2018 –)	2023	1,501	—	52	955	906	—	—	—	3,414	45%	55%
		Allegro.eu	Executive Director (01.09.2020 –)	2022	—	234	—	—	—	—	—	—	234	100%	0%
		Allegro	Group CFO, MBM (01.02.2018 –)	2022	1,185	—	53	564	196	—	—	—	1,998	62%	38%
	Alvise Favara	Allegro	CCO, MBM (01.03.2022 – 30.04.2024)	2023	2,038	—	286	1,296	1,095	—	3,540	—	8,255	71%	29%
		Allegro	CCO, MBM (01.03.2022 – 30.04.2024)	2022	2,115	—	242	900	—	—	3,812	—	7,069	87%	13%
	David Roberts	Allegro	CTPO, MBM (01.03.2022 –)	2023	2,717	—	738	1,728	1,099	2,779	1,967	—	11,029	74%	26%
		Allegro	CTPO, MBM (01.03.2022 –)	2022	2,723	—	161	1,333	—	1,833	2,118	—	8,168	84%	16%

Remuneration for Roy Perticucci and David Roberts recalculated into PLN from EUR

NOTE

1. Information provided above reflects the fact that on September 1, 2022 Roy Perticucci replaced Francois Nuyts as Allegro Group Chief Executive Officer and on September 21, 2022 as Allegro.eu Executive Director. The employment termination agreement concluded with Francois Nuyts on August 31, 2022 stipulated that he will remain employed by the Group until December 31, 2022, albeit resigning from his roles, and receive a bonus for the full twelve months of 2022 consistent with a standard individual performance rating. In exchange Francois Nuyts agreed to assist the effective CEO onboarding and transition. Francois Nuyts remained on garden leave in the 4th quarter of 2022, and will be covered by a Non-Compete Agreement in 2023. Fees and remuneration included in the table below reflects the termination agreement in line with Polish Labour Law, Francois Nuyts employment contract, and AIP Rules referenced in sections above. There has been no additional severance payment. Remuneration provided at the same time to Roy Perticucci reflects his employment contract and remuneration package, including one-off sign-on in the form of cash and stock (AIP-RSU grant) compensating for revenue loss resulting from his resignation from his previous role.

2. In addition in the 1st quarter 2022 we have made two one-off extraordinary sign-on AIP-RSU grants to Alvise Favara (Chief Commercial Officer) and David Roberts (Chief Technology and Product Officer) as a recompensation for their respective remuneration loss resulting from their resignation from respective previous roles.

[1] Short-term variable remuneration: a discretionary annual bonus. 2023 Bonus amounts based on accrued values as final awards based on the rules of short-term variable compensation for the Reporting Year are yet to be determined and paid out in March of the following year 2022 Bonus amount is an actual amount for 2022 paid in 2023.

[2] Long-term variable remuneration: Allegro Incentive Plan – Performance Share Units – AIP award amounts presented above are the gross value of tranches vested in the Reported Year, calculated on the basis of share spot price at vesting date. These shares have not yet been delivered to the participant as delivery will be in 2024 and later as per Allegro Incentive Plan – Executive Directors and Key Managers table once the three years covered by the Grant have been completed. The final payout value in 2024 will depend on the full 3-year performance against the Grant's performance conditions. The vested units will be released even if the Executive Director or Senior Manager leaves the organization in the meantime, as long as they qualify as a "Good Leaver" according to the AIP policy. The cost incurred in 2023 in compliance with IFRS2 standards can be reviewed in the table in section 3.3.4. Executive Summary of PSU and RSU awards.

[3] Extraordinary items may include cash or share-based compensation for, or buy out from a new joiner's contract in their previous employment. Any share-based extraordinary compensation received is valued on the basis of the spot price of shares on the date received.

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4.3.5. REMUNERATION OF NON-EXECUTIVE DIRECTORS

The Non-Executive Chairman of the Board is entitled to an all-inclusive fixed fee. Other Non-Executive Directors receive varying fixed fees that depend on the function performed, in particular Non-Executive Directors performing functions in committees are entitled to additional fees.

The amount of remuneration of Non-Executive Directors was determined taking into account the objective of ensuring their independence and their competence in supervision over the Group's activities.

Non-Executive Directors are not entitled to any form of variable remuneration and none of their remuneration components are linked to

- options or other derivatives or any other variable components; or
- the Group's results.

The independent Non-Executive Directors did not receive any variable remuneration (including any shares, award shares, performance bonus).

Remuneration statement for Non-Executive Directors for 2023 (in kPLN [1])

Name of Director (date of appointment – resignation from the Board of Directors)	Company	Position	Year	Fixed Remuneration			Variable Remuneration		Extraordina-ry item	Pension Expenses	Total Remunera-tion	Proportion of fixed and variable remuneration	
				Base Salary	Fees	Other Benefits	One year variable [2]	Multi year variable [3]				Fixed	Variable
Darren Huston (12.05.2017 –)	Allegro.eu	Chairman, Non-Executive Director	2023	—	1,304	—	—	—	—	—	1,304	100%	0%
			2022	—	1,406	—	—	—	—	—	1,406	100%	0%
Clara (dit Carla) Smits-Nusteling (01.09.2020 –)	Allegro.eu	Independent Non-Executive Director	2023	—	535	—	—	—	—	—	535	100%	0%
			2022	—	577	—	—	—	—	—	577	100%	0%
David Barker [4] (01.09.2020 –)	Allegro.eu	Non-Executive Director	2023	—	—	—	—	—	—	—	0	—	—
			2022	—	—	—	—	—	—	—	0	—	—
Nancy Cruickshank (01.09.2020 –)	Allegro.eu	Independent Non-Executive Director	2023	—	478	—	—	—	—	—	478	100%	0%
			2022	—	523	—	—	—	—	—	523	100%	0%
Paweł Padusiński [4] (01.09.2020 –)	Allegro.eu	Non-Executive Director	2023	—	—	—	—	—	—	—	0	—	—
			2022	—	—	—	—	—	—	—	0	—	—
Richard Sanders [4] (01.09.2020 –)	Allegro.eu	Non-Executive Director	2023	—	—	—	—	—	—	—	0	—	—
			2022	—	—	—	—	—	—	—	0	—	—
Pedro Arnt (22.06.2022 –)	Allegro.eu	Independent Non-Executive Director	2023	—	554 [5]	—	—	—	—	—	554	100%	0%
			2022	—	117	—	—	—	—	—	117	100%	0%

[1] Remuneration recalculated into PLN from EUR
[2] Short – term variable remuneration: a discretionary annual bonus.
[3] Long – term variable remuneration: Allegro Incentive Plan – Performance Share Units
[4] For those non-Executive Board members who were nominated in accordance with Art 9.9 sentence 2 of the Allegro.eu Articles of Association no fees or benefits were paid in connection with the appointments.
[5] 100k EUR for 2023 i 27.42k EUR paid in 2023 for 2022

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4.4. Comparative information on the remuneration and Company's performance

The table below provides a reconciliation of total cash-based and total share-based remuneration of Executive Directors, Key Managers and Non-Executive Directors as presented in the Remuneration Report and the costs reported in the 2023 Financial Statement of the Group (note 38).

Name of Director	Company	Position (date of appointment – resignation from the Board of Directors)	Total Cash-based Remuneration (kPLN) [1]	Total Share-based Remuneration (IFRS2 cost incurred in 2023, kPLN)[2]
Roy Perticucci	Allegro.eu	Executive Director (21.09.2022 –)	217	
	Allegro	Group CEO, MBM (01.09.2022 –)	7,527	7,581
	Subtotal		**7,745**	**7,581**
Jonathan Eastick	Allegro.eu	Executive Director (01.09.2020 –)	217	
	Allegro	Group CFO, MBM (01.02.2018 –)	2,508	1,596
	Subtotal		**2,726**	**1,596**
Alvise Favara	Allegro	CCO, MBM (01.03.2022 –)	3,620	3,428
David Roberts	Allegro	CTPO, MBM (01.03.2022 –)	7,963	3,385
Darren Huston (12.05.2017 –)	Allegro.eu	Chairman, Non-Executive Director	1,304	0
Carla Smits-Nusteling (01.09.2020 –)	Allegro.eu	Independent Non-Executive Director	535	0
David Barker (01.09.2020 –)	Allegro.eu	Non-Executive Director		0
Nancy Cruickshank (01.09.2020 –)	Allegro.eu	Independent Non-Executive Director	478	0
Paweł Padusiński (01.09.2020 –)	Allegro.eu	Non-Executive Director		0
Richard Sanders (01.09.2020 –)	Allegro.eu	Non-Executive Director		0
Pedro Arnt (22.06.2022 –)	Allegro.eu	Independent Non-Executive Director	554	0
	Total		**24,924**	**15,990**

[1] Total Cash-based Remuneration presented in the table above is reflected as Short-term employee benefits in the 2023 Financial Statement (note 38). It includes base salary, fees, other benefits, one year variable remuneration and cash-based extraordinary items.

[2] Total Share-based Remuneration presented in the table above is reflected as Share based-payment in the 2023 Financial Statement (note 38). It includes the IFRS2 cost of share-based extraordinary items and multi year variable remuneration.

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The table below sets out the annual remuneration of Executive Directors, Non-Executive Directors and Key Managers, of the performance of the Company and of the average total annual remuneration of employees of the Company and the Group other than Executive Directors and Non-Executive Directors in 2023, 2022, 2021 and 2020.

Annual Change		2023-2022 YoY		2022-2021 YoY		2021-2020 YoY					
		change (in %)	change (in kPLN)	change (in %)	change (in kPLN)	change (in %)	change (in kPLN)	2023 (in kPLN)	2022 (in kPLN)	2021 (in kPLN)	2020 (in kPLN)
Director's total remuneration (from all Legal Entities)											
Roy Perticucci	Group CEO, MBM (01.09.2022 –) Executive Director (21.09.2022 –)	324.91%	7,849	N/A	2,416	0.0	0	10,265	2,416	0	0
Francois Nuyts	Group CEO, MBM (01.08.2018 – 31.08.2022), Executive Director (01.09.2020 – 31.08.2022)	(100.00%)	(8,470)	6.74%	535	-0.4	(4,620)	0	8,470	7,935	12,555
Jonathan Eastick	CFO (01.02.2018 –) Executive Director (01.09.2020 –)	60.23%	1,365	(1.39%)	(32)	(0.2)	(475)	3,631	2,266	2,298	2,773
Alvise Favara	CCO, MBM (01.03.2022 –)	13.91%	1,008	N/A	7,247	0.0	0	8,255	7,247	0	0
David Roberts	CTPO, MBM (01.03.2022 –)	34.12%	2,805	N/A	8,224	0.0	0	11,029	8,224	0	0
Darren Huston	Chairman, Non-Executive Director (12.05.2017 –)	(7.27%)	(102)	2.64%	36	1.9	891	1,304	1,406	1,370	480
Clara (dit Carla) Smits-Nusteling	Independent Non-Executive Director (01.09.2020 –)	(7.21%)	(42)	2.65%	15	2.1	380	535	577	562	182
David Barker	Non-Executive Director (01.09.2020 –)	0.00%	0	0.00%	0	0.0	0	0	0	0	0
Nancy Cruickshank	Independent Non-Executive Director (01.09.2020 –)	(8.55%)	(45)	5.97%	29	2.1	333	478	523	493	160
Pedro Arnt	Independent Non-Executive Director (22.06.2022 –)	372.74%	437	N/A	117	0.0	0	554	117	0	0
Paweł Padusiński	Non-Executive Director (01.09.2020 –)	0.00%	0	0.00%	0	0.0	0	0	0	0	0
Richard Sanders	Non-Executive Director (01.09.2020 –)	0.00%	0	0.00%	0	0.0	0	0	0	0	0
Daniele Arendt	Non-Executive Director (05.05.2017 – 12.10.2020)	0.00%	0	0.00%	0	0.0	0	0	0	0	0
Gautier Laurent	Non-Executive Director (05.05.2017 – 12.10.2020)	0.00%	0	0.00%	0	(1.0)	(160)	0	0	0	160
Séverine Michel	Non-Executive Director (05.05.2017 – 12.10.2020)	0.00%	0	0.00%	0	0.0	0	0	0	0	0
Cédric Pedoni	Non-Executive Director (05.05.2017 – 12.10.2020)	0.00%	0	0.00%	0	0.0	0	0	0	0	0
Gilles Willy Duroy	Non-Executive Director (17.10.2019 – 12.10.2020)	0.00%	0	0.00%	0	0.0	0	0	0	0	0
TOTAL		**15.38%**	**4,807**	**146.84%**	**18,587**	**-0.2**	**-3,652**	**36,052**	**31,245**	**12,658**	**16,310**

Annual Change	2023-2022 YoY		2022-2021 YoY		2021-2020 YoY					
	change (in %)	change (in kPLN)	change (in %)	change (in kPLN)	change (in %)	change (in kPLN)	2023 (in kPLN)	2022 (in kPLN)	2021 (in kPLN)	2020 (in kPLN)
Company's Performance										
GMV (mPLN)	12.24%	6,044	15.93%	6,787	0.2	7,490	55,433	49,389	42,602	35,112
EBITDA – Allegro segment (kPLN)	14.94%	313	9.93%	189	24.05%	369	2,405	2,092	1,903	1,534

Annual Change	2023-2022 YoY		2022-2021 YoY		2021-2020 YoY					
	change (in %)	change (in kPLN)	change (in %)	change (in kPLN)	change (in %)	change (in kPLN)	2023 (in kPLN)	2022 (in kPLN)	2021 (in kPLN)	2020 (in kPLN)
Average annual remuneration of employees other than Executive Directors, Non-Executive Directors and Key Managers										
Total Remuneration	**14.16%**	**21**	**18.82%**	**23**	**(1.04%)**	**-1**	**167**	**146**	**123**	**125**

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4.5. Diversity and Inclusion

The company is strongly committed to equality, diversity and inclusion and promotes the values of transparency and fairness in organizational practices. We want to embrace a culture where everyone, regardless of their personal and professional identity and characteristic is respected, can develop, grow and contribute to Allegro's success. We recognise differences as well as similarities which help us create an inspiring workplace and achieve competitive advantage.

We create an inclusive work environment, free from discrimination, harassment and prejudice, one that fosters equitable treatment and supports development of everyone. Through the Diversity Policy (adopted by the Board of Directors in 2020), the Policy of counteracting undesirable phenomena such as discrimination, harassment, bullying and violence and Whistleblowing Procedure (implemented in 2016), the Human Rights Policy and Charity, social and sponsoring activities policy (implemented in 2021) we support Allegro's commitment to diversity and inclusion through behaviors underpinned by respect, kindness, tolerance and principles of ethics. All employees become familiar with those principles as part of the onboarding process and through regular training. All policies and procedures are reviewed at least once a year and updated in connection with the changing environment, law and the scope of the Group's activities if needed.

The main measures to support our commitment to diversity and inclusion are:

- the adoption of a Stay Safe / Stay Fair Code of Conduct,
- the adoption of a whistleblowing policy,
- the provision of communication, awareness raising and training programs that promote diversity,
- Embracing equity and fairness regardless of individual's sex, gender identity, age, race, employment form, political views, sexual orientation, disability, health, nationality, ethnic origin, religion, denomination, non-denominational status, belief, union membership, family status or lifestyle, including when evaluating performance and making hiring and promotion decisions.
- supporting diversity and inclusion initiatives,
- increasing the possibility of changing positions within the company,
- adoption of a policy of counteracting undesirable phenomena such as discrimination, harassment, bullying and violence, implementation of Diversity policy and Stay Fair approach that enables reporting of any inappropriate conduct and irregularities,
- a program of DEI webinars and training, which help build inclusive and diverse working environment,
- minimizing the risk of biased behaviors in HR recruitment, promotion, pay review processes by underlining the importance of knowledge and competencies in our processes. Our processes are based on objective and substantive criteria to provide equitable experience to all candidates and employees, regardless of gender, ethnic origin, beliefs, or other criteria,
- considering diversity when selecting members of the Board,
- developing Internal Mobility initiatives to support development and growth of our employees within Allegro,

- developing initiatives to encourage more women choosing careers in technology,
- supporting initiatives related to diversity and inclusion, such as: DareIT, Hackathon Accessibility, Poznań Mentoring Walk,
- monitoring the impact of activities and reporting on their outputs,
- annual equal pay audit; monitoring and reporting on gender pay gap and implementing actions to narrow the gap.
- employment of Diversity, Equity and Inclusion Lead – a person responsible for the development and implementation of the diversity strategy and action plan, which supports business goals, its mission and vision.
- employment of Employee Relations Manager to create an additional communication channel for the employees and Employee Representatives to address their concerns related to inclusion and diversity in particular in the context of potential discriminatory treatment.

For further details concerning Diversity and Inclusion in the Company please refer to section Approach to Corporate, Environment, and Social Responsibility of this Report.

4.6. Application of the Remuneration Policy

The remuneration paid to the Directors and Key Managers of the Company is in line with the objectives of the Remuneration Policy of the Company and does not deviate from the Remuneration Policy.

The remuneration of Directors is:

- sufficient and conform to the Director's dedication, qualification, and responsibilities but it does not compromise their independence;
- sufficient to attract and retain directors with the talent and profile desired by the Company;
- competitive, which is achieved by establishing a remuneration package in line with market standards of comparable sectors and companies
- takes into account the current financial situation of the Company.

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5.
Expectations for the Group

MEDIUM-TERM ASPIRATIONS

As part of its annual planning and budgeting process, which includes rolling forward its medium term financial plan, the Group's Management and Board of Directors considered the continuing relevance of the Group's Medium Term Aspirations, which were originally published on 30 March 2023.

It was noted that implementation of the Group's seven priority framework for its activity in 2023 has been largely successful and in particular has resulted in significant margin improvement in Poland and reduction in Group leverage. The progress has been such that Medium Term Aspirations need to be positively reset in respect to both metrics.

Moreover, the improved leverage situation affords the Group greater financial flexibility to make capital investments to underpin future growth in GMV and profitability and to continue its investment into international expansion. The Management is therefore expanding its Medium Term Aspirations to provide information on its expected capital allocation of cash flow generated by its profitable Polish Operations into capital investment and international expansion, as well as setting a Group financial leverage target.

Accordingly, the updated Medium Term Aspirations in respect to Growth and Profitability are as follows:

- Continue profitable GMV growth in Poland, focusing on under-indexed categories, to deliver low double-digit GMV CAGR;
- Sustain step-up in Polish Adjusted EBITDA to GMV margin in 5.3-5.7% range;
- Accelerate Group's GMV growth through international marketplace launches;
- Transform Mall Segment into a lean merchant on the marketplace, contributing cash to the Group within two years;
- Each new Allegro marketplace to break-even in three to four years from launch.

Medium Term Aspirations in relation to Capital Allocation are as follows:

- From Polish Adjusted EBITDA, invest:
  - up to 20% to fund International Operations
    - marketplace start-up investments through to break-even,
    - Mall transformation through to break-even,
    - capital investments;
  - up to 20% to fund Polish capex investments to drive growth and reduce delivery costs;
- Target 1x Net debt to Adjusted EBITDA leverage and maintain financial flexibility.

In addition to budgeting and medium term financial plans, the annual planning round also addressed the ongoing applicability of the seven priorities set in September 2022. Due to the largely successful implementation of these priorities, the Management concluded that it was appropriate to discontinue the "Fit to Grow" efficiency priority and redefine the other priorities in the form of Medium Term Business Objectives, which are expected to remain relevant over multiple years. These Business Objectives serve to guide the Allegro organisation in its prioritisation and decision making to help drive business performance.

The Group's Medium Term Business Objectives are presented below:

- Grow Core Marketplace
  - Easy and safe to shop, simple to sell
  - Increasingly loyal customers
- Build New Engines
  - Strong advertising
  - Low cost and reliable delivery
  - Seamless fintech solutions
- Expand Internationally
  - Systematic introduction of our asset-light marketplace
  - Complete Mall Segment turnaround
- Ensure Solid Fundamentals
  - Groupwide system architecture & software development processes
  - People & Culture, ESG

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TARGETS AND EXPECTATIONS FOR Q1 2024:

Polish Operations	Q4'23 Expectations	Q4'23 Actual	Q1'24E
GMV	9–11% YoY growth	8.5% YoY growth	9–10% YoY growth
Revenue	17–20% YoY growth	18.4% YoY growth	18–20% YoY growth
Adjusted EBITDA [1]	20–23% YoY growth	28.0% YoY growth	28–31% YoY growth
CAPEX [2]	PLN 90–100m	PLN 99.4m	PLN 110–120m

International Operations	Q4'23 Expectations	Q4'23 Actual	Q1'24E
GMV	10–14% YoY decline	11.2% YoY decline	3–5% YoY decline
Revenue	33–38% YoY decline	31.8% YoY decline	29–32% YoY decline
Adjusted EBITDA [1]	PLN 160–180m loss	PLN 151.1m loss	PLN 120–140m loss
CAPEX [2]	PLN 20–30m	PLN 21.5m	PLN 20–30m

Group consolidated	Q4'23 Expectations	Q4'23 Actual	Q1'24E
GMV	7–9% YoY growth	6.8% YoY growth	8–9% YoY growth
Revenue	-2% to +2% YoY change	0.6% YoY growth	4–7% YoY growth
Adjusted EBITDA [1]	0–6% YoY growth	12.5% YoY growth	21–26% YoY growth
CAPEX [2]	PLN 110–130m	PLN 120.8m	PLN 130–150m

[1] Adjusted EBITDA defined as EBITDA pre transaction costs, management fees (monitoring fees), stock-based compensation, restructuring costs, and other one-off items

[2] Represents cash capex and does not include leased assets (which are presented in balance sheet)

6. Recent Trading

POLISH OPERATIONS

The Group has noted gradually accelerating GMV growth from month to month in the first quarter of 2024. During the quarter to date, GMV growth has moved up from mid single digits to low double-digit percentage growth. This observed trend is confirmed by improving data for Polish retail sales, so far published for January 2024, which may reflect the impact of higher minimum wages, falling inflation and larger transfer payments such as 60% higher child benefits. However, Management also notes an unusually early onset of spring season demand. Due to Easter falling at the end of the first quarter this year, Management expects to see negative YoY growth for the last few days of the quarter and has factored this into its outlook for Q1.

INTERNATIONAL OPERATIONS

During Q1 2024, the Mall Segment continues to be managed for margin and repositioning of its selection to become a lean merchant on the new Allegro marketplaces. As a result, GMV continued to decline in the mid-thirties percentage range in the first months of the first quarter, with the largest declines observed in the Czech Republic. However, this decline also reflects a headwind from the appreciation of the Polish Zloty. On a constant currency basis, the speed of contraction has slowed versus the fourth quarter of 2023.

The Allegro.cz marketplace is trading at GMV levels well ahead of Q3 2023 on a constant currency basis, as it continues to add new active buyers and repeat purchases. However, in the absence of Q4 peak seasonal demand, which was strongly supported by its first Black Week and Christmas campaigns and by above-the-line advertising campaigns, means that GMV for Q1 2024 will be lower than for Q4 2023. Moreover, sequential growth relative to Q3 2023 denominated in PLN will be held back by a strong appreciation of the Polish Zloty versus the Czech Crown, which has been close to 12% since the end of September 2023.

Combining the performance of these two segments, which make up the Group's International Operations, growth in GMV as reported in PLN has been a mid-single digit decline during the quarter to date.

CONSOLIDATED GROUP

On a consolidated basis and factoring in exchange rate headwinds, the Group's GMV growth YoY in the quarter to date was steadily accelerating towards into low double digits, but with a material slow down in trading still ahead due to the run up to Easter which falls in Q1 this year.

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Appendix 1.
Reconciliation of the key Alternative Performance Measures to the Financial Statements

This section includes a reconciliation of certain Alternative Performance Measures to most directly reconcilable items presented in the Financial Statements of the Group.

TOTAL CAPITAL EXPENDITURES

The information regarding the total amount of capital expenditures recorded in the FY 2023 and 2022 is presented in the investing activities section of the interim condensed consolidated statement of cash flow as a separate line named: "Payments for property, plant & equipment and intangibles".

PLN m (unaudited)	FY 2023	FY 2022	Q4 2023	Q4 2022
Capitalised development costs	(359.2)	(336.3)	(81.5)	(87.1)
Other capital expenditure	(111.3)	(385.9)	(39.2)	(70.5)
Total capital expenditure	**(470.5)**	**(722.2)**	**(120.7)**	**(157.6)**

CAPITALISED DEVELOPMENT COSTS

The amount of capitalised development costs is a sum of capitalised staff costs and capitalised other expenses. Both amounts are separately presented under the Operating expenses section of the interim condensed consolidated statement of comprehensive income.

PLN m (unaudited)	FY 2023	FY 2022	Q4 2023	Q4 2022
Staff costs – Capitalisation of development costs	(258.2)	(206.7)	(55.1)	(53.4)
IT service expenses – Capitalisation of development costs	(97.1)	(19.0)	(23.8)	(6.7)
Other expenses – Capitalisation of development costs	(18.3)	(117.3)	(7.0)	(29.0)
Capitalised cost of Allegro Incentive Program	14.4	6.6	4.3	1.9
Capitalised development costs	**(359.2)**	**(336.3)**	**(81.5)**	**(87.1)**

NET DEBT AND LEVERAGE

Whilst the Adjusted EBITDA LTM cannot be directly reconciled to the interim condensed consolidated financial statement, as it refers to the preceding twelve months, the amount of the remaining titles impacting the "Net Debt" and "Leverage" is readily observable in the interim condensed consolidated statement of financial position as a part of current assets as well as current and non-current liabilities.

PLN m (audited)	31.12.2023	31.12.2022
Adjusted EBITDA LTM	**2,540.1**	**2,152.7**
(+) Borrowings at amortised cost	**6,067.5**	**6,453.5**
Non-current liabilities	6,064.8	6,451.8
Current liabilities	2.7	1.7
(+) Lease liabilities	**617.6**	**690.2**
Non-current liabilities	474.5	567.7
Current liabilities	143.1	122.5
(-) Cash	**(2,049.1)**	**(877.6)**
= Net Debt	**4,635.9**	**6,266.1**
Leverage (Net Debt / Adjusted EBITDA LTM)	**1.83 x**	**2.91 x**

CHANGES IN WORKING CAPITAL

The amount of each title impacting the working capital for FY 2023 and 2022 respectively, are presented in the separate lines of the interim condensed consolidated statement of cash flow. However, the quarterly numbers are not disclosed, as there is no such obligation to do so.

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ADJUSTED EBITDA/REVENUE AND OTHER OPERATING INCOME (%) FOR THE POLISH OPERATIONS

Represents Adjusted EBITDA divided by Revenue and other operating income. Please refer to the calculation for Q4and FY 2023 and 2022 below.

PLN m (unaudited)	FY 2023	FY 2022	Q4 2023	Q4 2022
Adjusted EBITDA	2,957.6	2,309.4	905.7	707.7
Revenue and other operating income	7,951.5	6,644.9	2,397.6	2,025.0
Adjusted EBITDA/revenue and other operating income (%)	**37.19%**	**34.75%**	**37.78%**	**34.95%**

ADJUSTED EBITDA/GMV (%) FOR THE POLISH OPERATIONS

Represents Adjusted EBITDA divided by GMV. Please refer to the calculation for Q4 and FY 2023 and 2022 below.

PLN m (unaudited)	FY 2023	FY 2022	Q4 2023	Q4 2022
Adjusted EBITDA	2,957.6	2,309.4	905.7	707.7
GMV	54,770.5	49,388.8	15,676.0	14,442.8
Adjusted EBITDA/GMV (%)	**5.40%**	**4.68%**	**5.78%**	**4.90%**

1P GROSS MARGIN FOR THE POLISH OPERATIONS

Represents retail revenue minus cost of goods sold, divided by retail revenue. Please refer to the calculation forQ4 and FY 2023 and 2022.

PLN m (unaudited)	FY 2023	FY 2022	Q4 2023	Q4 2022
Retail revenue	486.1	483.9	181.8	188.7
Cost of goods sold	(469.8)	(468.9)	(183.0)	(171.8)
1P Gross Margin	**3.35%**	**3.11%**	**(0.68%)**	**8.95%**

ADJUSTED EBITDA/REVENUE (%) FOR THE INTERNATIONAL OPERATIONS

Represents Adjusted EBITDA divided by Revenue. Please refer to the calculation for Q4 and FY 2023 and 2022 below.

PLN m (unaudited)	FY 2023	FY 2022	Q4 2023	Q4 2022
Adjusted EBITDA	(414.6)	(156.8)	(151.1)	(39.4)
Revenue	2,334.2	2,365.8	723.5	1,060.6
Adjusted EBITDA/revenue (%)	**(17.76%)**	**(6.63%)**	**(20.88%)**	**(3.72%)**

ADJUSTED EBITDA/GMV (%) FOR THE INTERNATIONAL OPERATIONS

Represents Adjusted EBITDA divided by GMV. Please refer to the calculation for Q4 and FY 2023 and 2022 below.

PLN m (unaudited)	FY 2023	FY 2022	Q4 2023	Q4 2022
Adjusted EBITDA	(414.6)	(156.8)	(151.1)	(39.4)
GMV	3,605.7	3,106.9	1,264.1	1,424.1
Adjusted EBITDA/GMV (%)	**(11.50%)**	**(5.05%)**	**(11.95%)**	**(2.77%)**

1P GROSS MARGIN FOR THE INTERNATIONAL OPERATIONS

Represents retail revenue minus cost of goods sold, divided by retail revenue. Please refer to the calculation for Q4 and FY 2023 and 2022 below.

PLN m (unaudited)	FY 2023	FY 2022	Q4 2023	Q4 2022
Retail revenue	2,116.1	2,214.4	635.7	993.1
Cost of goods sold	1,855.8	1,942.8	553.5	867.2
1P Gross Margin	**12.30%**	**12.27%**	**12.92%**	**12.67%**

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ADJUSTED EBITDA/REVENUE (%) FOR THE MALL SEGMENT

Represents Adjusted EBITDA divided by Revenue. Please refer to the calculation for Q4 and FY 2023 and 2022 below.

PLN m (unaudited)	FY 2023	FY 2022	Q4 2023	Q4 2022
Adjusted EBITDA	(204.6)	(156.8)	(40.7)	(39.4)
Revenue	2,325.3	2,365.8	726.4	1,060.6
Adjusted EBITDA/revenue (%)	**(8.80%)**	**(6.63%)**	**(5.61%)**	**(3.72%)**

ADJUSTED EBITDA/GMV (%) FOR THE MALL SEGMENT

Represents Adjusted EBITDA divided by GMV. Please refer to the calculation for Q4 and FY 2023 and 2022 below.

PLN m (unaudited)	FY 2023	FY 2022	Q4 2023	Q4 2022
Adjusted EBITDA	(204.6)	(156.8)	(40.7)	(39.4)
GMV	3,031.1	3,106.9	911.8	1,424.1
Adjusted EBITDA/GMV (%)	**(6.75%)**	**(5.05%)**	**(4.47%)**	**(2.77%)**

1P GROSS MARGIN FOR THE MALL SEGMENT

Represents retail revenue minus cost of goods sold, divided by retail revenue. Please refer to the calculation for Q4 and FY 2023 and 2022 below.

PLN m (unaudited)	FY 2023	FY 2022	Q4 2023	Q4 2022
Retail revenue	2,116.1	2,214.4	635.7	993.1
Cost of goods sold	1,861.5	1,942.8	557.8	867.2
1P Gross Margin	**12.03%**	**12.27%**	**12.25%**	**12.67%**

ADJUSTED EBITDA/REVENUE (%) FOR THE ALLEGRO INTERNATIONAL SEGMENT

Represents Adjusted EBITDA divided by Revenue. Please refer to the calculation for Q4 and FY 2023 and 2022 below.

PLN m (unaudited)	FY 2023	FY 2022	Q4 2023	Q4 2022
Adjusted EBITDA	(208.8)	N/A	(109.2)	N/A
Revenue	56.1	—	36.8	—
Adjusted EBITDA/revenue (%)	**(371.93%)**	**N/A**	**(296.42%)**	**N/A**

ADJUSTED EBITDA/GMV (%) FOR THE ALLEGRO INTERNATIONAL SEGMENT

Represents Adjusted EBITDA divided by GMV. Please refer to the calculation for Q4 and FY 2023 and 2022 below.

PLN m (unaudited)	FY 2023	FY 2022	Q4 2023	Q4 2022
Adjusted EBITDA	(208.8)	N/A	(109.2)	N/A
GMV	662.2	N/A	410.6	N/A
Adjusted EBITDA/GMV (%)	**(31.53%)**	**N/A**	**(26.59%)**	**N/A**

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Appendix 2.
Summary of consolidated statements of comprehensive income for the Group

THE GROUP'S SUMMARY CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE POLISH OPERATIONS AND THE INTERNATIONAL OPERATIONS FOR FY 2023, FY 2022, Q4 2023 AND Q4 2022.

Consolidated statement of comprehensive income (unaudited), PLN m	Polish Operations			International Operations			Eliminations			Total		
	FY 2023	FY 2022	Change %	FY 2023	FY 2022	Change %	FY 2023	FY 2022	Change %	FY 2023	FY 2022	Change %
GMV	**54,770.5**	**49,388.8**	**10.9%**	**3,605.7**	**3,106.9**	**16.1%**	**(2.8)**	**—**	**N/A**	**58,373.4**	**52,495.7**	**11.2%**
of which 1P	584.2	574.8	1.6%	2,501.3	2,616.3	(4.4%)	(2.8)	—	N/A	3,082.7	3,191.1	(3.4%)
of which 3P	54,186.3	48,814.0	11.0%	1,104.4	490.6	125.1%	—	—	N/A	55,290.7	49,304.6	12.1%
Total revenue and other operating income	**7,951.5**	**6,644.9**	**19.7%**	**2,334.2**	**2,365.8**	**(1.3%)**	**(35.2)**	**(5.8)**	**507.2%**	**10,250.6**	**9,004.9**	**13.8%**
Revenue	**7,886.2**	**6,644.9**	**18.7%**	**2,334.2**	**2,365.8**	**(1.3%)**	**(35.2)**	**(5.8)**	**507.2%**	**10,185.3**	**9,004.9**	**13.1%**
Marketplace revenue	6,218.5	5,281.7	17.7%	109.0	59.1	84.5%	—	—	N/A	6,327.5	5,340.8	18.5%
Price comparison revenue	207.9	194.0	7.2%	—	—	N/A	—	(0.1)	(100.0%)	207.9	193.8	7.2%
Advertising revenue	830.4	607.4	36.7%	4.6	4.9	(5.8%)	(1.6)	—	N/A	833.4	612.3	36.1%
Retail revenue	486.1	483.9	0.4%	2,116.1	2,214.4	(4.4%)	(3.4)	(3.7)	(7.4%)	2,598.8	2,694.7	(3.6%)
Logistic Service Revenue	53.7	27.5	95.2%	86.9	59.7	45.5%	—	—	N/A	140.5	87.2	61.2%
Other revenue	89.6	50.4	77.8%	17.7	27.7	(36.2%)	(30.1)	(2.0)	1,430.1%	77.2	76.1	1.4%
Other operating income	**65.2**	**—**	**N/A**	**—**	**—**	**N/A**	**—**	**—**	**N/A**	**65.2**	**—**	**N/A**
Operating expenses	**(5,092.2)**	**(4,446.1)**	**14.5%**	**(2,776.6)**	**(2,564.1)**	**8.3%**	**32.3**	**5.8**	**457.9%**	**(7,836.5)**	**(7,004.4)**	**11.9%**
Payment charges	(139.9)	(143.7)	(2.6%)	(19.7)	(11.1)	76.8%	—	—	N/A	(159.6)	(154.8)	3.1%
Cost of goods sold	(469.8)	(468.9)	0.2%	(1,855.8)	(1,942.8)	(4.5%)	3.4	3.6	(5.8%)	(2,322.1)	(2,408.0)	(3.6%)
Net costs of delivery	(2,230.6)	(1,760.5)	26.7%	(76.9)	(12.9)	497.8%	—	—	N/A	(2,307.6)	(1,773.4)	30.1%
Marketing service expenses	(879.6)	(762.4)	15.4%	(355.2)	(208.7)	70.2%	3.1	—	N/A	(1,231.7)	(971.1)	26.8%
Staff costs	(824.5)	(757.2)	8.9%	(345.1)	(258.6)	33.4%	0.1	—	N/A	(1,169.5)	(1,015.8)	15.1%
IT service expenses	(170.6)	(152.5)	11.9%	(37.5)	(21.2)	76.7%	6.2	—	N/A	(201.9)	(173.7)	16.2%
Other expenses	(330.8)	(331.8)	(0.3%)	(85.0)	(107.7)	(21.1%)	19.5	2.1	807,2%	(396.3)	(437.3)	(9.4%)
Net impairment losses on financial and contract assets	(46.4)	(65.9)	(29.7%)	(1.4)	(1.0)	33.0%	—	—	N/A	(47.7)	(67.0)	(28.7%)
Transaction costs	—	(3.2)	(100.0%)	—	—	N/A	—	—	N/A	—	(3.2)	(100.0%)
Operating profit before amortisation and depreciation Impairment losses of non-current non-financial assets (EBITDA)	**2,859.3**	**2,198.8**	**30.0%**	**(442.3)**	**(198.3)**	**123.0%**	**(2.9)**	**—**	**N/A**	**2,414.1**	**2,000.5**	**20.7%**

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Consolidated statement of comprehensive income (unaudited), PLN m	Polish Operations			International Operations			Eliminations			Total		
	Q4 2023	Q4 2022	Change %	Q4 2023	Q4 2022	Change %	Q4 2023	Q4 2022	Change %	Q4 2023	Q4 2022	Change %
GMV	**15,676.0**	**14,442.8**	**8.5%**	**1,264.1**	**1,424.1**	**(11.2%)**	**—**	**—**	**N/A**	**16,940.1**	**15,866.9**	**6.8%**
of which 1P	221.6	228.3	(2.9%)	759.3	1,182.2	(35.8%)	—	—	N/A	980.9	1,410.5	(30.5%)
of which 3P	15,454.4	14,214.5	8.7%	504.8	241.9	108.6%	—	—	N/A	15,959.2	14,456.4	10.4%
Total revenue and other operating income	**2,397.6**	**2,025.0**	**18.4%**	**723.6**	**1,060.6**	**(31.8%)**	**(21.1)**	**(2.8)**	**664.3%**	**3,100.0**	**3,082.8**	**0.6%**
Revenue	**2,332.3**	**2,025.0**	**15.2%**	**723.6**	**1,060.6**	**(31.8%)**	**(21.1)**	**(2.8)**	**664.3%**	**3,034.7**	**3,082.8**	**(1.6%)**
Marketplace revenue	1,804.7	1,550.2	16.4%	42.8	29.9	43.3%	—	—	N/A	1,847.5	1,580.1	16.9%
Price comparison revenue	60.8	60.2	1.0%	—	—	N/A	—	—	N/A	60.8	60.2	1.0%
Advertising revenue	260.1	198.3	31.2%	0.3	2.0	(86.0%)	0.4	—	N/A	260.8	200.3	30.2%
Retail revenue	181.8	188.7	(3.7%)	635.7	993.1	(36.0%)	(0.3)	(1.4)	(79.6%)	817.1	1,180.3	(30.8%)
Logistic Service Revenue	20.3	8.8	129.7%	35.1	24.1	45.6%	1.1	—	N/A	56.4	32.9	71.3%
Other revenue	4.7	18.8	(74.8%)	9.7	11.5	(15.7%)	(22.4)	(1.3)	1,577.1%	(7.9)	29.0	(127.4%)
Other operating income	**65.2**	**—**	**N/A**	**—**	**—**	**N/A**	**—**	**—**	**N/A**	**65.2**	**—**	**N/A**
Operating expenses	**(1,515.0)**	**(1,341.3)**	**13.0%**	**(882.6)**	**(1,116.3)**	**(20.9%)**	**18.3**	**2.8**	**562.6%**	**(2,379.3)**	**(2,454.7)**	**(3.1%)**
Payment charges	(38.2)	(40.2)	(4.9%)	(6.8)	(4.9)	38.5%	(0.1)	—	N/A	(45.1)	(45.1)	(0.1%)
Cost of goods sold	(183.0)	(171.8)	6.5%	(553.5)	(867.2)	(36.2%)	—	1.4	(100.0%)	(736.6)	(1,037.6)	(29.0%)
Net costs of delivery	(673.1)	(565.2)	19.1%	(32.6)	(6.4)	406.3%	—	—	N.A	(705.7)	(571.7)	23.4%
Marketing service expenses	(279.2)	(231.2)	20.8%	(158.0)	(104.4)	51.4%	0.7	—	N/A	(436.6)	(335.5)	30.1%
Staff costs	(208.0)	(187.2)	11.1%	(81.1)	(91.0)	(10.8%)	0.1	—	N/A	(289.0)	(278.2)	3.9%
IT service expenses	(46.9)	(43.9)	6.8%	(10.5)	(6.3)	65.1%	2.4	—	N/A	(54.9)	(50.2)	9.4%
Other expenses	(80.6)	(84.9)	(5.0%)	(40.4)	(34.9)	15.7%	15.3	1.4	1.016.6%	(105.8)	(118.5)	(10.7%)
Net impairment losses on financial and contract assets	(6.0)	(16.3)	(63.4%)	0.4	(1.0)	N/A	—	—	N/A	(5.6)	(17.4)	(68.0%)
Transaction costs	—	(0.5)	(100.0%)	—	—	N/A	—	—	N/A	—	(0.5)	(100.0%)
Operating profit before amortisation and depreciation Impairment losses of non-current non-financial assets (EBITDA)	**882.5**	**683.7**	**29.1%**	**(159.0)**	**(55.6)**	**185.8%**	**(2.8)**	**—**	**N/A**	**720.7**	**628.1**	**14.7%**

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III. Non-financial report

Allegro.eu report on non-financial information for 2023 was prepared in accordance with the requirements of EU law (Directive 2014/95/EU, which fulfils the obligation specified in Article 49b and Article 55 of the Act of September 29, 1994 on Accounting (Journal of Laws U. 2023, item 120), implementing into the Polish legal order Directive and (EU) 2020/852)), Guidelines on non-financial reporting (2017/95/EU, Directive (EU) 2020/852), C 215/01) , and the Supplement on reporting climate-related information (2019/C 209/01).The report covers Allegro.eu SA, Allegro sp. z o.o., Ceneo.pl sp. z o.o., eBilet Polska sp. z o.o., Allegro Pay sp. z o.o., Allegro Finance sp. z o.o., Opennet.pl sp. z o.o., SCB Warszawa sp. z o.o., Allegro Foundation and Allegro Treasury s.à r.l., Mall Group a.s., WE|DO s.r.o (CZ), WE|DO s.r.o. (SK), CZC.cz s.r.o., Internet Mall a.s., Internet Mall Slovakia s.r.o., Netretail sp. z o.o. (liquidated on 14 July 2023), AMG Media a.s., MIMOVRSTE, spletna trgovina d.o.o., Internet Mall d.o.o., Internet Mall Hungary Kft., m-HU Internet Kft. Effective as of 1 January 2024, the subsidiary companies CZC.cz s.r.o., WE|DO s.r.o. (CZ) and AMG Media a.s. were merged by absorption with sister company Internet Mall a.s. On the effective date of the merger, the successor company Internet Mall a.s. changed its name to Allegro Retail a.s.

1. Business Model, Operations, and Corporate Governance

1.1. Business Model

1.1.1. SCOPE OF BUSINESS ACTIVITY

Allegro is the go-to commerce platform for Polish consumers and has delivered strong revenue growth, profitability and cash flow at scale. Allegro.eu is a holding company (together with all of its subsidiaries, the "Group"). The Group operates the leading online marketplace in Poland, Allegro.pl, and the leading price comparison platform in Poland, Ceneo.pl. Allegro and Ceneo.pl are the Group's key operating companies in Poland and are both entities incorporated under the laws of Poland. The Group also operates eBilet, which is the leading event ticket sales site in Poland. The Group's fintech operations in Poland are conducted through other Polish subsidiaries: Allegro Pay and Allegro Finance.

Apart from the Polish Operations described above, from 1st April 2022, the Allegro.eu includes also the Mall Group, a leading e-commerce platform across Central and Eastern Europe and WE|DO, a last mile delivery business. Mall Group operates as an online retailer, using three different brands across multiple shopping verticals in the Czech Republic, Slovakia, Slovenia, Hungary and Croatia. WE|DO provides last mile distribution services in the Czech Republic and Slovakia, counting the Mall Group as one of its key customers. Mall Group and WE|DO have built some of the leading e-commerce and logistics businesses in the CEE region, combining a large customer base, strong traffic, experienced cross-country teams and brands that are highly popular across the region. Both Mall Group and WE|DO were acquired as 100% subsidiaries of Allegro. Together they form the "Mall Segment" of the Group's operations.

In May 2023 the Group launched its third party marketplace in the Czech Republic, Allegro.cz, starting a new phase in the Group's international expansion. Results of Allegro.cz operations are reported in a newly formed "Allegro International" Segment, which together with the Mall Segment comprises the Group's "International Operations".

Polish Operations remain the core of the Allegro business and account for the significant majority of the Group's operations. Allegro is the most recognised e-commerce brand in Poland (Source: Gemius [1]), with 86% spontaneous brand awareness. As of 31 December 2023, Group's Polish e-commerce marketplace had over 14.6 million Active Buyers who connected with nearly 150 thousand merchants. Its marketplace, Allegro.pl, attracts visits from an average of 20.4 million internet users per month, which is equivalent to 64% of Polish residents aged 15 and above [2], and nearly 70% of all internet users in Poland. In December 2023 Allegro.pl ranked no. 145 in the SimilarWeb global ranking of most popular websites [3].

[1] 'E-commerce in Poland 2023' report by Gemius
[2] Gemius Mediapanel
[3] Source: SimilarWeb ranking for 2023: all industries/ all website types worldwide ranking

Merchants on the Group's e-commerce marketplace sell across a variety of categories including automotive, home and garden, books, media, collectibles and art, fashion and shoes, electronics, kids, health and beauty, sports and leisure, and supermarket. Merchants primarily sell new products to buyers on the Group's e-commerce marketplace in the business-to-consumer business model ("B2C"), while consumer-to-consumer ("C2C") transactions and classifieds is a relatively small, but important element of operations as it helps to drive user engagement. The Group's e-commerce marketplace generates revenue primarily through facilitating 3P transactions between buyers and merchants and charging merchants commissions and other related fees. The Group provides a range of supporting services to merchants to grow their sales using the platform, such as tools to monitor sales performance and manage offer competitiveness, integration with a range of payment providers, standardised delivery solutions in cooperation with national delivery service partners, and free-delivery programs, sales incentives for quality performance, marketing campaign support, and merchant finance solutions. In addition, the Group earns advertising revenue by providing various types of advertising opportunities to brands and merchants on the platform. In Poland, the Group also has its own limited-scale, 1P (own shop) retail operations that generate revenue by selling products directly to buyers on the e-commerce marketplace. The Group's 1P retail business is intended to be a supplement to the 3P business, representing around 1% of the Group's gross merchandise value ("GMV") for the year ended 31 December 2023, used mainly to remedy important missing selection and uncompetitive price points among the offers available from the independent merchants . The Group also operates its own proprietary FinTech consumer finance subsidiary, Allego Pay, which cooperates closely with the marketplace to advance consumer loans to active buyers to facilitate their purchases on the Allegro marketplace, providing further support to user engagement.

Ceneo.pl is a multi-category price comparison site in Poland. Ceneo.pl is an established brand that attracted an average of 16 million monthly users in 2023 (Source: SimilarWeb). As of December 2023, information on around 19 million products and on 39 million product offers was available to consumers using the price comparison service.

The Group also operates eBilet, which is an event ticket sales site in Poland, facilitating sales of a broad range of entertainment, cultural, family, and sports events. After most of 2020 and 2021 had been severely disrupted by COVID-19 related restrictions on public events, eBilet began to rebuild its sales from the second half of 2021 and throughout 2022-2023, with 2023 ticket sales up by 48.9% YoY and by 114.5% vs. the pre-covid result from 2019.

The Group also operates a number of other entities in Poland, including Opennet.pl – a technology solutions provider for logistics, including APMs and SCB Warszawa – a customs broker agency. In addition, the Group generates revenue from data processing, hosting and related activities; other information technology and computer service activities; computer facilities management activities; software-related activities and computer consultancy activities.

While the Polish Operations remained the core of the Group's business, accounting for nearly 94% of GMV generated in FY 2023, the Group continued its international expansion project throughout 2023. "International Operations" of the Group in 2023 included results of the "Mall Segment" and "Allegro International Segment".

Mall Group, acquired in April 2022, operates as an online retailer and marketplace across multiple verticals in the Czech Republic, Slovakia, Slovenia, Hungary and Croatia. WE|DO provides last mile distribution services in the Czech Republic and Slovakia, counting the Mall Group as one of its key customers.

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Key brands of the Mall Group include MALL, a leading horizontal e-commerce site in the Czech Republic and Slovakia, with further early stage operations in Hungary and Croatia, currently operating predominantly in a 1P model; CZC.CZ – a specialist consumer online electronics retailer in the Czech Republic, and Mimovrste – one of Slovenia's most popular e-commerce portals, operating mainly as a retailer. In addition to its 1P retail sales, Mall has been developing a 3P marketplace capability and has built relationships with several thousand Czech merchants over the past few years, who sell their products on the Mall website and ship directly to the consumer via Mall's distribution partners and infrastructure.

During 2022 and 2023, Allegro's development team prepared an instance of the Allegro marketplace to launch in the Czech Republic as Allegro.cz. Using the same functionality and technical platform, the team had to translate into Czech and integrate local Czech payment and delivery methods to be ready to launch. Polish and International merchants selling on the Polish platform were offered the chance to sell to Czech consumers in a "list once, sell anywhere model". The marketplace is also open to Czech merchants to sign up and the Mall Segment brands of Mall and WE|DO signed up as merchants to create a new sales channel for themselves. The marketplace software and intellectual property belongs to Allegro in Poland and marketplace services are provided to merchants on a cross-border basis.

Following successful soft launch of the Czech marketplace, on July 31st 2023 the Group moved on to the hard launch of the platform, with a broad ATL (Above The Line, i.e. using mass media) marketing campaign. The "Bigger, Bigger" campaign, emphasising the selection advantage, has shown promising early results, with rapidly increasing Allegro brand awareness and traffic. Allegro.cz successfully ran its first Allegro Days campaigns, followed by the first Black Week and Christmas shopping peak season in the Czech Republic. After only five months of ATL [1] campaign "Bigger, Bigger" emphasising the selection advantage of over 150 million offers from over 30 thousand merchants as of Q4, Allegro.cz achieved over 90% prompted awareness. By the end of 2023, Allegro.cz attracted 1.6 million Active Buyers, with a number of Smart! users growing to over 500 thousand.

On February 29th 2024, the Group launched its third party marketplace in Slovakia. The Group is committed to further progress in international expansion, planning to launch further third party marketplaces in the CE-5 region. The Group intends to report all its marketplace businesses in countries outside of Poland as part of its Allegro International Segment.

[4] "Above the line" mass media marketing campaign

1.1.2
Key elements of the Group's mid-term plan

MISSION AND VISION

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OUR MISSION

We simplify shopping and selling

OUR VISION

To be the most loved online shopping destination in Europe!

- **Safe shopping** with the widest selection of trusted products at competitive prices
- **Best-in-class Smart!** program that rewards Customer engagement & loyalty
- **Preferred partner** for Merchants and Brands to grow their businesses
- **Easy to use fintech** products that fit our Customers' daily lives
- Orders delivered by **fast, reliable and low-cost** pan-European logistics
- **Tech that innovates and scales** to regularly delight Customers
- The place for **diverse talents to grow** and make a difference

For Allegro, the opinions of stakeholders, especially buyers, merchants and employees, are crucial in creating the mission and vision. Every day Allegro strives to facilitate the buying and selling processes, thereby building a better, modern and responsible e-commerce world. Allegro stands for simplicity and efficiency in the often complex world of online shopping.

The Allegro mission is clear: simplify shopping and selling. By removing common obstacles, Allegro strives to offer a seamless process that both customers and sellers can grow to love over time. With the vision to be Europe's most loved online shopping destination – Allegro strives to ensure that every aspect of its service is trustworthy and user-friendly.

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What sets Allegro apart:

- Allegro customers can enjoy a wide range of trusted products available at competitive prices. A commitment to quality and value are at the heart of every transaction, supporting a safe shopping environment that our customers rely on.
- Engagement and loyalty go hand in hand at Allegro. With Group's best-in-class Smart! programme, customer loyalty is rewarded with exclusive benefits that enhance the shopping experience, making every visit more attractive.
- For sellers and brands that want to grow, Allegro is the perfect partner. We provide a reliable and supportive platform for businesses to develop, innovate and succeed in a highly competitive marketplace.
- Understanding the importance of secure and simple financial transactions, Allegro offers easy-to-use fintech products. These solutions are designed to integrate seamlessly into Group's customers' daily lives, providing convenience without sacrificing the security.
- Efficiency does not end at checkout. Allegro ensures that every order is delivered quickly and sustainably through the Group's fast, reliable and cost-effective pan-European logistics network. This commitment to logistical excellence is the foundation of Allegro's commitment to the customers.
- At Allegro, technology regularly delights customers. The Groups invest in technology that innovates and scales, creating solutions that evolve with customers' needs and regularly bring convenience to daily lives.
- Allegro platform is not just a marketplace; it is a place of growth and opportunity. The Group aims to be a place where diverse talent can grow, contribute and make a meaningful difference.

Looking to the future, Group's vision is bold: "To be the most loved online shopping destination in Europe". This implies a gradual international expansion to ensure that Allegro maintains its high standards (3P marketplace with 1P user-experience), stays true to its mission and continually works towards a vision that drives it forward, prioritising expansion to countries where Allegro is welcomed.

THE GROUP'S SUPERIOR VALUE PROPOSITION BENEFITS FROM THE FLYWHEEL EFFECT THAT IS UNDERPINNED BY AN UNPARALLELED FOCUS ON RETAIL BASICS.

The Allegro platform creates powerful network effects that benefit both buyers on the demand side as well as merchants on the supply side, which the Group refers to as the "flywheel." As more merchants join the platform, the breadth of the products offered increases and price competitiveness improves, which in turn leads to increases in the number of buyers browsing and purchasing on the Group's e-commerce marketplace. Conversely, as more buyers browse for and buy products, merchants become increasingly attracted to the Group's e-commerce marketplace.

The flywheel effect is powered by the Group's relentless focus on improving and actively stimulating key retail basics – namely, breadth of product assortment, price competitiveness, and superior shopping and delivery experience. It is accelerated by tech innovations that make it easier to shop online and drive improved sales conversion, such as the utilisation of machine-learning based recommendations and personalisations, the development of mobile entry points to the platform, the use of mass-scale testing on consumer usage preferences, improvements to the speed of product delivery and access to convenient delivery innovations, the development of on – and off-platform marketing tools, the addition of new seamless payment options, and providing consumer finance products.

On the supply side, the Group is a leading online opportunity for merchants in Poland and a popular route for merchants to target 14.6 million Active Buyers in Poland (as of 31 December 2023). The Group serves a significant proportion of the total merchant base in Poland thanks to its unique value proposition that includes: access to a large buyer base; the SMART! loyalty program; ease-of-use; compelling economics; a comprehensive range of merchant tools and value-added services (including marketing tools and support, free classroom and webinar trainings, courses through Allegro Academy (a digital entrepreneurship education program launched in 2020) and trade analytics tools to monitor sales performance and manage offer competitiveness); access to a range of payment providers; unique delivery solutions; incentives for quality performance; and merchant finance. The Group's merchant base ranges from large brands, small and medium sized enterprises, the majority of merchants are Polish SMEs. The Group believes that this wide variety of merchants allows it to offer the broadest assortment of products at attractive prices, without dependence on any individual merchants. The Group has significantly professionalised its merchant approach over the past seven years, developing a dedicated account management team of product category specialists for the largest merchants and focusing on the improvement and automation of key merchant processes. These investments and initiatives have been successful in growing the active offer base on the marketplace to over 500 million offers in Poland at the end of 2023 and the Group aspires to further increase the number of offers as selection continues to broaden and the internationalisation of the Group's operations leads to more international sellers onboarding, attracted by the opportunity to sell across multiple markets.

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CONTINUOUS PLATFORM INNOVATION, INCLUDING A FOCUS ON DELIVERY AND THE SMART! LOYALTY PROGRAM, DRIVING AN IMPROVING USER EXPERIENCE FOR BUYERS AND MERCHANTS.

The Group has a culture of innovation with an aim to improve the buyer and merchant experience on the platform to drive sustained growth, with the delivery experience and the SMART! loyalty program being key areas of focus for the Group in recent years.

The SMART! loyalty program launched in August 2018 aims to offer a great value for money proposition. It is a PLN 59.99 per year (or PLN 14.99 per month after the September 2023 fee increase) subscription program that includes free delivery and free returns as the program foundation, and is enhanced with commercial add-ons like daily SMART! deals, dedicated SMART! Week shopping events, exclusive pre-sales of top entertainment events in cooperation with eBilet, access to exclusive product premiers, and other benefits. SMART! has proven successful at addressing a crucial historic impediment for e-commerce growth, namely the impact of the cost of delivery on the price competitiveness of goods purchased online as compared to products purchased offline. In addition, because SMART! is a subscription program, it naturally addresses the more highly engaged proportion of the Group's buyer base, impacting further the way they choose to engage in online shopping and solidifying the Group's position as the place where these buyers start their shopping journey.

Delivery experience has also been a key area of innovation with the Group successfully transitioning in less than three years to a managed and integrated 3P delivery network that also leverages the Group's 3P asset-light model. The Group's 3P delivery network delivers products quickly, reliably, and cheaply without physically touching the inventory that moves from Merchant to Buyer. In 2020, Allegro introduced a delivery promise indicating what day the product would be delivered and expanded access to a growing nationwide network of out-of-home pick-up/drop-off locations and lockers and courier delivery options provided by its delivery partners.

The Group's delivery experience is based on the "HUB," which is a unique, machine-learning powered, proprietary software platform that integrates the Allegro platform, a range of logistics providers and over 150 thousand merchants on the Group's e-commerce marketplace as of 31 December 2023. "HUB" allows a simple and intuitive delivery promise and full package tracking to be provided to buyers, while for the Group, its merchants and carriers, "HUB" provides a tool to manage end-to-end delivery performance, status communication and settlements. Merchants are able to take advantage of the smart logistic network that is simple to use and provides a range of delivery options, while benefiting from more competitive delivery costs through the Group's framework agreements with key logistics partners, including, among others, InPost, DPD, UPS, and the Polish state postal service (Poczta Polska). The significant majority of delivery volumes are processed through the Group's contracts and tools.

The Group's 3P delivery network proved resilient to the distortions in the e-commerce value chain such as those that resulted from the offline retail lockdowns, which produced significant peaks in growth of transactions, but also during the traditional December pre-Christmas peak in demand, the distribution network generally operates with only minor delivery time extensions in select categories. Moreover, the marketplace software applies an algorithm to reliably predict the time of delivery and provide a "delivery promise" to consumers, despite not physically controlling the inventory and this capability is being continuously upgraded.

THE GROUP'S DISTINCTIVE BUYER – AND MERCHANT-CENTRIC CULTURE IS NURTURED BY ITS EXPERIENCED MANAGEMENT TEAM AND HIGH PERFORMING TEAM OF EMPLOYEES.

The Group is led by a highly experienced and entrepreneurial management team with complementary skill sets and proven track records of driving innovation. The management team is fully focused on measuring and improving KPIs and has a clear understanding of how to manage those KPIs to positively impact the flywheel. The Chairman, CEO, and the rest of the executive leadership team bring extensive experience at leading e-commerce, technology, consulting, and financial institutions. Combining global expertise and local knowledge has enabled the team to build what the Group is today – the number one e-commerce site in Poland, as recognised not only by buyers and merchants, but also by its employees.

The Group's management team is committed to create a workplace and strengthen the culture for diverse talents to grow and make a difference for all stakeholders.. As a result of the continuous innovation, testing, checking, improving, and raising the bar in recruiting and talent management, Allegro is a demanding organisation with a strong employer brand, and the Group believes that this results in high employee loyalty and pride, exciting career opportunities, as well as top talent acquisition from the market.

Every year Allegro conducts an engagement survey , which serves as the basic source of information about our company as a workplace. By analysing the survey results, we are able to better understand what translates to employee engagement, as well as identify areas we should work on. Company tracks performance over time and takes action in response to survey results. From 2023 the Group runs two full surveys and 1-2 smaller pulse checks a year, fully integrated across all Group companies since June 2023.

Further information can be found in the section on our approach to environmental, social and corporate governance matters.

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ENHANCED BUYER AND MERCHANT EXPERIENCE

The Group aims to offer buyers and merchants continuously improving, unparalleled value. The Group will seek to achieve this through a combination of a focus on retail basics relating to its platform in Poland, supported by complementary strategic initiatives, and supplemented by international expansion.

The Group continues to develop and invest in the buyer and merchant experience. In particular, the Group is focusing on a number of initiatives, including:

- further automating and optimising key merchant processes, as well as developing and enhancing merchant tools and value-added services;
- improving the quality of content, customer care and functionality of the marketplace by applying advanced technology solutions such as machine learning, artificial intelligence and robotics;
- creating a product catalogue to simplify back-end operations for merchants and provide a basis for enhancement of search and alternatives to offer-based shopping for buyers;
- advancing the Group's search, discovery and sales conversion, including leveraging productised search based on the Group's expanding product catalogue
- improving engagement with the Group's mobile web and app users;
- expanding product assortment breadth with a focus on bringing more Polish and international merchants onto the platform;
- improving price competitiveness by reducing the number of products where the Allegro platform does not offer the lowest price either offline or online; and
- enhancing SMART! and improving delivery experience for buyers.

The Group's near term ambition is to deploy its marketplace software and the above approach to driving the value proposition for merchants and consumers into the markets currently served by Mall and WE|DO. This roll-out process is designed to be scalable and relatively low cost. It began with deployment of a Czech version of the marketplace, Allegro.cz in May 2023, with further markets covered by a sequential roll-outs in the future in other countries in CE-5 region.

RAISING AMBITION IN FINTECH WITH CONTINUED DEVELOPMENT OF ALLEGRO PAY

Over the years, the Group has built a successful financial services business using a third-party model offering a range of buyer and merchant products through partnerships and other forms of collaboration with leading financial players. The Group believes that there is significant upside potential in integrating the Group's financial services with its e-commerce marketplace, which is expected to drive both buyer and merchant engagement, improve conversion rates and further accelerate the flywheel. The Group believes there is significant potential in integrating its financial services with its core platform to better address the market opportunity in Poland.

In 2023, the Group continued to develop Allegro Pay, its own proprietary fintech offer. Allegro Pay's offer allows for deferred payments (known as "Buy Now Pay Later", or "BNPL" loans) or splitting loans into convenient 2, 3, 5, 10 or 20-month instalments, giving greater financial flexibility to Active Buyers and ensuring safer and easier buying online. Allegro Pay provides a simple user experience for buyers (less than one minute to sign-up, one click to pay and less than 15 seconds to buy) driving conversion, data-driven credit decisions, and has been built on top of the existing Allegro platform. Buyer reaction to Allegro Pay has been very positive with sector-leading NPS scores of 91 as of Q4 2023.

In 2023 Allegro Pay reached further development milestones and met all its key targets for 2023. Throughout 2023 Allegro Pay continued its cooperation with Aion Bank, where it was selling to Aion both the "Buy Now Pay Later" 30-day customer loans, as well as instalment loans of various duration. Through the sale of customer loans to Aion, the value of outstanding customer loans that the Group needs to finance from its own capital resources is at a stable level when at the same time value of financed purchases is growing rapidly. Instalment and BNPL loans sold under the agreement with Aion are de-recognised from the Group's balance sheet. This dedicated external funding for continued fast loan origination and multi-year scaling of Allegro Pay significantly reduces the consumption of net working capital needed to grow the consumer loans business going forward. Utilising the off-balance sheet financing significantly increases Allegro's ROIC (Return on Invested Capital) from Allegro Pay and is expected to enable faster growth of the Group's fintech offer.

In June 2023, Allegro Pay concluded a Cooperation Agreement with Aion regarding the launch of services in the Bank-as-a-Service ("BaaS") model, which will enable Allegro Pay to launch new financial products and services that are reserved for entities holding a banking licence (i.e. saving and payment accounts). The Cooperation Agreement established rules of cooperation within the scope of certain banking products based on the Banking-as-a-Service. Under the Cooperation Agreement, Aion will provide certain banking services, including payment and saving accounts for customers making purchases on the Allegro platform and will make available its technical platform functionalities via API which will be operated by Vodeno, as member of Aion's Group. Allegro Pay will act as Aion's outsourcing service provider within the scope of: (i) supporting customers in the onboarding process, (ii) providing customer support in relation to the banking services and (iii) providing onboarding process and management of the Banking Accounts through the Allegro platform. Allegro Pay will provide Allegro platform functionalities through Allegro, as Allegro Pay's subcontractor. The Cooperation Agreement was concluded for a period of 5 years with the possibility of its extension.

Cooperation with Aion, acting as a BaaS provider and a banking licence holder, will facilitate compliance with regulatory requirements. BaaS products will be offered under Allegro branding (white label). Processes and entire customer interactions will be embedded in Allegro's platform.

Allegro Pay continued dynamic growth of GMV financed by 48.9% from PLN 4.5 billion in 2022 to PLN 6.7 billion in 2023, while the year-end gross loans balance grew only by only 9.9% from 366.9 million PLN to 403.3 million PLN (net of receivables sold to Aion in 2023).

Going forward, the Group intends to scale up and further improve Allegro Pay in 2024 and beyond.

In addition to consumer financial services, the Group has an extensive future product roadmap with a focus on additional products in the near term, such as further expansion in merchant financing and B2B payments.

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ADVERTISING SERVICES

The Group has significant reach due to the high level of user engagement with, and visits to, its marketplace platform and this has underpinned strong growth in the Group's advertising revenues. The Group believes that there is significant potential to increase advertising revenue through further monetisation of that broad reach, improvements in ad technology and favourable online advertising market trends. The Group believes that it is well positioned to capture a large share in digital advertising via scalable, automated and AI-driven advertising solutions leveraging the Group's traffic, data and product catalogue. Some of the Group's key Allegro Ads products include Sponsored Offers (to increase penetration of the service among merchants on the Group's e-commerce marketplace); internal digital display (to drive GMV on the platform); data-driven campaigns or "DMP" (development of data-driven tool enabling highly targeted CPM [1] campaigns); external network ads (further scalability of the Group's integration with Google to drive traffic to the Group's e-commerce marketplace) and other content-based solutions (to create branded content as a self-service). Advertising services mostly resell content that is created at minimal cost through the process of providing visiting consumers with shoppable offer listings that meet their search criteria. Opportunities to monetise this content therefore grow in line with growth in the marketplace and there is minimal incremental cost, resulting in advertising producing high margin revenue streams that can be reinvested in the further development of the marketplace.

The Group's advertising services are supported by software deeply integrated with its marketplace functionality. As the Group deploys its marketplace into the countries served by the Mall Group, starting with the Czech Republic in 2023, it expects to enhance monetisation of the developing local merchant base in each country by offering the full suite of advertising services in due course.

PRICE COMPARISON SERVICES

Ceneo is a leading price comparison platform in Poland and among the most successful comparison sites in Europe in terms of site visits. The Group benefits from Ceneo as a result not only of the increased traffic that is directed to the Group's e-commerce marketplace, but also from monetisation of a different part of the customer journey and an expanded advertising reach. Ceneo provides consumers with price comparison listings for products that they are interested in purchasing. Merchants pay for click-through leads from the Ceneo listing to the merchants own e-stores, either based on standard price lists or by bidding for position in promoted spots on the listings. In addition, Ceneo provides check-out services to some of its merchant partners, charging higher commissions for processing a retail transaction with an end consumer on their behalf. As content is provided for free by the merchants listing on the price comparison platform, Ceneo's price comparison services have historically produced high margins for the Group. These margins and growth rates have been gradually coming down as the cost of acquiring e-commerce search traffic for the platform has risen significantly in the past four years. The Ceneo management team has responded to these challenges by focusing on investments to increase monetisation per visit through developing Ceneo checkout services and optimising traffic acquisition strategies, focusing on price & selection through expanding top merchants' portfolio (eg. Amazon) and scaling up the product catalogue. Moreover, efficiency is being increased through investment in self-service tools and process automation.

[1] CPM – Cost per thousand (CPM), type of pricing model for 1,000 advertisement impressions

DELIVERY EXPERIENCE

The Group aims to continue to build on its successes in delivery experience, by increasing the proportion of one/two-day delivery share, but with a particular focus on next day delivery. The Group plans further growth of the out-of-home network of lockers and pick-up/drop-off points, increasing their density and driving utilisation. These initiatives are being undertaken in parallel with the Group's continued focus on its 3P merchant-fulfilled model that has proven to be an effective, asset-light approach. However, where software and integration driven 3P solutions will not deliver sufficient progress in the delivery experience of the buyers, or when unit costs of delivery may be reduced further at reasonable cost of investment, the Group will also make capital investments to improve its capabilities. The main capital investment to support delivery experience were targeted roll-out of a proprietary parcel locker network. In order to provide the Group with a capability to deliver to popular locker last mile solutions that are fully integrated end-to-end with the Group's marketplace platform and App, the Group began rolling out its own proprietary locker network in 2021. Over the course of 2023, the Group's locker network reached over 3,500 machines, up from just over 2,500 lockers as of EY 2022.

The investment in One Box lockers network enabled the Group to develop the full scope of competencies necessary to build, manage, and integrate such a network. The final scale of the investment and number of lockers to be built is yet to be determined and will depend on the delivery experience improvements and returns on investment delivered by the initial investments. Future investment will be guided by solving for customer convenience at lowest cost, with the Group remaining agnostic between a proprietary network roll-out and leveraging third party locker networks.

In line with the Group's International Expansion strategy, Allegro Delivery Experience team is currently developing delivery solutions for the Czech Republic and Slovakia, supporting the launch of a cross-border marketplace and Smart. The goal is to allow consumers in all AMG countries to choose convenient, fast, and cost-effective delivery methods while shopping on the platform, thanks in part to the existing fulfillment and delivery capabilities of Mall and WE|DO. Launch of a 'hybrid' delivery model from Poland to Czech Republic, in partnership between InPost in Poland and WE|DO in the Czech Republic has proved that the Group's own solutions can offer faster and more affordable deliveries of cross-border orders than the ones realised by a single carrier.

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TECHNOLOGY PLATFORM

The Group is a technology business with a world-class technology development team (including AI/machine learning teams, product teams, and design teams) based in five tech hubs across Poland. The Group's technology platform is designed using a domain-driven design paradigm that allows the whole platform to be split into logical components that reflect business processes. This design assures the lowest possible dependencies between domains to support the fast flow of business process development.

The Group has a scalable and modular technology platform built in-house that is business-focused, easy to deploy, and maintain. The microservice, container-based architecture enables the rapid, frequent, and reliable delivery of large, complex applications, through both desktop internet browsers as well as mobile devices.

While the Group's platforms have been historically optimised to support users in Poland, with content prepared in the Polish language, the technology team has been gradually developing and introducing an architecture and content that facilitates internationalisation of the Allegro platform. The first step was making merchant onboarding and administration possible in English and Chinese to attract international sellers to sell cross-border to Poland. During 2022 an English language front–end was launched, enabling English speaking buyers from all over the European Union to shop conveniently on Allegro.pl. The architecture under the English language platform can be replicated relatively quickly to add further instances of the platform in additional languages. Thanks to this scalable architecture, ready to add additional languages and currencies to support country-specific roll-outs, during 2022 the Group also launched Ukrainian and Czech-language versions of the Allegro platform.

The Group is leveraging its new multi-language, multi-currency capabilities to support the deployment of its marketplace in the countries currently served by the Mall Group. Starting with the Czech Republic in 2023 as a Allegro.cz, Allegro's proprietary marketplace software stack is being extended to provide service in new countries, Allegro.cz, which is available to Czech consumers and the whole merchant base. The Allegro.cz operates in the Czech language, enables payment in Czech Crowns and integrates local delivery solutions. Czech merchants are able to onboard to Allegro and sell on the Czech market. The Mall Group's brands, Mall and CZC, are ones of the leading merchants on Allegro.cz.

Analogous solutions will be deployed in the other markets and the Group anticipates that all future improvements to the general functionality of the marketplace will be automatically translated and available in each market where it has a local domain. This will allow the costs of development to be recovered across a much larger addressable market than just Poland and lead to improved operating leverage from the technology platform and team.

The Group seeks to offer a high level of infrastructure and data security, based on a layered approach. Each security layer, including distributed denial-of-service attack protection, bot detection systems, web application firewalls and other tools protect the platform. The Group is committed to the security of consumers' experience on its marketplaces. The Group undertakes administrative and technical measures to protect its systems and the consumer data those systems process and store. The Group has developed policies and procedures designed to manage data security risks. The Group employs technical security defences that are being periodically reviewed by internal and external auditors, penetration testers, and security researchers. Additionally, the Group takes part in an open bug bounty program and uses third parties to assist in its security practices as well as prevent and detect fraud.

SALES AND MARKETING

The Group has strong brands in Poland, including Allegro, Ceneo, and eBilet as well as brands acquired with the Mall Group acquisition such as: Mall, Mimovrste, CZC.cz, WE|DO. The Group continues to raise brand awareness among both buyers and merchants by enhancing and expanding its service offerings and fostering rapid adoption through increased brand affinity, public relations and strategic partnerships. The Group also leverages its direct sales force and account management teams to facilitate the acquisition and support of larger merchants. Direct marketing, especially online, has also been an effective merchant acquisition channel. This includes display advertising, search engine marketing, social media and direct mail campaigns.

GEOGRAPHIC EXPANSION

The Group has the ambition to grow outside of Poland in the medium term as the Group believes that the introduction of a shared and more diverse buyer and merchant pool would further increase the product assortment breadth on the Group's e-commerce marketplace and the price competitiveness of products available to buyers both locally and internationally, and also allow for seamless access to multiple geographies from a Polish and non-Polish merchant perspective.

The acquisition of Mall Group WE|DO, completed in April 2022, was a significant step for Allegro in its strategy of international expansion, allowing the expanded Group to accelerate growth across Europe. Launch of Allegro.cz, an e-commerce platform fully tailored to the Czech market, in May 2023 was another key milestone in the Group's ambition to become the leading e-commerce platform in Central and Eastern Europe. Since the soft launch of the platform in early May, the Group has been gradually building marketing investment, while developing a playbook for further international launches. The ongoing integration of Allegro, Mall Group and WE|DO should strengthen the companies' joint status as a leading marketplace for CEE customers and merchants, improving the shopping experience and providing the best prices, broadest offer selection and maximum convenience for the nearly 30 million customers across the region. The Group's combined merchants pool in Poland and across Eastern Europe will benefit from the ability to 'list once, sell everywhere' and gain wider access to a PLN 1.14 trillion addressable retail market of 70 million people.

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FOCUS ON THE MANAGEMENT'S SEVEN PRIORITIES

Throughout 2023, in execution of Allegro's growth strategy the Management was focused on the following seven priorities. The priorities are agreed goals that the entire Group was working towards:

	POLAND	CE-5 [1]
Growth	1 Growth Priority 1 – Strong in Poland	2 Growth Priority 2 – Win in Czechia and Slovakia with Allegro's 3P marketplace model
Growth	3 Growth Priority 3 – Scale up Allegro Pay	
Cost	4 Cost priority 4 – Improve SMART! and delivery economics	5 Cost priority 5 – Mall 1P business turnaround
Cost	6 Cost priority 6 – Fit to grow	
	7 Priority 7 – People and Culture	

GROWTH PRIORITY 1:
STRONG IN POLAND

It is Management's priority that the Group remains strong and continues to grow in Poland, Allegro's key market. The Group intends to maintain share in the categories where it is already strong, while getting traction in underpenetrated categories, such as Health & Beauty, Fashion and Ambient Grocery. The Group believes that there are various opportunities to strengthen its current business footprint into certain related opportunities which include B2B as well as adjacent verticals in which Allegro currently runs subscale operations. The Management also sees further potential in growth of the Advertising services, which are a high margin revenue stream that can be reinvested in the further development of the marketplace in Poland.

GROWTH PRIORITY 2:
WIN IN CZECHIA AND SLOVAKIA WITH ALLEGRO'S 3P MARKETPLACE MODEL

Having closed the Mall Group acquisition in April 2022, the Group executes its ambition to grow outside of Poland by deploying Allegro's 3P marketplace platform, with all its rich functionality in the Czech Republic and later in Slovakia. The Group believes that leveraging Allegro's merchant bases and platforms, together with local merchant sign-up, will drive marketplace growth, attracting new buyers to Mall Group and increasing share of wallet across the expanded selection. With the launch of the 3P marketplace the Group is aiming to convince Czech and later Slovak customers of the attractiveness of shopping on the Allegro online marketplace.

[1] Croatia, Czechia, Hungary, Slovakia, Slovenia

GROWTH PRIORITY 3:
SCALE UP ALLEGRO PAY

The Management remains committed to further scale up of Allegro Pay, aiming to pivot Group's growing Fintech business into a self-funding operation with a positive EBITDA. The Group aims to achieve these goals by developing new products and continuing to move the loan book off Allegro's balance sheet. Successful cooperation with the Aion Bank has allowed Allegro to scale up its fintech offering, while reducing working capital requirements to drive that growth. This cooperation will be further enhanced in the Banking-as-a-Service ("Baas") model. This will enable Allegro Pay to launch new financial products and services that are reserved for entities holding banking licences (i.e. saving and payment accounts). Under the terms of this cooperation, the parties agreed that Allegro Pay will act as AION's outsourcing service provider and deliver to AION all IT services required or necessary for onboarding of customers and the accounts management through Allegro's on-line trading platform including mobile application. Cooperation with AION, acting as a BaaS provider and a banking licence holder, will facilitate compliance with regulatory requirements.

COST PRIORITY 4:
IMPROVE SMART! AND DELIVERY ECONOMICS

The Group aims to rebalance the economics of delivery and the SMART! loyalty programme. In November 2022, the annual subscription fee of the loyalty programme was increased to PLN 59.90 from PLN 49, with customers gradually switching to the new terms as they renewed their subscriptions. The Group has also increased the minimum order value to PLN 45 for out-of-home delivery methods and to PLN 65 for courier delivery, which over time has driven the delivery mix towards less expensive shipping methods. Moreover, in July 2023, the delivery co-finance charges for merchants were increased, aiming to share more evenly the cost of deliveries with Smart! program merchants. In September 2023, monthly price of SMART! was increased from PLN 10.99 to PLN 14.99 per month. While Allegro continues to make progress in delivery speed and to expand the One Box lockers network, as well as availability of One Box delivery option across offers on the platform, the Group focused on utilisation of the current network before expanding further and releasing new investment.

COST PRIORITY 5:
MALL 1P BUSINESS TURNAROUND

The Group has dedicated significant attention to the turnaround of Mall Group's 1P business, aiming to minimise the operations' negative EBITDA contribution to the Group's consolidated results. The Group continues to make progress in top sellers availability and price competitiveness. It also remains focused on improving inventory turns and driving down aged stock to improve the cash flow.

COST PRIORITY 6:
FIT TO GROW

Under the "Fit to grow" cost priority the Group has applied a 3-pillar approach that includes organisational efficiency; cost avoidance and savings; as well as prioritisation, where the project portfolio is evaluated by return on investment and realisation risk when deciding on capital allocation. By paying careful attention to costs the Management is aiming to discipline Group's expense policies, cash outflows and capital investment decisions to provide internal funding for the growth priorities.

PRIORITY 7:
PEOPLE AND CULTURE

The strategic goal for the People & Culture pillar is to build the best place to develop and make a difference by creating a friendly and inclusive work environment, supporting the personal and professional development of Allegro employees and integrating sustainable growth (ESG) in value creation. Allegro aims to create a single organisation across 6 countries, making sure that talent is deployed as productively and clearly as possible within the post-merger structure, while looking for the synergies. The Managements aims to shift from recruiting outside local markets, while ensuring that the internal talent pool is efficiently deployed.

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We successfully progressed with the majority of topics which were on the management agenda for 2023. Among key accomplishments we should highlight launch of the Allegro.cz platform in the Czech Republic, growth in underpenetrated categories in Poland as well as increasing share of GMV financed by Allegro Pay. We consider "Cost Priority 6: Fit to grow", which helped us increase Group Adjusted EBITDA to 2,540.1 million PLN in FY23, as now becoming business-as-usual for Allegro, as majority of cost control mechanisms are launched and will be operating in the future.

Every year, priorities are updated, taking into account changing market conditions and key business objectives to ensure profitable growth. For upcoming years ("medium term"), updated key priorities are presented below:

MEDIUM TERM BUSINESS OBJECTIVES

Objective	Priorities
Grow Core Marketplace	Easy and safe to shop, simple to sell Increasingly loyal customers
Build New Engines	Strong advertising Low cost and reliable delivery Seamless fintech solutions
Expand Internationally	Systematic introduction of our asset-light marketplace Complete Mall Segment turnaround
Ensure Solid Fundamentals	Groupwide system architecture & software development processes People & Culture, ESG

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1.2.
Group Structure

As of 31 December 2023, the Group included Allegro.eu SA, as well as intermediate holding company Allegro Treasury s.à r.l. (previously Adinan Midco) with their registered office in Luxembourg and a number of operating companies registered and conducting their operating activities in the territory of Poland. Apart from the Polish operating companies, as at 31 December 2023, the Group also included the Mall segment companies that have been consolidated since the Mall acquisition in April 2022. Key information regarding the members of the Group, their country of domicile, economic interest held by the Group as at 31 December 2023 and the periods subject to consolidation are presented in the following table.

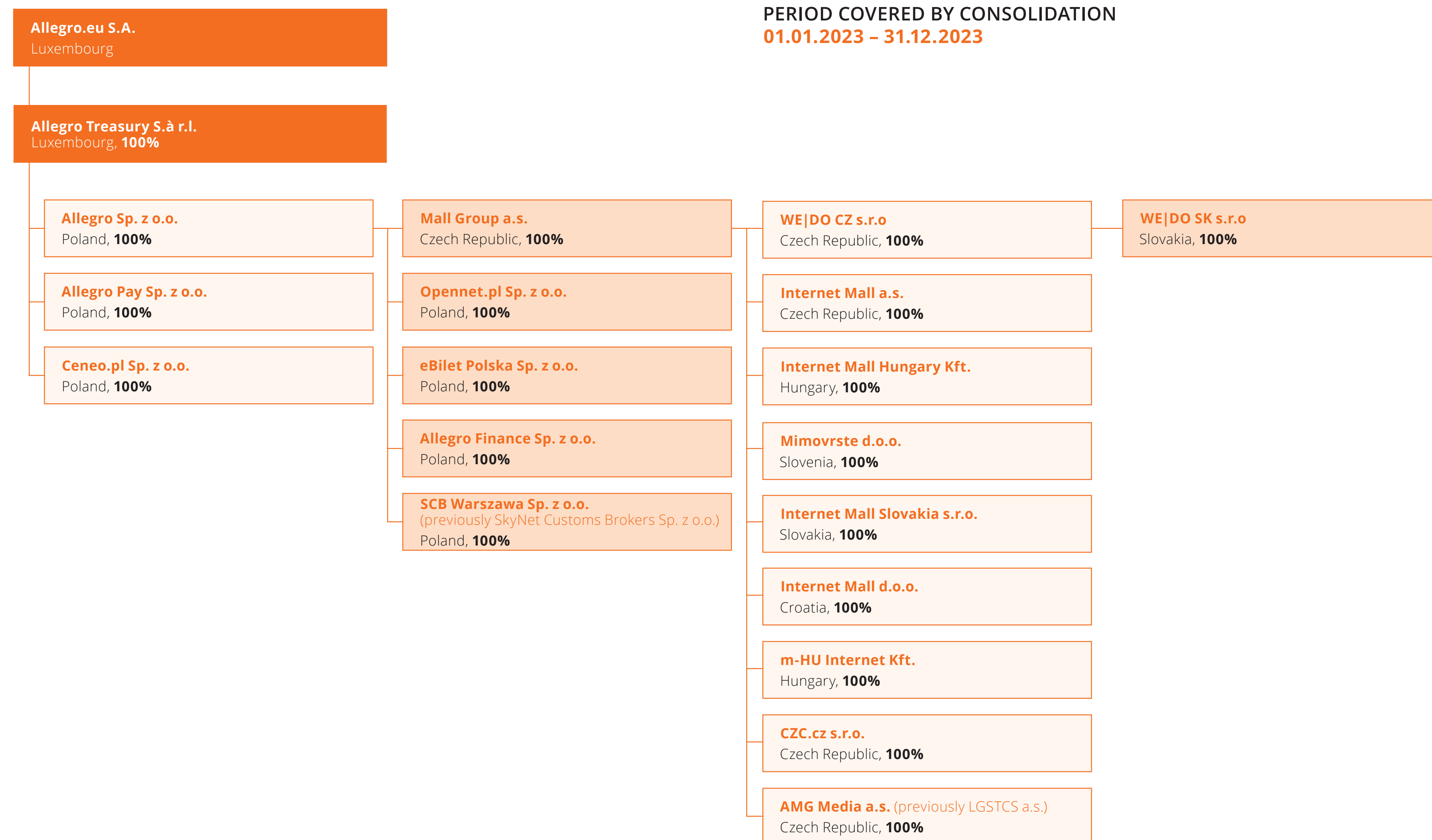
Note:

On 1 January 2023, the Group completed the merger of Mall Group a.s. with E-commerce holdings a.s., with Mall Group a.s. remaining in existence after the business combination.

On 9 June 2023, the liquidation process of Adinan Super Topco Employee Benefit Trust was completed with all remaining assets being transferred to the Parent.

On 14 July 2023 the liquidation process of Netretail sp. z o.o., a Polish based operating entity and subsidiary of Mall Group a.s. was completed. The assets controlled by the company were transferred to Allegro sp. z o.o.

Effective from 1 January 2024, the subsidiary companies CZC.cz s.r.o., WE|DO CZ s.r.o. and AMG Media a.s. were merged by absorption with sister company Internet Mall a.s. On the effective date of the merger, the successor company Internet Mall a.s. changed its name to Allegro Retail a.s.



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1.3. Management

Allegro.eu, being a company incorporated and existing under the laws of Luxembourg, has a one-tier (unitary) management system in which the Board of Directors includes both executive Directors (dealing with the day-to-day management) and non-executive (supervising) Directors – as opposed to the majority of Polish companies, having both the management board and the supervisory board. As of 2023 year end, the Board had eleven members, of which five were considered independent.

The Board of Directors is vested in the broadest powers to manage the business of the Company and to authorise and/or to perform all acts of administration necessary or useful to implementing the Company's corporate purpose as described in the Articles of Association, except for matters expressly reserved by laws or the Articles of Association to the general meeting of shareholders. The Board of Directors has a number of responsibilities, which include approving the Group's annual budget, overseeing significant acquisitions and disposals, and managing the Group's financial statements.

The Board of Directors meets when required by the Company's business, and at least once per quarter. It can only validly deliberate if a majority of the directors are present or represented. The resolutions of the Board of Directors are passed by a simple majority of the votes of the voting Directors present or represented, not considering abstentions. The Board of Directors held 8 meetings in 2023, with 100% attendance in person, via teleconferencing system or via proxy.

The table below sets out the name, age, position, year of appointment and the year in which the current term expires for each of the Directors of the Company.

Name	Age	Year appointed for the current term to the Board of Directors	Year term expires	Resigned on	Representing
Darren Huston	58	2020	2026	—	Non-Executive Chairman
Roy Perticucci	61	2022	2026	—	Executive Director, Group CEO
Jonathan Eastick	57	2020	2026	—	Executive Director, Group CFO
David Barker	56	2020	2026	—	Non-Executive Director
Richard Sanders	52	2020	2026	—	Non-Executive Director
Paweł Padusiński	47	2020	2026	—	Non-Executive Director
Nancy Cruickshank	53	2020	2026	—	Independent Non-Executive Director
Clara (dit Carla) Smits-Nusteling	58	2020	2026	—	Independent Non-Executive Director
Pedro Arnt	51	2022	2028	—	Independent Non-Executive Director
Catherine Faiers	43	2023	2026	—	Independent Non-Executive Director
Tomasz Suchański	52	2023	2026	—	Independent Non-Executive Director

DARREN HUSTON

Darren Huston joined the Group as Executive Chairman in January 2017 and was appointed as a member of Allegro's Board on May 12, 2017. Upon the conversion of the group to a public limited liability company (société anonyme) was appointed as a Director of the Issuer as of August 27, 2020, with his term as a Board member renewed on September 1, 2020. Previously, Mr. Huston was CEO of Booking.com and Group CEO of the Priceline Group and has also held various roles with Microsoft (including as CEO of Microsoft Japan), Starbucks and McKinsey & Company. Mr. Huston is the CEO and Founder of BlackPines Capital Partners and also Chairman of Skyscanner, The Knot Worldwide, and Operto. He holds an MBA degree from Harvard University and an MA in Economics from the University of British Columbia.

In October 2023 Mr Huston informed the Board that he intends to transition his role as Chairman and Director of the Company in the coming months to a successor. He supports engaging a recruiter to begin the process of seeking his successor. Mr Huston will also continue to fulfill the responsibilities of his position until a successor is found and a smooth transition has been executed.

ROY PERTICUCCI

Roy Perticucci joined Allegro as CEO in September 2022. He is a business leader with over 20 years of experience at the helm of retail and e-commerce businesses internationally. Prior to joining Allegro he led the European Operations/Customer Fulfillment at Amazon between 2013-2020 and for a short time simultaneously held the same responsibility for North America. Previously, he held senior roles at large retailers including Ahold (Albert.nl), Dixon's, and Tesco across Europe. He began his career as a software developer at Accenture in Milan, and later as a consultant at the Boston Consulting Group in Munich.

JONATHAN EASTICK

Jonathan ("Jon") Eastick joined the Group as CFO in February 2018 and was appointed as a member and executive director of the Allegro Board on September 1, 2020, following the Group's IPO. Mr. Eastick is also a member of the Allegro Management Board. Previously, he was a director at Ernst & Young. He has 35 years of experience in finance and management including 23 years in CFO roles from Allegro, Netia, Polska Telefonia Cyfrowa, and Lucent Technologies Poland. Mr. Eastick holds a Bachelor of Science in International Trade and Development Economics from the London School of Economics and Political Science and is a British Chartered Accountant.

DAVID BARKER

David Barker led Cinven's investment in Allegro and has been a member of the supervisory boards of the Allegro and Ceneo.pl operating companies since 2017. He was appointed a member of the Board of Directors on 1 September 2020. Mr. Barker joined Cinven in 1996 and is a partner and a member of the Investment Committee at Cinven. He has been involved in many of Cinven's technology, media, and telecom investments. Mr. Barker holds a BA degree from Cambridge University.

RICHARD SANDERS

Richard Sanders led Permira's investment in Allegro and has been a member of the supervisory boards of the Allegro and Ceneo.pl operating companies since 2017. He was appointed a member of the Board of Directors on 1 September 2020. Mr. Sanders joined Permira in 1999 and is a partner and a member of the Executive and Investment Committees. At Permira, Mr. Sanders was the Co-Head of Technology until 2023 and has extensive experience in the sector. Since February 2022, Mr Sanders has been a Board member of MercadoLibre (MELI). Mr. Sanders holds an MA degree from Oxford University and an MBA degree from Stanford University.

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PAWEŁ PADUSIŃSKI

Paweł Padusiński led MidEuropa's investment in Allegro and has been a member of the supervisory boards of Allegro and Ceneo operating companies since 2017. He was appointed a member of the Issuer's Board on September 1, 2020. Mr. Padusiński is a partner at MidEuropa where he has worked since 2005. Prior to joining MidEuropa, Mr. Padusiński worked in the corporate finance department at PwC in Warsaw. He holds an M.Sc. in Finance & Banking and Strategic Management from the Warsaw School of Economics.

NANCY CRUICKSHANK

Nancy Cruickshank was appointed a member of the Allegro Board on September 1, 2020. She has Chaired Allegro's Remuneration and Nomination committee since May 2022. Ms. Cruickshank is an Operating Partner at Exponent PE in London, where she also Chairs two of their portfolio companies, Go City and Wowcher. Ms. Cruickshank is also an independent Non-Executive at Flutter Entertainment Plc (FTSE 100). Previously, she was Chief Digital Officer at Carlsberg, having held a NED position with the company for 18 months prior to joining the Executive Team. She has worked in the digital industry for 25+ years, including launching Conde Nast online in 1996, overseeing Telegraph Media Group's digital business and operating as a serial entrepreneur to build the beauty marketplace, MyShowcase, and the fashion and beauty market leader, Handbag.com between 2001 and 2006, leading to a successful sale to Hearst Corporation in 2006. Ms. Cruickshank holds a Bachelor of History from the University of Leeds.

CLARA (DIT CARLA) SMITS-NUSTELING

Clara (dit Carla) Smits-Nusteling was appointed a member of the Allegro Board on September 1, 2020. Ms. Smits-Nusteling is currently Non-Executive Director and Audit Chair of Nokia Corporation and Board member at Stichting Continuiteit Ahold Delhaize – a foundation organised under the laws of the Netherlands to safeguard the interests of Koninklijke Ahold Delhaize N.V. Previously, Ms. Smits-Nusteling was Non-Executive Director and Audit Chair of ASML, Chairwoman of the Board of Tele2 AB, lay judge of the Enterprise Court of the Amsterdam Court of Appeal as well as CFO and member of the Board of Management of Royal KPN N.V. She also held several finance and business-related positions at Royal KPN N.V. (including responsibility for risk management) and PostNL. Ms. Smits-Nusteling holds a Master's degree in Business Economics from the Erasmus University of Rotterdam and an Executive Master of Finance and Control degree from the VU University of Amsterdam.

In November 2023, Ms. Smits-Nusteling informed the Board that intends to transition her role as Chairperson of the Audit Committee and Director of the Board of the Company to a successor. She intends to remain as Chairperson of the Audit Committee and non-executive Director until the Annual General Meeting in 2024, to complete the oversight of the Company's annual financial reporting for 2023. Ms. Smits-Nusteling supports engaging a recruiter to begin the process of seeking her successor. She will also continue to fulfill the responsibilities of her position until a new Audit Committee Chairperson is appointed by the Board and a smooth transition has been executed.

PEDRO ARNT

Pedro Arnt was appointed a member of the Allegro Board on June 22, 2022. Mr. Arnt has been working for over 20 years in various senior leadership capacities in the consumer internet industry. He is currently the CEO of dLocal, a publicly listed, global leader in emerging markets fintech. Prior to that, Pedro served for over 12 years as the Chief Financial Officer of MercadoLibre (MELI), one of the largest global marketplaces and Latin America's most popular e-commerce site by number of visitors. Prior to joining MELI in 1999, Mr. Arnt worked for the Boston Consulting Group in its Buenos Aires and São Paulo offices. Over his career, he has held roles in various capacities, gaining multi-year experience leading a variety of teams from early-stage corporate development and marketing, through managing the company's customer experience operations, continuing as Vice President of Strategic Planning, Treasury & Investor Relations. He was a member of Mercado Libre's Risk Committee, and led the company's ESG & Climate agenda. He currently sits on dLocals Risk Committee. He holds a bachelor's degree from Haverford College and a master's from the University of Oxford.

CATHERINE FAIERS

Catherine Faiers was appointed a member of the Allegro Board on May 12, 2023. Catherine Faiers is a highly regarded e-commerce leader, with proven executive experience in roles across strategy, sales, marketing, product, technology, finance, and operations. Over her career, she has been responsible for successfully delivering digital, data and technology transformations at three leading marketplaces: Auto Trader, Addison Lee and Trainline. Currently, she holds the position of Chief Operating Officer at Auto Trader Group plc (FTSE 100 company), being an Executive Board Director, an attendee at all Board committees and a member of the Executive team. She is Certified Senior Manager at Auto Trader under the FCA SM&CR and sits on the Exec Risk Committee at Auto Trader. She has a carbon literacy training qualification with the carbon literacy trust https://carbonliteracy.com/. She sits in the corporate and social responsibility committee at Auto Trader which is responsible for ESG & Climate strategy. Previously she was a Chief Operating Officer at Addison Lee, with responsibility for running the day-to-day operations of the business, strategy and M&A. Before that, working as a Director of a leading online business at Trainline, she was responsible for strategy, change, M&A, and investor relations. Catherine Faiers gained corporate finance experience at Director level, providing Board-level advice to public and private companies covering: M&A, debt, IPO and pensions. She also worked as a Chartered Accountant and Audit team leader on a number of key accounts at PwC.

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TOMASZ SUCHAŃSKI

Tomasz Suchański was appointed a member of the Issuer's Board on May 12, 2023. He is the CEO of the Żabka Group and many years of experience and deep understanding of the mechanisms that govern the industry allow him to direct the activities of Żabka in a way that has resulted in the position of the leader of the convenience model in Central and Eastern Europe. He is also a chairman of an ESG committee in Żabka Group. Prior to becoming CEO in March 2016, he was involved with various Jeronimo Martins companies. He worked in the group's international structures, and before that, from 2011 to 2014, he was the General Manager of the Biedronka retail chain in Poland. Previously, he held the positions of Chief Financial Officer of Jeronimo Martins Polska, its Member of the Management Board and operational director of the central region. Before coming to Poland in 2005, he worked on the international market dealing with Portuguese chains of the Jeronimo Martins group. In 2003, he took up the post of Financial Director of the Recheio wholesale chain, and earlier, as a member of the Financial Department, he was in charge of Pingo Doce supermarkets and Feira Nova hypermarkets.

To comply with principles contained in the Best Practice for the Warsaw Stock Exchange listed companies we introduced a Diversity Policy, which contains guidelines considering Diversity of the Board of Directors.

The aim when appointing the Board members is to ensure the selection of people with diverse knowledge, skills and experience, adequate to their functions in order to ensure high-quality performance by these bodies. Allegro's diversity & inclusion approach includes principles emphasising that differences in opinions and personal background (which, apart from the criteria mentioned above, result from the field of nationality, gender and age) help to achieve the best results.

STATEMENT ON BOARD INDEPENDENCE TARGET

On 22 September 2021 the Board of Directors of Allegro.eu approved an Amendment to the Rules of Procedure by introducing a new target to have at least a majority of independent directors on the Board. The Board has adopted a maximum timeline of five years ending on 1 September 2026 to achieve this target.

Key Managers
("Persons Discharging Managerial Responsibilities")

In addition to the executive management on the Board of Directors of Allegro.eu, the following Key Managers are considered relevant to establishing that the Group has the appropriate expertise for the management of the business and have served for all or part of 2023:

ALVISE FAVARA

Alvise Favara joined Allegro in January 2022 as Allegro's Chief Commercial Officer (CCO). In February 2022, he was appointed as a Management Board member of Allegro sp. z o.o. (previously Allegro.pl sp. z o.o.).

Alvise moved to Allegro from Amazon Germany, where he headed the Consumables business. Prior to this role, he led Amazon's Pan-European retail operating processes, including: inventory management, pricing, customer returns, inventory recovery and vendor management. He was also a Partner at McKinsey and an academic at the University of Florence including a research position at CERN and CalTech.

On 12 September 2023, Mr. Alvise Favara resigned from the position of member of the Management Board of Allegro sp. z o.o., with immediate effect. Alvise Favara will remain available until 31 March 2024 to ensure a smooth transition of functions to his successor as Chief Commercial Officer (CCO).

DAVID ROBERTS

David Roberts joined Allegro in January 2022 as the Chief Technology and Product Officer (CTPO). In February 2022, he was appointed as a Management Board member of Allegro sp. z o.o. (previously Allegro.pl sp. z o.o.).

David joined Allegro after four years at Zalando, where he was responsible for strategic matters including vision, processes' design, teams' scale-up, as well as delivering growth for the marketplace. He led the team of professionals covering a wide scope of business areas such as: running the product, engineering, integrations, operations, supply chain management as well as other strategic teams, building the tools to support merchants in their competition on the platform and widening selection. Before joining Zalando, David worked at Amazon in the US in Engineering & Product Leadership, and before that he was in charge of the AOL engineering team, developing projects in India and China.

On 29 December 2023, Mr. David Roberts resigned from the position of member of the Management Board of Allegro sp. z o.o., with immediate effect. Mr Roberts will remain employed by the Group in the position of Chief Technology and Product Officer (CTPO).

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TOM RUHAN

Mr Tom Ruhan was appointed on 29 December 2023 as a member of the Management Board of Allegro sp. z o.o., with effect from 2 April 2024. He will be considered Key Manager when his appointment as the Management Board Member becomes effective from 2 April 2024.

Mr Tom Ruhan joined Allegro in 2018, he is the Chief Legal Officer and Corporate Affairs Director of Allegro sp. z o.o. and the General Counsel of the Company. Prior to Allegro, Tom Ruhan worked as Of Counsel for 12 years at the Polish law firm Wardynski & Partners, 11 years as Management Board member at the WSE-listed telecommunications company Netia SA, and 1.5 years at each of WSE-listed Apator SA and Magna Polonia SA.

Tom Ruhan has been for nearly 8 years the Chair of the Brussels-based European Competitive Telecommunications Associations and 12 years of deputy chair of SOT KIGEIT in Warsaw. Tom Ruhan is a graduate of the Warwick University Law School. He is also President of the Management Board of Allegro Foundation, a member of the Board of the Dorastaj z nami Foundation, Manager of Allegro Treasury s.à r.l., Chairman of the Supervisory Board of Allegro Pay sp. z o.o. as well as a Supervisory Board member of eBilet Polska sp. z o.o. and Mall Group a.s.

1.4. Board Committees

The Group has the following committees: (i) an audit committee (the "Audit Committee") and (ii) a remuneration and nomination committee (the "Remuneration and Nomination Committee").

AUDIT COMMITTEE

The duties of the Audit Committee include reviewing: the integrity of financial information reported externally; the effectiveness of internal control and risk management systems; and the independence, objectivity, remuneration and scope of work of the Group's external and internal auditors. In particular, its tasks and responsibilities include:

- review and approval of the annual audit plan and setting direction for the audit plans for a period of several years,
- discussion of the audit reports with the internal and external auditors as well as with the management, and the monitoring of their implementation,
- the assessment of the performance of the internal and external auditors as well as their cooperation with one another,
- support of the Company's Board in the nomination of the external auditors to be proposed to the shareholders' meeting for election, particularly with respect to the auditors' independence from the Group, their qualifications and the share of non-audit fees in their total remuneration,
- checking the independence of the internal audit department from the Group and the units to be audited as well as the approval of the guidelines for the work of the internal audit department,
- the assessment of the consolidated financial statements, the statutory financial statements and the management report of the Company as well as the decision whether they can be recommended to the Company's Board for submission to the shareholders' meeting,
- review ESG reporting, non financial audit results,
- oversight on data security and privacy matters,
- the periodical assessment of the internal control system,
- the periodical review of the adequacy and security of the Groups whistleblowing, fraud detection and anti-bribery procedures.

The Audit Committee consisted of David Barker, Pedro Arnt and Clara (dit Carla) Smits-Nusteling (who serves as chairperson of the Audit Committee).

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SUMMARY OF AUDIT COMMITTEE ACTIVITIES IN 2023

In 2023 the Audit Committee held 7 meetings held in March (2), May (1), June (1), September (1) and November (2). Key focus areas and discussion points of the Committee were:

- discussion and approval of quarterly, half-yearly and annual investor reporting packages,
- risk management, compliance, ethics, fraud & cybersecurity,
- deep dives on specific focus areas:
- compliance,
- whistleblower, anti-fraud & anti-bribery,
- internal audit,
- risk management,
- tax,
- security,
- privacy and
- estimates and judgments prior to the annual closing.
- results of Internal Controls over Financial Reporting (ICFR) testing,
- past audits' remediation reporting and monitoring (regular updates)
- annual audit plan of the external auditor and the internal audit function,
- Corporate Sustainability Reporting Directive readiness review
- performance of the external and internal auditors and (re)appointment of the external auditor for the Group and specific Material Components, as applicable,
- annual assessment of the Audit Committee and the annual report of the Committee to the Board.

Due to the management's commitment to Security and Privacy topics in the Allegro Group, the Allegro.eu Board made a decision on 27 November 2023 that Security and Privacy matters will be a part of the Audit Committee remit. Additionally Jonathan Eastick was appointed board member responsible for Security and Privacy in the Group.

From 27 November 2023 Security and Privacy matters will be regularly discussed in Audit Committee meetings to ensure that relevant security and privacy matters are incorporated into the purpose, governance, strategy, decision-making, risk management, and accountability reporting of the Company.

REMUNERATION AND NOMINATION COMMITTEE

The tasks of the Remuneration and Nomination Committee (RemNomCo) consist of (i) the preparation and periodical review of the Group's compensation policy and principles and the performance criteria related to compensation and the periodical review of their implementation as well as the submission of proposals and recommendations to the Company's Board and (ii) the preparation of all relevant decisions of the Company's Board in relation to the nomination of the members of the Company's Board as well as submission of proposals and recommendations to the Company's Board. The Company's Board may delegate further powers and duties to the Remuneration and Nomination Committee.

The chief executive officer and/or the chief financial officer of the Company or any member of the Company's Board may be invited as an observer from time to time to meetings of the Remuneration and Nomination Committee.

The Remuneration and Nomination Committee consists of Nancy Cruickshank (who serves as chairperson of the Remuneration and Nomination Committee), Darren Huston, Catherine Faiers (from 27.06.2023) and Tomasz Suchański (from 27.06.2023) and Clara (dit Carla) Smits Nusteling (until 27.06.2023).

	RemNomCo Q1'23 meeting	RemNomCo Q2'23 meeting	RemNomCo Q2'23 meeting	RemNomCo Q3'23 meeting	RemNomCo Q4'23 meeting
Date of the RemNomCo meeting	March, 2nd	April, 6th	June, 26th	September, 26th	November, 27th
Main topics covered	Appointment of new Directors to Allegro.eu 2022/2023 compensation cycle decisions	LTIs approvals	Changes of job titles of some of Key Managers	ESG Pay benchmarking of Directors, Board Members and Key Managers	ESG 2024 remuneration plan for Directors, Board Members and Key Managers 2024 pay policy and bonus schemes

COMPOSITION OF THE COMMITTEE IN 2023

- Nancy Cruickshank, Chair, appointed in October 2020
- Darren Huston, appointed in May 2017
- Catherine Faiers, appointed in June 2023
- Tomasz Suchański, appointed in June 2023
- Clara (dit Carla) Smits Nusteling, appointed in September 2020 (until 27.06.2023 – step-down date).

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SUMMARY OF REMUNERATION AND NOMINATION COMMITTEE ACTIVITIES IN 2023

In 2023 the Remuneration and Nomination Committee held five meetings in total, on 2 March, 6 April, 26 June, 26 September and 27 November. Key focus areas and discussion points of the Committee were:

- review and approval of 2022 annual bonus pool and bonus payout recommendations for Board Members and key managers of Allegro,
- review and approval of 2023 remuneration of Allegro.eu Directors and Allegro Board Members and key managers as well as of Allegro Incentive Plan pool and grants for 2023-2025,
- review and approval of Allegro and Board Members and key managers' remuneration benchmarking,
- review of 2022 Pay Policy and proposed changes to the 2023 Pay Policy,
- review and approval of changes in Allegro Short Term Incentive Plan (annual bonuses),
- review and approval of changes in Allegro Non-Compete Agreements and notice periods,
- review of refreshed ESG strategic framework, double materiality analysis and ESG operational plan
- review of Employee Engagement survey results,
- review and approval of compensation packages for newly hired senior managers, adjustments to senior management compensation and leaving arrangements when applicable
- provides a strategic recommendation on ESG priorities and monitors ESG & Climate strategy implementation.

To reflect Management's commitment to ESG (environmental, social & governance) topics in the Allegro Group, the Allegro.eu Board made a decision on 27 June 2023 that ESG matters will be a part of the RemNomCo remit. Additionally, Nancy Cruickshank was appointed board member responsible for ESG in the Group.

From 27 June 2023 ESG matters will be regularly discussed in RemNomCo meetings to ensure that relevant sustainability and ESG matters are incorporated into the purpose, governance, strategy, decision-making, risk management, and accountability reporting of the Company.

1.5. Shareholders of the Company

Based on the most recent available information, to the best of Management's knowledge, the Group's shares are held by the following entities.

Name	Number of shares	% of shares in the share capital	Number of votes at the General Meeting	% of votes at the General Meeting
Permira VI Investment Platform Limited	262 928 572	24.88%	262 928 572	24.88%
Cidinan S.à r.l.	228 155 845	21.59%	228 155 845	21.59%
Free Float	565 820 436	53.54%	565 820 436	53.54%
Total:	**1 056 904 853**	**100.00%**	**1 056 904 853**	**100.00%**

The largest individual shareholders of the Group since its inception in 2017 (when the Company was originally named Adinan Super Topco S.à r.l., prior to being renamed Allegro.eu s.a. in 2020) have been the private equity funds: Cinven and Permira and Mid Europa Partners (together the "Significant Shareholders"). In October 2023, the Group received notification from Mid Europa Partners that its stake in Group's shares, held by Mepinan S.à r.l., had gone below the 5% threshold following disposal of shares on October 10th, 2023. As such shares held by Mepinan S.à r.l. are accounted as free float since they are below the 5% threshold.

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1.6. Compliance with corporate governance recommendations and principles contained in the Best Practice for the Warsaw Stock Exchange listed companies

As the Group's shares are only admitted to trading on the WSE, the Group has not opted to comply with the Ten Principles of Corporate Governance of the Luxembourg Stock Exchange.

In accordance with the WSE Rules, the Company as a public entity listed on the Warsaw Stock Exchange should observe the principles of corporate governance set out in the WSE Best Practices. The WSE Best Practices is a set of recommendations and rules of procedure for governing bodies of publicly listed companies and their shareholders. A new edition of WSE Best Practices was introduced in March 2021 and entered into force on 1 July 2021, covering new areas of corporate governance, e.g. climate, sustainable development, diversity on corporate bodies, and equal pay.

Under the WSE Rules, publicly listed companies disclose information on their compliance with corporate governance rules and the scope of information to be provided. If a certain rule is not complied with by a publicly listed company on a permanent basis or has been breached incidentally, such publicly listed company is required to disclose this fact in the form of a current report.

Following the WSE Rules, on 30 July 2021 the Group published its first Best Practice 2021 compliance report. The practices where the Group was not compliant with the WSE Best Practices in 2023, disclosed in the compliance report, are discussed below. Besides, the Board monitors and assesses the issues of compliance of the Group with the WSE Best Practices on an ongoing basis. To date, no cases of permanent or incidental breach have been reported.

1.5. Companies disclose at least on an annual basis the amounts expensed by the company and its group in support of culture, sports, charities, the media, social organisations, trade unions, etc. If the company or its group pay such expenses in the reporting year, the disclosure presents a list of such expenses.

The principle was not applied.

Comments of the Company: The Company cannot guarantee that the above principle will be implemented and does not intend to disclose full information on such expenses, as covered by business secrecy. However, it is not excluded that the Company will disclose such information in the future.

2.1. Companies should have in place a diversity policy applicable to the management board and the supervisory board, approved by the supervisory board and the general meeting, respectively. The diversity policy defines diversity goals and criteria, among others including gender, education, expertise, age, professional experience, and specifies the target dates and the monitoring systems for such goals. With regard to gender diversity of corporate bodies, the participation of the minority group in each body should be at least 30%.

The principle was not applied.

Comments of the Company: The principle is applied only partially. The Company has introduced a Diversity Policy, applicable to the Board of Directors. The Diversity Policy defines goals and criteria required by this principle. However, as of the date of this statement, the participation of women in the Board of Directors has not reached the recommended level of 30%. The Company expects to reach at least the diversity benchmark in the future as it follows its Diversity Policy.

2.2. Decisions to elect members of the management board or the supervisory board of companies should ensure that the composition of those bodies is diverse by appointing persons ensuring diversity, among others in order to achieve the target minimum participation of the minority group of at least 30% according to the goals of the established diversity policy referred to in principle 2.1.

The principle was not applied.

Comments of the Company: The principle is applied only partially. Decisions to elect members of the Board of Directors are made whilst taking into consideration the principle of diversity. However, the recommended target minimum participation of the minority in terms of gender has not been achieved yet.

2.11.5. In addition to its responsibilities laid down in the legislation, the supervisory board prepares and presents an annual report to the annual general meeting once per year. Such a report includes at least the following: assessment of the rationality of expenses referred to in principle 1.5.

The principle was not applied.

Comments of the Company: The Company intends to present information mentioned in the principle 2.11, except point 2.11.5, as such expenses referred to in principle 1.5 are not to be disclosed.

4.1. Companies should enable their shareholders to participate in a general meeting by means of electronic communication (e-meeting) if justified by the expectations of shareholders notified to the company, provided that the company is in a position to provide the technical infrastructure necessary for such general meeting to proceed.

The principle was not applied.

Comments of the Company: Due to a list of legal risks related to electronic form of the general meeting, the Company did not enable active participation of shareholders in its general meeting outside its seat in Luxembourg. The Company may implement such measures in the future once it becomes practical to do so and provided that no significant legal risks related to this form of the general meeting are identified.

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1.7. Certain relationships and related party transactions

According to IAS 24 "Related Party Disclosures," entities and persons are considered to be related to a company if the entity or a close relative of the person:

- controls the company or is involved in its joint management, exercises significant influence over this company or holds a key position in the management of the company or a parent entity;
- is a member of the same group of companies;
- is associated with the company within the meaning of IAS 28 "Investments in Associates and Joint Ventures" or a joint venture in which the company is a partner within the meaning of IAS 31"Interests in Joint Ventures";
- to the same extent as the company is a joint venture of the same third parties;
- is a company that is controlled by a related party, is significantly influenced by it or is subject to a joint management, in which a related party of that company is involved or in which such a person holds a key position in the management; or
- is a pension fund established for the benefit of the employees of the company or for the benefit of an entity related to that company for payments after termination of the employment relationship.

Material transactions and legal relationships which existed between the Group and the above-mentioned related persons and entities in the current financial year 2023 as well as in the previous year, that are required to be reported in connection with IAS 24 "Related Party Disclosures" are set forth in Note 36 (Related Party Transactions) to the Annual Financial Statements. Transactions with related parties referred to settlements of consulting and management services and loans granted. All transactions were entered into on an arm's length basis.

The Group has entered into the following transactions with its shareholders and their affiliates.

BUSINESS OFFICE SERVICES

Allegro sources corporate and secretarial administration services from Business Office Services S.à r.l., an affiliate of Alter Domus Luxembourg S.à r.l., which is a Permira portfolio company. More details on the services provided and agreement in place are described in the paragraph below.

ALTER DOMUS MASTER SERVICES AGREEMENTS

Alter Domus Luxembourg S.à r.l., which is a Permira portfolio company ("Alter Domus") and its affiliate, Business Office Services S.à r.l., have entered into a services agreement pursuant to which several services are provided to the Company, including the provision of approximately 80 square metres of dedicated furnished office space. These services benefits the Group since 1 October 2020. The term of the agreement is set at twelve months and is renewable. The agreement may be terminated at any time during the initial or the subsequent term, subject to a notice period of three months.

The Group also entered into a Master Services Agreement with Alter Domus on 21 September 2020 pursuant to which Alter Domus has agreed, with effect as of 12 October 2020, to provide the Group with a certain number of services including amongst others (i) accounting and reporting compliances services, (ii) corporate and secretarial administration services, (iii) directors services, (iv) domiciliation services, (v) corporate tax compliance services, (vi) VAT compliance services and (vii) country-by-country reporting services.

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1.8. Legal proceedings

From time to time, the Group may be involved in various claims and legal proceedings relating to claims arising out of its operations. Current proceedings, including those during the twelve months preceding the date of this Report, and proceedings that are pending or threatened of which the Group is aware that may have significant effects on the Group are described below.

LEGAL DISPUTES RELATING TO THE MINORITY STAKE OF SHARES IN EBILET

The Group is aware of certain pending legal disputes between individuals associated with Bola Investment Limited ("Bola") and a third party individual ("Claimant") relating to the ownership of a minority stake of shares in eBilet sp. z o.o. that was the former owner of eBilet Polska sp. z o.o. ("eBilet Polska"). eBilet Polska has been part of the Group since April 2019. eBilet sp. z o.o. is not, and has never been, part of the Group.

The Claimant has filed against Bola, individuals associated with Bola and Allegro two lawsuits, i.e. one with the Regional Court in Poznań and one with the Regional Court in Warsaw demanding annulment of agreements concerning the purchase of shares in eBilet Polska concluded between Bola, individuals associated with Bola and Allegro. The lawsuit filed in Poznań court has been rejected and the decision is now final and binding. The case in Warsaw is pending. Based on information available to the Group and based on the assessment of the Group's legal advisor as of the date of this Report, the Group has no reason to believe that the outcome of the case in question would have a material impact on the Group.

PROCEEDINGS BEFORE THE OCCP PRESIDENT

ANTITRUST PROCEEDINGS RELATED TO ALLEGED ABUSE OF A DOMINANT POSITION BY FAVOURING OWN SALES ACTIVITY ON THE PLATFORM

On 29 December 2022 the OCCP President issued a decision imposing a fine on Allegro in the amount of PLN 206 169 786 for the violation of competition law consisting in the abuse by Allegro of a dominant position on the Polish market of services of intermediation in on-line sales between entrepreneurs and individual customers, offered to sellers on e-commerce platforms, by using, for the purposes of operating its 1P business: (a) information on the functioning of the Allegro marketplace and the behaviour of buyers on the platform, which was not available to 3P merchants or was available to them only to a limited extent; and (b) certain sales and advertising tools of the platform which were not available to 3P merchants or were available to them only to a limited extent. The decision ends the antitrust proceedings regarding the potential abuse of a dominant position initiated in December 2019.

Allegro does not agree with the decision and appealed it to the court of first instance on February 2nd, 2023. Allegro remains of the opinion that the OCCP President defined the market too narrowly, Allegro does not hold a dominant position and it did not favour 1P in any anti competitive way. Since the date of the last annual report, the OCCP President filed its response to Allegro's appeal. There were no substantially new arguments in that response.

In February 2024, Allegro made an additional submission to the Court with additional argumentation. The court has not announced the date of the first hearing. The judgement of the court of first instance may be appealed to the Court of Appeal and ultimately to the Supreme Court. Courts may uphold or annul the decision or significantly decrease the fine. The fine, if sustained, becomes due and payable only upon ruling of the Court of Appeal.

It is more likely than not that the fine imposed on Allegro will not become due and payable. According to the Group's Management view supported by external counsel opinion, the UOKiK's decision should not be upheld in court, and even if not annulled, the courts tend to significantly reduce fines imposed by the UOKiK however it can not be reliably measured. For these reasons no provision has been created.

PROCEEDINGS AGAINST ALLEGRO TO INVESTIGATE WHETHER ALLEGRO'S TERMS AND CONDITIONS CONTAIN ABUSIVE CLAUSES

On 29 December 2022 the OCCP issued a decision stating that modification clauses used in (i) Allegro T&Cs until 22nd December 2022 and in (ii) Smart! T&Cs until 21st November 2022 constitute unfair contract terms and can no longer be used towards consumers. The fine imposed on Allegro amounted to approx. PLN 1.2 million for the clause in Allegro T&Cs and PLN 2.7 million for the clause included in Smart! T&Cs. Also, the OCCP obliged Allegro to inform consumers about the decision on Allegro's website and its Facebook profile.

Allegro does not agree with the decision and appealed it to the court of first instance. Allegro remains of the opinion that its modification clauses were not unfair and the fine imposed by the OCCP President was too high (it did not take into account important mitigating circumstances). The OCCP President submitted its response to Allegro's appeal. There were no substantially new arguments in that response. Allegro and the OCCP President each made one additional submission to the court.

The court has not announced the date of the first hearing. The judgement of the court of first instance may be appealed to the Court of Appeal and ultimately to the Supreme Court. Courts may uphold or annul the decision or significantly decrease the fine. The fine, if sustained, becomes due and payable only upon ruling of the Court of Appeal.

According to the company's external counsel, having the fines decreased by almost half is more probable than having the fines annulled in full. A provision in the amount of PLN 2.2 million has been created in the Group's financial statements for the year ended 31 December 2022.

EXPLANATORY PROCEEDINGS AND INFORMAL INFORMATION REQUESTS FROM THE OCCP PRESIDENT

In the past, the OCCP President has both informally asked the Group for information about its operations as well as decided to instigate explanatory proceedings related to the protection of competition and/or protection of consumers. The Group deals with numerous requests for information from the OCCP and several explanatory proceedings, and this may continue in the future. Explanatory proceedings related to the rules of lease of property for parcel lockers and inflation clause in the Allegro Smart! Program Terms & Conditions were closed by the OCCP without any charges.

With regard to the explanatory proceedings and informal information requests, the Group assessed that it is not probable that an outflow of economic benefits will be required to settle the obligation and the amount of obligation cannot be measured with sufficient reliability at that stage. Therefore no provision in that respect was recognised.

If the OCCP President is not satisfied with the response to informal requests for information and/or requests within explanatory proceedings, he can issue additional requests and/or initiate explanatory (in case of informal requests), antitrust, or consumer protection proceedings.

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2.
Risk Management System, Risk Factors, and Regulatory Matters

2.1.
Risk Management System

The Group operates a risk management system whereby all employees from material Group entities and in those where it is required by regulations participate in performing risk management and internal control. The risk management system is designed in a way allowing the Group to identify, measure, manage, and monitor the risks that might affect the achievement of our strategic, operational, financial, reporting, and compliance objectives across all business and corporate functions, as well as development projects teams.

An inherent quality of any actions taken by the Group is the uncertainty of process implementation and achievement of the goals set. The impact of such uncertainty on processes and their goals is defined as a risk. The purpose of risk management is to increase the probability that the Group achieves its objectives and delivers its projects by taking measures to mitigate the risk to an acceptable level.

The purposes of the systemic risk management approach adopted by the Group include:

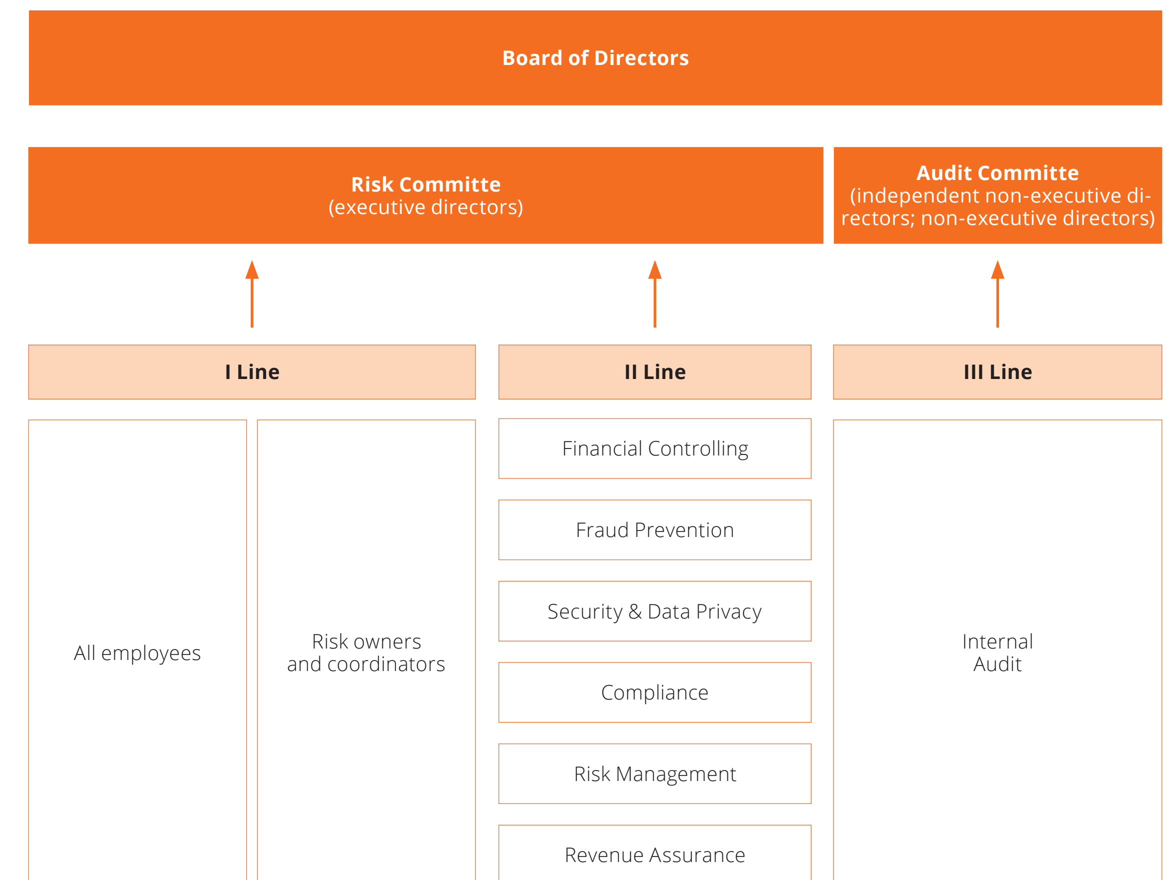
- reducing the risks affecting the achievement of goals and implementation of tasks;
- taking full advantage of the business opportunities and mitigating the risk of lost opportunities;
- improving the effectiveness of internal processes by relying on and constantly improving the existing corporate governance;
- efficient use of financial, human, and material resources as well as prevention of financial losses; and
- improving service quality.

RISK MANAGEMENT POLICY

The Group has defined its risk management policy in order to facilitate a common understanding by all employees and ensure a consistent approach in measuring and mitigating various types of risks. The policy sets out the framework structure of risk management, the scope of the system, and its rules. It describes the risk management approach applied by the Group and the individual system components.

ROLES AND RESPONSIBILITIES

The existing process ensures accountability for risk management. The scopes of responsibilities and competencies of the individuals involved in the process are set out below. All employees of the Group are responsible for risk identification and reporting.



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The following roles and teams have been designated as part of the adopted risk management model:

Role	Summary of responsibilities within Risk Management
Board of Directors	• Oversight of corporate risk; • Determining the scope of risk management; • Determining the directions of the risk management system development; • Establishing the risk appetite levels.
Audit Committee	• Oversight of the Group's system of internal controls, including the risk management framework and the work of the Internal Audit function; • Evaluation of the effectiveness of internal control and risk management systems (indirectly via reviewed Internal Audit reports); • Evaluation of the results of internal controls, therein internal audits, and schedules of elimination of detected errors in selected areas; • Performing regular reviews of risk register.
Risk Committee	• Defining risk management strategies and submitting them to the Board for approval; • Reviewing operational risks and providing the management with information on the operational risk appetite and tolerance; • Identifying and assessing the risk to which the organisation is exposed as well as providing resources that are required for risk management in general and for the management of that particular risk; • Performing gap analysis to find out whether or not a risk has been omitted during the identification process; • Monitoring the Group's risk profile – its current and potential exposure to all types of risks; • Reviewing and assessing the probability that the effects of those risks will materialise and of all mitigating measures that affect those risks; • Reviewing the risk owners and management of specific risks so as to ensure common understanding of roles and responsibilities; • Ensuring the development of risk culture and awareness in the entire company.; • Undertaking relevant activities to protect health and lives, reduce material losses, recover business processes, and sustain reputation in case of security incidents or a crisis.
Risk Manager	• Keeping a register of risks for the Company that should be updated at least once a year or more frequently, in line with the risk management rules; • Ensuring the proper functioning of the risk management process in each organisational unit; • Ensuring communication in the entire risk management process; • Providing up-to-date information on risk management to the Management; • Creating and improving the risk management system documentation; • Determining the scope rights and responsibilities for risk management in the units; • Developing, implementing and coordinating the risk management strategy in cooperation with the Management, and verifying the risk mitigation plans; • Supporting and educating Group employees to build risk awareness and adherence to the risk management policy and procedures; • Maintaining Group Risk Register.
Risk Owner	• Management of assigned risks, including the acceptance of the periodic risk assessment in their respective area; • Accepting the risk mitigation plans.
Risk Coordinator	• Risk reporting as part of risk management, including periodic assessment of the risk assigned; • Defining and implementation of risk mitigation plans; • Implement and maintain Key Risk Indicators
Employee	• Performing regular internal control activities being an integral part of business processes; • Providing required information for risk evaluation and risk monitoring purposes; • Taking active part in the process of risk identification and evaluation.

RISK MANAGEMENT PROCESS

Proper identification of the environment affecting the organisation and its risks is the basis for the effective implementation of the risk management process and affects each stage of the process. The analysis of the internal and external environment is the basis for risk assessment and may take into account relations with external stakeholders, trends affecting the organisation's goals, governance and organisational structure, organisational culture, norms, standards, and guidelines adopted by the organisation.

An important part of Group's risk management and internal control systems are the following key sets of risk management processes:

- **Risk identification and measurement processes** – risks are identified in every functional area of Group's operations, recorded in the Group Risk Register, and evaluated in accordance with methodology placed in risk management procedure
- **Risk mitigation and control** – for every risk recorded in the risk register, Risk Owners define their internal control activities designed and implemented to mitigate existing risks.
- **Risk evaluations** – performed by Risk Owners are collected by Risk Manager in the system in order to update the Group risk register and prepare regular risk reports. The Risk Committee performs reviews of risk reports on a quarterly basis.
- **Risk monitoring** – Risk Owners are responsible for ongoing risk monitoring. Their work is overseen by the Risk Officer as part of the periodic risk assessment and indirectly by the Internal Audit.

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RISK ASSESSMENT APPROACH

The risks identified by the Group are scored based on their potential impact and probability of occurrence. Depending on the risk assessment, we determine the level of each registered risk in the risk matrix in accordance with the approach presented below. In line with our risk management policy, the main goal of our Risk Management is to maximise the value for the Group through appropriately adjusted costs related to the minimisation of the risk level based on the frequency of assessment and the possibility of greater focus on the risks scored higher.

Such an approach to management, instead of eliminating the risk, gives reasonable, but not absolute, certainty that the Group is able to achieve its business goals.

Probability					
Very high (5)	5	10	15	20	25
High (4)	4	8	12	16	20
Medium (3)	3	6	9	12	15
Low (2)	2	4	6	8	10
Minor (1)	1	2	3	4	5 *
	Insignificant (1)	Mild (2)	Material (3)	High (4)	Very high (5)

Impact

* Any risk the impact of which is rated at 5 is defined as a high risk by default. A risk mitigation plan must be developed for that risk, should it materialise.

The following table presents how we address risk management responses in conjunction with various risk scoring results.

Risk level	Risk score	Risk management responses
Very high	16 – 25	Risk classified in this group may have a very high or high impact on the achievement of the Group's business objectives. Probability of risk assigned to these risks is high and very high. These risks are considered for internal audit annual planning purposes in order to obtain independent assurance that the risk was accurately assessed by Risk Owners and internal controls are performed as expected. Risks assigned to this group obligatorily have a business continuity plan and a mitigation plan.
High	10 (5*) – 15	Risk categorised as "High" have a very high or high impact on the achievement of the Group's business objectives. Probability of risk assigned to these risks is medium, high, or very high. Risks assigned to this group are considered for internal audit annual planning purposes in order to obtain independent assurance that the risk was accurately assessed by Risk Owners and internal controls are performed as expected. Risks assigned to this group obligatorily have a business continuity plan and a mitigation plan.
Medium	5 – 9	This group includes risks having high, material, or mild impact on the achievement of the Group's objectives. Probability of risk assigned to these risks is low, medium, or high. Excluding risks where the impact is rated as 5, which are automatically considered to be "high" level.
Low	1 – 4	This group includes risks having material, mild, or insignificant impact on the achievement of the Group's objectives. Probability of risk assigned to these risks is minor, low, and medium.

* Any risk the impact of which is rated at 5 is defined as a high risk by default. A risk mitigation plan must be developed for that risk, should it materialise.

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OVERSIGHT AND ASSESSMENT OF RISK MANAGEMENT, INTERNAL CONTROLS AND COMPLIANCE SYSTEMS AND THE INTERNAL AUDIT FUNCTION

The Board of Directors monitors through the Audit Committee and periodically assesses the internal systems: Risk Management, Compliance and Internal Controls and the Internal Audit function.

The assessment is performed based on:

- dedicated deep dive sessions for each of the topics, held in the Audit Committee meetings over the course of the year, results of which are reported back to the Board of Directors
- Internal Audit's annual assessment (according to the 3 year audit plan approved by the Audit Committee) of design and implementation of a set of internal controls identified as key for preparation of financial statements (i.e. Internal Controls Over Financial Reporting)
- review of reports from Internal Audit's assurance engagements, performed as per the risk-based annual plan, covering (but not limited to) selected reporting and operational controls from Risk Management
- aggregated results of Internal Audit's past engagements and the related remediations, reported regularly in the Audit Committee meetings by the Head of Group Internal Audit
- regular reporting on incidents, controls' failures or compliance challenges provided quarterly in the Audit Committee meetings by the Chief Security Officer who supervises the Risk Management and Compliance
- discussions with the Risk Manager and the Head of Group Internal Audit on emerging risks and the risks considered in the annual audit plan, and their representation in the risk management process, undertaken at least annually in the course of the annual audit plan approval
- monthly status meetings between the Chairperson of the Audit Committee and the Head of Group Internal Audit, discussing the status of audit plan execution and the encountered challenges
- review of the results of self-assessments presented by Internal Audit

Following these reviews, the Board concluded that the Company's systems of Risk Management, Compliance and Internal Controls as well as the Internal Audit function were appropriate in the current context of the Group. In particular, the Board agrees with the management's representation that the Internal Control environment allows detection and prevention of fraud and errors that could lead to material misstatements in the financial statements.

RISK MANAGEMENT POLICY AS APPLIED TO RECENT ACQUISITIONS AND FUTURE ACQUISITIONS

The Group aims to apply its Risk Management Policy as described above across all the Group's operating companies. However, at the same time the Group recognises that, in the case of acquired companies or businesses, it usually takes some time to introduce the Group's Risk Management Policy, whether from a zero base or by modifying a pre-existing risk management process present in the acquired entity. Moreover, the Group recognises that it may be prudent to focus on other priorities in the short term immediately after an acquisition, such as establishing an effective post-merger integration process, securing key staff or realising "quick-win" synergies, ahead of procedural compliance.

Accordingly, as at the date of this report, the risk assessment set out above, produced from application of the Group's Risk Management Policy, includes material entities and those in which Risk Management is required by relevant regulations.

Nevertheless, the Risk Factors set out below in section III.2.2 reflect Group Management's outside-in understanding of risks inherent in these recent acquisitions. However, the Group can provide no assurance that this Annual Management Report includes all the risks that would have been identified had the Group's Risk Management Policy been fully applied to recent acquisitions.

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2.2. Risk Factors

RISKS RELATED TO THE GROUP’S BUSINESS AND INDUSTRY

THE POLISH AND CE-5 RETAIL MARKET AND THE E-COMMERCE SEGMENT ARE HIGHLY COMPETITIVE AND THE GROUP’S ABILITY TO COMPETE SUCCESSFULLY DEPENDS ON A LARGE VARIETY OF FACTORS BOTH WITHIN AND BEYOND THE GROUP’S CONTROL.

The retail industry in Poland and CE-5 region (five countries in Central Europe where Mall Group operates: Croatia, Czech Republic, Hungary, Slovakia, Slovenia) including the e-commerce segment, is fragmented and characterised by intense competition. The Group competes with a diverse group of offline and omnichannel retail companies such as RTV Euro AGD, Media Expert, Biedronka, Empik, SMYK, LPP and e-commerce companies such as Alibaba, Amazon, eBay and Temu that sell products from a large number of categories, as well as specialist e-commerce companies such as Zalando, Modivo, Vinted, Shein and Oponeo.pl.

The table below presents selected largest local and international retail and e-commerce competitors in Group’s key markets:

Key competitors in Poland	Key competitors in CE-5
Local competitors:	
Biedronka CCC Empik Erli LPP Media Expert Modivo Oponeo RTV Euro AGD SMYK	Alza Datart Emag Heureka Rohlik
International competitors:	
Alibaba Amazon Castorama Decathlon Douglas eBay Ikea Lidl Media Markt Rossmann Shein Shopee (exited Poland in Q1 2023) Temu Vinted Zalando	Alibaba Amazon eBay Kaufland Media Markt Modivo Shein Tesco Temu Vinted Zalando

Competition continues to intensify, including the development of new business models and the entry of new and well-funded competitors. The Group's competitors may enter into business combinations or alliances and large and well-established companies in other geographies or market segments may seek to expand their presence and investment in Poland. Some of the Group's current and potential competitors have greater resources, global presence, longer histories, more global users, and/or greater brand recognition than the Group, and they may secure better terms from vendors, adopt more aggressive pricing, and devote more resources to technology, infrastructure, delivery, fulfillment, and marketing than the Group. Multinational e-commerce competitors that so far have not fully deployed the asset heavy business models in Poland or in the CE-5 region that they feature in other countries may choose to do so in the future, utilising their delivery and logistics infrastructure that already exists in Poland or elsewhere in Europe to shorten delivery times, or invest in extending their existing infrastructure models into the Polish or CE-5 markets. These multinational competitors are able to deploy loyalty and free shipping programs similar to those currently offered by the Group and may step up efforts to attract the Group's merchant base to list products on their platforms. The Group's reputation, its brand and its business may be adversely affected by aggressive marketing and the communications strategies of its competitors. New market entrants may appear and some of the Group's current smaller competitors may be acquired by, receive investment from, or enter into strategic relationships with well-established and well-financed companies or investors who would enhance their competitive positions.

In addition, new and enhanced technologies, including search, web and infrastructure computing services, digital content, and electronic devices continue to increase the Group's competition. The internet facilitates competitive entry and comparison shopping, which enhances the ability of new, smaller, or lesser known businesses to compete against the Group. As a result of any of the above factors, or a combination thereof, the Group's product and service offerings may not be successful, the Group may fail to gain or may lose business, and the Group may be required to increase the Group's spending or lower its margins, any of which could materially reduce the Group's profits.

The Group believes that its ability to compete effectively will depend on factors both within and beyond the Group's control, including but not limited to:

- the Group's reputation and brand and its local scale, relative to those of the Group's competitors;
- the size and composition of the Group's buyer base and whether the Group is able to increase purchase frequency from consumers;
- the composition of the Group's merchant base, and the merchant base's subsequent impact on the selection and price of products the Group features on its sites;
- whether the Group is able to offer a convenient, efficient, and reliable e-commerce experience for the Group's consumers and merchants, and to adapt to evolving consumer preferences;
- whether the Group's platform is perceived as an attractive distribution channel for the Group's merchants, including the perceived competitiveness by merchants of the Group's current or future commission rates;

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- the extent to which merchants may chose to prioritise development of its own proprietary on-line store (e-shop) over use of Allegro as a distribution channel;
- whether the Group has efficient and cost-effective advertising and marketing efforts to acquire new consumers and merchants;
- the development and management of new and existing technologies in a timely manner;
- whether the Group's locker based delivery and fulfillment operations, including distribution, payment, and customer service are efficient, reliable, and offer a satisfying service quality;
- the legal framework on e-commerce and related legislation governing liability, obligations, and supervisory oversight of the Group and the extent to which such legal frameworks create competitive advantage to competitors with different business models;
- level playing field among competitors and enforcement of binding laws towards all market participants, including those without a physical presence in the EU ;
- whether the Group is able to offer convenient payment methods for every consumer and merchant at reasonable cost.

Any failure to properly address these factors and to successfully compete against current or future competitors could negatively affect the Group's ability to attract and retain consumers and merchants and necessitate the introduction of lower pricing for the Group's services, which could, in turn, have a material adverse effect on the Group's business, financial condition, and results of operations.

INTERNATIONAL E-COMMERCE PLAYERS MAY INTENSIFY THEIR ACTIVITY DIRECTLY COMPETITIVE TO ALLEGRO IN THE E-COMMERCE SEGMENT IN POLAND AND CE-5 REGION AND THIS MAY LEAD TO A MATERIAL CHANGE IN OUR FINANCIAL PERFORMANCE IN TERMS OF GROWTH, MARGINS AND CASH FLOWS IN THE FUTURE

In 2021, Amazon Inc. (“Amazon”) launched an Amazon.pl website having previously invited merchants to register on its dedicated seller central platform. In October 2021, Amazon.pl launched Amazon’s Prime loyalty program in Poland, which has a similar objective to the Group’s SMART! Program of increasing purchasing frequency and loyalty amongst active buyers. Since its entry to Poland, Amazon continued to develop its business in Poland, adding new products to its portfolio and advertising Amazon Prime Video streaming service and content. Moreover, the network of fulfillment centres operated by Amazon in Poland, chiefly to serve the German e-commerce segment, made it possible to deliver a significant part of Amazon.de selection with next day or two day service. As a result of these developments, the Group is expecting that competition with Amazon may gradually intensify.

AliExpress has been present on the Polish market and in the CE-5 for almost ten years with a largely cross border business model. While they have reached segment shares among the e-commerce leaders in some smaller and less competitive markets, their segment share in Poland is estimated to be still in mid single digits.

In 2021, SEA Limited (“SEA”) entered the Polish e-commerce segment, having launched their e-commerce marketplace website Shopee.pl in September 2021. Shopee launched their mobile app focused e-commerce marketplace operation in Poland by initially offering free deliveries with no Minimum Order Value and aiming to attract consumers with discount vouchers for their first purchase as well as local merchants by reportedly offering promotional terms at the beginning of cooperation without commission or subscription fees. During 2022 Shopee made significant changes to their early market entry strategy, gradually reducing the scale of discounting for merchants or tightening terms and conditions for consumers. In early 2023, Shopee announced they intended to exit Poland and closed their local operations.

Recent quarters have seen rapid emergence of Chinese cross-border e-commerce platforms that sell products globally directly from China under direct-sale or “fully managed model”, as compared to earlier traditional model of Chinese suppliers/merchants in a more indirect role selling on local e-commerce platforms in different markets. In April 2023, Temu, the international business of Chinese platform Pinduoduo, officially expanded into Europe. Following its earlier entry to Germany, Italy, the Netherlands, France, Spain, and the UK, it launched its operations in Poland in June 2023.

The fully managed model allows Temu to source and offer large quantities of products across many categories, similar to the third party marketplace platform, and set deeply discounted prices through integrating the supply chain and securing bargaining power against suppliers/service providers. Since their launch in Poland, Temu has been investing in marketing, which translated into growing traffic and app downloads in H2’23. While cross-border e-commerce export from Asia is not a new development and for customers in Europe mean much longer delivery times and typically less relevant selection as compared to local marketplaces, if Temu and/or other international cross-border e-commerce platforms gain significant share in the e-commerce segment in Poland or CE-5 countries, this could have a material adverse effect on Group’s business, financial condition and results of operations. Moreover, the recently announced change in Temu’s sourcing strategy, inviting merchants from other parts of the world (i.e. local merchants), may increase relevancy of their selection and reduce delivery times, which may cause additional risk to local e-commerce players if such a move is more successful than it has been for other recent entrants to the Polish market.

Shein is another example of a Chinese company that pursues international expansion in multiple geographies, also in Poland & CE-5. As a fast-fashion retailer, successful e-commerce segment expansion may impact Allegro via a drop of revenues in the fashion and apparel vertical.

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The Group may not exclude that other international competitors may decide to enter the e-commerce segment in Poland and/or CE-5 countries in the future, which could cause the competitive environment to intensify. Moreover, the Group cannot rule out the possibility that SEA or other international players may decide to make another attempt to enter the Polish or Central European e-commerce segment in the future.

It is not possible for the Group to accurately estimate the potential impact of intensified competition from other e-commerce players on its financial and operational performance. Level of competitors' investment in gaining customers and winning sales, together with its chosen marketing mix, may have an indirect impact on the Group's performance.

The Group believes that the development strategy that it has pursued over the past several years has prepared it well to meet intensified competition from Aliexpress, Amazon, Shein, Temu, and other players. Allegro remains a primary consumer touchpoint when buying an item online in Poland, offering a wide and continuously increasing selection, offered at very attractive prices, with seamless delivery experience and competitive marketplace take rates. This, combined with comparatively long lead times for internationally sourced selection and the familiarity of Polish consumers with the user experience and customer service provided by Allegro's marketplace is expected to provide meaningful protection against foreign competitors building a significant e-commerce segment share in Poland.

Competition in the e-commerce segment in CE-5 countries remains relatively scattered, with no very large incumbent positions. Following the Mall acquisition in 2022 and launch of the Allegro.cz marketplace in 2023, the Group has expanded its operations beyond Poland, with an ambition to build a leading international e-commerce leader in the CE-5 region. The Group may not exclude however that other international competitors may decide to enter the e-commerce segment in CE-5 countries in the future, which could cause the competitive environment to intensify. In addition to Temu and Shein, there are two examples of such activities in CE-5. Kaufland launched their Czech marketplace in 2023. Trendyol announced plans to launch their platform in Q1 2024 in the Czech Republic and Hungary.

In preparing its budgets and expectations for financial performance of the Group for 2024 and beyond, the Group has used its judgement to make reasonable assumptions about the level of competition from other e-commerce players and the resulting impact on its results and operations in Poland and CE-5. However, the Group may be incorrect in its planning assumptions and the impact of intensified competition may have a materially more adverse effect on the Group's business, financial condition, and results of operations than currently assumed.

THE GROUP'S BUSINESS DEPENDS ON A STRONG BRAND, WHICH THE GROUP MIGHT NOT BE ABLE TO MAINTAIN OR ENHANCE THROUGH ITS INVESTMENTS TO INCREASE BRAND AWARENESS, AND UNFAVOURABLE FEEDBACK FROM MERCHANTS OR CONSUMERS, OR NEGATIVE PUBLICITY COULD MATERIALLY ADVERSELY AFFECT ITS BRAND.

The Group believes that the Allegro brand under which it operates has significantly contributed to the growth of its business. The Group believes that the strong awareness of the Allegro brand in Poland contributes to higher unpaid traffic on its websites and lower marketing costs as the significant majority of traffic on its websites in 2023 was generated by consumers either directly typing Allegro websites addresses, use mobile application or was related to customer relationship management, social media, search engine optimisation channels or other sources of free traffic. Therefore, the Group believes that maintaining and enhancing the Allegro brand is critical to the Group's ability to expand and retain its base of consumers, merchants, and brands.

The Group has invested significant amounts of its revenue to increase brand awareness, user acquisition, and consumer and merchant loyalty, and expects to continue to spend significant amounts in the future to attract new, and retain existing, consumers and merchants. For example, the Group has incurred and will continue to incur significant expenses in marketing through a broad range of media to attract website traffic, increase consumer and merchant loyalty and encourage repeat purchases in order to increase revenue and maintain its brand awareness and recognition.

These expenses include substantial outlays for offline marketing, in particular television advertising, and online marketing such as paid search engine marketing or affiliate programs, under which the Group pays third parties to refer visitors from third-party websites to the Group's websites. The Group's decisions regarding investments in user acquisition are driven by its analysis of the profit contribution generated from consumers and merchants that the Group acquired in earlier periods.

There can be no assurance that the Group's assessment of user acquisition investment and resulting net revenue from such consumers and merchants, including those relating to the effectiveness of the Group's marketing expenditures, will prove to be correct or that the Group's marketing efforts and other promotional activities will achieve what the Group considers an optimal mix of advertising tactics at a cost that the Group considers economically viable. Furthermore, the Group cannot guarantee that certain methods of advertising that it currently utilises will not become less effective or that potential increased competition in the retail market will not result in a decreased return on the Group's marketing investment. The Group's online partners might be unable to deliver the anticipated number of user visits or impressions, or visitors that are attracted to the Group's websites by such campaigns might not make purchases as anticipated. Moreover, changes to search engines' algorithms, which occur regularly, or terms of services could exclude the Group's websites from, or rank them lower in, search results.

All of the above described risks related to maintaining a strong brand apply equally to the Group's entry with the Allegro brand into the Czech Republic and its plans to roll out to further CE-5 markets in the future. There can be no assurance that the Group will manage to build similarly strong brand strength in those countries as it has done in Poland, which could lead to less competitive advantage accruing to the Group's operations and weaker financial performance over the long term.

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The Group's brand may be adversely affected if its public image or reputation is tarnished by negative publicity. Product recalls, product liability claims, breaches of corporate social responsibility, the presence of counterfeit goods that violate the Group's terms and conditions or other fraudulent activity in the Group's e-commerce marketplace that is not detected by its anti-fraud technology could significantly harm the Group's reputation and business. User complaints or negative publicity about its websites, products, delivery times, returns processes, the working conditions of its employees (or those of the employees of any of its subcontractors or suppliers), user data handling and security practices, or customer support, including on internet-based platforms such as blogs, online ratings, review services and social media websites, could have a significant negative impact on the Group's reputation and on the popularity of the Group's websites.

If the Group is unable to maintain or enhance its brand image, if its brand image is damaged by negative publicity, or if its brand is not accepted by consumers, this could have a material adverse effect on its business, financial condition and results of operations.

THE GROUP'S SUCCESS 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 Group depends on the continued development and growth of the Polish retail market, including the online retail and the e-commerce segment in which it currently operates, as well as corresponding markets and segments the countries where Mall Group operates (CE-5), as well as in other geographies it may seek to enter in the future. Based on projections from Euromonitor [1] as of February 2023, the Polish retail market is projected to grow at a CAGR of 7.9% from an estimated PLN 921.5 billion in 2023 to PLN 1,250.6 billion in 2027 and online retail in Poland, which remains underpenetrated relative to many other countries, is projected to grow at a CAGR of 9.9% from PLN 135.8 billion in 2023 to PLN 197.9 billion in 2027.

While the Czech retail market is slightly more penetrated in terms of share of e-commerce segment (at 17.7 % as of 2023, according to Euromonitor), Czech online retail is projected to grow at a CAGR of 7.3% from CZK 242.5 billion in 2023 to CZK 321.5 billion in 2027. In other Mall footprint countries (Slovakia, Hungary, Slovenia and Croatia), where retail market remains significantly less penetrated than Poland (combined share of e-commerce of 8.0% in 2023, according to Euromonitor), online retail is projected to grow at a CAGR of 9.5% between 2023-2027, thus offering further future growth potential.

There is no guarantee, however, that the retail market and the online retail segment in Poland and other countries where the Group operates, will grow at rates projected by Euromonitor, at the growth rates that the Group believes may occur, or at all. While intensification of competition may lead to faster growth in the e-commerce segment than would otherwise be the case, it may also lead to a relative loss of segment share for the Group that could overall result in slower actual growth. Loss of share, slowing growth, stagnation, or contraction in the market and segment in which the Group operates in Poland, CE-5 or in geographies where it may operate in the future, could have a material adverse effect on its business, financial condition, and results of operations.

[1] Euromonitor data on Retailing in Poland, as published in February 2024

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DETERIORATION IN ECONOMIC CONDITIONS IN POLAND AND OTHER COUNTRIES WHERE THE GROUP OPERATES, OR A WORSENING GLOBAL ECONOMY COULD MATERIALLY ADVERSELY AFFECT THE GROUP'S BUSINESS, FINANCIAL CONDITION OR RESULTS OF OPERATIONS.

The Group conducts its operations in Poland and CE-5 countries and therefore the macroeconomic situation in Poland and the broader CEE region has a material impact on the business, financial condition and results of operations of the Group. The economic situation in Poland and CE-5 depends on a number of factors, including national governments' attempts to influence the economy, such as setting levels of taxation, formulating government budgets, redistribution of income, regulation, influencing the money supply, interest rates, exchange rates and the labour market. The demographic situation, macroeconomic conditions in Europe and globally and inflow of funds from the European Union also affect the economic situation in Poland and CE-5 counties.

Whilst the lockdown measures that had been introduced in response to the COVID-19 pandemic have created tailwinds of demand for the e-commerce segment, a prolonged economic slowdown in Poland and CE-5, resulting from potential future lockdowns or other causes such as a sustained period of higher real interest rates, could damage the Group's operations. Although impact of the COVID-19 pandemic had eased off since 2022 with all restrictions lifted in Poland and CE-5, it is not possible to predict if the governments in Poland and CE-5 will be able to avoid any future lockdown measures impacting the Polish and CE-5 retail markets or whether any future measures may be so severe as to damage local economies to an extent that the COVID-19 pandemic starts to have a negative impact on the e-commerce segment.

Other negative macroeconomic developments, such as higher inflation caused by rising commodity, fuel and power prices, potential issues with global supply chain or other factors, resulting in rising interest rates, may significantly adversely affect the financial conditions of the Group's merchants and consumers. Any macroeconomic recession, prolonged cost of living crisis, higher unemployment, reduced disposable income and lower consumption, fluctuations in asset values and foreign exchange rates, as well as emergence of other negative economic developments may have an adverse impact on consumer confidence and discretionary consumer spending, including on sales on the Group's e-commerce marketplace, from which the Group generates the majority of its revenue. Negative macroeconomic developments may also cause increased risk of merchants' bankruptcies, resulting in lower marketplace revenue or increased cost of the Allegro Protect Program, which may have a material adverse effect on the business, financial condition and results of operations of the Group.

There is a risk of new para-taxes (tax like instruments) being imposed on businesses in order to address public debt levels, which have increased as a result of the deterioration in the macroeconomic situation. Should such additional costs be imposed, affected businesses may need to increase prices and this could in turn lead to a fall in demand for their services and to a material deterioration in growth and/or operating margins.

Moreover, the Polish Government has historically introduced wide-ranging changes to social security and taxation in rules as well as in 2023 continued to implement measures to protect consumers from rising prices and interest rates, that are likely to significantly redistribute disposable income among Polish consumers in favour of less well-off households. Whilst such changes have historically tended to lead to higher retail sales growth, there can be no assurance that this will be the case in respect to these newest reforms and they may have a negative impact on demand for the Group's services.

The Group's business, as well as the successful implementation of its strategy, is highly dependent on the financial condition of its merchants and consumers and their continued and increased use of the Group's e-commerce marketplace and other services. The financial condition of households in Poland and CE-5, including the Group's consumers, is highly correlated with the unemployment rate and increases in real wages. An increase in the unemployment rate and/or a fall in real wages in Poland and/or CE-5, could reduce consumer spending and lead to reduced use of the Group's e-commerce marketplace and other services.

Any deterioration of economic conditions in Poland and CE-5 may have a material adverse effect on the business, financial and condition and results of operations of the Group.

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POTENTIAL RISKS AND UNCERTAINTIES ARISING FROM THE INVASION OF UKRAINE AND OTHER CURRENT OR POTENTIAL MILITARY CONFLICTS IN THE WORLD COULD MATERIALLY ADVERSELY AFFECT THE GROUP'S BUSINESS, FINANCIAL CONDITION OR RESULTS OF OPERATIONS.

Intense fighting between the armies of Ukraine and the Russian Federation began on 24 February 2022, following the movement of Russian military forces into Ukrainian territory, and the fighting continues as of the date of this report. The Group's Management has assessed the direct exposure of the Group's operations to the situation in Ukraine and has concluded that the direct impact is currently minimal. The value of GMV generated with the participation of either buyers or sellers with addresses in Ukraine, Belarus or the Russian Federation was less than 0.1% in 2021. The Group has suspended cooperation with Russian and Belarusian sellers while the conflict continues. In terms of supply chain, direct disruption to sellers' ability to source products to list on the Group's marketplace has not been apparent to date. The Group has very few Ukrainian based suppliers and so far the Group has seen no significant disruption to their ability to fulfil their contractual obligations.

However, the Group cannot provide any assurance that the impact of the wider effects of the conflict on the Polish economy and the five Central European countries where the Group currently operates will not have an adverse effect on its financial performance, operations or cash flows in the future. The financial burden of supporting Ukrainian refugees across the Central European region until they return to Ukraine or are able to become financially independent may lead to higher tax burdens on the Group or its employees in the future. Disruption from sanctions on trade with Russia, including energy imports to the European Union, may lead to further inflationary pressure and erosion of the disposable incomes of the Group's buyers, potentially having a negative impact on GMV growth.

Should there be an escalation of the military conflict beyond Ukraine, including potential involvement of NATO and the possibility of armed conflict on Polish territory or the territory of the CE-5, we cannot exclude the possibility that this may have a material adverse effect on the economy, consumers, merchants and their supply chains and the Group's key suppliers. Damage to the Group's physical property or reductions in the available workforce may further disrupt the Group's ability to provide its services in the current scope. Any or all of these factors may lead to a material adverse effect on the economy and consumers of Group's key markets, or on the Group's key business assets, and as a result materially harm the Group's business, financial condition and results of operations.

Moreover any potential new military conflict or escalation of existing conflicts may lead to disruption of supply chains, negatively impact the economy and consumers and have a material adverse effect on the Group's business, financial condition and results of operations.

IF THE GROUP IS NOT ABLE TO MAINTAIN AND CONTINUALLY IMPROVE USER EXPERIENCES WITH THE ALLEGRO PLATFORM, EITHER IN POLAND OR IN THE CE-5 MARKETS, ITS BUSINESS, RESULTS OF OPERATIONS OR FINANCIAL CONDITION COULD BE MATERIALLY ADVERSELY AFFECTED.

The Group believes that its success as a company active in the retail market depends upon providing consumers with a wide selection of products from a variety of merchants at competitive prices. If the Group does not attract merchants to offer the products and brands in demand by the Group's consumers, if the Group is unable to present such products on its website in an effective way and at competitive prices or if consumers and merchants regard the Group's delivery, returns and/or payment processes as inconvenient, the Group may be unable to attract new consumers and merchants, may lose existing consumers and merchants or may be faced with reduced volumes of purchases on its websites.

If the Group or any third-party users fail to provide accurate information on its platforms, such as, product information on the Group's e-commerce marketplace or price comparison information on Ceneo.pl, it may lose consumer confidence and may receive a higher number of complaints and its business and operations may be materially adversely affected. Any of the foregoing would have a material adverse effect on the Group's business, financial condition and results of operations.

These success factors for user experience are universal and are likely to be applicable in any of the markets where the Group choses to deploy the Allegro marketplace, as well as in Poland.

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THE GROUP MAY BE UNABLE TO SUCCESSFULLY IMPLEMENT ITS STRATEGIC OBJECTIVES AS REFLECTED IN MANAGEMENT'S SEVEN PRIORITIES ANNOUNCED IN SEPTEMBER 2022, SUCH AS MAINTAINING GROUP'S STRONG POSITION IN POLAND, DEVELOPING AND LAUNCHING NEW CONSUMER FINANCE PRODUCTS BY ALLEGRO PAY, ROLLING OUT ALLEGRO 3P MARKETPLACE MODEL IN OTHER COUNTRIES, IMPROVING THE ECONOMICS OF SMART! AND DELIVERY, TURNING AROUND MALL 1P OPERATIONS OR OPTIMISING GROUP'S COSTS.

Staying strong in Poland

The Group operates a leading online marketplace in Poland. Allegro is the go-to commerce platform for Polish consumers and Polish Operations delivered strong revenue growth, profitability and cash flow at scale. Staying strong in Poland, where Allegro has been operating for over two decades, is one of the key priorities of the Group's Management. There are multiple risk factors described earlier (3.2.2. Risk Factors related to the Group's Business and Industry) that may impact Group's position in Poland, which could, in turn, have a material adverse effect on the Group's business, financial condition, and results of operations. As the Group generates all of its free cash flow from its Polish operations, any material deterioration in performance could lead to a material deterioration of leverage metrics and reduce or limit funds available for investment in growth initiatives.

Scale up Allegro Pay

In 2023 the Group continued to develop Allegro Pay, its own proprietary fintech offer. Allegro Pay allows consumers to postpone payments by one month ("Buy Now Pay Later" or "BNPL" offers) or split them into convenient 2x0% (for SMART! users), 3, 5, 10 or 20-month installments, giving greater financial flexibility to Active Buyers and ensuring safer and easier buying online.

The financial and operational impact of Allegro Pay on the Group depends on a series of important factors, including the effective management of the related credit risk. To assess the credit risk of a consumer seeking a loan under the Group's consumer finance offering, the Group uses, among other indicators, credit reports from external suppliers and an internally developed risk model in order to help predict the consumer's ability to repay the principal balance and interest related to their credit. Despite the dynamic growth of Allegro Pay and a significant increase in the base of active borrowers, the Group has maintained a relatively low credit loss ratio on the back of good risk management discipline and improved risk scoring models, even during the relatively weak economic environment present in Poland during 2023. Nevertheless, the Group can provide no assurance that these credit risk assessment processes will remain as effective in the future. It may be that variances in future credit collection performance of individual consumers or in response to economic factors is greater than currently anticipated in the Group's assumptions. The accuracy of the risk model and the Group's ability to manage credit risk related to the Group's consumer finance offering may also be affected by competitors' actions, changes in consumer behaviour, availability of funding resources, changes in the economic environment and other factors as well as legal or regulatory changes (e.g. bankruptcy laws, minimum payment regulations, restrictions on fees and interest rates, credit checking requirements or other consumer credit related provisions). In 2023 a number of legislative proposals were adopted or are currently pending at the Polish and EU level, including Anti-Usury Act, Law on identity theft (Pesel Identity Number Freeze Act) and revision of Consumer Credit Directive (CCD2). They will impact the operations of Allegro Pay. If the Group is unable to satisfactorily monitor and manage the credit risk inherent in its loans, it could result in a material adverse effect on the Group's business, financial condition and results of operations.

In addition, further development of Allegro Pay may not result in the anticipated incremental increase in purchasing of merchandise by consumers and the Group may therefore fail to realise the expected additional commission income from merchants. The Group may also be unable to obtain funding for its consumer loans at rates that are competitive enough to allow the Group to achieve profits on its consumer finance product.

In 2023 the Group continued cooperation with Aion Bank ("Aion") based on the Receivables Purchase Agreement made in 2021 ("RPA"), concerning the purchase by Aion of consumer loan receivables originated by Allegro Pay. The RPA created a framework for a series of possible disposals of receivables based on an offer and acceptance mechanism. Receivables to be offered to Aion in the course of the Transaction must be compliant with eligibility criteria defined in the RPA.

If the parties fail to agree on the price of receivables for one or more of the expected series of sales, or if Allegro Pay fails to produce a sufficient value of qualifying instalment receivables, then the actual values of sold portfolios may be lower than the anticipated total of PLN 2 billion within the terms of the agreement.

Furthermore, the Group may be unable to securitise its loan book in the future or may not be able to sell its loan book on terms that eliminate any recourse to the Group, which may lead to increased indebtedness to fund the loan book that may lead to the Group discontinuing consumer finance services or seeking to operate at higher leverage levels than it currently expects. An alternative solution for securing financing for the business is the regular and cyclical sale of receivables made by Allegro Pay. Should the Group become too reliant on one funding partner then it might be difficult to find further partners and debt capacity to continue its growth on reasonable terms or at all.

The Group's operations in financial services may also expose it to additional regulatory review, including by the OCCP President, the Polish Financial Supervision Authority (Komisja Nadzoru Finansowego), the General Inspector of Financial Information (Generalny Inspektor Informacji Finansowej) and the Personal Data Protection Office (Urząd Ochrony Danych Osobowych), may be adversely impacted by changes to the Act of 12 May 2011 on Consumer Credit, the Act of 21 July 2006 on Supervision Over Financial Market and the Act of 29 August 1997 – The Banking Law, and such activity may be subject to additional risks including risk relating to money laundering, bribery and corruption and terrorist financing.

The Group is introducing new products in financial services and may seek to introduce further products and services in addition to the current Allegro Pay product in the future. These products may also be aimed at consumers, be aimed at merchants or be designed to be utilised to fund transactions that occur outside of the Allegro platform.

In June 2023, Allegro Pay sp. z o.o. concluded the Co-operation Agreement between Allegro Pay, Allegro sp. z o.o., Aion and Vodeno (the "Agreement") in the scope of new products based on the Banking-as-a-Service ("BaaS") model and introduced changes to former cooperation with Aion under the RPA. Vodeno is a company belonging to the same capital group as Aion, acting as Aion's subcontractor and provider of certain IT technical solutions. Under the Cooperation Agreement, Aion provides certain banking services, including payment accounts for customers making purchases on the Allegro platform. The Cooperation Agreement was concluded for a period of 5 years with the possibility of its extension.

The BaaS model enables Allegro Pay to launch new financial products and services that are reserved for entities holding banking license (i.e. saving and payment accounts). Cooperation with Aion, acting as a BaaS provider and a banking licence holder, will facilitate compliance with regulatory requirements.

Based on the BaaS model, a new financial service was created called Allegro Cash. Allegro Cash is a new payment method on Allegro with a cash back option for purchases. To benefit from Allegro Cash, customers need to set up an Allegro Cash banking account on the Allegro app, top it up at will, and seamlessly use it for convenient payments while enjoying certain cash back benefits. The Board considers Allegro Cash as an attractive way to enter the opportunities of providing banking products and services and establish a platform for further expansion of Allegro. However, the Group can provide no assurance that this newly prepared product, and other potential new future products will be well received by the intended consumers, produce the anticipated rates of return on invested capital that were planned at the moment of committing to the product's development or that any credit risk inherent in these products may not consume all or most of the anticipated profits.

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Any significant underperformance on a material Allegro Pay product could result in a material adverse effect on the Group's business, financial condition, and results of operations.

In 2023, Allegro Pay implemented measures to prepare the company to come under the supervision of the Polish Financial Supervision Authority (KNF) as of 1 January 2024. This change introduces a new level of regulatory supervision for Allegro Pay. We can provide no assurance that regulations that KNF may choose to implement in the future will not have material impacts on the scope, cost or scale of Allegro Pay's operations relative to the Group's current plans.

Improving economics of SMART! and delivery

– SMART!

Following its launch in 2018, the SMART! loyalty program has achieved rapid consumer uptake and financial success as the Group has invested heavily in its development. Number of SMART! customers comprises both paying subscribers and users of the "SMART! for Start" limited free trial offer.

The Group's financial expectations have been prepared with the assumption of continued growth in the SMART! program and could therefore be impacted by lower or higher than expected adoption of the program by buyers. Faster adoption tends to produce faster growth in the value of transactions completed on the marketplace, while lowering the percentage profit margin, and vice versa. Moreover, as SMART! has proven to be a popular program for Polish consumers, there is a risk that the introduction of competing offers such as Amazon Prime may lead to slower than expected growth from SMART! if Allegro consumers choose other e-commerce players' offers instead or in addition to a SMART! subscription in the future. To avoid such a situation, the Group may choose to improve the value of the SMART! program for consumers and/or merchants and such actions could deteriorate the Group's profitability whilst strengthening growth. While the Group is aiming to improve the economics of SMART over the medium term, the Group may be unable to successfully manage the anticipated growth and the related costs of the SMART! program, which could result in a material adverse effect on the Group's business, financial condition, and results of operations.

– One Fulfillment by Allegro

In order to further improve the consumer experience and to support international sellers and select domestic merchants, the Group introduced its own fulfillment services ("One Fulfillment by Allegro") as a supplement to its third-party merchant-fulfilled model. The first Fulfillment Center aimed at supporting 3P sellers was launched in early 2022. Depending on the performance of the first fulfillment center for 3P merchants, The Group may invest in additional Fulfillment Centers close to large centers of population. If the Group fails to properly execute its fulfillment services strategy, including overinvesting or underinvesting in the infrastructure necessary to stock the merchant's co-located inventory in the delivery centers, failing to expand in timely manner or otherwise failing to meet buyer and merchant demand, it could have a material adverse effect on the Group's business, financial condition and results of operations.

– Roll-out of a proprietary last-mile locker network

In 2021, the Group began investing in the roll-out of its own network of proprietary lockers as part of its strategy to improve delivery experience for consumers. The Group invested in a team dedicated to managing the site acquisition and locker installation and operation and secured supply of high quality lockers. By the end of 2023, the number of installed lockers crossed 3,500. The roll-out may take several years and the target size of the locker network is yet to be established and will depend on the project's delivery of consumer facing operational objectives as alternative methods of delivery.

As of the date of this Report, InPost operates substantially the largest APMs network in Poland. Since Allegro began investing in its APMs, other companies, such as Aliexpress, Orlen, DPD, Poczta Polska or DHL have announced plans to roll-out more lockers in Poland and, by the end of 2023, some of these market entrants have built APM networks of comparable size to Allegro.

As a result, the Polish APMs market is gradually becoming increasingly competitive and saturated, which may potentially result in lower than assumed utilisation of Group's existing lockers and also slow roll-out of the network given intensified competition for the most suitable APM locations.

If the Group fails to secure sufficient attractive locations for its lockers, fails to properly manage the execution of the locker roll-out, is unable to acquire lockers at acceptable prices due to rising inflation and commodity prices, is unable to integrate with pick-up and drop-off delivery services sourced from third parties at acceptable prices or with acceptable quality, or fails to effectively integrate an end-to-end consumer experience that materially improves next day delivery capabilities, returns from this investment may not be satisfactory and this could result in a material adverse effect on the Group's business, financial condition and results of operations. Moreover, in working with partners to design and integrate its locker solutions, the Group is creating certain intellectual property rights which it is seeking to protect, and is also seeking to avoid unauthorised use of the intellectual property rights of others. The Group can provide no assurance that the Group will not become involved in intellectual property disputes in the future as a result of its investments in its own proprietary locker solutions.

The Group's chosen supplier for its lockers is a company with production facilities in Western Ukraine. In 2022 the supplier had delivered all the lockers ordered, which allowed for uninterrupted installation and network rollout. Although the supplier is currently working on moving their production facilities to Poland, the Group cannot exclude the possibility that any economic disruption resulting from the ongoing war in Ukraine might delay, or make impossible for a period of time or indefinitely, scheduled deliveries of ordered locker units.

Allegro's overriding objective in regard to providing high quality delivery solutions to its active buyers and merchants. To achieve this it aims to have choices between delivery suppliers, its own proprietary capabilities such as its APM network, to ensure that it can achieve the necessary speed, reliability and cost of service to be competitive with other e-commerce market participants.

As the choice of APM suppliers is increasing, it is becoming less clear whether the Group needs to rapidly grow its own APM network to achieve its aims and the Group cannot guarantee choices that it makes in this regard will prove to be the right ones.

On the one hand, competitive pressure may also lead to increasing numbers of locker providers servicing Allegro parcel volumes and lead to lower prices from existing suppliers. As a result, the Group cannot guarantee that its existing locker APM network will ever grow to a scale where it can achieve a stand-alone cost below the market price level and achieve a stand-alone profit although the overall cost of subsidised delivery for the Smart programme may still improve due to the lower market prices. On the other hand, if it does chose to accelerate its roll-out to help achieve stand-alone profitability, the above described risks relating to APM network development remain, capital investment and start-up losses may materially increase in the near term and the long term benefits to profitability through achieving sustainable price reductions from alternative suppliers would remain uncertain.

– Investment in a proprietary delivery capability

In 2021 the Group acquired X-press Couriers ("XPC"), a local same-day delivery company, to complement fulfillment and lockers services in driving faster deliveries. In 2022, the company was merged with Allegro and rebranded to One Kurier and its ownership provides the Group with its own same day delivery capability and collection and distribution capabilities. These capabilities are being levered to support specific use cases within the thousands of distribution tasks undertaken each day to support the marketplace, all of which were previously provided by the Group's third party distribution partners. Expanding Group's own delivery capabilities and capacity from One Kurier leads to increased fixed and variable operating costs and higher capital investment, while benefits accrue mainly from avoiding cost of purchased equivalent transportation services from third party suppliers. The Group can provide no assurance that these ongoing investments in expansion of One Kurier will be sufficient to enable it to make a profit from providing these services, or achieve sufficient scale to enable unit costs to fall to levels low enough to make profits or make a reasonable return on invested capital.

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- **Turnaround of Mall 1P operations and Rolling out of Allegro 3P marketplace model in other countries**

On April 1st 2022, the Group completed the acquisition of the Mall Group and WE | DO and their operations across CE-5 countries (see Section "Summary of key developments"). This acquisition marked a significant milestone in Allegro's international expansion ambition. Building on this extended geographical footprint, the Group launched its first Allegro international 3P platform in the Czech Republic in May 2023. Further country specific deployments across the countries where Mall operates are scheduled for 2024 and 2025 and these launches together form the Management Priority to "Successfully roll out Allegro 3P marketplace model in other CE-5 countries". In parallel, the Mall Group has struggled with falling revenue in a very difficult consumer spending environment across its operational footprint and this has so far largely undermined the Group's efforts to improve operating margins, despite reductions in operating costs as part of a Management priority termed "Turnaround of Mall 1P operations". Successful delivery of these two Management priorities involves many risks, including the Group's lack of experience in operating in such geographies and differing commercial and social norms and customs. Expansion of the Group's operations in the Czech Republic, Slovakia and other geographies where Mall Group operates also involves significant additional business, regulatory and legal risks. These risks include, but are not limited to: changes in economic, political or regulatory conditions; difficulties in managing geographically diverse operations; changes in business regulation; effects of foreign currency movements; difficulties in enforcing contracts; ensuring adherence to the Group's compliance and ethical standards; and cultural and language barriers. Moreover, there is no assurance that the Group will be able to accurately anticipate the level of demand for its products and services in new geographies where the Group may seek to expand operations and the Group may need to develop a new brand or repurpose its existing brand for use in new geographies.

Expansion into new geographies is also likely to involve significant investment in infrastructure and/or marketing to acquire consumers and traffic, which may not deliver the anticipated returns for the Group. If the Group launches an international expansion initiative that fails to generate satisfactory returns, it could have a material adverse effect on the Group's business, financial condition and results of operations. For more detailed description of risk factors related to the Mall segment please refer to the sub-section: "Risks related to the Group's international expansion".

IMPROVEMENT OF THE GROUP'S COST STRUCTURE THROUGH THE ROLL-OUT OF ITS "FIT TO GROW" EFFICIENCY INITIATIVE

During 2023, one of the Management's seven priorities was the implementation of a Group-wide efficiency initiative known as "Fit to Grow". The project was based on three pillars of activity i) improve employee productivity, ii) reduce costs and capital investment through tighter policies and spend controls, together with increased intensity of supplier negotiations and iii) increase the effectiveness of selecting development projects for software development and improving the efficiency of deployment of software developers to realise such projects. Significant cost reductions and improvements to employee productivity metrics were achieved by "Fit to Grow" during 2023. The third pillar around selecting development projects and increasing efficiency and returns from software development has been significantly progressed but remains work in progress at the date of this report. The "Fit to Grow" project team has now been disbanded and the Group aims to embed learnings, policies and procedures developed during the project into its normal daily operations. Management can give no assurance that this embedding of the first two pillars will be successful or that the full implementation of the third pillar will lead to the anticipated improvements in the financial efficiency of investments in new software functionality will end successfully. In such a case, the benefits of the "Fit to Grow" project on the operating margins, capital investment and growth profile of the Group achieved during 2023 may be only transitory and begin to reverse in the future. Moreover, continuation of these new policies and procedures for the long term may also lead to unwanted side effects, such as lower employee engagement and higher attrition, lower consumer or merchant levels of satisfaction and net promoter scores, or more incidences of losses due to one-off failures of controls that may be monitored less effectively due to cost reductions. Any such side effects of this greater focus on efficiency may also result in a material deterioration in the Group's financial performance and condition.

THERE MAY BE ACQUISITIONS IN THE FUTURE

The Group may engage in opportunistic acquisitions of other companies, businesses or assets, either in Poland or abroad. Acquisitions involve numerous risks, any of which could harm the Group's business, including but not limited to: difficulties in integrating the technologies, operations, existing contracts and personnel of acquired businesses; difficulties in supporting and transitioning customers or suppliers of an acquired company; diversion of financial and management resources from existing operations or alternative acquisition opportunities; failure to realise the anticipated benefits or synergies of a transaction; failure to identify all of the problems, liabilities or other shortcomings or challenges of an acquired company or technology, including issues related to intellectual property, regulatory compliance, accounting practices or employee or consumer issues; risks of entering new markets in which the Group has limited or no experience; potential loss of key employees, consumers and suppliers from either the Group's current business or an acquired company's business; inability to generate sufficient net revenue to offset acquisition costs; additional costs or equity dilution associated with funding the acquisition; and potential write-offs or impairment charges relating to acquired businesses. If, in the context of any future acquisition, the Group fails to properly assess the merits of the acquisition target, incur costs that later prove to be unjustified, fails to integrate the acquisition into the Group's business properly and in a cost-efficient manner, or incurs liabilities that prove to be larger than anticipated, it could have a material adverse effect on the Group's business, financial condition and results of operations.

THERE MAY BE FUTURE CHANGES TO THE GROUP'S GROWTH STRATEGY

The Group might elect to pursue new business opportunities, develop new product offerings, expand internationally or acquire other businesses, any of which could prove to be non-cost-effective or otherwise unsuccessful. Any such initiative that is not favourably received by users could damage the Group's reputation and brand, and any expansion or alteration of the Group's operations could require significant additional expenses and divert management and other resources, which could in turn materially and adversely affect the Group's business, financial condition and results of operations. Ongoing key investment projects may not bring expected benefits, or prove to be more costly than assumed. Any of the foregoing would have a material adverse effect on the Group's business, financial condition and results of operations.

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THE GROUP'S EXPECTATIONS, ASSUMPTIONS, AND JUDGMENTS UNDERLYING ITS NEAR-TERM FINANCIAL OUTLOOK AND OTHER FORWARD-LOOKING PERFORMANCE MEASURES MAY PROVE INACCURATE, AND AS A RESULT THE GROUP MAY BE UNABLE TO SUCCESSFULLY MEET ITS EXPECTATIONS OR ACHIEVE ITS TARGETED FINANCIAL RESULTS.

Various expectations are presented in this Report relating to the Group's near – term financial outlook and other forward-looking performance measures. The information in respect of the Group's financial outlook and other forward-looking performance measures represent the Group's targets only and should not be relied upon to predict or forecast actual results or future events. Such targets and beliefs are unaudited and reflect a number of assumptions relating to future GMV, net revenue, Adjusted EBITDA, capital expenditures and other forward-looking performance measures, any of which may not be borne out due to both known and unforeseen risks, uncertainties and other important factors beyond the control of the Group that could affect actual results. Such targets and the underlying assumptions and judgments carry an inherent degree of uncertainty and may not take into account all relevant considerations. If the assumptions upon which the estimated data is based prove to be inaccurate, growth rates may be lower than targeted or the Group's position in its industry may be less favourable than expected, which in turn may have a material adverse impact on the Group's business, financial condition and results of operations in the near – and medium-term.

INEFFECTIVE PROTECTION OF CONFIDENTIAL INFORMATION MIGHT MATERIALLY WEAKEN THE GROUP'S MARKET POSITION.

The Group's key employees and officers have access to sensitive confidential information relating to the Group's business such as insights about strategic developments, business case planning and core technology. In the event that competitors, third parties or the general public gain access to such confidential information, whether on purpose or by accident, the Group's market position could be materially weakened. This could have a material adverse effect on the Group's business, financial condition and results of operations.

THE GROUP MAY BE UNABLE TO MANAGE ITS ANTICIPATED GROWTH EFFECTIVELY.

The rapid growth of the Group's business to date has placed, and any future growth is expected to continue to place, significant demands on the Group's management and its operational and financial infrastructure. As the Group seeks to grow its business, it will need to continue to improve and upgrade its systems and infrastructure to deal with the greater scale and complexity of operations (including, for example, the additional complexities from an increased international presence as a result of geographic expansion or use of new proprietary locker network and delivery solutions will increase the scope, size and complexity of its IT and compliance systems). Such expansion will require the Group to commit substantial management, operational and other resources in advance of any increase in the size of the business, with no assurance that its revenue and profit will increase accordingly. Continued growth could in particular strain the Group's ability to maintain reliable service levels for the Group's merchants and consumers; to attract, train, motivate and retain highly skilled employees; and to continue to develop and to enhance the Group's operational, financial and management controls. Any failure to effectively manage the increasing size and complexity of the Group's business resulting from future growth could have a material adverse effect on its business, financial condition and results of operations.

USER BEHAVIOUR IN RESPONSE TO TECHNOLOGICAL DEVELOPMENTS IS RAPIDLY EVOLVING AND FAILURE TO SUCCESSFULLY ADAPT TO THESE CHANGES COULD HAVE A MATERIAL ADVERSE EFFECT ON THE GROUP'S BUSINESS, RESULTS OF OPERATIONS OR FINANCIAL CONDITION.

The e-commerce segment is characterised by rapid technological development, and new advances in technology can increase competitive pressure. The Group's success depends on its ability to continually improve its technological platform in order to remain competitive. For example, 5G cellular network technology is rapidly being rolled out in countries around the world, including Poland, enhancing the need for the Group's websites to be optimised for mobile use and faster, more reliable load times. In addition, artificial intelligence is transforming aspects of e-commerce ranging from optimising search results and pricing to providing customer support and coordinating delivery logistics. Given the new entrants to e-commerce (eg. Asian players, with state-of-the-art tech architecture) and global leaders (with high R&D budgets), who may be better positioned to leverage new technologies (such as artificial intelligence, AI) or sales methods (such as gamification) faster, the Group may be unable to continue to innovate at its historical pace or at the level of its competitors. Any failure to adopt and apply new technological advances in a timely manner could decrease our attractiveness to consumers and merchants and therefore limit the Group's growth. Any such failure could have a material adverse effect on the Group's business, financial condition and results of operations.

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THE GROUP'S CURRENT BUSINESS MODEL IS BASED ON E-COMMERCE PLATFORMS FOR COMMERCIAL TRANSACTIONS IN WHICH ALMOST ALL ACTIVITY DEPENDS ON THE PLATFORMS' MERCHANTS AND CONSUMERS AND IS THEREFORE LARGELY OUTSIDE OF THE GROUP'S CONTROL.

The Group's current business model is mainly dependent on merchants and consumers listing and purchasing items and services on its platform. Except for the Group's comparatively small first-party retail business in Poland and the Mall Group's more substantial 1P retail operations, the Group has limited influence over which items will be listed, and does not make pricing or other decisions relating to the products bought and sold on its platform. The Group's future revenue depends on continued demand for the types of goods that merchants offer on its marketplace. The popularity of certain categories of items, such as computer and electronic products, cellular telephones, toys, apparel and sporting goods, among consumers may vary over time due to perceived availability, subjective value, and trends of consumers and society in general. A decline in the demand for certain items sold through the Group's e-commerce marketplace without an increase in demand for different items could reduce the overall volume of transactions on the Group's platforms, resulting in reduced revenue. Certain of the principal drivers of the Group's business are largely outside of its control, and the Group depends on the continued preference for the Group's online services by millions of individual users.

The Group seeks to create a marketplace where products are offered at competitive prices. The Group does not control the pricing strategies of its merchants, however, which could affect the Group's revenue and its ability to effectively compete on price with the other distribution channels used by the Group's merchants, including other online retailers and brick-and-mortar stores. Manufacturers may attempt to enforce minimum resale price maintenance arrangements to prevent distributors from selling on the Group's websites or at prices that would make its site attractive relative to other alternatives. Retailers and brands may determine that they can more competitively price their products through other distribution channels and may choose such other channels instead of listing products on the Group's e-commerce marketplace. If any of the foregoing were to occur, the Group's business, results of operations and financial conditions could be materially adversely affected.

Moreover, the marketplace business model is becoming increasingly regulated, with further obligations to ensure merchants' and goods' compliance with existing laws. This may have an impact on merchants' NPS, availability of the offers on markets where the Group operates as well as on international sellers using Allegro marketplace.

THE POPULARITY OF THE ALLEGRO MARKETPLACE IS PARTIALLY DEPENDENT ON ITS REPUTATION FOR OFFERING CONSUMERS HIGHLY ATTRACTIVE PRICES ACROSS A LARGE RANGE OF SELECTION.

The Group relies on various tools to assist its merchants to provide consumers with access to the lowest prices available across the Polish retail market and build the perception of the Allegro marketplace as the market leader for low prices. This includes systematic monitoring of prices of popular products across competitive e-commerce and offline stores. When better prices are found elsewhere, this is termed a "Price Defect" and measures are taken to try to eliminate the Price Defect. These measures include i) providing merchants with pricing benchmarks and nudges to reduce price to a specific level to accelerate sales, ii) discounting take rates in exchange for reaching a specific price point and iii) taking over price setting for a specific product or products, with the consent of the listing merchant, to change prices in real time to eliminate measured Price Defects, in exchange for discounting take rates. The Group can provide no assurance that these methods will be fully effective in competing with e-commerce competitors, particularly e-commerce retailers, who own their own inventory and fully control pricing of their selection. In particular, the pricing information monitored may include errors or omit particular competitor's prices, resulting in acting on incorrect pricing information.

There may be insufficient interest from merchants to participate in these pricing programs or merchants may deliberately price their products high to try to obtain rebates on take rates and thereby improve their profitability and sales. The Group designs its price management tools to comply with all applicable regulations and, in particular, the "Omnibus" directive on communicating discounts. The level of compliance with these rules, particularly by e-commerce segment participants based outside the EU, is patchy, and can give them advantages on price perception from an unlevel playing field if EU rules are not properly enforced. While the Group constantly works to improve the efficiency of these pricing tools, the Group cannot guarantee that these tools will be fully effective at all times and any significant loss of the Allegro marketplace's reputation for offering highly attractive prices could have a material adverse effect on sales volumes, consumer frequency and other marketplace metrics, as well as adversely affecting financial results.

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THE LOSS OF OR A FAILURE TO HIRE AND RETAIN HIGHLY SKILLED SENIOR MANAGERS AND OTHER KEY PERSONNEL OR A FAILURE TO MAINTAIN GOOD RELATIONSHIPS WITH THE GROUP'S WORKFORCE COULD MATERIALLY ADVERSELY AFFECT THE GROUP'S BUSINESS.

The Group's future success depends, in part, on the performance of its senior management team, which possesses significant experience in the Group's industry. The loss of any members of senior management could harm the Group's business.

In addition, the competence and commitment of the Group's employees are important factors for the Group's successful development and management of opportunities and risks. Therefore, the Group's success also depends on its ability to attract, train, motivate and retain highly qualified individuals, while building its corporate culture. A lack of qualified and motivated personnel could impair the Group's development and growth or harm its reputation. The Group faces significant and increasing competition from local, European and global competitors for qualified personnel, including those in information technology positions. The loss of qualified personnel, high employee turnover, or persistent difficulties in filling job vacancies with suitable applicants could have a material adverse effect on the Group's ability to compete effectively in its business and considerable expertise could be lost by the Group or access thereto gained by the Group's competitors. In addition, to attract or retain qualified personnel, the Group might have to offer increased compensation packages and other benefits which could lead to higher personnel costs. Any failure to attract, train, motivate or retain skilled personnel at reasonable costs could result in a material adverse effect on the Group's business, financial condition and results of operations.

The Group has previously offered the Company's Board and key employees of the Group investment opportunities in the Group in order to attract and retain highly qualified individuals. These investments crystallised at the Group's IPO in October 2020, through conversion into ordinary shares of the Group, tradable on the Warsaw Stock Exchange. Each participating manager had the opportunity to sell a minority of their ordinary shares at the IPO and the remaining shareholdings were subject to a lock-up period that expired twelve months after the IPO in October 2021. A much higher rate of attrition than before the IPO was initially observed among the individuals who were invested in the Group during 2021 and the Group may continue to see an increased level of attrition of the remaining individuals of this group in the future. Although Management has implemented incentive schemes, including share-based incentive schemes, beginning in 2021, to ensure that total compensation remains competitive with comparable listed companies and ensures access to new talent willing to join the Group, it may not be sufficiently attractive to retain those employees who crystalised investments at the IPO.

In accordance with the binding requirements of the Polish labour code, the Group has in the past prioritised hiring talent under employment contracts in preference to business to business ("B2B") arrangements, even though the latter often produce lower tax and social security burdens for both the contractor and the hiring organisation. With effect from 2022 the Polish government has introduced new tax legislation which has deteriorated the Group's position in that it i) materially further increases the financial benefits of B2B arrangements for contractors relative to the situation in 2021 (e.g. by decreasing the flat rate taxation from 15% to 12% for B2B IT developers) and ii) introduces specific avoidance rules that disallow an organisation's current employees from switching to B2B arrangements with the same employer without first severing their relationship with the organisation for at least 24 months. These rule changes materially increase the threat that the Group's employed talent may be attracted by B2B arrangements offered by other organisations while, at the same time, making it even more difficult to offer B2B arrangements to the Group's existing employees. The Group can provide no assurance that these rule changes will not materially affect the Group's ability to retain existing talent at current or moderately higher levels of remuneration and may lead to slower delivery of projects key to securing the Group's growth.

Personnel expenses represent a significant cost factor for the Group's business. Although none of the Group's employees is currently subject to any collective bargaining agreement, there can be no assurance that labour disputes, work stoppages, strikes or similar actions will not occur in the future which might urge the Group to adopt or negotiate a collective bargaining agreement. Any material disagreements between the Group and its employees (who may be represented by a trade union established at Allegro in 2023) could disrupt the Group's operations, lead to a loss in revenue and users and increase the Group's operating costs. In addition, there is no guarantee that collective bargaining would be possible on terms that are satisfactory to the Group. If the Group's operations are affected over a longer period of time by labour disputes or if the Group were forced to enter into a collective bargaining agreement at unfavourable terms, this could have a material adverse effect on the Group's business, financial condition and results of operations.

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THE GROUP'S E-COMMERCE MARKETPLACE DEPENDS ON A NUMBER OF THIRD-PARTY SERVICE PROVIDERS FOR THE DISTRIBUTION OF MERCHANTS' PRODUCTS TO CONSUMERS. ANY INABILITY OR REFUSAL OF SUCH PROVIDERS TO DELIVER OR STORE FOR COLLECTION PRODUCTS SOLD THROUGH THE GROUP'S E-COMMERCE MARKETPLACE IN A SAFE AND TIMELY MANNER OR ANY CHANGES IN THEIR SHIPPING TERMS AND COSTS OR SERVICE QUALITY COULD SIGNIFICANTLY HARM THE REPUTATION OF THE GROUP'S E-COMMERCE MARKETPLACE.

For distribution of the merchandise that the Group's consumers purchase online, the Group's e-commerce marketplace depends on the services of a number of third-party logistics providers. Changes in shipping terms and costs, for example due to higher fuel costs, or the inability or refusal of third-party service providers to deliver the products sold through the Group's e-commerce marketplace in a safe and timely manner could potentially harm the reputation of the Group's e-commerce marketplace and have an adverse effect on the Group's business. The Group has long-term agreements with a number of third-party logistics providers. These service level agreements have the aim of securing package volumes needed for the Group's operations at predictable costs and at required service quality; however, certain of these agreements were renewed in 2022 and there can be no assurance that going forward they will be renewed on acceptable terms. Although the Group provides large volumes and is therefore attractive to third-party service providers, there are a limited number of third-party service providers who can provide services to the Group at the necessary scale. Any deterioration in the financial condition of any third-party service provider, or any deterioration in the Group's relationships with third-party service providers, could have an adverse impact on the quality of the Group's logistics processes and distribution costs and could have a material adverse effect on the Group's business, financial condition and results of operations.

Moreover, in addition to traditional delivery services, many of the Group's consumers choose out-of-home delivery options such as InPost parcel lockers or other pick-up/drop-off locations across Poland, including Żabka stores, Orlen gas stations and Ruch kiosks. Parcel lockers, as a specific out-of-home delivery solution, are a system of postal deposit boxes that online shoppers can use to collect packages 24 hours a day, seven days a week and are a popular delivery option for Polish consumers. In the parcel locker segment of delivery, several new networks have been launched in Poland during the past few years. Some of the alternative parcel locker networks to the long established Inpost network are still at an early stage of development and have varying access to the financial resources necessary to grow and effectively compete, making the future development of competitive options available to the Group difficult to predict. InPost is the largest supplier of parcel lockers in Poland. The Group has entered into a long-term framework agreement with InPost for the delivery of parcels to lockers. This agreement runs to 2027 and the Group has recently been increasing the scope of cooperation with Inpost and has been able to negotiate discounts versus the long-term agreement for calendar 2024. Nevertheless, the available terms of cooperation after the expiry date of the long-term framework agreement with Inpost in 2027 are highly uncertain and could have a material impact on the Group's long term financial performance. Any potential future decreases in cooperation with Inpost or service charge increases could affect the attractiveness of this delivery option This could negatively affect consumers' willingness to make a purchase on the Group's e-commerce marketplace, which in turn could lead to an adverse effect on the Group's sales as well as the quality of the Group's logistics processes and distribution costs and could have a material adverse effect on the Group's business, financial condition and results of operations.

RISK RELATED TO THE ACTIONS OF THE ONLINE SEARCH ENGINES

Visibility of offers from Ceneo in the online search engines is important to attract traffic to its price comparison website. Every action of online search engines' operators aiming at limiting the visibility of the offers from Ceneo or at presenting its own price comparison tools instead of directing the traffic to Ceneo may impact the traffic of Ceneo and as a consequence result in a decrease of its revenue. The scale of such a decrease would depend on the gravity of actions of the online search engines's operators.

Since August 2023 it is observed that some changes to the algorithms of the most popular online search engine as well as the way of the search results are being shown, have occurred. These may result in reduction of the likelihood of the user using Ceneo website, which may reflect in a decrease of impressions/displays and the click-through rate (the "CTR") on Ceneo website. In consequence it may result in the fact that the visibility of Ceneo would be limited only to its marketplace offers.

The result of the observed changes to the algorithms seems similar to the result of Google Shopping implementation which was determined by the European Commission as self-preferencing and forbidden by its decision in 2017. As Google appealed this decision, it is expected that the Supreme Court of Justice for the EU will give the final ruling by upholding EC's decision this year. Such a final decision will constitute solid legal grounds for the injured parties to seek appropriate compensation.

RISKS ASSOCIATED WITH A GRADUAL MIGRATION TOWARDS PRODUCTIZED SEARCH ON THE ALLEGRO MARKETPLACE.

From its inception almost 25 years ago, Consumers searched the Allegro marketplace by reviewing merchants' competing offers, with the offers not being systematically grouped by specific products. Over time, with the emergence of more and more e-shops, consumers have become used to searching based on a product catalogue, which is easier for some types of shopping mission. In recent years, the Group has responded to this trend by building a product catalogue to which merchants connect their offers. This enables consumers to search by specific product, grouping all merchant offers for that product, as an alternative to searching by offers based on key words. By the end of 2023, the Group estimates that approximately 40% of searches are conducted using productized shopping paths that leverage the Group's product catalogue. Designing search and user experience to support two different shopping paths in parallel adds cost and complexity and the Group's management considers, and conducts extensive testing in this regard, whether to move exclusively to a productized shopping experience over time. Such a strategic move may generate considerable uncertainties. In particular, merchants can currently enhance the visibility of their offers either by using advertising services to highlight their offers next to search listings or by using promotion of their offers towards the top of an offer based listing. Offer Promotion triggers an extra success-fee charge when promoted offers are purchased and these revenues are included in the Group's Take-Rate KPI. If the Group decides in the future to move decisively towards either the productized path or the offer path, this will create trade-offs in relation to the mix of advertising and promotion revenues, conversion rates, customer satisfaction with the user experience and costs of purchasing traffic, while saving costs in terms of managing and developing two parallel shopping experiences. The financial impact of such major changes is very difficult to predict accurately and may lead to unexpected outcomes that could materially affect the overall financial performance of the Allegro marketplace and of the Group.

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THE COVID-19 PANDEMIC, INCLUDING THE RESULTING GLOBAL ECONOMIC UNCERTAINTY AND MEASURES TAKEN IN RESPONSE TO THE PANDEMIC, AND OTHER FUTURE POTENTIAL PANDEMIC, NATURAL DISASTERS OR OUTBREAKS, COULD MATERIALLY IMPACT THE GROUP'S BUSINESS AND FUTURE RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

A novel strain of coronavirus causing COVID-19 disease ("COVID-19"), first identified in China in late 2019, has spread throughout the world. In March 2020, the World Health Organisation confirmed that its spread and severity had escalated to the point of pandemic. From March 2020 , the Polish authorities implemented numerous measures to try to contain the virus, such as travel bans and restrictions, lockdowns, quarantines and shutdowns of business and workplaces, social distancing, limiting or banning social gatherings and mass events. Following the introduction of an extensive vaccination program across Poland and in the EU, the crisis eased and controls were gradually relaxed until all restrictions were cancelled in March 2022. However, the Group cannot exclude a risk that some of the restrictions may be re – reintroduced in the future in the case of repeat outbreaks or similar pandemic events.

The COVID-19 pandemic led the Group to modify its operational practices. In particular, the impact of extended working from home on the majority of the Group's workforce may have had a visible negative impact on productivity. While Management has been encouraging the workforce to increase the time spent working in the office, many prefer home working and the employment market has changed to offer full home working, or hybrid working models for many jobs. It may therefore prove to be impractical to ensure that all employees work fully from the office in the future and this may negatively impact the pace of productivity growth or innovation in the future.

Moreover the Group cannot guarantee that its office spaces will be utilised as heavily as originally anticipated, or that space returned to the office rental market may find sub-tenants at rates similar to those being paid by the Group on its leases, if at all.

While the COVID-19 pandemic has led to faster growth of marketplace GMV, the Group's eBilet ticket sales business has been disrupted by extended shutdowns of the live entertainment events industry. = It is possible that some restrictions on live entertainment may be reimposed if the severity of the pandemic increases once more. If rebound in live entertainment is not sustainable, profitability of eBilet in the medium term may be impacted and the Group may be required to impair the carrying value of its investment and write off certain amounts of net assets. The degree to which COVID-19 impacts the Group's business, results of operations, and financial position will depend on future developments of the issues described above and, which, as of the date of this Report, are highly uncertain and cannot be predicted.

FRAUDULENT ACTIVITY BY THE GROUP'S USERS MAY RESULT IN DISPUTES CONCERNING THE CONTENT OF THE GROUP'S PLATFORM AND COULD NEGATIVELY IMPACT ITS OPERATING RESULTS, BRAND AND REPUTATION AND CAUSE THE USE OF SERVICES TO DECREASE SIGNIFICANTLY.

The Group is subject to the risk of fraudulent activity on its platforms by the Group's users, including, for example, selling counterfeit goods, not delivering goods after being paid and using stored credit card and payment information on compromised accounts to make purchases. Although the Group has implemented measures to detect and reduce the occurrence of fraudulent activities, such as cooperating with brands and responding to user reports in order to remove listings of counterfeit products, monitoring user transactions and activities to detect suspicious activity and implementing anti-bot mechanisms, in order to combat bad consumer experiences and increase consumer satisfaction, there can be no assurance that these measures will be sufficient to accurately detect, prevent or deter fraud. As the Group's e-commerce marketplace sales grow, the cost of remediating fraudulent activity, including consumer reimbursements, may materially increase and could negatively affect the Group's operating results.

In addition, users may commit fraud or other illegal activities when using any platform the Group operates, which could harm the Group's reputation, expose the Group to civil or criminal liability and affect the Group's financial performance.

The Group cannot rule out the possibility that any of the foregoing may occur and cause harm to the Group's business or reputation in the future. If any of the foregoing were to occur, the Group's business, results of operations and financial condition could be materially adversely affected. This risk may further increase given upcoming changes in the online marketplace related legislation (including but not limited to the Digital Services Act, revision of the General Products Safety rules), which will impose additional burdens and more liability for users' goods and behaviours.

CHANGES IN THE NUMBER OF CONSUMERS RETURNING GOODS COULD INCREASE THE GROUP'S COSTS AND HARM ITS BUSINESS.

The Group's return policies are consistent with Polish consumer regulations and provide that a consumer can return a purchase where the merchant is an entrepreneur (i.e. a person conducting business or professional activity rather than a private person not conducting business), provided that the consumer notifies the merchant within 14 days of receiving the goods and ships the item within 14 days of providing such notification. If the Group fails to manage and meet consumer expectations with regard to the purchased products or if the return rates of the Group's consumers increase for other reasons (e.g. changes in consumers behaviour or the abuse of the Group's return policy by persons not actually willing to purchase the Group's products), this could increase the Group's costs (relating to returns for SMART! purchases) and the Group could lose current or potential consumers or merchants, which would impact its marketplace revenue and retail revenue. Certain of the Group's retail competitors offer more flexible return policies. Moreover, the Group's consumers may expect the period in which purchases can be returned to be extended from the present 14 days. In such a case, the Group cannot exclude the possibility that consumers dissatisfied with the 14 days return period will decide to buy products from the Group's competitors who offer the possibility of returns after 14 days, which could cause the loss of the Group's consumers. These factors could have a material adverse effect on the Group's business, financial condition and results of operations

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CHANGES TO THE ALLEGRO PROTECT PROGRAMME COULD INCREASE THE GROUP'S COSTS AND HARM ITS BUSINESS.

The Group's buyer protection programme, Allegro Protect, guarantees the return of funds within 48 hours for two years from the date of purchase. The limit of compensation for unsuccessful purchases was also increased to PLN 20k. Allegro Protect offers upgraded benefits to make customers even more confident when shopping on Allegro and is expected to drive additional GMV for the Group.

Nevertheless, the Group cannot exclude the possibility that higher costs of the programme will outweigh the expected benefits for the Group, which could have a material adverse effect on the Group's business, financial condition and results of operations.

THE GROUP WILL REQUIRE A SIGNIFICANT AMOUNT OF CASH TO SERVICE ITS DEBT AND SUSTAIN ITS OPERATIONS. THE GROUP'S ABILITY TO GENERATE OR RAISE SUFFICIENT CASH DEPENDS ON MANY FACTORS BEYOND THE GROUP'S CONTROL.

The Group's ability to make principal or interest payments when due on the Group's indebtedness, including the Group's obligations under the Senior Facilities Agreement, to the extent required to be paid in cash, and to fund the Group's ongoing operations or planned capital expenditures, will depend on the Group's future performance and ability to generate cash, which, to a certain extent, is subject to general economic, financial, competitive, legislative, legal, regulatory and other factors, as well as other factors discussed in these "Risk Factors", many of which are beyond the Group's control.

As at 31 December 2023, all the Group's gross debt falls due in October 2027, following the Group's refinancing and extension of maturity by 24 months in November 2023 of all credit facilities under the Senior Facilities Agreement ("SFA").

If at the maturity of the Senior Facilities, the Group does not have sufficient cash flows from operations and other capital resources to pay the Group's debt obligations, or to fund the Group's other liquidity needs, the Group may be required to refinance or restructure the Group's indebtedness.

Furthermore, the Group may need to refinance all or a portion of its indebtedness on or prior to their stated maturity (all of the Group's indebtedness at 31 December 2023 falls due in October 2027). If the Group is unable to refinance or restructure all or a portion of the Group's indebtedness or obtain such refinancing or restructuring on acceptable terms, the Group may be forced to sell assets, or raise additional debt or equity financing in amounts that could be substantial or the holders of the Group's debt may accelerate the Group's debt and, to the extent such debt is secured, foreclose on the Group's assets. The type, timing and terms of any future financing, restructuring, asset sales or other capital raising transactions will depend on the Group's cash needs and the prevailing conditions in the financial markets. The Group cannot provide assurance that it will be able to accomplish any of these measures in a timely manner or on commercially reasonable terms, if at all. In such an event, the Group may not have sufficient assets to repay all of the Group's debt. In addition, the terms of the SFA may limit the Group's ability to pursue any of these measures.

THE INTERESTS OF THE COMPANY'S SIGNIFICANT SHAREHOLDERS MAY CONFLICT WITH THE INTERESTS OF OTHER SHAREHOLDERS.

As a result of their ownership of shares of the Company and their representation on the Board of Directors, significant shareholders, have, and will continue to have, directly or indirectly, the ability to influence the Company's legal and capital structure, the outcome of matters requiring action by shareholders, and other major decisions regarding the Group's operations. Any conflicts between senior management and the Group's significant shareholders, could adversely affect the Group and its operations. Further, the significant shareholders may have other business interests and/or portfolio companies that may conflict with those of the Group or with potential transactions the Group may wish to undertake.

In addition, the Group's business and operations, including its image, brand or its ability to refinance its indebtedness to the extent that financial institutions deem such ownership as materially adverse to their willingness to undertake any such refinancing or other capital raising may be negatively impacted by the actions of its significant shareholders.There can be no assurances that the interests of the Group's significant shareholders will be consistent with the interests of the other shareholders or the Group, or that the significant shareholders will exercise their rights for the benefit of all shareholders.

THE GROUP IS DEPENDENT ON THIRD-PARTY PROVIDERS FOR ITS MARKETING, CLOUD, OFFICE INFRASTRUCTURE SOFTWARE,SOCIAL NETWORKING, MESSAGING SERVICES FOR COMMUNICATING WITH ITS USERS AND OTHER PROCESSES AS WELL AS ON INTEGRATION SERVICE PROVIDERS FOR CONNECTING MANY MERCHANTS TO THE MARKETPLACE.

The Group depends on third-party providers for the software the Group uses to operate its business. For example, the Group presently licences business software from Google and any change in the availability of such software, could cause a significant interruption to the Group's business. The Group also relies on social networking and messaging services, including telephone and chat services, to communicate with its users. Changes to the terms and conditions of these services could limit the Group's promotional capabilities, and there could be a decline in the use of such social networking services by existing and potential consumers and merchants. Increasingly the Group uses cloud based services to run analysis and store data utilised by its core marketplace and price comparison platforms. Any interruption in availability of cloud services could degrade the quality of the user experience on the platforms while rapid increases in costs could cause the Group to increase capital investment to reduce dependence on cloud based services.

Many merchants choose to list their offers and products on Allegro using the intermediary services of marketplace integrators. Any problems with the availability of these services, changes in terms and conditions or decisions made by the integrators to favour other marketplaces relative to Allegro could damage the ability of Allegro's merchants to sell on the Group's marketplaces. An interruption to the Group's business as a result of the unavailability of software or the Group's in ability to communicate with its users using social networking and messaging services, including telephone and chat services, or its merchants via integration service providers, could negatively impact the Group's reputation and have a material adverse effect on the Group's business, financial condition and results of operations.

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THE GROUP DEPENDS ON PRZELEWY24 AND PAYU FOR MUCH OF ITS PAYMENT PROCESSING AND ANY DETERIORATION IN ITS RELATIONSHIPS WITH SUCH THIRD-PARTY SERVICE PROVIDERS OR ANY FAILURE OF SUCH SERVICES TO FUNCTION PROPERLY, COULD HAVE A MATERIAL ADVERSE EFFECT ON ITS BUSINESS, RESULTS OF OPERATIONS OR FINANCIAL CONDITION.

The Group is dependent on Przelewy24 and PayU for its payment processing, which together process the vast majority of the payments on the Group's e-commerce marketplace. Any disruption in the availability of their service could affect whether sales are able to be processed on the Group's e-commerce marketplace as well as the timely payment of funds to the Group's vendors. Disruptions in the functioning of the Group's e-commerce marketplace could negatively impact the Group's reputation, diminish the value of its brands and have a materially adverse effect on its business, result of operations and financial condition.

Furthermore, any malfunction with respect to either of their payment processing functions could lead to user claims that purchases or payments were not properly authorised or were transmitted in error, as well as risks that consumers have insufficient funds and the risk of fraud. While the Group has implemented a fraud detection system based on machine learning tools, any failure to avoid or limit losses from fraudulent transactions could damage the Group's reputation and result in increased legal expenses and fees.

If the Group is unable to depend on Przelewy24 and PayU as a result of a disruption to the payment system or a termination of the Group's contractual arrangements with these payment services providers, the Group may incur additional costs or face a decrease in transaction revenue, which could have a material adverse effect on its business, results of operations and financial condition.

THE GROUP'S 1P RETAIL BUSINESS IS SUBJECT TO PROFITABILITY, INVENTORY AND REGULATORY RISKS AND THESE MAY INCREASE IF THE RELATIVE SIZE OF THE 1P RETAIL BUSINESS IN RELATION TO THE 3P MARKETPLACE BUSINESS INCREASES SIGNIFICANTLY.

Potential significant growth of the Group's 1P retail business could expose the Group to profitability risk, inventory risk and regulatory risk.

The Group's 1P retail business of the Polish Operations has less favourable structural economics, including lower EBITDA/Net Revenue, than the Group's 3P business. As a result, if increased competition or other factors cause the Group to significantly increase its 1P retail business as a percentage of its overall business, the Group may be less profitable than it has been historically. The Group's merchants may also decrease their active offers on the Group's platform as a result of a real or perceived threat of direct competition from the Group's 1P retail business. Although the Group seeks to improve the structural economics of its 1P retail of the Polish operations, it expects its 1P retail business to remain less profitable compared to its 3P business.

Inventory risk may adversely affect the Group's operating results because of seasonality, quick changes in product cycles and pricing, defective products, changes in user demand and user spending patterns, changes in consumer tastes with respect to its products, spoilage and other factors. The Group seeks to predict these trends, as overstocking or understocking products the Group sells could lead to lower sales, missed opportunities or excessive markdowns, each of which could have a material impact on the Group's financial and operating results.

Following the Mall Group acquisition in April 2022, the Group's 1P operations also include the Mall 1P business, where the Group is focused on turnaround of these operations by optimising the 1P selection and stock levels to improve trading economics and cash flow management, optimising costs to limit the negative impact of losses on the Group's EBITDA as well as aligning marketing spend as well as aligning marketing spend with new platform strategy to improve ROI, improving marketing tools for brands to increase ads revenues. Progress on some of these initiatives over the first seven quarters of the Group's ownership has been slower than originally assumed, partly due to unexpectedly deep falls in retail demand due to the cost of living crisis present in Mall's markets over the past two years. If the Group ultimately fails to improve the performance of Mall's the Mall's 1P operations, or it continues to take materially longer than presently anticipated by the Group's Management, it could have a material adverse effect on the Group's business, financial condition and results of operations.

While the Group strives to follow all relevant rules and principles in relation to consumer protection, product safety and the fair treatment of merchants, the Group's 1P retail business could also be subject to enhanced regulatory review in relation to allegations of infringement of consumer protection rules, product safety and sustainability regulations or anticompetitive business practices.

Each of these risks will increase in materiality if the size of the Group's 1P retail business grows, especially if the growth is significant relative to the Group's 3P e-commerce marketplace business. Any of these risks, if they materialise, could have a material adverse effect on the Group's business, result of operations and financial condition.

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THE GROUP IS SUBJECT TO VARIOUS RISKS WHICH MAY NOT BE ADEQUATELY INSURED.

The Group is exposed to risks due to external factors beyond its control, including, but not limited to, accidents, vandalism, natural hazards, acts of terrorism, damage and loss caused by fire, power failures, flooding or other events, that could potentially lead to the interruption of the Group's business operations, personal injuries, damage to third-party property or the environment. For example, the Group relies on third-party data centre providers, whose facilities could suffer catastrophic failure as a result of physical damage or cyberattack and subject the Group to losses beyond those for which it is insured. In addition, the Group's activities relating to the direct sale of goods involve specific risks such as fire, falls from height, objects falling from storage shelving and during movement, or traffic movements which could result in damage to equipment, damage to the property of third parties and personal injury or death. Accidents or other incidents that occur at the Group's warehouse or involve the Group's personnel or operations could result in claims for damages against the Group and could damage the Group's reputation. Although the Group insures itself against such losses to a level and at a cost it deems appropriate, the Group's insurance policies are subject to exclusions and limitations, and the Group cannot guarantee that all material events of damage or loss will be fully or adequately covered by an applicable insurance policy. As a result, the amount of any costs, including fines or damages that the Group might incur in such circumstances, could substantially exceed any insurance the Group has to cover such losses. In addition, the Group's insurance providers could become insolvent. In case of any of these events occurring, alone or in combination, they could have a material adverse effect on the Group's business, financial condition and results of operations. Additionally, it is possible that certain types of risks may be uninsurable at a certain time or uninsurable at a reasonable cost. Should such uninsurable risk materialise, it may have a negative impact on the Group's financial and operating results.

RISKS RELATED TO THE GROUP'S INTERNATIONAL EXPANSION

RISKS TO THE GROUP'S STRATEGY TO TRANSFORM MALL GROUP AND WE | DO (TOGETHER "ACQUIRED ENTITIES" / "MALL SEGMENT") AND IMPROVE THEIR GROWTH AND FINANCIAL PERFORMANCE, TOGETHER WITH THE ROLL-OUT OF ALLEGRO INTERNATIONAL SEGMENT MARKETPLACES ACROSS THE CE-5 FOOTPRINT OF THE MALL GROUP

The Group's strategy towards the Acquired Entities provides for their significant transformation into a consistent marketplace focused business model, managed by an integrated organisation. The implementation of this strategy depends on both internal and external factors. The Group intends to successfully roll-out of new Allegro marketplaces tailored to each of the e-commerce segments in the respective countries of the CE-5 where Mall operates, which will together form a new Allegro International Segment of the Group's operations. In parallel, the Group seeks to effectively implement development plans at the Acquired Entities, under the supervision of the Group, to begin effectively operating as merchants on the new Allegro marketplaces as well as streamlining operational complexity and reducing unit costs in order to reduce operating losses in the Mall Segment and improve the operating performance of the Allegro International Segment. External factors are events which occur independently of the actions taken by the Group and which, despite exercising due diligence in negotiating and committing to the acquisition, the Group may be unable to fully predict or be unable to fully mitigate.

Such Internal and External factors include, but are not limited to:

Launch of the 3P marketplace in the countries where Mall Group operates

Currently, the Mall segment operations are dominated by the proprietary sales model (1P) of the Mall Group. Over time the Group plans to transform the profile of Mall segment operations, by launching a 3P marketplace in the countries in which the Mall Group operates ("CE-5", Croatia, the Czech Republic, Hungary, Slovakia, Slovenia) , rolling out the business model, which has already proven itself in Poland as capable of producing strong growth and margins, and in which the Group has extensive experience and competence. As a result, the Group estimates that over time the majority of GMV can be generated by the 3P marketplace model, which is expected to be responsible to a large extent for the growth of Mall segment revenues and profits in the future. In May 2023, the Group launched its 3P platform in the Czech Republic in 2023, followed by the launch in Slovakia in February 2024, with rollout in further Mall footprint countries planned going forward. The following needs to be achieved to make this key objective possible:

1. enabling nearly 150 thousand Polish and International 3P merchants already operating on the Group's platform to sell their offers in CE-5 and for a substantial proportion of these merchants to opt in to selling into the CE-5 countries
2. leveraging functionalities already available in the Group's 3P marketplace software in the CE-5 by preparing translated versions of the web pages and offer content so that local consumers can comfortably make 3P transactions with the Group's current and future merchant base
3. leverage functionalities already available in the Group's 3P marketplace software to encourage merchants based in CE-5 to list their offers and transact with consumers on Allegro marketplace in CE-5 and, if they so wish, also in Poland.

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There are various risks associated with this transformation towards a 3P marketplace model in the Czech Republic and other Mall Group countries, including but not limited to:

- technical difficulties may be encountered that may delay the 3P marketplace launches and business profile transformation or deteriorate the user experience provided to merchants or consumers
- fewer merchants than anticipated may be willing to sell cross-border, resulting in either poorer selection or a need to provide greater financial incentives to deliver the desired scale of marketplace experience to local consumers
- consumers in the countries currently serviced by Mall may not adjust to the user experience offered by a marketplace e-commerce model, or be reluctant to shop with merchants who are not locally based, resulting in lower shopping frequency and consumer numbers than anticipated
- fluctuations in exchange rates or fundamental changes in costs of doing business in Poland relative to the countries served by the Mall Group today may erode all or some of the price level advantages identified by the Group as a competitive advantage when deciding to undertake the acquisition
- local competitors may respond more aggressively than anticipated, making it more difficult to realise projected increases in customer base, purchasing frequency or desired take-rates from the marketplace transformation
- local merchants present on the domestic e-commerce markets where the Group launches its new marketplaces may list their offers and products more slowly than anticipated by the Group. This could lead to bigger gaps in selection than anticipated or higher average delivery costs and delivery times due to a greater reliance on cross-border transactions
- difficulties for the Group and for its merchants in managing cross-border transactions, such as compliance with different regulations or complexity in providing customer care or managing returns, may prove greater than anticipated and lead to a poorer experience for consumers and merchants, leading to a negative impact on financial performance of the marketplace
- developing a local language version of the marketplace to operate on each of the Mall Group's markets may prove more expensive than expected and/or it may be harder than anticipated to reach a level of quality in the translation, mostly prepared with the assistance of automated translation, that is acceptable to local consumers and merchants. Such a situation would be likely to result in poorer than expected performance of the Allegro marketplace in the new markets
- market prices for the acquisition of internet traffic in the CE-5 are generally higher than in Poland and, while the Group anticipates that the marketplace operations will gradually perform in a way that generates a cost advantage in traffic acquisition relative to other e-commerce market participants, as is the case in Poland, the Group cannot guarantee that this will be the case either to the full extent or at all. Failure to achieve a significant improvement in the cost of traffic acquisition in the years following the launch of each marketplace could result in a material adverse effect on the Group's margins and cash flows.

Integration of the existing Mall Group sales platforms with the Group's platforms

The Group's strategy towards the Mall segment provides for the integration of its online sales platforms with the Group's local 3P marketplace platform, by transforming Mall into one of the anchor retailers on the new local 3P marketplace, the first of which has already launched in the Czech Republic, and later in other CE-5 counties. The successful implementation of this strategy by the Group depends to a large extent on the quick and efficient integration of these platforms. It is also possible that transforming current Mall retail operations to being one of the merchants on Allegro's new local 3P marketplace will negatively impact Mall's financial results, due to increased competition from other merchants and other factors. Any delays in execution of Mall segment strategy and possible other failures in this respect may negatively affect the Group's financial results, including both growth and profit margins.

Maintaining the Mall Group's current active buyer base

The integration of Mall Group platforms with the Group's platform, from the consumer's perspective, will mean certain changes in their appearance, functionalities and the way they are used by clients. The Group plans that all these changes can be introduced gradually and with constant monitoring of consumers' reactions to the implemented solutions, but there is a risk of losing some customers of Mall Group platforms, accustomed to the current form of services. Losing consumers may lead to a decline in the Mall Group's revenues and thus to a deterioration of the Group's financial results. Moreover, if the extended selection provided by the Group's Polish and international merchants is not sufficiently attractive to consumers in the CE-5, or if the user experience and convenience does not meet their expectations, the Group may acquire fewer new Active Buyers to the combined platforms in CE-5 than planned, resulting in slower growth and lower profit margins.

Cross-border goods logistics in Mall Group

The Group plans that in the future, Polish and international 3P merchants already operating on the Group's platform, who will start distributing their goods to Mall Group customers in CE-5, will account for a large part of the Mall segment revenues. Due to the greater complexity of logistics processes for cross-border sales, delivery times may be longer than assumed in the Group's planning assumptions. Extended delivery times would reduce the convenience of shopping for active buyers shopping on the combined platform and could reduce their willingness to continue purchasing from the combined Group, with a consequent negative impact on growth and profit margins.

Risks of underestimating the costs of integration, costs of 3P marketplace launch, costs of Mall 1P operations and other operating expenses of the Mall segment in CE-5

In preparing its business case for acquiring and transforming the Mall segment into a marketplace driven e-commerce business, the Group made certain assumptions as to the cost and timing of the work necessary to turn around the existing Mall 1P operations, prepare and launch the 3P marketplace first in the Czech Republic and later potentially also in other countries. Should it turn out the costs of this activity will be higher than included in the Group's plans, this may lead to a worsening of the Group's financial performance and cash flows from the acquisition. Furthermore, operating expenses to support the new operating model for the Mall Group, including but not limited to wages and salaries, marketing, logistics and customer care expenses, may prove to be higher than assumed and lead to lower margins and lower free cash flow generation than assumed at the time of the acquisition.

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Retention of key employees and management

The Group intends to utilise the competences, specialist knowledge and experience of both the management boards and other employees of the Acquired Entities. Losses of key employees, and especially senior management, may adversely affect the Group's development prospects in the CE-5 and the future financial results achieved by the Group. The Group will seek to limit the above risk by implementing appropriate incentive systems for employees.

Possible difficulties in creating a single culture within the Group, and/or in the creation of an efficient organisational structure managing across countries and functions

Relatively minor cultural differences in comparison to Poland, which are present across the countries of Central and Eastern Europe where Mall operates, along with the Group's relative lack of experience in operating different business models may result in the Group experiencing difficulties in developing a single business culture and organisational structure across the expanded Group once it includes the Acquired Entities. These factors may create difficulties in communication and cooperation that could lead to delays in integration of the two businesses and the creation of a more consistent, marketplace focused e-commerce business model across the entire Group. Moreover, the Group as an organisation has little experience in running multi-country operations and it may be that more management resources are needed to build an efficient organisational structure across countries and functions than is currently planned, leading to higher operating expenses and lower opening leverage from growth across the CE-5 than is currently expected. Should such issues arise, growth, margins and free cash flows delivered by the acquisition of the Mall Group may be lower than currently assumed.

Deterioration in economic conditions in CE-5 [1] countries or a worsening global economy could materially adversely affect the Group's business, financial condition or results of operations.

The acquisition of the Mall Group has coincided with a deteriorating macroeconomic situation in the countries in which the Mall Group operates that may have a potentially material impact on the business, financial condition and results of operations of the Group. The future economic situation in CE-5 depends on a number of factors, including national governments' attempts to influence the economy, such as setting levels of taxation, formulating government budgets and regulation, influencing the money supply, interest rates, exchange rates and the labour market. The demographic situation, macroeconomic conditions in Europe and globally as well as inflow of funds from the European Union also affect the economic situation in the CE-5 countries.

Should highly inflationary conditions be sustained for a significant period, driving the cost of living crisis or potential increase in unemployment, reduced disposable income and lower consumption, as well as fluctuations in asset values and foreign exchange rates may have an adverse impact on consumer confidence and discretionary consumer spending, impacting profitability of current Mall Group 1P operations as well as the planned launch of Allegro's 3P marketplace in the Mall countries.

The Group's business, as well as the successful implementation of its strategy, is highly dependent on the financial condition of its merchants and consumers and their continued and increased use of the Group's e-commerce marketplace and other services. The financial condition of CE-5 households, including the Group's consumers, is highly correlated with the unemployment rate and increases in real wages. An increase in the unemployment rate in CE-5 countries and/or a fall in real wages, could reduce consumer spending and lead to reduced use of the Group's e-commerce marketplace and other services. Any deterioration of economic conditions in the Czech Republic, Slovakia, Croatia, Hungary or Slovenia may have a material adverse effect on the business, financial condition and results of operations of the Group.

[1] CE-5: Croatia, Czechia, Hungary, Slovakia, Slovenia

CURRENCY RISK FOR THE CONSOLIDATED RESULTS AND DIVIDEND INFLOWS OF THE GROUP

As the Group consolidates the financial results of the Mall segment it may in the future receive dividend income if the Mall segment becomes profitable. At the same time, the Mall Group and WE | DO generate revenues mainly in currencies other than PLN, i.e. EUR, CZK, HUF and HRK. Any strengthening of the PLN exchange rate against these currencies will have a negative impact on the Group's consolidated financial results expressed in PLN and on the PLN value of any dividends to be received.

Conversely, while the Mall Group and WE|DO continue to require funding to maintain their operations, any devaluation of the Polish zloty increases the relative cost of funding the acquired companies relative to the cash generated in the core Polish Operating segment.

RISK OF LITIGATION WITH THE SELLERS

The Mall Group and WE|DO acquisition was a complex transaction, involving a risk of possible claims for damages between the parties to the transaction depending on future events and circumstances. As a result the Group can provide no assurance that it will not become involved in lengthy, complex and costly litigation with the sellers should any aspect of the implementation of the transaction become a matter for dispute.

The costs of such litigation and any eventual adverse settlement may lead to a material adverse financial impact on the Group and or its operations.

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RISKS RELATED TO REGULATION, LEGAL AND INTELLECTUAL PROPERTY MATTERS

THE GROUP MIGHT BE SUBJECT TO FINES AND FOLLOW-ON CLAIMS FOR DAMAGES IN RELATION TO ALLEGED OR ACTUAL ANTI COMPETITIVE BEHAVIOUR OR PRACTICES NEGATIVELY IMPACTING CONSUMERS AND CANNOT GUARANTEE THAT THE OCCP PRESIDENT OR THE EC WILL NOT DEEM CERTAIN OPERATIONS THE GROUP CONDUCTS TO VIOLATE EU AND/OR POLISH COMPETITION OR CONSUMER PROTECTION LAWS.

The Group may be subject to civil claims for damages in relation to the alleged or actual infringement of competition or consumer law. A damages action can be triggered by a stand-alone action or by an action that follows a public enforcement decision such as a decision of the OCCP President or the European Commission, once the decision is final (after the judgement of the court of second instance, if the decision is appealed and upheld). To ensure effective enforcement of such claims, a private enforcement legal framework has been under development in recent years throughout the European Union to, among other things, introduce a directive harmonising rules on numerous issues arising in competition damages claims and introduce collective redress mechanisms. This framework seeks to strengthen the position of private claimants seeking damages by removing substantive and procedural obstacles for claimants to prove an infringement and establish damages. The number of such claims is also growing in Poland (both stand-alone cases and cases based on a prior infringement decision of the OCCP President or of the EC), increasing the existing or potential liability to which the Group is exposed.

The Group may also have a follow-on damages claim against a company that was fined by the European Commission for a violation of the antitrust law, if the decision of the European Commission will be upheld in the Court of Justice of the European Union. The final result of such a potential claim is, however, unknown at this stage.

See section 3.1.8 Legal Proceedings for further information on regulatory proceedings relating to Allegro.

Claims and investigations by regulatory agencies such as the OCCP President or the EC, even if without grounds, typically are very expensive to defend, require significant management time and involve negative publicity. If a OCCP President or EC investigation were to conclude with a result adverse to the Group or if the Group were to enter into a settlement arrangement, the Group may be subject to significant fines, penalties and other sanctions, or could be forced to change its business practices substantially. Alternatively, if the Group were to enter into a commitment arrangement, the Group may be required to change its business practices substantially in order to implement the commitments. Both the OCCP President and the EC have the power to impose fines of up to 10% of the turnover of the company concerned in the last financial year for breach of competition rules or, in the case of the OCCP President, for breach of consumer protection rules. Fines imposed by the EC may also be calculated based on the turnover of the group to which the company concerned belongs, with fines of up to 10% of group turnover in the last financial year for breach of competition rules. Any adverse determinations could also result in significant adverse publicity or reputational harm, and could result in, or complicate, other inquiries, investigations or lawsuits in future antitrust or other investigations, consumer protection or other investigations. Furthermore, the Group can provide no assurance as to the timing of the above mentioned proceedings relating to Allegro, or that the OCCP President or the EC will not initiate further regulatory proceedings.

Such fines, any adverse decisions in proceedings, changes to the way in which the Group can operate, or negative publicity generated therefrom, may have a material adverse effect on the Group's business, financial condition and results of operations.

THE GROUP IS AWARE OF CERTAIN PENDING LEGAL DISPUTES BETWEEN INDIVIDUALS ASSOCIATED WITH BOLA INVESTMENT LIMITED ("BOLA") AND A THIRD PARTY INDIVIDUAL ("CLAIMANT") RELATING TO THE OWNERSHIP OF A MINORITY STAKE OF SHARES IN EBILET SP. Z O.O.

that was the former owner of eBilet Polska sp. z o.o. ("eBilet Polska"). eBilet Polska has been part of the Group since April 2019. eBilet sp. z o.o. is not, and has never been, part of the Group. Based on information available to the Group and based on the assessment of the Group's external legal advisor as of the date of this Report, the Group has no reason to believe that the outcome of the pending disputes known to the Group would have a material impact on the Group.

The Claimant has filed against Bola, individuals associated with Bola and Allegro two lawsuits, i.e. one with the Regional Court in Poznań and one with the Regional Court in Warsaw demanding annulment of agreements concerning the purchase of shares in eBilet Polska concluded between Bola, individuals associated with Bola and Allegro. The lawsuit filed in Poznań court has been rejected and the decision is now final and binding. The case in Warsaw is pending.

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THE GROUP IS SUBJECT TO A VARIETY OF REGULATIONS, INCLUDING BUT NOT LIMITED TO DATA PROTECTION LAWS, CONSUMER PROTECTION LAWS, REGULATIONS GOVERNING E-COMMERCE AND COMPETITION LAWS, AND FUTURE REGULATIONS MIGHT IMPOSE ADDITIONAL REQUIREMENTS AND OTHER OBLIGATIONS ON THE GROUP'S BUSINESS.

Laws and regulations applicable to e-commerce, as well as laws and regulations of broader application that apply to the Group's business (in particular, competition law) and to public companies generally, are evolving at a rapid pace and can be subject to differing implementations and interpretations. Moreover, (as in detail described in previous reports and below) a number of legal acts are being prepared at the EU level that will increase the degree of regulations and therefore compliance costs and risk for both the e-commerce and broadly understood tech sector. Given the extensive scope and timing of the changes, the Group cannot guarantee that its practices have complied or will comply fully with all applicable laws and regulations and their interpretation. Any failure, or perceived failure, by the Group to comply with any of these laws or regulations could result in damage to the Group's reputation and a loss of revenue, and any legal or enforcement action brought against the Group as a result of actual or alleged noncompliance could further damage its reputation and result in substantially increased legal expenses and/or penalties. In addition, legislative and regulatory bodies or self-regulatory organisations may extend the scope of current laws or regulations, enact new laws or regulations or issue revised rules or guidance regarding privacy, data protection and consumer protection.

Adverse changes in laws or regulations applicable to the Group could cause the Group to incur substantial costs or require the Group to change its business practices and could compromise its ability to pursue its growth strategy effectively. This is the case for example, under the General Data Protection Regulation (EU) 2016/679 ("GDPR"), which was adopted on 14 April 2016 and became applicable beginning 25 May 2018. The GDPR imposes additional obligations on companies regarding the handling of personal data and provides certain individual privacy rights to persons whose data is stored. Compliance with existing, proposed and recently enacted laws (including implementation of the privacy and process enhancements called for under GDPR) and regulations can be costly, and any compliance failure may also give rise to civil liability, administrative orders to stop processing personal data (including injunctive relief), fines or even criminal charges, and could subject the Group to legal and reputational risks. 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 users' data in accordance with the privacy requirements provided for under applicable laws, the Group may fail to do so and certain users' data may be leaked as a result of human error, willful misconduct or technological failure or otherwise be used inappropriately. The Group works with independent and third-party suppliers, partners, dealers, service providers and call centres, and the Group cannot eliminate the risk that such third parties could also experience system failures involving the storing or the transmission of proprietary information. Violation of data protection laws or regulations by the Group or one of the Group's partners or suppliers may result in fines, reputational harm or temporary or definitive limitations (including a ban) on data processing and could have a material adverse effect on the Group's business, results of operations or financial condition.

A variety of local and international laws and regulations govern the collection, use, retention, sharing and security of consumer data. These laws and regulations are changing especially rapidly and these issues are expected to be further regulated at the EU level. Data protection is a particularly sensitive and politically charged issue in Europe, and any actual or alleged failure by the Group to comply with applicable laws or regulations could have a significant adverse effect on the Group's reputation and popularity with existing and potential consumers and merchants. Local and international governmental authorities continue to evaluate the privacy implications inherent in the use of cookies and other methods of online tracking for behavioural advertising and other purposes. Certain governments have enacted or are considering measures that could significantly restrict the ability of companies to engage in these activities, such as by regulating the level of consumer notice and consent required before a company can employ cookies or other electronic tracking tools. Additionally, some providers of consumer devices and web browsers have implemented, or have announced plans to implement, means to make it easier for internet users to prevent the placement of cookies or to block other tracking technologies, which, if widely adopted, could result in a significant reduction in the effectiveness of the use of cookies and other methods of online tracking. New laws, regulations, or developments in industry practice or consumer behaviour might result in the loss of or a substantial reduction in the Group's ability to use such practices to effectively market products, or might adversely affect the Group's ability to attract new merchants or consumers on cost-effective terms.

The realisation of any of such risks, alone or in combination, could have a material adverse effect on the Group's business, financial condition and results of operations.

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RISKS RELATED TO ALLEGRO AND CENEO BECOMING REGULATED COMPANIES UNDER THE DIGITAL SERVICES ACT

Following the adoption of the Digital Services Act in October 2022, as of February 2024, various companies in the Allegro Group will be bound by a set of new legal obligations regarding fighting illegal content (notice and action mechanism, trusted flaggers), transparency (incl. on recommendations and advertising, content moderation, automated decision making), sellers' verification (traceability) and reporting obligations towards national competent authorities and the European Commission. Stricter enforcement tools, incl. financial sanctions up to the 6% annual turnover will apply.

More importantly, a new supervisory authority dedicated to ensure compliance with the regulation, Digital Services Coordinator (DSC) will be established and will supervise the Group's activities. Additionally, certain provisions of the DSA will be enforced by other authorities, including the Office of Competition and Consumer Protection. This marks an important milestone as Allegro Group companies will become regulated companies and will be inherently more exposed to regulatory scrutiny, legal uncertainty related to new laws' interpretations and sanctions.

LACK OF CONSISTENCY OF EU LAW IMPLEMENTATION ACROSS THE COUNTRIES IN WHICH THE GROUP OPERATES

EU law is implemented across the Member States at different times and sometimes in different scope in each of the EU countries. It is also implemented and interpreted in different ways, and may be subject to gold plating (add-on local regulations that are not required by the EU legislation), differently in each local jurisdiction. Given the Group expansion and operations in many countries this creates additional compliance costs and uncertainty as to its consistent implementation. The Company cannot ensure that it will be compliant with all versions of EU legislation across all the jurisdictions in which it operates. As mentioned above, delays in implementation of EU law to local legal systems not only may cause uncertainty as to the deadline of implementation within the Group, but also pose a risk of inconsistent implementations of EU law between the jurisdictions in which Allegro operates. This will impede the Company's ability to ensure a unified compliance to EU law across the various jurisdictions in which it operates.

Given a large number of regulatory proposals and stronger scrutiny that local companies face compared to third country players the Group can not exclude that this will result in hindering the Group's competitive position. This can be observed within competition policy whereby European regulators take a more flexible and conciliatory approach in proceedings against global players than the Polish authority (OCCP) against the Group.

THE USE OF OPEN SOURCE SOFTWARE COULD INCREASE THE GROUP'S RISK THAT HACKERS COULD GAIN UNAUTHORISED ACCESS TO THE GROUP'S SYSTEMS AND THE GROUP COULD BE SUBJECT TO LITIGATION IF THIRD PARTIES CHALLENGE THE GROUP'S RIGHTS TO USE SUCH SOFTWARE ON AN EXCLUSIVE BASIS.

Some of the Group's software and systems contain open source software, which may pose certain risks to the Group's software and solutions. The licences applicable to open source software typically require that the source code subject to the licence be made available to the public and that any modifications or derivative works to open source software continue to be licensed under open source licences. Although the Group does not intend to use or modify open source software without holding the necessary licences, the Group could, however, face claims from third parties alleging the infringement of their intellectual property rights, or demanding the release or licence of the open source software or derivative works developed by the Group using such software (which could include the Group's proprietary source code) or otherwise seeking to enforce the terms of the applicable open source licence. These claims could result in litigation, require the Group to purchase a licence, publicly release the affected portions of the Group's source code, limit the licensing of the Group's technologies or cease offering the implicated solutions.

In addition, use of certain open source software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide contractual protections with respect to the software. Also, the licensors are not obliged to maintain their software (like for example issuing security patches) or provide any support and do not have any SLA (service level agreement). There is a certain risk that the authors of the open source software cease updating and attending to the software. Engineering the software updates by the Group could be expensive and time-consuming. The use of open source software can also present additional security risks because the source code for open source software is publicly available, which could make it easier for hackers and other third parties to determine how to breach the Group's sites and systems that rely on open source software.

The realisation of any of such risks, alone or in combination, could have a material adverse effect on the Group's business, financial condition and results of operations.

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THE USE OF AI COULD INCREASE THE GROUP'S RISK IN VARIOUS ASPECTS.

Using the benefits of artificial intelligence can bring many benefits to the company (e.g. process automation) and provide customers and partners with a higher quality and overall better level of service. However, using AI can generate notable legal risks, which should be addressed throughout Group's performance, i.a.:

- Output generated by AI can breach third party's intellectual property rights and the Group or its companies could be sued for damages – while other claims may also be possible, e.g. cease and desist the infringement, forced public apology etc.
- Content created by artificial intelligence does not have ownership rights assigned to anyone, which may result in unforeseeable consequences at the moment and undermines the Group's "ownership" of such content and the possibilities to legally control such content.
- Output created by artificial intelligence may contain content that is inappropriate, unethical or violating the law, which may result in the company suffering consequences, i.a. legal or PR related.
- Output created by artificial intelligence may be incorrect and misleading and requires significant and meaningful human control and oversight, as inability to discover any issues, errors or controversy within AI output may lead i.a. to claims from users and partners, which may result in lawsuits and the need to pay compensation.
- There is no currently applicable law in the field of artificial intelligence and it may turn out that when it is created, the use of AI in the Group may be inconsistent with it and additional financial outlays will be necessary to adapt to future legal requirements.
- The use of various unverified AI systems by employees, especially in the SaaS model, may lead to the leakage of sensitive and personal data as well as business secrets.
- Much attention must be paid as to what input is given to the AI services, as the services may use confidential or sensitive data for its own training or the leak of such data cannot be excluded, which issues may become a serious confidentiality and legal issue for the Group.

THE CONTROL AND PREVENTION MECHANISMS OF THE GROUP'S COMPLIANCE STRUCTURE MIGHT NOT BE SUFFICIENT TO ADEQUATELY PROTECT THE GROUP FROM ALL LEGAL OR FINANCIAL RISKS. INTEGRATING RECENTLY ACQUIRED BUSINESSES TO COMPLY WITH SUCH STRUCTURES TAKES TIME AND INCREASES COMPLIANCE RISKS FOLLOWING RECENT ACQUISITIONS

A management system for governance, risk and compliance, which includes standards of conduct, corruption prevention, competition law compliance, prevention of conflicts of interest, information and data protection, prevention of unlawful discrimination and protection of company property, social responsibility regulation and regulations for suppliers and know-how has been established in the Group's operating subsidiaries Group have established a complex verification process in vendor creation which scope depends on yearly turnover. In the most risky (the highest turnover) cases a review of financial documents, registration documents and the correctness of bank accounts should filter out unsuitable service providers. Guidelines such as procurement policy, tender procedure, controlling procedure and legal procedure have also been introduced and are intended to minimise all unauthorised practices, violations of the law, corruption and fraud, especially with regard to purchasing practices, or other adverse consequences of non-compliance within the Group. In addition, all purchasing processes are based on integrated IT systems that allow full transparency of liability creation. A breach of the regulations can certainly damage the Group's reputation and significantly impair the Group's business, financial and earnings position. This policy and the oversight of the Group's internal compliance and legal departments might not be sufficient to prevent all unauthorised practices, legal infringements, corruption and fraud, in particular in purchasing practices, or other adverse consequences of noncompliance within the Group's organisation or by or on behalf of the Group's employees. The limitations of capacities may further be exacerbated by growing regulatory requirements that will be imposed on the Group under currently negotiated EU legislation and due to expansion of the Group activities. Any failure in compliance could harm the Group's reputation and have a material adverse effect on the Group's business, financial condition and results of operations.

The Group aims to apply its management system for governance, risk and compliance described above across all the Group's operating companies. However, at the same time the Group recognises that, in the case of acquired companies or businesses, it usually takes some time to introduce this management system, whether from a zero base or by modifying a pre-existing policies and procedures at the acquired entity. Moreover, the Group recognises that it may be prudent to focus on other priorities in the short term immediately after an acquisition, such as establishing an effective post merger integration process, securing key staff or realising "quick-win" synergies, ahead of procedural compliance. Accordingly, in periods following a material acquisition, risks of failures in governance, risk management and general compliance may be heightened for a time and could harm the Group's reputation and have a material adverse effect on the Group's business, financial condition and results of operations.

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ADVERSE JUDGMENTS OR SETTLEMENTS RESULTING FROM LEGAL PROCEEDINGS COULD EXPOSE THE GROUP TO MONETARY DAMAGES AND LIMIT THE GROUP'S ABILITY TO OPERATE THE GROUP'S BUSINESS.

The Group may become involved from time to time in private actions, investigations and various other legal proceedings by employees, suppliers, competitors, government agencies or others. The results of any such litigation, investigations and other legal proceedings are inherently unpredictable. Any claims against the Group, whether meritorious or not, could be time-consuming, result in costly litigation, damage the Group's reputation, require significant amounts of management time and divert significant resources. If any of these legal proceedings were to be determined adversely to the Group, or if the Group were to enter into a settlement arrangement, the Group could be exposed to monetary damages or limits on the Group's ability to operate the Group's business, which could have a material adverse effect on the Group's business, financial condition and results of operations.

INTERPRETATION OF LAWS AND REGULATIONS IN THE COUNTRIES THE GROUP OPERATES MAY BE UNCLEAR AND THOSE LAWS AND REGULATIONS MAY CHANGE.

Although the Company is an entity formed under the laws of Luxembourg, the key operating companies of the Group have been established and operate under Polish and Czech law. A significant 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. Moreover ,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 result 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 and those in the other jurisdictions in which it operates 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.

INTERPRETATION OF LUXEMBOURGISH LAWS AND REGULATIONS MAY BE UNCLEAR AND LUXEMBOURGISH LAWS AND REGULATIONS MAY CHANGE.

As the Company and Allegro Treasury S.à r.l. are both entities incorporated and governed by the laws of Luxembourg, both entities must comply with all relevant Luxembourgish laws and regulations. The Luxembourgish legal system is based on statutory law enacted by the parliament of Luxembourg. A significant number of regulations relating to the issue of securities, shareholders' rights, issues related to corporate operation and corporate governance, taxes and business activity have been introduced and changed in recent years and/or may be changed in the future. Certain Luxembourgish regulations have been subject to different interpretations and may in the future be interpreted in an inconsistent manner.

THE GROUP USES STANDARDISED SALES, PURCHASE AND SUPPLY AGREEMENTS AS WELL AS STANDARDISED TERMS AND CONDITIONS IN THE MAJORITY OF SITUATIONS WHERE IT IS POSSIBLE TO DO SO, WHICH INCREASE THE POTENTIAL THAT SOME OR ALL CONTRACT TERMS USED THEREIN MAY BE INVALID OR UNENFORCEABLE IF ANY CLAUSE IS HELD TO BE VOID.

The Group maintains legal relationships with a large number of persons, including merchants, suppliers and manufacturers. In this context, the Group also uses standardised documents, standard-form contracts and standardised terms and conditions in the vast majority of cases where it is possible to do so. If such documents, contracts or terms and conditions are found to contain provisions that are disadvantageous to the Group, or if clauses in such documents or contracts are declared invalid and thus displaced by statutory provisions that are unfavourable to the Group, a large number of standardised documents, contracts or terms and conditions could be affected. Additionally, standardised terms under Polish law have to comply with the statutory law on general terms and conditions, which means they are subject to rigid fairness control by the courts regarding their content and the way they, or legal concepts described therein, are presented to the other contractual party by the person using them. The standard is even stricter if they are used vis-à-vis consumers. As a general rule, standardised terms are invalid if they are not transparent, clearly worded, or if they are unbalanced or discriminate against the other party inappropriately. Due to frequent changes to the legal framework, particularly regarding court decisions relating to general terms and conditions, the Group may be unable to avoid risks from the use of such standardised contractual terms. The invalidity or unenforceability of the standardised documents, standard-form contracts and standardised terms and conditions that the Group uses could have material adverse effects on the Group's business, financial condition and results of operations.

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THE INABILITY TO ACQUIRE, USE OR MAINTAIN THE GROUP'S INTELLECTUAL PROPERTY RIGHTS, INCLUDING ALLEGRO, CENEO AND MALL TRADEMARKS AND DOMAIN NAMES FOR ITS SITES COULD SUBSTANTIALLY HARM THE GROUP'S BUSINESS, RESULTS OF OPERATIONS OR FINANCIAL CONDITION.

The Group believes the Group's user data (as a part of the Group's trade secrets and databases), copyrights, trade secrets, patents, proprietary technology and similar intellectual property are critical to the Group's success, and the Group relies on trademark, copyright, patent and trade secret protection, agreements and other methods with the Group's employees and others to protect the Group's proprietary rights. In addition, the Group has developed, and the Group anticipates that it will continue to develop, a substantial number of programs, processes and other know-how on a proprietary basis (but partly based on open source codes) that are of key importance to the successful functioning of the Group's business, however know-how has an unclear and vague legal status, with no direct regulations on this matter. The Group might not be able to obtain effective intellectual property protection in every country in which the Group is active or in which such protection is relevant, and the Group's efforts to protect the Group's intellectual property could require the expenditure of significant financial, managerial and operational resources. A large part of the Group's intellectual property rights could be challenged or invalidated through administrative processes or litigation, and the Group cannot be certain that others will not independently develop or otherwise acquire equivalent or superior technology or intellectual property rights. In addition, the Group may consider revising its current intellectual property policies, especially concerning its intellectual property strategy outside of Poland.

The Group is the registrant of Polish and EU trademarks for its operating businesses, including Allegro, Ceneo and Mall, and has also registered internet domain names containing "Allegro," "Ceneo" and other operating business names for the Group's websites. The Group has also registered the trademarks and respective domain names in certain international jurisdictions. With respect to several of these trademarks the Group has endeavoured to enter into coexistence agreements for specific countries or situations. The Group has also registered selected internet domain names for some of its operating entities. Domain names are generally regulated by internet regulatory bodies and are also subject to trademark laws and other related laws of each country. If the Group does not have or cannot obtain or maintain on reasonable terms the ability to use its trademarks or a major private brand in a particular country, or to use or register its domain name, the Group could be forced either to incur significant additional expenses to market the Group's services within that country, including the development of a new brand and the creation of new promotional materials, or to elect not to offer its services in that country.

Furthermore, the regulations governing domain names and laws protecting marks and similar proprietary rights could change in ways that block or interfere with the Group's ability to use relevant domains or the Group's current brand. In addition, the Group might not be able to prevent third parties from registering, using or retaining domain names, trademarks or other rights that interfere with the Group's consumer communications or infringe or otherwise decrease the value of the Group's marks, domain names and other proprietary rights. Regulatory bodies may establish additional generic or country-code top-level domains or may allow modifications of the requirements for registering, holding or using domain names. As a result, the Group might not be able to register, use or maintain the domain names that utilise the name "Allegro" in all of the countries in which the Group currently conducts business or intends to conduct business in the future.

The Group might be required to spend significant resources to monitor and protect its intellectual property rights. The Group may not be able to discover or determine the extent of any infringement, misappropriation or other violation of the Group's intellectual property rights and other proprietary rights. The Group may initiate claims or litigation against others for infringement, misappropriation or violation of the Group's intellectual property rights or proprietary rights or to establish the validity of such rights. The Group may also be sued and litigated against. Despite the Group's efforts, the Group may be unable to prevent third parties from infringing upon, misappropriating or otherwise violating the Group's intellectual property rights and other proprietary rights. It is also possible that the litigation against the Group may commence in bad faith. Any litigation, whether or not it is resolved in the Group's favour, could result in significant expense to the Group and divert the efforts of the Group's technical and management personnel.

In addition, the Group has received in the past, and the Group anticipates receiving in the future, communications alleging that certain items posted on, or sold through, the Group's sites violate third-party copyrights, marks and trade names or other intellectual property rights or other proprietary rights. Brand and content owners and other proprietary rights owners have actively asserted their purported rights against online companies, including Allegro. In addition to litigation from rights owners, the Group may be subject to regulatory, civil or criminal proceedings and penalties if governmental authorities believe the Group has aided and abetted in the sale of counterfeit or other unlawful products. Such claims, whether or not meritorious, could result in significant additional expenses and redirect management attention. The Group has prepared proper internal proactive procedures and preventive measures to address business areas where such claims may arise.

The realisation of any of such risks, alone or in combination, could have a material adverse effect on the Group's business, financial condition and results of operations.

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THE GROUP COULD FACE LEGAL AND FINANCIAL LIABILITY FOR THE SALE OF ITEMS THAT INFRINGE ON THE INTELLECTUAL PROPERTY AND DISTRIBUTION RIGHTS OF OTHERS AND FOR INFORMATION AND MATERIAL DISSEMINATED THROUGH ITS PLATFORMS.

Although the Group's terms of use clearly prohibit the sale of counterfeit items or any items infringing upon third parties' intellectual property rights on the Group's platform and the Group has implemented solutions to exclude goods and services that have been determined to violate its terms of use, the Group is not able to detect and remove every item that may infringe on the intellectual property rights of third parties. As a result, the Group has received in the past, and anticipates that it will receive in the future, complaints alleging that certain items listed or sold through the Group's platform infringe third-party copyrights, trademarks or other intellectual property rights. Content owners and other intellectual property rights owners have been active in defending their rights against online companies, including the Group. The Group has taken steps to cooperate with intellectual property rights owners to seek to eliminate allegedly infringing items listed on its marketplace. The Group's policies prohibit the sale of goods that may infringe third-party intellectual property rights, and the Group may suspend the account of any merchant who infringes third-party intellectual property rights. Despite these measures, some owners of intellectual property rights may consider the Group's efforts insufficient, and the Group anticipates that it will continue to receive legal claims from content and intellectual property owners alleging violations of their rights, which could result in substantial monetary awards, penalties or costly injunctions against the Group.

By starting Allegro Fulfillment the Group also enters into a new area of possible IP infringements arising out of the sale of counterfeit items or any items infringing upon third parties' intellectual property rights. Similarly to aforementioned possible infringements due to the sale of those goods on the platform, despite having clearly stated in appropriate terms that such practices are forbidden and having appropriate processes and solutions to prevent those practices the Group is not able to detect and remove every item that may infringe on the intellectual property rights of third parties when providing Allegro Fulfillment.

Despite these measures, some owners of intellectual property rights may consider the Group's efforts insufficient, and the Group anticipates that it will continue to receive legal claims from content and intellectual property owners alleging violations of their rights, which could result in substantial monetary awards, penalties or costly injunctions against the Group. It should be also noted, that generally the fulfillment area of services is also still new from the law's perspective, and may be subject to changing trends in judicature and legislature.

It is also possible that third parties could bring claims against the Group for defamation, libel, invasion of privacy, negligence or other claims based on the nature and content of the materials disseminated through the Group's platforms, particularly materials disseminated by the Group's merchants. While applicable regulations require hosting providers to have actual knowledge of any illegal content on their platforms in order to have any potential liability, certain regulations are vague and unclear with respect to the e-commerce platform provider's responsibility to actively monitor transactions or take action to prevent infringing activities. If the Group or other online services providers are held liable or potentially liable for information carried on or disseminated through their platforms, the Group may have to implement measures to reduce its exposure to this liability. Any measures the Group may need to implement may involve spending substantial resources and/or discontinuing certain services. Any costs that the Group incurs as a result of liability or asserted liability could have a material adverse effect on its business, results of operations and financial condition.

The Group could also face legal and financial liability for the alleged infringement of the intellectual property of third parties related to the conduct of its business.

CHANGES IN TAX REGULATIONS MAY HAVE AN ADVERSE EFFECT ON THE GROUP'S RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

The tax system in general is characterised by change and uncertainty as tax regulations are frequently amended, subject to numerous and sometimes contradictory interpretations.

In recent years, a number of new tax regulations have come into force that were prepared in a relatively short time and implemented with short grace periods. Other tax reporting or compliance obligations or new tax regulations may be introduced, which could also affect the Group's operations. Certain of these regulations have had (e.g. voluntary and mandatory split payment regulations in Poland), and may have (e.g. tax on shifted profits, taxable restructuring transactions, national system of e-invoices in Poland), an impact on the Group's business and financial condition, including cash flows. Due to the short lead times in publishing laws or secondary legislation, the Group may not always have sufficient time to program new requirements into its systems, or may be unable to determine what changes need to be made, prior to the new laws coming into force. This may lead to fines or penalties for non-compliance.

The Group cannot exclude the possibility that further tax law amendments will be introduced in Poland and / or CE-5 or that new tax burdens will be imposed on e-commerce activities.

Tax laws in the countries in which the Group operates may also need to be amended in order to implement new EU legislation.

The instability of the tax system stems not only from changes in the law, but also from the reliance by tax regulators on court interpretations, which are also subject to potential changes and reversals. The lack of well-established regulations results in unclear and inconsistent interpretations, which lead to uncertainties and conflicts in application.

As a result, the Group faces the risk that its activity in selected areas could be unsuited to the changing regulations and the changing practice in their application.

There is also a risk that the individual tax rulings already obtained and applied by the Group in Poland will be changed or deprived of their protective power, which could lead to tax exposure for the Group.

Due to the fact that potential disputes with the Polish / CE-5 tax authorities cannot be ruled out, the tax authorities could challenge the tax settlements of companies in the Group regarding non-time-barred tax liabilities (including the due performance of the tax remitter's obligations by companies in the Group) and determine tax arrears for these entities, which may have a material adverse effect on the business, financial standing, growth prospects or results of the Group.

Tax settlements, together with other areas of legal compliance (e.g. customs duty) may be subject to review and investigation at any time by the tax authorities and additional tax assessments with penalty interest and penalties may be imposed within a few years from the end of the year in which a tax is due (e.g. in Poland – within 5 years, in the Czech Republic – within 3 years, in Slovakia – within 5 years, etc.). In certain cases, the limitation period might be extended.

In view of these frequent changes, which may have a retroactive effect, and the existing uncertainty, the lack of a uniform interpretation of tax law and the relatively long statute of limitations for tax liabilities, the risk of challenging the application of tax regulations in Poland and CE-5 may be higher than found in the legal systems of other countries. Additionally, these changes in tax regulations have had and may in the future have negative effects on the Group's business, financial condition, results of operations and prospects. Further, the lack of stability in the tax regulations may hinder the Group's ability to effectively plan for the future and to implement the Group's business plan.

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Moreover, with respect to any cross-border business of the Group, international agreements, including double tax treaties, to which Poland / CE-5 countries are a party also have an effect on the Group's business. Different interpretations of the double tax treaties by the tax authorities, as well as any changes to these treaties, may have a material adverse effect on the Group's business, financial standing or results.

Last but not least it should be noted that in July 2016, the General Anti-Avoidance Rule ("GAAR") entered into force in Poland, which, to a certain extent, may be applied retroactively (as described below). Therefore, since July 2016 any reference to the Polish tax regulations, including for the purpose of this Report, includes the GAAR.

AMENDED WITHHOLDING TAX (WHT) REGIME IN POLAND.

A new pay & refund mechanism was introduced in Poland in 2019; however, its application was suspended by the Ministry of Finance. As of 2022 this mechanism, after some amendments, entered into full force.

The mechanism applies to passive payments (dividends, interest & royalties) made to related foreign entities exceeding PLN 2 million per annum (summed up per each particular recipient). The excess over that amount is subject to a standard 19%/20% WHT rate. The payer is obliged to withhold the tax and remit it to the tax office. If a given payment qualified for an exemption (e.g. based on the Parent-Subsidiary or Interest & Royalties Directives) or a reduced WHT double tax treaty rate, in particular such a payment is made for the its beneficial owner, a taxpayer or in certain cases tax remitter can apply for a WHT refund.

Since those rules are rather general and vague, the Ministry of Finance are still working on official explanatory notes which have been delayed for over two years and are now expected in 2024. The wording of the notes will be crucial to the understanding of the beneficial owner concept.

These new rules are applicable to interest and dividends payments within the Group; however, in December 2023 Allegro obtained the so-called clearance / preference opinion from the tax office confirming that with respect to the interest paid out to its shareholder the new pay and refund mechanism is not applicable and Allegro may apply the preference indicated in the Polish CIT Act (i.e. exemption from WHT). This opinion protects Allegro till December 2026. Moreover, Allegro obtained the refund of tax paid prior to issuance of the clearance opinion for 2022 and H1, 2023. With respect to the WHT paid by Allegro for Q3, 2023 (i.e. PLN 25 million), Ceneo.pl (i.e. PLN 0.3 million) and Allegro Pay (i.e. PLN 6.7 million) the Management believes, based on the advice received from the Group's tax adviser, that this tax will also qualify for the refund and this tax is to be reclaimed respectively. However, the Management can give no assurance that the tax authorities will present the same approach in these refund cases. Potential denial of the WHT refund, should this occur in the future, may have an adverse effect on the Group's financial standing by increasing its cost of borrowing..

OTHER TAX AND REPORTING-RELATED LEGISLATION WHICH IS RELEVANT TO ALLEGRO

In 2023 the bill concerning the national e-invoicing system (Krajowy System e-Faktur or KSeF) was adopted, which is separate to envisaged works on e-invoicing at the EU level. The system will introduce obligatory e-invoicing through a government supplied framework. The system was supposed to be obligatory from 1 July 2024, but the implementation process has been stopped by the Ministry of Finance, following the change of the Polish Government in late 2023, and the new go live date is to be communicated in April/May 2024. Therefore, the final shape of the regulations is far from being agreed. The legislation is relevant for the Polish entities, in particular for Allegro as the company issues more than a hundred thousand invoices every month and the whole internal invoicing system will have to be adjusted to invoicing through a government-supplied system.

Another important file is the implementation (already delayed) of the DAC7 directive which will impose reporting obligations on marketplaces with respect to B2C and C2C transactions above certain thresholds. The directive should have been implemented by 31 December 2022, but the legislation process is still in early stages.

The implementation of the DAC7 directive will imply a wide scope of technological and reporting changes in Allegro and will require proactive communication with those merchants who may be unwilling to provide Allegro with data required by DAC7. Failure to provide data to tax authorities may result in financial penalties for Allegro. The first reporting is supposed to be done by 31 December 2024 for 2023 (retrospectively) and by 31 January 2025 for 2024, however the final shape of the bill and compliance or reporting deadlines is still unknown. Importantly, Allegro, as a company seated in Poland, will report to the Polish tax authorities (for Allegro.pl, Allegro.cz, etc.).

It shall be also noted that the Ministry of Finance is planning to introduce an annual SAF-T reporting for corporate income tax as of 2025 (i.e. first report to be published in 2026 for the whole 2025). As the proposed reporting standard has not been announced yet, most likely this requirement will be delayed in time. No details are known at this stage. However, implementation of this requirement will also imply a wide scope of technological and reporting changes in Allegro.

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DIGITAL SERVICES TAXES AND OTHER E-COMMERCE SEGMENT OR E-COMMERCE PLATFORMS TAXES MAY BE PROPOSED BY POLAND, SOME OF THE EU MEMBER STATES, THE EUROPEAN UNION OR THE OECD.

Tax authorities worldwide are currently reviewing the appropriate treatment of companies engaged in e-commerce and/or the digitalised economy. It is likely that in the future countries might attempt to impose new digital services taxes or sales taxes on the Group's business or levy additional income or other taxes relating to the Group's activities.

The European Commission was supposed to publish a proposal for a digital levy, which would help the EU to tax the digital economy and help support the EU's budget and borrowing due to COVID-19 spending. However, due to progress at the OECD Inclusive Framework negotiations, the digital levy and other considered Digital Services Taxes (DSTs) in the EU have been put on hold. Currently, negotiations on Pillar I, which reallocates taxing rights and Pillar II, which sets a framework for Minimum Taxation are still ongoing. The idea is that Pillar I will replace the need for DSTs.

As part of Pillar I negotiations, countries that have implemented a DST or a similar measure, suspended these taxes till the end of 2024. The biggest risk is that the OECD Member Countries do not agree on the final version of Pillar I or that not all Member Countries implement Pillar I into domestic law. This would lead to the reintroduction of the currently suspended DSTs, such as those of France and Italy, as well as the EU retabling its proposal for a digital levy. The timing for the introduction of Pillar I is unknown and depends on its acceptance by a critical mass of jurisdictions. In October 2023 the OECD published the Multilateral Convention to Implement Amount A of Pillar I; however, it is not yet open for signatures as the negotiations deadline is not extended to June 2024.

As regards Pillar II it aims to ensure that income is taxed at an appropriate rate and has several complicated mechanisms to ensure this tax is paid – it is intended to impose on companies with a consolidated group turnover over EUR 750 million the obligation to pay top-up tax so that the effective tax rate of the group in a given jurisdiction is not lower than 15%. The Group operations are established in high-tax countries, except for Hungary where the corporate income tax rate is 9%. These rules are complex and will require substantial new forms of financial data. The EU has already implemented the Pillar II via Council Directive (EU) 2022/2523 that entered into force on December 23, 2022 and required Member States to transpose these rules into domestic law by December 31, 2023. Poland missed the transposition deadline and is planning on implementation during 2024. As at the date of this report, having reviewed the enacted legislation together with its advisors, and noted the delays in implementation in some of the countries where the Group operates, notably Poland, the Group is unable to determine if the Pillar II legislation will have a material impact on the Group's overall effective tax rate. If this risk materialises, It may lead to significant additional tax outflows in the future and a deterioration in the financial position of the Group.

It shall be also noted that in 2022 a new proposal related to VAT in Digital Age taxation was introduced at the EU level. The package consists of a (i) Directive imposing a number of important changes that will significantly impact companies that operate across borders in the EU and, specifically, those designated as electronic interfaces (online platforms, etc.), (ii) changes to the regulation on the exchange of information of VAT information and (iii) amendments to regulation setting out information requirements for certain VAT schemes. Certain provisions of this package may affect Group operations, will require internal implementation and may hinder Group's ability to facilitate sales from foreign (incl. third) countries. The work on this Directive is still ongoing and the final scope has not yet been determined. However, with the EU elections approaching, there is an expectation that the scope of the directive will be limited.

In 2023, a proposal for the revision of the Union Customs Code (the UCC) was published. It is widely linked with the ViDA proposal and therefore efforts are taken at both the EU and member state level to align the two proposals as much as possible, in terms of scope correlation and future implementation.

In addition, some drafts of Digital Service Taxes have provided protection from additional tax burdens for independent groups due to their relatively low turnover or low profitability. As the Mall Group joined the Group, any such protections included in any future such regulations that may come into force are likely to be ineffective when the rules are applied to the financial results of the entire Group. As a result any imposition of digital services taxes or similar could materially deteriorate the financial performance of the Mall Group business.

Moreover, it is worth noting that Governments may be still seeking funding to cover costs related to post COVID-19 and economic crisis. Digital companies, seen as winners of the economy's digitalisation, may be among targets of new taxes.

While the Group believes that imposing new taxes of this type on mainly domestic focused digital services businesses like the Group is unjustified, it can provide no assurance that it will be successful in its efforts to convince the relevant legislative authorities in the European Union or in Poland / CE-5 that the Group's objections are justified. Accordingly, any future developments leading to the imposition of digital services taxes in Poland/CE-5 could have a material adverse effect on the Group's effective tax burdens and in certain cases may lead to double taxation of the Group's revenue and put the Group at a significant competitive disadvantage to its competitors.

Furthermore, the Group cannot predict the effect of any future attempts to impose sales, income or other taxes specifically on the e-commerce segment. New or revised taxes, in particular sales taxes, VAT and similar taxes, would likely increase the cost of doing business online and decrease the attractiveness of advertising and selling products over the internet. New taxes could also lead to significant increases in administrative costs necessary to capture data, collect and remit taxes and ensure compliance. Any of these events occurring could, alone or in combination, have a material adverse effect on the Group's business, financial condition and results of operations.

AN INCREASED FOCUS BY THE RELEVANT TAX AUTHORITIES ON RELATED PARTY TRANSACTIONS MAY CAUSE THE GROUP'S POLICIES TO UNDERGO MORE SCRUTINY, AND THE GROUP MAY BE SUBJECT TO TAX AUDITS AND CHALLENGES IN RELATION TO SUCH TRANSACTIONS.

When concluding and performing related-party transactions, the Group takes special care to ensure that such transactions comply with the applicable transfer pricing regulations. However, due to the specific nature of related-party transactions, the complexity and ambiguity of legal regulations governing the methods of examining the applied prices, as well as the difficulties in identifying comparable transactions for reference purposes, no assurance can be given that specific companies in the Group will not be subject to inspections or other investigative activities undertaken by the tax authorities. The tax authorities may have a different view of the Group's compliance with transfer pricing and may attempt to challenge the arm's-length nature of some of the Group's related party transactions. Should the methods of determining arm's-length terms for the purpose of the above transactions be challenged, resulting in, for example, the assessment of additional taxable income, this may have a material adverse effect on the Group's business, financial condition, results of operations and the price of the Shares.

Moreover, an increased focus by the Polish and CE-5 tax authorities on related party transactions may cause the Group's policies to undergo more scrutiny, and the Group may be subject to tax audits and challenges in relation to such transactions.

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POLISH TAX RULINGS MAY BE SUBJECT TO REVIEW.

Poland applies a tax ruling system that generally protects taxpayers or tax remitters, or in certain cases the 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 ruling 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 truly 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 them 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. 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 the Group relied upon, this could have a material adverse impact on the Group's business, financial condition and results of operations.

THE INTERPRETATION OF POLISH AND CE-5 TAX LAWS RELATED TO THE TAXATION OF INVESTORS MAY BE INCONSISTENT, AND SUBJECT TO CHANGE, AND IT IS POSSIBLE THAT A NON-POLISH INVESTOR MAY BE SUBJECT TO POLISH TAX AS A RESULT OF INVESTMENT IN THE OFFER SHARES UNDER THE CURRENT POLISH TAX LAWS.

The legal system, and specifically Polish/CE-5 tax law, is characterised by frequent changes, ambiguity and inconsistent application; therefore, judicial decisions relating to the application of Polish/CE-5 tax law regulations are frequently inconsistent. This applies in particular to issues relating to the taxation of income generated by investors in relation to their acquisition, holding and disposal of shares in a non-Polish company admitted to organised trading on the WSE, such as the Offer Shares. In particular, Polish regulations on the source of income may treat income from the Offer Shares as earned in Poland and subject to Polish income tax unless the respective double tax treaty to which Poland and the investor's residency state applies.

Furthermore, no assurance may be given that amendments to tax laws that are unfavourable to investors will not be introduced or that the tax authorities will not establish a different interpretation of tax provisions that is unfavourable to investors, which could have an adverse effect on effective tax burdens and the actual profit of investors from their investment in the Shares.

As a result of the above factors, the risk connected with Polish tax law may be greater than in other countries. This risk could have material adverse effects on the Offering in Poland.

TAX AUTHORITIES MAY UNDERTAKE TAX AUDITS IN THE GROUP'S COMPANIES WHICH MAY RESULT IN ADDITIONAL COSTS FOR THE GROUP.

Based on publicly available information, the Group notes that tax audits in Poland in recent years have been carefully targeted and are increasingly effective. In particular, the audits have been targeted on large taxpayers or taxpayers from particular business sectors based on the information obtained by tax authorities from standard audit files, such as JPK (jednolity plik kontrolny) files, which are the Polish equivalent of the SAF-T international standard for electronic exchange of reliable accounting data from organisations to national tax authorities. Since 1 July 2018, all Polish taxpayers have been obliged to provide JPK files at the request of tax authorities during VAT proceedings, verification activities or tax and custom audits.

Polish tax authorities have recently focused on, among other things, corporate income tax, incl. withholding tax, and transfer pricing settlements, and have paid special attention to any group restructuring actions, intra-group settlements, new or innovative offerings and their terms and conditions, as well as debt financing.

The Group performs in-depth, detailed legal and tax analysis before carrying out any reorganisations and transactions, and making innovative offerings. Moreover, whenever possible, the Group has obtained individual tax rulings confirming the correctness of the tax treatment to be adopted or actually adopted. Therefore, the Group believes that all transactions performed in the past have been correctly categorised for tax purposes, in particular in line with binding legal and tax provisions.

At present, there are some entities in the Group in CE-5 that are subject to a tax audit. Those audits are still ongoing. In the current tax environment, the Group cannot exclude the risk that the tax authorities (e.g. during those tax audits) may take a different approach to tax treatments from the ones adopted by the Group. Should the Group become aware of the tax authorities taking a different approach on one or more issues during the course of these audits, the Group will reassess its approach to the topic creating controversy and may conclude, depending on its assessment of the merits of the tax authorities' arguments, that provisions for additional tax liabilities, penalties and interest, should be created, having a negative impact on the Group's financial results.

Tax inspections, which are often lengthy, may force the Group to engage its resources and, as a result, to bear additional costs. Moreover, the results of tax inspections themselves might prove different than subsequent resolutions of the administrative courts (in case the resolutions of tax authorities are appealed).

Any tax audit could produce findings unfavourable to the Group and, if upheld following due process, may have a material adverse effect on the Group's business, financial condition and operational results.

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IMPLEMENTATION OF THE 2021 EU VAT E-COMMERCE PACKAGE MAY RESULT IN ADDITIONAL TAX EXPOSURE FOR THE GROUP DUE TO THE CONSIDERED PLANS TO MAKE THE IMPORT ONE STOP SHOP SYSTEM OBLIGATORY FOR MARKETPLACES.

On 1 July 2021 all EU Member States implemented new rules governing the VAT obligations for B2C e-commerce sellers and electronic interfaces, including marketplaces. This 2021 EU VAT e-commerce package introduced significant changes based on which electronic interfaces, including marketplaces, that facilitate cross-border sales to consumers via third parties are treated as "deemed suppliers" and VAT collectors in certain cases. This full liability regime made electronic interfaces, including marketplaces, responsible for charging and collecting VAT on deemed supplier transactions.

The deemed supplier regime is obligatory for cases where goods which are stored within the EU and shipped within the EU by non-EU merchants, regardless of the value of these goods and voluntary for cases where goods which are, following placement of a buyer's order on the marketplace, imported from outside the EU of net value not exceeding EUR 150, sold on a platform by Polish, EU and non-EU merchants. So far, the Group has not implemented the voluntary scenario as the benefits of the Import One Stop Shop system are not guaranteed and the risk of double taxation still exists.

Following the introduction of the new legislation, in order to conduct VAT settlements of merchants' sales, the Group has to rely on information provided by the merchants. This information may include mistakes or could turn out to be false. It may also result in additional exposure to tax risks, even if the Group follows safeguard provisions and conducts business checks.

In addition, the rules are still being subject to further discussions at the EU level and the Import One Stop Shop scenario may become obligatory for all marketplaces. In such a situation, as the IOSS system is prone to misuses, there is risk of double taxation and it will require significant and time consuming IT development by the Group. Moreover, there are ongoing discussions at the EU level to make the marketplaces responsible for collection of custom duties. No details are known yet.

THE GROUP MAY HAVE EXPOSURE TO GREATER THAN ANTICIPATED TAX LIABILITIES.

As of the date of this Report, the Group has a limited presence in jurisdictions outside of Poland and CE-5. Its presence abroad may result either from its own retail activity (within the 1P model) or from its merchants and/or consumers making cross-border transactions (within the 3P model). The Group may, however, be subject to different forms of taxation or reporting obligations in other jurisdictions, including, but not limited to, income tax, value added tax or sales tax. Tax law and administration is complex and often requires the Group to make subjective determinations.

Changes in tax laws or their interpretation or application or changes in the amount of taxes imposed on companies could increase the Group's future tax burden. If the Group fails to manage these risks adequately, or if one or more of these risks materialises, this could have a material adverse effect on the Group's reputation, business, financial condition and results of operations.

THE GROUP FACES THE RISK THAT ITS ACTIVITY AND/OR TRANSACTIONS IN SELECTED AREAS COULD BE REVIEWED UNDER THE GENERAL ANTI-AVOIDANCE RULE.

The GAAR regulations apply to all tax benefits gained following the date the GAAR entered into force as a general anti-tax abuse law, in addition to existing anti-abuse regulations related to mergers, spinoffs, qualified exchanges of shares and exempt dividend distributions. Under certain conditions the tax authorities may also review past transactions under the GAAR. The GAAR allows the tax authorities to disregard a legally valid transaction (relationship) for tax purposes if the primary aim or one of the primary aims of the transaction was tax avoidance, where "tax avoidance" is interpreted as "an act (or series of acts) applied primarily in order to receive a tax benefit, which in certain circumstances defeats the object and purpose of the tax act, provided the manner of conduct in a particular case was artificial."

Conduct will be considered artificial if, under the existing circumstances, it would not be applied by a reasonable entity who is guided by goals being in line with the laws and it is connected with lawful purposes other than tax benefits contradictory to the object and purpose of a taxable act. In order to assess if a particular act was artificial, attention should be paid especially to: (i) unjustified division of an operation, (ii) the involvement of intermediary entities without business substance, (iii) elements directed to achieve a result identical or similar to the initial state of facts, (iv) elements that cancel or exclude each other, (v) economic risk exceeding the planned benefits other than tax benefits to the degree that it must be decided that a rational entity would not have chosen to act that way, (vi) situations where the tax benefit obtained is not reflected in an economic risks borne by the entity or in its cash flow, (vii) profit before tax which is insignificant in comparison to the tax benefit which does not result directly from the actually incurred economic loss and (viii) engaging the entity which does not conduct a real business activity or does not play significant economic function or which has its seat or place of residence in a territory applying harmful tax competition.

A tax benefit refers to a situation in which: (i) a tax liability has not arisen, the date when a tax liability arises has been deferred or the tax liability has been reduced, or a tax loss has been incurred or overstated; or (ii) a tax loss has arisen or its amount is overstated; or (iii) a tax overpayment or a right to claim a tax refund has arisen, or the amount of a tax overpayment or tax to be refunded has been increased; or (iv) there is no obligation to collect the tax by a tax remitter if this obligation results from the circumstances indicated in point (i) above.

The Group faces the risk that its activity and/or transactions in selected areas could be reviewed under the GAAR, including transactions performed before the GAAR regulations entered into force. Any potential decisions regarding GAAR could be unfavourable to the Group and may have a material adverse effect on the Group's business, financial condition and operational results.

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ALLEGRO FACES RISKS RELATED TO ITS STATUS AS A POSTAL OPERATOR.

In Poland, Allegro has been classified as a postal operator and in that capacity its operations are subject to various industry regulations and ongoing oversight from the Polish authority charged with regulating postal operators, the Office of Electronic Communications (Urząd Komunikacji Elektronicznej, "UKE").

Continued growth in this segment of the Group's operations as a result of initiatives to improve the Group's logistics and other services could entail additional regulatory requirements. Any failure by the Group to comply with applicable laws and regulations could result in penalties, which could have a material adverse effect on the Group's business, financial condition and results of operations.

In the Czech Republic, Allegro Retail a.s. faces a risk that it will not be able to limit the provision of postal services to B2B regime only, but will be obliged to provide the services also in B2C regime. Further, under Czech Postal Law, the Czech Telecommunication Office has the right to authorise the postal operators to provide the universal service in case no postal operator voluntarily participates in the tender for the Postal License Holder. Last, we cannot exclude the risk that in the future Allegro Retail will be obliged to contribute to the costs of universal service provided by the Czech Public Postal Operator's universal service. The amendment of the Czech Postal Law is currently in the early stage of the legislation process. We will follow developments in this area and update the risks if necessary.

The regulatory environment for postal and courier services within the European Union is currently undergoing changes and certain proposed new EU-wide legislation relating to, among other things, cross-border, universal postal services and cybersecurity requirements is anticipated. Any such regulatory changes may have a direct impact on the Group's operations or an indirect impact through the Group's suppliers. Moreover, the Group cannot rule out the possibility that in the future new taxes or similar payments may be imposed on postal operators such as Allegro, in order to support the financial performance of the Polish public postal operator's universal postal service. Under the existing postal regulations, if Allegro generates revenue from universal postal service or equivalent postal services (other than courier services) it may be required to participate in such support. Failure by the Group to manage these risks adequately or the occurrence of one or more of these risks could have a material adverse effect on the Group's reputation, business, financial condition and results of operations.

RISKS RELATED TO THE SHARES

FUTURE SALES OR THE POSSIBILITY OF FUTURE SALES OF A SUBSTANTIAL NUMBER OF THE SHARES BY THE SHAREHOLDERS MAY MATERIALLY ADVERSELY AFFECT THE MARKET PRICE OF THE SHARES.

The significant shareholders of the Company as well as Directors and Senior Managers and other members of management of the Company may sell substantial numbers of their shares on the public market. Such sales could make it more difficult for the Company to raise capital through the issuance of equity securities in the future.

DIVIDENDS AND GAINS FROM DISPOSITIONS OF THE SHARES MAY, IN CERTAIN CIRCUMSTANCES, BE SUBJECT TO POLISH TAX WHEN RECEIVED OR EARNED BY NON-POLISH TAX RESIDENTS.

Investors who do not reside within the territory of Poland are required to pay tax exclusively on income obtained within the territory of Poland (i.e. on Polish source income). Income earned in the territory of Poland includes, among other items, income from securities and financial derivatives that are admitted to public trading in the territory of Poland on the regulated exchange market, including income generated from the disposal of such securities or financial derivatives, and the exercise of the rights arising from any of the above. On account of the fact that the shares are traded on the WSE, dividends and gains from dispositions of the Shares may, in certain circumstances, be subject to Polish tax when received or earned by non-Polish tax residents. This is primarily the case where an exemption or a double taxation treaty does not apply between Poland and the country where the investor is a tax resident.

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2.3. Regulatory Matters

INTRODUCTION

The Group's operations are subject to numerous laws, rules and regulations resulting from both EU and domestic laws in countries where the Group operates. The regulatory requirements applicable to the Group's business activities are subject to change, as they are continuously adapted at the national, European, and international level. The regulatory debate at the EU and national level focuses largely on online platforms and online marketplaces and may result in additional obligations and costs. This will result in far reaching obligations and potentially establishment of new supervisory authorities and regulatory risks.

In 2023 a number of legislative processes relevant for the Group that were described in the 2022 Annual Report were concluded at the PL and EU level. This includes but is not limited business to business and business to government data sharing "Data Act (EU), Act on pawnbroking activity (PL), Offering and labelling energy drinks (PL), Laptops for students & teachers (PL), Waste and Packaging Act related to Deposit & Refund Scheme (PL), Offering and advertising of OTC medicine (PL), Distance Marketing of Financial Services Directive (EU), The law on amending certain laws to reduce some of the effects of identity theft (PL). Works are also progressing in the EU on regulations related to artificial intelligence, sustainability of products and many others. This includes but is not limited to Draft VAT in the digital age package (EU), EU Customs Code review (EU), Draft Regulation on Packaging and Packaging Waste (EU), Draft Regulation on Cyber Resilience Act (EU), Draft Product Liability Directive (EU), Draft Artificial Intelligence Act (EU), Draft AI Liability Directive (EU), Act on collective redress (PL), Draft Regulation on Ecodesign for Sustainable Products (EU), Draft Directive on empowering consumers for the green transition (EU), Green Claims draft Directive (EU), Draft bill on tax reporting obligations of online platforms, "DAC7" (EU), Regulation establishing a Framework for a European Digital Identity (EU), Procedural rules for the GDPR – Regulation (EU), Payment Services Directive and Regulation (EU), Financial Data Access Regulation (EU); Draft directive on improving working conditions in platform work (EU).

Additionally, a number of draft proposals were published in 2023 that will have an overall impact on the digital economy and ecommerce. This includes but is not limited to Right to Repair Directive (EU), Toy Safety Regulation (EU), Revision of ADR Directive and repeal of Online Dispute Resolution Directive (EU), Revision of the EU Waste Framework Directive (EU), Late Payments Regulation (EU); The growing number of laws related to ecommerce and the digital economy increases the risk of overlooking relevant legislation and being unable to mitigate related risks in advance. This risk will be exacerbated as the Group continues to expand its activities to new countries. If the Group fails to comply with any of these laws and regulations, the Group may be subject to civil liability, administrative orders, fines, or even criminal sanctions. Such failure may also have an adverse impact on the Group's reputation. Additionally, a Digital Fairness Initiative was announced in 2023 (which will only take form of a directive proposal in late 2024 or early 2025), which would be of great significance to the AMG.

Below, we outlined selected information on certain aspects of the regulatory and legal environment that are applicable to Group's key business activities including major changes in these rules that were recently adopted. Such information is not exhaustive and it is not intended to provide a comprehensive or complete description of the applicable regulatory and legal requirements.

DIGITAL SERVICES ACT AND DIGITAL MARKETS ACT

In 2022 the European Commission adopted two acts relevant for digital services and e-commerce platforms: Digital Services Act (DSA) [1] and Digital Markets Act (DMA), formerly referred to as ex ante rules [2]. Both regulations introduce heavy financial penalties for a failure to comply.

Digital Services Act, redefines platform's obligations regarding fighting illegal content (notice and action mechanism, trusted flaggers), increases platforms' obligations regarding transparency vs. users (incl. on recommendations and advertising, content moderation, automated decision making), introduces sellers' verification (traceability) obligations, and introduces reporting obligations vs national competent authorities and the European Commission. Stricter enforcement tools, incl. financial sanctions up to the 6% annual turnover were adopted. More importantly, a new supervisory authority dedicated to ensure compliance with the regulation, Digital Services Coordinator, will be established. In the course of legislative works further provisions related specifically to online marketplaces liability for third party goods sold via the platform were added. Platforms should be DSA compliant by 2/17/2024

The Digital Market Act, introduces obligations and limitations to certain business' practices for "gatekeeper platforms" such as prohibition to combine data between gatekeeper's services with third party data, data from users on consent, prohibition of self-preferencing practices, prohibition from limiting business users' access to users and business users' right to sell outside (lower prices), limits in bundling of services, data sharing obligations, and limits to use of data.

As of now Allegro does not fall under the gatekeeper definition under the DMA. Yet, this act may apply for Allegro in the future, especially in case of further M&As. Additionally, the Group as a business user of gatekeepers' core platform services, is affected by the way gatekeepers will comply with the DMA.

[1] Regulation of the European Parliament and of the Council on a Single Market For Digital Services (Digital Services Act) and amending Directive 2000/31/EC.
[2] Regulation of the European Parliament and of the Council on contestable and fair markets in the digital sector.

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WORKS ON THE NEW EU LEGAL FRAMEWORK FOR AI

In April 2021 a proposal for regulation laying down harmonised rules on Artificial Intelligence was published by the European Commission. The proposal defines Artificial Intelligence; prohibits the use of certain AI systems seen as intrusive or manipulative; sets the requirements for high risk AI systems and rules on putting AI systems on the EU market and into service. It provides transparency obligations for certain AI systems and sets rules on market monitoring & surveillance, including sanctions up to EUR 30,000,000 or up to 6% of total worldwide annual turnover for the previous financial year. Among others, the use of AI systems for the use of creditworthiness assessment, in the employment context and biometric identification are perceived as high risk applications.

The proposal, if adopted as proposed by the EC, will imply careful assessment of used AI algorithms in the company, requirement to maintain risk management systems for high risk applications, a number of data governance, reporting and documentation requirements. They will increase compliance cost and – given new framework and unclear definitions, may bring uncertainty related to use of AI.

CONSUMER CREDIT REGULATIONS

Works on the review of EU Consumer Credit Directive [1], published on 30 June were finalised. The new Directive 2023/2225 introduces a number of additional reporting requirements, precontractual information obligations, requirements concerning advertising of credit products, additional obligations under the creditworthiness assessment and interest rate caps. It will apply to all consumer credits regardless of the amount and length of the loan (minimum amounts were removed, as well as, the exemption for short credits).

In October 2022 Polish Anti Usury bill was adopted. It includes, among other things, a reduction in limits on non-interest costs of consumer loans, supervision of the Financial Supervision Authority over the lending industry, change of creditworthiness assessment process and a ban on lending with funds from bond issues and loan crowdfunding. The bill introduces a pre-contractual obligation for entities granting consumer loans to obtain and verify information on consumers' income and expenses and sanctions for non-compliance with the obligations of the bill in the form of non-enforceability of claims and invalidity of the sale of receivables. Given the changes introduced in the course of the legislative process, the final version of the bill does not contain most problematic provisions.

It is also worth mentioning that in July 2023 the law on amending certain laws in connection with the prevention of identity theft was presented by the government. The law is aimed at strengthening protection against abuse resulting from the theft of data that uniquely identifies an individual. In particular, it concerns limiting the scale of incurring certain types of financial and property obligations on stolen data. The law will cover companies granting loans (banks and loan companies). Allegro Pay will be required to verify the PESEL (Powszechny Elektroniczny System Ewidencji Ludności – Common Electronic System of Population Register) number in the registry when entering into a consumer credit agreement. This will result in the need to change the internal procedure for granting consumer credit.

[1] Proposal for a Directive of the European Parliament and of the Council on consumer credits, COM(2021) 347 final.

PRODUCT SAFETY

Retailers who place products on the market in the European Union have to ensure that the products are safe. This is also the purpose of the Directive 2001/95/EC of the European Parliament and of the Council of 3 December 2001 on general product safety (the "Directive on Product Safety") according to which manufacturers must put on the market products which comply with the general safety requirement. In addition, they must provide consumers with the necessary information in order to assess a product's inherent threat, particularly when this is not directly obvious and they must take the necessary measures to avoid such threats (e.g. withdraw products from the market, inform consumers, recall products which have already been supplied to consumers, etc.). In this context it is important to know that under the Directive on Product Safety – just like under most other European and/or national legislation on product safety – an importer (i.e. in most cases also a retailer) of a product that was produced in a country outside of the European Union qualifies as the manufacturer of the product.

According to the Directive on Product Safety distributors are obliged to supply products that comply with the general safety requirement, to monitor the safety of products on the market and to provide the necessary documents ensuring that the products can be traced. If the manufacturers or the distributors discover that a product is dangerous, they must notify the competent authority and, if necessary, cooperate with them.

In Poland, the Directive on Product Safety has been implemented through Act of 12 December 2003 on general products safety and amendments of the Polish Civil Code of 23 April 1964. Further details are determined in various acts and governmental regulations on the safety of specific products/ product groups.

In June 2021 the European Commission published the revision of the product Safety Rules [2]. The final text was adopted on 10.05.2023 [3]. The Regulation 2023/988 will be applicable as of December 2024. The regulation strengthens consumer rights in the EU single market reshaped by digitalisation and the COVID-19 pandemic. It addresses risks related to online shopping by introducing product safety rules for online marketplaces. It aims at ensuring that all products reaching EU consumers, through online or offline channels are safe, whether coming from within the EU or from outside and that dangerous products are recalled from the market. The regulation will have important implications for Allegro's online marketplace, fulfillment center and 1P. It will strengthen product related obligations, including unsafe product removals, access to interfaces/data scraping for market surveillance authorities, online interface design to enable traders to provide product information on the listing, cooperate in ensuring effective product recalls, organise product checks. The regulation originally envisaged high financial penalties (4% of the annual turnover), however in the present version it is left to Member States to lay down the effective, proportionate and dissuasive penalties.

[2] The Proposal for a regulation of the European Parliament and the Council on general product safety, amending Regulation (EU) No 1025/2012 of the European Parliament and of the Council, and repealing Council Directive 87/357/EEC and Directive 2001/95/EC of the European Parliament and of the Council (COM(2021) 346 final).

[3] Regulation 2023/988 of the European Parliament and the Council of 10.05.2023 on general product safety, amending Regulation (EU) No 1025/2012 of the European Parliament and of the Council and Directive (EU) 2020/1828 of the European Parliament and the Council, and repealing Directive 2001/95/EC of the European Parliament and of the Council and Council Directive 87/357/EEC.

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DATA PRIVACY

GENERAL REGULATIONS

As part of its regular operations, the Group processes significant quantities of personal data. Therefore, the Group has implemented robust privacy policies and IT solutions to ensure compliant processing of personal data.

The General Data Protection Regulation that entered into force on 25 May 2018 sets out the general framework for the European data privacy regime. Fines for breach of the GDPR may be significant, depending on circumstances of an individual breach. In the worst case scenario they can go as high as 4% of the turnover of the Group. Moreover, the supervisory authority may restrict further use of data in question, which could potentially impact the Group's operations. At the local level the GDPR is supplemented by the local legislation.

The following items illustrate selected areas of data privacy protection which are of particular relevance in the e-commerce sector:

- **Email advertising:** Subject to certain exceptions, email advertisements (e.g. newsletters, product recommendations or sales announcements) may only be sent to addressees who have given their explicit prior consent. The EU rules governing email marketing are set forth in the GDPR and, operating as a lex specialis in relation to the GDPR, in the so-called e-Privacy Directive (Directive 2002/58/EC as amended). The general rule under the e-Privacy Directive, is that the use of email for direct marketing purposes is only permitted in respect of subscribers or users (of the public electronic communications services concerned) who have given their prior consent (opt-in). These rules may further change as the e-Privacy Directive is currently under review.

- **Web analysis:** Web analysis technologies such as cookies or tracking tools (e.g. Google Analytics) enable the operator of a website to personalise its offers and marketing to better match the users' interests. Even though most web analysis tools anonymise or pseudomise collected data and do not allow for a subsequent allocation of data to individual data subjects, the use of such tools may still be subject to data privacy laws. For example, the use of cookies is regulated by the Directive on Privacy and Electronic Communications which provides for an opt-in regime pursuant to which the use of cookies requires an informed consent of the website user.

CYBERSECURITY

In the EU, the cybersecurity regime has been harmonised under the EU Directive 2016/1148/EU of the European Parliament and of the Council of 6 July 2016 concerning measures for a high common level of security of network and information systems across the Union (the "NIS Directive") which entered into force on 8 August 2016. The NIS Directive requires "essential service operators" within critical infrastructure sectors, such as the energy, transport or banking sector, as well as "digital service providers" (e.g. online marketplaces), to carefully review existing network security mechanisms, to implement "state-of-the-art" security measures which shall ensure a level of security for their infrastructure appropriate to the risk of the respective entity as well as to establish proper notification measures to promptly notify the competent authority of any incident which has a substantial impact on the services offered in the European Union.

The NIS Directive is further supplemented by the Commission Implementing Regulation (EU) 2018/151 of 30 January 2018 laying down rules for its application as regards further specification of the elements to be taken into account by digital service providers for managing the risks posed to the security of network and information systems and of the parameters for determining whether an incident has a substantial impact.

The NIS Directive has been implemented in Poland by the Act of 5 July 2018 on the National Cybersecurity System, which sets out detailed obligations within the framework of the NIS Directive and provides for penalties for breaches that may be imposed by the Polish Minister of Digitalisation.

While fines for individual breaches that may be imposed would normally not exceed PLN 20,000 per breach, in the unlikely event the Group is found in notorious breach, that could result in:

- direct and serious cybersecurity threat to defence, state security, public order and safety, or human life or health; or

- threat of causing serious proprietary damage or substantial disturbance in performance of essential services, fines may be up to PLN 1.0 million.

In December 2022 the European Commission published a proposal for a directive of the European Parliament and of the Council on measures for a high common level of cybersecurity across the Union, repealing the NIS Directive. Works at the EU level were finalised on 28 November 2022. Member States would have to transpose NIS 2 into their national laws by 17 October 2024 and shall apply those measures by 18 October 2024. The Directive aims to ensure a high level of responsibility for the cybersecurity risk-management measures and reporting obligations at the level of the essential and important entities. These obligations are to be approved and overseen by the management body. Worth noting that postal operators are included in the scope of the NIS Directive as important entities, which may imply additional obligations related to ensuring services security.

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PROTECTION OF COMPETITION AND CONSUMERS

Due to the nature of the Group's business, the Group is subject to various regulations on competition and consumer protection.

PROTECTION OF COMPETITION

Competition restricting practices (anti-competitive agreements and abuse of dominance) are prohibited under the Polish Competition Act and the TFEU, as well as various other acts and regulations on the domestic and EU level. The protection of competition is monitored at the European level by the European Commission and at the domestic level by national competition authorities – in Poland the OCCP President. National competition authorities also have the right to apply EU competition law directly (Article 101 and 102 TFEU) if the infringement affects trade between EU member states. The Polish act on competition and consumer protection was amended in 2023, following a delayed implementation of the ECN+ directive.

PROTECTION OF CONSUMERS

Under the Competition Act, in Poland, the OCCP President, acting in public interest, is responsible for implementing the consumer protection policy. The OCCP President conducts proceedings concerning (i) practices infringing collective consumer interests and (ii) abusive clauses in standard agreements with consumers. The Group must also comply with various consumer protection laws regulated at the EU level. There are numerous acts encompassing consumer protection laws, the most important one being the Act on consumer rights, which has been revised because of the implementation of the Omnibus directive. The new regulations have been in force since 1 January 2023 and are already subject to OCCP scrutiny. It is worth noting that Allegro was a pioneering company when it came to implementation of changes to the consumer law as Allegro was compliant with the regulations before the new law (which was a delayed implementation of EU legislation) came into force in Poland.

The Group may be also subject to enforcement of consumers' protection rules by national consumer's protection authorities in the Czech Republic, Slovakia, Hungary, Croatia, Slovakia and Slovenia where it has its platform and/or retail activities.

POTENTIAL SANCTIONS FOR BREACH OF COMPETITION OR CONSUMER LAWS

In Poland, The OCCP President may issue a decision and impose a fine of up to 10% of the Group's turnover generated in the year preceding the imposition of the fine for breach of Polish (or EU) competition law, and up to 10% of the individual company's turnover for recognising the practice as infringing collective consumer interests or recognising the provisions of a standard form contract as abusive. The OCCP President may also (i) enforce abandonment of the practice/abusive clause and/or (ii) order the company to remedy the effects of an infringement. .

An agreement/provision that amounts to an infringement is invalid in its entirety or in relevant part.

Additionally, the EC has the power to impose fines of up to 10% of the turnover of the company concerned in the last financial year for breach of EU competition rules. This 10% limit may be also based on the turnover of the group to which the company concerned belongs.

The Group may be subject to civil claims for damages in relation to the alleged or actual infringement of competition or consumer law. A damages action can be triggered by a stand-alone action or by an action that follows a public enforcement decision such as a decision of the OCCP President or the EC. The Group may also be a claimant in such proceedings. To ensure effective enforcement of such claims, a private enforcement legal framework has been under development in recent years throughout the European Union to, among other things, introduce a directive harmonising rules on numerous issues arising in competition damages claims and introduce collective redress mechanisms. This framework seeks to strengthen the position of private claimants seeking damages by removing substantive and procedural obstacles for claimants to prove an infringement and establish damages.

New provisions were introduced in 2023, following the implementation of the ECN+ directive. These may affect the Group, as any other company on the Polish market: possible fines for business organisations (or subsequently, members of business organisations), should the OCCP find that their members entered a prohibited agreement. Other important changes include: changes to how fines for antitrust infringements are calculated (the turnover of the whole capital group may be taken into account), as well as a limitation of the scope of legal professional privilege, which was adopted regardless of intense protests of business entities, business organisations and lawyer corporations. Finally, the President of the OCCP now has a 5-year term of office, with the existing President of the OCCP having become the first one with the term of office in 2023.

The Group may be also subject to enforcement of competition law by national competition authorities in the Czech Republic, Slovakia, Hungary, Croatia and Slovenia where it has its platform and/or retail activities.

POTENTIAL UPCOMING CHANGES TO THE POLISH COMPETITION AND CONSUMER LAW

There are two acts concerning competition and consumer protection which are currently being processed and which may be relevant to Allegro. The first one is the implementation of the Consumer Protection Cooperation Regulation which will give additional powers to the President of OCCP in the field of consumer law breaches (especially online). The other one is the implementation of the Collective Redress directive, which is supposed to boost consumer claims, especially the collective ones, exercised by mandated consumer organisations. Importantly, with the Digital Services Act having come into force on 17 February 2024, a draft act implementing certain provisions of the DSA is now in the legislative process.

On top of the above, as explained in proceeding sections, there is a lot of green / sustainability legislation being discussed at the EU level, which ultimately aims to strengthen consumer protection and will require local implementation in EU member states. Poland is also delayed with the implementation of the Accessibility Act which enhances, among others, accessibility of online services to the digitally excluded social groups.

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POSTAL SERVICES

As part of development of the Group's services, on 16 April 2020, Allegro was registered in the register maintained by the UKE as a postal operator.

Provision of postal services is governed by:

- Directive 97/67/EC of the European Parliament and of the Council of 15 December 1997 on common rules for the development of the internal market of Community postal services and the improvement of quality of service, which has been implemented in Poland under the Postal Act of 23 November 2012; and
- the Regulation (EU) 2018/644 of the European Parliament and of the Council of 18 April 2018 on cross-border parcel delivery services.

In the Group's capacity as postal operator, the Group will be subject to various ongoing regulatory and reporting duties and will be subject to ongoing supervision by the President of the UKE. The Group may also be subject to certain specific duties related to state security, national defence, and public order and safety matters (including crime prevention) and will need to cooperate on that with various Polish state security agencies.

Whenever the Polish public postal operator (Poczta Polska) incurs losses on its universal postal service, it may request that the President of the UKE orders that such losses shall be compensated by those of the remaining postal operators whose revenue from universal postal service or equivalent services (excluding courier services) in a given financial year exceeds PLN 1.0 million. Such operators would then participate in such losses on a pro rata basis in accordance with a formula set out in the Postal Act and each operator's share cannot exceed 2% of the amount by which its revenue generated by such services exceeds PLN 1.0 million.

If the Group is found in breach of its various regulatory duties, the Group may be exposed to a fine of up to 2% of part of Allegro's turnover generated from postal activities (or EUR 500,000 (PLN 2.3 million) if the Group's breach occurs within first twelve months of rendering postal services).

Furthermore, breach of certain reporting duties under the Regulation (EU) 2018/644 may result in fines up to 2% of Allegro's total turnover.

In the context of the postal services it is worth mentioning that in December 2021 the European Commission published a draft directive related to working conditions in platform work [1]. It includes measures to correctly determine the employment status of people working through digital labour platforms and introduces new rights for both workers and self-employed people regarding algorithmic management. The directive aims at improving the working conditions in platform work and to support the sustainable growth of digital labour platforms in the EU. Although it is not targeted at postal/couriers' services it may have an impact on contractual relations between platforms and postal/courier service providers'.

MARKETING AND USE OF EXPLOSIVES PRECURSORS

Under the new Regulation (EU) 2019/1148 of 20 June 2019 on the marketing and use of explosives precursors, amending Regulation (EC) No 1907/2006 and repealing Regulation (EU) No 98/2013, which entered into force in February 2021, online marketplaces such as the Group will need to:

- ensure that users selling regulated explosive precursors know their obligations (Art 7.3);
- take measures to help users comply with verification obligations (Art 8.4); and
- have in place measures to detect suspicious transactions and report attempted or suspicious transactions within 24 hours (Art 9.2 & 9.4).

The Group has introduced processes and necessary T&C changes to ensure compliance with this Regulation and Polish implementing laws.

[1] Proposal for a Directive of the European Parliament and of the Council on improving working conditions in platform work COM(2021) 762 final.

PAYMENT SERVICES AND AML REQUIREMENTS

As is the case for many other e-commerce businesses, the Group's operations are heavily dependent on the provision of payment services. While payment services have historically been provided by third-party payment services providers, the Group launched its own payment services in the second half of 2020, making applicable payment services regulations directly applicable to the Group. Allegro Finance sp. z o.o. was first registered as a "small payment institution" ("SPI"). In December 2023 the Polish Financial Supervision Authority ("PFSA") provided Allegro Finance with the licence of "domestic payment institution" ("DPI"). The DPI licence is described below.

Payment services in Poland are regulated and in general, companies undertaking such activities require authorisation from the PFSA, in which the PFSA specifies the payment services that the payment institution is authorised to provide.

At the national level, the payment services are primarily regulated by the Act on Payment Services of 19 August 2011 (Journal of Laws of. 2020 item. 794, as amended) (the "APS"). APS contains provisions which are national implementation of the Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market, amending Directives 2002/65/EC, 2009/110/EC and 2013/36/EU and Regulation (EU) No 1093/2010, and repealing Directive 2007/64/EC (PSD2).

The payments services and issuance of electronic money is supervised by the PFSA to the extent and subject to the conditions stipulated in the Act on financial market supervision of 21 July 2006 (Journal of Laws 2020, item. 2059, as amended). In the same time, the President of the NBP supervises the payment systems within the meaning of Article 1.1 of the Act of 24 August 2001 on settlement finality in payment and securities settlement systems and the rules of oversight of these systems (Journal of Laws of 2019, item 212, as amended), the payment schemes within the meaning of the APS, as well as participates in the PFSA's supervision of: (i) domestic payment institutions which provide the acquiring service; (ii) entities which operate securities settlement systems; and (iii) entities which operate securities clearing systems.

Under the APS, the provision of payment services is a licensable activity (unless one of the exemptions provided for in the APS applies). Only entities listed in Article 4.2 of the APS, in the specific conditions set out in the APS, may become payment services providers. Payment services may be provided by a payment institution. The term "payment institution" covers DPIs in Poland and institutions licensed in other EU Member States to provide payment services ("EU payment institutions"). In order to begin providing payment services in Poland as an DPI, an authorisation from the PFSA is required. In case of acquiring services, the President of the National Bank of Poland must issue an opinion before the relevant authorisation is granted (opinion is issued upon the PFSA's request). The authorisation (and the opinion) can be obtained based on an application filed with the PFSA by the legal entity with a registered office in Poland that intends to provide payment services in Poland. In the authorisation, the scope of payment services that may be provided by an DPI is specified. The PFSA may withdraw the authorisation at any time in the circumstances described in the APS (however, other supervisory measures are also available to the PFSA, including power to: request to dismiss or to suspend the managing person responsible for irregularities, limit the scope of DPI's activity, impose a fine on the managing person or on the DPI itself). The authorisation expires if an DPI has not started payment services activity within twelve months from the day authorisation has been granted, as well as in case an DPI does not provide payment services over a period of six consecutive months or more. Expiry must be expressly stated in the PFSA's decision.

Certain requirements laid down in the APS must be satisfied by an entity that intends to provide payment services in Poland. If an DPI wants to provide most of the payment services (listed in Articles 3.1–3.5 of the APS), it must have share capital of at least EUR 125,000 or its equivalent in złoty. Contributions to cover the share capital may not originate from a credit facility or loan or be in any way encumbered or originate from illegal or undisclosed sources. The DPI must also hold the required amount of own funds (the minimum requirement for own funds specified in the APS).

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Depending on the scope of services, the DPI is obliged to have relevant instruments for the purpose of securing claims arising from the activities conducted by the DPI (e.g. bank guarantee, third-party liability insurance, insurance guarantee).

The DPI is supervised by the PFSA, which results in reporting and other obligations under the APS for the DPI. Among other things, the DPI is obliged to submit its audited annual financial statements (and if consolidated – also the consolidated annual financial statements) and interim financial statements to the PFSA in the time limit laid down in the APS.

Direct or indirect disposals of shares in an DPI is subject to the limitations set out in the APS. PFSA has to be notified of the intention to acquire or take up, directly or indirectly, shares of an DPI in a number sufficient to reach or exceed 20%, 30%, or 50%, respectively, of the total number of votes at the decision-making body or a share in the share capital, or if, by virtue of the acquisition, such an DPI would become a subsidiary or co-subsidiary of that entity. Similar obligation is imposed on a potential seller, in case it intends to dispose, directly or indirectly, of a qualifying holding in the DPI.

The DPI, the SPI, the payment services offices and branches of the EU payment institutions are among other entities considered "obliged entities" (institutions) within the meaning of the Act of 1 March 2018 on Counteracting Money Laundering and Terrorist Financing (consolidated text – Journal of Laws 2020, item. 971, as amended) and therefore obligations related to AML/CFT are directly applicable to them (e.g. obligation to conduct financial security measures, including customer due diligence; appointing senior management responsible for the fulfillment of the obligations set out in the Act; and designating AML Compliance officer).

It is also worth mentioning that the PFSA may issue the recommendations on good practices for the prudent and stable management of DPIs in order to protect the interests of users or holders of electronic money.

Breach of various duties under the APS may result in significant fines, including criminal liability.

In the context of Financial Services it is worth noting that on 24 September 2020 the European Commission published the Digital Operational Resilience Act (DORA) [1]. The Regulation was adopted on 28 November 2022. DORA will become applicable on 17 January 2025. It aims to bring the requirements relating to ICT risk management in the financial services sector and guidelines issued separately by the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA), and the European Securities and Market Authority (ESMA), under one roof. As a payments institution regulated under PSD2, Allegro is compliant with the PSD2 and the EBA Guidelines on operational risk and major incident reporting. This framework is already quite robust and includes many of the requirements laid out in DORA. Additionally, certain cybersecurity related obligations may be introduced.

On June 28, the European Commission published the Payments package, which includes Payment Services Directive 3, Payment Service Regulation and Financial Data Access Regulation.

The revision of the Payment Services Directive (PSD3) – one of the main aims of this proposal is to strengthen the open banking framework and strengthen customer authentication (SCA) requirements. These impact payment institutions indirectly, for instance, in terms of the consumer experience. The rules around the authorisation of a Payments Institution have been extended, this includes, larger capital requirements, rules around safeguarding, and the granting and withdrawing of authorisation as a payment institution.

The Payment Service Regulation (PSR) reinforces the existing requirement to grant Payment Institutions (PIs), like Allegro Finance, non-discriminatory access to payment systems and accounts held by credit institutions. The scope of the requirement has been expanded to encompass not only the onboarding but as well the offboarding of PIs and those in the process of obtaining a license. However, these mainly focus on AML concerns and breaches of contract.

[1] Proposal for a regulation of the European Parliament and of the Council on digital operational resilience for the financial sector and amending Regulations (EC) No 1060/2009, (EU) No 648/2012, (EU) No 600/2014 and (EU) No 909/2014

The framework for Financial Data Access (FIDA) establishes rights and obligations to manage customer data sharing in the financial sector beyond payment accounts. The idea is to create a level playing field between banks on the one hand, and new fintech firms on the other hand. The proposal also aims to create incentives to share data by allocating revenue to the provision of data. Allegro is in scope of the proposal, as payments institutions are seen as data holders. This means that Allegro will need to provide data to the customer at their request and develop a dashboard for data sharing for the customer. Furthermore, there is some uncertainty on what data needs to be included. The recitals both explicitly exclude data from credit worthiness assessments, and include them, but it's not always clear where this line is drawn, especially with regards to SME financing.

OUTSOURCING SERVICES

In order to facilitate cooperation between banks and payment services providers and users of the Group's e-commerce marketplace, the Group is providing certain services to banks and payment services, which constitutes qualified outsourcing regulated under, respectively, the Polish Banking Act of 29 August 1997 and the APS.

In that capacity, the Group's activities may fall under supervision of the PFSA.

PACKAGING AND PACKAGING WASTE

In relation to the Group's activities, in particular retail activities, the Group is subject to various reporting, recycling and other obligations under Polish Act on Waste of 14 December 2012 (consolidated text – Journal of Laws 2020, item 797, as amended) and the Polish Act of 13 June 2013 on dealing with packaging and packaging waste (consolidated text – Journal of Laws 2020, item 1114, as amended). These acts implement, among others, the European Parliament and Council Directive 94/62/EC of 20 December 1994 on packaging and packaging waste and Directive 2008/98/EC of 19 November 2008 on waste as well as subsequent amendments to these directives. The ongoing transposition of the above-mentioned directives into the national law in Poland may extend the statutory obligations of the Allegro group, in the form of increased reporting and financial burdens.

On 30 November 2022 the European Commission published proposal for a new regulation on packaging and packaging waste (PPWR), which will substantially amend the Single Use Plastic Directive [2] and repeal the current directive on packaging and packaging waste (Directive 94/62/EC). The proposed regulation will harmonise across the EU Member States certain provisions, i.a. regarding Extended Producer Responsibility (EPR), packaging minimisation, reuse, recycling and labelling. The proposal has a direct obligations for online platforms to verify EPR obligations of sellers (notably, platforms should obtain from the packaging producers – manufacturers, importers or distributors – information about their compliance with the extended producer responsibility rules, and the rules on traceability of traders selling packaging online will be subject to the enforcement rules set out in Regulation (EU) 2022/2065 (DSA). Overall, the proposal will impact the Group for its 3P (online marketplace), 1P and fulfillment operations, as well as merchants. At the same time some of the proposed obligations are aligned with the Allegro approach, especially as regards promoting sustainable packaging solutions via One Fulfillment by Allegro. Furthermore, the expected harmonisation of the rules on registration in each Member State's packaging database could bring some benefits to the merchants, especially those selling crossborder (despite the required bureaucracy). Nevertheless, there are risks entailed with provisions delegated to the secondary legislation and their proper implementation over time, as well as to the arbitrary bans on usage of certain packaging materials or formats. Legislative works on the proposal continued in 2023 as well as on other proposals outlined in 2022 Annual Report, including on transparent information to consumers, e.g. by labelling improvements, incl. draft Regulation on Ecodesign for Sustainable Products (ESPR), draft Directive on empowering consumers for the green transition and revision of Regulation (EC) on Classification, Labelling and Packaging of substances and mixtures (CLP).

[2] Directive (EU) 2019/904 of the European Parliament and of the Council of 5 June 2019 on the reduction of the impact of certain plastic products on the environment.

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INTERIM FDI REGIME

General

The below amendments to the Polish the Act on the Control of Certain Investments of 24 July 2015 entered into force on 24 July 2020 and were supposed to be effective for 2 years, but were extended in 2022 by another 3 years (to July 2025).

The revised interim foreign investment regime (the "FDI Regime") was introduced in response to the negative effects that COVID-19 pandemic may have on valuations of Polish businesses. Any transaction that falls within the scope of the FDI Regime will have to be notified to the OCCP President, who has the right to object to the contemplated transaction.

The FDI Regime will apply to all WSE-listed companies that have their registered offices in the territory of Poland and whose revenue from the sale of goods or services in Poland in any two financial years preceding the notification was at least EUR 10.0 million (PLN 46.1 million). As the Company is incorporated in Luxembourg, therefore, a number of restrictions under the FDI Regime will not apply to trading in the Company's shares.

However, the FDI Regime may apply to some of the Group's Polish operating companies due to their software-related activities. In such case, indirect acquisition of a dominant position over such Polish operating companies (including by way of acquiring a dominant position over the Group) by a Foreign Investor (as defined below) will be a transaction that has to be notified under the FDI Regime.

Foreign Investor

The FDI Regime will recognise as a "Foreign Investor":

- in the case of natural persons, those who are not citizens of an EU/EEA/OECD country; and
- in the case of other entities, those that do not have their registered seat in an EU/EEA/OECD country or have not had their registered seat in an EU/EEA/OECD country for two years or more.

In the case of indirect investments (e.g. through subsidiaries or special purpose vehicles), the entity (or person) at the top of the Foreign Investors group structure is considered pursuant to the above criteria. Similarly, if the investment is made by portfolio managers or other agents, the client is taken into account.

Notification

The notification should be filed before the signing of a preliminary agreement obliging an investor to make the acquisition or, in the case of the acquisition of a WSE-listed company by way of a public tender offer, before the tender offer is announced.

Once the notification has been filed, the Foreign Investor may sign the preliminary agreement or announce the tender offer, which will be conditional on receipt of clearance from the President of OCCP.

Timetable

After the notification, the OCCP President has 30 business days to either (i) approve the transaction or (ii) initiate control proceedings. The control proceedings may last up to 120 calendar days (the clock stops whenever OCCP requests additional information, so in practice the actual timing may be even significantly longer).

Reasons for Objections

The President of OCCP may object to a transaction if:

- the investor does not complete the notification fully or fails to provide the additional information/documents/explanations requested by the President of OCCP; or
- the transaction leads to at least a potential threat to public order, public safety, or public health;
- it is not possible to determine whether the investor has its registered seat (or citizenship) in an EU/EEA/OECD member state; or
- the transaction could have a negative impact on projects or programs which are of EU interest.

Consequences of Non-Compliance

Any transaction made in breach of the FDI Regime (without notification or without approval) will be null and void and the investor will be unable to exercise its rights (including any voting rights) under the shares acquired. In case of taking control over a parent company of a Polish protected entity; only the latter sanction will apply.

Investment made without approval is a criminal offence subject to a penalty of imprisonment from six months to five years and a fine of up to PLN 50.0 million.

Moreover, anyone managing the subsidiary or exercising voting rights on behalf of a Foreign Investor, who fails to notify the President of OCCP of the foreign investment of a certain kind (such as a cross-border merger outside of Poland) is liable to a fine of up to PLN 5.0 million, a term of imprisonment of six months to five years or both of these sanctions jointly.

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3.

Approach to Environmental, Social and Governance Issues

GRI 2-2, 2-3, 2-5

Since 2020, the Allegro Group has been publishing annual reports containing non-financial data regarding the management of the ESG area (E – environment, S – social, G – governance), i.e. the environmental, social impact and impact on responsible business practices and organisational governance, including respect for human rights and counteracting corruption and abuse.

The Management Board's report on the operations of the Allegro.eu in 2023 (hereinafter referred to as the Management Board's Report) presents a comprehensive picture of the operations integrating financial and business results with aspects of environmental, social and governance impact. The Management Board's report takes into account the best market practices and refers to national and international guidelines important for business in the field of reporting non-financial information: Global Reporting Initiative (GRI) 2021 – the international standard for non-financial reporting GRI Standards, Guidelines for ESG reporting prepared by the Warsaw Stock Exchange (WSE), Guidelines of the International Integrated Reporting Council (IIRC), Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) regarding climate risk reporting and the EU Taxonomy Regulation,

For the purposes of meeting Art. 49b section 9 of the Accounting Act, the Allegro Group has prepared a separate Report on non-financial information in 2023 (including non-financial information of the Allegro Group in 2023), which takes into account the non-financial information required by the provisions of the Act.

For a full picture of our activities, we encourage you to read the Management Report, which is the result of our strategic approach to conducting business in accordance with the principles of sustainable development. Selected indicators will be subject to external verification.

Annual reports of the Allegro Group for previous years, including those published since 2020 containing non-financial information, are available at the Allegro.eu website.

The data presented in the Report refer to the period from January 1 to December 31, 2023, unless otherwise stated in the content. The report presents the activities and non-financial data of the Allegro.eu, including as the parent company and companies belonging to the Group as of December 31, 2023.

3.1. ESG key data & results

All 4 People

- 3% adjusted gender pay gap in Polish Operations
- #1 in CEE Diversity Leader recognised by the Financial Times and Statista
- 4,824 – Total number of hours spent on volunteer work
- PLN 47m collected by the Allegro Charytatywni ("Allegro Charity") platform
- 95% of One Boxes accessible for people with disabilities according to Allegro accessibility standards

All 4 Planet

- 49% sustainable packaging in own operations
- -5% reduction in emissions in absolute terms vs LY (scope 1 and 2, market-based method)
- -16% reduction in emissions intensity per revenue vs LY (scope 1 and 2, market-based method)
- 10-year VPPA signed to secure the price for 220 GWh of green electricity in 2025-35
- Mondi Group and Stora Enso chosen as strategic business partners for sustainable packaging

All 4 Prosperity

- 149.8 thousand merchants on the Allegro Group's platforms
- 49.2 thousand merchants have export offers
- 56.7 thousand unique users participate in the Allegro Academy e-learning platform
- 337 Allegro employees spoke at different technology events

Good Governance

- The MSCI rating upgrade to AAA
- Board oversight on ESG & climate strategy and performance, cybersecurity and data protection
- Increased number of independent directors from 3 to 5, one below the >50% by 2026 target
- 58% trained for cybersecurity (annual refresh), 63% including new employees on-boarding session
- 71% trained for data protection (annual refresh), 75% including new employees on-boarding session
- 68% trained for compliance (Charity, social and sponsoring activities policy, Climate policy, Human Rights Policy, Policy of counteracting undesirable phenomena such as discrimination, harassment, bullying and violence, Transparency (Anti-Corruption) Policy, Whistleblowing procedure) (annual refresh), 72% including new employees on-boarding session
- Improvement of Cyber Security Maturity Assessment from 4.17 to 4.42 in 5 grade scale

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allegro

3.2. Value chain

GRI 2-6, 2-28, 2-29

The Allegro Group's value chain forms the foundation of its ESG strategy. It entails multiple activities from sourcing products to the terminus of their lifetime, thereby facilitating comprehensive stakeholder engagement. This approach makes it possible to identify and manage environmental, social, and governance impacts in all of the company's operations and map the key stakeholders involved.

	Upstream			Own operations		Downstream		
Allegro value chain	**Extraction and processing of raw materials**	**Production**	**Transport and logistics**	**Merchants**	**Allegro Group**	**Transport and logistic**	**Consumers**	**End of life**
Stakeholders	Employees in the value chain, affected communities	Employees in the value chain, affected communities	Employees in the value chain, affected communities	Mainly small and medium entrepreneurs, employees in the value chain	Employees, workers/ contractors, investors, affected communities, business partners, regulatory authorities, cities/ city authorities	Business partners, contractors, employees in the value chain	Consumers and end users, affected communities	Consumers and end users, cities/ city authorities, affected communities
Localisation	Whole world, mainly Poland and Czech Republic			Poland, Czech Republic, Slovakia, Hungary, Croatia, Slovenia and others		Poland, Czech Republic, Slovakia, Hungary, Croatia, Slovenia		
Description of the business relationship	Indirect relationships	Indirect relationships Direct relationships for Allegro store (1P)	Indirect relationships	Direct and long-term relationships	Direct and long-term relationships	Direct and long-term relationships	Direct relationships, recurring and non-recurring	Indirect relationships

Stakeholders are engaged in Group operations thereby enabling Allegro to make better business decisions, manage risks more effectively and foster innovation. The most important groups in the business environment were identified by conducting a comprehensive double materiality analysis and engaging in stakeholder dialogue.

	Upstream			Own operations		Downstream		
Allegro value chain	**Extraction and processing of raw materials**	**Production**	**Transport and logistics**	**Merchants**	**Allegro Group**	**Transport and logistic**	**Consumers**	**End of life**
Key areas	– No direct contact	No direct contact for 3P. Planning, Performance Review for 1P	No direct contact for 3P. Planning, Performance Review for 1P	Need state analysis Information on changes Problem solving Education	Need state analysis Information on changes Day to day operations	Planning, Performance Review	Need state analysis Information of changes Advertising campaigns Problem solving Education After sale care	
Channel	Contact form Social media accounts Media relations	Contact form Email Direct communication Periodical reports Social media accounts Media relations	Contact form Email Direct communication Periodical reports Social media accounts Media relations	Contact form Email Contact with Allegro advisers Allegro Academy Social media accounts Regular surveys Allegro Gadane community Mailings	Individual contact Email #Let's_Tallk: Company Update – quarterly meeting with Exec Team and Q&A session The qa_Allegro channel for asking questions on an ongoing basis Inspirational meetings Thematic communities Mailings	Contact form Email Direct communication Periodical reports Media relations	Contact form Allegro chat Hotline for Seniors Contact channel for deaf users Allegro Protect Social media accounts NPS survey Regular surveys Allegro Gadane community Social media accounts Media relations Mailings	

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The company facilitates interaction with business partners and suppliers through an internal complaint handling system, out-of-court procedures, and cooperation with public authority channels to ensure all concerns are managed with due diligence while fostering collaborative solutions.

The company's engagement with local communities, NGOs, the business environment, media, and competition is multifaceted. It includes active participation in industry organisations and initiatives, conferences and meetings, and public consultations. Stakeholders receive regular updates in the form of a steady stream of current and periodical reports and media announcements. The company also maintains open lines of communication via email.

Shareholders and market participants receive updates and reports and are invited to participate in discussions via meetings and roundtables to ensure transparency. The company openly communicates with them through direct emails and timely newsletters. The annual General Meeting serves as a forum to provide a concise overview and engage with investors.

As a member of trade associations, Allegro regularly participates in public consultations on Polish and EU draft legislation during which it represents the interest of merchants, consumers and European technological companies actively engaged in ongoing digitisation and the creation of an innovation-friendly legal environment. Allegro representatives are in touch with government bodies such as the Polish Office for Competition and Consumer Protection in an effort to support education and develop the best market standards. The company also works with the Office of the Ombudsman for Small and Medium-sized Entrepreneurs and public economic administration to improve the position of local entrepreneurs and afford them full representation.

Allegro is a member of the following organisations (as at 31.12.2023):

INTERNATIONAL ORGANISATIONS:

- Ecommerce Europe [Allegro]
- The European Tech Alliance (EUTA) [Allegro]
- IAB Europe [Allegro]

POLISH ORGANISATIONS:

- UN Global Compact Poland [Allegro]
- The Chamber of Digital Economy (Izba Gospodarki Elektronicznej) [Allegro, Ceneo.pl]
- Digital Technology Employers Lewiatan (Związek Pracodawców Technologii Cyfrowych Lewiatan)
- Konfederacja Lewiatan via the trade association Związek Pracodawców Technologii Cyfrowych Lewiatan [Allegro] [eBilet.pl]
- The Union of Entrepreneurs and Employers (Związek Pracodawców i Przedsiębiorców, ZPP) [Allegro]
- The IAB Polska Association of Internet Industry Employers (Związek Pracodawców Branży internetowej IAB Polska) [Allegro]
- IAB Europe [Allegro]
- Responsible Business Forum (Forum Odpowiedzialnego Biznesu) [Allegro]
- The Polish Association of Listed Companies (Stowarzyszenie Emitentów Giełdowych) [Allegro.eu]
- The Polish Organisation of Non-Bank Payment Institutions (Polska Organizacja Niebankowych Instytucji Płatności) [Allegro Finance]
- Business Accessibility Forum (Widzialni Foundation) [Allegro]
- Związek Przedsiębiorców Finansowych [Allegro Pay]
- FinTech Poland [Allegro Pay]

CZECH ORGANISATIONS:

- Digital Economy Network [Allegro]
- Czech Business Leaders Forum [Allegro]
- APEK – Association of E-commerce in Czech Republic [Mall, CZC]

Allegro representatives also work with BusinessEurope as part of Konfederacja Lewiatan [Allegro] and Interactive Advertising Bureau Europe as part of IAB Poland [Allegro]. The company is also a member of SME Connect at SME Europe through its membership in ZPP.

Allegro is engaged in the public debate on how to enhance innovation and the competitiveness of local companies. As a member of the European Tech Alliance (EUTA) and other business organisations in Poland and at the EU level, Allegro is making a contribution to regulatory dialogue with the objective of creating optimal conditions for innovation, providing merchants with the proper support and ensuring consumer safety and user-friendliness, as well as a level playing field for all players, including scale-ups. As part of its contribution to ongoing discussions in the EU, Allegro presented its EU Tech Credo [1] in which it underlines how crucial it is for EU policies to be effectively construed in accordance with principles such as proportionality and smart regulation while aligning various policy objectives and legal regulations. Regulations governing the platform's obligations, taxes, innovative payment solutions, use of artificial intelligence and data should allow the company to innovate and develop cutting-edge services without hindering processes or creating unjustified costs or unfair administrative burdens.

Allegro sees the legal framework as an important factor for success and competitiveness for all EU-based companies. This is why company representatives have ardently advocated for rules to support EU companies as they innovate and leverage new technologies to improve services for consumers. The aim is to focus on constantly enhancing the experience of its customers and partners, propelling investments and innovation and employing great talents. At the same time, Allegro believes that EU rules can help make the bloc a true Digital Single Market that allows companies to operate and thrive in multiple countries, ensuring that the rules established are applicable and enforceable equally to all companies that do business in Europe. Allegro was one of the founders leading the European Tech Alliance (a Group representative served as Chairperson in 2018-2022, and as a Board member since 2023).

[1] https://about.Allegro.eu/static-files/c32463e3-8a82-4ba1-8ee3-f3db25833984

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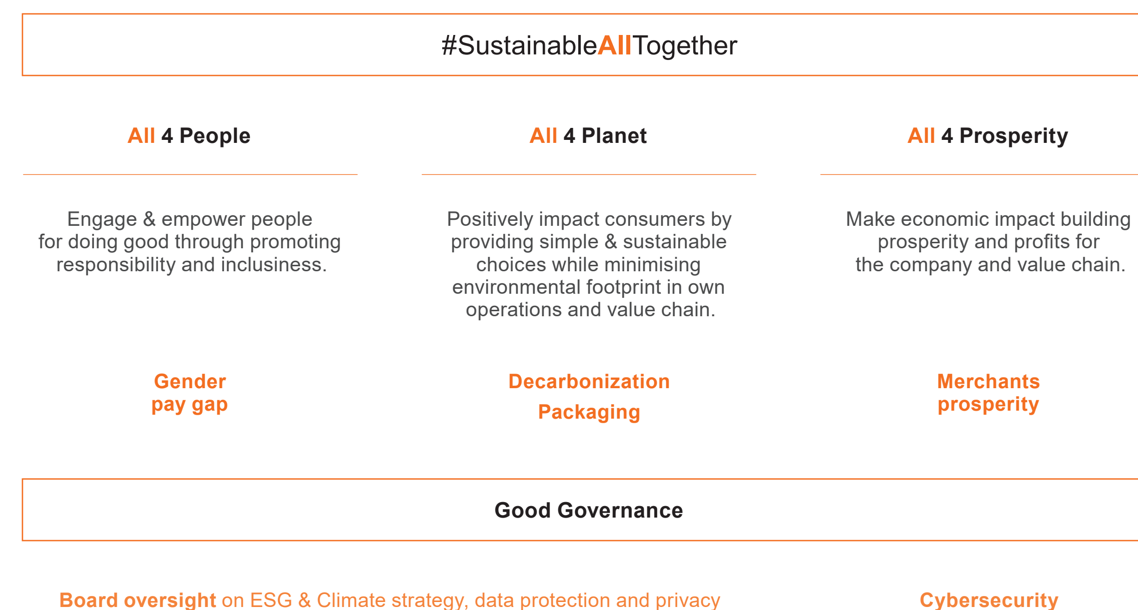
3.3. ESG strategy

Environmental, social and governance issues are a part of Allegro's daily business operations as well as its long-term strategic plans. ESG issues are considered to be as important as other business factors when making strategic decisions. ESG Strategy is implemented through cooperation in all areas, incl. Technology, Commerce, Operations (Customer & Delivery Experience), Human Resources, Compliance & Risk, Investor Relations, Procurement, Marketing, PR, CSR and ESG. ESG is managed comprehensively with the participation of members of the Executive Team and the Board. It also involves all major stakeholders: consumers, merchants, employees, and society as well as investors, ESG rating agencies, business partners and regulators.

Allegro's strategic framework is designed to scale across six markets, engaging nearly 150 thousand merchants, over 19.6 million Active Buyers, 6,624 staff members, and over 10 thousand business partners in the value chain in the pursuit of becoming Europe's favourite online shopping destination. Allegro's strategy is built on the premise that growth equates to responsibility, focusing on positive transformation and tangible actions rather than big words. By embedding care into the very fabric of our operations through the following pillars: All 4 People, All 4 Planet, and All 4 Prosperity, Allegro is committed to deliver a sustainable future to the entire value chain that extends beyond its immediate operations. Good governance underpins this approach, ensuring that as the Group expands, it makes a meaningful impact, leading to a better sustainable future and shaping the e-commerce world.



By setting ambitious goals, i.a. climate targets, the company is a leader setting the trend on the CEE market. It continuously works on diversity, equity and inclusion to incorporate different groups of clients: gender-based, seniors, young generation and people with disabilities etc. The company has already set long-term climate and governance targets:

- Climate targets [accepted by Science Based Targets initiative]: 38% reduction of GHG emissions (scope 1 and 2) by 2030, in line with the Paris Agreement 1.5°C pathway and engaging at least 73% of the largest suppliers to determine their science-based targets for Scope 1 and 2 by 2027;
- Governance targets: ensure that independent members constitute at least a majority (over 50%) of the Board of Directors by 1 September 2026.

The strategy was approved and adopted by the Board of Directors. The results of the strategy are regularly monitored by the Remuneration and Nomination Committee (more on this subject can be found in the ESG and climate corporate governance chapter). The full ESG strategic framework will be published in the annual ESG report together with a double materiality matrix.

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3.4. Good Governance

- The MSCI rating upgrade to AAA.
- At the end of 2023, the Board numbered eleven members among whom 3 (27%) have expertise in ESG.
- The number of independent directors was increased from 3 to 5, one below the target of >50% by 2026.
- All policies are verified at least once a year and if necessary they are updated to be aligned with new legislations, regulator requirements and environment changes.
- 58.2% trained for cybersecurity and
- 70.9% trained for data protection
- 67.5% trained for compliance (Charity, social and sponsoring activities policy, Climate policy, Human Rights Policy, Policy of counteracting undesirable phenomena such as discrimination, harassment, bullying and violence, Transparency (Anti-Corruption) Policy, Whistleblowing procedure)
- Zero penalties for data leak and cybersecurity incidents.
- Improvement of Cyber Security Maturity Assessment from 4.17 to 4.42 in 5 grade scale.

3.4.1. ESG AND CLIMATE CORPORATE GOVERNANCE

GRI 2-9, 2-10, 2-11, 2-12, 2-13, 2-14, 2-15, 2-16

Allegro.eu, a company incorporated and existing under the laws of Luxembourg, has a one-tier (unitary) board structure in which the Board of Directors consists of executive directors (dealing with day-to-day management) and non-executive (supervisory) directors as opposed to most Polish companies that have a two-tier structure consisting of a management board and a supervisory board. The Board of Directors is Allegro.eu's highest governing body and it takes ESG issues into account when performing its supervisory duties. The aim is to appoint Board members with diverse knowledge, skills and experience suitable to their functions in order to ensure high-quality performance. Allegro's diversity & inclusion approach includes principles emphasising that differences in opinions and personal background (which, apart from the criteria mentioned above, result from nationality, gender and age) help to achieve the best results. At the end of 2023, the Board numbered eleven members among whom 3 (27%) have expertise in ESG. The number of independent directors was increased from 3 to 5, one below the target of >50% by 2026. The remuneration of the Board of Directors is not linked to ESG objectives.

Statement on Board Independence Target

On 22 September 2021 the Board of Directors of Allegro.eu approved an Amendment to the Rules of Procedure by introducing a new target to have at least a majority of independent directors on the Board. The Board has adopted a maximum timeline of five years ending on 1 September 2026 to achieve this target.

The table below sets out the name, position, independence status and expertise in ESG and climate for each of the Company's Directors.

Name	Year appointed – year term expires	Representative	Independence status	Expertise in ESG and Climate areas
Darren Huston	2020-2026	Non-Executive Chairman	Not independent	No
Roy Perticucci	2022-2026	Executive Director, Group CEO	Not independent	No
Jonathan Eastick	2020-2026	Executive Director, Group CFO	Not independent	No
David Barker	2020-2026	Non-Executive Director	Not independent	No
Richard Sanders	2020-2026	Non-Executive Director	Not independent	No
Paweł Padusiński	2020-2026	Non-Executive Director	Not independent	No
Nancy Cruickshank	2020-2026	Non-Executive Director	Independent	No
Clara (dit Carla) Smits-Nusteling	2020-2026	Non-Executive Director	Independent	No
Pedro Arnt	2022-2028	Non-Executive Director	Independent	Yes
Catherine Faiers	2023-2026	Non-Executive Director	Independent	Yes
Tomasz Suchański	2023-2026	Non-Executive Director	Independent	Yes
SUMMARY		**81% non executive**	**45% independent**	**27% has ESG expertise**

The Board members' full biographies are presented in the Business Overview chapter.

The role of the Board of Directors in ESG issues is as follows:

- approve the Group's ESG strategic directions, flagship KPI's and recommend changes/activities
- approve reports on the implementation of the Group's ESG Strategy
- supervise the integration of the Group's ESG Strategy and initiatives with Allegro's business goals
- ensure the integrity of non-financial information
- monitor corporate risk, define the scope of risk management, define directions for the development of the risk management system and determine risk appetite levels.

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The Board of Directors meets at least once per quarter and as required by the Company's business. It can only validly deliberate if a majority of the directors are present or represented. The resolutions of the Board of Directors are passed by a simple majority of the votes cast by the voting directors present or represented, not considering abstentions. The Board of Directors held 8 meetings in 2023, on 4 ESG and climate issues were discussed.

Additionally, each year at the turn of the third and fourth quarter, the Board of Directors (including Remuneration and Nomination Committee and Audit Committee members), executive team members, and senior managers in the key companies participate in a strategic workshop during which the executive team members present business strategy for the upcoming fiscal year. In 2023, ESG themes and issues were included and approved for the first time in strategies, plans, and KPIs for the next fiscal years.

The Board of Directors is responsible for ESG leadership including oversight and monitoring ESG and climate strategy and flagship non-financial KPI performance. It also monitors corporate risk (incl. ESG, climate), defines the scope of risk management, defines directions for the development of the risk management system and sets risk appetite levels. The Group maintains the following committees directly reporting to the Board of Directors: (i) Audit Committee (AuditCo) and (ii) Remuneration and Nomination Committee (RemNomCo). The latter provides a strategic recommendation on ESG priorities and monitors ESG & climate strategy implementation, whereas the Audit Committee provides a strategic recommendation and review of ESG & climate risks, ESG reporting, non-financial audit results and remediation plan. Additionally, the Chief Legal Officer and Chief Financial Officer oversee ESG strategy implementation and cyber security strategic projects.

As of 27 June 2023, the Remuneration and Nomination Committee headed up by its Chairman is also responsible for supervising all issues related to ESG and sustainability strategy, in particular approving new strategic directions, revising strategy, and preparing a list of flagship KPIs. All of the Committee's activities are supervised by its Chairman, who is also a member of the Board of Directors and who is responsible for ESG in the Group. The Committee meets at least twice a year when the ESG strategy implementation progress is presented, and key strategic recommendations are made. The Remuneration and Nomination Committee consists of no less than three (3) independent non-executive directors.

Composition of the Remuneration and Nomination Committee

Name	Function	Representing
Nancy Cruickshank	Chair	Independent Non-Executive Director
Darren Huston	Member	Not Independent Non-Executive Director
Catherine Faiers	Member	Independent Non-Executive Director
Tomasz Suchański	Member	Independent Non-Executive Director

In 2023, the Remuneration and Nomination Committee held 6 meetings. The main areas of interest and discussion on ESG issues pertained to reviewing the refreshed ESG strategic framework, double materiality analysis and the ESG operational plan for 2024.

As of 27 November 2023 the Audit Committee is also formally responsible for Security and Privacy matters, which from the beginning were and will be regularly discussed in Audit Committee meetings to ensure that relevant security and privacy matters are incorporated into the Company's purpose, governance, strategy, decision-making, risk management, and accountability reporting. In accordance with the Audit Committee's Charter, Audit Committee meetings are held at least four (4) times a year at appropriate times in the financial reporting and audit cycle and otherwise as required. The Audit Committee includes no fewer than three (3) members among whom two (2) are independent.

Composition of the Audit Committee

Name	Function	Representing
Clara (dit Carla) Smits-Nusteling	Chair	Independent Non-Executive Director
David Baker	Member	Not independent Non-Executive Director
Pedro Arnt	Member	Independent Non-Executive Director

In 2023, the Audit Committee held 7 meetings. The main areas of its interest and discussion topics in ESG pertained to cybersecurity, data privacy, Risk Management, compliance and Corporate Sustainability Reporting Directive readiness.

The ESG Core team is an intermediate unit between the operational and implementation teams, Board of Directors and the Remuneration and Nomination Committee (RemNomCo) and Audit Committee (AuditCo). The ESG Core team monitors operational ESG management. The team consists of ESG and sustainable development experts, including the Director of Group Public Affairs & ESG and Group Sustainability & ESG Manager. The crucial task performed by the ESG Core Team is pursuing ESG strategy and coordinating its implementation by cooperating with all of the required units taking actions and monitoring performance. This team also monitors progress in achieving ESG goals, key performance indicators (KPIs) and ESG goals and it reports the outcomes of activities and strategy implementation. The ESG Core Team reviews all CAPEX/OPEX expenses on Allegro.pl above PLN 100,000 in terms of compliance with ESG commitments. Moreover, the ESG Core Team produces quarterly status reports for the Board of Directors while cooperating with the Chief Security Officer (CSO) and the Risk and Compliance Manager by monitoring possible climate impact, risks and opportunities related in particular to business and operational risk.

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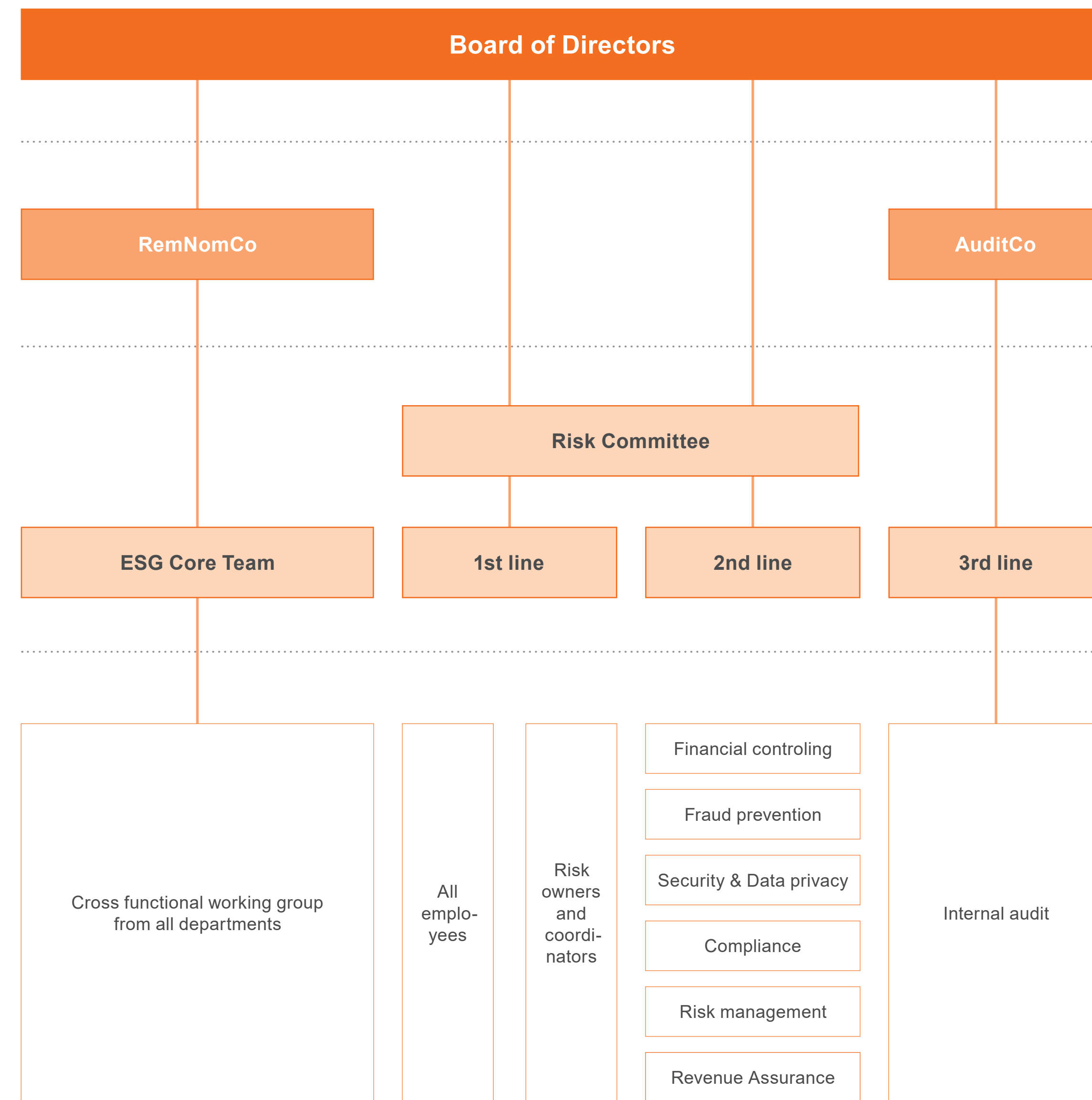
THE OPERATIONAL STRUCTURE OF THE GROUP'S ESG GOVERNANCE



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3.4.2
ETHICS AND COMPLIANCE

GRI 2-23, 2-24

Compliance and preventing corruption and irregularities are very important to Allegro. This extends to operations as well as all employees and entities with which the company works on a daily basis. A governance, risk and compliance management system was introduced. It includes standards of conduct, corruption prevention, competition law compliance, prevention of conflicts of interest, information and data protection, prevention of unlawful discrimination and protection of company property and will span all Group entities.

A very serious approach is taken to the risk management system, and a compliance framework has been established as shown below to ensure that all necessary measures are implemented:

Protect	Detect	Response

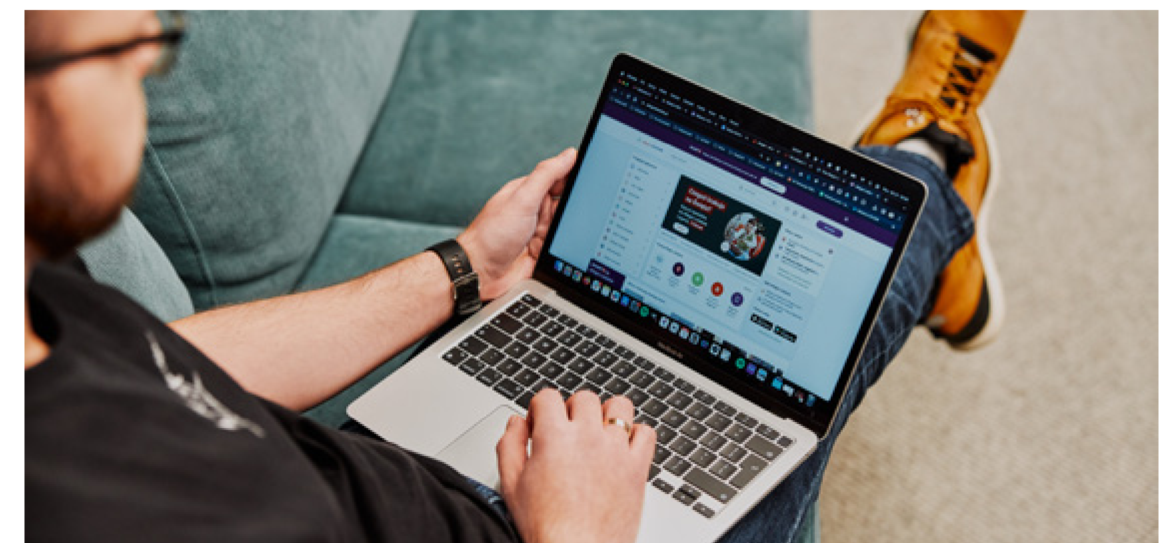
• Regulatory / Public Affairs
• Risk Management
• Policies
• Training, communication, awareness sessions
• Process integration
• Lessons learned
• Compliance implementation
• Established responsibilities
	• Reporting:
	  • anonymously or personally via system to Chief Security Officer (“CSO”)
	  • personally to HR, Legal, CSO or line manager
	  • personally or via system to the Chair
	• Controls
	• Monitoring and compliance approvals
	• Review controls and compliance audits
	• Internal audits
	• Compliance investigations
		• Crisis management
		• Business Continuity Management
		• Disciplinary sanctions
		• Remediation
		• Cooperation with regulatory bodies

Guidelines covering procurement policy, tender procedure, controlling procedure and legal procedure have also been introduced to minimise all unauthorised practices, violations of the law, corruption and fraud, especially with regard to purchasing practices or other adverse consequences of non-compliance within the Group.

Allegro operates transparently in keeping with the highest ethical standards and due diligence as detailed in its policies and regulations:

Allegro’s Code of Ethics consists of the following topics:

- Business Continuity Management
- Charity, social and sponsoring activities policy
- Climate and environment policy
- Competition and Consumer Protection Compliance Policy
- Data policy
- Dealing Code
- Dealing Procedures Manual
- Disclosure Procedures Policy
- Diversity policy
- Human Rights Policy
- Insider dealing and market abuse policy
- Personal Data rules (including several privacy policies for employees, customers, partners, etc.)
- Policy of counteracting undesirable phenomena such as discrimination, harassment, bullying and violence
- Policy on counteracting money laundering and terrorist financing, and instruction on export controls and sanctions
- Policy on preparation and maintenance of insider lists
- Risk Management Policy
- Security Policy
- Transparency and Anti-Corruption Policy (including gifts and benefit regulations, conflict of interest regulations, etc.)
- Whistleblowing procedure



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The Ethics Committee oversees compliance with the Code of Ethics and examines and adjudicates reported breaches. The composition of the Ethics Committee varies depending on the topic under discussion:

- HR Director, HR Business Partner or Employee Relationship Manager designated by the HR Director
- Head of Legal or a designated lawyer nominated by the Head of Legal
- Manager of the division the reported violation concerns
- External experts (ia. lawyers)
- Risk and Compliance Manager
- Chief Security Officer.

The Code of Ethics is reviewed at least once a year and is available to all employees and the general public at https://about.Allegro.eu/Allegro-policies-and-statements. All Allegro employees operate within the law and stay abreast of all relevant changes and industry regulations. Services, policies and processes are updated accordingly.

In 2023, the Allegro Group commissioned an external audit of the Code of Ethics to ascertain whether the adopted policies, principles and guidelines are consistent with the currently applicable law, best market practices and actually procure ethical standards. Review and evaluation did not reveal any significant deficiencies or inconsistencies with generally applicable laws and market practices. In addition to verification of the submitted documents, the assessment included interviews with Allegro employees responsible for the individual policies and their implementation.

Based on these interviews, the audit firm stated that Allegro's culture is based on the highly ethical attitudes espoused by its employees and associates and that the organisation pays a lot of attention to actively promoting its values and operating principles based on the highest ethical standards, and the development of management and employees and associates in this regard. This led to a positive evaluation. Minor issues that may enhance the maturity of the Code of Ethics in the Allegro Group, e.g. the lack of one separate overarching code of ethics covering all policies, were addressed and will be implemented in 2024.

The company has introduced mandatory training in compliance and ethics. An ethics and compliance training and communication plan has also been developed and is being implemented. All employees complete mandatory training and are required to adhere to the policies. Every year, obligatory training on the policies is provided to every employee, including contractors. Training is held through a number of channels, including e-learning, email, a dedicated internal platform (Intranet), meetings, posters, competitions and other forms of communication. New employees get to know the code during a session of the mandatory OnBoarding Stay Safe / Stay Fair training. Once a year, Allegro employees participate in training on policies covered by the Code of Ethics (Transparency Policy, Policy of counteracting undesirable phenomena such as discrimination, harassment, bullying and violence, Whistleblowing Procedure, Competition and Consumer Protection Compliance Policy, Policy on counteracting money laundring and terrorist financing, and instruction on export controls and sanctions, Security Policy) and personal data protection in order to improve their knowledge, build competence and raise awareness.

3.4.3
WHISTLEBLOWING SYSTEM

GRI 2-26, 3-3, 205-3

Allegro has a whistleblowing system to report irregularities. It guarantees confidentiality and safety of the whistleblowers, including protection from retaliation. The system is open and accessible to everyone (notifications can also be submitted anonymously via a special form available online which also facilitates anonymous discussion with whistleblowers *https://whistleblowing.allegrogroup.com*).

This system follows the guidelines for reviewing complaints and grievances regarding violations of the Code of Ethics.

The table below shows the identified reports:

	Group			Polish operations			
Reported incidents	2023	2022	YoY Change	2023	2022	YoY Change	2021
Policy of counteracting undesirable phenomena such as discrimination, harassment, bullying and violence	6	5	1	5	4	1	2
Policy on counteracting money laundering and terrorist financing, and instructions on export controls and sanctions	0	0	0	0	0	0	0
Transparency (Anti-Corruption) Policy	2	2	0	2	2	0	0

Allegro treats all incoming reports very seriously. They are verified by the Ethics Committee (Policy of counteracting undesirable phenomena such as discrimination, harassment, bullying and violence) or are investigated by proper teams (Transparency (Anti-Corruption) Policy).

In 2023, the allegations were confirmed in three cases and the investigations ended with the termination of contracts with employees. In the other cases the allegations were not confirmed. All areas of improvement discovered during the proceedings were addressed.

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3.4.4. SUPPLIERS' CODE OF CONDUCT

GRI 3-3, 308-1, 414-1

Allegro wants its suppliers to respect principles that are similar to its own. In connection with the acquisition of the Mall Group, work was started on changes to unify purchasing procedures for all subsidiaries. Starting in April 2022 all Polish Operations suppliers with a contract value exceeding PLN 15,000 are provided with information regarding the Suppliers' Code of Conduct. It is distributed jointly with the statement on the legality of goods and services. In November 2023, Allegro rolled out a digital form to archive information on when partners review these documents and accept them.

If the total annual contract value with a supplier exceeds PLN 500,000, the Suppliers' Code of Conduct and the Questionnaire for Suppliers and Business Partners are conveyed to the Polish Operations supplier to be signed.

In 2023, the total number of new suppliers was 2,234.45 (2.01%) of the suppliers who exceeded the PLN 500,000 threshold were asked to sign the Code of Conduct for Suppliers and Business Partners. All of them produced the required documents and underwent a positive verification.

Additionally, the Code of Conduct was attached to agreements with courier companies and event organisers cooperating with e-bilet. These procedures meant that another 325 suppliers signed the Code of Conduct, whereby 14% of all of Allegro's new suppliers signed the Code of Conduct.

In November 2023 provisions were added to the Code of Conduct for Suppliers and Business Partners regarding the minimum wage for employees, ensuring appropriate working conditions and actions to protect the natural environment among other things. The procedure for reporting irregularities was expanded with gross violations of the code of conduct forming grounds for termination.

From 1 January 2024, the supply chain control process covers companies in all Group entities.

The table below shows the rating of suppliers in terms of social and environmental indicators.

Supplier assessment Polish Operations	2023	2022 [1]	2021 [1]
% of all new suppliers assessed	2.01%	2.2% [2]	10%
% of all new suppliers assessed (> PLN 500 000) that met social requirements	100%	100%	100%
% of all new suppliers assessed (> PLN 500 000) that met environmental requirements	100%	100%	100%

[1] the data for 2022 and 2021 do not include eBilet.pl
[2] this indicator decreased due to a change in the procurement policy. All vendors are familiarised with Allegro's Code of Conduct, but ethical verification is submitted for contracts over PLN 500,000, as opposed to PLN 100,000 previously.

In accordance with the recommendations formulated by the Polish Ministry of Finance, Polish Operations have established a comprehensive verification process for suppliers. Financial documents, company registration documents and bank accounts are reviewed to reject unreliable service providers. A procurement policy, tendering procedures, controlling procedures and legal procedures to mitigate any unlawful practices, violations of law, corruption and fraud as well as other adverse consequences of non-compliance within the Group were also introduced. In addition, all procurement processes at Allegro are administered through integrated IT systems to ensure full compliance with the procedures in a transparent manner.

The process of verification of business partners in the Mall Segment included fulfilling obligations towards customers, employees, shareholders, vendors. It also reviewed whether companies were compliant with their legal obligations. This process was also designed so as to prevent the Mall Segment's accidental or involuntary involvement in tax fraud initiated by dishonest vendors.

Allegro also rolled out a corporate governance, risk management and compliance system covering all of its operations.It spans operational standards, corruption prevention, compliance with competition law, preventing conflicts of interest, information and data protection, prevention of unlawful discrimination and protection of company property and know-how.

Responsibilities of suppliers and business partners according to the Ten Principles of the UN Global Compact:

- Compliance
- Respecting human rights
- Ensuring the highest standards and work conditions for employees
- Protecting the natural environment.

3.4.5 ESG AND CLIMATE RISK MANAGEMENT

The assessment of ESG related risks (including climate risk) is conducted in accordance with the double materiality approach within the Allegro Group. The ESG and climate risk management process has been adopted by the Allegro Group and in its overall management. The Company's Board Members have a special role in the risk prioritisation phase in which they establish the risk appetite level. Furthermore, they are responsible for general supervision of the risk management framework and process, as well as determining the scope and directions for development and effectiveness of risk management.

Risk monitoring aims to confirm the effectiveness of control activities, assess key risk indicators (KRI) and the organisation's environmental impact by applying risk assessment criteria. The Legal and Corporate Affairs Department to which the ESG Team belongs monitors the measures taken to address ESG risks (including mitigation plans to handle individual vulnerabilities) with the participation of permanent risk owners and risk coordinators, inspectors and the Risk & Compliance Manager. All of them are involved in monitoring the risk management process.

The risk mitigation stage is aimed at preparing and incorporating mitigation plans for unacceptable levels of vulnerabilities. The responsibility for preparing these plans lies with the owner and the coordinator within the units directly involved.

Risk owners and coordinators prepare summary reports, including risk analysis reports and mitigation proposals, which are submitted to the Company's Risk Committee and Board of Directors to obtain adequate and timely information on the risk management process, its adequacy and efficiency. The Group's various Risk Committees conduct initial discussions on how to mitigate major risks and design action measures, which are subject to further review by dedicated steering committees and the Executive Team.

Read more on the risk management process in Allegro's Consolidated Annual Report for 2023 in the section entitled "Risk Management System, Risk Factors and Regulatory Matters".

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The ESG risk assessment includes the findings of risk analysis carried out in the previous reporting year. The following ESG risks were flagged as the primary focus of ESG activities. The non-financial risk identification and assessment process is an integral part of the risk management system.

Principal risk	Map of risk	Mitigation plan
Environmental & Climate Risk	Although e-commerce is greener than traditional retail, the Group is cognizant that its operations exert an adverse environmental impact (e.g. CO2 emission, packaging waste). Business growth, without implementing carbon emission and energy reduction programmes, as well as sustainability initiatives, may lead to an adverse environmental impact. The new regulatory framework related to the EU Green Deal and environmental transition may imply further obligations on retailers and possibly on other entities. Ongoing climate changes have the potential to generate substantive changes in operations, revenue and expenditure. Carbon-neutral initiatives and sustainable technology solutions, e.g. sustainable packaging, may increase the company's operating expenses.	More in Climate Change and Sustainable Logistics chapter.
Social Risk	The Group's brand may be adversely affected if its public image or reputation is tarnished by negative publicity. Product recalls, product liability claims, breaches of corporate social responsibility, the presence of counterfeit goods that violate the Group's terms and conditions or other fraudulent activity in the Group's e-commerce marketplace that is not detected by its anti-fraud technology could significantly harm the Group's reputation and business. User complaints or negative publicity about the Group's websites, products, delivery times, returns processes, the working conditions of its employees (or those of the employees of any of its subcontractors or suppliers), user data handling and security practices or customer support, including internet-based platforms such as blogs, online ratings, review services and social media websites, could have a significant negative impact on the Group's reputation and on the popularity of the Group's websites.	Best practices in sustainability marketing and communication at Allegro More in Ethics and compliance and Value chain chapter
Human Rights risk	The control and prevention mechanisms of the Group's compliance structure may not suffice to provide the Group with suitable protection from all human rights violations such as not ensuring equal opportunity (hiring, remuneration, training and promotion, etc.) or other violations involving third-party partners and suppliers.	Human Rights Policy Suppliers code of conduct Code of Ethics More on Ethics and compliance chapter
Labour Practices	The loss of qualified personnel, high employee turnover or persistent difficulties in filling job vacancies with suitable applicants could have a material adverse effect on the Group's ability to compete effectively in its business and considerable expertise could be lost by the Group or the Group's competitors could gain access to them. In addition, to attract or retain qualified personnel, the Group might have to offer higher compensation packages and other benefits which could lead to higher staffing costs. Any failure to attract, train, motivate or retain skilled personnel at reasonable costs could result in a material adverse effect on the Group's business, financial condition and operating results. Work-related hazards and hazardous situations and the risk of a work-related injury or ill health, including accidents and occupational diseases could also materially adversely affect the Group's business.	More on Working conditions and Equal opportunities chapter
Risk of Corruption and Other Violations	The Group may be exposed to incidents of corruption or bribery (kickbacks, facilitation payments, payment extortion, cyber extortion), conflicts of interests or other inappropriate behaviour, as well as failures to protect customers' personal data adequately	Code of Ethics More on Ethics and compliance chapter
Risk of cybersecurity and private data breaches	The Group runs platforms and services available on the internet that could suffer as a result of a cyberattack. Cybersecurity, private data management and ensuring a sufficient level of security for our infrastructure are important parts of our operations	Security policy, GDPR More on Cybersecurity, privacy data and data protection

The Group identified climate risks and opportunities. The only significant difference in climate methodology versus the assessment of other ESG related risks was the longer term of evaluation, which is consistent with the recommendations formulated by the Task Force on Climate-related Financial Disclosures (TCFD). The analysis identified three-time horizons: short-term (till 2025), medium-term (2025-2030) and long-term (2030-2050). Moreover, according to IPCC studies on the impact of climate change, in the short term the differences in temperature increase by 2035 for both RCP scenarios are negligible. For this reason, in the short and medium term it was determined that the physical impact of climate change on the company will remain unchanged. These findings were confirmed in the Polish context using a World Bank modelling tool based on IPCC scenarios. For both scenarios, the following parameters were analysed in the context of the possibility of physical risks: increase in average monthly temperatures and precipitation and the number of hot days per year (>35°C).

In terms of transitional risks, it was assumed that the effects of climate change will not have a negative impact on the most important economic indicators for Poland from the perspective of the Allegro Group – GDP, unemployment rate, inflation, and average disposable income. Additionally, a trend analysis (increasing, decreasing or unchanged) was performed.

In the process of analysis of climate risks, the Allegro.eu used climate scenarios developed by the Intergovernmental Panel on Climate Change (IPCC). Two climate change emission paths were identified (RCP – Representative Concentration Pathways), which are key from the Group's business point of view: RCP 2.6 – a path assuming a temperature increase of approximately 1.5°C by the end of the century and RCP 8.5 – a path assuming a temperature increase of approximately 4°C by the end of the century.

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The selected climate scenarios were calibrated for local conditions and potential impacts on the sector. Below we present the key megatrends identified in Europe and Poland that are relevant for each scenario forming the basis for analysis of climate-related risks and opportunities in the Group.

<2°C scenario consistent with the Paris Agreement (RCP 2.6)	4°C scenario (RCP 8.5)
Higher probability and scale of transformational risks (in the medium and long term): • Meeting EU emission reduction targets for 2030 and 2050. • Poland accepts and achieves the goal of climate neutrality or reaches it with a slight delay. • Entry into force of all regulations promulgated by the EU and implementation of subsequent ones (e.g. expansion of the EU ETS). • Significant increase in emissions costs. • Significant increase in consumer environmental awareness, greater demand for low-carbon products. • Significant increase in energy prices. • No negative impact on Poland’s economic growth. • Faster-than-ever increase in efficiency of RES technologies.	Lower probability and magnitude of transformational risks (in the medium and long term): • Failure to meet EU emissions reduction targets for 2030 and 2050. • Poland does not meet the climate neutrality target; it deviates significantly from it. • Entry into force of all regulations announced by the EU, but derogations are possible regarding the deadlines for achieving decarbonization targets for the economy and particular industries. • Moderate increase in emission costs. • Significant increase in consumer environmental awareness, greater demand for low-carbon products. • Gradual and moderate increase in energy prices. • Slower-than-expected efficiency gains in RES technologies.

The comprehensive list of all of the climate risks that are the most material to Allegro (scored as high in our materiality analysis) is presented below. In accordance with ESRS standards, we also present the level of anticipated financial impact and our mitigation plan to counteract these risks.

Risk (only with high score)	Influence in short term	Business impact	Mitigation plan	Change in medium-term		Change in long-term	
				<2°C	4°C	<2°C	4°C
Climate regulatory risks							
Risk of higher liabilities and greater accuracy of non-financial reporting on climate issues.	High	Direct financial (PLN 1-10 m) Higher operational costs related to preparing of ESG reporting and implementing of data management systems.	Internal and external cooperation to comply with the newest ESG regulatory environment. Implementation of robust internal controls and governance mechanisms to oversee the reporting process and provide continuous reviews and improvement of reporting practices. Providing training to our employees engaged in the reporting process.	▲	=	=	=
Risk of limiting the ability of combustion vehicles to make deliveries in city centres. Risk of the need to make dynamic changes in own fleet and subcontractors’ fleet (demand greater than supply of low/ zero emission fleet).	High	Direct financial (PLN 10-100 m) Limited ability to provide delivery services to city centres, need to rework the business model, higher (unplanned) operating costs related to the purchase of low and zero emission vehicles.	Testing low-emission transport. Supporting mechanics through building infrastructure for low-emission vehicles in Allegro Depot and Fulfilment locations. More on these initiatives in the Sustainable Logistics section.	▲	=	▲	▲
Climate reputational risks							
Risk of failure to fulfil climate promises, e.g., insufficient supply of renewable energy.	High	Reputation. Indirect financial. Decreased trust of customers and suppliers. Greater regulatory pressure or potential financial penalties in the future. Potential sudden need to purchase offset certificates at higher prices to achieve strategic goals. Greater debt costs.	BoD oversight on ESG strategy and implementation plan. More in the Good Governance chapter. Undertaking several initiatives to fulfil climate premises and achieve decarbonization targets.	▲	=	▼	=

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Risk (only with high score)	Influence in short term	Business impact	Mitigation plan	Change in medium-term <2°C	Change in medium-term 4°C	Change in long-term <2°C	Change in long-term 4°C
Climate market risks							
Market: Risk of reducing the availability of renewable energy for strategic purposes.	High	Direct financial (PLN 10-100 m) Higher operating costs, deterioration of financial results.	Establishing a VPPA agreement, purchasing guarantees of origin and installing PV panels.	▲	═	▼	═
Market: Risk of increasing financial burdens related to the purchase of electricity.	High	Financial (PLN 10-100 m) Higher operating costs, lack of new investments, stagnation in development, lower competitiveness.	More on these initiatives in the Climate Change and Sustainable Logistics sections.	▲	═	▲	▲

Trend:
▼ decrease
═ no change
▲ increase

The Allegro Group appreciates that climate change involves not only risks, but also opportunities that can be effectively used to grow enterprise value, reduce the cost of doing business and reduce the cost of financing. Based on the TCFD classification and ESRS standards, we have identified ESG opportunities including climate change for the Allegro Group.

Opportunities (only with high score)	Influence in short term	Business impact	Change in medium-term <2°C	Change in medium-term 4°C	Change in long-term <2°C	Change in long-term 4°C
Greater merchant engagement and loyalty in climate issues and enabling merchants to meet their commitments (including regulatory requirements) arising from climate change	High	Direct financial (PLN 10-100 m)	▲	▲	▲	▲
A potential decrease in energy costs through energy efficiency improvements	High	Direct financial (PLN 10-100 m)	═	═	═	═
A potential increase in company value due to improvement in ESG ratings	High	Reputation. Indirect financial.	▲	═	▲	▲

Trend:
▼ decrease
═ no change
▲ increase

3.4.6 TAX STRATEGY

GRI 3-3, 207-1

Our contribution to the economy: approx. PLN 365 million income tax paid by the Group in the fiscal year 2023.

The tax policy of Allegro.eu and its subsidiaries is based on adherence to all obligations arising from tax regulations. The Group pays taxes when due, in the required amount and submits due tax statements and information. In particular, the amount of tax due is defined according to actual economic events. The Group's actual tax strategy results from a number of internal procedures in individual companies, and strategy implementation reports are publicly available on appropriate services run by these companies in compliance with applicable laws.

The Group's tax reporting promotes the credibility of its entities among investors and other stakeholders and builds confidence in Group companies. The Group's tax operations are consistent with business strategy, and its image as a responsible taxpayer fits into the broader context of the organisation's sustainability.

Given the scale and scope of the Group's operations, it is impossible to avoid all tax risks, e.g. due to frequent changes in tax regulations and the level of their complexity. The companies strive to minimise tax risk by following the letter and the spirit of tax law and working with reputable tax consultancies and law firms. If there are any doubts about how to apply tax regulations, the Group consults professional third-party tax and legal advisers and files for tax rulings. The Group is also obliged to undergo an annual audit of accounts conducted by an external and independent authorised entity.

As members of trade associations and on their own behalf, Group companies participate in the Polish and EU legislative process and issue opinions on draft amendments to tax regulations during public consultations.

All employees can report their concerns regarding the organisation's unethical or illegal tax behaviour using the whistleblowing system. The system guarantees the confidentiality and safety of whistleblowers, including protection from retaliation. It is open and accessible for everyone in the company (reports can also be submitted anonymously via a special form available online).

The Group cooperates with tax authorities to the full extent provided for by the law. The companies provide tax authorities with complete information regarding tax settlements and provide additional information at the request of tax authorities in a timely manner.

The Group submits information on its taxes due in periodical financial reports. The Group does not operate in countries considered to be tax havens.

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allegro

3.4.7. CYBERSECURITY, PRIVACY DATA AND DATA PROTECTION

GRI 3-3, 418-1

Allegro builds a platform resilient to various external threats including DDoS and hacker attacks, and to prevent any data leaks. This involves continuous development and enhancement of security procedures and technical infrastructure to remain effective in a dynamic environment. Additionally, Allegro focuses on educating employees, customers, and merchants about cybersecurity threats. A key aspect of this journey includes educating personnel on security policies, enhancing overall awareness among employees, customers, and merchants about safe technology usage. This approach is essential for maintaining effectiveness in a dynamic and ever-evolving cyber environment.

Allegro Group security strategy was based on Risk Assessment, postmortems from recent incidents, result of internal and external audits and control and various types of standards like: ISO 2700x family and other, The National Institute of Standards and Technology (NIST), The Center for Internet Security (CIS), The Control Objectives for Information and Related Technology (COBIT) but also there were used good practice from the guidelines like The Open Worldwide Application Security Project (OWASP). Allegro sp z o.o. has the PCI DSS v4 (Payment Card Industry Data Security Standard) certification – Level 1 Service Provider and Level 1 Merchant.

Every two years a Cyber Security Maturity audit is conducted, to verify the maturity of the group, and to compare it to current market standards and good practices. The results of the review are mapped by an external auditor to controls: The National Institute of Standards and Technology (NIST) to have a reference to a specific standard over the years. The level of maturity increases from audit to audit. Currently, on a scale of 1-5, Allegro average is 4.42. Ambition of the company is to continually improve its maturity.

Allegro's strategy includes not only ensuring uninterrupted service and data security but also elevating awareness about these issues. Part of this approach involves conducting thorough tests to assess and strengthen their digital environment. This dual focus on awareness-raising and rigorous testing forms a comprehensive approach to digital safety, aiming to enhance the overall security and reliability of the platform for clients and merchants. Integral to this strategy is the goal of prevention and prompt response, focusing on averting issues before they arise and quickly addressing any that do.

At Allegro, a comprehensive security approach involves not just technical defences but also a strong focus on raising awareness among employees, partners, and clients. This starts with thorough onboarding training for new staff and continues with mandatory annual refresher courses, ensuring everyone is up-to-date on the latest security practices.

Allegro's employees also actively engage in conferences, training sessions, and school meetings as speakers, spreading knowledge on living safely in the digital world. They participate in notable events such as OhMyHack2023, Open Eyes Economy Summit 2023, EMSPower 2023, local meetings of ISSA (the Information Systems Security Association), DC4822 – the Warsaw DEF CON Group, and the CSO Council community meetings. Company representatives' involvement in various industry and security forums and conferences highlight our dedication to sharing expertise and promoting digital safety awareness.

Moreover, there is an interdisciplinary security team included in security activities. CERT Allegro (Computer Emergency Response Team Allegro) was formed to elevate security at Allegro and raise security awareness among employees and users. It is made up of members of the following teams: Information Security Team, Computer Security Incident Response Team, Cyber Defence & Offense Team, Anti-fraud Operations Team and Cooperation with Law Enforcement Authorities Team.

Computer Emergency Response Team

We care about the security
of Allegro Infrastructure and its uders

CERT has the following goals:

- monitor and analyse for security at Allegro
- respond to cybersecurity threats
- exchange cybersecurity information, knowledge and experience with external CERT teams
- raise security awareness among employees and users.

As part of its activity, CERT coordinates and handles incidents and other events involving cybersecurity threats to Allegro; actively reacts in the event of immediate cybersecurity threats to users; works with other CERT teams in Poland and worldwide, in particular as part of Trusted Introducer – https://www.trusted-introducer.org/directory/teams/cert-Allegro.html; supports the Crisis Management Team in crisis situations involving cybersecurity, and develops tools to detect, analyse and correlate threats.

Allegro is a member of Trusted Introducer, an initiative of the biggest European organisation of cybersecurity threat response teams. Its representatives are also active members of various working groups, including the IAB Polska Group for Cybersecurity (chaired by one of our employees), CSO Council (our employee is in council), etc. There is a dedicated page for users and partners about actual threads and information on how to be secure in the digital world – *https://cert.Allegro.com/.*

For the participants of the 2023 Pol and Rock festival, the Allegro CERT team organised together with the Polish cabaret Paranienormalni a humorous Web security contest. In the Allegro Zone, the team's canine member Azorro invited big and small to solve his crossword puzzle about security on the Web.

On top of multiple proactive security measures the Allegro Group has reactive measures in place because incidents are an unfortunate reality – it's not a question of 'if' but rather 'when' they will happen. That's why safeguarding a company's security is of paramount importance, and part of that involves having robust contingency plans ready for such situations. To ensure that these plans are effective when needed, they are regularly tested and enhanced based on the insights gained during testing.

The resilience of Allegro platforms is continuously assessed, response to security incidents is evaluated, and various scenarios drawn from historical events in similar companies to Allegro are simulated. The team also delves into hypothetical situations that could potentially affect the company, such as data breaches or malware infiltrating workstations. Tests are not only internal; external professional entities are engaged to conduct thorough assessments, and even public and private Bug Bounty programs are run, where ethical hackers are invited to test the platform so Allegro is constantly tested. Beside testing our infrastructure we also conduct phishing tests verifying our employees' resilience.

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Moreover, after any incident occurs (not just security-related and not limited to technology), post-mortems are conducted to dissect the 'why' behind the incident and develop a corrective plan with the ultimate aim of eradicating future occurrences. Security is an integral part of Allegro's strategy, and the team is dedicated to continuous improvement as it strives for excellence.

An essential aspect is fostering trust within the security team, ensuring that people are not afraid to report incidents. When they do, they receive support and assistance in resolving them. When someone reports vulnerabilities or incidents to the security team, their efforts are rewarded to encourage employees to contribute to the company's digital security. The earlier the team knows about vulnerabilities and incidents, the quicker it can respond and de-escalate any and every possible threat. There are many ways users can report incidents. There are formalised paths through ticketing systems, e-mails, internal chat channels and there are informal ones, such as phone calls or internal communication messages to security. Regardless of the channel, the important thing is that the information gets into the right hands. Although so far many security teams have been on duty 24/7, in 2023 a new role was established in the organisation – Security Incident Commander. The person who plays this role is on duty 24/7 and is responsible for coordinating the resolution of security incidents and appropriate escalation and communication of progress in the organisation.

Given the nature of operations, the Allegro Group has access to the personal data of merchants and customers. Given the magnitude of company operations, a great amount of data is managed. This is why special emphasis is placed on carefully protecting personal data. The company is fully compliant with GDPR. The decisions and guidelines issued by the Personal Data Protection Office (PDPO) and the EDPB (European Data Protection Board) are carefully monitored and, if necessary, policies and processes are adjusted accordingly. We are also constantly monitoring judicial activity of GDPR authorities in the EU member states and global trends resulting from decisions or guidelines published by such authorities. All rights of employees, customers and partners in relation to their personal data are fulfilled, including amongst others: the right to delete (right to be forgotten), rectify, download a personal data copy, as well as withdraw and consent to their processing. For each type of data Allegro have established a retention policy and we keep only the necessary data that minimise their collection, and we delete data for which we no longer have legal grounds to store it, and in accordance with the adopted retention principles. Allegro Group doesn't sell, rent or lend any personal data to third parties and use them only when they have legal grounds for processing like agrement or properly collected consent. All Allegro employees undergo training in security policy and GDPR. There were also internal audits to verify compliance with GDPR provisions in chosen areas (e.g. profiling, incident reporting awareness, cookies).

Allegro representatives are also active members of various working groups, including the IAB Polska Group for Privacy, The Association of Data Protection Practitioners, and others. Allegro's employees also actively engage in conferences, training sessions on privacy topics. We held a set of lectures within the Dentons Privacy Academy 2023 presenting Allegro's approach to GDPR issues, we were guest lectures for the Responsible Business Forum held in Poznań on practical problems with personal data in e-commerce and cybersecurity from the ESG perspective, etc.

One of the Allegro Group's services was audited in 2023. It was of a sectoral character, which means it was previously planned for 2023 by the Personal Data Protection Office. The office said that no violations of personal data protection law were identified. Not even a single warning, reprimand or request to bring processing into compliance was issued.

While maintaining the highest standards in the group, we have implemented the necessary policies and processes, such as: privacy policies for clients, partners, employees, job candidates, participants of various types of programs. Before starting cooperation with any entity to which we want to entrust personal data, we verify its compliance with GDPR, sign appropriate DPA – Data Processing Agreement and also conduct audits to verify whether the data entrusted by Allegro is properly secured and processed in accordance with the concluded agreements. In the case of projects involving the processing of personal data, we conduct a DPIA – Data Privacy Impact Assessment. In all entities, we have an appointed DPO – Data Protection Officer who ensures that personal data is processed in accordance with the law and the highest standards. We also started to harmonise the GDPR approach within the whole Allegro Group, including foreign companies.

One of the most important aspects of security is the human factor and building awareness among employees. All Allegro employees receive training in security policy and GDPR (including general information, as well as internal policies and procedures), which take place during onboarding sessions and are repeated every year. During onboarding training, there are also security awareness workshops conducted with case studies to help recognise phishing campaigns. During this training, we place great emphasis on providing information about the Incident Response Plan: where and what incidents to report, so as to eliminate them as quickly as possible and, if necessary, maintain the appropriate regime for reporting Data Breach to the authorities.

Special events like Cybersecurity Month, Safe Internet Day, and Password Day, 17th Data Protection Day, 5 years with GDPR serve as platforms for educational campaigns and contests. Dedicated training sessions for developers on secure coding and other role-specific security enhancements are also conducted. Allegro emphasises that security is a shared responsibility, with each team member playing a crucial role, from developers to product owners. The Security Team plays a key role in supporting and guiding these efforts, ensuring a unified approach to cybersecurity. Additionally, to broaden awareness, Allegro has launched a dedicated website to share best practices in internet and platform usage safety with its customers and partners, reinforcing its commitment to a secure digital environment.

In 2023 Allegro was party to 10 new proceedings in connection with customer complaints to the President of the Office of Personal Data Protection. In 2023 three proceedings ended for Allegro with a decision ordering action in single cases, but without imposing fines or other punitive measures including obligation to amend or stop cross – company processes. In 2023, no penalties were imposed on Allegro for violations of data protection regulations. At every stage of data collection and processing, the company takes care to fulfil its obligation to inform customers about the purpose and scope of the processing of their data and their right to access and correct it.

	Group			Polish operations			
Number of incidents	2023	2022	YoY Change	2023	2022	YoY Change	2021
Security incidents resulting in penalties imposed by regulators	0	0	0	0	0	0	0
Number of employees trained in information security policy	58%	N/A	N/A	58%	47%	+11pp	86%

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The tables below summarise developments in cybersecurity and data privacy and the number of complaints submitted to the regulator requiring corrective action in individual cases.

	Group			Polish operations			
	2023	2022	YoY Change	2023	2022	YoY Change	2021
Cybersecurity infringements (the total number of identified leaks, thefts or customer data loss)	0	0	0	0	0	0	0
Data privacy infringements (reported to relevant authorities)	3 [1]	1	2	3	1	2	11

	Group			Polish operations			
	2023	2022	YoY Change	2023	2022	YoY Change	2021
Complaints submitted to the regulating authority requiring corrective measures	0	0	0	0	0	0	0

Due to the management's commitment to Security and Privacy topics in the Allegro Group, the Allegro.eu Board made a decision on 27 November 2023 that Security and Privacy matters will be a part of the Audit Committee's remit (where two or three members including chair are independent directors). Additionally, Jonathan Eastick (CFO) was appointed board member responsible for Security and Privacy in the Group. Oversight of cybersecurity is entrusted to the Chief Security Officer along with their team, ensuring a focused and expert approach to safeguarding the company's digital assets and protecting the privacy of its users.

As a result of these efforts, a Cybersecurity Maturity Assessment was conducted. These audits are carried out every two years, and each time, the maturity of the processes has been rated higher by the external auditor, reflecting continuous improvement and strengthening of our cybersecurity posture.

[1] There were three minor incidents involving Allegro employees with no impact on big or sensitive personal data processing

3.5. All 4 people

3.5.1. EQUAL OPPORTUNITIES

GRI 2-7, 2-8, 3-3, 404-1, 404-3, 405-1, S1-6, S1-15

Big Numbers

- 3% adjusted gender pay gap in Polish Operations
- 5,514 employees with employee contract
- 53% employees who participated in at least one training course
- 2,094 development activities in Polish companies
- 36.3 average hours of training per employee

Allegro's strategic goal is to be a place where diverse talent can grow and develop their full potential. Allegro is committed to being an employer of choice and fostering an environment where every individual feels valued. Allegro understands and appreciates what diversity and inclusion bring to an innovation-driven business; they enhance decision-making, foster a sense of belonging, and contribute to a positive working atmosphere. The Company's commitment to equality is reflected in the actions it takes to ensure transparency and fairness across the board. Research from the World Economic Forum shows that companies with above-average diversity scores generate on average 45% of their revenue from innovation, while companies with below-average scores generate only 26%.

Allegro.eu and its Group companies believe in the power of diversity to help maintain and develop a creative workplace. An inclusive and diverse working environment is one where everyone is valued, respected and supported to fulfil their potential. The company nurtures an environment in which everyone can develop without limitation and embody the best ideas in collaboration with others. One of the goals is to maintain our pay gap below 5%.

Allegro's strategic approach to DEI focuses on four key dimensions:

- Gender with support for underrepresented groups. This is achieved by promoting inclusivity, breaking down stereotypes, and fostering an environment in which everyone can be themselves. The company adheres to the principles of equal treatment in various HR processes, including but not limited to recruitment, promotion, access to training and opportunities for advancement, the setting of remuneration, reconciliation of professional and family responsibilities, or protection against bullying, harassment, discrimination and unfair dismissal. The Company's processes are based on a selection method that guarantees an objective assessment of job skills and competencies.
- National and cultural diversity, which involves recognizing and valuing individuals of different nationalities, ethnicities, races and cultural backgrounds. Embracing this dimension of diversity enhances cross-cultural understanding, promotes global perspectives, and contributes to a richer and more dynamic work environment.
- Age, which emphasises the inclusion of individuals from various age groups and generations. Acknowledging and appreciating the unique perspectives and experiences that different age groups have fosters a multi-generational workforce and supports the promotion of a learning culture, collaboration, and innovation.
- Disability, which recognising the unique strengths and contributions of each individual involves identifying and removing barriers, providing reasonable adjustments, and ensuring equal opportunities for everyone.

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Understanding and actively addressing these four dimensions of diversity are crucial when it comes to creating a workplace that is not only inclusive but also celebrates the richness of perspectives, experiences and thoughts that diversity brings to organisational culture and success.

Allegro's work environment supports the professional and personal development of its employees and ensures equal opportunities for all. The table below presents Allegro employment structure. At the end of 2023, the Group's team consisted of 6,624 people. The Polish operations consisted of 4,794 people.

Workforce structure

Own workforce	Group				Polish Operations					
Contract types	2023		2022 [1]		2023		2022		2021	
Employees	5,514	83.2%	5,920	75.6%	4,148	86.7%	4,054	81.3%	3,613	74.5%
Women	2,492	45.2%	2,572	43.4%	1,848	44.6%	1,798	44.5%	1,545	42.8%
Men	3,022	54.8%	3,348	56.6%	2,300	55.4%	2,256	55.5%	2,068	57.2%
Contractors (B2B)	583	8,8%	684	8.7%	456	9.5%	543	10.1%	535	11.0%
Employment agencies & outsourced services (incl. persons providing work on the basis of civil law contracts)	527	8,0%	1,226	15.6%	190	4.0%	389	7.8%	700	14.4%
TOTAL	**6,624**	**100%**	**7,830**	**100%**	**4,794**	**100%**	**4,986**	**100%**	**4,848**	**100%**

[1] Number of employees for 2022 restated due to correction in the Mall segment

Form of employment broken down by gender

Employees	Group				Polish Operations					
Form of employment	2023		2022		2023		2022		2021	
Permanent employment contracts	4,881	88.5%	5,191	87.7%	3,647	87.9%	3,462	85.4%	2,868	85.4%
Women	2,169	44.4%	2,191	37.0%	1,603	44.0%	1,489	36.7%	1,200	36.7%
Men	2,712	55.6%	3,000	50.7%	2,044	56.0%	1,973	48.7%	1,669	48.7%
Fixed-term employment contracts	633	11.5%	729	12.3%	501	12.1%	592	14.6%	745	14.6%
Women	323	51.0%	381	6.4%	245	48.9%	309	7.6%	343	7.6%
Men	310	49.0%	348	5.9%	256	51.1%	283	7.0%	401	7.0%
TOTAL	**5,514**	**100%**	**5,920**	**100%**	**4,148**	**100%**	**4,054**	**100%**	**3,613**	**100%**

New joiners

Employees	Group				Polish Operations					
New joiners	2023		2022		2023		2022		2021	
Women	494	48.9%	690	46.2%	268	42.9%	456	45.19%	506	42.4%
Men	516	51.1%	802	53.8%	356	57.1%	553	54.81%	687	57.6%
Aged <30	517	51.2%	724	48.5%	328	52.6%	468	46.38%	652	54.7%
Aged 31–50	457	45.2%	741	49.7%	283	45.4%	530	52.53%	530	44.4%
Aged >50	36	3.6%	27	1.8%	13	2.1%	11	1.09%	11	0.9%
TOTAL	**1,010**	**100%**	**1,492**	**100%**	**624**	**100%**	**1,009**	**100%**	**1,193**	**100%**

New employees and employment rate

Employees	Group		Polish Operations					
New employees and employment rate	2023		2023		2022		2021	
Women	494	19.8%	268	14.5%	456	23.1%	506	32.6%
Men	516	17.1%	356	15.5%	553	30.6%	687	33.2%
TOTAL	**1,010**	**18.3%**	**624**	**15.0%**	**1,009**	**24.9%**	**1,193**	**33%**

Employees who have left the organization and employees turnover rate

Employees	Group		Polish Operations					
Total number and turnover rate	2023		2023		2022		2021	
Women	582	23.4%	241	13.0%		13.42%		13.5%
Men	729	24.1%	327	14.2%		18.58%		14.7%
TOTAL	**1,311**	**23.8%**	**568**	**13.7%**		**16.33%**		**14.2%**

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Differences in pay between men and women

One of the main ambitions for Allegro is to introduce equal pay for women and men. The unadjusted gender wage gap in Allegro Polish Operations is 30.2%. The adjusted gender pay gap is 3 % for Polish entities.

The gender pay gap, according to the EU Directive on pay transparency is the difference in average pay levels between men and women, expressed as a percentage of the average pay of male employees by the difference in average hourly earnings between men and women.

Allegro used the adjusted gender pay gap prepared by calculating weighted averages per career level inside each job family. Then a weighted average was calculated at the overall Company level. This method is more precise when assessing salaries by position held.

The gender pay gap for various positions is presented below.

Employees — Polish Operations

Differences in pay between men and women	2023		2022	2021
	Gender pay gap [1]	Adjusted gender pay gap [2]	Adjusted gender pay gap [2]	Adjusted gender pay gap [2]
Total	**30.2%**	**3.0%**	**4.9%**	**5.7%**
Senior managers	N/A	14.5%	7.8%	9.9%
Middle managers	N/A	8.5%		
Experts and specialists	N/A	2.0%	4.6%	6.2%

[1] The gender pay gap is the difference in average pay levels between men and women, expressed as a percentage of the average pay of male employees by the difference in average hourly earnings between men and women. The gender pay gap is computed using the formula:

$$\frac{\text{Average gross hourly pay of male employees — Average gross hourly pay of female employees}}{\text{Average gross hourly pay level of male employees}} \times 100$$

[2] The adjusted gender pay gap is calculated through a method that accounts for variables such as job family and career level, aimed at offering a more nuanced understanding of pay disparities between genders. This calculation is conducted in two primary stages. Initially, the analysis focuses on specific job families and their respective career levels, where an average weighted score is determined for each job family by comparing the base salaries of women to those of men within the same career level. This involves calculating the average base salary for women and men at each career level within a job family and then weighting these results based on the number of employees at each level. The process is repeated, this time considering only the aggregated scores for each job family and the total number of employees within those families. The outcome of this methodology is a singular figure that represents the adjusted gender pay gap, thereby providing a measure that reflects pay differences with adjustments for position and level within the organisation.

In January 2023 Allegro welcomed a dedicated person to lead on DEI matters. This role was a newly created position, and the first one in Allegro's history to set DEI strategic directions for Allegro and advance its inclusion agenda. Throughout the year, the following initiatives were initiated and delivered:

- Draft of DEI Strategy – underpinned by a thorough assessment of DEI at Allegro, data analysis, and evaluation of existing practices.
- Neurodiversity project aiming to raise awareness of neurodiversity, exploring organisational needs with regards to neurodiversity at individual and people leaders' level and providing recommendations for actions in addressing the topic further. A pilot group on Slack for individuals with ADHD was established in 2023, providing a supportive space for sharing experiences (channel: #adhd-community).
- Diversity in recruitment project involved review of existing recruitment practices, identifying potential barriers to attraction and selection of candidates, concluded with a set of recommendations
- Revamp of AllWomen Network, an informal community of Allegro female leaders who share ideas, best practices and inspire each other through their own experiences and stories.
- DEI awareness and knowledge building sessions
  - dedicated DEI workshops and webinars (How to understand diversity, Inclusive language, Managing diverse teams)
  - Leadership development programme for women 'Leadership by Design' (second edition).
  - Articles on Allegro Home to mark national and international campaigns such as Diversity Month (May) or International Day of Disabled People (December

Diversity indicators — Group

Board of Directors	2023		2022		2021	
Women	3	27.3%	2	22%	2	25%
Men	8	72.7%	7	78%	6	75%
Aged <30	0	0%	0	0%	0	0%
Aged 31–50	3	27.3%	2	22%	3	37.5%
Aged >50	8	72.7%	7	78%	5	62.5%
TOTAL	**11**	**100%**	**9**	**100%**	**8**	**100%**

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Diversity indicators	Group				Polish Operations					
Employees	**2023**		**2022**		**2023**		**2022**		**2021**	
Women	2,492	45.3%	2,572	45.4%	1,848	44.5%	1,798	44.4%	1,545	42.8%
Men	3,022	54.7%	3,348	54.6%	2,300	55.5%	2,256	55.7%	2,068	57.2%
Aged <30	1,622	29.4%	1,951	33.0%	1,188	28.6%	1,292	31.9%	N/A	N/A
Aged 30–50	3,727	67.6%	3,813	64.4%	2,883	69.5%	2,709	66.8%	N/A	N/A
Aged >50	165	3.0%	156	2.6%	77	1.9%	53	1.3%	N/A	N/A
TOTAL	**5,514**		**5,920**		**4,148**		**4,054**		**3,613**	

Employee	Group			Polish Operations			
Structure within career level group	**2023**		**2022**	**2023**		**2022**	**2021**
Women							
Senior management [1]	17	20.2%	N/A	17	21.5%	31.4%	28.6%
Middle management [2]	203	30.7%	N/A	191	31.4%		
Experts and specialists [3]	2,272	47.7%	N/A	1,640	47.4%	41.9%	36.5%
Men							
Senior management [1]	67	79.8%	N/A	62	78.5%	68.6%	71.4%
Middle management [2]	459	69.3%	N/A	417	68.6%		
Experts and specialists [3]	2,496	52.3%	N/A	1,821	52.6%	58.1%	63.5%
Age <30							
Senior management [1]	0	0%	N/A	0	0%	7.2%	11.8%
Middle management [2]	24	3.6%	N/A	20	3.3%		
Experts and specialists [3]	1,598	33.5%	N/A	1,168	33.7%	30.3%	39.8%
Age 30-50							
Senior management [1]	71	84.5%	N/A	67	84.8%	90.3%	86.4%
Middle management [2]	618	93.4%	N/A	573	94.2%		
Experts and specialists [3]	3,038	63.7%	N/A	2,243	64.8%	69.0%	59.8%
Age >50							
Senior management [1]	13	15.5%	N/A	12	15.2%	2.5%	1.8%
Middle management [2]	20	3.0%	N/A	15	2.5%		
Experts and specialists [3]	132	2.8%	N/A	50	1.4%	0.7%	0.4%
TOTAL	**5514**	**100%**	**N/A**	**4148**	**100%**	**100%**	**100%**

The percentages in the table refer to the subgroup (defined by career level and gender or age) share in the total group (senior management, middle management, experts and specialists). Till 2022 inclusive senior and middle management were reported as one category. Therefore, for the 2021 and 2022 data, the percentages correspond to the share of the entire managers without division into senior and middle managers.

[1] career level 8 and above

[2] career level 6-7

[3] career level 1-5

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	Group				Polish Operations					
Employees with declared disabilities and percentage among employees	**2023**		**2022**		**2023**		**2022**		**2021**	
Women	23	0.4%	32	0.5%	N/A	N/A	22	0.5%		0.4%
Men	33	0.6%	27	0.5%	N/A	N/A	19	0.5%		0.3%
TOTAL	**56**	**1.02%**	**59**	**1%**	**42**	**1.02%**	**41**	**1.0%**		**0.7%**

	Group				Polish Operations					
Foreign employees	**2023**		**2022**		**2023**		**2022**		**2021**	
Women	117	2.1%	32	0.5%	35	0.9%	18	0.4%	N/A	0.3%
Men	124	2.2%	27	0.5%	48	1.1%	38	0.9%	N/A	0.6%
TOTAL	**241**	**4.3%**	**59**	**1%**	**83**	**2.0%**	**56**	**1.4%**	**N/A**	**0.9%**

Number of employees who returned to work after parental leave

	Group		Polish Operations		
Employees	**2023**	**2022**	**2023**	**2022**	**2021**
Employees who took parental leave	**273**	**132**	**89**	**103**	**84**
Women	265	121	82	100	77
Men	8	11	7	3	7
Employees who returned to work after parental leave	**120**	**99**	**103**	**87**	**99**
Women	116	88	99	84	90
Men	4	11	4	3	9

Training indicators

	Group				Polish Operations					
Employees	**2023**		**2022**		**2023**		**2022**		**2021**	
Number of unique participants	**2,900**	**53%**	**4,131**	**67.3%**	**2,884**	**70%**	**3,713**	**92%**	**1,726**	**55%**
Women	1,280	51.4%	N/A		1,274	68.9%	1,608	89.4%	726	47%
Men	1,620	53.6%	N/A		1,610	70%	2,106	93.4%	1,000	48.4%
Average hours of training per employee	**36.3**		**N/A**		**48.8**		**36**		**6.2**	
Women	38.9		N/A		53.5		38.5		6.4	
Men	34.3		N/A		45.2		33.3		6.0	

Allegro's approach to development is based on a 70/20/10 learning model, promoting a holistic development culture through: participating in formal programs, gaining knowledge from others, applying skills in real-world contexts like projects, new assignments.

Allegro has an established classification system for all positions by level. Its aim is to ensure transparency and order in internal structures and provide employees with a clear picture of their career path within the company.

Career levels are determined by evaluating positions. Positions have been classified by People Leaders (including Executive Team members, VPs, directors and/or senior managers) and with the support of:

- Mercer's external consultants,
- Total Rewards team,
- relevant HRBPs.

Career levels were revealed in 2023 and this information is shared with all employees. This ensures objectivity and fairness, as well as consistency and alignment of each assigned Career Level. The disclosure of Career Levels is an important step towards creating an even more transparent and inclusive working environment. It also provides a broader context for identifying development opportunities or career paths at Allegro.

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PERFORMANCE AND TALENT MANAGEMENT

Allegro endeavours to be a place offering many challenges and opportunities to employees. Support in professional development is provided to everyone, equal opportunities are guaranteed in all aspects of employment, and competitive salaries and benefits are offered. In return, the company expects professional ambition and willingness to develop, the ability to cope with a rapidly changing and complex environment, and the awareness that work, innovations and solutions affect the daily purchases of millions of consumers. By investing in the growth and development of employees, a talented and engaged workforce capable of driving innovation is cultivated.

For better organisational performance management, a Talent & Performance Management programme was developed. It consists of setting targets, calibrating and evaluating individual performance against corporate strategy and individual employee goals. Each employee participates in defining his or her goals. These goals ought to be achieved through four main pillars of action:

- Performance appraisal, which focuses on what is being achieved and how. This is conducive to improvement and redirection for the immediate future, such as taking the opportunity represented by a bad decision to install a check for the next year.
- Calibrate promotions and performance to ensure the company's expectations are consistent, especially for staff at the same level, across promotions and content areas.
- Talent calibration and support activities to identify the best employees in a workforce that will help achieve success, identify retention gaps and how to close them, thereby progressing from effective success management and successor development.
- Performance Management is a process where the individual performance of each employee can be assessed consistently based on evidence-based feedback against business goals and demonstrated behaviours. Employees are assessed at least once a year.

The promotion path is closely related to employee evaluation and is based on an objective assessment of the level of competencies and skills, based on a set of criteria that are especially relevant to Allegro and reflected in The Allegro Way.

The following data concerning performance and career development reviews is presented only for Polish Operations, due to the lack of data for the Mall Segment. Structures and data collection systems are still being integrated.

Percentage of employees receiving regular performance and career development reviews

Employee	Group	Polish Operations		
% Employee assessed	2023	2023	2022	2021
Total employees	**76.2%**	**82.2%**	**95.7%**	**94.7%**
Women	74.5%	80.6%	95.5%	91.3%
Men	77.6%	83.6%	95.9%	97.0%
Senior and Middle Managers	**89.9%**	**90.6%**	**96.1%**	**96.0%**
Women	89.5%	90%	97.2%	92.0%
Men	74.5%	90.8%	95.6%	97.7%
Experts and specialists	**73.8%**	**80.6%**	**95.9%**	**95.3%**
Women	72.9%	72.9%	94.6%	92.2%
Men	74.7%	81.7%	96.9%	97.1%

The above statistics do not include employees on long-term sick leave, maternity or parental leave and employees whose time of service is under 3 months.

The Individual Development Plan (IPR) has also been implemented as a tool to support the process of planning development activities. It helps define development goals, identify activities that will facilitate the acquisition or improvement of the key competences necessary to achieve these objectives and identify strengths that can be used in daily work to achieve success.

Another Allegro initiative targeting employee development is MindUp 2.0, a programme representing a holistic approach to personal and professional development. It enables individuals to take control of their development and plan their career with a long-term perspective.

Beyond conventional training sessions, MindUp 2.0 helps individuals explore a variety of developmental activities. It focuses on developing the skills needed for current roles, while supporting the development of key capabilities for future challenges, projects and positions.

MindUp 2.0 is designed for everyone, regardless of their role in the organisation or current career level. It serves as a support solution for those who want to advance their careers. In addition, MindUp 2.0 also supports managers, helping them to develop and grow their teams. In 2023 a total of 2,094 development activities were held in Polish companies.

There is also a group of talent experts called the Talent Acquisition Team. It sources and informs candidates about what Allegro does and the projects it undertakes to find the best experts in the job market and encourage them to come to work for Allegro.

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3.5.2. WORKING CONDITIONS AND MENTAL HEALTH

GRI 2-30, 3-3, 403-6, Own disclosure 1, S1-13, S1-14

Big Numbers

- 3,085 employees in Polish Operations who completed OHS training
- 1,669 employees registered in MindGram
- 47% employee engagement score
- 603 employees who used volunteering day-off
- 4,824 hours spent on volunteer work
- 0.13 was the Recordable Incident Rate for 2023

The company's slogan "It's good to be here" expresses how Allegro strives to be the top choice for the best experts on the market, not only from Poland, the Czech Republic, Slovakia, Croatia, Hungary and Slovenia, but also from other countries.

To evaluate and monitor workers' needs on an ongoing basis, an Engagement survey is held every year (the main Engagement Survey is administered in May and a smaller one called the Engagement Survey Pulse Check is administered in November). This survey is treated as the principal source of information about the company as a workplace. By analysing the survey results, the company can better understand what affects employee engagement, as well as identify the areas to work on. The company tracks performance over time and implements recommendations and conclusions.

In 2023 Allegro conducted a joint survey among all legal entities (Poland & Non-Poland) to address current engagement challenges better, focusing on executing action plans that are built on precise and comprehensive data gathered from all teams. This enabled Allegro to tackle any obstacles together and create a more engaging and fulfilling work environment for all.

In early 2023, Allegro had an engagement score of 47%. However, Allegro's group-wide engagement action plan delivered results with progress of +11p (58%) till now (February 2024). This visible progress is the outcome of a comprehensive set of initiatives focused on four critical topics for the company, such as:

- Compensation – ensure everyone at Allegro comprehends its pay policy
- Communication – improve communication within the company and ensure communication is transparent and delivered on time
- Development – improve the promotion process, retain talented people and offer exciting career and development opportunities
- Executive Team – develop a set of twelve behaviours to build a common culture – across all countries and legal entities.

	Group		Polish Operations			
Employees	2024 (Engagement Survey Pulse Check, 02.2024)	2023 (Engagement Survey)	2024 (Engagement Survey Pulse Check, 02.2024)	2023 (Engagement Survey)	2022 (Engagement Survey)	2021 (Engagement Survey)
Engagement score	58%	47%	60%	50%	67%	74%
Survey participation	86%	78%	87%	85%	92%	93%

MENTAL HEALTH

Well-being is multifaceted and extends beyond individual actions to encompass an overarching leadership model —The Allegro Way. This model is integral to its organisational culture, fostering a leadership approach. It outlines "12 behaviours" categorised into how we grow, show commitment, work, and work with others, forming a framework to support employees professionally and personally alike.

Allegro also offers a series of programmes to augment employee engagement and development.

Coaching	One of the methods of supporting internal development is through coaching – a development process that aims to master interpersonal and managerial competences in collaboration with a dedicated coach. The coach will support in finding the optimal solution for employees' challenges based on his/her own findings and resources. Another option is mentoring – a process in which a Mentor, or a person with extensive experience and knowledge, shares that with a Mentee, or a person wishing to expand his/her competences, develop in a given area and achieve more. A partner relationship between a Mentor and a Mentee is oriented towards uncovering and developing the Mentee's potential. The relationship is based on mutual trust, inspiring and learning from one another. In 2023 employees attended this programme.
#AllegroLife	#AllegroLife is a dynamic internal community program, specifically designed for active social media ambassadors. It revolves around a sophisticated tool known as the Content Hub, which enables ambassadors to utilise drafts for posts regarding Allegro, track their engagement, and access analytics for their social media activities. This platform also encourages ambassadors to contribute original content. Furthermore, #AllegroLife offers a comprehensive training package aimed at individuals eager to develop their personal brand and advocate for Allegro as an employer on social media.
Internal mobility	Internal mobility at Allegro is a key strategy enabling employees to move between diverse roles and projects within the organisation. This initiative is aimed at expanding and enhancing the skills and knowledge of employees from different areas of the company. As employees take on varied roles, they acquire a thorough understanding of the organisation's structure, its functions, and processes. This experience leads to an increase in their competencies and deepens their insights into the company. The outcome of this programme is a workforce that is adaptable and knowledgeable about various aspects of the organisation, which benefits not only the individual's career progression but also strengthens the company's overall flexibility. This commitment to flexibility and adaptability is further encapsulated in the Allegro Way, which fosters a culture of growth, accountability, and continuous improvement through its set of core behaviours.
e-Xperience	The Allegro e-Xperience programme is tailored for individuals at the start of their career paths as well as those seeking to make a career shift. Since its inception in 2015, the programme initially focused on full-time students looking for valuable professional experiences during their summer break. As it grew in popularity, the e-Xperience programme began to attract participants who often continued their journey with Allegro as employees. Originally named "Summer e-Xperience," it significantly contributed to enhancing Allegro's image as a desirable employer in academic and university communities. Over time, e-Xperience has expanded, incorporating a specialised track for the Technology sector, aptly named "Spring Tech e-Xperience," thereby broadening its scope and influence in talent development and technology skill enhancement.

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From 2022, Allegro employees are entitled to an additional day off specifically for employee volunteer work, showcasing the company's commitment to social responsibility. The scope of what constitutes volunteer work includes participating in community service for a non-profit organisation without receiving financial support, engaging in volunteer activities organised by the company, or implementing personal volunteer project ideas funded through employer-sponsored grants. This approach not only encourages employees to contribute to the community but also fosters a culture of giving back and personal initiative within the organisation. In 2023, 603 people took advantage of the additional day to do volunteer work, thus working 4,824 hours for social organisations and supporting 140 organisations. They prepared charity parcels as part of the nationwide Szlachetna Paczka campaign, cleaned green areas in Poznań, performed renovation works at the ZOO and took care of animals in shelters, and much more. Additionally, the Allegro Foundation awarded 24 grants (with a total value of PLN 347,400) to implement long-term projects run by Allegro employees carried out jointly with local organisations responding to the needs of local communities and their core values.

Allegro employees also have access to Mindgram, an innovative platform that is part of Allegro's comprehensive benefits package, specifically focused on mental well-being. Mindgram is designed to assist employees in maintaining their mental health and overall well-being by offering a variety of tools and resources. These include personalised content like articles, exercises, and webinars tailored to mental health improvement, addressing a broad spectrum of topics such as managing work-related stress and developing positive coping strategies for personal challenges. In 2023 1669 users were registered and active on the Mindgram platform. 1,630 different types of consultations with specialists were carried out monthly via chat and video.

Part of the cooperation with Mindgram is the "Well-being Vibe" – a new functionality designed with employees' well-being in mind. It makes it possible to diagnose an employee's well-being and mental health, detect burnout levels, identify areas for improvement and change and get instant results and recommendations on the next step. This process is completely anonymous.

Workers can also participate (in person or remotely) in Yoga Nidra and Mindfulness sessions (in polish only for now). Additionally, a new service was launched on 25 October 2023 – 30-minute meetings teaching relaxation techniques.

Allegro provides significant support to its international employees, aiding in the acquisition of work permits, legalizing their stay, and assisting with the process of obtaining a residence card. Additionally, Allegro has implemented a policy across all its group companies allowing remote work from abroad, specifically within the European Economic Area (EEA) and Switzerland. This flexibility permits employees to work remotely for up to 7 business days in each quarter of the calendar year, further accommodating the diverse needs and circumstances of the global workforce.

Allegro actively collaborates with universities and academic communities, fostering a vibrant exchange of knowledge and expertise. Employees frequently engage in guest lectures, deliver presentations tailored for Student Science Clubs, and serve as mentors and speakers at various student events and conferences. This involvement is deeply rooted in imparting substantive knowledge, with a focus on supporting events that offer meaningful educational opportunities. The aim is to build Allegro's reputation as a top employer and attract the finest student talent for employment. This includes actively promoting the e-Xperience programme on campuses. Collaborations span prestigious institutions such as the Poznan University of Technology, Adam Mickiewicz University in Poznań, Poznań University of Economics and Business, University of Warsaw, Warsaw University of Technology, SGH Warsaw School of Economics, AGH University of Science and Technology in Krakow, Wrocław University of Science and Technology, Gdańsk University of Technology, WSB Universities, SWPS University, Kozminski University, as well as various student societies like AIESEC, IAESTE, FUE, and other student associations in Poland and abroad. Through these partnerships, Allegro not only contributes to the academic community but also connects with the next generation of professionals, fostering a culture of learning and innovation.

BENEFITS

Allegro Group also offers a set of practical benefits to complement Allegro's activity as a good employer. The set of benefits is very wide and may vary depending on country and entities. Employees can use cafeteria benefits, additional life insurance for themselves and their families or transport allowance (free for warehouse workers). Employees working in Poland have the opportunity to benefit from medical consultations conducted in specialised medical centers (Medicover or LuxMed). As part of medical packages, every willing employee can take advantage of flu vaccinations. Workers in the Adamów warehouse (Poland) can also benefit from – meals. Additionally, employees working in the office in Poznan (Poland) can bring their children to a private nursery & kindergarten and offices in Czech and Slovenia are pet-friendly.

Allegro Group offers a unique and flexible benefits system, allowing employees to personalise their benefit choices. Each month, employees receive a set of points on the MyBenefit platform, which they can allocate according to their preferences. The selection process occurs monthly, giving them the flexibility to adapt their benefits package to their changing needs.

Recently a new benefit has been introduced offering Czech employees a sabbatical leave. After one year of employment, employees are eligible for a one-month sabbatical, during which their insurance contributions are fully covered in the Czech market.

Allegro's Social Company Fund (Zakładowy Fundusz Świadczeń Socjalnych) in 2023 provided a range of financial aid and subsidies aimed at supporting the material needs of employees and their families.. Employees under work contracts can benefit from various types of funding, including subsidies for personal vacation and organised leisure activities for children. Support for childcare expenses and a school starter kit for children up to 16 years old are also available. Additionally, Allegro offers one-time grants and housing loans, demonstrating its comprehensive approach to employee welfare that goes beyond the workplace, extending tangible support to enhance the quality of life for its employees and their families.

OCCUPATIONAL HEALTH AND SAFETY

Allegro places the utmost importance on employee health and safety, upholding these values without exception. It complies with national and European Occupational Health and Safety (OHS) standards on an unwavering basis. This commitment plays a critical role in preventing accidents and occupational illnesses. Allegro diligently monitors and assesses the working environment across every level of the organisation, ensuring continuous updates to its occupational risk assessments. Furthermore, it actively engages its employees in OHS initiatives, fostering a culture of safety and awareness. This approach aligns closely with what is traditionally known as Health & Safety Policy, offering a familiar reference point for those acquainted with the term.

Allegro's management recognises that the employer is responsible for ensuring occupational safety and health within the company; to organise work in a manner that is healthy and safe, and ensure that all OSH regulations are followed. Our OHS Team plays a crucial role in supporting this process, overseeing compliance and management as well as improving workplace health and safety.

The company has updated its Health and Safety Instructions, Training Procedure, and Accident Procedure to address commuting-related incidents and incidents that occur in the workplace. The advent of hybrid work triggered the need to adapt the occupational risk assessment to the current situation. Accordingly, this document has been revised to include additional considerations regarding the home office environment.

Our occupational risk assessment involves the detailed identification and analysis of potential hazards that employees might face, depending on their job role. This process helps ensure that adequate measures are in place to mitigate or eradicate these risks and identify any areas that may need further attention. All employees were familiarised with these new regulations in early 2023.

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There is a special alias and a dedicated channel on the company messenger for communication with the OHS department. The Company's offices and warehouses have been designed to be comfortable and safe, and safety procedures make it possible to eliminate situations that may pose a threat to employee health.

The Allegro Group is working hard to make its Health & Safety rules better in all the companies it owns in Poland and elsewhere. The Health & Safety team does regular checks to make sure everything is safe and healthy at work. A big step forward was taken when the Mall/WeDo group was added to the company. Allegro always tries to improve safety rules in all venues. Allegro does this while making sure it follows local safety standards.

The Allegro Group has implemented a comprehensive system for classifying work-related incidents and calculating incident rates. This system includes the Recordable Incident Rate (RIR), a key metric indicating the number of recordable injuries or illnesses per 100 full-time employees. This strategic framework not only ensures precise reporting and evaluation of workplace safety but also facilitates the comparison of the Allegro Group's safety performance with national and global standards. This approach is specifically tailored to address the unique requirements of various business sectors and industries, enhancing the Group's ability to monitor effectively and augment workplace safety protocols. The Recordable Incident Rate for 2023 stands at 0.13, signifying exceptionally favourable safety performance.

Occupational Health and Safety training is a crucial component of employee onboarding and continuous education. Training begins on the first day of work with an introductory instruction session, ensuring that new employees are immediately familiar with essential safety protocols. For ongoing learning, Allegro provides periodic training through e-learning for managers and administrative or office employees accessible via a dedicated training platform. For warehouse employees, this training is delivered through regular instructional sessions, emphasising the practical aspects of workplace safety. In 2023 3,085 employees in Polish Operations completed OHS training.

Allegro places great emphasis on employee safety. Consequently, 2023 was free of serious or fatal workplace accidents, thanks to proactive monitoring and prevention efforts. The table below presents data on accidents in operations in Poland and across the Group, showcasing the impact exerted by safety efforts.

	Group			Polish Operations			
	2023	2022	YoY change	2023	2022	YoY change	2021
Minor accidents	15 [2]	18 [1]	-3	5	4	1	2
Serious accidents	0	0	0	0	0	0	0
Fatal accidents	0	0	0	0	0	0	0

[1] including 14 from Mall Segment
[2] including 10 from Internet Mall and Mimovrste

WORKER REPRESENTATION

Allegro employees are not covered by collective bargaining agreements. In 2023 the company was notified that an intercompany trade union organisation covers Allegro.

Within the Allegro Group, which includes Allegro, Allegro Pay, Allegro Finance, Opennet, eBilet, and Ceneo, employee representation plays a vital role. Comprising 3-5 members, these representations are democratically elected by all staff members in direct elections. These independent consulting bodies are an important voice of employees. Their task is to consult on matters impacting work environment in Allegro, such as HR processes and policies, compensation, changes in work organisation, issues related to the Employee Benefits Fund (Zakładowy Fundusz Świadczeń Socjalnych) and other topics relevant for broad groups of employees raised by employee representatives or suggested by the employer. Allegro entertains an open dialogue with employee representatives through monthly meetings and by answering their questions raised in-between the meetings. The tenure for each representation lasts four years, except for Ceneo, where it is two years. Eligibility to stand in these elections is granted to employees with at least 12 months of service. This system ensures that employees have a significant say in key aspects of the work environment and company policy.

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3.5.3. CHARITY AND COMMUNITY INITIATIVES

Big numbers

- PLN 47 million collected by the Allegro Charytatywni platform
- PLN 1.2 million collected in the Szlachetny Koszyk campaign by 65,000 Allegro customers
- 351 cooperating NGOs in 2023 on Allegro Charytatywni
- 762 charity targets supported in 2023 on Allegro Charytatywni
- 928,642 charitable offers featured on Allegro Charytatywni
- 250,000 visitors at Allegro's Neat Package Zone at Smart Kids Planet

Allegro has been active in charity for many years and participating in the foremost charity events has become a permanent part of the organisation's life. According to a study conducted by Maison & Partners for Allegro in December 2023, 75% of respondents feel positive about a company that engages in public or environmental actions. Importantly, Allegro is the brand most frequently associated with social and environmental activities in comparison with other brands active in Poland. A key initiative, Allegro Charytatywni, has played a pivotal role in supporting non-governmental organisations (NGOs) by providing them with a commission-free fundraising platform. This year marks a significant milestone as Allegro Charytatywni celebrates its 10th anniversary. During this time thanks to the platform non-governmental organisations were able to collect PLN 47 million presenting 928,642 charitable offers.

As a technology company Allegro should support its stakeholders with technological solutions. Part of Allegro's corporate ethos is the need to support the development of civil society in Poland. The company does this by supporting non-governmental organisations. Ensuring a stable source of financing is a key element for NGOs to continue their development. In 2023 351 were active on Allegro Charytatywni presenting 762 charity targets. Allegro also gives them a tool to react quickly in emergencies such as natural disasters, i.e. digital "charity bricks", a feature that allows customers to support charitable causes while they do their shopping.

Allegro doesn't stop at facilitating charitable contributions. The company actively engages in its own educational and aid programmes through the Allegro Foundation. Furthermore, Allegro takes part in major national relief efforts, actively supporting initiatives like WOŚP (Wielka Orkiestra Świątecznej Pomocy) and Szlachetna Paczka, which was support by 65,000 customers with amount of PLN 1.2 millon. This multifaceted approach highlights Allegro's dedication to leveraging technology for educational enrichment and impactful philanthropy, exemplifying a comprehensive commitment to corporate social responsibility.

The company strives to simplify processes for NGOs, providing them with the necessary tools and support to operate efficiently by preparing training and co-organising the International Fundraising Conference. Additionally, Allegro aims to expand the reach of its impact by increasing the number of NGOs utilising Allegro Charytatywni, thereby amplifying the positive effects of their initiatives and contributing to a more robust and responsive philanthropic ecosystem.

Allegro also provides direct support to people in need in the area where Allegro operates. In August of 2023 the company supported local communities in Slovenia affected by dramatic floods.

A dedicated Corporate Social Responsibility (CSR) team at Allegro Group plays a pivotal role in managing the company's social, charity, and sponsoring endeavours. Supported by the technology team and significantly bolstered by grassroots involvement from employees who create and actively participate in initiatives, this team exemplifies Allegro's commitment to social responsibility. In December 2021, Allegro Group implemented the Group Charity, Social and Sponsoring Activities Policy. The Policy confirms that the profile of social, charity and sponsoring activities is determined by the Group's strategy and the decisions of the Board, subject to benefit analysis and dialogue with stakeholders. These activities are in line with the standards and best practices of corporate social responsibility, industry codes, the Group's code of conduct as well as internal policies and regulations.

The policy ensures the transparency of expenses on charity, social and sponsoring initiatives undertaken by the Group. The policy organises and identifies the Group's overarching goals of charitable, social and sponsorship activities. It prohibits any kind of political involvement on the part of the company. The policy also prohibits sponsoring of, and donations to, political parties, their political organisations or institutions of a similar nature, as well as persons holding public office and politicians. Charitable activities in the form of donations may not involve making donations to trade unions, employer organisations, professional self-governing bodies, or sports clubs established as commercial companies. This ban also includes military organisations or persons, as well as the arms industry.

The Group companies share their knowledge, support education in technology, and help those in need through non-governmental organisations by using the tools available on the Allegro Platform. In addition to Allegro Charytatywni, AllegroLokalnie.pl fundraisers made it possible to raise funds on the C2C platform. That option was closed in 2023 to focus charity support on Allegro Charytatywni.

The Allegro Foundation is a charity initiative, established in October 2008 as Allegro all for Planet, with an aim to raise environmental awareness and promote eco-friendly behaviour. The Foundation changed its name in November 2022 to the Allegro Foundation and rebranded its activity. The Foundation's activities are available to all employees working in the Group's Polish companies. Currently, its actions are based on three pillars: entrepreneurship education, pro-environmental activities and social solidarity. One of the main tools for implementing these directions is employee volunteerism and the initiative "#Pomagamy_bo_umiemy" allowing employees to receive grants to engage in their voluntary activities.

Allegro and Allegro Foundation were one of the partners of the Smart Kids Planet for children aged 0-10. The attractions were designed to develop the competences of the future and good habits in children, based on the global trend of edutainment, i.e. education through entertainment. In the zone developed in partnership with the Allegro Foundation, children learn through play how to send and receive parcels and find out why parcel vending machine deliveries have a lower environmental impact than other delivery methods. In addition, educational videos on upcycling are presented in the zone. 250 thousand kids visited Smart Kids Planet it in 2023.

The Allegro Foundation also supported Fundacja św. Mikołaja in organising summer camps for children with refugee experience from Ukraine and is a partner of the Mobile Lungs project (a mobile system showing the state of air quality, which will visit 63 locations in 9 voivodeships in the current heating season) of the Krakow Smog Alert.

Allegro also supports local activities. Company employees took part in the "Wspólnie POZmieniajmy" initiative alongside 18 other companies in September 2023. Concurrently, volunteers actively contributed to the beautification of the area adjacent to the Youth Cultural Centre No. 1 in Wilda (Poznan, Poland). They engaged in planting various plants and constructing educational gardens. Alongside these physical efforts, volunteers also dedicated time to sharing valuable insights, experiences, and practical advice on Safe Online Shopping.

Allegro customers actively participate in supporting their chosen charities by listing items for charity, bidding on unique items in charity offers, and making direct charity donations during specific campaigns. Notable beneficiaries in 2023 included The Great Orchestra of Christmas Charity (WOŚP), the WIOSNA Association, PMP – Polish Medical Mission.

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Allegro Charytatywni allows NGOs to collect money on a daily basis, but an innovative feature is the 'charity bricks' mechanism, prominently displayed during the purchase process. This feature allows customers to add a 'brick' to their basket, providing direct support to an NGO and a specific fundraising goal. Notably, the 'Brick for Ukraine' campaign, activated in response to Russia's attack on Ukraine in 2022, raised over PLN 7.5 million for humanitarian aid and relief efforts.

Building on the success of previous charity campaigns, Allegro seamlessly integrated charity with technology once again in 2023. Following the earthquakes in Turkey and Syria in February 2023, Allegro customers contributed over PLN 545,000 to the Polish Medical Mission in less than a month.

The programme of adding donations to the purchasing process has been active for several years, from November to February, and serves to support the Wiosna Association as part of the "Szlachetna Paczka" campaign and the Great Orchestra of Christmas Charity. After the outbreak of the war in Ukraine, it was first introduced as an intervention mechanism.

Throughout these charitable initiatives, Allegro remains steadfast in its commitment to transparency and impact, with no fees or commissions applied to the sale of charity offers. This approach ensures that every contribution goes directly to the verified organisation conducting the fundraiser, reinforcing Allegro's role as a technological force for positive social change.

	Polish Operations		
	2023	2022	2021
Funds collected (PLN m)	47	56	39.3
NGOs on the platform (number)	351	338	247

3.5.4 ACCESSIBILITY OF SERVICES AND PRODUCTS

Big numbers

- 95% of One Boxes accessible according to Allegro accessibility standards
- 27 issues solved during the hackathon part of Accessibility Festival 2023
- Core Web Vitals performance metrics (for mobile):
  - 1.5s Largest Contentful Paint (LCP) (maximum recommended result is 2.2s)
  - 22ms First Input Delay (FID) (maximum recommended result is 100 ms)
  - 0 Cumulative Layout Shift (CLS) (maximum recommended result is 0.1)

Allegro is committed to achieving a significant goal: making its platform and services more accessible to everyone. This ambition is about ensuring that all people, regardless of their circumstances, find our website and services straightforward and user-friendly.

The primary focus is on extending reach, which involves designing the website to be intuitive, easily navigable, and comprehensible to all users. The goal is to optimise site performance for fast loading times, catering to users with varying internet speeds and those using older devices. This effort, led by user experience (UX) teams, aims to enrich the overall user interaction with the platform. To further this inclusivity, language options have been expanded, including translating the sites into Ukrainian, thus embracing a more diverse user base.

At the same time, tailored accessibility was emphasised, particularly for individuals with specific requirements. This aspect of Allegro strategy includes designing the services to be universally usable, encompassing not only those with disabilities but also individuals who might temporarily benefit from enhanced accessibility.

For instance, a barrier-free access to One Box parcel lockers aids wheelchair users, but also parents with strollers, individuals with heavy luggage, or those with temporary mobility impairments. The company's approach is to create an environment in which nobody feels excluded or disadvantaged.

In addition to upgrading physical infrastructure, Allegro is dedicated to complying with the European Accessibility Act (EAA) by adhering to the Web Content Accessibility Guidelines (WCAG). This commitment is a testament to its dedication to digital inclusivity. A central aspect of this commitment is the continuous optimization of Allegro's website and mobile applications, ensuring they are accessible and user-friendly for all, including people with disabilities. This involves regular audits and updates to dismantle barriers and improve overall functionality.

At Allegro, education and awareness of accessibility among employees, especially for web developers and designers, are crucial. These professionals play a pivotal role in creating easily accessible websites and providing every customer with the best user experience. Furthermore, Allegro employees are heavily involved in organising numerous events such as the Accessibility Festival (that replaced Accessibility Hackathons) to share knowledge and spotlight the crucial aspect of accessibility in the tech industry. In 2023 the first edition of Accessibility MeetUp was also organised. The success of these activities is multiplied through cooperation with many external organisations specialising in accessibility issues, such as NGOs, companies and administration bodies (Snow Dog, Kinaole, Fundacja Widzialni, Migam, Centre for Information Technology).

There is also a team of nearly 200 experts from various fields (UX, CX, ESG, engineers, product managers) dedicated to fostering an inclusive digital environment, who exchange their knowledge using internal communication tools. The accessibility issue and plan were discussed with the member of the Exec Team Responsible for technology, emphasising the strategic importance of accessibility in company operations. Moreover, reviews of the platform and applications are regularly conducted to identify areas for improvement. Emerging accessibility problems are successively solved.

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Moreover, in 2022 Allegro, together with Microsoft, Orange, and Santander was a founder of the Business Accessibility Forum. The aim of this organisation led by Fundacja Widzialni is to build awareness of digital accessibility among companies operating in Poland. This initiative directly aligns with Sustainable Development Goal (SDG) 17 – Partnership for the Goals, showcasing a commitment to leverage synergistic collaboration for achieving more inclusive and accessible digital environments. The organisation took part in public consultations concerning implementation of the European Accessibility Act in close cooperation with the Ministry of Development Funds and Regional Policy and its representatives attended conferences and meetings with representatives of the European Commission.

As part of this collaboration, Allegro has contributed to the creation of the report entitled "Digital Accessibility in Polish Business [1]." The report emphasises that low accessibility levels in e-commerce can significantly contribute to lost revenue. For example, it considers how vision impairments, affecting a large portion of Poland's adult population, can lead to a higher rate of abandoned shopping carts and incomplete transactions. The report's insights underline the essential link between accessibility, user experience, and economic performance in the digital marketplace. It is also a comprehensive compilation of valuable knowledge, best practices, and insights, and is instrumental for Polish businesses in implementing digital accessibility.

In preparation for the European Accessibility Act (EAA), Allegro has also initiated a compliance process that includes conducting accessibility audits of its website and applications. These audits are part of an internal effort to understand and address the organisation's specific needs in terms of accessibility.

Allegro's One Box parcel lockers are physically being made more accessible. This includes high-contrast screens, the option to choose locker height and clear indications in the delivery process about the accessibility of each parcel machine. Additionally, lighting features were rolled out, such as LED strips and light points in compartments, to further aid in locating packages, ensuring customers can easily find their parcels.

Allegro has established dedicated helplines for seniors and deaf individuals, providing tailored assistance and support. The helpline for deaf customers, developed in collaboration with Migam, offers specialised assistance catering to their specific communication needs. Additionally, Allegro has partnered with the National Institute of Senior Economy to provide a dedicated and tailored helpline for seniors. These helplines demonstrate Allegro's commitment to creating an inclusive and socially responsible environment for all customers.

According to Allegro`s approach, accessibility is combined with usability. Products are designed to be easy and intuitive to use. This is handled by the Customer Experience team. It serves as a customer advocate (buyer, seller, parcel sender, parcel recipient, courier, borrower, etc.), reducing their effort and improving customer experience by eliminating existing and potential barriers on the Allegro platform, providing quick and automated solutions supporting self-service, and, if necessary, the best service provided by specialised advisors in the contact channels preferred by customers (telephone, call back, chat, Messenger, WhatsApp, e-mail, social media, Allegro Gadane).

[]1 https://baforum.pl/2023/

Another important aspect is the website's efficiency and speed. Allegro`s goal is to keep Core Web Vital metrics at a high level. Web performance is crucial for ensuring a smooth and engaging user experience. Slow loading times or an unstable layout can frustrate users and discourage them from interacting with the site, potentially impacting a business's relationship with them. With a significant number of users not using high-end devices or fast internet connections, it's important that the site is efficiently optimised for quick loading times, stable layout, and efficient interactivity. A well-performing website means satisfied users who are more likely to return, so Allegro employees continuously monitor web performance metrics, swiftly detecting and addressing any anomalies that might affect user experience.

	Polish Operations		
	2023	2022	2021
One Boxes accessible according to Allegro accessible standards (%)	94.8	95.8	98.6
Number of issues solved during accessibility hackathon	27	25	26

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3.6. All 4 planet

3.6.1. PACKAGING

GRI 3-3, 301-1, 306-2, E5 (wybrane ujawnienia).

- 7.4 millions carton boxes introduced to the market
- 399 thousands packages sold by Allegro Pack (2.4 million from Apr 2021)
- 49% sustainable [1] parcels
- 810 merchants participated or listened to Allegro's podcasts on packaging, environment and carbon footprint

Reducing the environmental footprint through sustainable packaging is one of Allegro's top priorities. It is not only a matter of corporate responsibility but also a strategic imperative to maintain customer loyalty and market position. Current and future legal regulations such as Extended Producer Responsibility (EPR), Packaging and Packaging Waste Regulation (PPWR) and the Single-Use Plastics Directive (SUP) will also act as drivers.

Allegro aims to be future-proof and assist merchants in being compliant with these evolving regulatory frameworks, ensuring that the company and its partners are prepared for the future landscape of environmental standards. As the largest marketplace in Central and Eastern Europe, Allegro takes great pride in its position and is equally committed to conducting its operations in a more sustainable manner. Allegro aims to lead the way in sustainable business practices, understanding the importance of balancing commercial success with environmental responsibility. The company's goal is to set a standard for sustainably conscious operations, demonstrating that business growth and ecologically sustainable development can go hand in hand. In line with its commitment to sustainable practices, Allegro embraces eco design principles and the 3R principle – Reduce, Reuse, and Recycle – as the fundamental approach in its operations.

[1] Sustainable packaging means either shipment without packaging or reused packaging or material with a minimum of 70% recycled content or compostable packaging confirmed with certificates or 100% recyclable packaging. Each part of sustainable packaging (box, tape, fillers or stretch foil) must meet at least one out of the criteria described above.

'Reduce' involves avoiding unnecessary packaging and cutting down on the materials in use, especially in packaging, to lessen the environmental footprint. The company's aim is to use fewer resources and generate less waste, for example by sending products without extra packaging (Ship in Own Packaging). By doing that, Allegro not only optimised the amount of packaging materials, but also reduced its operating costs. Next, 'Reuse' is about finding ways to repurpose materials. The use of packaging that can be used multiple times is promoted, either in Allegro operations or by consumers. The possibilities to extend the life cycle of materials and reduce the need for new resources is sought, for example by making filling materials out of reused cardboard. Finally, 'Recycle' is a key part of Allegro's environmental strategy. The use of recyclable materials in Allegro packaging is prioritizes and proper recycling practices among sellers and customers is advocated for. By doing so, the company ensures that materials are cycled back into use, reducing the demand for virgin resources and minimising the impact on the planet. With 399 thousand packages sold by Allegro Pack, the company further reinforces its commitment to sustainable practices by facilitating eco-friendly packaging solutions.

The company is also mindful of the greenwashing risk. EU directives such as "Empowering Consumers for the Green Transition" and "Green Claims" are constantly monitored. In line with this, guidelines to combat greenwashing have been formulated, which align our practices with stakeholder expectations. These guidelines, detailed in the policy document available here, ensure that Allegro's environmental strategy and communications are in line with the current regulatory landscape and market best practice alike, and have been incorporated into mandatory training for all employees.

To motivate customers, Allegro rolled out an engaging upcycling campaign, showing them how to transform cardboard packaging and fillers into new, practical objects through a do-it-yourself approach. The campaign also educated shoppers on the essentials of proper waste segregation and spotlighted the proactive measures Allegro and its merchants are implementing to protect our planet. Let's embrace creativity and eco-consciousness together – every little action contributes to a more sustainable Earth! Another integral part of these efforts is the Allegro Academy, a valuable resource offering free webinars and courses. These educational materials focus on minimising the environmental footprint of packaging and the essentials of becoming a sustainable merchant, providing actionable insights and tips. The company aims to give merchants the knowledge and tools to introduce the principles of the circular economy across their value chains. When it comes to Allegro's own services, the company is doing its best to have all products sent by Allegro Operations to be packed using sustainable packaging materials such as recycled cardboard, paper tape and recyclable fillers. Allegro packaging products have internationally recognized FSC® certificates ensuring that materials used in production were grown and supplied in a sustainable manner.

	Group			Polish Operations			
Own operations	2023	2022	YoY change	2023	2022	YoY change	2021
Carton boxes in own operations (millions pieces)	7.4	7.7	-3.7%	3.2	2.5	+27%	N/A
Share of sustainable parcels [1] in own operations	49%	N/A	N/A	48%	N/A	N/A	N/A

[1] as above

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Allegro intends to implement more processes to minimise the waste sent to landfill and lower the carbon footprint across the supply chain. Not only educate but also introduce simple solutions for all merchants. In the Allegro_Pack store, the merchant can directly purchase certified products made out of recycled materials or biodegradable fillers, which ensures their reduced environmental impact. The cardboard boxes offered by Allegro_Pack have been made entirely from recycled material and are 100% recyclable. It is worth sharing that Allegro does not add a margin to products prices to make them competitive. The aim is to provide easier access to affordable sustainable packaging, as well as promote environmentally friendly practices within e-commerce.

Waste management in warehouses is designed to maximise recycling potential. The company does its best to segregate waste to improve recyclability. Waste evidence and reporting in BDO (National Waste Database) for each waste fraction is also performed, as well as yearly reporting for Local Authorities – in compliance with applicable waste law. In terms of packaging materials, the company also monitors and reports packaging delivered to the market, which is required by the Extended Producer Responsibility regulations.

The decrease in waste production is primarily due to the transfer of activities to the warehouse in Adamów, where more effective waste management practices have been implemented, closing the loop and producing our own paper fillers from recycled materials.

Total weight of waste from the warehouse

	Polish Operations			
Waste from the warehouse (t)	**2023**	**2022**	**YoY change**	**2021**
Total waste	236.3	735.6	-64%	N/A
Recycled waste	188.7	562.3	-66%	N/A
Non-recycled waste	47.6	173.3	-72%	N/A

Total weight or volume of materials used for packaging the organisation's primary products and services during the reporting period.

	Group			Polish Operations			
Packaging used in a warehouses – mass [t]	**2023**	**2022**	**YoY change**	**2023**	**2022**	**YoY change**	**2021**
Cardboard packaging – 100% of recycled paper	2,006	2,033	-1%	769	653	18%	555
Original stretch film – unrecycled	203	132	54%	88	74	19%	54
Half-pallet wood – unrecycled	9	45	-80%	9	45	-80%	92
100% recycled foil fillers, HDPE foil	74	72	3%	0	N/A	N/A	N/A
Cardboard packaging – unrecycled	34	51	-34%	21	51	-58%	N/A

3.6.2. CLIMATE CHANGE

GRI 3-3, 305-1, 305-2, 305-4

- -5% reduction in emissions in absolute terms vs LY (scope 1 and 2, market-based method)
- -16% reduction in emissions intensity per revenue vs LY (scope 1 and 2, market-based method)
- 18% of electric energy from renewable sources
- 100% renewable energy powered OneBox network, highlighting dedication to sustainability

Allegro has adopted an ambitious goal of reducing greenhouse gas emissions by 38% by 2030 compared to the base year of 2021. Additionally, in Scope 3, the company has obliged 73% of all of its suppliers measured by their spend pertaining to purchased goods & services, capital goods, and downstream transportation and distribution to set science based targets by 2027. Allegro believes that counteracting the effects of climate change is a strategic area for the Group and therefore believes that it will be its strength and at the same time an opportunity for further development in the process of expanding operations in new markets.

The above reduction targets were set in accordance with the Science Based Targets (SBTi) initiative, to which Allegro was the first e-commerce and technology company from Poland to join in 2021. The targets adopted by Allegro were set in accordance with the SBTi's scientific method, verified by the SBTi's Target Validation Team and set in accordance with the pathway to meet the 1.5°C goal of the Paris Agreement. In 2022, Allegro was classified as one of the first companies in Poland with SBTi-approved climate targets.

The company's ambition is to continue to minimise its adverse environmental impact, primarily by reducing carbon footprint emissions, which is why the Board of Directors adopted the climate policy and climate targets aligned with the Paris Agreement. The idea is to be the first place clients choose for sustainable e-shopping, and a place supporting merchants (mainly SMEs) in their sustainable development and growth. The Group's GHG emissions are monitored and implemented while the implementation of the decarbonization strategy continues. Under this policy, Allegro committed to maximise renewable energy use, reduce the carbon footprint in its operations and work with business partners to reduce emissions across the value chain.

Under the Climate Policy, the focus is on five pillars including logistics, deliveries, renewable energy, the circular economy and education.

Allegro decarbonization strategy

Green Energy	Low emission deliveries	Low carbon logistics	Circular economy	Education in value chain
Reduce energy consumption and ensure renewable energy	Reduce emissions related to shipping orders	Develop low-carbon logistics centres	Introduce a circular economy model, including recycled and reusable packaging	Offer climate education to stakeholders, employees, merchants and suppliers

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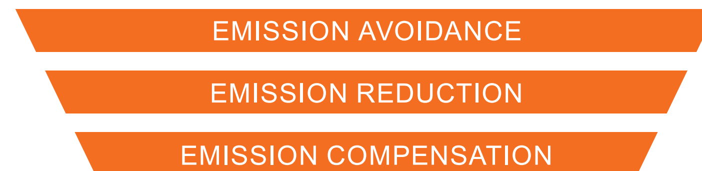
In its climate policy, Allegro has adopted a comprehensive and structured approach towards sustainability, meticulously implementing a three-tiered hierarchy to address carbon emissions.



The first tier referred to as 'Emission Avoidance' prioritises the preclusion of emissions through strategic innovation and heightened energy efficiency. Subsequently, the 'Emission Reduction' tier focuses on diminishing carbon output by refining operational processes, incorporating green energy solutions, and enhancing overall operational efficacy. The final tier, 'Compensation for Inevitable Emissions', involves a proactive approach to offset residual emissions through investments in renewable energy initiatives and reforestation programs. This hierarchical structure allows the company to set priorities and manage its carbon footprint.

Due to the management's commitment to ESG (environmental, social & governance) issues in the Allegro Group, the Allegro.eu Board made a decision on 27 June 2023 that ESG & climate matters will be a part of the RemNomCo remit. Additionally, Nancy Cruickshank was appointed board member responsible for ESG in the Group.

The comprehensive decarbonization strategy is meticulously crafted to align with the goals set by SBTi, and company activities aim to mitigate climate change, through involvement contributing to reducing emissions in its own operations (scope 1 and 2), those of company customers, merchants and business partners (scope 3). The emission reduction activities specified in the strategy directly relate to the way of dealing with selected risks and serve as a contribution to the financial planning process of the Allegro Group.

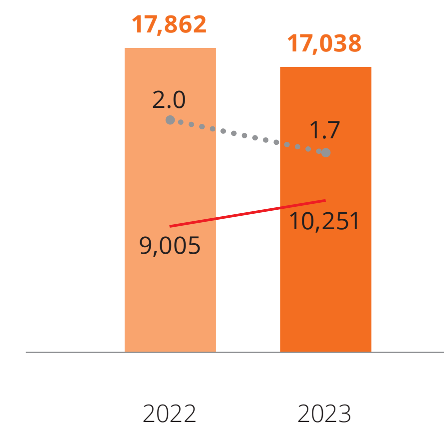
For Scope 1 and 2, which encompass direct and indirect emissions from owned or controlled sources and those from the generation of purchased energy, Allegro's efforts are twofold: enhancing energy efficiency and accelerating the shift to renewable energy sources through PPAs and guarantees of origin. Among the initiatives, the Adamów logistic centre, main offices and APMs (Automated Parcel Machines) are powered with renewable energy sources, significantly reducing its operational carbon footprint. As of the beginning of November 2021, Allegro started to roll out its network of APMs: One Box by Allegro. The PUDO Partner network (pick up, drop off) allows customers to collect their order the next day after shipping and provides merchants with a convenient shipping and order management method within a single platform. The carbon footprint of using APMs or pick-up points in the last mile is lower than when using the courier option. According to Allegro's own calculations, as well as other research done in the industry (for example Inpost), Parcel Machines produce considerably fewer GHG emissions than direct delivery (i.e. courier services). On average, emissions are lower by around 1/3. This is because with Parcel Machines the distance travelled to make the last mile delivery is much lower than in courier operations since the courier leaves many packages in one location rather than visiting a number of homes (this leads to driving fewer kilometres and consuming less petrol or diesel). Additionally, photovoltaic installations on APMs are being piloted. In 2023, over 60% of their total working time was covered autonomously using solar energy. Additionally, Allegro's R&D department is working on scaling the number of OneBox parcel machines outfitted with PV installations, and plans to introduce a new version of off-grid parcel machines. Significant progress has also been made in implementing energy efficiency through savings on lighting in the form of LED lighting in warehouses in Adamów and Jirny; moreover, lighting fixtures only turn on when needed. In APMs the LED fixtures in the roof shine at 100% brightness when a parcel is being sent or picked up; otherwise, they shine at 10% power. This difference makes it possible to reduce the power usage from consumption of 36W at 100% brightness to 9W at 10% brightness. Savings on lighting allowed Allegro to reduce electricity consumption by 84% (compared to other machines that stay on).

Allegro is also firmly focused on raising awareness about sustainability, understanding its crucial role in sparking real change. Education and clear communication can make a difference. The company's approach involves sharing knowledge with employees, customers, and partners about the importance of taking care of the environment and the practical steps everyone can take to do better. To achieve this, several initiatives are being rolled out, including surveys, webinars and meetings, to showcase the progress and efforts in mitigating the impact on the planet.

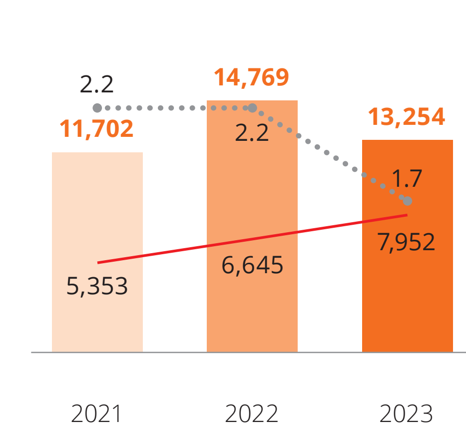
By committing to achieving the Allegro Group's climate goals in 2021, Allegro.pl joined the UN Global Compact, an initiative spearheaded by the UN Secretary General, which brings companies and institutions together that consider sustainable development to be important. By joining the UN Global Compact, the Group committed to implementing UN policies and global initiatives focusing on environmental issues and counteracting the climate crisis. It is also a commitment to achieving the Sustainable Development Goals set out by the United Nations in the 2030 Agenda. Joining the UN Global Compact is a testament to Allegro's genuine commitment to the CSR and Sustainable Development strategy and its commitment to combating climate change.

Allegro is committed to striking a balance between growth and sustainability. The company's financial growth is accompanied by a managed rise in emissions, underscored by a declining intensity ratio, thanks to targeted sustainability initiatives. This approach illustrates the company's commitment to expansion and environmental stewardship in 2023.

Scope 1 & 2 – Allegro.eu, market-based



Scope 1 & 2 – Polish operations, market-based



GHG emissions (t CO2e)
revenue (mPLN)
GHG emissions intensity (t CO2e/mPLN)

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In 2023, a decrease in Scope 1 and 2 emissions intensity per revenue was observed – as revenue continued to grow, absolute emissions both in Group and in Polish operations were reduced, resulting in 16% lower emission intensity in Group operations and 25% in Polish operations year-on-year.

The reduction was achieved, in particular, through logistical optimisation (e.g. incorporation of the Błonie warehouse into the Adamów warehouse) and closing of inefficient sites).

	Group			Polish Operations			
GHG emissions [1] (t CO_2e)	**2023**	**2022 [2]**	**YoY change**	**2023**	**2022**	**YoY change**	**2021**
Scope 1 emissions	1,375	1,422	-3%	542	802	-32%	580
Natural gas	719	869	-17%	251	629	-60%	437
Diesel	281	173	62%	31	21	48%	28
Petrol	378	380	0%	261	153	71%	104
Scope 2 emissions (market-based method)	15,660	16,440	-5%	12,712	13,967	-9%	11,122
Electricity	14,682	14,823	-1%	11,864	12,521	-5%	10,576
Heating	979	1,617	-39%	847	1,446	-41%	546
Scope 2 emissions (location-based method) [2]	18,951	21,414	-12%	15,986	18,930	-16%	11,383
Electricity	17,973	19,798	-9%	15,139	17,484	-13%	10,836
Heating	979	1,617	-39%	847	1,446	-41%	546
Scope 1 and 2 emissions (market-based method)	17,038	17,862	-5%	13,254	14,769	-10%	11,702
Scope 1 and 2 emissions (location-based method)	20,326	22,836	-11%	16,528	19,732	-16%	11,962

[1] The greenhouse gases identified and included in the calculation are CO_2, CH_4 and N_2O, which have been expressed as CO_2 equivalent. No biogenic CO_2 emissions have been identified. 2021 is established as the base year. The amount of emissions from the production of consumed electricity was calculated according to two methods: location-based (electricity-related emissions calculated using country average emission factors) and market-based (electricity-related emissions calculated using the energy seller specific emission factor). In the location-based method, the average emission factors for countries were used. In the market-based method, emission factors for energy suppliers were used. For locations, where market-specific emission factors were not available, location-specific emission factors were adopted, with the understanding that data will be improved in the following year. For Poland the source of the emission factors were: for electric energy in the location-based approach – KOBiZE (The National Centre for Emissions Management), in the market-based approach – energy suppliers; for heating – data published by Energy Regulatory Office. For operations outside of Poland the source of the emission factors were: for electric energy in the location-based approach – European Environment Agency, in the market-based approach – suppliers; for heating – DEFRA 2023 (Department of Environment, Food and Rural Affairs in the British Government, Greenhouse gas reporting: conversion factors 2023). DEFRA 2023 database otherwise. GWP factors based on the United Nations Intergovernmental Panel on Climate Change (IPCC) Fifth Assessment Report (AR5) were used. Where possible, calculations were made for each subsidiary and the results were consolidated according to operational control.

	Group			Polish Operations			
GHG emissions intensity per revenue (t CO_2e/mPLN)	**2023**	**2022]**	**YoY change**	**2023**	**2022**	**YoY change**	**2021**
Scope 1 and 2 emissions intensity (market-based method)	1.7	2.0	-16%	1.7	2.2	-25%	2.2
Scope 1 and 2 emissions intensity (location-based method)	2.0	2.5	-22%	2.1	3.0	-30%	2.2

	Group			Polish Operations			
GHG emissions intensity per revenue (t CO_2e/mEUR) [4]	**2023**	**2022**	**YoY change**	**2023**	**2022**	**YoY change**	**2021**
Scope 1 and 2 emissions intensity (market-based method)	7.6	9.3	-19%	7.6	10.4	-27%	10.0
Scope 1 and 2 emissions intensity (location-based method)	9.0	11.9	-24%	9.4	13.9	-32%	10.2

From the outset, the decarbonisation plan prioritised focusing on the first 3-4 years to reduce emission intensity per million revenue and lay the groundwork for a transformative shift. This strategic phase was designed to identify quick wins for environmental impact reduction while planning for sustainable long-term actions. The initial outcomes of these efforts are already visible and encouraging. By concentrating on low-emission supplies to parcel lockers, the company has managed to cut significantly emissions linked to logistics. This step is crucial for reducing the company's overall carbon footprint, as logistics represent a substantial portion of emissions in many sectors. Additionally, the temporary purchase of energy attribute certificates has made it possible to offset emissions partially by supporting renewable energy production, aligned to the strategy to minimise environmental impact.

Another pivotal move is the signing of a Power Purchase Agreement (vPPA) for renewable energy, which will start yielding benefits from 2025. This agreement is a cornerstone of Allegro's long-term decarbonization strategy, as it will substantially reduce the company's carbon footprint by 15 thousands tons annually. This move is particularly vital in the context of global efforts to curb climate change and achieve the Paris Agreement goals. This case will also contribute to the development of similar initiatives in the country.

[2] due to the Allegro Group's acquisition by Allegro Group of Mall Group and WE|DO in April 2022. The carbon footprint from the Mall Segment in 2022 covered emissions for the post-acquisition period. ie. April-December 2022.
[3] for locations. where market-specific emission factors were not available, location-specific emission factors were adopted, with the understanding that data will be improved in the following year
[4] average exchange rates (EUR/PLN 2023: 4.543; 2022: PLN 4.68; 2021: PLN 4.58; 2020: PLN 4.47).

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Key actions and achievements on climate-related issues are presented below:

Initiative	Detailed description	Impact on the environment and climate and our progress
Promoting low emission deliveries	Allegro undertook significant efforts to promote low emissions deliveries through expanding our network of OneBox parcel machines and cooperation with Paczkomaty Inpost. These actions enabled us to optimize the transport network and reduce the carbon footprint in the last mile resulting in decreased emissions per unit of cargo.	The estimated value of maximum avoided emissions 1,009 tons of CO_2e
vPPA	In 2023 Allegro signed a vPPA agreement with renewable energy developer – R Power Renewables. This contract will secure energy prices and guarantees of origin for 220 GWh between 2025-2035.	The estimated value of avoided emissions approx. 143,000 tons of CO_2e in 2025-2035
Guarantees of origin	Allegro invests in guarantees of origin certificates for energy from renewable sources in an amount adequate to the amount of energy needed to power the entire network of parcel machines. Guarantees of origin certificates were also ensured for the location in Adamów and work offices. Guarantees of origin certificates are issued in accordance with legal regulations.	The estimated value of avoided emissions 3,677 tons of CO_2e.

GHG emissions were calculated in accordance with The Greenhouse Gas Protocol, A Corporate Accounting and Reporting Standard Revised Edition.

In addressing Scope 3 emissions, supplier engagement is the company's core activity to decarbonize the supply chain. Throughout the process of setting decarbonization targets in accordance with SBTi, the company has declared to engage at least 73% of suppliers measured by their spend to determine their science-based targets for Scope 1 and 2 by 2027. Currently, bold actions are being taken to engage with suppliers actively, motivate them to adopt greener practices and incorporate sustainability in procurement policies. In the newest Code of Conduct for Suppliers and Business Partners, Allegro obliged its suppliers to minimise, if possible, the material impacts on the natural environment, for example, by reducing energy consumption and CO2e emissions. Moreover, suppliers are responsible for supporting preventive approaches to protecting the natural environment and taking actions aimed at promoting ecological responsibility.

Detailed analyses of carbon footprint emissions, including Scope 3, will be disclosed in the upcoming ESG report.

3.6.3. SUSTAINABLE LOGISTICS

- 1,050 new OneBox installations in 2023, expanding network reach
- 3,500 OneBox machines since program inception, enhancing service footprint
- 90% of OneBox machines are surrounded by green spaces, supporting urban greening and community well-being

At Allegro, the future vision is anchored in a deep commitment to minimise the carbon footprint significantly, aligning it with global decarbonization efforts. The company`s approach involves a dual strategy: firstly, leveraging renewable energy sources to power its operations, and secondly, advancing low-emission transportation methods for parcel delivery. This strategy is not only about reducing emissions but also about seamlessly integrating OneBox parcel lockers into environments without causing visual or noise pollution.

Looking towards the future of parcel delivery, the strategy is focused on seamlessly integrating parcel lockers into urban and natural settings. This initiative goes beyond basic functionality, aiming to create lockers that are efficient but also enhance their surroundings. A critical element of the strategy is the deliberate choice to avoid advertising on One Box lockers. Instead, their aesthetic and environmental value was prioritised by incorporating greenery. By the end of 2023, this vision had become a reality with over 90% of our lockers surrounded by green spaces, demonstrating the company's dedication to this initiative. This design philosophy also addresses urban clutter, ensuring lockers blend smoothly into various settings. A notable innovation is Allegro's approach to reducing light pollution. OneBox lockers feature eco-friendly lighting, with motion-sensor technology that activates LED lights only when necessary, minimising excess light. Inclusivity and accessibility are fundamental to the design. The company strives to make 97% of OneBox lockers accessible to people with disabilities, showcasing its commitment to making parcel delivery inclusive and convenient for everyone.

In the journey towards sustainable logistics, Allegro prioritises major initiatives like building infrastructure for low emission transport and implementing low emission delivery methods in Depot and Fulfilment locations. One Fulfilment by Allegro is a comprehensive service for merchants that includes storing, packaging and delivering orders, as well as providing customer service throughout the delivery process. Distribution of products purchased on Allegro from a single logistics centre will further reduce delivery times, provide high-quality customer service, and reduce the environmental impact by consolidating orders to one package. In 2023 Allegro launched a pilot project which involved the installation of AC stations for electric vehicles. These installations were used for courier services. Allegro also looks for low-emission delivery methods and tests electric vehicles and cargo bikes. These are major steps for continuous experimentation with innovative solutions to minimise the environmental impact.

In a unique initiative combining technology and environmental stewardship, a tree-planting program #zasadzONE was integrated with OneBox and PUDO delivery services. In collaboration with the State Forest (Lasy Państwowe), an initiative was launched where for every tenth package handled, a tree will be planted. This program allows customers to be a part of the company's sustainability efforts. Participants will receive a virtual representation of a tree that has been allocated to them. They will be provided with detailed information about this tree, such as its type, the exact location where it is planted, and they will also have the chance to add a personal message or dedication to their tree. This way, we're not just talking about being eco-friendly; we're making it easy for our customers to see and be part of the actual impact.

As part of the #zasadzONE campaign, the company's partners have already planted over 1 million tree seedlings. In 2023, during spring and autumn plantings, 814,380 seedlings with Lasy Państwowe were planted in eleven forest districts: Oborniki, Kościerzyna, Lipusz, Wejherowo, Cewice, Lębork, Kraśnik, Dębica, Niepołomice, Chojnów. The agreement with Lasy Państwowe ensures that these trees will grow for a minimum of 50 years. Physical plantings are carried out by forest districts twice a year – in spring and autumn.

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Works on a contract for spring 2024 plantings are underway, which will cover over 1 million trees. Additionally, the 2024 budget has set aside funds for project implementation of the project, which will allow for the planting of over a 2.5 million new tree seedlings.

Allegro's commitment to reducing carbon emissions extends to the transportation methods. Battery stations in OneBox machines are being tested, and the use of PV panels on their rooftops are being explored. In the Allegro courier sector, OneKurier, low-emission vehicles are being tested, including electric delivery vans and cargo bikes, to reduce the carbon footprint. In the realm of product fulfilment, the OneFulfillment service is designed with sustainability at its core. The warehouse, which is home to OneFullfillment and the Official Company Store, is not only powered by green energy but also equipped with charging stations for electric vehicles. These installations were used for courier services. Allegro supports the installation of charging infrastructure for cars and changing the fleet to low-emission vehicles because of the expected rapid increase of demand for these installations and due to the expected ban on the sale of internal combustion vehicles in Europe. Within these actions to support infrastructure for low-emission vehicles, Allegro is working on the development of two-wheeler charging stations that will be located at OneBox parcel machines. Charging will be done by leaving the secured scooter or electric bike and launching the service in the web application.

Finally, Allegro, in cooperation with Hop.City, introduced a new service to its One Box parcel machines – Swap&Go, allowing for the instant replacement of batteries in electric two-wheelers. This service allows users to deposit a discharged battery in Allegro vending machines and retrieve a charged battery within 30 seconds. The modules have been designed in such a way that they can charge various types of batteries – bicycle and scooter batteries alike. Our service gives electric bicycles and scooters much greater range and supports the development of sustainable means of transport to reduce CO2 emissions in comparison to traditional vehicles based on combustion engines. In 2023 the first 6 Swap&Go services were launched in Warsaw, Kraków and Poznań. The service was designed and manufactured in Poland as the first solution of its type in the world. Lastly, the approach to sustainable logistics includes collaborating with urban centres to promote low-emissions delivery logistics. Allegro is engaged in significant partnerships and developed solutions like the micro-hub in Wrocław and establishing best practices for parcel automatons in Poznań, showcasing Allegro's commitment to innovative and environmentally friendly logistics solutions.

3.6.4. SUSTAINABLE PRODUCTS AND SERVICES

- 50% year-over-year increase in visits in Allegro Lokalnie application
- 33% year-over-year rise in new users of Allegro Lokalnie application
- 2.5 million Allegro users used "List of Items for Resale"

Allegro's commitment to sustainability is deep-rooted and expansive, reflecting its comprehensive and strategic approach to environmental and social responsibility. It is evident in the approach to circularity, particularly through the concept of giving products a second life. This commitment is captured in the service known as Allegro Lokalnie. Launched in 2020, Allegro Lokalnie is a testament to responsiveness to user needs, providing a platform where users can conveniently and securely sell and buy pre-owned items. This service offers economic benefits and also aligns with the goal of promoting circular shopping practices. Allegro Lokalnie's future potential is grounded in robust market trends. According to the PMR study mentioned above, the resale market in Poland is experiencing consistent growth. This trend is not just about saving money or finding unique items; it is about making eco-friendly choices and giving products a second life. The Allegro Lokalnie mobile app has seen remarkable growth, with a 50% increase in visits and a 33% rise in new users year-over-year. These statistics underscore the growing interest in the resale market, particularly in categories like Books & Media, Fashion, Home & Garden, and Electronics.

Allegro's ambition goes beyond mere transactional convenience. The company is committed to offer sustainable product solutions, emphasising the importance of circularity and environmental consciousness in offerings. The Media campaign entitled "Sell Unwanted Gifts," specifically targets the post-holiday season, addressing the issue of unwanted presents. It is a step towards reducing waste and encouraging thoughtful consumption. By providing a platform for customers to sell gifts that might otherwise remain unused, Allegro facilitates decluttering and at the same time fosters an environment in which items find renewed value and purpose.

Through Allegro Lokalnie and broader platform initiatives, the shopping experience is being redefined to be more aligned with sustainable practices, thereby contributing positively to community and the environment alike.

The concept of giving products a second life is also anchored in the "Electro-returns" program that allows customers to return unwanted or damaged electrical equipment for free after their first package collection from OneBox. Improper handling of electrical equipment is believed to be a major threat to the environment. Abandoned electrical equipment contains harmful substances such as mercury, asbestos, and bromine compounds, which may be released and penetrate the air, soil and groundwater. For this reason, Allegro repairs and resells or recycles broken equipment. In 2023, customers handed over 4.258 packages, with an average of 5 pieces of electrical equipment per package. According to information from the collection company, 60% of this equipment has been put back into use. In 2024, there is a plan to expand the service by returning clothes and donating them to organisations in need whenever a partner is ready with all of the logistics.

Allegro also adheres to the principles of circularity through installing drop boxes for cardboard packaging in selected OneBox parcel machines. Any person receiving a parcel or having a cardboard package can, after scanning the barcode and tearing off the shipping label, place it in a designated box. Cardboard packages collected in boxes are utilised by foundations and social organisations with which Allegro cooperates.

In its commitment to satisfy the needs of customers better, Allegro is taking bold action to grow the number of sustainable products on its platform. One of the initiatives, Allegro "Products with certificates", is at the forefront of this commitment. It is a specially curated section of 10.8k products where consumers can find a diverse range of products that meet stringent environmental and social criteria.

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The platform features an array of items, from eco-friendly cosmetics and organic children's products to sustainably produced cleaning agents and a diverse selection of food items, including niche categories like plant-based and vegan options. Each product listed under Allegro Naturally boasts at least one recognized certification, such as the EU Organic Label, FairTrade, or Rainforest Alliance, ensuring that they adhere to high standards of organic cultivation, responsible resource management, health safety, and fair labour practices. These certifications represent a commitment to ethical production and supply chain transparency, reflecting our dedication to responsible consumerism.

Allegro's strategic approach to social responsibility is aimed at building trust and enhancing confidence among customers. These aspirations are practically reflected in the "Protect program", which covers various scenarios from non-delivery to product discrepancies, ensuring a safe and reliable shopping experience. By resolving 98% of issues reported by customers, Allegro ensures their satisfaction, as well as increases the overall perception of online shopping as a safe and reliable option. In regulating product listings, Allegro maintains a vigilant stance against items that violate ethical and environmental standards. For instance, the ban on the sale of live or dead specimens from endangered species is a clear stance against wildlife trafficking and a commitment to biodiversity conservation. This regulation extends to ensuring that any live animals sold on the platform are done so under humane conditions and in compliance with relevant laws. The ban against selling non-native and invasive species underscores our concern and care for biodiversity.

Allegro is leading the way in promoting environmental consciousness and sustainability in e-commerce, engaging in a variety of initiatives addressing sellers and consumers. As a member of the Chamber of the Digital Economy Allegro is a leading member of the sustainable e-commerce working group and is a principal partner in the report Responsible e-commerce in Poland which annually presents the results of a survey concerning consumer expectations in the area of responsibility of e-commerce companies. In 2023 Allegro also partnered with a study concerning the knowledge of eco-certificates among consumers. The survey was carried out by the Consumer Federation with the Allegro research partner and the participation of the Brandy Lab Foundation and ABR Sesta.

In essence, the sustainability initiatives at Allegro represent a multi-dimensional and dynamic approach. From offering environmentally certified products and promoting circular consumption patterns to integrating environmentally cautious operational practices and ensuring a secure e-commerce environment, Allegro actions are both a response to current global challenges and a proactive effort to shape a more sustainable and responsible future. The measures being taken are in line with the changing preferences and demands of the consumer base, and set a new paradigm for corporate environmental management and social responsibility.

	Polish Operations			
Allegro Lokalnie	2023	2022	YoY change	2021
Offers (million)	4.4	3.7	+19%	2.7

3.6.5. THE EU TAXONOMY DISCLOSURES

The EU Taxonomy (Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088) establishes a transparent classification system enabling uniform identification of environmentally sustainable economic activities in order to support well-informed sustainable investment decision-making.

A Taxonomy-eligible activity is an economic activity which is listed in the relevant delegated acts accompanying the EU Taxonomy which establish technical screening criteria for environmentally sustainable activities, whereas a Taxonomy-aligned activity is an economic activity, which:

- contributes substantially to one or more of the environmental objectives;
- does not significantly harm any of the environmental objectives;
- complies with technical screening criteria; and
- complies with the minimum social safeguards.

The Taxonomy defines the following six environmental objectives:

1. climate change mitigation (CCM)
2. climate change adaptation (CCA)
3. the sustainable use and protection of water and marine resources (WTR)
4. the transition to a circular economy (CE)
5. pollution prevention and control (PPC)
6. the protection and restoration of biodiversity and ecosystems (BIO).

As at 31st December 2022 (for prior year reporting), the technical screening criteria only for the first two environmental objectives – climate change mitigation and climate change adaptation were available in the form of Commission Delegated Regulation (EU) 2021/2139 (and supplementing Commission Delegated Regulation (EU) 2022/1214).

Additionally, as at 31st December 2023, the Commission's delegated regulations on the eligible activities and corresponding technical criteria for the four remaining environmental objectives identified in the EU Taxonomy (and for a certain additional activities in the CCM and CCA goals) were already available, following their publication in the form of Commission's delegated regulations 2023/2485 and 2023/2486.

Under the Commission Delegated Regulation (EU) 2021/2178 (as amended by the Commission Delegated Regulation (EU) 2023/2486), non-financial undertakings shall disclose Key Performance Indicators (KPIs) related to Taxonomy-eligible and Taxonomy-aligned turnover (revenue), capital expenditures (CapEx) and operating expenditures (OpEx) for activities contributing to CCM and CCA objectives. For activities covered by the new Commission Delegated Regulations (2023/2485 and 2023/2486), the non-financial undertakings for 2023 shall disclose KPIs only related to Taxonomy-eligible turnover (revenue), capital expenditures (CapEx) and operating expenditures (OpEx). In accordance with this regulation, the Group discloses:

- the percentage of Taxonomy-eligible activities in total: turnover (revenue), capital expenditures (CapEx), operating expenditures (OpEx) **(for all identified eligible activities)**; and
- the percentage of Taxonomy-aligned activities (i.e.: environmentally sustainable activities) in total: turnover (revenue), capital expenditures (CapEx), operating expenditures (OpEx) – **only for activities identified as Taxonomy-eligible based on Commission Delegated Regulations 2021/2139 and 2022/1214**.

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The Group also discloses information accompanying the relevant KPIs, as specified in Annex I and Annex XII to Commission Delegated Regulation (EU) 2021/2178, as well as relevant quantitative disclosures in tabular format as specified in Annex II to the regulation. Thus, for the purpose of EU Taxonomy disclosures for 2023, the Group analysed it economic activities in terms of EU Taxonomy eligibility, and assessed the compliance of the eligible activities (covered in Commission Delegated Regulations 2021/2139 and 2022/1214) with the EU Taxonomy technical criteria relevant for climate change mitigation and climate change adaptation.

The Group also assessed its compliance with the minimum social safeguards.

The scope of Taxonomy-eligible activities covers a specific catalogue of industries which have been deemed by the EU as the most relevant for achieving the environmental objectives. The core business of the Group is related mostly to e-commerce which is not fully covered by the current catalogue of EU Taxonomy eligible activities. In consequence, the Group has a limited ability to qualify its business activities as EU Taxonomy eligible – solely one of business activities covered by EU Taxonomy "5.6. Marketplace for the trade of second-hand goods for reuse" is directly attributable to the Group's core revenue-generating business.

Nevertheless, it shall be emphasised that, in March 2022, the Group has adopted its own Climate Policy. Under the Policy, the Group commits to maximise renewable energy use, reduce the carbon footprint in its operations and work with its business partners to reduce emissions across the value chain. This means that the Group already undertakes and intends to undertake a wide range of environmentally-responsible initiatives which may not be fully reflected in the EU Taxonomy KPIs due to the current catalogue of Taxonomy-eligible activities as well as the specific definitions of eligible accounting items (especially for OpEx).

APPROACH TO ASSESSING TAXONOMY-ELIGIBILITY

The Group has performed a thorough analysis of business activities relevant for all entities in the Group. In order to select Taxonomy-eligible activities, the Group identified its activities which are compliant with the descriptions of activities provided in Annex I and Annex II to the Commission Delegated Regulation (EU) 2021/2139 and which generate turnover, CapEx and OpEx compliant with definitions given in Annex I to Commission Delegated Regulation (EU) 2021/2178.

As a result of this analysis, the Group managed to identify the following Taxonomy-eligible activities:

Environmental objective	EU Taxonomy activity	Allegro.eu activities
climate change mitigation (CCM)	6.5. Transport by motorbikes, passenger cars and light commercial	Purchases / leases and eligible maintenance expenditures associated with the fleet of company vehicles
climate change mitigation (CCM)	8.1. Data processing, hosting and related activities	Revenue from data processing, hosting and related activities; other information technology and computer service activities; computer facilities management activities; software-related activities, and computer consultancy activities. Purchases / leases and eligible maintenance expenditures associated with data processing, hosting and related activities.
transition to a circular economy (CE)	5.6. Marketplace for the trade of second-hand goods for reuse	Revenue from commissions collected from merchants using the Group's on-line platforms for selling of second-hand products, materials or components for reuse. The activity is reported for the first time for FY 2023, in accordance with the new Commission Delegated Regulation (EU) 2023/2486.

Given the character of the Group's core business, no more Taxonomy-eligible activities could be identified.

APPROACH TO ASSESSING TAXONOMY-ALIGNMENT

For the Group's activities identified as Taxonomy-eligible, the Group carried out a detailed verification of the activities' compliance with the technical screening criteria provided in Annex I of Commission Delegated Regulation (EU) 2021/2139.

Each Taxonomy-eligible activity was assessed against the technical criteria for:

- substantial contribution to the climate change mitigation objective, and
- "do no significant harm" (DNSH) to other environmental objectives of the EU Taxonomy.

The analysis of compliance with the technical criteria was based on the knowledge of experienced subject matter experts employed by the Group or cooperating with the Group.

For the year 2023, the Group did not identify any Taxonomy-aligned turnover, capital expenditures or operating expenditures.

APPROACH TO ASSESSING MINIMUM SOCIAL SAFEGUARDS

The Group assessed its compliance with the minimum social safeguards based on the practical guidance provided by the Platform on Sustainable Finance in the document "Final Report on Minimum Safeguards" published in October 2022. The analysis conducted by the Group for the year 2023 focused on: 1) the Group's litigation cases in the area of human rights and labour law and 2) the Group's approach to due diligence processes in the areas of human rights, labour law, corruption and bribery, taxation, and fair competition.

The compliance with minimum social safeguards was based on the knowledge of experienced subject matter experts, employed by the Group in legal, compliance, HR and ESG teams.

The Group did not identify any indications of the Group's incompliance with the minimum social safeguards in 2023.

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SUMMARY OF THE GROUP'S EU TAXONOMY KPIS

The Group hereby discloses an overview of its EU Taxonomy KPIs for the year 2023 related to the Group's Taxonomy-aligned and Taxonomy-eligible economic activities.

	Taxonomy-aligned activities		Taxonomy-eligible activities	
EU Taxonomy KPIs	FY 2023	FY 2022	FY 2023	FY 2022
Percentage of total turnover	0,00%	0,00%	3.49% [1]	0,12%
Percentage of total capital expenditures (CapEx)	0,00%	0,00%	3,56% [2]	0,80%
Percentage of total operating expenditures (OpEx)	0,00%	0,00%	15.80% [3]	3.55% – reported in FY2022 15.36% – restated in FY2023 [3]

[1] Significant increase in turnover KPI stems from entry into force of Commission's delegated regulation 2023/2486, which introduced the activity "5.6. Marketplace for the trade of second-hand goods for reuse"

[2] Increase in CapEx KPI stems from lower denominator in comparison to prior year (in FY 2022 the Group recognised significant additions to tangible and intangible assets stemming from acquisitions).

[3] Significant increase in OpEx KPI stems from lower denominator in comparison to prior year (in FY 2023 the Group allocated the eligible OpEx categories more precisely, in particular excluding a material portion of staff costs which were not associated solely with maintenance of tangible assets or eligible research and development tasks). If the same methodology was applied for OpEx KPI in FY 2022, the KPI would be equal to 15.36% in prior year reporting.

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KEY PERFORMANCE INDICATORS RELATED TO TURNOVER

Proportion of turnover from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2023

Financial year 2023	2023			Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm")									
	Code(s) (2)	Turnover (3)	Proportion of Turnover, year 2023 (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) turnover, year 2022 (18)	Category enabling activity (19)	Category transitional activity (20)
Economic Activities (1)		PLN'000	%	Y;N;N/EL;	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	Y
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0,00%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0,00%	—	—
Of which enabling		0	0,00%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0,00%	E	—
Of which transitional		0	0,00%	N/EL	—	—	—	—	—	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0,00%	—	Y
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
5.6 Marketplace for the trade of second-hand goods for reuse	CE 5.6	348 283	3,42%	N/EL	N/EL	N/EL	N/EL	EL	N/EL	—	—	—	—	—	—	—	0,00%	—	—
8.1. Data processing, hosting and related activities	CCM 8.1	7 131	0,07%	EL	N/EL	N/EL	N/EL	N/EL	N/EL	—	—	—	—	—	—	—	0,10%	—	—
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		355 414	3,49%	3,49%	0,00%	0,00%	0,00%	0,00%	0,00%	—	—	—	—	—	—	—	0,10%	—	—
A. Turnover of Taxonomy-eligible activities (A.1+A.2)		**355 414**	**3,49%**	**3,49%**	**0,00%**	**0,00%**	**0,00%**	**0,00%**	**0,00%**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**0,10%**	**—**	**—**
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy non-eligible activities		9 829 903	96,51%																
TOTAL		**10 185 317**	**100,00%**																

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CONTEXT

Based on the analysis of all the activities described in Annexes to the relevant Commission Delegated Regulations, the Group's Taxonomy-eligible turnover is associated with the Taxonomy activities "5.6 Marketplace for the trade of second-hand goods for reuse" and "8.1 Data processing, hosting and related activities".

Activity "5.6 Marketplace for the trade of pre-owned goods for reuse" development and operation of marketplaces of second-hand products, materials or components for reuse, where the platforms managed by the Group act as an intermediary to match buyers seeking a service or product with sellers or providers of those products or services.

This activity covers a relatively small portion of the Group's business model and it is reported for the first time for FY 2023, in accordance with the new Commission Delegated Regulation (EU) 2023/2486. Reported eligible revenue consists of commissions collected from merchants using the Group's online platforms for selling of pre-owned products, materials or components for reuse.

In line with Commission Delegated Regulation (EU) 2023/2486, activity "5.6 Marketplace for the trade of second-hand goods for reuse" has not been yet assessed against the technical screening criteria related to substantial contribution to transition to circular economy and "do no significant harm" to the remaining environmental objectives. Such an analysis will be conducted for the first time in the next reporting period.

Activity "8.1 Data processing, hosting and related activities" covers the provision of hosting services for external clients. Hosting services are understood as making all IT components available to an external client in order to support the client's business activities, including: structured cabling, switchboards, cooling elements, servers, firewalls, routers, switches, back-up devices and other components made available to the client that make up the IT system operated by the customer as well as device ordering and data storage services. The activity – which is mainly associated with data centres managed by third parties – was assessed against the technical screening criteria related to substantial contribution to climate change mitigation and "do no significant harm" to the remaining environmental objectives. The Group concluded that the activity does not comply with the full set of environmental technical criteria provided in Annex I to the Commission Delegated Regulation (EU) 2021/2139. Thus, the activity is classified as Taxonomy-eligible, but not Taxonomy-aligned. Nevertheless, the Group examined its compliance with minimum social safeguards – no indications of non-compliance were identified.

ACCOUNTING PRINCIPLES

The turnover used for calculating the Taxonomy KPIs covers net turnover derived from the Group's products or services.

The proportion of turnover associated with Taxonomy-aligned activities (environmentally sustainable activities) is equal to zero, as the Group did not identify any revenue-generating Taxonomy-aligned activities in the reporting period.

The proportion of turnover associated with Taxonomy-eligible but not environmentally sustainable activities was calculated by dividing:

- the numerator representing the value of revenue from products or services associated with Taxonomy-eligible activities "5.6 Marketplace for the trade of second-hand goods for reuse" and "8.1 Data processing, hosting and related activities" recognised by the Group in 2023; by
- the denominator representing the value of total consolidated revenue of the Group, as disclosed in the Annual Report of Allegro.eu for the year ended 31 December 2023 in the Note 9.

The allocation of revenue to the Taxonomy-eligible activities was enabled by the Group's advanced financial controlling tools and the knowledge and experience of the Group's subject matter experts.

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KEY PERFORMANCE INDICATORS RELATED TO CAPITAL EXPENDITURES

Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2023

	2023			Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm")									
Financial year 2023	Code(s) (2)	CapEx (3)	Proportion of CapEx, year 2023 (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Proportion of Taxonomy – aligned (A.1.) or -eligible (A.2.) CapEx, year 2022 (18)	Category enabling activity (19)	Category transitional activity (20)
Economic Activities (1)		PLN'000	%	Y;N;N/EL;	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	Y
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0,00%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0,00%	—	—
Of which enabling		0	0,00%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0,00%	E	—
Of which transitional		0	0,00%	N/EL	—	—	—	—	—	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0,00%	—	Y
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
8.1. Data processing, hosting and related activities	CCM 8.1	18 831	3,56%	EL	N/EL	N/EL	N/EL	N/EL	N/EL	—	—	—	—	—	—	—	0,80%	—	—
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		18 831	3,56%	3,56%	0,00%	0,00%	0,00%	0,00%	0,00%	—	—	—	—	—	—	—	0,80%	—	—
A. CapEx of Taxonomy-eligible activities (A.1+A.2)		**18 831**	**3,56%**	**3,56%**	**0,00%**	**0,00%**	**0,00%**	**0,00%**	**0,00%**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**0,80%**	**—**	**—**
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy non-eligible activities		509 869	96,44%																
TOTAL		**528 700**	**100,00%**																

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CONTEXT

Based on the analysis of all the activities described in Annexes to the relevant Commission Delegated Regulation , the Group's Taxonomy-eligible CapEx is associated with the Taxonomy activity "8.1 Data processing, hosting and related activities".

The Taxonomy-eligible CapEx is mainly associated with additions to property, plant and equipment of data centres.

The activity was assessed against the technical screening criteria related to substantial contribution to climate change mitigation and "do no significant harm" to the remaining environmental objectives. The Group concluded that the activity does not comply with the full set of environmental technical criteria provided in Annex I to the Commission Delegated Regulation (EU) 2021/2139 (the activity 8.1 has been described in the context for turnover KPIs). Thus, the activities are classified as Taxonomy-eligible, but not Taxonomy-aligned. Nevertheless, the Group examined its compliance with minimum social safeguards – no indications of non-compliance were identified.

ACCOUNTING PRINCIPLES

The CapEx used for calculating the Taxonomy KPIs covers additions to tangible and intangible assets (including the leasing right-of-use assets under IFRS 16) during the reporting period considered before depreciation, amortisation and any re-measurements, including those resulting from revaluations and impairments, excluding fair value changes.

The proportion of CapEx associated with Taxonomy-aligned activities (environmentally sustainable activities) is equal to zero, as the Group did not identify any capital expenditures related to Taxonomy-aligned activities in the reporting period.

The proportion of CapEx associated with Taxonomy-eligible but not environmentally sustainable activities was calculated by dividing:

- the numerator representing the value of capital expenditures associated with Taxonomy-eligible activity (i.e.: 8.1. Data processing, hosting and related activities) recognised by the Group in 2023; by
- the denominator representing the value of total consolidated CapEx of the Group, as disclosed in the Annual Report of Allegro.eu for the year ended 31 December 2023 in the Notes 13 and 14.

The allocation of CapEx to the Taxonomy-eligible activities was enabled by the Group's advanced financial controlling tools and the knowledge and experience of the Group's subject matter experts.

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KEY PERFORMANCE INDICATORS RELATED TO OPERATING EXPENDITURES

Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2023

	2023			Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm")									
Financial year 2023	Code(s) (2)	OpEx (3)	Proportion of OpEx, year 2023 (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Proportion of Taxonomy – aligned (A.1.) or -eligible (A.2.) OpEx, year 2022 (18)	Category enabling activity (19)	Category transitional activity (20)
Economic Activities (1)		PLN'000	%	Y;N;N/EL;	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	Y
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0,00%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0,00%	—	—
Of which enabling		0	0,00%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0,00%	E	—
Of which transitional		0	0,00%	N/EL	—	—	—	—	—	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0,00%	—	Y
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
6.5. Transport by motorbikes, passenger cars and light commercial vehicles	CCM 6.5	4 071	5,39%	EL	N/EL	N/EL	N/EL	N/EL	N/EL	—	—	—	—	—	—	—	0,00%	—	—
8.1. Data processing, hosting and related activities	CCM 8.1	7 860	10,41%	EL	N/EL	N/EL	N/EL	N/EL	N/EL	—	—	—	—	—	—	—	3,60%	—	—
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		11 931	15,80%	15,80%	0,00%	0,00%	0,00%	0,00%	0,00%	—	—	—	—	—	—	—	3,60%	—	—
A. OpEx of Taxonomy-eligible activities (A.1+A.2)		**11 931**	**15,80%**	**15,80%**	**0,00%**	**0,00%**	**0,00%**	**0,00%**	**0,00%**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**3,60%**	**—**	**—**
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy non-eligible activities		63 561	84,20%																
TOTAL		**75 492**	**100,00%**																

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CONTEXT

Based on the analysis of all the activities described in Annexes to relevant Commission Delegated Regulations, the Group's Taxonomy-eligible OpEx is associated with the following Taxonomy activities: "6.5. Transport by motorbikes, passenger cars and light commercial vehicles" and "8.1 Data processing, hosting and related activities".

The Taxonomy-eligible OpEx refers mainly to hardware repairs and maintenance (relating to the day-to-day servicing) as well as to repairs and maintenance of vehicles managed in the Group's fleet.

The activities were assessed against the technical screening criteria related to substantial contribution to climate change mitigation and "do no significant harm" to the remaining environmental objectives. The Group concluded that the activities do not comply with the full set of environmental technical criteria provided in Annex I to the Commission Delegated Regulation (EU) 2021/2139 (rationale has been described in the context for turnover and CapEx KPIs). Thus, the activities are classified as Taxonomy-eligible, but not Taxonomy-aligned. Nevertheless, the Group examined its compliance with minimum social safeguards – no indications of non-compliance were identified.

ACCOUNTING PRINCIPLES

As defined in Annex I to Commission Delegated Regulation (EU) 2021/2178, the scope of expenditures included in the calculation of the OpEx KPIs in both the numerator and denominator covers direct, non-capitalized costs related to research and development, building renovation activities, short-term leases (other than IFRS 16 right-of-use assets, if any), maintenance and repairs, and any other direct expenses related to the day-to-day operation of property, plant and equipment assets by the Company or third parties to whom activities necessary to ensure the continuous and efficient operation of those assets have been outsourced.

Following the Commission Notice on the interpretation of certain legal provisions of the Disclosures Delegated Act under Article 8 of EU Taxonomy Regulation on the reporting of eligible economic activities and assets (2022/C 385/01), the Group has:

- included in the OpEx KPIs the following cost categories (provided that the Group was able to reliably identify appropriate amounts): costs related to maintenance and repair of property, plant and equipment, i.e., including but not limited to: the cost of materials used in connection with the repair / maintenance / overhaul of equipment, facilities or buildings, as well as the costs of third parties performing the works indicated above;
- excluded from the OpEx KPIs the following cost categories: costs associated with software maintenance and costs associated with the day-to-day use of property, plant and equipment, i.e., among other things: the cost of electricity or operating fluids and the cost of employees operating the equipment.

The proportion of OpEx associated with Taxonomy-aligned activities (environmentally sustainable activities) is equal to zero, as the Group did not identify any operating expenditures related to Taxonomy-aligned activities in the reporting period.

The proportion of capital expenditures of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) was calculated as the numerator divided by the denominator as specified below

- numerator represents the value of operational expenditures associated with activities 6.5. and 8.1.
- denominator represents the value of total operational expenditures related to direct non-capitalised costs that relate to research and development, short-term lease, maintenance and repair, and any other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment.

The allocation of operating expenses according to the taxonomy was possible thanks to the Group's advanced controlling tools, which enable the analysis of financial results from many angles.

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KPIS FOR NUCLEAR AND FOSSIL GAS RELATED ACTIVITIES

The Group discloses in the following table information on whether the Group's activities are related to nuclear energy or gaseous fossil fuels:

Row		
Nuclear energy related activities		
1.	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2.	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	NO
3.	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	NO
Fossil gas related activities		
4.	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	NO
5.	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	NO
6.	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	NO

The Group does not disclose separate tables according to Templates 2 and 3 of Annex XII of the Commission Delegated Regulation (EU) 2021/2178, as nuclear and fossil gas activities do not apply to the Group.

This means that the values presented in the above-mentioned tables can only take values equal to zero for the Group – in this context, the presentation of separate tables would, in the opinion of the Group, negatively affect the transparency of this document.

Explanation of how double-counting was avoided when calculating the KPIs

The Group prepared the EU Taxonomy Disclosures taking into account the principle of avoiding double counting.

This means that the Group assigned accounting items related to individual economic activities to only one corresponding Taxonomy-eligible activity from one selected environmental goal. Each portion of turnover, CapEx and OpEx associated with a given Taxonomy-eligible activity was included only once and was not doubled by assigning to any other Taxonomy-eligible activity.

Furthermore, it shall be noted that the underlying financial data was exported from the Group's controlling system supporting the Group's management accounting. This system consists of a set of separate, financial organisational units the financial data of which (turnover, CapEx and OpEx) are reported in the chart of accounts and auxiliary items in accordance with the adopted accounting principles.

3.7. All 4 prosperity

GRI 3-3, Own disclosure 2

3.7.1. MERCHANTS

- 149.8 thousand merchants on Allegro Group
- 49.2 thousand merchants with export offers on Allegro Group
- +52% YoY growth of new registered merchants on Allegro.pl
- 503 million active offers on Allegro.pl
- +71% YoY (503 m) growth of offers on Allegro.pl
- 56,700 unique users participate in the Allegro Academy's e-learning platform

Creating a professional selling space for sellers and brands to drive their local and pan-European business is at the heart of Allegro. The company is committed to be the preferred marketplace solution, not just by offering a platform but by ensuring the best merchant experience possible.

The company`s solutions are designed to cater to all: whether that means entities with extensive experience on the platform or newcomers eager to explore. The range of features was developed to facilitate effective sales management, helping every merchant discover and utilise the tools that are offered. This is how they are being assisted in managing their offers and boosting their business with Allegro. Tailoring programs to specific segments, Allegro takes into account the life cycle and activity of each merchant in their respective categories on the platform. This bespoke approach is fundamental to the mission of empowering merchants. The company aims to ensure profitable growth for them while delivering convenience at every step. By focusing on these key aspects, Allegro strives to empower merchants, simplify the selling process, and ensure that growth on Allegro is not just possible, but also profitable and convenient for all partners. As a result of international expansion and entering a new market, the company takes care of the internationalisation of merchants, i.e. enabling and supporting them to export goods beyond the domestic market.

Merchants (thousands)	Group			Polish Operations			
	2023	2022[1]	YoY change	2023	2022	YoY change	2021
Merchants with Offers in TOTAL	149.8	133.4	12%	147.6	133.4	10.6%	132.5
Merchants with export offers	49.2	N/A	N/A	27	N/A	N/A	N/A

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Allegro is dedicated to simplifying the selling process for merchants, allowing them to focus even more on delivering an excellent customer experience. Comprehensive end-to-end (E2E) support covers various aspects of the sales process, making selling simple and convenient for all merchants.

The company is committed to supporting merchants at every stage of their development and in nearly every aspect of their business. Through services and partnerships with other companies, Allegro provides a comprehensive range of tools and resources designed to empower and enhance merchants' success.

The **welcome package** is addressed to all sellers who have registered a Business Account on Allegro for the first time and includes up to a 100% discount on sales commission for the first 90 days of running the new business. It offers up to PLN 10,000 in revolving funds for business-related purchases, free access to the Professional Subscription and a package of free featuring options to boost the visibility of offers.

Allegro also boosts merchant sales by one of the largest customer loyalty programs, **Allegro Smart**, enhancing customer retention and satisfaction. This program also offers distinct advantages to merchants, as it helps them attract new customers and manage their time more effectively. By participating in Allegro Smart, merchants have a host of benefits:

- Higher sales – Allegro Smart! helps drive higher sales for merchants.
- Increased visibility – Offers with the Smart! badges gain more visibility as buyers filter their searches to find these offers specifically.
- Boosted customer trust – The Smart! badge serves as a mark of assurance for buyers, signifying that the merchant is reliable and trustworthy on Allegro.

Allegro buyers prefer Smart! offers because they can reallocate the delivery cost to purchasing more products from a single merchant. Moreover, offers with the Smart! badges automatically stand out due to their increased visibility. Finally, the Smart! badge represents a trustworthy and reliable seller whom customers trust more.

Allegro not only supports sales but also can help run a business in terms of supplies. One of Allegro's key offerings is the Allegro **Fulfilment** service, a comprehensive logistics solution for merchants that includes storing, packaging, and shipping orders, as well as providing customer service throughout the delivery process. The service is designed to reduce delivery times, allow consolidation of baskets from all the Merchants who use One Fulfilment by Allegro, provide high-level customer service, and reduce the environmental impact by utilising eco-friendly packaging materials. Allegro's investment in a new logistics centre further supports this initiative, offering advanced management systems and automated solutions to enhance the efficiency and quality of order handling.

Furthermore, Allegro has introduced **Allegro Merchant Finance**, a program offering a renewable credit limit of up to 150,000 PLN for businesses. This initiative is a convenient way for businesses to finance new investments and manage their ongoing expenses, particularly useful for those planning to expand or needing additional funds for other business-related purposes. The program is advantageous in managing funds tied up in inventory, allowing businesses to access capital as if their products were already sold. The keyKey benefits include quick funding decisions, accessible renewable limits, and an integrated management panel for both withdrawals and repayments, with the bonus of potentially increasing the limit through regular repayments.Since the product was implemented, sellers on Allegro have used 150 millions PLN funds under Allegro Merchant Finance.Since the activation of the fee deduction mechanism in February, Allegro Merchant Finance as an alternative is available for sellers in Poland.

Allegro Analytics is a comprehensive tool designed to empower sellers with control over their sales on Allegro. It offers access to current sales statistics, enabling sellers to tailor their product range, optimise pricing, and enhance overall sales performance. The tool includes features for adjusting inventory based on detailed analyses, price setting through market comparisons, sales monitoring to adapt strategies, and competitive observation to respond to market changes. Allegro Analytics aids in making informed decisions, offering insights into assortment trends, pricing optimization, sales tracking, and competitive comparisons.

Allegro strategically empowers merchants in their **international expansion** efforts. By offering a suite of tools and services, Allegro ensures that the selling process is not just simplified but also more profitable and convenient, empowering merchants to thrive in the dynamic world of e-commerce locally and across Europe. With its advanced merchant interface featuring automated translations and price converter, Allegro ensures seamless merchant cross-country operations, further augmented by cost-effective and efficient logistic solutions.

It includes assistance in crucial areas like translation, pricing in local currency, managing overseas deliveries, and adhering to local legal requirements in different markets. Central to this strategy is the objective of opening doors to a broader customer base, potentially introducing merchants to an estimated 40 million new customers, thereby amplifying their growth opportunities on an international scale. Last but not least, Allegro provides invaluable support with compliance, helping merchants navigate the complexities of international trade with ease.

Additionally, Allegro places a strong emphasis on educating merchants to help them develop their businesses online. The **Allegro Academy** offers a wide range of free online courses, webinars, and podcasts, aimed mainly for merchants. These resources are designed to help users better understand e-commerce and utilise Allegro's platform to its full potential, covering a diverse range of topics from online analytics, sustainable packaging to professional communication in business. Allegro Academy is one the largest platforms for education for adults. In 2023 56,700 unique users (defined by tax ID) participated in at least one part of the course and 18,000 finished the course.

	Polish Operations			
Allegro Academy	2023 (sellers only)	2022 (sellers only)	YoY change	2021 (sellers+ buyers)
Allegro Academy courses	139	97	+43%	72
Courses in English	36	35	+2.8%	18
Tutorials for merchants and buyers	169	150	+12.6%	95
Tutorials in English	38	34	+11.8%	40
Unique users (by tax ID)	56,700	N/A	N/A	N/A
Webinar participants	65,700	40,879	+60.7%	51,962
Pageviews	451,000	83,000	+443%	N/A

Last but not least platforms like **Allegro Gadane** offer a unique communication space for buyers and sellers, ensuring continuous support and community engagement.

This platform also encourages peer-to-peer support, where users can exchange experiences and advice, further strengthening the community through shared learning and mutual assistance.

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3.7.2. DIGITALIZATION

GRI 3-3, Own disclosure 3

Big numbers

- 2,243 workers in Technology team
- 144 events where Allegro employees shared their knowledge inside and outside the organisation
- 337 Allegro employees took part in different technology events as speakers
- The largest e-commerce dataset in the region

Allegro is a spot that brings the best experts together, creating a unique venue in Europe where new technologies in artificial intelligence or machine learning are created. Digitalization is the essence of Allegro business, shaping how it operates and grows. By leading with digital innovation, the company is not only transforming its platform but also contributing significantly to the digital progress of the entire Polish economy. For customers, digitalization means a seamless and efficient shopping experience. The platform evolves constantly, ensuring that every online interaction is intuitive and swift, thus meeting the modern shopper's expectations for convenience and simplicity, which is strictly connected to accessibility areas. For merchants, digital prowess is a gateway to profitable growth. It equips them with robust analytics and marketing tools, enabling them to tap into wider markets and effectively engage with their customers. Allegro employees thrive in an environment where digital tools streamline tasks, fostering a culture of innovation. This shift towards digital efficiency allows them to focus on creative solutions, enhancing their productivity and job satisfaction.

As an e-commerce leader, Allegro is pioneering a digital revolution, anchored by commitment to digitalization, and leveraging the power of artificial intelligence (AI) and machine learning (ML). The company's approach is multifaceted, encompassing innovation, collaboration, and education to set new industry benchmarks. The technology team, consisting of more than 2,200 specialists and experts, is at the heart of digital transformation efforts. These experts are working on ground breaking projects to enhance online shopping experiences, making them safer and more intuitive. Their work is not just about improving existing processes but also about innovating new solutions in the market.

Machine Learning Research is Allegro's R&D lab created to develop and apply state-of-the-art machine learning methods, helping Allegro grow and innovate with artificial intelligence. Beyond bringing AI to production, it is committed to advance the understanding of machine learning through open collaboration with the scientific community.

Area	Innovations
Data Platform	In 2023, Allegro embarked on a transformative journey, modernising its data platform by migrating from on-premise to the dynamic environment of Google Cloud. This bold move not only enhanced operational efficiency but also paved the way for unlocking a wealth of new possibilities in data and AI across the entire business landscape.
Machine Translation	The team is developing an in-house Machine Translation engine specifically for e-commerce purposes, aiming to provide better value compared to off-the-shelf solutions. Its focus is on accurately translating industry-specific terms and jargon, while also creating a scalable and cost-efficient solution. It employs state-of-the-art machine learning methods, involving human evaluators and automatic quality estimation models to enhance translation quality continually. Its goal is to make the Allegro platform accessible to non-Polish speakers globally and contribute to the machine translation community.
Language Modelling	Its aim is to employ state-of-the-art deep learning models and a range of NLP algorithms to solve diverse problems that require semantic understanding of the specialised language used within a unique environment of an e-commerce platform. It utilises and develops Large Language Models (LLMs), with the goal of providing the company with general purpose Foundation Models that can be tailored for specific downstream tasks.
Learning to Rank	The team's goal is to develop machine learning models for searches. The main focus is put on ranking solutions in all phases of the search pipeline, serving millions of searches a day. Currently its main area of expertise is neural text-based search and relevance. It is also interested in topics such as reranking and features interaction architectures and personalization.
Computer Vision	At MLR Computer Vision, the primary objective is to elevate the user experience by leveraging machine learning image processing algorithms. The team specifically concentrated on image representation learning for Visual Search and the development of robust image classification models. Presently, its research is focused on the integration of multiple modalities into Allegro models. This integration enables the company`s models to process not only images but also harness diverse sources of information such as product titles, descriptions, and attributes.
Recommendations	The team's objective is to fulfil users' needs by providing them with products aligned to their interests. It strives to inspire users and connect them with relevant offers by leveraging recommender systems. To achieve this, the team relies on the collective behaviours of the user-base, forming the foundation of the company's algorithms. The major challenges the team is facing revolve around developing innovative algorithms that can deliver high-quality recommendations while effectively handling Allegro's significant daily traffic.
ML Ops	Its aim is to optimise, scale, and deploy advanced machine learning models. It blends artificial intelligence, software engineering, and DevOps expertise to embrace the full potential of research engineers and data scientists from other teams. The team orchestrates the entire machine learning lifecycle, from data pre-processing and annotation to model deployment, using the cutting-edge infrastructure of Google Cloud and Kubernetes. It is operating at a massive scale with several terabytes of data processed daily and thousands of predictions per second.

The outcomes of these activities lead not only to Allegro implementing innovations, but also to the wide dissemination of knowledge among new technologies experts. Company employees actively participate in various technology events and conferences where they share Allegro`s digitalization journey and AI advancements. In 2023 approximately 400 Allegro employees took part in more than 150 different events in which they presented their knowledge. Through these platforms, plus company blogs and meetups, knowledge and insights are exchanged, positioning the company as a thought leader in the digital commerce space.

At its headquarters in Poland, the company focuses on building a team with unique digital competencies, especially in AI and ML. Collaborations with universities and technology companies are aimed at fostering a skilled digital workforce, contributing to the growth of the Polish economy and establishing a strong presence in the European tech landscape. Moreover, the company's commitment to digitalization extends to inspiring young talent. Initiatives including the PFR School of Pioneers and partnerships with technological education institutions like the Central House of Technology reflect Allegro's dedication to empowering the next generation with digital skills and shaping future digitalization leaders and innovators.

Allegro also supports women in growing their online entrepreneurship. TOP Women in e-business is a free programme supporting women interested in digital tools and e-commerce, with Allegro as a partner since 2021. It offers opportunities for women to retrain, start businesses, and expand their skills, including those returning from maternity leave or seeking to enhance their e-business ventures. Allegro also introduced a "Women in Tech" Program dedicated to female technology leaders to grow Women's Leadership Excellence and unlock and strengthen their potential, resulting in increased internal talent pull for new roles with strategic impact. In Allegro, women distribution in Technology in 2022 was 26.47%, women leaders 15.15%. In 2023 it grew by 0.23pp to 26.7%, for women leaders by 1.85pp to 17.00%.

Allegro digital solutions are used directly to improve the shopping experience of the company's customers. AI was implemented in the search engine used in most searches, so the tool operates on a huge scale of several dozen million searches a day. When performing text searches, the company uses deep learning to process text queries and use results ranking mechanisms, thereby growing GMV (gross merchandise value) by over 4% generated through the search engine.

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Allegro also has an image search mechanism in its mobile app – the system presents products on Allegro that are similar to the uploaded photos – using advanced ML algorithms for image analysis. The use of deep learning and generative AI techniques to build a semantic search engine is being developed. In commitment to digitalization, Allegro has integrated Generative AI, to enhance the accuracy and detail of product descriptions in offers on the platform. Good descriptions available in the catalogue will help sellers list their offers more quickly and assist buyers in making informed purchasing decisions.

Machine learning models make it possible to increase loyalty by predicting subsequent purchases in over 300 consumer goods categories. Personalised email and push reminders increase Allegro customer engagement, generating over PLN 80 million in incremental annual GMV. This solution was also implemented on the Allegro home page and in a dedicated mini mobile app, where customers can view suggested recurring purchases.

New technology solutions are also helpful for merchants, as the use of a machine learning model increased the share of orders with correctly predicted fast delivery. The prediction mechanism allowed for an increase of +3pp in the number of orders with the promise of next-day delivery compared to previous solutions, while maintaining over 90% accuracy. Combined with the proven impact of a credible promise of fast delivery on conversion and GMV, this resulted in generating additional GMV of up to PLN 100 million.

Ensuring accessibility on our e-commerce platform remains a top priority as we strive to create an inclusive digital environment for all users. In line with our commitment to the "Sustainable All Together" strategy of Allegro, we want to implement a range of measures to enhance accessibility. This includes adopting web design practices that adhere to accessibility standards such as WCAG (Web Content Accessibility Guidelines) to guarantee that our platform is usable by individuals with diverse abilities and disabilities. Moreover, we regularly conduct accessibility audits and user testing sessions to identify and address any potential barriers to access. Through these efforts, we aim to foster an inclusive online experience, empowering all users to engage with our platform seamlessly and equitably, regardless of their abilities or technical limitations.

GRI content index

Statement of use	Allegro Group has reported in accordance with the GRI Standards for the period 01.01.2023 – 31.12.2023
GRI 1 used	GRI 1: Foundation 2021

GRI Standard/ other source	Disclosure	Location
General disclosures		
GRI 2: General Disclosures 2021	2-1 Organizational details	
	2-2 Entities included in the organization's sustainability reporting	Part V. Approach to Environmental, Social and Governance Issues
	2-3 Reporting period, frequency and contact point	Part V. Approach to Environmental, Social and Governance Issues
	2-4 Restatements of information	
	2-5 External assurance	
	2-6 Activities, value chain and other business relationships	5.2. Value chain
	2-7 Employees	5.5.1. Equal opportunities
	2-8 Workers who are not employees	5.5.1. Equal opportunities
	2-9 Governance structure and composition	5.4.1 ESG and climate corporate governance
	2-10 Nomination and selection of the highest governance body	5.4.1 ESG and climate corporate governance
	2-11 Chair of the highest governance body	5.4.1 ESG and climate corporate governance
	2-12 Role of the highest governance body in overseeing the management of impacts	5.4.1 ESG and climate corporate governance
	2-13 Delegation of responsibility for managing impacts	5.4.1 ESG and climate corporate governance
	2-14 Role of the highest governance body in sustainability reporting	5.4.1 ESG and climate corporate governance
	2-15 Conflicts of interest	5.4.1 ESG and climate corporate governance
	2-16 Communication of critical concerns	5.4.1 ESG and climate corporate governance
	2-17 Collective knowledge of the highest governance body	
	2-18 Evaluation of the performance of the highest governance body	
	2-19 Remuneration policies	
	2-20 Process to determine remuneration	
	2-21 Annual total compensation ratio	
	2-22 Statement on sustainable development strategy	
	2-23 Policy commitments	5.4.2 Ethics and compliance
	2-24 Embedding policy commitments	5.4.2 Ethics and compliance

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GRI Standard/ other source	Disclosure	Location
GRI 2: General Disclosures 2021	2-25 Processes to remediate negative impacts	Może: 5.6.5. EU Taxonomy (nieoznaczone w tekście)
	2-26 Mechanisms for seeking advice and raising concerns	5.4.3 Whistleblowing system
	2-27 Compliance with laws and regulations	
	2-28 Membership associations	5.2. Value chain
	2-29 Approach to stakeholder engagement	5.2. Value chain
	2-30 Collective bargaining agreements	5.5.2. Working conditions and mental health
Material topics		
GRI 3: Material Topics 2021	3-1 Process to determine material topics	
	3-2 List of material topics	
Anti-corruption		
GRI 3: Material Topics 2021	3-3 Management of material topics	5.4.2 Ethics and compliance; 5.4.3 Whistleblowing system
GRI 205: Anti-corruption 2016	205-3 Confirmed incidents of corruption and actions taken	5.4.3 Whistleblowing system
Tax		
GRI 3: Material Topics 2021	3-3 Management of material topics	5.4.6 Tax strategy
GRI 207: Tax 2019	207-1 Approach to tax	5.4.6 Tax strategy
Materials		
GRI 3: Material Topics 2021	3-3 Management of material topics	5.6.1. Packaging
Energy		
GRI 3: Material Topics 2021	3-3 Management of material topics	
GRI 302: Energy 2016	302-1 Energy consumption within the organization	
Emissions		
GRI 3: Material Topics 2021	3-3 Management of material topics	5.6.2. Climate change
	305-1 Direct (Scope 1) GHG emissions	5.6.2. Climate change
GRI 305: Emissions 2016	305-2 Energy indirect (Scope 2) GHG emissions	5.6.2. Climate change
	305-4 GHG emissions intensity	5.6.2. Climate change
Waste		
GRI 3: Material Topics 2021	3-3 Management of material topics	5.6.1. Packaging

GRI Standard/ other source	Disclosure	Location
Supplier environmental assessment		
GRI 3: Material Topics 2021	3-3 Management of material topics	5.4.4. Suppliers' Code of Conduct
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	5.4.4. Suppliers' Code of Conduct
Occupational health and safety		
GRI 3: Material Topics 2021	3-3 Management of material topics	5.5.2. Working conditions and mental health
GRI 403: Occupational Health and Safety 2018	403-6 Promotion of worker health	5.5.2. Working conditions and mental health
Training and education		
GRI 3: Material Topics 2021	3-3 Management of material topics	5.5.1. Equal opportunities
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	5.5.1. Equal opportunities
	404-3 Percentage of employees receiving regular performance and career development reviews	5.5.1. Equal opportunities
Diversity and equal opportunity		
GRI 3: Material Topics 2021	3-3 Management of material topics	5.5.1. Equal opportunities
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	5.5.1. Equal opportunities
Non-discrimination		
GRI 3: Material Topics 2021	3-3 Management of material topics	
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	
Supplier social assessment		
GRI 3: Material Topics 2021	3-3 Management of material topics	5.4.4. Suppliers' Code of Conduct
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	5.4.4. Suppliers' Code of Conduct
Customer privacy		
GRI 3: Material Topics 2021	3-3 Management of material topics	5.4.7. Cybersecurity, privacy data and data protection
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	5.4.7. Cybersecurity, privacy data and data protection

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GRI Standard/ other source	Disclosure	Location
Well-being and mental health		
GRI 3: Material Topics 2021	3-3 Management of material topics	5.5.2. Working conditions and mental health
	Own disclosure 1 Descriptions of programmes focused on well-being	5.5.2. Working conditions and mental health
Merchants		
GRI 3: Material Topics 2021	3-3 Management of material topics	5.7.1. Merchants
	Own disclosure 2 Number of merchants	5.7.1. Merchants
Digitalization		
GRI 3: Material Topics 2021	3-3 Management of material topics	5.7.2. Digitalization
	Own disclosure 3 Description of digital solutions introduced developed with newest technologies	5.7.2. Digitalization

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IV. Financial statements

1. Responsibility Statement

Allegro.eu
Société anonyme
1, rue Hildegard von Bingen, L – 1282 Luxembourg,
Grand Duchy of Luxembourg
R.C.S. Luxembourg: B214.830

RESPONSIBILITY STATEMENT

The Board of Directors confirms that, to the best of its knowledge:

These annual 2023 Consolidated Financial Statements prepared in accordance with the IFRS Accounting Standards as adopted by the European Union (IFRS) and Standalone Financial Statements prepared in accordance with Generally Accepted Accounting Principles in Luxembourg, give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Company and the undertakings included in the consolidation taken as a whole, and that the Management report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Approved by the Board on its behalf by:

Darren Huston	Roy Perticucci
Director	Director

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2.
Audit Report

Audit report

To the Shareholders of
Allegro.eu

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of Allegro.eu (the "Company") and its subsidiaries (the "Group") as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the European Union.

Our opinion is consistent with our additional report to the Audit Committee or equivalent.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of financial position as at 31 December 2023;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF). Our responsibilities under the EU Regulation No 537/2014, the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the consolidated financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements. We have fulfilled our other ethical responsibilities under those ethical requirements.

To the best of our knowledge and belief, we declare that we have not provided non-audit services that are prohibited under Article 5(1) of the EU Regulation No 537/2014.

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Cabinet de révision agréé. Expert-comptable (autorisation gouvernementale n°10028256)
R.C.S. Luxembourg B 65 477 - TVA LU25482518

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The non-audit services that we have provided to the Company and its controlled undertakings, if applicable, for the year then ended, are disclosed in Note 39 to the consolidated financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Marketplace revenue recognition and accounting for Smart! program The Group's consolidated revenue amounted to PLN 10,185 million in 2023. There are multiple revenue streams as described in the Note 9.2. Marketplace revnue amounted to 6,328 million and accounted for 62.1% of revenue of the Group for the year ended 31 December 2023. As part of the revenue generating activity the impact of the Smart! deliveries (loyalty program) shows a cost of PLN 2,308 million presented as an expense in "Net cost of delivery" in operating expenses as it exceeds the subscription fee earned. Disclosure regarding Smart! program and key judgement applied were included in the Notes 9.1, 9.3 and 9.5 to the consolidated financial statements. Application of revenue recognition policies to marketplace revenue and Smart! Program is complex and involves estimates as well as management judgement related to the definition of a customer or agent versus principal. In addition, the large number of transactions, high automation of revenue recognition and sophistication of systems and	Our audit procedures over revenue recognition included, among others: ● We obtained an understanding of and assessed the overall IT control environment and the controls in place. ● We tested the operating effectiveness of selected internal controls around system development, program changes and IT dependent business controls to confirm that changes to the system were appropriately authorised and also developed and implemented properly. ● We tested selected internal controls in the marketplace revenue process in the areas like offers listing registering, processing of transactions, fees calculation, client payments registration and selling blockade application for merchants with overdue balances. ● We used automated revenue testing for detailed tests of marketplace sales transactions which includes automatic matching of billing records with payments. ● We selected a sample of revenue transactions and recalculated commission in accordance with the price lists and vouched outstanding accounts receivables of the seller after the transaction to subsequent bank payments. ● We reconciled billing records to trial balance without material differences. ● We analysed journal entries impacting marketplace revenue to identify any entries that might not be justified. ● We tested contract liabilities and refund liabilities to determine whether appropriate amounts have been recognised during the period. ● We assessed the adequacy of the assumptions used by the Management in the process of

processes used by the Group increase the overall complexity. We identified marketplace revenue recognition and accounting for Smart! program as a key audit matter as the application of revenue recognition standard is complex and involves significant judgement and estimates.	determination of significant judgement relating to application of IFRS 15 (revenue recognition). ● We evaluated the management judgments related to Smart! accounting policies; we have also considered whether there were any changes in facts and circumstances as compared to the year when the accounting policy was developed. ● We assessed adequacy and completeness of disclosures.
Reallocation of assets between Mall and Allegro International operating segments, and impairment assessment of the goodwill and other assets allocated to Mall operating segment As described in Note 29.2 to the consolidated financial statements, a new operating segment Allegro International was identified following the launch of Allegro.cz operations and a change in structure of the internal management organisation. Goodwill and customer relationships were partially reallocated, from the cash generating units (CGUs) included in the Mall operating segment to Allegro.cz and Allegro.sk CGUs. In addition, the Group performs its goodwill impairment test annually, or more frequently if events or changes in circumstances indicate that the goodwill may be impaired. The impairment test of goodwill allocated to the CGUs Allegro.cz and Allegro.sk has not shown any impairment, whereas impairment indicators have been identified at the level of the Mall operating segment, as newly defined, as of 31 December 2023, leading to an impairment of goodwill and other assets of PLN 629 million recorded by the Group, as presented in Note 29.1 to the consolidated financial statements. The recoverable amount was determined based on the fair value less costs of disposal	Our audit procedures over the goodwill impairment test of Mall operating segment and the reallocation of assets to Allegro.cz and Allegro.sk CGUs included, among others: ● We assessed the management's process for the identification of assets to be reallocated between the operating segments and the related reallocation methods. ● We assessed the management's process for developing the fair value less costs of disposal estimates of the assets of the cash generating units within the Mall operating segment. ● We evaluated the appropriateness of the fair value less costs of disposal income approach. ● We evaluated the compliance with the requirements of the relevant IFRS accounting standards of the reallocation of assets between CGUs, and of the goodwill impairment test of the Mall operating segment. ● We evaluated management's significant assumptions related to estimates of future revenue, profitability, length of the period covered by management's detailed cash flow projections, long-term growth rate and discount rate of the Mall operating segment. Evaluating management's significant assumptions on estimates of future revenue involved evaluating whether the assumptions used by management were reasonable by considering (i) the current and past performance of cash generating units within Mall operating segment; (ii) the consistency with external market and industry data and (iii) whether the assumptions were consistent with evidence obtained in other areas of the audit. Internal valuation specialists were used to assist us in the evaluation of the Company's income approach and the reasonableness of the assumptions related to long-term growth and discount rates.

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of the cash generating units to which goodwill was allocated within the Mall and Allegro International operating segments, estimated using an income approach reflecting the expected transformation of the business models and including assumptions related to estimates of future revenue, profitability, the longterm growth rate and discount rate. We consider the reallocation of assets between CGUs within Mall and Allegro International operating segments and impairment assessment of goodwill and other assets of Mall operating segment to be a key audit matter as significant judgements are made by management when (i) defining the basis for transfer of respective assets from the Mall operating segment to the Allegro International operating segment; (ii) developing the fair value less costs of disposal assumptions for the goodwill impairment test, and the magnitude of the impact of these estimates and judgement on the consolidated financial statements.	● We assessed adequacy and completeness of disclosures.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the annual report including the business report and the Corporate Governance Statement but does not include the consolidated financial statements and our audit report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and those charged with governance for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the

preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

The Board of Directors is responsible for presenting and marking up the consolidated financial statements in compliance with the requirements set out in the Delegated Regulation 2019/815 on European Single Electronic Format ("ESEF Regulation").

Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the consolidated financial statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;

- conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Group to cease to continue as a going concern;

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- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our audit report unless law or regulation precludes public disclosure about the matter.

We assess whether the consolidated financial statements have been prepared, in all material respects, in compliance with the requirements laid down in the ESEF Regulation.

Report on other legal and regulatory requirements

The business report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

The accompanying Corporate Governance Statement is included in the chapters "3.1. Business Model, Operations and Corporate Governance" and chapter "3.2. Risk Management System, Risk Factors and Regulatory Matters" to these consolidated financial statements. The information required by Article 68ter Paragraph (1) Letters c) and d) of the Law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

We have been appointed as "Réviseur d'Entreprises Agréé" by the General Meeting of the Shareholders on 12 May 2023 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 7 years.

We have checked the compliance of the consolidated financial statements of the Group as at 31 December 2023 with relevant statutory requirements set out in the ESEF Regulation that are applicable to consolidated financial statements.

For the Group it relates to the requirement that:

- the consolidated financial statements are prepared in a valid XHTML format;
- the XBRL markup of the consolidated financial statements uses the core taxonomy and the common rules on markups specified in the ESEF Regulation.

In our opinion, the consolidated financial statements of the Group as at 31 December 2023 have been prepared, in all material respects, in compliance with the requirements laid down in the ESEF Regulation.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 13 March 2024

Malik Lekehal

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3. Consolidated Financial Statements

Consolidated Statement of comprehensive income

	Note	01.01–31.12.2023	01.01–31.12.2022
Revenue	**9**	**10,185,317**	**9,004,916**
Other operating income	**18.1**	**65,243**	**—**
Total revenue and other operating income		**10,250,560**	**9,004,916**
Operating expenses		**(7,836,463)**	**(7,004,380)**
Payment charges		(159,578)	(154,830)
Cost of goods sold		(2,322,133)	(2,408,032)
Net costs of delivery	9.5	(2,307,571)	(1,773,365)
Marketing service expenses		(1,231,724)	(971,118)
Staff costs net		(1,169,484)	(1,015,789)
Staff costs gross		*(1,427,702)*	*(1,222,509)*
Capitalisation of development costs		*258,218*	*206,720*
IT service expenses		(201,906)	(173,750)
IT service expenses gross		*(220,173)*	*(192,701)*
Capitalisation of development costs		*18,267*	*18,951*
Other expenses net		(396,336)	(437,316)
Other expenses gross		*(493,453)*	*(554,594)*
Capitalisation of development costs		*97,117*	*117,278*
Net impairment losses on financial and contract assets	30.2	(47,731)	(66,969)
Transaction costs	8	—	(3,211)
Operating profit before amortisation and depreciation and impairment losses on non-current non-financial assets		**2,414,097**	**2,000,536**
Amortisation, Depreciation and Impairment losses of non-current non-financial assets		**(1,623,976)**	**(3,182,663)**
Amortisation		(730,037)	(631,999)
Depreciation		(244,077)	(239,993)
Impairment losses of non-current non-financial assets	29	(649,862)	(2,310,671)
Operating profit		**790,121**	**(1,182,127)**
Net Financial costs	**10**	**(289,952)**	**(457,327)**
Financial income		74,251	33,257
Financial costs		(364,203)	(490,584)
Profit before Income tax		**500,169**	**(1,639,454)**
Income tax expenses	**11**	**(216,111)**	**(277,342)**
Net Profit		**284,058**	**(1,916,796)**
Other comprehensive income		**(229,149)**	**185,262**
– Items that may be reclassified to profit or loss		**(232,791)**	**183,212**
Gain/(Loss) on cash flow hedging		(29,041)	249,146
Cash flow hedge – Reclassification from OCI to profit or loss		(220,039)	(140,348)
Deferred tax relating to these items		58,718	(29,238)
Exchange differences on translation of foreign operations		(42,429)	103,652
– Items that will not be reclassified to profit or loss		**3,642**	**2,050**
Remeasurements of post-employment benefit obligations		4,498	2,529
Deferred tax relating to these items		(856)	(479)
Total comprehensive income for the period		**54,909**	**(1,731,534)**

	Note	01.01–31.12.2023	01.01–31.12.2022
Net profit for the period is attributable to:		**284,058**	**(1,916,796)**
Shareholders of the Parent Company		284,058	(1,916,796)

	Note	01.01–31.12.2023	01.01–31.12.2022
Total comprehensive income for the period is attributable to:		**54,909**	**(1,731,534)**
Shareholders of the Parent Company		54,909	(1,731,534)

	Note	01.01–31.12.2023	01.01–31.12.2022
Earnings per share for profit attributable to the ordinary equity holders of the company (in PLN)	**12**		
Basic		0.27	(1.82)
Diluted		0.27	(1.82)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

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Consolidated Statement of financial position

ASSETS

Non-current assets	Note	31.12.2023	31.12.2022 restated [1]
Goodwill	13	8,816,140	8,865,149
Other intangible assets	13	4,572,968	5,630,328
Property, plant and equipment	14	1,087,159	1,168,877
Derivative financial assets	25	—	324,626
Other receivables		3,041	9,233
Deferred tax assets	22	33,457	16,295
Investments		364	360
Restricted cash		11,708	12,040
Total non-current assets		**14,524,837**	**16,026,908**

Current assets	Note	31.12.2023	31.12.2022 restated [1]
Inventory	15	300,154	496,620
Trade and other receivables	16	1,078,342	1,328,274
Prepayments	17	69,588	69,729
Consumer loans at amortised cost	18	—	157,540
Consumer loans at fair value	18	403,261	209,335
Other financial assets		6,629	2,808
Derivative financial assets	25	89,191	—
Income tax receivables		9,300	14,805
Cash and cash equivalents	19	2,049,122	877,559
Restricted cash		8,379	22,217
Total current assets		**4,013,966**	**3,178,887**
TOTAL ASSETS		**18,538,803**	**19,205,795**

[1] details in note 3.2.3.
The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

EQUITY AND LIABILITIES

Equity	Note	31.12.2023	31.12.2022 restated [1]
Share capital	27	10,569	10,569
Capital reserve		8,298,479	8,282,469
Exchange differences on translating foreign operations		61,223	103,652
Cash flow hedge reserve		52,234	242,596
Actuarial gain/(loss)		3,964	322
Other reserves	27.2	127,357	67,910
Treasury shares	27.3	(69,499)	(1,200)
Retained earnings		274,941	2,191,737
Net result		284,058	(1,916,796)
Equity allocated to shareholders of the Parent		**9,043,326**	**8,981,259**
Total equity		**9,043,326**	**8,981,259**

Non-current liabilities	Note	31.12.2023	31.12.2022 restated [1]
Borrowings	20	6,064,785	6,451,821
Lease liabilities	21	474,496	567,699
Deferred tax liability	22	669,466	885,069
Liabilities to employees	23	4,938	7,122
Derivative financial liabilities	25	13,703	224
Total non-current liabilities		**7,227,388**	**7,911,935**

Current liabilities	Note	31.12.2023	31.12.2022 restated [1]
Borrowings	20	2,702	1,706
Lease liabilities	21	143,086	122,482
Trade and other liabilities	24	1,906,698	1,981,283
Income tax liability		45,801	58,893
Liabilities to employees	23	169,802	148,237
Total current liabilities		**2,268,089**	**2,312,601**
TOTAL EQUITY AND LIABILITIES		**18,538,803**	**19,205,795**

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Consolidated Statement of changes in equity

	Share Capital	Capital reserve	Exchange differences on translating foreign operations	Cash flow hedge reserve	Actuarial gain/(losses)	Other reserves	Treasury shares	Retained earnings	Net result	Equity allocated to shareholders of the Parent	Total
As at 01.01.2023	**10,569**	**8,282,469**	**103,652**	**242,596**	**322**	**67,910**	**(1,200)**	**2,191,737**	**(1,916,796)**	**8,981,259**	**8,981,259**
Profit/(loss) for the period	—	—	—	—	—	—	—	—	284,058	284,058	284,058
Other comprehensive income	—	—	(42,429)	(190,362)	3,642	—	—	—	—	(229,149)	(229,149)
Total comprehensive income for the period	**—**	**—**	**(42,429)**	**(190,362)**	**3,642**	**—**	**—**	**—**	**284,058**	**54,909**	**54,909**
Transfer of profit/(loss) from previous years	—	—	—	—	—	—	—	(1,916,796)	1,916,796	—	—
Acquisition of treasury shares (see note 27)	—	—	—	—	—	—	(87,626)	—	—	(87,626)	(87,626)
Allegro Incentive Plan – release of treasury shares (see note 27)	—	(19,327)	—	—	—	—	19,327	—	—	—	—
Allegro Incentive Plan (see note 27)	—	—	—	—	—	94,784	—	—	—	94,784	94,784
Allegro Incentive Plan – vested shares (see note 27)	—	35,337	—	—	—	(35,337)	—	—	—	—	—
Transactions with owners in their capacity as owners	**—**	**16,010**	**—**	**—**	**—**	**59,447**	**(68,299)**	**(1,916,796)**	**1,916,796**	**7,158**	**7,158**
As at 31.12.2023	**10,569**	**8,298,479**	**61,223**	**52,234**	**3,964**	**127,357**	**(69,499)**	**274,941**	**284,058**	**9,043,326**	**9,043,326**

	Share Capital	Capital reserve	Exchange differences on translating foreign operations	Cash flow hedge reserve	Actuarial gain/(losses)	Other reserves	Treasury shares	Retained earnings	Net result	Equity allocated to shareholders of the Parent	Total
As at 01.01.2022	**10,233**	**7,089,903**	**—**	**146,209**	**(1,728)**	**19,707**	**(1,995)**	**1,102,118**	**1,089,618**	**9,454,065**	**9,454,065**
Profit/(loss) for the period	—	—	—	—	—	—	—	—	(1,916,796)	(1,916,796)	(1,916,796)
Other comprehensive income	—	—	103,652	79,560	2,050	—	—	—	—	185,262	185,262
Total comprehensive income for the period	**—**	**—**	**103,652**	**79,560**	**2,050**	**—**	**—**	**—**	**(1,916,796)**	**(1,731,534)**	**(1,731,534)**
Costs of hedging transferred to the carrying value of goodwill (basis adjustment)	—	—	—	16,827	—	—	—	—	—	16,827	16,827
Cost of hedging transferred	**—**	**—**	**—**	**16,827**	**—**	**—**	**—**	**—**	**—**	**16,827**	**16,827**
Transfer of profit/(loss) from previous years	—	—	—	—	—	—	—	1,089,618	(1,089,618)	—	—
Increase of capital	336	1,180,744	—	—	—	—	—	—	—	1,181,080	1,181,080
Allegro Incentive Plan – release of treasury shares (see note 27)	—	(795)	—	—	—	—	795	—	—	—	—
Allegro Incentive Plan (see note 27)	—	—	—	—	—	60,820	—	—	—	60,820	60,820
Allegro Incentive Plan – vested shares (see note 27)	—	12,617	—	—	—	(12,617)	—	—	—	—	—
Transactions with owners in their capacity as owners	**336**	**1,192,566**	**—**	**—**	**—**	**48,203**	**795**	**1,089,618**	**(1,089,618)**	**1,241,900**	**1,241,900**
As at 31.12.2022	**10,569**	**8,282,469**	**103,652**	**242,596**	**322**	**67,910**	**(1,200)**	**2,191,737**	**(1,916,796)**	**8,981,259**	**8,981,259**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

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Consolidated Statement of cash flows

Cash flows from operating activities	Note	01.01–31.12.2023	01.01–31.12.2022
Profit before income tax		**500,169**	**(1,639,454)**
Amortisation, Depreciation and Impairment losses of non-current non-financial assets		1,623,976	3,182,663
Net interest expense (excluding interest on leases)	10	248,921	454,755
Interest on leases	28.3	28,952	23,314
Non-cash employee benefits expense – share based payments	27.2	74,477	51,294
Revolving facility availability fee	10	6,476	5,428
Net (gain)/loss exchange differences		85,982	3,036
Net (gain)/loss on measurement of financial instruments		—	6,453
Net (gain)/loss on sale of non-current assets		(1,976)	155
(Increase)/Decrease in trade and other receivables and prepayments	28.3	237,697	(317,127)
(Increase)/Decrease in inventories	28.3	168,314	(34,707)
Increase/(Decrease) in trade and other liabilities	28.3	(34,534)	576,958
(Increase)/Decrease in consumer loans	28.3	(36,386)	(8,091)
Increase/(Decrease) in liabilities to employees	28.3	7,268	259
Other		(3,251)	—
Cash provided by operating activities		**2,906,085**	**2,304,936**
Income tax paid		(365,228)	(450,256)
Net cash inflow/(outflow) from operating activities		**2,540,857**	**1,854,680**

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Cash flows from investing activities	Note	01.01–31.12.2023	01.01–31.12.2022
Payments for property, plant & equipment and intangibles		(470,465)	(722,262)
Acquisition of subsidiary (net of cash acquired)	5	—	(2,354,748)
Other		3,622	1,122
Net cash inflow/(outflow) from investing activities		**(466,843)**	**(3,075,888)**

Cash flows from financing activities	Note	01.01–31.12.2023	01.01–31.12.2022
Acquisition of treasury shares	28.3	(87,626)	—
Borrowings received	28.2	245,000	1,500,000
Arrangement fee paid		(40,460)	(14,000)
Borrowings repaid	28.2	(487,500)	(888,892)
Interest rate hedging instrument settlements		234,899	130,537
Interest paid	28.2	(576,846)	(493,920)
Lease payments	28.2	(166,087)	(105,444)
Lease incentives		—	17,022
Revolving facility availability fee payments		(5,280)	(3,777)
Net cash inflow/(outflow) from financing activities		**(883,900)**	**141,526**

	Note	01.01–31.12.2023	01.01–31.12.2022
Cash and cash equivalents at the beginning of the financial year		877,559	1,957,241
Effect of movements in exchange rates on cash held		(18,551)	—
Cash and cash equivalents at the end of the financial year		2,049,122	877,559

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

Allegro.eu S.A. Group ('Group') consists of Allegro.eu Société anonyme ('Allegro.eu' or 'Parent'), and its subsidiaries. Allegro.eu and the other members of the Group were established for an unspecified period. The Group is registered in Luxembourg, and its registered office is located at 1, rue Hildegard von Bingen, Luxembourg.

The Parent was established as a limited liability company (société à responsabilité limitée) in Luxembourg on 5 May 2017. The Parent was transformed into a joint-stock company (société anonyme) on 27 August 2020. The name was changed from Adinan Super Topco S.à r.l. to Allegro.eu on 27 August 2020.

The Parent's shares have been listed on the Warsaw Stock Exchange ('WSE') since 12 October 2020.

The Group operates on the territory of Europe mainly in Poland, Czech Republic, Slovakia, Slovenia, Hungary and Croatia. The Group's most significant operating entities in Poland are: Allegro Sp. z o.o. ('Allegro'), Ceneo.pl Sp. z o.o. ('Ceneo'), eBilet Polska Sp. z o.o. ('eBilet'), Allegro Pay Sp. z o.o. ('Allegro Pay'). In the Czech Republic the Group operates through Internet Mall a.s. ('Mall.cz'), CZC.cz s.r.o. ('CZC'), and in Slovenia through Mimovrste d.o.o ('Mimovrste'). The detailed information regarding the Group structure and the country of domicile of each legal entity within the Group is presented in note 6.

The Group's core activities comprise:

- online marketplace;
- retail sale via the Internet;
- advertising;
- online price comparison services;
- online tickets distribution;
- consumer lending to marketplace buyers;
- software and solutions for delivery logistics;
- logistic services;
- other information technology and computer service activities;
- computer facilities management activities;
- software-related activities.

These Consolidated Financial Statements were prepared for the year ended 31 December 2023 with comparative amounts for the year ended 31 December 2022.

2. Basis of preparation

These Consolidated Financial Statements of Allegro.eu S.A. Group for the year ended 31 December 2023 were prepared in accordance with IFRS Accounting Standards as adopted by the European Union (IFRS), binding as at 31 December 2023 (together 'the Consolidated Financial Statements').

These Consolidated Financial Statements were prepared on the historical cost basis except for certain financial assets and liabilities measured at fair value.

The Consolidated Financial Statements were prepared on the assumption that the Group would continue as a going concern for at least 12 months subsequent to the date of the authorisation of these Consolidated Financial Statements.

The summary of the material accounting policies applied in the preparation of these Consolidated Financial Statements is presented in note 3. These accounting policies were applied by the Group consistently in all periods presented, unless indicated otherwise.

There were no changes in accounting policies in the period covered by the Consolidated Financial Statements of Allegro.eu S.A. ended 31 December 2023, other than adjustment of error described in note 3.2.3.

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3. Summary of significant accounting policies

3.1 Basis of preparation

MEASUREMENT OF ITEMS DENOMINATED IN FOREIGN CURRENCIES

Transactions in foreign currency are converted into the functional currency using the exchange rates of the national banks of the respective countries prevailing at the dates of the transactions or on valuation dates (when items are re-measured). Foreign exchange gains and losses arising from settlement of those transactions and from translation at the exchange rate prevailing as at the reporting period end date are recognised on a net basis in the profit or loss. Measurement as at the balance sheet date, used the exchange rate prevailing as at the reporting period end date.

THE PRESENTATION AND FUNCTIONAL CURRENCY

The presentation currency of the Consolidated Financial Statements is the Polish zloty ('PLN').

The results and financial position of Group companies that have a functional currency different from the presentation currency (whose functional currency is not the currency of a hyperinflationary economy) are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented (i.e. including comparatives) shall be translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement presenting profit or loss and other comprehensive income (i.e. including comparatives) shall be translated at exchange rates at the dates of the transactions; and
- all resulting exchange differences shall be recognised in other comprehensive income.

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('functional currency'). These Consolidated Financial Statements of Allegro.eu S.A. Group are presented in the Polish Zloty which is the functional and presentation currency of the Parent.

As at 31 December 2023 and 31 December 2022 the Group's entities had functional currencies as follows:

Functional currency	2023	2022
Polish zloty (PLN)	Allegro.eu S.A. Allegro Treasury S.à r.l. Allegro Sp. z o.o. Opennet.pl Sp. z o.o. eBilet Polska Sp. z o.o. Allegro Finance Sp. z o.o. SCB Warszawa Sp. z o.o. (previously SkyNet Customs Brokers Sp. z o.o.) Allegro Pay Sp. z o.o. Ceneo.pl Sp. z o.o.	Allegro.eu S.A. Allegro Treasury S.à r.l. Allegro Sp. z o.o. Opennet.pl Sp. z o.o. eBilet Polska Sp. z o.o. Allegro Finance Sp. z o.o. SkyNet Customs Brokers Sp. z o.o. Allegro Pay Sp. z o.o. Ceneo.pl Sp. z o.o. Netretail Sp. z.o.o. w likwidacji
Euro (EUR)	Mimovrste d.o.o., Internet Mall Slovakia s.r.o., WE|DO SK s.r.o Internet Mall d.o.o.	Mimovrste d.o.o., Internet Mall Slovakia s.r.o., WE|DO SK s.r.o
Pound Sterling (GBP)	n/a	Adinan Super Topco Employee Benefit Trust
Czech Crown (CZK)	Mall Group a.s., Internet Mall a.s., CZC.cz s.r.o., AMG Media a.s., WE|DO CZ s.r.o	Mall Group a.s., Internet Mall a.s., E-commerce Holding a.s., CZC.cz s.r.o., AMG Media a.s., Uloženka s.r.o., Digital Engines s.r.o. v likvidaci, Rozbaleno.cz s.r.o. v likvidaci, WE|DO CZ s.r.o
Hungarian Forint (HUF)	Internet Mall Hungary Kft., m-HU Internet Kft.	Internet Mall Hungary Kft., m-HU Internet Kft.
Croatian Kuna (HRK)	n/a	Internet Mall d.o.o.

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CONSOLIDATION

The Consolidated Financial Statements were prepared on the basis of the financial statements of the Parent, Allegro.eu, and the financial information of entities controlled by the Parent, prepared as at and for the period ended 31 December 2023. Allegro.eu Société anonyme is the topmost entity within the corporate hierarchy, responsible for preparation of Consolidated Financial Statements.

Except for the note with relation to share and per share amounts and unless otherwise stated, these Consolidated Financial Statements have been prepared in PLN thousand, and all amounts are stated in PLN thousand. All material balances and transactions between related entities, including material unrealised profits resulting from such transactions, have been fully eliminated.

Subsidiaries are consolidated under the acquisition accounting method from the moment that the Group has assumed control over them, and will cease to be consolidated when the Group loses control.

The Group accounts for business combinations under the acquisition method. The consideration for the acquired subsidiary constitutes the fair value of the assets transferred, liabilities incurred in respect of former owners of the target company and equity instruments issued by the Group. The consideration includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets, liabilities and contingent liabilities acquired as a result of a business combination are initially measured at fair value as at the acquisition date.

Transaction costs arising on acquisitions are recognised in profit or loss when incurred.

The material accounting policies relating to the material transactions/events/conditions are presented in the respective notes which relate to such items.

3.2. Changes in accounting policies

3.2.1. NEW AND AMENDED STANDARDS AND INTERPRETATIONS ADOPTED BY THE GROUP

In these Consolidated Financial Statements the following amendments and new standards that came into effect as of 1 January 2023 were applied.

New standard or amendment	Issued on	Effective for annual periods beginning on or after	Group's assessment of the regulation
IFRS 17 'Insurance Contracts'	18 May 2017	1 January 2023	No impact [1]
Amendments to IFRS 17 and an amendment to IFRS 4	25 June 2020	1 January 2023	No impact
Transition option to insurers applying IFRS 17 – Amendments to IFRS 17	9 December 2021	1 January 2023	No impact
Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies	12 February 2021	1 January 2023	Insignificant impact [2]
Amendments to IAS 8: Definition of Accounting Estimates	12 February 2021	1 January 2023	No impact
Amendments to IAS 12 Income taxes: Deferred tax related to assets and liabilities arising from a single transaction	7 May 2021	1 January 2023	Insignificant impact [3]
Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules	23 May 2023	1 January 2023	Assessment of Pillar II legislation in progress [4]

[1] The Group assessed the impact of IFRS 17 on its operations, mostly in relation to arrangements with the buyers and fixed fee variants of the SMART! program and concluded that the newly adopted standard is not applicable (refer to note 29.7).
[2] Implementation of the amendment resulted in deleting some of not material accounting policies.
[3] The Group applied the amendment resulting in a separate presentation of deferred tax asset and deferred tax liability arising on leases in note 22. The amendment was applied retrospectively. The application of the amendment had no impact on the retained earnings as the Group recognised deferred taxes on leases on net basis in prior years.
[4] These changes resulting from minimum tax legislation might impact the Group Annual Financial Statements, once enacted by the Polish Government. See further information in Note 11.7.

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3.2.2. STANDARDS AND INTERPRETATIONS PUBLISHED BUT NOT YET APPLICABLE, WHICH HAVE NOT BEEN EARLY APPLIED BY THE GROUP

Certain new standards, amendment to standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2023 or later, and which the Group has not early adopted.

New standard or amendment	Issued on	Effective for annual periods beginning on or after	Group's assessment of the regulation
Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback	22 September 2022	1 January 2024	No impact
Classification of liabilities as current or non-current – Amendments to IAS 1	23 January 2020	1 January 2024	Assessment in progress
Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements	25 May 2023	1 January 2024	No impact
Amendments to IAS 21 Lack of Exchangeability (Issued on 15 August 2023)	15 August 2023	1 January 2025	No impact

Other amendments and the new standards not listed above are not relevant for the operation of the Group.

3.2.3. CORRECTION OF AN ERROR

In Q4 2023 the Group discovered a mathematical mistake in valuation of customer relationships, recognised upon acquisition of Mall Group and We|Do (1 April 2022). The purchase price allocation process for that acquisition was completed in the financial year ended 31 December 2022. The error resulted in overstatement of the value of customer relationships and associated deferred tax liabilities and a corresponding understatement of Goodwill that arose on the acquisition. As at 31 December 2022, the adjusted carrying amount of goodwill related to Mall and We|Do acquisition amounted to PLN 195,560 and adjusted carrying amount of customer relationship recognised in the business combination amounted to PLN 725,910. The error does not impact the result of the impairment test carried out in the year ended 31 December 2022.

The error has been corrected by restating each of the affected consolidated statement of financial position line items for the prior period with no restatement in the consolidated statement of comprehensive income for the previous period, due to immaterial impact.

	31.12.2022		
Statement of financial position item	Before	Adjustment	After
Goodwill	8,750,198	114,951	8,865,149
Other intangible assets	5,772,243	(141,915)	5,630,328
Total assets	**14,522,441**	**(26,964)**	**14,495,477**
Deferred tax liability	912,033	(26,964)	885,069
Total liabilities	**912,033**	**(26,964)**	**885,069**

The correction further affected some of the amounts disclosed in note 13 and note 22, in which the comparative information was restated. The identified error had no effect on the consolidated statement of financial position as at 1 January 2022. The identified error had no material impact on basic and diluted earnings per share for the comparative period.

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4. Composition of the board of directors

As at 31 December 2022, the Board of Directors comprised:

- Darren Huston (Chairman of the Board)
- Roy Perticucci (Group Chief Executive Officer)
- Jonathan Eastick (Group Chief Financial Officer)
- David Barker
- Nancy Cruickshank
- Paweł Padusiński
- Richard Sanders
- Carla Smits – Nusteling
- Pedro Arnt

During 2023 the Board of Directors was expanded:

- Catherine Faiers (appointed 12 May 2023)
- Tomasz Suchański (appointed 12 May 2023)

As at 31 December 2023, the Board of Directors comprised:

- Darren Huston (Chairman of the Board)
- Roy Perticucci (Group Chief Executive Officer)
- Jonathan Eastick (Group Chief Financial Officer)
- David Barker
- Nancy Cruickshank
- Paweł Padusiński
- Richard Sanders
- Carla Smits – Nusteling
- Pedro Arnt
- Catherine Faiers (appointed 12 May 2023)
- Tomasz Suchański (appointed 12 May 2023)

The composition of the Board of Directors remained unchanged until the date of approval of these Consolidated Financial Statements.

5. Business combinations

There were no business combinations in the year ending 31 December 2023. In the comparative period ended 31 December 2022, the Group completed the acquisition transaction of Mall Group a.s. and We|Do CZ s.r.o. The purchase price allocation process was finalised and presented in the Group Consolidated Financial Statements for the year ended 31 December 2022 with no subsequent changes in fair value of identifiable assets and liabilities and the calculation of Goodwill.

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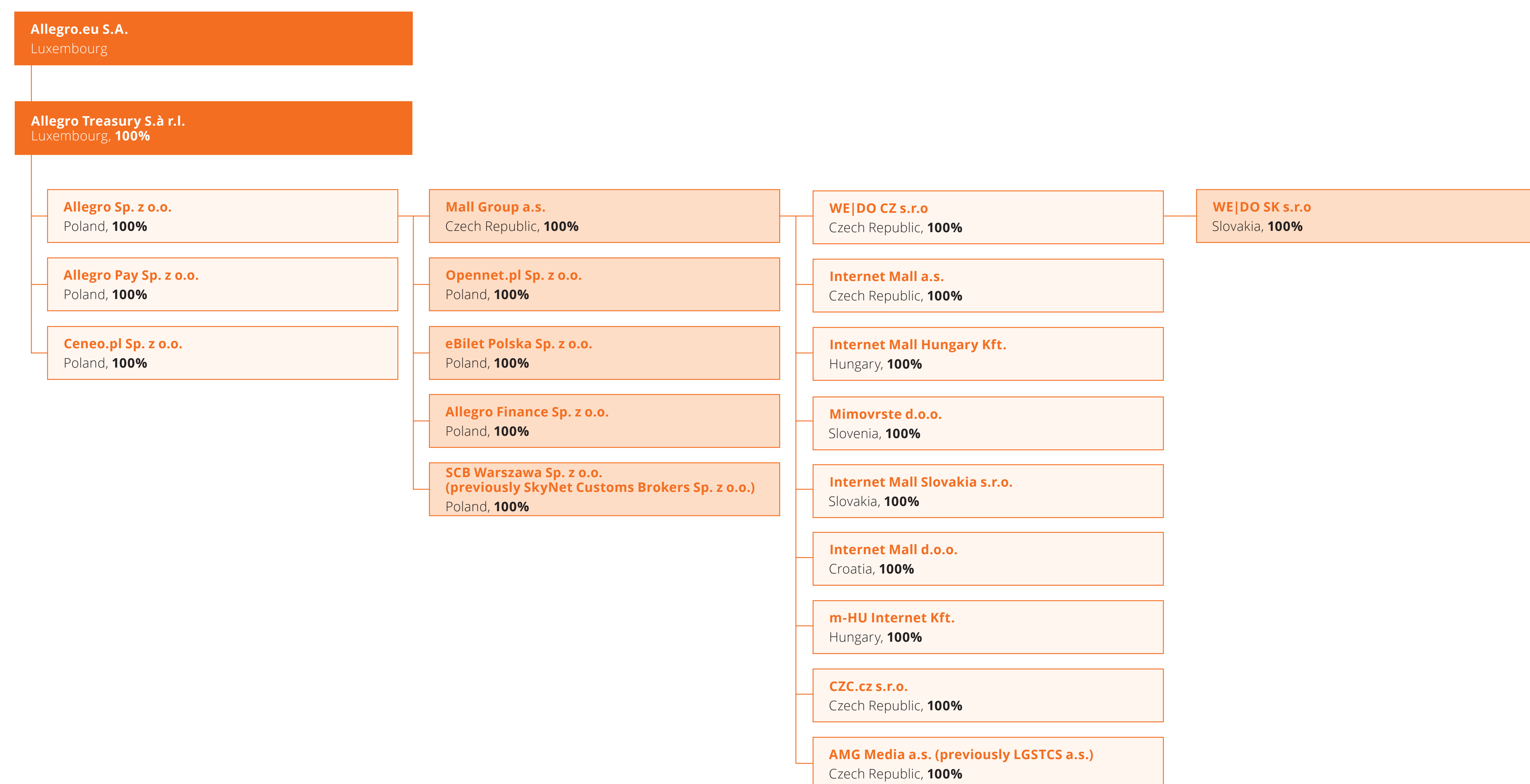
6. Group structure

Key information regarding the members of the Group, their country of domicile, economic interest held by the Group and the periods subject to consolidation are presented in the following two tables for the years ended 31 December 2023 and 31 December 2022 respectively.

PERIOD COVERED BY CONSOLIDATION
01.01.2023 – 31.12.2023



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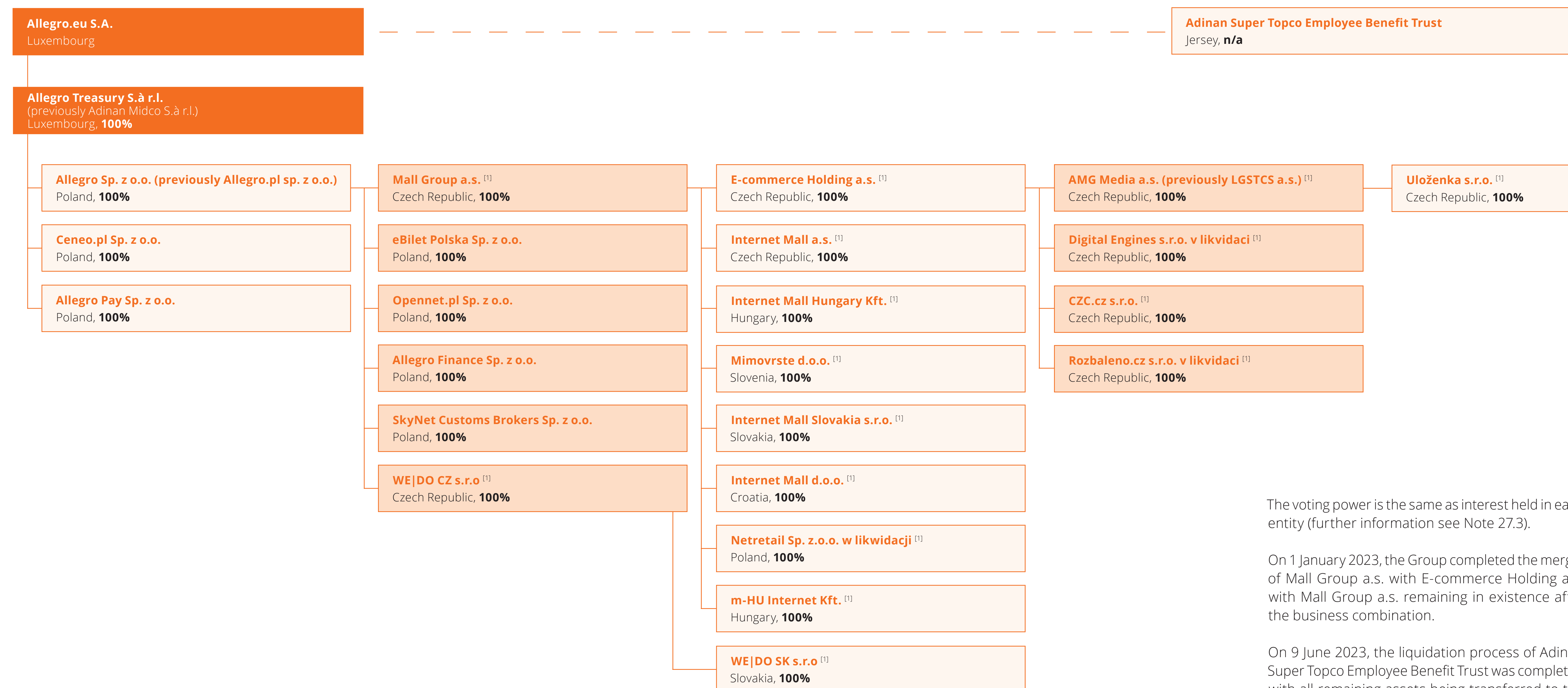

[1] Period covered by consolidation 01.04.2022–31.12.2022

The voting power is the same as interest held in each entity (further information see Note 27.3).

On 1 January 2023, the Group completed the merger of Mall Group a.s. with E-commerce Holding a.s., with Mall Group a.s. remaining in existence after the business combination.

On 9 June 2023, the liquidation process of Adinan Super Topco Employee Benefit Trust was completed with all remaining assets being transferred to the Parent.

On 14 July 2023 the liquidation process of Netretail sp. z o.o., a Polish based operating entity and subsidiary of Mall Group a.s. was completed. The assets controlled by the company were transferred to Allegro sp. z o.o.

The transactions described above have no impact on these Consolidated Financial Statements.

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7. Approval of the consolidated financial statements

The Consolidated Financial Statements for the year ended 31 December 2023 were approved by the Board of Directors for publication on 12 March 2024.

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NOTES TO THE CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

8. Segment information

8.1 Description of segments and principal activities

Allegro.eu Group has implemented an internal functional reporting system. For management purposes, the Group is organised into business units based on their products, and has four reportable operating segments as presented below.

On 1 April 2022 the Group completed the acquisition transaction of Mall Group and WE|DO. The nine months' financial results of those entities are presented in the operating segment "Mall" in the year ended 31 December 2022.

On 9 May 2023 the Group began a next phase in its international marketplace expansion, by launching allegro.cz, an e-commerce platform serving customers on the territory of the Czech Republic. This resulted in a change in structure of the internal management organisation in a manner that influenced the composition of its operating and reportable segments. As a result a new operating and reportable segment 'Allegro International' was identified. The Group did not restate segment information for the comparatives period as the information is not available and the cost to develop it would be excessive. Therefore, the Group has disclosed in these financial statements, the segment information for the current period on both the old basis and the new basis of segmentation.

Reportable Segment	Description	Legal entities
Allegro	Segment running B2C, C2C and B2B e-commerce platform, operating on territory of Poland, comprising the online marketplace and relevant services such as consumer lending and logistics operations.	Allegro sp. z o.o. (excluding Allegro.cz trading) Allegro Pay sp. z o.o. Allegro Finance sp. z o.o. Opennet.pl sp. z o.o. SCB Warszawa Sp. z o.o. (previously SkyNet Customs Brokers Sp. z o.o.)
Ceneo	Segment providing the multi-category price comparison services in the Polish market, allowing the customer to find the most attractive price among the different websites and marketplaces.	Ceneo.pl sp. z o.o.
Mall	Comprises the e-commerce and logistics businesses and brands of Mall Group and WE|DO, based in the Czech Republic, Slovakia, Slovenia, Hungary and Croatia.	Mall Group a.s. Internet Mall a.s. Internet Mall Hungary Kft. Mimovrste d.o.o. Internet Mall Slovakia s.r.o. Internet Mall d.o.o. m-HU Internet Kft. AMG Media a.s. CZC.cz s.r.o. WE|DO CZ s.r.o WE|DO SK s.r.o
Allegro International	Segment running B2C e-commerce platform, trading on territory of Czech Republic, comprising the online marketplace and relevant services such logistics operations.	Allegro sp. z o.o. (including solely Allegro.cz trading)
Other	Including the operations of eBilet, the leading event ticket sales site in Poland and the results of the parent and the intermediate holding company.	Allegro Treasury S.à r.l. Allegro.eu S.A. eBilet Polska Sp. z o.o.

The reportable segments are identified at the Group level and are equal to the operating segments. Segment performance is assessed on the basis of revenue, operating profit before amortisation/depreciation, recognised impairment losses of non-current non-financial assets and decreased by reversal of such impairment losses ('EBITDA'), as defined in note 8.2. The accounting policies adopted are uniform for all segments and consistent with those applied for the Group. Inter-segment transactions are eliminated upon consolidation.

Interest income and finance cost are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Group. All operating segments have a dispersed customer base – no single customer generates more than 10% of segment revenue. Information regarding the Group results incurred in the different segments and geographical locations is presented in table below.

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01.01–31.12.2023	TOTAL	Allegro	Ceneo	Mall	Allegro Internatio-nal	Other	Elimina-tions
External revenue	10,185,317	7,550,900	256,485	2,271,569	49,869	56,494	—
Poland	*7,863,971*	*7,550,900*	*256,485*	*92*	—	*56,494*	—
Czech Republic	*1,513,792*	—	—	*1,463,923*	*49,869*	—	—
Other countries	*807,554*	—	—	*807,554*	—	—	—
Inter-segment revenue	—	36,113	49,393	53,710	6,271	5,372	(150,859)
Revenue	**10,185,317**	**7,587,013**	**305,878**	**2,325,279**	**56,140**	**61,866**	**(150,859)**
Other operating income	**65,243**	**65,243**	**—**	**—**	**—**	**—**	**—**
Total revenue and other operating income	**10,250,560**	**7,652,256**	**305,878**	**2,325,279**	**56,140**	**61,866**	**(150,859)**
Operating expenses	(7,836,463)	(4,887,022)	(204,655)	(2,543,879)	(278,622)	(68,975)	146,690
EBITDA	**2,414,097**	**2,765,234**	**101,223**	**(218,600)**	**(222,482)**	**(7,109)**	**(4,169)**
Amortisation, depreciation and impairment losses of non–current non–financial assets	(1,623,976)						
Net financial costs	(289,952)						
Profit before income tax	**500,169**						
Income tax expense	(216,111)						
Net profit	**284,058**						

01.01–31.12.2022	TOTAL	Allegro	Ceneo	Mall	Other	Eliminations
External revenue	9,004,916	6,352,307	246,365	2,361,884	44,360	—
Poland	*6,652,316*	*6,352,307*	*246,365*	*9,284*	*44,360*	—
Czech Republic	*1,548,282*	—	—	*1,548,282*	—	—
Other countries	*804,317*	—	—	*804,317*	—	—
Inter-segment revenue	—	13,670	53,243	3,883	280	(71,075)
Revenue	**9,004,916**	**6,365,977**	**299,608**	**2,365,767**	**44,640**	**(71,075)**
Total revenue and other operating income	**9,004,916**	**6,365,977**	**299,608**	**2,365,767**	**44,640**	**(71,075)**
Operating expenses	(7,004,380)	(4,266,280)	(188,381)	(2,564,076)	(56,718)	71,075
EBITDA	**2,000,536**	**2,099,697**	**111,226**	**(198,309)**	**(12,078)**	**—**
Amortisation, depreciation and impairment losses of non-current non-financial assets	(3,182,663)					
Net financial result	(457,327)					
Profit before income tax	**(1,639,454)**					
Income tax expense	(277,342)					
Net profit	**(1,916,796)**					

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Information regarding the Group results for 2023 had they been prepared using the previous basis of segmentation is presented below.

01.01–31.12.2023	TOTAL	Allegro	Ceneo	Mall	Other	Eliminations
External revenue	10,185,317	7,550,900	256,485	2,321,438	56,494	—
Poland	*7,863,971*	*7,550,900*	*256,485*	*92*	*56,494*	—
Czech Republic	*1,513,792*	—	—	*1,513,792*	—	—
Other countries	*807,554*	—	—	*807,554*	—	—
Inter-segment revenue	—	36,113	49,393	12,745	5,372	(103,624)
Revenue	**10,185,317**	**7,587,013**	**305,878**	**2,334,184**	**61,866**	**(103,624)**
Other operating income	**65,243**	**65,243**	**—**	**—**	**—**	**—**
Total revenue and other operating income	**10,250,560**	**7,652,256**	**305,878**	**2,334,184**	**61,866**	**(103,623)**
Operating expenses	(7,836,463)	(4,887,022)	(204,655)	(2,776,506)	(68,975)	100,695
EBITDA	**2,414,097**	**2,765,234**	**101,223**	**(442,322)**	**(7,109)**	**(2,929)**
Amortisation, depreciation and impairment losses of non-current non-financial assets	(1,623,976)					
Net financial costs	(289,952)					
Profit before income tax	**500,169**					
Income tax expense	(216,111)					
Net profit	**284,058**					

The Board of Directors does not analyse the operating segments in relation to their assets and liabilities. The Group's operating segments are presented consistently with the internal reporting submitted to the Parent Company's Board of Directors, which is the main body responsible for making strategic decisions. The operating decisions are taken on the level of the operating entities.

The Group does not have material non-current assets other financial instruments and deferred tax assets in the Group country of domicile. Information regarding the Group's assets in Poland and other geographical locations is presented in the table below.

	31.12.2023	31.12.2022
Non-current assets [1]	14,491,381	15,712,950
Poland	*13,636,869*	*13,662,844*
Other countries	*854,511*	*2,050,106*

[1] non-current assets other than financial instruments, deferred tax assets

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8.2. Adjusted EBITDA (non gaap measure)

EBITDA, which is a measure of the operating segments' profit, is defined as the net profit increased by the income tax charge, net financial costs (i.e. the finance income and finance costs), depreciation/amortisation, recognised impairment losses of non-current non-financial assets and decreased by reversal of such impairment losses.

In the opinion of the Board of Directors, Adjusted EBITDA is the most relevant measure of profit of the Group as a whole whereas the results of each operating segment are analysed based on EBITDA (see note 8.1). Adjusted EBITDA excludes the effects of significant items of income and expenditure that may have an impact on the quality of earnings. The Group defines Adjusted EBITDA as EBITDA excluding regulatory proceeding costs, Group restructuring and development cost, donations to various public benefit organisations, certain employee incentives and bonuses, employee restructuring costs, as well as transaction costs, because these expenses are mostly of non-recurring nature and are not directly related to core operations of the Group.

Adjusted EBITDA also excludes costs of recognition of incentive programs (Allegro Incentive Plan). Consolidated adjusted EBITDA is analysed and verified only at the Group level.

EBITDA and Adjusted EBITDA are not IFRS measures and should not be considered as an alternative to IFRS measures of profit/(loss) for the period, as an indicator of operating performance, as a measure of cash flow from operations under IFRS, or as an indicator of liquidity. EBITDA and Adjusted EBITDA are not uniform or standardised measures and the calculation of EBITDA and Adjusted EBITDA, accordingly, may vary significantly from company to company.

	01.01–31.12.2023	01.01–31.12.2022
EBITDA	**2,414,097**	**2,000,536**
Regulatory proceeding costs [1]	564	3,340
Group restructuring and development costs [2]	39,502	80,618
Donations to various public benefit organisations [3]	500	3,008
Bonus for employees and funds spent on protective equipment against COVID-19 [4]	—	390
Allegro Incentive Plan [5]	77,719	52,489
Transaction costs [6]	—	3,211
Employees restructuring cost [7]	7,694	9,065
Adjusted EBITDA	**2,540,076**	**2,152,657**

[1] Represents legal costs mainly related to non-recurring regulatory proceedings, legal and expert fees and settlement costs.

[2] Represents legal and financial due diligence and other advisory expenses with respect to:
- potential acquisitions or discontinued acquisition projects,
- integration and other advisory expenses with respect to signed and/or closed acquisitions,
- non-employee restructuring cost.

In 2023 and 2022 these costs were mostly related to post-M&A integration and restructuring charges of Mall Group and WE|DO.

[3] Represents donations made by the Group to support health service and charitable organisations and NGOs during the COVID-19 pandemic and to provide humanitarian aid to people affected by the war in Ukraine.

[4] Represents expenses incurred by the Group to buy employees' protective equipment against COVID-19 and to pay employees' bonuses for the purchase of equipment necessary to enable them to work remotely during the COVID-19 pandemic.

[5] Represents the costs of the Allegro Incentive Plan, under which awards in the form of Performance Share Units ("PSU") and Restricted Stock Units ("RSU") are granted to Executive Directors, Key Managers and other employees.

[6] Represents pre-acquisition advisory fees, legal, financial, tax due diligence and other transactional expenses incurred in relation to the completed acquisition of Mall Group a.s. and WE|DO CZ s.r.o.

[7] Represents certain payments related to reorganisation of the Management Boards of the parent entity and the underlying operating entities, as well as redundancy payments for employees affected by restructuring projects.

The costs recognised in 2023 and 2022 primarily pertain to the recruitment of the key executives, as well as redundancy payments for employees affected by restructuring projects.

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9. Revenues from contracts with customers

9.1. Accounting policies

RECOGNITION OF REVENUE

The consideration includes an estimate of the variable consideration if it is highly probable that the amount will not result in a significant reversal of revenue should the estimates change. The transaction price is adjusted for the time value of money if a contract includes a significant deferred payment component (the Group did not have such contracts in 2023 and 2022).

MARKETPLACE REVENUE

The Group earns two main types of fees: success fees and listing. The listing fee is a fixed amount which is payable up-front and is non-refundable. The success fee is calculated as a percentage of the transaction price and is payable when a listed good gets sold.

There is generally only one performance obligation in a contract with the seller being the selling service. There does not appear to be any advertising benefit for the seller that could be separated from the selling service. It is because there is no indication that the seller can benefit from the advertising on its own or with other resources that are readily available as the restricted and monitored contact between the seller and the buyer prevents any interaction between them outside the Group website, which is different from any typical advertising arrangement.

SUCCESS FEES

Based on its judgement, the Management is of the view that the contract between the Group and the seller should be seen as a contract under which the Group promises to find purchasers for the seller's goods (i.e., the Group's performance consists only of finding a purchaser for the products). As a result, the Group earns revenue from sellers on the platform and recognises success fees when listed goods are sold. Transaction revenue at the end of each reporting period is reduced by a provision for commission refund for sellers as well as discounts and incentives. The Group policy enables sellers to claim refunds for transactions that were terminated by the clients during 45 days from the initial transaction.

Marketplace revenues are invoiced monthly and fall due after 14 days or are deducted from the account of the merchant after the transaction. Fee deduction mechanism implemented for selected merchants in 2023 results in deduction of success and thus reduction of receivables balance arising on such transactions (see note 16).

LISTING FEES

Based on its judgement, the Management is of the view that the contract between the Group and the seller should be seen as a contract under which the Group promises to make the seller's products available for purchase (i.e., the Group's performance includes both listing the products and finding a purchaser for them). As a result, the Group earns revenue from sellers on the platform. Inflows from subscriptions are presented as deferred income and recognised as revenue straight line over the duration of the listing period which does not exceed 12 months (there is no significant financing component in this transaction).

PRICE COMPARISON REVENUE

Revenues are recognised when shoppers click on a seller's offer listed along with competing offers for the same product. The shopper is directed to the seller's own website and the merchant pays a click-through fee for this marketing lead (fixed fee per one click).

Revenues are invoiced monthly in arrears and in general fall due after 14 days.

ADVERTISING REVENUE

Revenue from provided advertising services is recognised in the reporting period in which the service is performed. Revenue from advertising services is recorded net of any estimated discounts, including volume-based discounts.

Advertising revenues are invoiced monthly in arrears and fall due after 14 days.

RETAIL REVENUE

Revenue from retail sales is recognised when the goods purchased for resale are sold via own proprietary store operating on the marketplace. The revenue is recognised when control of the goods has transferred to the customer, being the moment when the goods are delivered to the customer. Delivery occurs when the goods have been shipped to the customer's specific location. When the customer initially purchases the goods on the marketplace the transaction price received by the Group is recognised as a contract liability until the goods have been delivered to the customer.

Revenue, initially measured at the amount of consideration to which the Group expects to be entitled is decreased by the expected level of returns. At the same time refund liability, initially measured at the amount of consideration received or receivable to which the entity does not expect to be entitled, and an asset with the corresponding adjustment to cost of sales for the right to recover products from customers is recognised. The Group is not responsible for any claims on warranties.

Retail revenue is invoiced and the payment is received upon completion of the sale transaction.

LOGISTIC SERVICE REVENUE

Logistic service revenue is related mainly to the paid deliveries organised by the Group. Revenue is recognised in the reporting period in which the service is performed at the point of time when delivery is completed. The delivery is usually completed within 1-3 working days. Prices per parcel can be differentiated based on the delivery method and certain thresholds in respect of the number, size and weight of the parcels. Once the price is determined for the specific parcel based on its parameters, it becomes a fixed consideration; there are no components of variable consideration in the transaction price.

Logistic service revenue is invoiced and the payment is received upon completion of the sale transaction.

OTHER REVENUE

Other revenues relate mainly to success fee from sale of insurance and instalments, offered by the third parties, in relation to the goods sold on the marketplace. The Group is acting as an agent in these types of transactions. Moreover, other revenue includes a merchant fee charged by Allegro for the selection of the Allegro Pay consumer loan as a payment method. Other revenue is mostly recognised at a point of time, upon completion of the transaction on the marketplace.

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CUSTOMER INCENTIVES PROGRAMS

The attractiveness of the marketplace to sellers (also referred to as merchants), and therefore revenue potential for the Group, depends crucially on the number of active buyers and their engagement with the marketplace (e.g. site visits, transactions, and value of purchases made). To increase buyer activity on the marketplace, the Group has introduced certain programs to incentivise buyers to shop on the marketplace. Allegro seeks to increase numbers of buyers and their engagement metrics by incurring costs, at its own risk, that attract traffic and new buyers such as operating a free of charge loyalty scheme. Such activities are recognised as explained below.

SMART!

Allegro partially covers expenditure for functionalities on the marketplace that buyers may otherwise see as a barrier to making e-commerce transactions, such as the costs of delivery. To reduce the delivery cost barrier to purchase, the Smart! loyalty program was introduced in 2018. For an annual or monthly subscription, the user buys unlimited free of charge package deliveries for the duration of the subscription, subject to a minimum order value. Subscription fees are paid at the beginning of the subscription period. Inflows from subscriptions are presented as contract liability (within "trade and other payables") and recognised in comprehensive income on the time-based model over the duration of the subscription agreement as the number of packages the subscriber may order using the Smart! Free delivery service is unlimited. Allegro arranges delivery for packages made by Smart! subscribers. Allegro acts as an agent in case of free deliveries therefore cost of free delivery is deducted from subscription fees paid by Smart! subscribers.

Costs of delivery in excess of the subscription fee earned are presented in "Net costs of delivery" in operating expenses in the statement of comprehensive income. Although a portion of individual transactions relating to Smart! program concluded on the Group's online marketplace may result in a loss due to delivery provided to buyers costing more than the transaction fees earned from sellers, the Group concluded that these losses are acceptable from the business perspective to drive overall buyer engagement and transaction volumes that generate positive net revenues earned as a whole.

ALLECOINS

The Allecoins loyalty program was implemented to encourage buyers to exhibit specific behaviours (e.g. purchase via the mobile application, purchases in defined categories). Buyers accumulate coins for purchases made which entitle them to discounts on future purchases. A contractual liability for the award points is recognised at the time of the sale. The value of discounts earned and redeemed during the period are classified as discounts and incentives. Those earned on purchases from merchants are presented as an adjustment to revenue while coins earned as a result of various buyers' activities on the Platform (for example downloading mobile application) are presented as marketing expenses.

9.2. Disaggregation of revenue from contracts with customers

	01.01–31.12.2023	01.01–31.12.2022
Marketplace revenue	6,327,529	5,340,815
Advertising revenue	833,401	612,265
Price comparison revenue	207,895	193,850
Retail revenue	2,598,771	2,694,679
Logistic Service Revenue	140,541	87,204
Other revenue	77,180	76,103
Revenue	**10,185,317**	**9,004,916**

The element of the revenue generating activity which is a negative amount being an excess of the Costs of Smart!' deliveries over the subscription fee earned is presented as an expense in "Net costs of delivery" in operating expenses in the statement of comprehensive income.

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The disaggregation of revenue from contract with customers is presented below:

01.01–31.12.2023	Allegro	Ceneo	Mall	Allegro Interna-tional	Other	Elimina-tions	Total
Marketplace revenue	6,162,008	—	70,583	43,730	57,357	(6,149)	6,327,529
Advertising revenue	781,942	51,212	10,618	5,062	—	(15,433)	833,401
Price comparison revenue	—	253,301	—	—	—	(45,406)	207,895
Retail revenue	486,092	—	2,116,082	—	106	(3,509)	2,598,771
Logistic Service Revenue	53,680	—	93,241	7,343	—	(13,723)	140,541
Other revenue	103,291	1,365	34,755	5	4,403	(66,639)	77,180
Revenue	**7,587,013**	**305,878**	**2,325,279**	**56,140**	**61,866**	**(150,859)**	**10,185,317**

01.01–31.12.2022	Allegro	Ceneo	Mall	Other	Eliminations	Total
Marketplace revenue	5,237,602	—	59,084	44,360	(230)	5,340,815
Advertising revenue	555,372	57,844	4,898	—	(5,849)	612,265
Price comparison revenue	—	239,147	—	—	(45,297)	193,850
Retail revenue	483,943	—	2,214,412	—	(3,676)	2,694,679
Logistic Service Revenue	27,495	—	59,708	—	—	87,204
Other revenue	61,565	2,617	27,665	280	(16,023)	76,103
Revenue	**6,365,977**	**299,608**	**2,365,767**	**44,640**	**(71,075)**	**9,004,916**

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major operating segments.

01.01–31.12.2023 Timing of revenue recognition:	Allegro	Ceneo	Mall	Allegro Interna-tional	Other	Elimina-tions	Total
At a point in time (incl. success fee)	6,252,260	254,666	2,308,280	56,140	61,866	(133,090)	8,800,122
Over time	1,334,753	51,212	16,999	—	—	(17,769)	1,385,195
Revenue	**7,587,013**	**305,878**	**2,325,279**	**56,140**	**61,866**	**(150,859)**	**10,185,317**

01.01–31.12.2022 Timing of revenue recognition:	Allegro	Ceneo	Mall	Other	Eliminations	Total
At a point in time (incl. success fee)	5,470,560	240,194	2,301,159	44,640	(62,965)	7,993,589
Over time	895,417	59,414	64,607	—	(8,110)	1,011,328
Revenue	**6,365,977**	**299,608**	**2,365,767**	**44,640**	**(71,075)**	**9,004,916**

The Group has a dispersed customer base – no single customer generates more than 10% of revenue.

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9.3. Contract assets and liabilities

The Group has recognised the following revenue-related contractual liabilities:

	Smart! program deferred income [1]	Listing and promotional deferred income [2]
As at 01.01.2023	**93,279**	**9,206**
Increased/(decreased)	29,019	480
As at 31.12.2023	**122,298**	**9,686**

	Smart! program deferred income [1]	Listing and promotional deferred income [2]
As at 01.01.2022	**92,114**	**8,836**
Increased/(decreased)	1,165	370
As at 31.12.2022	**93,279**	**9,206**

Contract liabilities are presented in trade and other liabilities.

There were no significant contract assets in 2023 and 2022.

SIGNIFICANT CHANGES IN CONTRACT ASSETS AND LIABILITIES

There were no significant changes in contract liabilities in the current period resulting from other transactions than the recognition of the subscription fees from buyers and recognition of revenue when the services are provided.

REVENUE RECOGNISED IN RELATION TO CONTRACT LIABILITIES

Revenue of PLN 93,279 was recognised in the period from 1 January to 31 December 2023 from the Smart! program contract liability (impacted line item "Net costs of delivery" in Statement of comprehensive income) and PLN 9,206 from listing and promotional deferred income from the amounts that were included in the contract liability balance at the beginning of the period.

Revenue of PLN 92,114 was recognised in the period from 1 January to 31 December 2022 from the Smart! program contract liability (impacted line item "Net costs of delivery" in Statement of comprehensive income) and PLN 8,836 from listing and promotional deferred income from the amounts that were included in the contract liability balance at the beginning of the comparative period.

TRANSACTION PRICE ALLOCATED TO UNSATISFIED PERFORMANCE OBLIGATIONS

All contracts are concluded for periods of the expected original duration of one year or less. As permitted under IFRS15, the entity does not disclose the transaction price allocated to these unsatisfied or partially unsatisfied contracts when it expects to recognise such amounts as revenue.

ASSETS RECOGNISED FROM COSTS TO OBTAIN AND FULFIL A CONTRACT

There were no assets to obtain or fulfil a contract in 2023 and 2022.

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9.4 Refund liabilities

The value of refund liabilities at the balance sheet date was:

	Allecoins customer loyalty program contract liability [1]	Refunds contract liability [2]	Advertising revenue retrospective bonuses [3]
As at 01.01.2023	**28,856**	**33,943**	**5,553**
Increased/(decreased)	(7,166)	(7,376)	2,289
As at 31.12.2023	**21,690**	**26,567**	**7,842**

	Allecoins customer loyalty program contract liability [1]	Refunds contract liability [2]	Advertising revenue retrospective bonuses [3]
As at 01.01.2022	**36,477**	**14,596**	**5,625**
Increased/(decreased)	(7,621)	19,347	(72)
As at 31.12.2022	**28,856**	**33,943**	**5,553**

[1] **Allecoins customer loyalty program** – the Allegro coins program was introduced in January 2017. More information about the program is provided in the note 9.1.

[2] **Refunds** – this position includes commission refunds, refunds for goods sold on marketplace (1P model) and other refunds. Every buyer has the right to return a purchased product to the seller, in which case the Group is obliged to refund the commission for a cancelled transaction or entire value of transaction in case of retail revenue. At the end of each reporting period the Group adjusts the transaction revenue for the expected returns and recognises a provision for returns of success fee and goods sold. Refund commission liability represents the amount of consideration that the Group expects to repay to sellers (marketplace revenue) or buyers (retail revenue) using the expected value method with corresponding adjustment to revenue.

[3] **Advertising retrospective bonuses** – the Group pays out retro-bonuses to media houses which promote ads on web pages. The estimated discounts are recognised as refund liability. Bonuses are paid after reaching agreed levels of annual spending by the media house.

The refund liabilities recognised as at opening balances of each reporting period were settled at amounts which are materially consistent with the amounts recognised.

Refund liabilities are presented in trade and other liabilities.

9.5 Significant judgment on the accounting of Smart! program

In developing its revenue accounting policies to reflect the requirements of IFRS 15 on revenue accounting, the Management considered whether the judgements used result in its accounting presentation best reflecting the economic substance of the sales transactions and incentive programs related to the marketplace. The Management identified two separate groups of contracts – contracts with sellers and contracts with buyers (Smart! contracts) that produce separate revenue streams and as a result the buyer and the seller should be considered as separate customers. The Smart! program leads to a distinct revenue stream where Allegro provides a service – arranging (and paying) for deliveries in exchange for a subscription fee from the Smart! subscriber. The transaction price under the Smart! contract is allocated only to the performance obligation resulting from the Smart! contract, and the transaction price under the contract with the seller is allocated only to the performance obligation resulting from the contract with the seller as these are separate contracts which do not meet the criteria for combination as they are entered into independently with different parties and at different times. Therefore there is no reallocation of the transaction price between these contracts irrespective of the fact that these contracts are economically linked. Most Smart! contracts with buyers result in a loss (a negative margin) as delivery costs will exceed the subscription fee on an individual Smart! contract level.

Management believes that presentation of the negative margin from Smart! contracts as "Net costs of delivery" in operating expenses is most appropriate as the business purpose of the Smart! program is to make its marketplace more attractive compared to competition, to attract buyers and to boost sales on its marketplace, so the excess costs of the Smart! Program are in substance a promotional activity and should be presented as an expense.

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10. Financial income and financial costs

	01.01–31.12.2023	01.01–31.12.2022
Net exchange gains on foreign currency transactions	—	6,113
Interest from deposits	51,813	25,137
Other financial income	22,438	2,007
Financial income	**74,251**	**33,257**
Interest paid and payable for financial liabilities	(544,863)	(528,063)
Result on interest rate hedging	219,845	140,348
Remeasurement of borrowings	76,097	(58,156)
Interest on leases	(28,952)	(23,314)
Revolving facility availability fee	(6,476)	(5,428)
Net exchange losses on foreign currency transactions	(73,349)	—
Other financial costs	(6,505)	(15,972)
Financial costs	**(364,203)**	**(490,584)**
Net financial costs	**(289,952)**	**(457,327)**

The increase in the interest expenses is driven by the higher average balance of Group's borrowings as a result of acquisition of Mall Group on 1 April 2022, as well as the higher WIBOR reference rate across the year. This resulted in the higher costs of servicing the Group's floating rate indebtedness and increased receipts from settling fixed to floating interest rate swap contracts.

In 2023 the Group completed a refinancing transaction that resulted in modification of existing borrowings (more information in note 20). The impact of this transaction is presented as remeasurement of borrowings.

At the same time the amount presented for 2022 reflects the increased leverage ratio of the Group, which by the effect of the terms of the binding contract, results in a higher margin and increase in the carrying value of the existing borrowings valued at amortised cost.

The higher financial income generated on the interest from deposits results from the trend of increasing the main reference rates by the National Bank of Poland that resulted in higher deposit rates offered by the commercial banks.

11. Income tax

Income tax for the year comprises current and deferred taxation. Income tax is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In such cases, tax is also recognised in other comprehensive income or directly in equity, respectively.

The management reviews from time to time the approach adopted in preparing tax returns where the applicable tax regulations are subject to interpretation. In justified cases, a provision is established for the expected tax payable to tax authorities.

The majority of the Group's taxable income is generated in Poland. The CIT rates applicable in each of the countries where the Group has legal entities are set out below:

	Tax rate	
Country	01.01–31.12.2023	01.01–31.12.2022
Poland	19.00%	19.00%
Luxembourg	24.94%	24.94%
Czech Republic	19.00%	19.00%
Slovenia	19.00%	19.00%
Slovakia	21.00%	21.00%
Hungary	9.00%	9.00%
Croatia	18.00%	18.00%

11.1. Income tax expense

	01.01–31.12.2023	01.01–31.12.2022
Current income tax on profits	(373,681)	(292,755)
Adjustments for current tax of prior periods	13,147	(52,620)
(Increase)/Decrease in net deferred tax liability	144,423	68,033
Income tax expense	**(216,111)**	**(277,342)**

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11.2. Significant estimates

In the light of the General Anti-Abuse Rule ("GAAR"), aimed at preventing the formation and use of artificial legal structures created to avoid paying taxes, the Group conducted an overall analysis of its tax situation in order to identify and evaluate transactions and operations that could be subject to GAAR, considering the effect on deferred tax, the tax value of assets and tax risk provisions.

In the opinion of the Management, the analysis confirmed that current and deferred tax amounts are properly stated. Nevertheless, the Group is of the opinion that an inherent feature of GAAR is uncertainty about the Group's interpretation of tax law regulations, which can affect the ability to realise deferred income tax assets in future periods and result in the payment of additional unaccrued tax for prior periods.

These rules are applicable to entities operating on territories of Poland, the Czech Republic, Slovenia and Slovakia.

Tax authorities may inspect accounting books and tax settlements within five to ten years (dependent on tax jurisdiction and relevant circumstances) of the end of the year in which tax returns are filed and they may levy additional tax, including fines and interest, on the Group. The Group conducts an overall analysis of its tax situation in order to identify and evaluate any transaction and operations that might represent risk from an Uncertain Tax Position, as defined in IFRIC 23. For more information please refer to note number 11.6.

11.3. Reconciliation of income tax expense to tax paid and payable

	01.01–31.12.2023	01.01–31.12.2022
Profit from continuing operations before income tax expense	500,169	(1,639,454)
Tax (payable)/recoverable at the Polish tax rate of 19%	**(95,032)**	**311,496**
Tax effect of amounts which are not deductible in calculating taxable income:		
Non-deductible expenses	(33,391)	(465,610)
Unrecognised deferred asset on tax losses	(94,911)	(68,444)
Effect of foreign tax rates and regulations	4,655	(2,164)
Adjustments for current tax of prior periods	13,147	(52,620)
Change in tax rate	(10,579)	—
Income tax expense	**(216,111)**	**(277,342)**

Non-deductible expenses for 2022 in the amount of PLN 465,610 includes the impact of impairment of goodwill that arose on acquisition of the Mall Group and WE|DO, in the amount of PLN 435,670 (see details in note 29).

'Effect of foreign tax rates and regulations' represents the effect of different tax rates used in Poland and in other Group countries.

Effective 1 January 2024, the corporate income tax rate in the Czech Republic has been increased from 19% to 21%, resulting in recalculation of deferred tax liabilities for entities operating within the country. The impact of this adjustment is reflected in the 'change in tax rate' line item.

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11.4.
Amounts recognised directly in other comprehensive income

The deferred tax relating to other comprehensive income recognised directly in other comprehensive income amounted to PLN 57,862 income in 2023 and to PLN 29,717 cost in 2022.

11.5.
Tax losses

In 2023 Mall Group incurred unrecognised deferred tax losses on which deferred tax asset in the amount of PLN 79,542 was not recognised. The total Mall Group cumulative tax losses carried forward as at 31 December 2023 and 31 December 2022 are presented in the table below.

The Group concluded that Mall is not likely to generate future taxable income during the period in which these tax losses may be utilised.

	31.12.2023	31.12.2022
Will expire 2023	—	70,473
Will expire 2024	67,105	76,457
Will expire 2025	154,633	171,034
Will expire 2026	77,200	85,545
Will expire 2027	440,175	536,558
Will expire 2028	345,523	—
Will expire 2029	—	—
Will expire 2030	4,923	5,436
Never expire	155,584	114,084
Total tax losses carried forward for which no deferred tax asset was recognised	**1,245,143**	**1,059,587**

11.6.
Other

No deferred tax liability is recognised on temporary differences of PLN 3,112,536 (2022: PLN 1,881,699) relating to the unremitted earnings of subsidiaries, as unremitted earnings are not taxable when paid.

In 2022 Allegro and Ceneo were subject to several audits concerning the Corporate Income Tax ('CIT') and Withholding tax ('WHT') settlements for the financial years 2016-2022. In 2022 the Group settled the following tax obligations towards the Tax Authority:

i) the CIT obligation for 2016 – 2018 via transferring PLN 22,526 in tax and interest of PLN 7,683;

ii) the WHT obligation towards the Tax Authority for 2016 – 2018 via transferring PLN 3,277 in tax and interest of PLN 1,339;

iii) the CIT obligation towards the Tax Authority for 2019 – 2020 via transferring PLN 8,508 in tax and interest of PLN 1,622.

In early 2023 the Group settled the outstanding WHT obligation for 2019-2020 via transferring PLN 3,615 in tax and interest of PLN 1,125, marking an end of the tax audits initiated by the Tax Authority.

Charges related to the current tax of prior periods and withholding tax are presented in the statement of comprehensive income as part of the income tax line, whilst the interest arising on those penalties is included in the financial cost

11.7.
Pillar Two

Pillar Two legislation has been enacted or substantively enacted in most jurisdictions the Group operates (Luxembourg, Czech Republic, Slovenia, Slovakia, Hungary, Croatia). The legislation will be effective for the Group's financial year beginning 1 January 2024. The Group is in the process of assessing its exposure to the Pillar Two legislation for when it comes into effect and applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023.

Due to the complexities in applying the legislation and calculating GloBE income, the quantitative impact of the enacted or substantively enacted legislation is not yet reasonably estimable. The Group is currently engaged with external tax advisors to implement Pillar Two for 2024 and assist in assessing its financial impact. Moreover, the relevant legislation in Poland, being the main country of Group operations, was not enacted or substantively enacted.

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12. Earnings per share

The amounts in this note are provided in PLN and not in thousand PLN.

Basic and Diluted Earnings per share for the years ended 31 December 2023 and 31 December 2022 were:

	01.01–31.12.2023	01.01–31.12.2022
Net profit attributable to equity holders of the Parent Company	284,057,748	(1,916,795,640)
Profit/ (Loss) for ordinary shareholders	**284,057,748**	**(1,916,795,640)**
Average number of ordinary shares	1,056,517,432	1,051,061,575
Profit/ (Loss) per ordinary share (basic)	**0.27**	**(1.82)**
Effect of diluting the number of ordinary shares [1]	2,914,835	—
Number of ordinary shares shown for the purpose of calculating diluted earnings per share*	1,059,432,267	—
Profit/ (Loss) per ordinary share (diluted)	**0.27**	**(1.82)**

[1] in 2022 the potentially dilutive instruments would have been 1,344,858 nevertheless in 2022 they did not have dilutive impact due to the fact that the Group had generated loss thus those instrument would decrease loss per share.

Basic earnings per share are calculated by dividing the net profit for the period attributable to ordinary equity holders of the Parent Company, by the weighted average number of ordinary shares.

At the beginning of the current period, the ordinary shares issued by the Parent stood at 1,056,904,853 and for the purpose of calculating the Earnings per Share was decreased by treasury shares held by the Group.

In 2023 the Group announced a share buyback program, aimed to satisfy awards granted under the Allegro Incentive Plan. The transactions took place on 22 and 23 February 2023 and resulted in acquisition of 725,000 own shares, from which 655,257 units were distributed to employees in April upon the next vesting date of Allegro Incentive Plan and the remaining 69,743 undistributed shares were held as Treasury Shares at 31 December 2023. The pecuniary amount of shares acquired amounted to PLN 20,055,596.

In November 2023 the Group announced a further share buyback programme in order to meet the obligations arising under Allegro Incentive Plan. As a result 2,172,523 of shares were purchased between 11 and 15 of December 2023, for the amount of PLN 67,570,083.

At the end of the period the ordinary shares issued by the Parent stood at 1,056,904,853 and for the purpose of calculating the Earnings per Share was decreased by 2,242,266 treasury shares. The average number of ordinary shares used for the purpose of calculating basic Earnings per Share was 1,056,517,432.

The dilutive item presented in the table above refers to the RSU units granted as part of the AIP program. RSU are treated as a non-performance share based payment award and are included in computing diluted EPS if the effect is dilutive (i.e. the shares will be issued for no consideration). RSU has a dilutive impact on the EPS calculation in so far as they are expected to result in the issuance of ordinary shares for less than the average market price of ordinary shares during their vesting period.

PSU are performance-related share based payments and therefore are treated as contingently issuable shares. The diluted EPS computation includes those shares that would be issued under the terms of the contingency, based on the current status of conditions, as if the end of the reporting period was the end of the contingency period. The PSU variant of the AIP program has a dilutive effect on the EPS calculation for the period ended 31 December 2023 as the performance conditions required for delivery of shares to the program participant have been met. At the same time it was not dilutive for the period ended 31 December 2022 as it would have had decreased net loss per share.

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NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

13. Intangible assets

GOODWILL

Goodwill arises on the acquisition of business undertakings. Goodwill is not amortised but tested for impairment annually or more frequently, if there is objective evidence of impairment. For the purposes of impairment testing, goodwill is allocated to cash-generating units which are expected to benefit from the synergies of business combination. Impairment loss is recognised when the carrying amount of a cash-generating unit to which goodwill is allocated is higher than its recoverable amount. Recoverable amount is the higher of fair value less costs of disposal and the value in use (more information in note 29.1).

SOFTWARE

Separately purchased software is initially recognised at cost, or at fair value measured at acquisition if recognised on the business combination. Subsequently, these intangible assets are measured at cost less accumulated amortisation and less accumulated impairment, if any. Most of the software have a limited useful life up to 10 years. Amortisation is calculated on a straight line basis in order to spread the cost over the estimated useful life

The following software was acquired as a result of the business combination and is amortised:

Software	Date of acquisition	Estimated useful economic life
Allegro Platform	18 January 2017	10 years
Ceneo Platform	18 January 2017	10 years
eBilet	19 April 2019	15 years
Opennet	27 October 2020	15 years

TRADEMARKS AND DOMAINS

Separately purchased trademarks and domains are initially recognised at cost, or at fair value using the Royalty Relief Method if recognised on the business combination. Trademarks are measured at historical cost (or initially at fair value) less amortisation and impairment losses. Trademarks with finite useful life are amortised on a straight line basis for their estimated useful life. Trademarks with indefinite useful life are not amortised but tested for impairment annually.

In the current reporting period the Group reassessed the useful life of Allegro.pl domain and trademark from finite to indefinite period (more information in note 29).

As at 31 December 2023 the major trademarks and domains, with the corresponding useful lives were as follows:

Trademark and Domain	Date of acquisition	Estimated useful economic life
Allegro	18 January 2017	indefinite
Ceneo	18 January 2017	10 years
eBilet	19 April 2019	15 years
Opennet	27 October 2020	15 years
Internet Mall d o.o.	1 April 2022	3 years
Mimovrste	1 April 2022	3 years
WE|DO	1 April 2022	3 years

Allegro trademark and domain, presented in the table above, are individually material assets with the carrying amount of PLN 778,060 as of 31 December 2023.

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CUSTOMER RELATIONSHIPS

Customer relationships arising from business combinations are measured initially at fair value with the Multi-Period Excess Earnings method ("MPEE") and their carrying value is subsequently decreased by amortisation and impairment.

Customer relationships are amortised on a straight line basis. As at 31 December 2023 the Group owned the following intangibles with the corresponding useful lives:

Customer relationships	Date of acquisition	Estimated useful economic life
Allegro	18 January 2017	20 years
Ceneo	18 January 2017	20 years
eBilet	19 April 2019	15 years
Opennet	27 October 2020	15 years
Internet Mall.sk	1 April 2022	20 years
Internet Mall.cz	1 April 2022	20 years
Mimovrste	1 April 2022	20 years
Allegro.sk	n/a [1]	20 years
Allegro.cz	n/a [1]	20 years

[1] reallocated from Mall (see note 29.2)

Allegro customer relationships, presented in the table above, are individually material assets with the carrying amount of PLN 1,814,044 as of 31 December 2023.

RESEARCH AND DEVELOPMENT COSTS

Although the Group does not have any department dedicated to research and development, such activities are performed throughout the organisation. The Group develops its platform and introduces new projects in order to satisfy the needs of its buyers and sellers. Development expenditure that meets the capitalisation criteria is recognised as intangible assets. Research and development expenditure that does not meet the capitalisation criteria is recognised as an expense as incurred. The Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. The Group is not able to estimate the value of research and development expenditures recognised through profit or loss because tracking of costs starts after formal acceptance of a specific project.

Development work is the practical application of research findings or other knowledge to plan or design the production of new or substantially improved materials, devices, products, technological processes, systems or services. The Group's development costs relate to production of software containing new or significantly improved functionalities by the technology department and incurred before the software is launched commercially or the technology is applied on a serial basis.

The value of development work is measured based on expenditures incurred, in particular staff costs and other costs and related charges for the employees involved in a project, costs of contractors, costs of third party services and other costs of the project.

The completion of each project is confirmed with an acceptance report, is capitalised in the Group's intangible assets and amortised on a straight line basis for 4-7 years. Unsuccessful developments are expensed on a one-off basis at the time a decision is made to terminate the project.

Software under development is tested annually for impairment.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets with an indefinite useful life and goodwill are not subject to amortisation but tested annually for impairment. Amortised assets are tested for impairment whenever there is any evidence that their carrying amount may not be recoverable. Impairment charges are made at the excess of the carrying amount of a given asset over its recoverable amount. Recoverable amount is the higher of fair value less costs of disposal and value in use. For the purposes of impairment assessment, assets are grouped at the lowest level for which there are separately identifiable cash inflows (cash generating units).

Non-financial assets, other than goodwill, are reviewed for indication of a possible reversal of the impairment charge at each reporting period end date.

On 30 September 2022 the Group recognised impairment loss in the amount of PLN 2,293,000 that was fully attributable to Goodwill that arose on the acquisition transaction of Mall Group and WE|DO.

On 31 December 2023 the Group performed the annual goodwill impairment testing. As a result, an impairment loss of intangible assets in the amount PLN 629,332 was recognised in reference to Mall North and CZC CGUs (refer to note 29). The impairment loss was allocated first to goodwill and then pro rata to other intangible assets (software, trademark and customer relationship).

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	Goodwill	Customer relationships	Trademarks and other rights	Computer software and licences	Software development costs	Software under development	Other	Total
Cost at 01.01.2023 restated [1]	**11,113,837**	**4,000,525**	**1,808,978**	**1,359,335**	**753,732**	**185,052**	**73,019**	**19,294,479**
Additions	—	—	—	9,171	—	371,975	20,282	401,428
Disposals	—	—	—	(2,986)	—	—	(633)	(3,619)
Transfer from development	—	—	—	32,128	306,242	(336,670)	(1,700)	—
Reclassification	—	—	—	—	—	—	—	—
Exchange differences	(230,335)	(96,199)	(26,098)	(28,765)	—	(3,867)	(186)	(385,450)
Other movements	—	—	—	(2,850)	—	—	513	(2,337)
Cost as at 31.12.2023	**10,883,502**	**3,904,326**	**1,782,880**	**1,366,033**	**1,059,974**	**216,490**	**91,295**	**19,304,501**
Accumulated amortisation as at 01.01.2023	**—**	**(906,280)**	**(645,967)**	**(656,695)**	**(267,797)**	**—**	**(64,492)**	**(2,541,231)**
Amortisation charge	—	(198,722)	(141,907)	(188,207)	(181,280)	—	(19,920)	(730,037)
Disposal	—	—	—	889	—	—	633	1,523
Exchange differences	—	7,204	9,816	7,964	—	—	35	25,019
Other movements	—	—	—	(11,901)	—	—	16,762	4,861
Accumulated amortisation as at 31.12.2023	**—**	**(1,097,798)**	**(778,058)**	**(847,950)**	**(449,077)**	**—**	**(66,982)**	**(3,239,865)**
Impairment losses as at 01.01.2023	**(2,248,688)**	**—**	**—**	**—**	**(274)**	**(8,808)**	**—**	**(2,257,770)**
Impairment loss	(30,574)	(312,211)	(116,170)	(177,312)	—	(1,614)	(2,634)	(640,515)
Disposals	—	—	—	—	—	7,160	2,634	9,794
Exchange differences	211,900	—	—	1,063	—	—	—	212,963
Impairment losses as at 31.12.2023	**(2,067,362)**	**(312,211)**	**(116,170)**	**(176,249)**	**(274)**	**(3,262)**	**—**	**(2,675,528)**
Carrying amount as at 31.12.2023	**8,816,140**	**2,494,317**	**888,652**	**341,834**	**610,623**	**213,228**	**24,313**	**13,389,108**

[1] details in note 3.2.3.

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	Goodwill	Customer relationships	Trademarks and other rights	Computer software and licences	Software development costs	Software under development	Other	Total
Cost as at 01.01.2022	**8,669,569**	**2,912,512**	**1,513,562**	**1,053,824**	**451,207**	**142,317**	**51,727**	**14,794,718**
Additions	—	—	4,228	38,951	—	322,984	21,126	387,289
Additions due to business combinations	2,401,089	1,065,213	284,802	260,923	—	9,579	453	4,022,060
Disposals	—	—	—	(38)	—	—	(19)	(57)
Transfer from development	—	—	—	5,823	288,408	(292,444)	(1,788)	—
Reclassification	—	—	1,006	—	—	—	(1,006)	—
Exchange differences	43,179	22,800	5,379	5,326	—	168	12	76,864
Other movements	—	—	—	(5,474)	14,117	2,447	2,514	13,604
Cost at 31.12.2022 restated [1]	**11,113,837**	**4,000,525**	**1,808,978**	**1,359,335**	**753,732**	**185,052**	**73,019**	**19,294,478**
Accumulated amortisation as at 01.01.2022	**—**	**(712,467)**	**(488,800)**	**(520,976)**	**(140,560)**	**—**	**(32,043)**	**(1,894,846)**
Amortisation charge	—	(191,610)	(155,799)	(132,761)	(119,721)	—	(32,108)	(631,999)
Exchange differences	—	(546)	(650)	(318)	—	—	(204)	(1,718)
Reclassification	—	—	(17)	—	—	—	17	—
Other movements	—	(1,657)	(702)	(2,641)	(7,515)	—	(153)	(12,668)
Accumulated amortisation as at 31.12.2022	**—**	**(906,280)**	**(645,967)**	**(656,695)**	**(267,797)**	**—**	**(64,492)**	**(2,541,231)**
Impairment losses as at 01.01.2022	**—**	**—**	**—**	**—**	**(274)**	**—**	**—**	**(274)**
Impairment loss	(2,293,000)	—	—	—	—	(8,808)	—	(2,301,808)
Exchange differences	44,312	—	—	—	—	—	—	44,312
Impairment losses as at 31.12.2022	**(2,248,688)**	**—**	**—**	**—**	**(274)**	**(8,808)**	**—**	**(2,257,770)**
Carrying amount as at 31.12.2022 restated [1]	**8,865,149**	**3,094,245**	**1,163,010**	**702,640**	**485,661**	**176,244**	**8,528**	**14,495,477**

The Group did not capitalise any interest expense or exchange rate differences during the periods presented.

[1] details in note 3.2.3.

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14.
Property, plant and equipment

Property, plant and equipment are carried at historical cost less depreciation and impairment losses. The historical cost includes expenses directly associated with the acquisition of assets. Depreciation of property, plant and equipment is calculated on a straight line basis in order to spread initial value less expected residual value over the period of useful life, which for individual classes of property, plant and equipment are as follows:

- Buildings and structures 10 years
- Systems and network hardware 4-20 years
- Warehouse Equipment 2-10 years
- Automated Parcel Machines 7-12 years
- Land ((right of use asset) 2-8 years
- Motor vehicles 5-7 years
- Other 2-5 years

The residual value and useful life periods of property, plant and equipment are reviewed and adjusted if necessary at the end of each reporting period. In the current year there were no significant changes in the useful life. Gains or losses arising from disposal of property, plant and equipment are determined by comparing the proceeds and the carrying amounts and are recognised in other operating income or expenses. In the current year there were no significant disposals recognised

Right-of-use assets are amortised over the estimated length of the lease contract. The detailed information regarding the presentation of right-of-use assets is described in note 21.

	Buildings	Computers and office equipment	Warehouse Equipment	Automated Parcel Machines	Land	Other fixed assets	Assets under construction	Total
Cost as at 01.12.2023	**785,939**	**389,235**	**64,471**	**173,706**	**76,732**	**91,490**	**39,646**	**1,621,218**
Additions	11,190	28,211	7,299	30,048	32,498	142	17,884	127,272
Disposals	(56,600)	(5,644)	(5,838)	(497)	(358)	(145)	—	(69,081)
Transfer from assets under construction	439	5,662	6,569	33,011	—	—	(45,682)	—
Remeasurement of lease payments	62,130	455	—	—	4,310	(26)	—	66,869
Exchange differences	32,481	(28,274)	(7,377)	—	—	(9,208)	(407)	(12,786)
Reclassification	—	—	76,378	—	—	(76,378)	—	—
Other movements	(1,537)	—	(527)	—	—	111	(1,163)	(3,116)
Cost as at 31.12.2023	**834,042**	**389,645**	**140,975**	**236,268**	**113,181**	**5,986**	**10,278**	**1,730,376**
Accumulated depreciation as at 01.12.2023	**(216,722)**	**(180,034)**	**(7,299)**	**(10,389)**	**(12,423)**	**(16,246)**	**—**	**(443,479)**
Depreciation charge	(120,226)	(60,014)	(22,596)	(20,024)	(19,560)	(1,656)	—	(244,077)
Disposals	51,867	5,109	4,351	52	175	144	—	61,697
Exchange differences	(1,904)	(7,560)	1,788	—	—	(480)	—	(8,155)
Reclassification	—	—	(13,959)	—	—	13,959	—	—
Accumulated depreciation as at 31.12.2023	**(286,985)**	**(242,499)**	**(37,715)**	**(30,361)**	**(31,808)**	**(4,279)**	**—**	**(634,013)**
Impairment losses as at 01.12.2023	**(3,153)**	**(3,727)**	**—**	**—**	**—**	**(1,983)**	**(365)**	**(8,863)**
Impairment loss	(9,347)	—	—	—	—	—	—	(9,347)
Disposals	2,340	3,677	—	—	—	1,983	365	8,364
Exchange differences	591	50	—	—	—	—	—	641
Impairment losses as at 31.12.2023	**(9,569)**	**—**	**—**	**—**	**—**	**—**	**—**	**(9,204)**
Carrying amount as at. 31.12.2023	**537,488**	**147,146**	**103,260**	**205,907**	**81,373**	**1,707**	**10,278**	**1,087,159**

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	Buildings	Computers and office equipment	Warehouse Equipment	Automated Parcel Machines	Land	Other fixed assets	Assets under construction	Total
Cost As at 01.01.2022	**325,334**	**246,788**	**—**	**70,065**	**—**	**1,638**	**72,182**	**716,007**
Additions	357,055	85,784	47,333	94,663	48,109	4,461	42,083	679,490
Additions due to business combinations	155,876	57,949	—	—	—	82,544	21,856	318,225
Disposals	(57,106)	(17,137)	(434)	(566)	(230)	(197)	—	(75,670)
Transfer from assets under construction	24,089	27,190	6,175	37,804	—	1,415	(96,672)	—
Remeasurement of lease payments	(5,314)	—	—	—	592	381	—	(4,342)
Lease Incentives	(17,022)	—	—	—	—	—	—	(17,022)
Exchange differences	3,027	59	—	—	—	1,247	196	4,530
Reclassification	—	(11,397)	11,397	(28,260)	28,260	—	—	—
Cost As at 31.12.2022	**785,939**	**389,235**	**64,471**	**173,706**	**76,732**	**91,490**	**39,646**	**1,621,218**
Accumulated depreciation as at 01.01.2022	**(139,491)**	**(129,954)**	**—**	**(1,649)**	**—**	**(756)**	**—**	**(272,198)**
Depreciation charge	(131,144)	(68,757)	(3,579)	(10,259)	(10,944)	(15,291)	—	(239,993)
Depreciation of disposals	54,377	16,078	9	10	30	182	—	70,686
Exchange differences	(465)	(1,130)	—	—	—	(381)	—	(1,974)
Reclassification	—	3,729	(3,729)	1,509	(1,509)	—	—	—
Accumulated depreciation as at 31.12.2022	**(216,722)**	**(180,034)**	**(7,299)**	**(10,389)**	**(12,423)**	**(16,246)**	**—**	**(443,479)**
Impairment losses as at 01.01.2022	**—**	**—**	**—**	**—**	**—**	**—**	**(348)**	**—**
Impairment loss	(3,153)	(3,727)	—	—	—	(1,983)	(17)	(8,863)
Impairment losses as at 31.12.2022	**(3,153)**	**(3,727)**	**—**	**—**	**—**	**(1,983)**	**(365)**	**(8,863)**
Carrying amount as at. 31.12.2023	**566,063**	**205,475**	**57,172**	**163,317**	**64,308**	**73,260**	**39,281**	**1,168,877**

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15. Inventory

The value of the Group's inventory was as follows:

	31.12.2023	31.12.2022
Goods	320,569	513,698
Materials	299	4,162
Allowance for slow-moving goods	(20,714)	(21,240)
Total	**300,154**	**496,620**

15.1. Assigning costs to inventories

The goods are purchased for resale by Group's own proprietary stores via marketplace on the platforms (see revenue recognition policy in note 9.1).

Goods and materials are stated at the lower of cost and net realisable value. Inventories are determined using the first in, first out (FIFO) method. Cost of purchased inventory is determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

15.2. Amounts recognised in profit or loss

In the current reporting period the Group has recognised an inventory write-off in the amount of PLN 526 (2022: PLN 15,583).

Write-downs are charged to costs of goods sold in the statement of comprehensive income.

16. Trade and other receivables

The value of the Group's trade and other receivables was as follows:

	31.12.2023	31.12.2022
Trade receivables, gross	994,605	1,216,591
Impairment of trade receivables	(86,615)	(116,942)
Trade receivables, net	**907,990**	**1,099,649**
Other receivables	123,208	127,703
VAT receivables	14,934	12,601
Tax receivables	32,210	88,321
Total	**1,078,342**	**1,328,274**

The Group's receivables comprise amounts due from companies and individuals and their concentration level is low. More than 80% of the Group trade and other receivables balance is due in Polish Zloty with the remainder mainly denominated in Czech Crowns or Euros.

16.1. Classification as trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of the Group's business. They are generally due for settlement within 14 days. In 2023 the Group started gradually introducing a fee deduction mechanism resulting in priority to draw the success fee earned on marketplace activities from the inflows that merchant is receiving from the customer. This translated to significant decrease of trade receivables, as well as the decrease of credit risk borne by the Group. Trade receivables are recognised initially at the amount of consideration that is unconditional. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest rate method. Details about the Group's impairment policies and the calculation of the loss allowance are provided in note 30.2 Credit risk.

16.2. Classification as other receivables

These amounts generally arise from transactions outside the usual operating activities of the Group (relate mainly to receivables due from payment operators). Interest may be charged at commercial rates where terms of repayment exceed six months.

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16.3.
Classification as tax receivables

Tax receivables amounts are based on the pay and refund mechanism that entered into full force as of 1 January 2022. Allegro, Ceneo and Allegro Pay are grossing up for withholding tax on their interest payments and remitting this tax to the tax authorities. In 2023 Allegro received a withholding tax refund from the Tax Authorities amounting to PLN 138,303 followed by the so-called preference / clearance opinion based on which Allegro does not have to apply the above pay and refund mechanism for interest payments made in the period December 2023 – December 2026. The motions for refund in Ceneo (PLN 295), Allegro Pay (PLN 6,683) and Allegro for Q4, 2023 (PLN 25,014) are pending.

16.4.
Fair value of trade and other receivables

Due to the short-term nature of current receivables, their fair value is considered to be the same as their carrying amount.

16.5.
Impairment and risk exposure

Information about impairment and the exposure to credit risk and interest rate risk is disclosed in note 30. Receivables outstanding as at the balance sheet date were subject to impairment provisions, in accordance with the Group's accounting policy. The receivables impairment allowance was recognised as part of the net impairment losses on financial and contract assets in the statement of comprehensive income. In comparison to the previous year, the impairment provision decreased by PLN 30,327 for the year ended 31 December 2023 compared to an increase by PLN 21,481 for the year ended 31 December 2022.

17.
Prepayments

The value of the Group's prepayments was as follows:

	31.12.2023	31.12.2022
Licences	26,864	27,823
Insurance	9,320	12,245
Technical support	9,689	5,368
Delivery Services	8,222	12,985
Lease deposits	1,855	1,291
Other	13,638	10,017
Short term prepayments	**69,588**	**69,729**
Total prepayments	**69,588**	**69,729**

Prepayments are made when the entity incurs costs before the period to which they relate or before it obtains the control over the asset. Prepayments are determined at the amount of costs attributable to subsequent reporting periods or at the amount of advance payment for the asset.

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18. Consumer loans

Consumer loans represent loans granted to buyers on the Allegro platform. Loans are granted for 30 days without interest and instalment loans for between 5 and 20 months. Furthermore, Smart! users may take 2-month zero interest instalment loans.

All loans are granted on the territory of Poland in Polish zloty (PLN).

CLASSIFICATION OF CONSUMER LOANS

The loans are initially recognised at fair value.

The Group classifies financial assets into the following categories:

- **measured at amortised cost for 'held to collect' cash flows model**, in which financial assets originated or acquired are held to maturity in order to collect contractual cash flows where those cash flows represent solely payments of principal and interest ("SPPI");
- **measured at fair value through other comprehensive income for 'held to collect and sell' cash flows model**, in which financial assets originated or acquired are held to maturity in order to collect contractual cash flows, where those cash flows represent solely payments of principal and interest ("SPPI"), but they may also be sold;
- **measured at fair value through profit or loss** for other than the "held to collect" or the "held to collect and sell" cash flows model.

CHANGE OF BUSINESS MODEL

In December 2022 the Group reassessed the business objectives of 30-days 'Pay later' consumer loans and concluded a sale transaction with Aion Bank S.A. ('Aion', 'Aion Bank'). In the effect those instruments were reclassified from 'held to collect' model, measured at amortised cost to 'other' model measured at fair value through profit and loss ("FVTPL"), on the first day of the first reporting period following the change in the business model, falling on 1 January 2023.

As a result, as at 31 December 2023 all the consumer loans are measured at fair value through profit or loss.

18.1. Consumer loans at fair value through profit and loss

The following table presents the consumer loans measured and recognised at fair value as at 31 December 2023 and 31 December 2022.

Consumer loans at FVTPL as at 01.01.2023	**209,335**
Reclassified from amortised cost (change in business model)	157,540
Consumer loans at FVTPL as at 01.01.2023	**366,875**
New consumer loans originated	8,323,922
Fair value measurement	65,243
Consumer loans derecognised (repaid)	(3,604,149)
Consumer loans derecognised (sold)	(4,748,630)
Consumer loans at FVTPL as at 31.12.2023	**403,261**
Reclassified from amortised cost (change in business model)	239,262
Consumer loans at FVTPL as at 01.01.2022	**239,262**
New consumer loans originated	2,148,467
Fair value measurement	(9,153)
Consumer loans derecognised (repaid)	(779,851)
Consumer loans derecognised (sold)	(1,389,390)
Consumer loans at FVTPL as at 31.12.2022	**209,335**

The fair value measurement of the loans is classified at level 3 of the fair value hierarchy. Fair value measurement is based on contractual cash flows adjusted by a credit risk element. They are discounted with a discount rate which comprises the risk-free rate and the effective margin. Assignment of the effective margin for the purpose of calculating the discount factor is based on the exposure's characteristics at measurement date.

A business model in which the Group manages those loans is realising cash flows solely through the sale of these loans. Even though the Group collects the contractual cash flows while it holds these loans (before sales to Aion Bank), the objective of such a business model is not achieved by both collecting contractual cash flows and selling financial asset as the collection of contractual cash flows is not integral to achieving the business model's objective; instead, it is incidental to it. Some of these loans may be prepaid before they are transferred to Aion Bank, however it does not impact the group's objectives in managing these loans.

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The majority of consumer loans are sold to the financing partner in the ordinary course of business, usually within 1-2 months from the origination date. The gain/loss generated on those transactions is minimal, as the pricing method agreed on the contractual basis does not materially differ from the fair value of the financial assets being subject to the sale transaction. At each reporting period, the Group compares the fair value of consumer loans against the expected price that would have been received from the financing partner if the sale transactions had occurred at the end of the reporting period. The outcome of this analysis proves this discrepancy not to be material.

The majority of the consumer loans held by the Group as of 31 December 2023 have been sold to the financing partner, since year-end, with no material result recognised on those sales.

In 2023, the Group started presenting separately the results from sale of consumer loans and gains resulting from fair value valuation at the end of the reporting period which is now included within 'Other operating income' line. This new financial statement line was separated for 2023 due to its increased materiality. The amounts for the comparative period were not material, hence the Statement of comprehensive income for 2022 was not restated.

In 2023, the Group executed consumer loans sale transactions under the agreement signed with Aion Bank in 2021. In effect the risk, rewards and control were transferred to the financing partner with the relevant consumer loans being derecognised.

There was no transfer into or out of Level 3 of the fair value hierarchy in the year ended 31 December 2023 and comparatives.

18.2. Consumer loans at amortised cost

Following the change of the business model the Group no longer holds any consumer loans valued at amortised cost as at December 2023.

The Gross carrying amount is the amortised cost of a Consumer loans before adjusting for expected credit loss allowance. The loss allowance relates to the expected credit losses under IFRS 9.

The table below shows the gross carrying amount (equal to maximum exposure to credit risk) and expected credit losses in each stage at 31 December 2022.

As at 01.01.2022	Stage 1	Stage 2	Stage 3	TOTAL
Consumer loans, gross	360,816	1,939	2,345	365,101
Expected credit losses	(2,935)	(1,105)	(2,275)	(6,316)
Consumer loans at amortised cost as at 01.01.2022	**357,881**	**834**	**70**	**358,785**

As at 31.12.2022	Stage 1	Stage 2	Stage 3	TOTAL
Consumer loans, gross as at 31.12.2021	360,816	1,939	2,345	365,101
Reclassification to FVTPL (change in a business model)	(240,881)	(1,111)	(1,369)	(243,361)
Opening balance, gross after the reclassification	**119,935**	**828**	**976**	**121,739**
New consumer loans originated	3,310,545	—	—	3,310,545
Transfer to stage 1	—	—	—	—
Transfer to stage 2	(13,715)	13,715	—	—
Transfer to stage 3	(3)	(6,130)	6,133	—
Consumer loans derecognised (partially repaid & other changes)	(30,114)	182	501	(29,431)
Consumer loans derecognised (fully repaid)	(3,060,626)	(6,422)	(1,638)	(3,068,686)
Consumer loans derecognised (sale)	(168,018)	—	—	(168,018)
Consumer loans, gross	**158,005**	**2,173**	**5,972**	**166,150**
Expected credit losses as at 31.12.2021	(2,935)	(1,105)	(2,275)	(6,316)
Reclassification to FVTPL (change in a business model)	2,160	613	1,326	4,099
Opening balance of ECL after reclassification	**(775)**	**(493)**	**(949)**	**(2,216)**
New consumer loans originated	(7,434)	—	—	(7,434)
Changes due to changes in credit risk	(5,200)	(8,028)	(1,719)	(14,946)
Transfer to stage 1	—	—	—	—
Transfer to stage 2	1,303	(1,303)	—	—
Transfer to stage 3	—	4,774	(4,774)	—
Consumer loans derecognised (repaid)	10,465	3,616	1,584	15,665
Consumer loans derecognised (sale)	321	—	—	321
Expected credit loss as at 31.12.2022	**(1,319)**	**(1,434)**	**(5,857)**	**(8,609)**
Consumer loans at amortised cost as at 31.12.2022	**156,686**	**739**	**115**	**157,540**

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As at 31.12.2022	Stage 1	Stage 2	Stage 3	TOTAL
Consumer loans, gross	158,005	2,173	5,972	166,151
Expected credit losses	(1,319)	(1,434)	(5,857)	(8,610)
Consumer loans at amortised cost as at 31.12.2022	**156,687**	**739**	**115**	**157,540**

The changes in the credit risk can result in the relevant stage reclassification. The movement of loss allowance driven by such events is presented in the "Changes due to changes in credit risk" line.

19. Cash and cash equivalents

At the balance sheet date Cash and cash equivalents comprised:

	31.12.2023	31.12.2022
Cash at bank	526,354	361,096
Bank deposits	1,321,901	393,056
Cash equivalents	200,867	123,407
Total	**2,049,122**	**877,559**

19.1 Classification as cash at bank

Cash at bank comprises cash on demand allocated in banks.

19.2 Classification as bank deposits

Bank deposits are deposits paying interests at fixed negotiated rates with maturity of three months or less from the date of placing the deposit and are repayable within 24 hours' notice.

19.3 Classification as cash equivalents

Cash equivalents comprise payments in transit made by the Group's customers via electronic payment channels.

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20. Borrowings

At the balance sheet date borrowings comprised:

	31.12.2023	31.12.2022
Long-term	**6,064,785**	**6,451,821**
Loans	*6,064,785*	*6,451,821*
Short-term	**2,702**	**1,706**
Loans	*2,702*	*1,706*
Total borrowings	**6,067,487**	**6,453,527**

The table below shows the details of the Group indebtedness as of 31 December 2023 and 31 December 2022 respectively:

Lenders	Type	Currency	Date of initial agreement	Interest rate	Nominal value	Carrying amount as at 31.12.2023	Due date	Covenants
Banks	Term loan B	PLN	29 September 2020	WIBOR 3M+ margin ratchet	5,257,000	5,080,663	14 October 2027	Net leverage shall not exceed a ratio indicated in the agreement
	Additional Term facility	PLN	9 December 2021	WIBOR 3M+ margin ratchet	1,000,000	986,824	14 October 2027	

Lenders	Type	Currency	Date of initial agreement	Interest rate	Nominal value	Carrying amount as at 31.12.2022	Due date	Covenants
Banks	Term loan B	PLN	29 September 2020	WIBOR 3M+ margin ratchet	5,500,000	5,440,424	14 October 2025	Net leverage shall not exceed a ratio indicated in the agreement
	Additional Term facility	PLN	9 December 2021	WIBOR 3M+ margin ratchet	1,000,000	1,013,103	14 October 2025	

The principal amounts of the Group's loans are repayable as a lump sum on the due date. Loan interest is paid at an annual rate equal to WIBOR and a margin.

As of 31 December 2023 and 2022 the Group had the following undrawn revolving credit facilities:

Lenders	Type	Currency	Date of initial agreement	Interest rate	Nominal value	Carrying amount as at 31.12.2023	Covenants
Banks	Original Revolving Credit Facility	PLN	29 September 2020	WIBOR 3M+ margin ratchet	500,000	undrawn	Net leverage shall not exceed a ratio indicated in the agreement
	Additional Revolving Facility	PLN	3 March 2022	WIBOR 3M+ margin ratchet	500,000	undrawn	

Once repaid, the Revolving Credit Facilities may be redrawn up until 14 October 2027.

On 6 November 2023 the Group signed an annex and executed an extension of the maturity date to all credit facilities (including undrawn revolving facilities) in respect to a total principal amount of PLN 7,257,500 by 24 months to 14 October 2027 and concurrently made early prepayment in the amount of PLN 242,500. Originally, the facilities were scheduled to mature in October 2025. The early repayment was executed using the funds from the one of available revolving facilities that was drawn in November 2023 in the amount of PLN 245,000 and subsequently repaid on 29 December 2023. All other conditions of the credit facilities remain unchanged.

The refinancing transaction was accounted for as non-substantial modification of financial liability, as the underlying criteria for derecognition were not met. This resulted in the recognition of PLN 76,097 non-cash adjustment to carrying value of borrowings, valued at amortised cost, recognised as financial income, arising mainly on deferral of the lump sum principal repayment by two years, offset with additional interest outflows during the extended period.

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20.1. Accounting policies

The borrowings are measured at amortised cost using the effective interest rate. Borrowing origination fees incurred in relation to the loans are included in the calculation of the effective interest rate. The periodic re-estimations of the cash flows arising from the changes in the floating interest rates (WIBOR) are accounted for through altering the effective interest rate of the loan. The changes to estimated cash flows coming from prepayments or changes in the loan margin are accounted for through recalculation of the amortised cost, and the adjustments are recognised in profit or loss as financial income or financial cost.

The fair values of borrowings (established using the 7.88% discount rate) are not materially different to their carrying amounts, since the interest payable on those borrowings is close to current market rates (contractual rates reflect current market rates of interests applicable to such terms of similar instruments). All inputs significant to the fair value measurement are categorised within Level 2.

As at 31 December 2023 and 31 December 2022 the Group was a party to eight swap contracts, designated as cash flow hedge, aiming to limit the exposure to interest rate fluctuations. (see note 30.1)

20.2. Compliance with loan covenants

Allegro.eu Group complied with the financial covenants of its borrowing facilities during the 2023 and 2022 reporting periods and after the balance sheet date until the date of authorisation of these Consolidated Financial Statements for the issue.

20.3. Risk exposure

Details of the Group's exposure to risks arising from current and non-current borrowings are set out in note 30.

21. Leases

21.1. Amounts recognised in the statement of comprehensive income

The carrying amount of right-of-use assets is amortised using the straight-line method. The Group depreciates the right to use the assets from the commencement of the lease agreement to the earlier of end of the lease term or the end of the useful life. The estimated useful lives of right-of-use asset are as follow:

- Leased Buildings 1–10 years
- Leased Computers and office equipment 3–4 years
- Leased Motor vehicles 1–3 years
- Leased Land 5 years

Expenses incurred on leases recognised in the statement of income comprised:

	31.12.2023	31.12.2022
Depreciation and amortisation	(131,697)	(137,721)
Interest expenses	(28,952)	(23,314)
Short-term leases expenses	(296)	(336)
Total	**(160,945)**	**(161,371)**

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21.2. Amounts recognised in the statement of financial position

Changes in right-of-use assets during the financial year:

	Leased Buildings	Leased Computers and office equipment	Leased Motor vehicles	Leased Lands	Total
Cost as at 01.01.2023	**672,705**	**46,953**	**4,665**	**76,732**	**801,054**
Additions – new leases	7,981	1,609	92	32,499	42,181
Exchange differences	(14,337)	—	(382)	—	(14,719)
Disposals	(53,383)	(84)	(115)	(358)	(53,940)
Remeasurement of lease payments	62,130	455	(26)	4,310	66,869
Other	(129)	—	(157)	—	(287)
Cost as at 31.12.2023	**674,968**	**48,932**	**4,076**	**113,183**	**841,158**
Accumulated depreciation as at 01.01.2023	**(205,471)**	**(12,035)**	**(978)**	**(12,423)**	**(230,907)**
Depreciation charge	(98,344)	(12,175)	(1,619)	(19,560)	(131,697)
Disposal	49,698	45	115	175	50,033
Exchange differences	4,389	—	(383)	—	4,007
Accumulated depreciation as at 31.12.2023	**(249,728)**	**(24,166)**	**(2,866)**	**(31,808)**	**(308,566)**
Impairment losses as at 01.01.2023	**(3,060)**	**—**	**—**	**—**	**(3,060)**
Impairment charge	(1,268)	—	—	—	(1,268)
Exchange differences	162	—	—	—	162
Impairment losses as at 31.12.2023	**(4,165)**	**—**	**—**	**—**	**(4,165)**
Carrying amount as at. 31.12.2023	**421,075**	**24,766**	**1,210**	**81,375**	**528,426**

	Leased Buildings	Leased Computers and office equipment	Leased Motor vehicles	Leased Lands	Total
Cost as at 01.01.2022	**302,400**	**19,829**	**304**	**28,260**	**350,793**
Additions – new leases	292,363	28,367	207	48,109	369,047
Lease Incentives	(17,022)	—	—	—	(17,022)
Additions due to business combinations	147,184	—	3,765	—	150,949
Exchange differences	2,873	—	75	—	2,948
Disposals	(49,779)	(1,243)	(67)	(230)	(51,319)
Remeasurement of lease payments	(5,314)	—	381	592	(4,342)
Cost as at 31.12.2022	**672,705**	**46,953**	**4,665**	**76,732**	**801,054**
Accumulated depreciation as at 01.01.2022	**(134,847)**	**(4,270)**	**(250)**	**(1,509)**	**(140,876)**
Depreciation charge	(117,522)	(8,535)	(719)	(10,944)	(137,721)
Disposal	47,234	771	—	30	48,035
Exchange differences	(336)	—	(8)	—	(344)
Accumulated depreciation as at 31.12.2022	**(205,471)**	**(12,035)**	**(978)**	**(12,423)**	**(230,907)**
Impairment charge	(3,060)	—	—	—	(3,060)
Impairment losses as at 31.12.2022	**(3,060)**	**—**	**—**	**—**	**(3,060)**
Carrying amount as at 31.12.2022	**464,174**	**34,918**	**3,687**	**64,308**	**567,087**

The right-of-use assets are presented as part of property, plant and equipment in the statement of financial position.

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Changes in lease liabilities during the financial year:

As at 31.12.2023	
Opening lease value	690,181
Remeasurement of lease payments	66,869
Lease payments	(137,134)
Additions – new leases	42,151
Disposals	(3,252)
Interest expense	28,952
Interest payment	(28,952)
Currency valuation	(41,671)
Other	438
Lease liabilities	**617,582**

As at 31.12.2022	
Opening lease value	251,142
Remeasurement of lease payments	(4,342)
Lease payments	(82,130)
Additions – new leases	369,047
Additions due to business combination	150,949
Disposals	(3,284)
Interest expense	23,314
Interest payment	(23,314)
Currency valuation	9,060
Other	(260)
Lease liabilities	**690,181**

21.3. Amounts recognised in the statement of cash flow related to leases

The total cash payments for the principal and interests were PLN 166,087 in 2023, and PLN 105,444 in 2022.

21.4. The Group's leasing activities and their accounting treatment

The Group leases various properties and equipment. Rental contracts are typically made for fixed periods of 1 to 10 years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as right-of-use assets together with a corresponding liability at the date at which the leased asset is available for use by the Group. The carrying amount of liability is remeasured to reflect any reassessment, lease modification or revised in-substance fixed payments. The lease term is a non-cancellable period of a lease; periods covered by options to extend and terminate the lease are only included in the lease term if it is certain that the lease will be extended or will not be terminated. The financial cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments,
- variable lease payment that are based on an index or a rate,
- amounts expected to be payable by the lessee under residual value guarantees,
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

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21.5. Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The extension options for the right-of-use assets have not been included in the lease liability, because the Group could replace the assets without significant cost or business disruption and because it is not reasonably certain that the leases will be extended.

The lease term is reassessed if an option is actually exercised or the Group becomes obliged to exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

21.6. Lease contracts concluded for indefinite period

The vast majority of the Group lease contracts are concluded for a definite period of time. However, the portion of the contracts for the lease of the land designated for deployment of APM was concluded for the indefinite period of time, with the right to terminate the agreement (in most cases with 3 months' notice period) without the significant financial penalty granted to both parties.

The Group considered the broader economic context of the lease contracts in determining the enforceable period of such leases. Those leased assets are important from the Group's perspective as they are an inherent part of the logistics operations. Moreover, it is expected that the number of leased land locations will increase significantly in the upcoming periods, due to the further expansion of the Group's logistics network, which creates the economic incentive not to terminate the existing lease agreements.

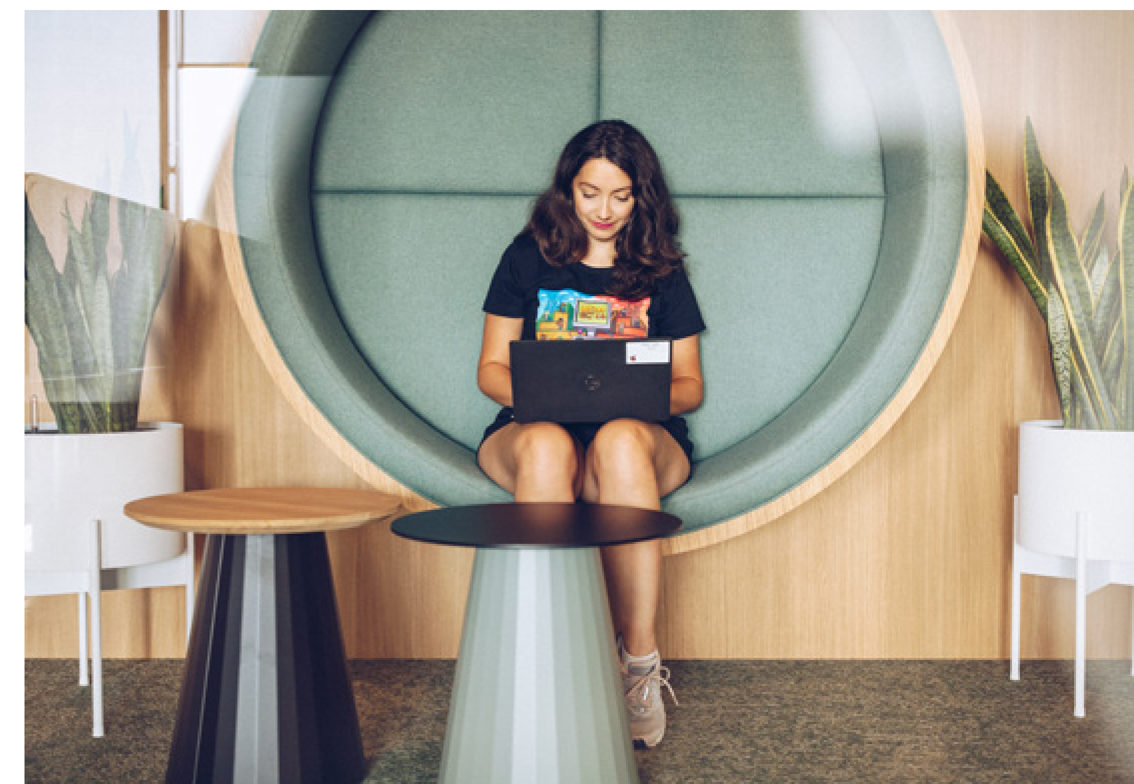
The Group considered all relevant facts and circumstances that create an economic incentive for both the lessee and lessor not to exercise an option to terminate early. All of these lease contracts are concluded with the same business strategy and subject to the same management analysis. The Group has considered a broad range of economic factors as incentives to extend or not terminate leases, in the context of its business plan for APMs. As a result, the Group has concluded that all the lease contracts should have a 5 year lease period.

22. Deferred tax

Deferred tax is recognised in relation to temporary differences between the tax value of assets and liabilities and their carrying amount in the consolidated financial statements. However, no deferred tax is recognised if the tax arises as a result of initial recognition of goodwill or as a result of initial recognition of an asset or liability as part of a transaction other than a business combination, where initial recognition affects neither the accounting nor the taxable profit or loss at the time of the transaction. Deferred income tax is determined using the applicable legal or actual rates (and laws) as at the reporting period end date, which are expected to apply at the time of realisation of the relevant deferred tax assets or payment of deferred tax liabilities.

Deferred tax assets are recognised for unused tax losses, only when it is probable that taxable income will be generated in the future, which will allow the temporary differences or tax credits to be utilised on the same type of tax.

Deferred income tax assets and liabilities are presented net when there is a legally enforceable right to offset current tax receivables against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same tax authority on the same taxable entity.



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22.1. Deferred tax assets

The deferred tax assets at the balance sheet date comprised temporary differences attributable to:

	31.12.2023	31.12.2022
Accrued expenses	156,924	111,548
Lease liabilities	105,915	104,576
Liabilities to employees and share-based payments	41,558	30,277
Impairment of trade receivables	11,784	16,842
Other items	30,318	25,707
Total deferred tax assets	**346,499**	**288,950**
Deferred tax assets pursuant to set-off rules	(313,042)	(272,655)
Net deferred tax assets	**33,457**	**16,295**

	Accrued expenses	Liabilities to employees and share-based payments	Other	Offsetting	Total
As at 01.01.2023	**111,548**	**30,277**	**147,125**	**(272,655)**	**16,295**
(Charged)/credited to profit or loss	45,376	7,051	892	(40,387)	12,932
(Charged)/credited to other reserves	—	5,242	—	—	5,242
(Charged)/credited to OCI	—	(856)	—	—	(856)
Exchange differences	—	(156)	—	—	(156)
As at 31.12.2023	**156,924**	**41,558**	**148,017**	**(313,042)**	**33,457**
As at 01.01.2022	**87,826**	**24,215**	**77,640**	**(185,103)**	**4,579**
Recognised on a business combination	—	—	1,536	(1,190)	346
(Charged)/credited to profit or loss	23,722	3,651	70,308	(86,332)	11,349
(Charged)/credited to other reserves	—	2,890	—	—	2,890
(Charged)/credited to OCI	—	(479)	(2,396)	—	(2,875)
Exchange differences	—	—	36	(30)	6
As at 31.12.2022	**111,548**	**30,277**	**147,125**	**(272,655)**	**16,295**

22.2. Deferred tax liabilities

The deferred tax liabilities at the balance sheet date comprised temporary differences attributable to:

	31.12.2023	31.12.2022 restated [1]
Intangible assets (business combination fair value adjustment)	754,477	935,595
Cash flow hedge	22,244	80,962
Loan valuation	49,445	14,357
Property, plant and equipment	10,676	12,049
Leases (right of use assets)	86,943	84,758
Other items	58,723	30,003
Total deferred tax liabilities	**982,508**	**1,157,724**
Deferred tax liabilities pursuant to set-off of rules	(313,042)	(272,655)
Net deferred tax liabilities	**669,466**	**885,069**

	Intangible assets (business combination fair value adjustment)	Cash flow hedge	Loan valuation, Leases, Property, plant and equipment and other items	Offsetting	Total
As at 01.01.2023 restated [1]	**935,595**	**80,962**	**141,167**	**(272,655)**	**885,069**
Charge/(credited) to profit or loss	(156,079)	—	64,977	(40,387)	(131,490)
Charge/(credited) to OCI	—	(58,718)	—	—	(58,718)
Exchange differences	(25,039)	—	(357)	—	(25,396)
As at 31.12.2023	**754,477**	**22,244**	**205,787**	**(313,042)**	**669,466**
As at 01.01.2022	**652,923**	**54,119**	**86,859**	**(185,104)**	**608,797**
Recognised on a business combination	301,435	—	—	(1,190)	300,245
Charge/(credited) to profit or loss	(24,671)	—	54,308	(86,332)	(56,695)
Charge/(credited) to OCI	—	26,843	—	—	26,843
Exchange differences	5,908	—	—	(29)	5,880
As at 31.12.2022 restated [1]	**935,595**	**80,962**	**141,167**	**(272,655)**	**885,069**

[1] details in note 3.2.3.

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22.3. Deferred income tax

The deferred income tax calculation is based on the Group's best estimates. The Group intends to continue to analyse the Group's deferred income tax positions at each future balance sheet date.

The schedule of deferred income tax assets and liabilities is presented as follows:

	31.12.2023	31.12.2022
Deferred tax assets	346,499	288,950
– long-term	*115,683*	*113,780*
– short-term	*230,816*	*175,170*
Offsetting	(313,042)	(272,655)
Total	**33,457**	**16,295**

	31.12.2023	31.12.2022 restated [1]
Deferred tax liability	982,508	1,157,724
– long-term	*810,076*	*997,168*
– short-term	*172,432*	*160,556*
Offsetting	(313,042)	(272,655)
Total	**669,466**	**885,069**

[1] details in note 3.2.3.

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23. Liabilities to employees

The Group makes the following payments to employees that may result in liabilities to employees at the balance sheet date:

- short-term liabilities to employees;
  - payroll and social security contributions (except retirement and disability pension insurance);
  - paid absences;
  - incentive bonuses, cash rewards;
  - fringe benefits;
- post-employment benefits:
  - retirement and disability pension contributions;
  - retirement severance pays.

SHORT-TERM LIABILITIES TO EMPLOYEES

Accounting for short-term liabilities to employees does not require making actuarial assumptions to determine the obligation or the cost and there is no possibility of any actuarial gain or loss. Moreover, short-term liabilities to employees are measured on an undiscounted basis.

When an employee has rendered service to the Group during the accounting period, the Group recognises the estimated undiscounted amount of short-term benefits to be paid in exchange for that service as a liability, after deducting any amounts already paid, and expenses.

Short-term liabilities to employees in the form of bonus payments are recognised when the following requirements are satisfied:

- the Group has a legal or constructive obligation to make such payments as a result of past events; and
- a reliable estimate of the obligation can be made.

For benefits in the form of compensated absences, liabilities to employees are recognised for accumulating compensated absences (e.g. unused holiday leaves) when service is rendered that increases the entitlement to future compensated absences. In the case of non-accumulating compensated absences (e.g. sick leaves), benefits are recognised when the absences occur.

Liabilities to employees in the form of compensated absences or bonus payments fall outside the definition of provisions under the IFRS and are presented as current liabilities in the statement of financial position under the trade and other liabilities item.

DEFINED CONTRIBUTION PLAN – SOCIAL INSURANCE INSTITUTION (RETIREMENT AND DISABILITY PENSION CONTRIBUTIONS)

In compliance with the applicable laws in effect, the Group pays retirement and disability pension contributions determined by the gross salary for each employed employee to the Social Insurance Institution ("State plan"). The Group is required to pay contributions as they fall due only for the period of the employee's employment. The Group has no legal or constructive obligation to pay future benefits. If the Group ceases to employ members of the State plan, it has no obligation to pay the benefits earned by its own employees in previous years. For this reason, the State plan is a defined contribution plan.

The Group's obligation under those plans for each period is determined by the amounts to be contributed for the year. Under IAS 19, no actuarial assumptions are required to measure the obligation or the cost and there is no possibility of any actuarial gain or loss. Moreover, the obligations are measured on an undiscounted basis, except where they do not fall due wholly within a year after the end of the period in which employees render the related service.

When an employee has rendered service to the Group during the period, the Group recognises the contribution payable to the defined contribution plan in exchange for that service as a liability, after deducting any amounts already paid, and an expense.

DEFINED BENEFIT PLAN – RETIREMENT AND DISABILITY SEVERANCE PAYMENTS

The Group's employees or their designated beneficiaries are entitled to retirement and disability severance payments. Retirement and disability severance payments are one-off payments made upon retirement or early retirement due to disability. In accordance with IAS 19 such severance payments are a defined benefit plan.

The present value of the aforesaid obligations is calculated by an independent actuary at each reporting period end date. The resulting obligation is equal to discounted payments to be made in the future taking into account the staff turnover and refers to the period remaining until the reporting period end date. The Group does not fund this plan therefore there are no existing plan assets.

The Group recognises actuarial gains/losses through other comprehensive income.

SHARE BASED PAYMENT

Allegro.eu Group runs the equity settled share based payment plans for its employees. The financial benefit from equity settled plans granted on grant date is allocated over the expected vesting period against equity starting from service commencement date which could be earlier than the grant date. For equity settled share based payments, the value of the awards is fixed at the grant date and is remeasured from the service commencement date until the grant date is reached. The service vesting condition and non-market performance conditions are reflected in the calculation of the number of awards that will vest. A description of the existing equity-settled Allegro Incentive Plan can be found in note 27.2.

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23.1. Movements in liabilities to employees

The movements in liabilities to employees is presented below:

	01.01.2022	Acquired in a business combination	Charged	Reversed	Utilised	31.12.2022	Charged	Reversed	Utilised	Exchange differences	31.12.2023
Employee Incentive program	2,073	—	—	—	(2,073)	—	—	—	—		—
Provision for pensions and disability pensions	7,696	—	71	(645)	—	7,122	(2,184)	—	—	—	4,938
Long-term liabilities to employees	**9,769**	**—**	**71**	**(645)**	**(2,073)**	**7,122**	**(2,184)**	**—**	**—**	**—**	**4,938**
Bonus provision	78,083	14,260	72,365	(7,490)	(66,051)	91,168	122,999	(207)	(84,123)	(1,674)	128,164
Retention provision	—	6,579	4,979	—	(6,440)	5,120	—	—	(4,985)	(135)	—
Employee Incentive program	—	—	571	(44)	—	526	—	—	(526)	—	—
Unused holiday provision	24,605	5,964	26,701	—	(24,131)	33,138	30,933	—	(33,391)	(298)	30,381
Provision for pensions and disability pensions	73	48	150	—	—	271	21	—	(195)	(4)	93
Salaries provision and Other	847	16,109	29,780	(163)	(28,559)	18,013	12,494	(16,337)	(1,706)	(1,301)	11,164
Short-term liabilities to employees	**103,608**	**42,960**	**134,546**	**(7,697)**	**(125,181)**	**148,237**	**166,447**	**(16,544)**	**(124,926)**	**(3,412)**	**169,802**
Total	113,377	42,960	134,617	(8,342)	(127,254)	155,359	164,263	(16,544)	(124,926)	(3,412)	174,740

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24. Trade and other liabilities

Trade and Other Liabilities at the balance sheet date comprised:

	Note	31.12.2023	31.12.2022
Trade payables		1,362,666	1,488,129
Contract and refund liabilities	9.3/9.4	239,083	218,818
VAT payables		159,088	136,456
Purchase of non-financial assets		26,474	13,502
Social insurance and other tax liabilities		38,283	36,224
Withholding tax liabilities		2,303	28,638
Other liabilities		78,801	59,517
Total		**1,906,698**	**1,981,283**

Trade liabilities are usually paid within 30 days of recognition. The fair value of trade and other liabilities are considered to be the same as their carrying amount due to their short-term nature.

24.1. Classification as trade liabilities

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually payable within 30 days of recognition.

Trade and other liabilities are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

25. Derivative financial instruments

CLASSIFICATION AND MEASUREMENT

Derivative financial instruments designated as hedging instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their current fair value. Derivatives are only used by the Group for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classified as 'held for trading' for accounting purposes and are accounted for at fair value through profit or loss.

The effectiveness of all outstanding cash flow hedges were tested and found to be 100% effective. Therefore, all changes were recognised in other comprehensive Income.

When the hedged item affects profit or loss, the gain or loss relating to the effective portion of the interest rate swaps is reclassified from other comprehensive income and recognised in profit or loss, within finance cost at the same time as the interest expense on the hedged borrowings.

For cash flow hedges of a forecast transaction, which subsequently results in the recognition of a non-financial item, the carrying value of that item is adjusted for the accumulated gains or losses by direct transfer from equity ('basis adjustment in a cash flow hedge').

CASH FLOW HEDGES

The Group adopted a cash flow hedge strategy to mitigate potential adverse impacts on the Group's financial performance of changes in interest rates (swap) and changes in the exchange rates (foreign exchange derivatives).

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised in the income statement.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in equity and is recognised in the income statement when the planned transaction occurs. When a planned transaction is no longer expected to occur, the cumulative gain or loss that was recognised in other comprehensive income is transferred to the income statement.

The fair values of interest rate swaps designated as cash flow hedge are disclosed in this note. Movements in other comprehensive income are presented in the Consolidated Statement of Comprehensive Income.

The fair value of a hedging derivative is classified as non-current assets or non-current liabilities if the remaining maturity of the hedged item is more than twelve months and as current assets or current liabilities, if the maturity of the hedged items is less than twelve months.

The fair values of the interest rate swaps are calculated by discounting the future cash flows of both the fixed rate and variable rate interest payments. The inputs used in determining the fair value fall within Level 2 of the fair value hierarchy (inputs observable for an asset or liability, either directly or indirectly, other than quoted prices in active markets for identical assets or liabilities). These inputs include fixed interest rate, discount rate and the yield curve.

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HEDGE INEFFECTIVENESS

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

The Group enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount, therefore there is a clear economic relationship between the hedged item (floating rate borrowings) and hedging instruments (IRS).

The Group does not hedge 100% of its loans, therefore the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps. For each IRS separate hedging relationship is designated, with the hedge level of 100%. Sources of ineffectiveness may include changes in credit risk of the counterparty or changes in timings of cash flows. The economic relationship of existing hedge instruments is 100% effective.

INTEREST RATE SWAPS

The Group has entered into several Interest Rate Swap contracts to reduce the portion of interest rate risk exposure, as all outstanding borrowings bear a floating interest rate. The contracts being open as at 31 December 2023 and at 31 December 2022 are presented in the table below.

As at 31.12.2023

Origination date	Start Date	End Date	Notional	Swap Rate
16.12.2020	30.06.2022	28.06.2024	750,000	WIBOR 3M fixed rate – 0.7075%
22.12.2020	30.06.2022	28.06.2024	1,200,000	WIBOR 3M fixed rate – 0.6225%
22.12.2020	30.06.2022	28.06.2024	800,000	WIBOR 3M fixed rate – 0.6150%
02.11.2021	31.12.2021	30.06.2024	1,375,000	WIBOR 3M fixed rate – 2.6720%
23.08.2022	28.06.2024	31.10.2025	500,000	WIBOR 3M fixed rate – 5.5720%
12.09.2022	28.06.2024	31.10.2025	500,000	WIBOR 3M fixed rate – 5.2290%
10.01.2023	30.06.2024	31.10.2025	500,000	WIBOR 3M fixed rate – 4.7150%
14.03.2023	30.06.2024	31.10.2025	500,000	WIBOR 3M fixed rate – 4.7670%

As at 31.12.2022

Origination date	Start Date	End Date	Notional	Swap Rate
16.12.2020	30.06.2022	28.06.2024	750,000	WIBOR 3M fixed rate – 0.7075%
22.12.2020	30.06.2022	28.06.2024	1,200,000	WIBOR 3M fixed rate – 0.6225%
22.12.2020	30.06.2022	28.06.2024	800,000	WIBOR 3M fixed rate – 0.6150%
02.11.2021	31.12.2021	30.06.2024	1,375,000	WIBOR 3M fixed rate – 2.6720%
23.08.2022	28.06.2024	31.10.2025	500,000	WIBOR 3M fixed rate – 5.7720%
12.09.2022	28.06.2024	31.10.2025	500,000	WIBOR 3M fixed rate – 5.2290%

After the balance sheet date the Group entered into three new swap contracts (refer to note 35 for more details).

In measuring the fair value of interest rate swaps, the Group uses the present value of future cash flow based on interest rate curves.

The decrease of derivative financial assets and increase of financial liabilities stems from PLN 234,899 of cash received upon the settlement of interest rate hedging instruments (refer to note 10 'Financial income and financial costs'). This decrease was further supported by the lowering market expectation regarding the future interest rates, given the anticipated nearing end of the tightening monetary policy in the Polish market that translated to a decrease in valuation of the remaining financial instruments owned by the Group.

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CONTINGENT FX FORWARD

On 31 March 2022 the Group settled its obligation under a Foreign Exchange Deal Contingent Forward via transferring PLN 2,221,259 in exchange for EUR 474,000. This derivative instrument was designated as a hedge of future cash flow, related to a highly probable business combination transaction. Accordingly the loss in the amount of PLN 16,827, which was recognised in OCI, was transferred, on the date of acquisition of Mall Group and WE|DO, directly from equity to goodwill, and forms a component of the purchase price paid on the acquisition of Mall Group and WE|DO completed on 1 April 2022.

The following table presents the balances of Interest Rate Swap contracts:

	31.12.2023	31.12.2022
Balance Sheet position	Interest Rate Swap	Interest Rate Swap
Derivative financial assets – long term	—	324,626
Derivative financial assets – short term	89,191	—
Derivative financial liabilities – long term	13,703	224
Total	**102,894**	**324,850**

VIRTUAL POWER PURCHASE AGREEMENT ('VPPA')

In December 2023 the Group entered into virtual power purchase agreement and guarantees of origin agreement ('GoOs') both within one contract. The contract assumes purchase of guarantees of origin at fixed price and virtual purchases of green energy with the expected annual volume of approximately 22 megawatt hours over the duration of the contract at fixed prices of PLN 0,370 per megawatt hour. The settlements under the contract will take place over a 10 year period starting on 1st May 2025. The GoO part of the contract is considered as a host contract with the vPPA part being an embedded derivative in the GoO host contract. The GoO once purchased are expected to be used by the Group. This embedded derivative does not meet the criteria of 'closely related' therefore was separated from the host contract.

The embedded derivative is measured initially at fair value and subsequently at fair value through profit or loss. The measurement of the embedded derivative falls into level 3 of the fair value hierarchy.

The embedded derivative was measured at the fair value (transaction price) at the date of signing. As at 31 December 2023 the value of the contract is nil, as the contract was signed on the market terms shortly before the date of this Consolidated Financial Statements.

26. Financial assets and financial liabilities

CLASSIFICATION AND MEASUREMENT

In accordance with IFRS 9 the Group classifies financial assets as: measured at fair value and measured at amortised cost. The classification is made at the moment of initial recognition and depends on the business model for managing financial assets adopted by the Group and the characteristics of contractual cash flows from these instruments.

In 2023 and 2022 all financial assets and liabilities except for derivative instruments and customer loans held at fair value, were initially recognised at fair value including transaction costs and subsequently measured at amortised cost.

The Group applies hedge accounting and classifies those financial derivatives as cash flow hedges under IFRS 9.

The Group holds the following financial instruments:

	Note	31.12.2023	31.12.2022
Financial assets at amortised cost		**3,107,400**	**2,299,876**
Consumer loans at amortised cost	18	—	157,540
Trade receivables and other receivables [1]	16	1,031,198	1,227,352
Cash and cash equivalents	19	2,049,122	877,559
Restricted cash		20,087	34,257
Investments		364	360
Other financial assets		6,629	2,808
Financial assets at fair value through profit or loss		**403,261**	**209,335**
Consumer loans at fair value through profit or loss	18	403,261	209,335
Derivative financial instruments at FVOCI		**89,191**	**324,626**
Derivative financial instruments (cash flow hedge)	25	89,191	324,626

[1] excluding tax-related settlements

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	Note	31.12.2023	31.12.2022
Liabilities at amortised cost		**8,341,961**	**8,821,188**
Trade and other liabilities [2]	24	1,656,892	1,677,480
Borrowings	20	6,067,487	6,453,527
Lease liabilities (outside IFRS9 scope)	21	617,582	690,181
Derivative financial instruments at FVOCI		**13,703**	**224**
Derivative financial instruments (cash flow hedge)	25	13,703	224

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired. The Group also derecognises a financial liability when its terms are modified and the cash flow of modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position only if the Group has a legally enforceable title to offset the recognised amounts and intends to settle on a net basis, or realise the asset and settle the liability simultaneously.

IMPAIRMENT OF FINANCIAL ASSETS

The Group applies the 3-stage classification of financial assets in terms of their impairment:

- the first stage, i.e. balances for which there has been no significant increase in credit risk since the initial recognition and for which the expected loss is determined based on the probability of default within 12 months;
- second stage – balances for which there has been a significant increase in credit risk since the initial recognition and for which an expected loss is determined based on the probability of default throughout the entire loan period;
- the third stage – the balance with the identified impairment.

For trade receivables the Group is using a simplified model, described in note number 30.

[2] excluding deferred income and tax-related settlements

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NOTE TO THE CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

27. Equity

27.1. Share capital

The amounts in this note are provided in PLN and not in thousand PLN.

As at 31 December 2023 the Group's share capital comprised 1,056,904,853 ordinary shares with a nominal value of PLN 0.01 each and a total value of PLN 10,569,904.

On 1 April 2022 the Group issued 33,649,039 of ordinary shares upon the completion of the acquisition of Mall Group and WE|DO. That resulted in the increase of the share capital by PLN 336,490 and with the premium over the par value in the amount of PLN 1,180,744,779 allocated to share premium.

The shareholding structure as at 31 December 2023 and 31 December 2022 is presented in table below:

Name	Ultimate owner	31.12.2023 Number of Shares	31.12.2023 % of share capital	31.12.2022 Number of Shares	31.12.2022 % of share capital
Cidinan S.à r.l.	Cinven	228,155,845	21.59%	286,778,572	27.13%
Permira VI Investment Platform Limited	Permira	262,928,572	24.88%	286,778,572	27.13%
Mepinan S.à r.l.	Mid Europa Partners	— [1]	— [1]	63,728,574	6.03%
Other Shareholders	n/a	565,820,436	53.53%	419,619,135	39.70%
Total		**1,056,904,853**	**100%**	**1,056,904,853**	**100%**

The largest individual shareholders of the Group since its inception in 2017 (when the Company was originally named Adinan Super Topco S.à r.l., prior to being renamed Allegro.eu s.a. in 2020) have been the private equity funds: Cinven and Permira.

As at 31 December 2023 and 31 December 2022 the Allegro.eu S.A. had no distributable earnings.

[1] In October 2023, the Group received notification from Mid Europa Partners that its stake in Group's shares, held by Mepinan S.à r.l., has gone below the 5% threshold following disposal of shares on October 10th, 2023. As such the remaining shares held by Mepinan S.à r.l. are now presented within the row 'Other Shareholders'.

27.2 Share based payments

Number of shares granted and share price at the grant date are provided in PLN, not in thousand PLN.

ALLEGRO INCENTIVE PLAN ("AIP")

The Group adopted the Allegro Incentive Plan in 2020. The AIP is a discretionary plan under which awards in the form of performance share units ('PSUs') and restricted stock units ('RSUs') may be granted to employees of the Group at the discretion of the Remuneration and Nomination Committee of its Board of Directors.

Awards under the AIP may be granted in the form of PSUs or RSUs which give the participants a right to receive Shares without payment on completion of a service vesting period and, in the case of PSUs, subject to the satisfaction of performance conditions. The AIP rules also include flexibility for the Remuneration and Nomination Committee to grant other forms of awards. The Awards are normally granted within the six-week period after the Group announces its annual results. However, the Remuneration and Nomination Committee may grant awards outside this period at its discretion.

The service vesting condition (for RSU and PSU) and non-market performance conditions (for PSU) are reflected in the calculation of the number of awards that will vest. The Group performs the periodic reassessment of the number of awards that are expected to vest resulting in an impact on the total cost of the AIP program recognised over the vesting period. Those adjustments are mostly driven by fluctuation of the number of units granted under the AIP program, due to changes in employment.

The Group has made a judgement that the service commencement date or the grant date has not yet occurred for the subsequent awards to be granted until 2030 as the programme is discretionary and can be terminated by the Remuneration Committee.

PERFORMANCE SHARE UNITS

Performance Share Units are designed for the Key Directors of the Group. The program started in April 2021 and may last until September 2030. Each year participants gain the conditional right to receive a predefined number of shares following a 2 to 3 years performance period, depending on the extent to which pre-defined cumulated GMV and Adjusted EBITDA targets are met. The final number of shares received depends on the target achievement of those KPIs and ranges from 0 % to 200 % of the conditionally granted shares. The gain for the participant depends both on the final number of shares granted and the development of the share price over the vesting period. The share price is not a performance condition.

Initially, an individual target value in PLN is divided by the share price to conditionally define the target number of shares to be received after the performance period. In respect to PSUs, the award vests on the third anniversary of the grant date provided that the Committee has determined that the applicable Performance Condition and any other conditions imposed on the Vesting of the Award have been satisfied. Recognition of the estimated cost of the program reflects the PSU Plan's notional vesting profile of 25%, 25%, and 50% respectively on the first, second, and third anniversaries of the grant date. If a holder of the PSU units leaves before the end of the 36 month vesting period, they shall receive units earned in proportion to the service period performed relative to the vesting periods. Shares will only be delivered on the third anniversary of the grant date and, in the case of leavers, each unit is capped to a maximum of one share per unit, even if the Group has over performed its PSU performance criteria. PSU units that met the vesting conditions are presented in table below as 'vested but not transferred shares'

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RESTRICTED STOCK UNITS

Restricted Stock Units are designed for employees other than Key Directors of the Group. The program started in April 2021 and may last until September 2030.

Restricted Stock Units are not subject to any performance conditions related to target achievement. If a holder of RSU leaves before the end of the vesting period, all shares due to vest at future vesting dates shall lapse.

Recognition of the estimated cost of the program reflects the RSU Plan's vesting profile of 25%, 25%, and 50% respectively on the first, second, and third anniversaries of the grant date.

The Remuneration Committee of the Board of Directors of Allegro.eu granted Restricted Stock Units and Performance Share Units as described below:

Grant date	Allegro.eu share price at the grant date [not in thousand]	End of the last vesting period	vesting profile	PSU		RSU	
				number of shares granted	value at the grant date	number of shares granted	value at the grant date
01.04.2021	56.06	01.04.2024	25/25/50	320,870	18,474	717,027	34,870
01.10.2021	58.09	01.04.2024	25/25/50	9,835	626	21,460	1,109
01.12.2021	38.48	01.04.2024	25/25/50	—	—	13,858	690
Total 2021				**330,705**	**19,100**	**752,345**	**36,669**
11.04.2022	28.36	01.04.2025	25/25/50	742,135	15,939	2,499,820	56,273
04.03.2022	26.31	01.04.2025	monthly	—	—	427,419	10,106
05.07.2022	22.82	01.04.2024	0/100	365,562	6,326	—	—
05.07.2022	22.82	01.04.2024	25/25/50	—	—	355,336	7,339
30.09.2022	21.55	01.04.2025	25/25/50	—	—	330,525	5,875
01.10.2022	21.55	01.04.2025	25/25/50	—	—	132,041	2,365
Total 2022				**1,107,697**	**22,265**	**3,745,141**	**81,958**
11.04.2023	30.51	01.04.2026	25/25/50	1,193,397	26,350	3,893,422	88,399
11.04.2023	30.51	01.04.2025	50/50	—	—	127,658	2,664
02.10.2023	32.70	01.04.2026	25/25/50	—	—	65,002	1,494
Total 2023				**1,193,397**	**26,350**	**4,086,082**	**92,557**

The table below presents all the outstanding shares under the incentive programs introduced by the Group:

Grant date	Number of granted shares		
	PSU	RSU	FSA
As at 01.01.2022	**286,369**	**647,306**	**932**
New Grants	1,107,697	3,745,141	—
Forfeited	(150,331)	(265,089)	—
Exercised	—	(336,913)	(932)
As at 31.12.2022	**1,243,735**	**3,790,445**	**—**
– vested but not transferred shares	*36,392*	—	—
New Grants	1,193,397	4,086,082	—
Forfeited	(263,598)	(712,307)	—
Exercised	—	(1,175,741)	—
As at 31.12.2023	**2,173,534**	**5,988,479**	**—**
– vested but not transferred shares	*218,881*	—	—

The grant date fair value of the awards is determined based on the closing price of Allegro.eu shares listed on Warsaw Stock Exchange on the grant date.

Total PSU share based compensation to be recognised in the future periods prior to vesting, based on the outstanding 2,173,534 PSUs has been estimated at PLN 19,345 as of 31 December 2023 (PLN 20,147 as of 31 December 2022). This estimate is calculated based on the fair value at grant date of the Group's shares at closing, an estimate of the number of awards that will vest and current estimates of probable achievement against agreed performance conditions that can result in between 0 and 2 ordinary shares being issued at vesting for each PSU granted.

In the year ended 31 December 2023, PLN 13,668 of costs was recognised in relation to the PSU Plan against Other Reserves, and PLN 13,554 in 31 December 2022.

Total RSU share based compensation to be recognised in the future periods prior to vesting, based on the outstanding 5,988,479 RSUs has been estimated at PLN 66,503 as of 31 December 2023 (PLN 49,040 as of 31 December 2022). This estimate is based on the fair value at grant date of the Group's shares, with one RSU unit being equivalent to one ordinary share adjusted by an estimate of the number of awards that will vest.

In the year ended 31 December 2023, PLN 74,265 was recognised under the RSU Plan against Other Reserves, and PLN 49,040 in 31 December 2022. Employees entitled to receive the share-based compensation under the RSU plan, were informed of the key terms of the RSU Plan on the date of the grants, hence the service commencement dates are the same as the actual grant dates.

In the year ended 31 December 2023, PLN 6,353 PSUs and PLN 28,984 of RSUs were transferred from other reserves to share premium, upon the completion of the second vesting period of AIP.

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27.3. Treasury shares

Treasury shares are Group's own shares that are held by Parent for the purpose of distributing shares to the Group's employees under the Allegro Incentive Plan (see note 27.2 for further information). Historically distribution of Treasury Shares was at the discretion of Employee Benefit Trust ('EBT') that were liquidated as of 9 June 2023, with the remaining shares being transferred to the Parent.

In 2023 the Group completed two share buyback programs aiming to satisfy the awards granted under Allegro Incentive Plan, described in details in note 12.

As at 31 December 2023 the Group was in possession of 2,242,266 shares valued at PLN 69,499.

Those Treasury Shares are intended to be used to settle the employee awards program currently run by the Group.

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

28. Cash flow information

28.1. Non-cash investing and financing activities

Investing and financing transactions that do not require the use of cash or cash equivalents are as follows:

	31.12.2023	31.12.2022
Lease liabilities / Right-of-use assets	(42,151)	(369,047)
Total	**(42,151)**	**(369,047)**

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28.2. Borrowings and leases reconciliation

This section sets out an analysis of and the movements in liabilities for borrowings, leases and derivatives for each of the periods presented.

Liabilities from financing activities	Leases	Loans	Derivative financial liabilities [1]	Total
As at 01.01.2023	(690,181)	(6,453,527)	(224)	(7,143,932)
Principal repaid	137,134	487,500	—	624,634
Interest paid	28,952	576,846	—	605,798
Borrowings received	—	(245,000)	—	(245,000)
Arrangement fee paid	—	35,460	—	35,460
Cash movements	**166,087**	**854,806**	**—**	**1,020,892**
Interest accrued	(28,952)	(544,863)	—	(573,815)
Remeasurement of borrowings	—	76,097	—	76,097
Gain/(Loss) on cash flow hedging	—	—	(13,478)	(13,478)
Additions (new leases)	(42,151)	—	—	(42,151)
Disposals	3,252	—	—	3,252
Foreign exchange adjustment	41,671	—	—	41,671
Remeasurement of lease payments	(66,869)	—	—	(66,869)
Other	(438)	—	—	(438)
Non-cash movements	**(93,487)**	**(468,766)**	**(13,478)**	**(575,731)**
As at 31.12.2023	(617,582)	(6,067,487)	(13,703)	(6,698,772)

[1] the remaining amount in the Consolidated Statement of Cash Flow represents the settlements of the hedging derivative assets

Liabilities from financing activities	Leases	Loans	Derivative financial liabilities [1]	Total
As at 01.01.2022	(251,142)	(5,366,298)	(12,610)	(5,630,050)
Principal repaid	82,130	888,892	—	971,022
Interest paid	23,314	483,251	—	506,565
Borrowings received	—	(1,500,000)	—	(1,500,000)
Revolving facility availability fee paid	—	3,777	—	3,777
Arrangement fee paid	—	14,000	—	14,000
Settlement of hedging instruments [1]	—	—	16,827	16,827
Realised foreign exchange	—	(7,926)	—	(7,926)
Cash movements	**105,444**	**(118,006)**	**16,827**	**4,265**
Interest accrued	(23,314)	(528,063)	—	(551,377)
Remeasurement of borrowings	—	(58,156)	—	(58,156)
Revolving facility availability fee accrued	—	(4,234)	—	(4,234)
Gain/(Loss) on cash flow hedging	—	—	(4,441)	(4,441)
Additions (new leases)	(369,047)	—	—	(369,047)
Disposals	3,284	—	—	3,284
Business combination	(150,949)	(380,966)	—	(531,915)
Foreign exchange adjustment	(9,060)	—	—	(9,060)
Remeasurement of lease payments	4,342	—	—	4,342
Reclassified from other financial assets	—	2,149	—	2,149
Other	260	48	—	308
Non-cash movements	**(544,483)**	**(969,223)**	**(4,441)**	**(1,518,147)**
As at 31.12.2022	(690,181)	(6,453,527)	(224)	(7,143,932)

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28.3. Changes in net working capital

Changes in net working capital are set out below:

Changes in trade and other receivables and prepayments	31.12.2023	31.12.2022
Receivables and prepayments – current period balance	1,171,057	1,441,493
Receivables and prepayments – previous period balance	(1,441,493)	(914,830)
Balances acquired in business combination – Mall & WE|DO	—	(177,651)
Interest rate swap receivable	15,420	(15,420)
Other	(4)	(13,113)
Exchange differences	17,323	(3,352)
(Inflow) / Outflow from trade and other receivables and prepayments	**(237,697)**	**317,127**

Changes in inventories	31.12.2023	31.12.2022
Inventories – current period balance	300,154	496,620
Inventories – previous period balance	(496,620)	(43,995)
Balances acquired in business combination – Mall & WE|DO	—	(410,173)
Exchange differences	28,153	(7,746)
(Inflow) / Outflow from inventories	**(168,314)**	**34,707**

Changes in consumer loans	31.12.2023	31.12.2022
Consumer loans – current period balance	403,261	366,876
Consumer loans – previous period balance	(366,876)	(358,785)
Outflow from trade and other liabilities	**36,386**	**8,091**

Changes in trade and other liabilities	31.12.2023	31.12.2022
Liabilities – current period balance	1,906,698	1,981,283
Liabilities – previous period balance	(1,981,283)	(903,755)
Balances acquired in business combination – Mall & WE|DO	—	(523,948)
Change in capital expenditure liabilities	(12,972)	30,986
Other	2,160	2,288
Exchange differences	50,863	(9,896)
(Outflow) / Inflow from trade and other liabilities	**(34,534)**	**576,958**

Changes in liabilities to employees	31.12.2023	31.12.2022
Liabilities to employees – current period balance	174,740	155,359
Liabilities to employees – previous period balance	(155,359)	(113,377)
Actuarial gain/(loss) – current period balance	4,893	322
Actuarial gain/(loss) – previous period balance	(322)	1,728
Balances acquired in business combination – Mall & WE|DO	—	(42,960)
Exchange differences	(16,684)	(812)
Inflow from liabilities to employees	**7,268**	**259**

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RISKS

29.
Critical estimates and judgments

Preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Estimations and judgements are being constantly verified and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Based on assumptions, the Group makes estimates concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

29.1.
Estimated impairment of goodwill

Goodwill results from business combination and is not subject to amortisation, but is tested for impairment annually, or more often, if there is indication of impairment. For the purpose of impairment testing goodwill is allocated to cash generating units ('CGU') or group of cash generating units which are expected to benefit from synergies achieved as a result of business combination, the cash-generating unit (or group of CGUs) can not be larger than an operating segment.

Cash-generating units are the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Impairment arises when the carrying amount of a given asset or cash generating unit exceeds its recoverable amount. The impairment testing was carried out as at 31 December 2023 and 31 December 2022. In the year 2022 the Group has carried out an impairment test of goodwill arising from acquisition of Mall Group as at 30 September 2022. In the current reporting period the Group aligned the timing of the impairment test of Mall operating segment to the different CGUs being subject to goodwill impairment testing. At the same time, to ensure that the goodwill is tested for impairment not less frequently than every 12 months, the Group refreshed the impairment testing as at 30 September 2023. Such an impairment test, including the impact of reallocation of assets to the newly identified Allegro International segment, showed no impairment loss of Mall Operating Segment.

Goodwill recognised by the Group and disclosed in the statement of financial position arose from the acquisition of Grupa Allegro sp. z o.o. by Allegro sp. z o.o., Ceneo sp. z o.o by Ceneo.pl sp. z o.o., eBilet Polska sp. z o.o., Opennet sp. z o.o., X-press Couriers sp. z o.o., SCB Warszawa sp. z o.o and acquisition of Mall Group and WE|DO.

In the current reporting period the Group changed the useful life of Allegro.pl trademark and domain from finite 20 years to indefinite as described in note 29.6. This asset was tested for impairment as part of Allegro CGU.

No part of the recognised goodwill will be deductible for income tax purposes.

For the purposes of impairment tests the Group has identified nine separate cash-generating-units (presented in table below), which for the purpose of impairment testing are tested either as a separate CGU or at more aggregated level.

Until the acquisition of Mall Group and WE|DO completed on 1 April 2022, the Group CGU structure comprised: Allegro, Ceneo and eBilet (impairment test of goodwill arising on acquisition of each of these entities). Those CGUs were subject to impairment testing at the end of the year ending 31 December 2023 and 31 December 2022.

Upon completion of the acquisition transaction of Mall Group and We|Do the Group allocated acquired net assets to four cash-generating-units: Mall North, Mall South, CZC and WE|DO.

In the current reporting period the Group began the next phase in its international marketplace expansion, by launching allegro.cz, an e-commerce platform serving customers on territory of the Czech Republic. This resulted in a change in structure of the internal management organisation, and identification of the separate operating segment – Allegro International (including allegro.cz e-commerce operations on Czech market). The Group reallocated some of the assets identified on the acquisition of Mall Group to the newly identified Allegro International Operating segment (more information in note 29.2). As a result, PLN 251,494 of customer relationships and 122,448 of goodwill were reallocated to CGU Allegro.cz and were subject to impairment testing as at 31 December 2023.

Moreover in 2023 the Group started incurring cost on development on the new Slovakian marketplace Allegro.sk. Those expenditures meet the underlying criteria for capitalisation and as 31 December 2023 are classified as software under development. The expenditures capitalised amounts to PLN 2,818; this intangible asset is not yet available for use as at 31 December 2023.The Group determined that this intangible asset does not generate independent cash inflows separately from other assets, especially customer relationships on Slovakian market identified on the acquisition of Mall Group. For that reason the Group concluded that those assets should be tested for impairment only as part of the new CGU Allegro.sk. Also, the portion of the goodwill and customer relationship that arose on the acquisition of Mall Group in the amount of PLN 24,123 PLN and PLN 58,776 respectively was allocated to CGU Allegro.sk (included in the Mall Operating Segment) and tested for impairment at the level of this CGU due to the fact that management started to monitor this goodwill for internal management purposes at the CGU level which is lower level than the Mall Operating Segment. The impairment test of CGU which includes the Allegro.sk platform (an intangible asset not yet available for use) and the allocated goodwill does not show any impairment loss.

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Cash-generating units to which goodwill was allocated for the purpose of impairment test are presented in the table below:

						Group of CGUs			
Level of impairment testing	**Allegro**	**Allegro.cz**	**Ceneo**	**eBilet**	**Allegro.sk**	**Mall North**	**Mall South**	**CZC**	**WE|DO**
Goodwill at the acquisition	8,178,831	—	441,801	48,937	—	2,270,275			
Goodwill as at 31 December 2022	8,178,831	—	441,801	48,937	—	195,560			
Goodwill as at 31 December 2023	8,178,831	122,448	441,801	48,937	24,123	—			
Operating (Reportable) Segment	Allegro	Allegro International	Ceneo	Other		Mall			
CGU	Allegro	Allegro.cz	Ceneo	eBilet	Allegro.sk	Mall North	Mall South	CZC	WE|DO
Entities	Allegro sp. z o.o. (excluding Allegro.cz trading) Allegro Pay sp. z o.o. Opennet.pl sp. z o.o. SCB Warszawa sp. z o.o. Allegro Finance sp. z o.o.	Allegrosp. z o.o. (including solely Allegro.cz trading)	Ceneo.pl sp. z o.o.	eBilet Polska sp. z o.o.		Mall Group a.s. Internet Mall a.s. Internet Mall Hungary Kft. Internet Mall Slovakia s.r.o. m-HU Internet Kft. AMG Media a.s.	Mimovorste, spletne trgovina Internet Mall d.o.o.	CZC.cz s.r.o.	WE|DO CZ s.r.o. WE|DO SK s.r.o.

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VALUE IN USE (ALLEGRO, CENEO, EBILET)

The recoverable amounts on the cash-generating units other than Allegro International and Mall operating segment, were determined by calculating the value in use.

The calculations used the discounted cash flows before tax based on past performance and Management's expectations of market development for the following five years and including residual value. The result of each of the three cash generating units' tests showed no impairment as at 31 December 2023 and 31 December 2022.

The cash flow projections used by the Group to calculate values in use are prepared based on the financial budgets and plans approved by the Group's Board of Directors. The projections are performed using several key assumptions. The Group intends to drive future growth by converting marketplace visitors to buyers and increase GMV ('Gross Merchandise Value') per buyer with a focus on retail basics of pricing, selection and delivery experience, improving product findability and ease of returns.

The Group is continuously introducing new platform features and value added services, such as development of consumers lending operations, to further increase acquisition and customer engagement. The projected annual growth rate of revenues and EBITDA is based on the anticipated expansion of the Polish online retail market, Allegro's increased market share, effective advertising strategies, and continued development of logistics services.

Cash flows beyond the forecast period are extrapolated using the estimated growth rates, which are consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

The pre-tax discount rate reflects specific risks relating to the relevant segment and the countries in which it operates

The critical assumptions made when calculating recoverable amount were as follows:

31.12.2023	Allegro	Ceneo	Ebilet
Compound annual growth of revenues during the forecast period	15.51%	11.52%	13.91 %
Average annual rise/(fall) in EBITDA margin during the forecast period	(1.29) ppt	(0.58) ppt	(0.64) ppt
Growth rate outside the forecast period (including inflation)	2.50%	2.50%	2.50%
Discount rate (pre-tax)	13.99%	14.26%	13.99%

31.12.2022	Allegro	Ceneo	Ebilet
The average annual rate of growth of revenues during the forecast period	20.14%	15.66%	13.86%
Average annual rise/(fall) in EBITDA margin during the forecast period	(0.08) ppt	(1.49) ppt	1.32 ppt
Growth rate outside the forecast period (including inflation)	2.50%	2.50%	2.50%
Discount rate (pre-tax)	16.65%	16.65%	16.10%

Future net cash flow of the cash-generating units is based on the critical assumptions presented above, each of which involve a degree of uncertainty.

Sensitivity analysis of the aforesaid assumptions shows that the Group would recognise impairment if any of the key assumptions changes as follows:

31.12.2023	Allegro	Ceneo	Ebilet
Decrease of revenue CAGR by:	2.82 ppt	3.15 ppt	9.46 ppt
Decrease of annual EBITDA margin by:	10.47 ppt	11.44 ppt	30.93 ppt
Decrease of growth rate outside the forecast period by:	34.57 ppt	18.23 ppt	n/a
Increase of discount rate (pre-tax) by:	12.48 ppt	8.60 ppt	60.44 ppt

31.12.2022	Allegro	Ceneo	Ebilet
Decrease of revenue CAGR by:	2.40 ppt	3.13 ppt	7.38 ppt
Decrease of annual EBITDA margin by:	8.39 ppt	10.50 ppt	25.53 ppt
Decrease of growth rate outside the forecast period by:	16.63 ppt	19.76 ppt	251.1 ppt
Increase of discount rate (pre-tax) by:	7.83 ppt	6.70 ppt	18.57 ppt

Management is not aware of any reasonably likely assumptions that might result in business performance outcomes similar or worse than those shown in these sensitivities for the Allegro, Ceneo and eBilet as of 31 December 2023 and as at 31 December 2022 and therefore result in a material impairment.

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FAIR VALUE LESS COST TO SELL (CGUS IN MALL OPERATING SEGMENT AND CGU ALLEGRO.CZ)

On 1 April 2022 the Group completed the acquisition transaction of Mall Group and WE|DO. This transaction resulted in allocation of net assets acquired to four cash-generating-units: Mall North, Mall South, CZC and WE|DO, representing the smallest identifiable group of assets able to generate largely independent cash inflows. The goodwill that arose on that transaction, since the acquisition, has been monitored for internal management purposes on 'Mall' operating segment level (including all four CGUs) , as disclosed in note 8, and thus was tested for impairment on such aggregation level in 2022.

As at 30 September 2022, the Group identified circumstances indicating that the carrying value of acquired assets in the Mall operating segment might be impaired. Key indications of impairment included a significant and sustained increase in the cost of equity and borrowing and a serious deterioration in the economic environment which resulted in significantly worse than expected performance of the acquired businesses. Similar e-commerce listed peers suffered a significant and sustained deterioration in their valuations.

The Group carries out the plans to restructure Mall's business by transitioning it from a 1P to a 3P model therefore the recoverable amount of acquired assets in 'Mall' operating segment was determined based on the 'fair value less cost to sell' with application of the discounted cash flow model. As the restructuring is still in progress, the recoverable amount calculated using the value-in-use method, without including projected changes in the business, results in a lower amount. The Group is not yet committed under IAS37 to the restructuring costs and benefits thus those could not be reflected in value in use calculation. Moreover in the current reporting period, the Group identified new operating segment Allegro International (as at 31 December 2033 including solely CGU Allegro.cz) to which a portion of goodwill and assets identified on the acquisition of Mall Group were re-allocated.

This CGU was also tested for impairment using the fair value less cost to sell approach, as Allegro.cz has only been recently launched, thus there is a longer period required to reach the expected levels of operations. Also, due to the restructuring of the Mall Group operation which is in progress, as at 31 December 2023 the goodwill remaining in the Mall Operating Segment started to be monitored for internal management purposes at the lower level than the Mall Operating Segment thus tested for impairment at the level of CGU Allegro.sk and the group of CGUs comprising all the remaining Mall operations.

As at 31 December 2023, the Group performed the impairment testing of CGUs gathered within the Mall operating segment. Whilst the estimated fair value of the entire international business has increased compared to fair value in the impairment equivalent test performed for 2022, the positive impact is mainly attributable to Allegro.cz, which since its launch in May 2023, constituted a separate operating segment. In contrast, the Mall North CGU and CZC cash-generating units are underperforming previous projections and impairment test of each of these CGUs show that the portion of intangible assets that were not relocated to Allegro.cz or Allegro.sk CGU should be impaired in full. The impairment loss was not allocated to tangible fixed assets of those CGUs as their individual fair value less cost to sell is not lower than their carrying amount. Further, the goodwill in the amount of PLN 30,574, which was tested for at the aggregated level of four CGUs (Mall North, Mall South, CZC, WE|DO) being part of Operating Segment Mall was impaired.

The impairment loss identified in the impairment test of CGU Mall North, CGU Mall South, CGU CZC, CGU WE|DO was allocated as follows:

Balance sheet position	Amount
Customer relationships	312,211
Trademarks & Domains	116,170
Software	170,377
Deferred Tax	(123,697)
Total net impairment	**475,061**

The impairment test of goodwill in the amount of PLN 24,123 allocated to CGU Allegro.sk (which is also part of Operating Segment Mall) shows no impairment loss

The impairment test of the goodwill allocated to Allegro International operating segment (CGU Allegro.cz) shows no impairment.

The key assumptions driving the discounted cash flow model are presented in the table below:

31.12.2023	Allegro.cz	Allegro.sk	Mall North	Mall South	CZC	WE|DO
The average annual rate of growth of revenues during the forecast period*	51.32%	60.49%	5.63%	11.23%	1.53%	23.34%
Average annual rise/(fall) in EBITDA margin during the forecast period	47.17 ppt	2.55 ppt	1.28 ppt	1.58 ppt	(0.13ppt)	6.79 ppt
Growth rate outside the forecast period (including inflation)	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Discount rate (post-tax)	9.91%	9.37%	11.80%	9.29%	9.91%	9.95%

30.09.2022	Mall Segment
The average annual rate of growth of revenues during the forecast period*	7.9%
Average annual rise/(fall) in EBITDA margin during the forecast period	2.9%
Growth rate outside the forecast period (including inflation)	2.0%
Discount rate (post-tax)	12.3 %

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Sensitivity analysis of the aforesaid assumptions shows that the Group would recognise impairment if any of the key assumptions is changed as follows:

31.12.2023	Allegro.cz	Allegro.sk	Mall South	WE|DO
Decrease of revenue CAGR by:	1.68 ppt	0.99 ppt	1.10 ppt	0.80 ppt
Decrease of annual EBITDA margin by:	23.61 ppt	5.91 ppt	3.58 ppt	11.43 ppt
Decrease of growth rate outside the forecast period by:	503.0 ppt	27.55 ppt	15.5 ppt	44.3 ppt
Increase of discount rate (pre-tax) by:	15.1 ppt	8.53 ppt	6.4 ppt	10.7 ppt

Sensitivity analysis of the aforesaid assumptions shows that the impairment loss recognised by the Group would (decrease)/increase, if any of the key assumptions changes as follows:

		Mall North	CZC
31.12.2023	Reasonably possible change in key assumptions	(Decrease)/ increase of the recognised impairment loss	(Decrease)/ increase of the recognised impairment loss
Average growth of Revenue:	+/- 0.75 ppt	(302,595) / n/a [1]	(52,636) / n/a [1]
Average EBITDA margin:	+/- 5.0 ppt	(216,619) / n/a [1]	(17,857) / n/a [1]
Growth rate outside the forecast period (including inflation)	+/- 1 ppt	n/a [2]	n/a [2]
Discount rate (post-tax)	+/- 1 ppt	n/a [2]	n/a [2]

[1] There is no potential increase of impairment, as the entire carrying value of assets allocated to each CGU was impaired (except those assets that have a higher than zero fair value on standalone basis).
[2] (Decrease)/Increase of growth rate and discount rate by 1 ppt would not have an impact on recognised impairment.

	Mall	
30.09.2022	Reasonably possible change in key assumptions	(Decrease)/increase of the recognised impairment loss
Average growth of Revenue:	+/- 0.25 ppt	(507,590) / 499,541
Average EBITDA margin:	+/- 1 ppt	(357,731) / 358,293
Growth rate outside the forecast period (including inflation)	+/- 1 ppt	(228,390) / 187,930
Discount rate (post-tax)	+/- 1 ppt	357,780 / (447,770)

The fair value measurement is classified as level 3 of the fair value hierarchy. The measurements use cash flow projections based on financial models approved by the Board of Directors covering a nine-year cash flow recovery period, aligned with the period necessary for the completion of the restructuring of the acquired business and stabilisation of future cash flows.

The average annual rate of growth of revenue and EBITDA margin during the forecasted period are estimated based on the Group expectations of future market development and industry benchmarks.

Cash flows beyond the forecast period are extrapolated using the estimated growth rates, which are consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

The post-tax discount rate reflects specific risks relating to the relevant segment and the countries in which it operates.

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29.2. Reallocation of assets between operating segment Mall and Allegro International

In the current reporting period, there was a change in structure of the internal management organisation in a manner that influenced the composition of operating segments and reportable segments. This change resulted in the identification of the two operating segments (Allegro International and Mall) within previously reported one operating segment – Mall to which goodwill was allocated (see further information in Note 8). Allegro International represents the Allegro marketplace operations (3P model), run through the Allegro.cz platform, on the Czech market (launched in 2023) and Allegro.sk (launched in February 2024).

The Group determined that there are classes of assets identified on the acquisition of Mall Group and allocated to the Mall operating segment that should be reallocated to the newly identified operating segment (and consequently CGU Allegro.cz). The Group considered all assets identified in the purchase price allocation process and determined that future cash-flows that are expected to be derived from software, domains and trademarks remain associated exclusively with Mall CGU (Operating Segment), hence they were excluded from the scope of relocation. The goodwill allocated previously to Mall Operating Segment was reallocated based on IAS 36 par. 87, which indicates that in case the entity reorganises the reporting structure in a way that changes the composition of cash-generating unit to which goodwill has been allocated, the goodwill should be reallocated to the units affected. At the same time, the CGU to which goodwill is allocated for impairment purposes should not be larger than an operating segment before aggregation. On this basis, the goodwill previously allocated to Mall Operating Segment was reallocated to two operating segments – Mall Operating Segment and Allegro International Operation Segment. The reallocation was performed using a relative fair value approach.

Furthermore, the assets in reference to which the future cash-flows are expected to materialise in Allegro.cz CGU are customer relationships and goodwill. One of the main reasons for acquisition of Mall was an expansion of Allegro marketplace to foreign markets, thus the Group was in substance buying the customer base currently owned by Mall as well as the potential access channel to all future customers from central Europe markets. Whilst the Mall is operating mainly in 1P model, the valuation of the customer relationship prepared for the purposes of purchase price allocation assumed the transition of the existing customer base into the 3P model, being a typical strategy of the industry investor. The cash flows expected to be derived upon this transition were associated with the Allegro marketplaces that were expected to be launched on foreign markets. The Group is expecting to gradually migrate the clients that were making the purchases on the Mall platforms and realise the benefits from the acquired customer relationship (3P model for Czech market) in the Allegro International Operating Segment. The reallocation of the customer relationship between the new operating segment Allegro International and Mall Operating segment was performed using the expected migration rates of customers from legacy Mall platforms to newly launched Allegro marketplaces. This resulted in allocating 310,270 PLN of customer relationship and 146,571 PLN of goodwill to CGU Allegro.cz and CGU Allegro.sk.

29.3. Current and deferred income tax

Corporate income tax for a reporting period comprises current and deferred tax. Current income tax is calculated on the basis of taxable income (tax base) for a given financial year and the binding tax rate, based on the binding tax regulations.

The Group is obliged to assess the likeliness of realising the deferred tax asset. In this assessment process a series of assumptions is adopted in respect of determining the amount of the deferred tax asset. The above-mentioned estimations account for the tax forecasts, historical amounts of tax charged, current available strategies relating to planning the Group's operations and dates, as well as the likeliness of realising particular temporary differences.

29.4. Impairment of trade receivables

The impairment allowance is recorded based on the impairment loss model, according to the expected credit losses concept. Losses are recognised, according to the default rate assessed of the homogenous group of customers and ageing of the trade receivables balance within the homogenous group. The default rates are calculated based on historical data for the previous 48 months. Additionally the Group calculates individual allowances for receivables where there is indication of impairment.

The impairment allowance is recorded based on the impairment loss model, according to the expected credit losses concept. In comparison to the previous year, losses are recognised, according to the default rate assessed for the one homogenous group of customers and ageing of the trade receivables balance within this group.

Detailed information on the impairment losses on receivables is disclosed in note 30.2 of the additional notes and explanations.

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29.5. Amortisation of intangible assets

Amortisation and depreciation are determined based on the expected economic useful lives of intangible assets. Every year the Group verifies the adopted economic useful lives on the basis of current estimates. In the event of a change to the economic useful life of an asset, its effect is recognised as the effect of a change in accounting estimates.

Sensitivity analysis of amortisation of significant intangible assets is presented below:

	Amortisation period sensitivity analysis of significant intangibles assets	
period change	**shorter by 3 years**	**longer by 3 years**
Customer relationships	(42,019)	28,514
Software	(291,132)	72,783
(increase)/decrease in amortisation charge	**(333,151)**	**101,297**

In 2023 the Group reviewed its amortisation rates and concluded there are no material changes to the previous estimates of the economic useful lives of its assets, except the one described below.

29.6. Intangible assets with indefinite useful lives

In the current reporting period the Group changed the useful life of Allegro.pl trademark and domain from finite 20 years (with the annual amortisation charge of PLN 92,706) to indefinite. An analysis of product life cycle, market studies and research as well as competitive trends provides evidence that the brand will generate net cash inflows for the Group for an indefinite period. Allegro is a key player on the Central European market with a very strong brand awareness. In the current year the Group made a crucial step towards international expansion via launching Allegro.cz, further strengthening its presence internationally. The Group further intends to incur marketing expenditures which are necessary to sustain expected future economic benefits from brand and domain. Therefore, starting from October 2023 the trademark and domain is carried at cost without further amortisation charges, but is tested for impairment annually as part of Allegro CGU (disclosure of the impairment test is provided in the note 29.1)

29.7. Impact of IFRS 17 'Insurances' on SMART! program

The Group analysed the impact of IFRS 17 on the program and concluded that the newly adopted standard is not applicable in that respect. The underlying idea of the paid SMART! contract is to provide a buyer with a stand ready obligation to provide a delivery service or arrange for a delivery service, rather than to offer an insurance coverage or to accept an insurance risk resulting from uncertain future events. The usage of the service by the buyer is not triggered by an adverse effect on the buyer (a policyholder) as it only appears when the buyer expresses its unconditional will to purchase goods on Allegro's marketplace. In this type of contract Allegro accepts some level of uncertainty with regard to the final cost required to fulfil its obligation under the contract caused by the volume of orders placed by the buyer, yet it does not arise from the occurrence of an event that has an adverse effect on the buyer. Hence the paid SMART! contract does not fall within the scope of IFRS 17.

29.8. Estimates related to UOKiK proceedings

In December 2022, the Group received an unfavourable decision from the UOKiK (Office of Competition and Consumer Protection) in relation to antitrust proceedings. The UOKiK alleged that the Group abused its dominant position by favouring its own sales activity on the platform and imposed a fine in the amount of PLN 206,169. The Group has assessed that the UOKiK's decision should not be upheld in court, thus no provision is recognised in this respect.

Note 32 describes all pending UOKiK proceedings assessing the likelihood of the fine being imposed to be not probable.

29.9. Effects of climate-related matters on financial statements

The climate and environmental risks are subject to risk management and the Risk Management Policy. The role of the Board of Directors is to supervise corporate risk, define the scope of risk management, define directions for the development of the risk management system, and determine risk appetite levels.

The Group analysed potential impact of the climate-related matters, especially on accounting estimates such as calculating recoverable amounts of fixed assets, accounts receivables, consumer loans and concluded that the climate-related matters do not affect these Consolidated Financial Statements.

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30. Financial risk management

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance.

Risk	Exposure arising from	Measurement	Management
Market risk – interest rate	Long-term borrowings at floating rate Cash deposits – fixed rate Consumer loans – fixed rate	Sensitivity analysis	Interest rate swaps, offsetting cash deposits
Market risk – foreign exchange	Future commercial transactions Recognised financial assets liabilities not denominated in the functional currency of group entities	Cash flow forecasting Sensitivity analysis	Forward contracts
Credit risk	Cash and cash equivalents Receivables	Credit ratings Ageing analysis	Diversification of bank deposits, fee deduction mechanism, credit limits and letters of credit
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities Consumer loans repurchase agreement

30.1. Market risk

RISK OF CHANGES IN CASH FLOWS RESULTING FROM INTEREST RATE CHANGES

The Group has an exposure to interest rate risk arising on changes in interest rates in relation to borrowings, interest rate swaps and consumer loans.

Borrowings with floating interest rates expose the Group to the risk of changes in cash flows. The Group dynamically assesses its exposure to interest rate change risk and mitigates it by short-term cash deposits and by interest rate swap contracts ('IRS').

The Group has a hedge policy in place allowing 100% of interest rate risk exposure to be hedged. The future interest payments of the borrowings in the carrying value of PLN 6,067,487 are exposed to the changes in the future loan margin as explained in Note 20. As at 31 December 2023 the Group had 66% of notional value of borrowings covered by the hedging instruments compared to 53% for the comparative period, with the whole amount of borrowings bearing variable interest rate.

The consumer loans are interest free (30 days buy now pay later and 2 instalments 0% for SMART! users) or granted at fixed interest rate thus exposing the Group to the fair value risk which is reflected in the impact on profit/loss as these loans are measured at fair value through profit or loss.

IBOR REFORM

Warsaw Interbank Offered Rate (WIBOR) is expected to be fully replaced in 2025. New WIRON benchmark that is expected to gradually replace WIBOR has been made available in 2023 and can be used in financial products and instruments by entities that declare their preparedness to apply it. The Group has a number of contracts which reference WIBOR; these contracts are disclosed within the table below. In Group's contracts WIBOR has not yet been replaced by WIRON.

To account for replacement of WIBOR with the alternative benchmark rate, the Group has applied Phase 1 and will apply the Phase 2 of the amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest rate benchmark (IBOR) reform if the new basis for determining the contractual cash flows will be economically equivalent to the previous basis.

The following financial assets and financial liabilities may be impacted by the reform:

	Note	31.12.2023	31.12.2022
Carrying value of WIBOR-based liabilities		**6,081,190**	**6,453,751**
Borrowings – short term	20	2,702	1,706
Borrowings – long term	20	6,064,785	6,451,821
Derivative financial instruments (cash flow hedge)	25	13,703	224
Carrying value of WIBOR-based assets		**89,191**	**324,626**
Derivative financial instruments (cash flow hedge)	25	89,191	324,626

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SENSITIVITY

The exposure of the Group's borrowings and IRS contracts to change in floating interest rate risk is presented in table below.

	Interest rate change impact on profit/(loss) as at 31.12.2023					
change in interest rate (ppt)	-2	-1	-0.5	0.5	1	2
Interest cost	125,150	62,575	31,288	(31,288)	(62,575)	(125,150)
Interest rate swap result	(82,500)	(41,250)	(20,625)	20,625	41,250	82,500
increase/(decrease) in interest expense	**42,650**	**21,325**	**10,663**	**(10,663)**	**(21,325)**	**(42,650)**
Impact on other components of equity (fair value gain/loss)	**(61,743)**	**(31,253)**	**(16,008)**	**14,482**	**29,727**	**60,218**

	Interest rate change impact on profit/(loss) as at 31.12.2022					
change in interest rate (ppt)	-2	-1	-0.5	0.5	1	2
Interest cost	131,233	65,616	32,808	(32,808)	(65,616)	(131,233)
Interest rate swap result	(82,726)	(41,363)	(20,682)	20,682	41,363	82,726
increase/(decrease) in interest expense	**48,507**	**24,253**	**12,126**	**(12,126)**	**(24,253)**	**(48,507)**
Impact on other components of equity (fair value gain/loss)	**(84,749)**	**(42,374)**	**(21,187)**	**21,187**	**42,374**	**84,749**

The Group verifies the ratings of counterparties and as at 31 December 2023, the Group held 56.4%, 43.6% of all its derivatives in banks with the ratings of A- and A+ (as at 31 December 2022: 54.6%, 25.3% and 20.1% in banks with the ratings of A, A+, A+ respectively). As at 31 December 2023, the Group held 56.4%, 23.2% and 20.4% of all its derivatives in a single financial institution with the ratings of A-, A+, A+ respectively (as at 31 December 2022: 54.6%, 25.3% and 20.1% in banks with ratings A, A+, A+ respectively).

FOREIGN EXCHANGE RISK

Foreign exchange risk occurs as a result of sales or purchases made by the Group in currencies other than the functional currency of each of the Group's entities. The group's exposure to foreign currency risk at the end of the reporting period, expressed in Polish Zloty (translated from EUR), was as follows:

	31.12.2023	31.12.2022
Lease liabilities	513,869	565,210
Cash and cash equivalents	292,041	2,900
Total	**805,911**	**568,110**

The aggregate net foreign exchange gains/losses recognised in profit or loss were:

	01.01-31.12.2023	01.01-31.12.2022
Exchange gains/(losses) on foreign currency included in net financial costs	(73,349)	6,113
Total net foreign exchange/(losses) recognised in profit before income tax	**(73,349)**	**6,113**

The Group operates internationally and is exposed to foreign exchange risk, primarily EUR. The sensitivity of profit or loss to changes in the exchange rates arises mainly from EUR-denominated lease agreements. The changes in foreign currencies did not have an impact on other components of equity. The decrease/increase of foreign currencies against the functional currencies of companies by 5% would result in recognition of PLN 11,091 gain or PLN 11,091 loss respectively.

FAIR VALUE RISK

The Group is exposed to fair value risk related to interest rates associated with consumer loans measured at fair value through profit and loss ('FVTPL'). However, since consumer loans typically have a short-term nature, any fair value changes are likely to be limited and not have a significant impact on the overall financial position of the Group. The Group regularly monitors the fair value of its consumer loan portfolios and manages any potential risks that may arise.

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30.2. Credit risk

RISK MANAGEMENT

Financial assets representing the highest exposure to credit risk are cash and cash equivalents, trade receivables, consumer loans and derivative financial assets. To mitigate that risk, the Group uses detailed seller (customer) verification and monitoring procedures. The Group uses professional debt collection companies or engages in debt collection procedures on its own account. Moreover in 2023 the Group started gradually introducing a fee deduction mechanism resulting in priority to draw the success fee earned on marketplace activities from the inflows that merchant is receiving from the customer. This resulted in the decrease of the receivables balance and translated to lower impairment loss recognised during the period.

The Group's receivables comprise amounts due from individuals and businesses. The receivables have low concentration. Surplus cash is deposited by the Group at banks as on-demand deposits or as fixed-term deposits.

IMPAIRMENT OF FINANCIAL ASSETS

The Group has three types of financial assets that are subject to the expected credit loss model:

- trade receivables
- consumer loans at amortised cost
- cash and cash equivalents

	31.12.2023	31.12.2022
Impairment of receivables	47,731	60,262
Impairment of consumer loans	—	6,733
Net impairment losses on financial assets	**47,731**	**66,995**

TRADE RECEIVABLES

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 48 months before 31 December 2023 and 31 December 2022 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables (such as unemployment rate). In comparison with the previous year, the impairment provision increased mainly in line with the growth of the business resulting in growth of balance of accounts receivables.

On that basis, the loss allowance as at 31 December 2023 and 31 December 2022 was determined as follows for both trade receivables and contract assets:

Ageing of receivables as at 31.12.2023	Current	Overdue less than 3 months	Overdue 3 to 12 months	Overdue 1 to 3 years	Over 3 years	Total trade receivables
Trade receivables, gross	813,917	96,398	42,750	38,298	3,242	994,605
Impairment of trade receivables	(5,573)	(6,459)	(36,407)	(34,934)	(3,242)	(86,615)
Probability of default ratio	0.7%	6.7%	85.2%	91.2%	100.0%	—
Trade receivables, net	**808,344**	**89,939**	**6,343**	**3,364**	**—**	**907,990**

Ageing of receivables as at 31.12.2022	Current	Overdue less than 3 months	Overdue 3 to 12 months	Overdue 1 to 3 years	Over 3 years	Total trade receivables
Trade receivables, gross	966,393	139,498	39,397	71,305	—	1,216,591
Impairment of trade receivables	(8,877)	(4,825)	(33,974)	(69,266)	—	(116,942)
Probability of default ratio	1.0%	4.7%	83.4%	96.9%	—	—
Trade receivables, net	**957,516**	**134,673**	**5,423**	**2,039**	**—**	**1,099,649**

Carrying amount of the trade and other receivables balance represents the maximum exposure to the credit risk.

There are no significant concentrations of credit risk through exposure to individual customers, or specific industry sectors.

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CASH AND CASH EQUIVALENTS

Cash and cash equivalents are subject to the impairment requirements of IFRS 9. The identified impairment loss was immaterial.

A loss allowance in relation to cash and cash equivalents is determined individually for each balance with a given financial institution. In order to assess credit risk, external credit ratings and publicly available information on default rates for a given rating of S&P Global Ratings rating agency (or EuroRating if S&P ratings are not published) were used (rating is disclosed in the Note below). As all cash balances have a low credit risk as at the reporting date, the Group applied the practical expedient available under IFRS 9 and determined the loss allowances based on 12-month expected credit losses. The calculation of the loss allowances resulted in an immaterial amount.

The whole cash and cash equivalents balance is classified to Stage 1 of the impairment loss model i.e. the financial instruments that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date

Carrying amount of the cash and cash equivalents balance represents the maximum exposure to the credit risk.

As at 31 December 2023, the Group held its funds in individual banks with the following ratings:

	31.12.2023	31.12.2022
A+	28%	9%
A	23%	2%
A-	—	1%
BBB+	4%	18%
BBB	43%	63%
BBB-	—	2%
without quoted rating	2%	5%
	100%	100%

Five major banks in which the Group holds its cash and cash equivalents represent 30%, 21%, 14%, 13% and 9% of total balance as at 31 December 2023 respectively (as at 31 December 2022: 53%, 22%, 15%). One of the derivative contracts, representing 20% of notional carrying value of all derivatives, was concluded with the bank in which the Group holds 21% of cash and cash equivalent balance.

CONSUMER LOANS AT AMORTISED COST

Due to the short-term nature of consumer loans, their fair value is considered to be the same as their carrying amount. Carrying amount of the consumer loans balance represents the maximum exposure to the credit risk. Characterised by the absence of collateral, consumer loans are considered unsecured.

There is no concentration of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

Due to the business model changes that happened during the year (see note 18), as of 31 December 2023 all the consumer loans were measured at fair value through profit or loss.

Quality of the portfolio covered by the rating model:

Consumer loans at amortised cost as at 31.12.2022	Consumer loans, gross	Impairment of consumer loans	Consumer loans, net
A	15,530	(15)	**15,514**
B	32,374	(57)	**32,317**
C	30,833	(110)	**30,723**
D	26,914	(142)	**26,771**
E	19,686	(184)	**19,502**
F	13,560	(212)	**13,348**
G	8,607	(227)	**8,381**
H	18,647	(7,664)	**10,983**
Consumer loans at amortised cost as at 31.12.2022	**166,151**	**(8,611)**	**157,540**

The vast majority of the consumer loans as at 31 December 2022 have been classified to Stage 1.

For the purposes of credit risk management, the Group uses an 8-grade alphanumeric rating scale from A to H. Rating categories A-C are low risk, categories D-F are moderate, and G-H reflect increased risk.

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30.3. Liquidity risk

Operations are financed from the Group's own resources. The cash retained on bank accounts make it possible for the Group to settle its obligations as they arise in a timely manner.

As at 31 December 2023, the Group's outstanding bank borrowings amounted to PLN 6,257,500 (in nominal amounts). Considering:

- the generation of positive cash flows from operating activities,
- the long-term nature of borrowings,
- the balance of cash held, together with secured access to revolving credit facilities,
- the current and long-term cash flow analysis.

The Management believes liquidity risk to be minimal for the Group during the next 12 months.

Moreover, as at 31 December 2023, the Group had access to two undrawn revolving borrowing facilities totalling PLN 1,000,000.

LIABILITIES BY MATURITY, BASED ON UNDISCOUNTED CONTRACTUAL PAYMENTS

31.12.2023	Trade and refund liabilities	Bank borrowings	Interest on loans	Lease liability	Derivative financial liabilities	Total
Less than 3 months	1,601,749	—	120,984	41,331	—	1,764,064
3 to 12 months	—	—	358,416	123,638	13,703	495,757
1 to 5 years	—	6,257,500	1,245,664	458,612	—	7,961,776
More than 5 years	—	—	—	55,407	—	55,407
Total	**1,601,749**	**6,257,500**	**1,725,064**	**678,988**	**13,703**	**10,277,004**

31.12.2022	Trade and refund liabilities	Bank borrowings	Interest on loans	Lease liability	Derivative financial liabilities	Total
Less than 3 months	1,530,932	—	154,438	38,178	—	1,723,549
3 to 12 months	—	—	453,616	121,119	—	574,735
1 to 5 years	—	6,500,000	1,021,718	574,500	224	8,096,443
More than 5 years	—	—	—	85,114	—	85,114
Total	**1,530,932**	**6,500,000**	**1,629,772**	**818,911**	**224**	**10,479,840**

31. Capital management

The Group defines its capital as the equity from the consolidated statement of financial position.

The main purpose of capital management is to ensure the Group's ability to continue as a going concern and to maintain safe capital ratios that would optimally support the operations of the Group and increase its shareholder value, bringing shareholders return on their investment.

The Group manages its capital structure and modifies it in response to changes in economic conditions. To maintain or correct the capital structure, the Group may repay capital to shareholders or issue new shares.

According to current borrowings agreements signed, the Group shall ensure total net leverage in respect of any relevant period ending on test date on or after the first test date, shall not exceed a ratio indicated in the agreement. Leverage is defined as net debt divided by Adjusted EBITDA for the preceding twelve months ('LTM'). As at 31 December 2023 and 31 December 2022 the Group did not violate any of the covenants indicated in the agreement.

In 2022 leverage has increased significantly due to the completion of the acquisition transaction of Mall Group and WE|DO that required the Group to obtain the additional debt funding. Moreover as at 30 September 2022 the Group recognised a non-cash impairment loss in the amount of PLN 2,293,000 that lower the equity and further increased net debt ratio.

Since the acquisition, the Group continued the process of organic deleveraging, mostly due to raising cash balance and upward movement in Adjusted EBITDA measured on the rolling twelve months basis. The Group is expecting further deleveraging in the upcoming periods.

As at 31 December 2023 and 31 December 2022 the Group met its capital management objectives. The net leverage and gearing ratios at 31 December 2023 and 31 December 2022 were as follows:

	Note	31.12.2023	31.12.2022
LTM Adjusted EBITDA Polish Operations		2,957,551	2,309,439
LTM Adjusted EBITDA International Operations		(414,555)	(156,782)
Consolidation adjustment		(2,860)	—
Adjusted EBITDA LTM	**8.2**	**2,540,136**	**2,152,657**
Borrowings	20	(6,067,487)	(6,453,527)
Lease liabilities	14.1	(617,582)	(690,181)
Cash and cash equivalents	19	2,049,122	877,559
Net debt		**(4,635,946)**	**(6,266,149)**
Net leverage		1.83 x	2.91 x
Equity		9,043,326	8,981,259
Net debt to Equity		51.3%	69.8%

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UNRECOGNISED ITEMS

32. Contingent liabilities

32.1. Legal proceedings

The Group is subject to following anti-trust and other legal proceedings proceedings as at the date of these financial statements:

ANTITRUST PROCEEDINGS RELATED TO ALLEGED ABUSE OF A DOMINANT POSITION BY FAVOURING OWN SALES ACTIVITY ON THE PLATFORM

On 29 December 2022 the UOKiK President issued a decision imposing a fine on Allegro in the amount of PLN 206,169 for the violation of competition law consisting in the abuse by Allegro of a dominant position on the Polish market of services of intermediation in on-line sales between entrepreneurs and individual customers, offered to sellers on e-commerce platforms, by using, for the purposes of operating its 1P business: (a) information on the functioning of the Allegro marketplace and the behaviour of buyers on the platform, which was not available to 3P merchants or was available to them only to a limited extent; and (b) certain sales and advertising tools of the platform which were not available to 3P merchants or were available to them only to a limited extent. The decision ends the antitrust proceedings regarding the potential abuse of a dominant position initiated in December 2019.

Allegro does not agree with the decision and appealed it to the court of first instance on 2 February 2023. Allegro remains of the opinion that the OCCP President defined the market too narrowly, Allegro does not hold a dominant position and it did not favour 1P in any anti competitive way. Since the date of the last annual report, the OCCP President filed its response to Allegro's appeal. There were no substantially new arguments in that response. In February 2024, Allegro made an additional submission to the Court with additional argumentation. The court has not announced the date of the first hearing. The judgement of the court of first instance may be appealed to the Court of Appeal and ultimately to the Supreme Court. Courts may uphold or annul the decision or significantly decrease the fine. The fine, if sustained, becomes due and payable only upon ruling of the Court of Appeal.

It is more likely than not that the fine imposed on Allegro will not become due and payable. According to the Group's Management view supported by external counsel opinion, the UOKiK's decision should not be upheld in court, and even if not annulled, the courts tend to significantly reduce fines imposed by the UOKiK however it can not be reliably measured. For these reasons no provision has been created.

LEGAL DISPUTES RELATING TO THE MINORITY STAKE OF SHARES IN EBILET

The Group is aware of certain pending legal disputes between individuals associated with Bola Investment Limited ("Bola") and a third party individual ("Claimant") relating to the ownership of a minority stake of shares in eBilet sp. z o.o. that was the former owner of eBilet Polska sp. z o.o. ("eBilet Polska"). eBilet Polska has been part of the Group since April 2019. eBilet sp. z o.o. is not, and has never been, part of the Group.

The Claimant has filed against Bola, individuals associated with Bola and Allegro two lawsuits, i.e. one with the Regional Court in Poznań and one with the Regional Court in Warsaw demanding annulment of agreements concerning the purchase of shares in eBilet Polska concluded between Bola, individuals associated with Bola and Allegro.

The lawsuit filed in Poznań court has been rejected and the decision is now final and binding. The case in Warsaw is pending. Based on information available to the Group and based on the assessment of the Group's legal advisor as of the date of this Annual Consolidated Financial Statements, the Group has no reason to believe that the outcome of the case in question would have a material impact on the Group.

The Group operating entities are also a subject to other proceedings, which are considered to be insignificant. Moreover, there are ongoing explanatory proceedings conducted by the UOKIK president, which are not disclosed in details, as those proceedings are a preliminary step that does not have to lead to the initiation of formal proceedings.

33. Assets pledged as security

after the Group concluded a Senior Facilities Agreement on 29 September 2020, pledges and security interest were determined as the following:

- share pledge on the shares of Allegro and Ceneo.pl represented in the consolidated financial statements as net assets in the amount of PLN 10,785,455;
- registered pledge granted by Allego and Ceneo.pl over key trademarks owned by Allegro and Ceneo.pl, together with a Polish law power of attorney in respect of the Allegro.pl and Ceneo.pl key web domain in amount of PLN 914,720 (included in the net assets above);
- a Polish law submission to enforcement by each of Allegro and Ceneo.pl and Allegro.eu.

34. Commitments

34.1. Capital commitments

INTANGIBLE ASSETS

As at 31 December 2023, the Group's future contractual commitments for expenditure on intangible assets not recognised in the statement of financial position amounted to PLN 92,270 and were mainly related to software development. Contractual commitments as at 31 December 2022 amounted to PLN 95,901.

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35.
Events occurring after the reporting year

NEW INTEREST RATE SWAP CONTRACT ("IRS")

On 24 January 2024 the Group entered into three new swaps as follows:

Origination date	Start Date	End Date	Notional	Swap Rate
24.01.2024	28.06.2024	14.10.2027	320,000–1,600,000	WIBOR 3M fixed rate – 4.15550%
24.01.2024	28.06.2024	14.10.2027	180,00–900,000	WIBOR 3M fixed rate – 4.167%
24.01.2024	31.10.2025	31.12.2025	200,000	WIBOR 3M fixed rate – 4.33%

These new swap contracts have been designated as cash flow hedges to reduce the Group's floating interest rate exposure, mainly in the period October 2025 to October 2027 following the extension of the term of its existing borrowing facilities in November (see note 20).

LAUNCH OF ALLEGRO.SK

On 29 February 2024 the Group marked a next phase in its international marketplace expansion, by launching Allegro.sk, an e-commerce platform serving customers on the territory of Slovakia.

OTHER INFORMATION

36.
Related party transactions

Transactions with related parties referred to settlements of consulting and management services. All transactions were entered into on an arm's length basis.

The Group made the following related party transactions in the period ended 31 December 2023 and 31 December 2022:

	01.01 – 31.12.2023				As at 31.12.2023		
Related party	Revenues	Expenses	Financial income	Financial costs	Receivables	Payables	Loans granted
Associates:							
Polskie Badania Internetu sp. z o.o.	—	353	—	—	—	29	—
Fundacja Allegro All For Planet	91	1,390	—	—	23	—	—
Other:							
Business Office Services.	—	495	—	—	—	—	—
Alter Domus Luxembourg S.à r.l.	—	547	—	—	—	67	—
Total	**91**	**2,785**	**—**	**—**	**23**	**96**	**—**

	01.01 – 31.12.2022				As at 31.12.2022		
Related party	Revenues	Expenses	Financial income	Financial costs	Receivables	Payables	Loans granted
Associates:							
Polskie Badania Internetu sp. z o.o.	—	273	—	—	—	—	—
Fundacja Allegro All For Planet	109	1,600	—	—	—	—	—
Other:							
Business Office Services.	—	576	—	—	—	—	—
Alter Domus Luxembourg S.à r.l.	—	957	—	—	—	168	—
Culture Amp LTD	—	182	—	—	—	—	—
Total	**109**	**3,588**	**—**	**—**	**—**	**168**	**—**

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37. Employment

The table below shows the number of employees as at the reporting date ended 31 December 2023 and 31 December 2022:

	31.12.2023	31.12.2022
Contract of employment	5,514	5,930
Contractors (B2B), work agencies & outsourced service	1,110	1,910
Total	**6,624**	**7,840**

38. Emoluments of the management

Emoluments of the key management of the Group entities comprised:

	31.12.2023	31.12.2022
Short-term employee benefits	24,924	24,574
Share-based payment	15,990	13,752
Total	**40,913**	**38,326**

Total emoluments of the Group's Key Management include remuneration, benefits, severance costs, signing bonuses and the cost of the Allegro Incentive Program. Key Management of the Group comprises Board Members of the Parent and Board Members of the main operating company, Allegro.

39. Audit fee

The table below presents the net audit fees due for the reporting period ended on 31 December 2023 and on 31 December 2022 by type of service provided towards the Group by PricewaterhouseCoopers, Société coopérative Luxembourg and entities from PwC Network.

	31.12.2023	31.12.2022
Statutory annual audit	4,014	4,251
Half-year reviews	602	552
Other	195	40
Total	**4,811**	**4,843**

The above services are considered permissible under relevant EU, Luxembourg, Polish, Czech Republic, Croatia, Hungary and Slovenia independence regulations. PwC confirmed independence to the Audit Committee during the 2023 audit and at the closing meeting on 12 March 2024. The non-audit services in 2023 and 2022 relate to the reviews of the Interim Condensed Consolidated Financial Statements and for the support in vendor screening. In 2023, non-audit services also include review of the annual ESG report. These matters were subject to the approval of the Audit Committee.

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