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# ANNUAL REPORT OF ALLEGRO.EU S.A. GROUP

for the year ended 31 December 2021

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# Dear Shareholders,

Allegro has developed at such a scale, laying so much groundwork for future growth that it seems a whole era has passed and not just a year since I last had the pleasure of writing to you as Allegro CEO. I return with a state of affairs that makes us proud.

The client-facing innovation roadmap that we presented around our debut on the Warsaw bourse continues to bear fruit as our business is getting more diversified. Allegro has solidified its status as one of the enablers for the Polish economy by supporting merchants in sales, which is in turn appreciated by customers who seek the best and widest offer. Our continuous focus on selection, price, and convenience has helped us grow into what we are today: a platform with over 250 million offers from 133,000 merchants, many of them SMEs. Consumers are our final verifiers as they embrace our approach – the number of our active buyers has grown to 13.5 million, equivalent to almost half of Poland's Internet users. The model of a growing business based on clients' and merchants' trust is exactly what we want to scale going forward.

Among over 1000 brands and retailers that set up a shop on Allegro in 2021 are Biedronka's Dada, CCC's Sprandi, Decathlon, Pepco or L'Oreal, while our improved onboarding process yielded triple-digit growth in offers from international merchants. This should serve as proof of how broadly we are thinking about widening our selection and footprint: as Allegro develops its offer at home, it is also ready to go international, with the highlight of 2021 – our agreement to purchase the Mall Group and WE|DO – turbocharging our plans to extend Allegro's presence and client-facing model across CEE and beyond.

Delivery experience has also been a key area of innovation as Allegro successfully transitioned to a managed and integrated third-party delivery network. This asset-light but fruitful model will continue to be the core, as it ensures quick, reliable, and cost-efficient deliveries, enabling merchants to take advantage of the smart logistic backbone that Allegro provides together with its partners. Thanks to those partnerships, Allegro customers can now choose from nearly 50,000 convenient delivery pick-up options – the widest such network in Poland, making Allegro by far the most accessible e-commerce platform. The delivery promise has been further fine-tuned by technological advancement as well as Allegro's cooperation with merchants regarding incentives for fast dispatches and with carriers to enhance delivery. The development of this immensely scalable facility has proven resilient to lockdown distortions and continues to progress, as evidenced by the increasing share of orders delivered the next day as well as the growing number of participating sellers. Nearly 80% of purchases are now delivered within 1 or 2 days as we aim to further improve the network, which is the Allegro model of choice going forward: we are constantly raising the bar and working to integrate closer with merchants to help them enhance their businesses and answer client needs even better.

Allegro is supplementing its wide array of solutions with targeted investments into the One Fulfillment services, as well as the Poland-wide One Box by Allegro parcel-machines network to complement our partners' offer and ensure attractive future returns as they are being scaled up. The fulfillment offer is being rolled out following a successful pilot, while the number of Allegro's APMs is set to triple this year to 3,000, helping generate cost savings. To complete the picture and optimize Allegro's delivery economics, we acquired X-press Couriers, whose infrastructure will be the foundation of the platform's delivery operations.

The overarching aim is to lay out a complete and convenient offer, where all programs work hand-in-hand for the benefit of the consumer. The flagship Allegro Smart! program is a great example. The number of its beneficiaries has crossed 5 million and counting, with households and families meeting their shopping needs via one Allegro Family account. In the 3.5 years since its launch, Smart! has saved customers around PLN 4 billion in delivery costs, funded mostly by Allegro to help boost sales for merchants and raise client engagement. Smart! has thus become a byword for comfortable and affordable online shopping as well as an undeniable benchmark, which could also be said about the innovative fintech solution Allegro Pay we rolled out to all consumers. The safe and easy way of postponing or splitting payments into installments has gained the program an NPS of 92.8 – a level rarely seen globally. Loans generated via Allegro Pay hit PLN 2.0 billion last year, exceeding its upgraded goal, while the partnership with Aion Bank secured financing for its further growth.

It may occur as a paradox, but this whole business development gets summed up in the Allegro app which fits under one's thumb and is responsible for a growing part of Allegro's traffic. We make sure it encompasses all of our innovation drive: from shopping ease to user benefits, from visual search to delivery convenience – again, exactly what we aim to scale.

Last year will undoubtedly be marked by how we have broadened our perspective. Once completed, the deal to join ranks with the Mall Group and WE|DO will extend the group's footprint to cover also the Czech Republic, Slovakia, Slovenia, Hungary, and Croatia, nearly doubling the total addressable market to over PLN 1.1 trillion of retail sales and over 70 million shoppers. The planned tie-up will strengthen the companies' joint status as a leading regional marketplace, improving the everyday lives of millions of customers. Buyers will benefit from the improved selection, price, and convenience, while international merchants will be able to "list once, sell everywhere." The merger will create a strong, international team in tech, e-commerce and logistics, bringing us closer to the vision of a pan-EU shopping destination. Leveraging the region's already most competitive offer, Allegro is also boosting its reach with the newly launched English-language service to give European customers access to over 60 million (and counting) best-priced international deals.

Surely, the market is changing and competitive, but Allegro's approach stays intact: we are relentlessly keeping our eyes on retail basics and business inputs, with shopping experience and customer convenience as the guiding lights. Let our leading brand awareness and overall NPS (relational net promoter score) of 78.9 be one way of showing how well this model works, just as the fact that we met our 2021 financial expectations, raised during the year. Customer appreciation translated into growing average spend per active buyer as well as record annual GMV, which rose by 21.3% year-on-year, and propelled Adjusted EBITDA above PLN 2 billion even as the ever changing pandemic conditions turned from a tailwind to headwind for the whole e-commerce sector.

2021 set the stage for further growth and 2022 will be about strongly building on that momentum, as we are focusing on developing further on home soil, while scaling our business abroad. We are not looking back, but instead are continuously focusing on innovation, viewing the planned increase in capital spending on enhancements in user – and delivery experience as growth drivers for a group that does not stop reinventing itself. Our top initiatives include further development of Allegro Smart! and Allegro Pay as growth engines, with full productization, and boosting delivery promise also among key goals to increase buyers and merchants trust. It is a year for sowing the seeds, as we aim at becoming the leading and most efficient marketplace in CEE and beyond.

As a desirable employer, Allegro plans to continue widening our talent pool like in 2021, which also saw the company award the first annual grants under the Allegro Incentive Plan. We believe that owning shares will drive alignment of goals among employees, as well as help Allegro attract and retain the best talent in Poland and beyond. The planned tie-up with the Mall Group will make the organization increasingly international, multicultural and diverse, something Allegro already addresses with the new additions to its Executive Team and board. We are leading by example not only on this level – we also want to set climate targets and sustainable development actions, as presented in our ESG Report. Based in Poland Allegro is already a leading European tech champion, whose voice is heard internationally along the lines drawn in Allegro's EU Tech Credo.

Let me assure you again that whatever the size of the business, Allegro wants to continue providing the best shopping experience in terms of the offer breadth, price competitiveness, as well as convenience for consumers, while being the most welcoming platform to grow business for merchants, and the best place to work for the greatest of talents. These are and always have been Allegro's principles that we are now planning to scale internationally as we prepare for not just another year, but a new chapter. I hope you will find this report a confirmation of that as well as fruitful reading.

François Nuyts

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# I. General information

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# 1. Definitions

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

| | |
|---|---|
| "1P" | First-party. |
| "3P" | Third-party. |
| "AIP" | Allegro Incentive Plan. |
| "Allegro.pl" | Allegro.pl sp. z o.o. |
| "APMs" or "Lockers" | Automated Parcel Machines. |
| "Ceneo.pl" | Ceneo.pl sp. z o.o. |
| "CAGR" | Compound Annual Growth Rate. |
| "Ceneo.pl" | Ceneo.pl sp. z o.o. |
| "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 and existing 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. |
| "EC" | European Commission. |
| "EU" | European Union. |
| "FY" | A financial year of the Company 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. |
| "IFRS 15" | International Financial Reporting Standard 15 'Revenue from contracts with customers'. |
| "IPO" | The initial public offering of the shares of the Company on the WSE. |
| "IT" | Information Technology. |
| "Key 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. |
| "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. |
| "Mall Group" | Mall Group a.s. |
| "Mall Group / WE\|DO acquisition" | Pending acquisition of the Mall Group a.s. and WE\|DO CZ s.r.o., announced on 4 November 2021 |
| "MOV" | Minimum order value necessary to receive a service or a discount. |
| "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. |
| "PPC" | Pay Per Click. |
| "PSU" | Performance Share Unit plan which represents part of AIP. |
| "QoQ" | Quarter over quarter, i.e. sequential quarterly change. |
| "Report" | This report of the Company for the financial year ended 31 December 2021. |
| "RSU" | Restricted Stock Unit plan which represents part of AIP. |
| "Senior Managers" | Jointly: Members of the Board of Directors of Allegro.eu, Management Board Members of Allegro.pl and Management Board Members of Ceneo.pl |
| "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, Mepinan S.à r.l., representing the interests of Mid Europa Partners Funds |
| "SPA" | Share purchase agreement to acquire Mall Group a.s. and WE\|DO CZ s.r.o. that Allegro.eu and Allegro.pl entered into on 4 November 2021 |
| "sp. z o.o." | Limited liability company (spółka z ograniczoną odpowiedzialnością). |
| "UOKiK or OCCP" | Polish Office for Competition and Consumer Protection (Urząd Ochrony Konkurencji i Konsumentów). |
| "WE\|DO" | WE\|DO CZ 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. |
| "WSE" | The Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.) and, unless the context requires otherwise, the regulated market operated by such a company. |
| "YoY" | Year over year. |
| "YTD" | Year-to-date. |

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# 2. Introduction

This Report summarizes 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.pl and Ceneo.pl are the Group's key operating companies and are both entities incorporated under the laws of Poland. The Group also operates eBilet.pl ("eBilet"), which is the leading event ticket sales site in Poland.

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

At the date of the Report, (i) 28.03% of the issued shares of the Company are held 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) 28.03% of the issued shares of the Company are held by Permira VI Investment Platform Limited, representing the interests of Permira & Co-Investors, and (iii) 6.23% of the issued shares of the Company are 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. The remaining 37.72% of the issued shares of the Company are owned by other shareholders amongst which the 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.



# 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 2021 and for the twelve-month periods ended 31 December 2021 and 31 December 2020, which have been derived from the annual consolidated financial statements of the Group as of 31 December 2021 and for the twelve-month periods ended 31 December 2021 and 31 December 2020 ("**Financial Statements**"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and included elsewhere in this Report. PricewaterhouseCoopers, *Société coopérative* has audited the Financial Statements.

## ALTERNATIVE PERFORMANCE MEASURES

The Group has included certain alternative performance measures in this Report, including, among others, GMV, Adjusted EBITDA, Adjusted EBITDA/ net revenue, Adjusted EBITDA/GMV, total capital expenditure, capitalized development costs, other capital expenditure, net debt, net leverage, and working capital.



**The Group has defined the alternative performance measures as follows:**

**"Adjusted EBITDA"** means operating profit before depreciation and amortization further adjusted to exclude transaction costs, monitoring costs, market strategy preparation costs, employee restructuring costs, regulatory proceeding costs, group restructuring costs, donations to various public benefit organizations, certain bonuses for employees, the Management Investment Plan, 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 GMV;

**"Adjusted EBITDA/net 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 any one-off financial expenses, such as early repayment fees and deferred amortized costs arising on refinancing arrangements, net of their tax implications;

**"Capitalized development costs"** means the costs that are capitalized 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 platforms: Allegro.pl, Allegrolokalnie.pl, and eBilet.pl (including value added taxes);

**"LTM GMV"** means GMV generated by the Group in the twelve months prior to the balance sheet date;

**"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 centers, 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 capitalized development costs and other capital expenditure; and

**"Changes in working capital"** means the sum of the changes in inventory, trade and other receivables, 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 capitalized 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 Allegro.pl, Ceneo.pl. eBilet.pl, and the Allegro Lokalnie Platform. The Group believes this split is important for investors to understand its amortization 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.



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.

Compared to the annual report for the year ended 31 December 2020 and for consistency in published materials, we have adjusted the names of the following Alternative Performance Measures, while their definitions remained unchanged between periods: "Net leverage" is now referred to as "Leverage", "Adjusted EBITDA/net revenue" is now referred to "Adjusted EBITDA/revenue", and "Working capital" is referred to as "Changes in working capital".

We have also changed the definition of "Other capital expenditure" from "cost" to "amount paid" in order to reflect the cash basis instead of accrual basis of the measure. These changes were incorporated for the first time in Q3 2021 management report.

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.

**"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 on any of Allegro.pl, Allegrolokalnie.pl or eBilet.pl in the preceding twelve months;

**"GMV per Active Buyer"** represents LTM GMV divided by the number of Active Buyers as of the end of a period.

In this annual report we have changed the definitions for both Non-Financial Measures: "Active Buyers" and "GMV per Active Buyer" by including unique email addresses connected with buyers that have made at least one purchase on eBilet.pl in the preceding twelve months in "Active Buyers" definition, as well as including GMV generated by those buyers in LTM GMV used for the purpose of calculating "GMV per Active Buyer". As a result of this change LTM GMV derived from the multiplication of both Non-Financial Measures now fully reconciles with LTM GMV derived from Alternative Performance Measures described above. We have restated all comparative data to align the previously reported actuals to these revised definitions.


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# II. Business report

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# 1.

# Selected consolidated financial and operational highlights

| Income Statement, PLN m | FY 2021 | FY 2020 | Change % | Q4 2021 (unaudited) | Q4 2020 (unaudited) | Change % |
|---|---|---|---|---|---|---|
| Revenue | 5,352.9 | 3,997.8 | 33.9% | 1,600.7 | 1,299.0 | 23.2% |
| EBITDA | 1,993.7 | 1,586.8 | 25.6% | 461.6 | 513.5 | (10.1%) |
| Adjusted EBITDA | 2,068.5 | 1,750.0 | 18.2% | 501.2 | 533.5 | (6.1%) |
| EBIT | 1,472.9 | 1,123.0 | 31.2% | 321.8 | 394.9 | (18.5%) |
| Profit / (Loss) before Income tax | 1,358.1 | 616.7 | 120.2% | 251.6 | 324.7 | (22.5%) |
| Income tax | (268.5) | (198.1) | 35.5% | (51.8) | (64.1) | (19.2%) |
| Net Profit / (Loss) | 1,089.6 | 418.6 | 160.3% | 199.7 | 260.6 | (23.3%) |
| **KPIs** | | | | | | |
| Active Buyers (millions) | 13.5 | 13.1 | 2.9% | 13.5 | 13.1 | 2.9% |
| GMV per Active Buyer (PLN) | 3,157.8 | 2,676.8 | 18.0% | 3,157.8 | 2,676.8 | 18.0% |
| GMV (PLN in millions) | 42,601.7 | 35,110.9 | 21.3% | 12,668.5 | 10,851.2 | 16.7% |
| LTM GMV (PLN in millions) | 42,601.7 | 35,110.9 | 21.3% | 42,601.7 | 35,110.9 | 21.3% |
| Take Rate (%) | 10.23% | 9.27% | 0.96 pp | 9.84% | 9.44% | 0.41 pp |

| Cash Flow, PLN m | FY 2021 | FY 2020 | Change % | Q4 2021 (unaudited) | Q4 2020 (unaudited) | Change % |
|---|---|---|---|---|---|---|
| Net cash inflow/(outflow) from operating activities | 1,406.6 | 1,509.9 | (6.8%) | 387.5 | 344.9 | 12.3% |
| Net cash inflow/(outflow) from investing activities | (429.9) | (218.2) | 97.0% | (173.0) | (47.9) | 261.0% |
| Net cash inflow/(outflow) from financing activities | (204.5) | (510.5) | (59.9%) | (31.6) | 162.9 | (119.4%) |
| Net increase/(decrease) in cash and cash equivalents | 772.2 | 781.2 | (1.2%) | 183.0 | 459.9 | (60.2%) |

| | 31.12.2021 | 31.12.2020 | Change % |
|---|---|---|---|
| Assets | 16,869.9 | 15,147.9 | 11.4% |
| Equity | 9,454.1 | 8,089.6 | 16.9% |
| Net Debt | 3,660.2 | 4,326.0 | (15.4%) |

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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 | FY 2021 | FY 2020 | Change % | Q4 2021 | Q4 2020 | Change % |
|---|---|---|---|---|---|---|
| Active Buyers (millions) | 13.5 | 13.1 | 2.9% | 13.5 | 13.1 | 2.9% |
| GMV per Active Buyer (PLN) | 3,157.8 | 2,676.8 | 18.0% | 3,157.8 | 2,676.8 | 18.0% |
| GMV (PLN in millions) | 42,601.7 | 35,110.9 | 21.3% | 12,668.5 | 10,851.2 | 16.7% |
| LTM GMV (PLN in millions) | 42,601.7 | 35,110.9 | 21.3% | 42,601.7 | 35,110.9 | 21.3% |
| Take Rate (%) | 10.23% | 9.27% | 0.96 pp | 9.84% | 9.44% | 0.41 pp |
| Adjusted EBITDA (PLN in millions) | 2,068.5 | 1,750.0 | 18.2% | 501.2 | 533.5 | (6.1%) |
| Adjusted EBITDA/revenue (%) | 38.64% | 43.78% | (5.13 pp) | 31.31% | 41.07% | (9.76 pp) |
| Adjusted EBITDA/GMV (%) | 4.86% | 4.98% | (0.13 pp) | 3.96% | 4.92% | (0.96 pp) |



### GMV AND ACTIVE BUYERS

During FY 2021, GMV reached PLN 42,601.7 million, and increased by 21.3% YoY, whereas in Q4 2021 GMV reached PLN 12,668.5 million, which represented an increase of PLN 1,817.3 million , or by 16.7% YoY, which was comfortably in line with management expectations. At the same time, the number of Active Buyers grew to 13.5m during FY 2021, up by 2.9% YoY.

GMV growth in the twelve months period was almost entirely driven by the Allegro Marketplace with a small positive contribution of 0.2 pp coming from eBilet as severe lockdown restrictions negatively impacted public events and eBilet's ticket sales during much of H1 2021, as it had done for the final three quarters of 2020, with restrictions on mass gathering events being gradually eased from May 2021.

The widely varying growth rates registered in each quarter in the Group's GMV were due to COVID-19 related impacts in both current and comparative base periods. Due to COVID-19, the Polish government imposed lockdowns on all non-essential offline retail in March-May 2020 and subsequently implemented less severe restrictions, focused on closing covered shopping malls, three times in Nov 2020, Jan 2021 and March-early May 2021. This disruption to normal shopping patterns raised demand for online e-commerce and accelerated adoption of regular online shopping.

Furthermore, during the most severe March-May 2020 lockdown, the Group made its SMART! Program, with free delivery, available for free to any Active Buyers who wished to register, resulting in a peak YoY growth rate for 2020 of 71.5% for the second quarter. The annual lapping of this sequence of disruptive events resulted in the Q1 2021 46.1% growth being achieved against a prior year period minimally impacted by COVID-19, Q2 growth of 10.6% being achieved against peak disruption and highest demand in the prior year, the accelerating Q3 growth of 19.9% was delivered against a backdrop of minimal COVID-19 impact in both the current and prior year quarter, and with a soft deceleration in the YoY growth rate in Q4 to 16.7% driven by a lack of restrictions in the current period vs. shopping mall closures in the comparative period in November. Looking through these events by using a 2 year CAGR growth metric from 2019 to 2021, the Group grew GMV at an annualized rate of 36.7%, well above the pre-pandemic trend of low to mid-twenties growth.

This higher GMV growth on a 2 year CAGR basis reflects buyers' increased online purchasing frequency following a positive shopping experience and the learning of new online shopping habits during the lockdowns. Increased demand has been further supported by the Group focusing on the retail basics of increasing selection, ensuring competitive prices and providing a fast and reliable delivery experience. An additional boost to purchasing frequency is provided by rapid uptake of the SMART! loyalty program, which is now used by over 5 million customers, up from 2.1 million at 30 June 2020.

## ADJUSTED EBITDA

The Group's Adjusted EBITDA increased by PLN 318.4 million, or 18.2% YoY, from PLN 1,750.0 million for FY 2020 to PLN 2,068.5 million for FY 2021. In Q4 2021 Adjusted EBITDA decreased by PLN 32.3 million, or 6.1% YoY, from PLN 533.5 million for Q4 2020 to PLN 501.2 million for Q4 2021.

This increase in profitability in FY 2021 was achieved mainly due to the Group's GMV growing by 21.3% YoY. In addition, increases in the Take Rate of 0.96 pp YoY in the period helped to offset the growth of operating expenses, adjusted for one-off items, of 46.1%YoY.

The improved Take Rate monetization in FY 2021 mainly reflects the June 2020 introduction of success fees on delivery charges paid by buyers (a market standard practice aimed to fight artificially high delivery prices), the April 2020 launch of merchant co-financing of SMART! deliveries by courier and the January 2021 launch of similar co-financing charges for lockers. Furthermore, a positive impact from targeted success fee increases in specific categories and for promoted offers, both introduced in January 2021, also contributed to the higher Take Rate performance. As some of these measures began to be reflected in the base period, and the Group intensified investment in pricing support and pay-for-performance rebates, the YoY Take Rate growth rate declined in the 2nd half of the year. In addition, in Q4 the take rate was impacted by lowered courier MOV and a related temporary lower co-finance yield on Smart! courier deliveries. All these factors combined to limit the YoY take-rate increase for the fourth quarter to 0.41 pp versus 0.96 pp for FY21 as a whole.

Furthermore, advertising revenues, which deliver higher than average margins, grew by 41.2% YoY in FY 2021 and by 29.3% in Q4 2021, helping to deliver total revenue growth of 33.9% YoY for the twelve months period and 23.2% YoY for the final quarter .

Operating expenses grew by 39.3% YoY in FY 2021 and by 45.0% YoY in Q4 2021. After elimination of one-off expenses described in the Adjusted EBITDA reconciliation table below, the growth was 46.1% YoY for FY 2021 and 43.6% YoY for Q4 2021. Strategic investments in growing the SMART! subscriber base drove a 80.0% YoY rise in net delivery costs in FY 2021. When adjusting for free SMART! program costs included in marketing expenses in the base period, the YoY increase was a more moderate 60.7% for the whole year and 57.7% YoY in Q4 2021. Marketing expenses grew by 17.2% in FY 2021, but after adjusting for the free SMART! program costs in the base period, the YoY growth reached 37.3% in FY 2021 and 34.5% in Q4 2021. An increase in the number of staff employed by 33.4%[1] YoY contributed to the increase in staff costs which, adjusted for one-off items, grew by 31.3% YoY in FY 2021, and by 21.8% YoY in Q4 2021. Recruitment was concentrated in key areas of the organization such as Technology, Commerce, Delivery Experience, and Customer Experience, that should directly contribute to higher GMV and revenues over time.

Higher YoY net costs of delivery from a larger base of highly engaged SMART! customers and further investment in marketing and operational capacity combined to offset higher Take Rates and increased share of advertising revenue to slightly reduce Adjusted EBITDA/GMV margin in FY 2021 by 13 basis points YoY from 4.98% to 4.86%. In the last quarter of the year, this margin measure fell back by 96 basis points from 4.92% in Q4 2020 to 3.96% in Q4 2021. This resulted from the developments reducing the Q4 Take Rate as described above, combined with some deceleration in advertising revenue growth on slower YoY traffic growth and the steadily increasing share of SMART! users' spending in total GMV. In addition, the drop in Q4 Adjusted EBITDA/GMV margin also reflects certain one off factors, including an increasing share of more expensive courier deliveries in the Smart! parcels mix, resulting from the reduction in courier MOV from PLN 80 to PLN 40, that drove delivery expenses higher without any offsetting co-financing fees being collected, and the commercial costs of supporting successful shopping events such as Black Week in November.

In FY 2021 the Group incurred PLN 49.8m of transaction costs related mainly to the pending acquisition of the Mall Group a.s. and WE|DO CZ s.r.o. ("Mall Group / WE|DO acquisition"), PLN 16.7 million of new Allegro Incentive Plan costs, and PLN 8.2 million of other one-off costs in adjustments to EBITDA.

[1] Active headcount, on the employment contract





The following table presents a reconciliation between Reported and Adjusted EBITDA for the periods under review:

| Reconciliation of Adjusted EBITDA PLN m (unaudited) | FY 2021 | FY 2020 | Change % | Q4 2021 | Q4 2020 | Change % |
|---|---|---|---|---|---|---|
| **EBITDA** | **1,993.7** | **1,586.8** | **25.6%** | **461.6** | **513.5** | **(10.1%)** |
| Monitoring costs [1] | — | 1.8 | (100.0%) | — | (1.0) | (100.0%) |
| Regulatory proceeding costs [2] | 4.6 | 4.9 | (6.6%) | 3.8 | 2.3 | 67.3% |
| Group restructuring and development costs [3] | 0.0 | 7.2 | (99.4%) | — | 4.4 | (100.0%) |
| Donations to various public benefit organizations [4] | 2.3 | 6.9 | (66.4%) | — | 2.4 | (100.0%) |
| Bonus for employees and funds spent on protective equipment against COVID–19 [5] | 1.3 | 3.3 | (60.2%) | 0.3 | 0.4 | (6.5%) |
| Allegro Incentive Plan [6] | 16.7 | 25.4 | (34.3%) | 4.2 | 10.9 | (61.5%) |
| Management Investment Plan [7] | — | 52.2 | (100.0%) | — | — | 0.0% |
| Transaction costs [8] | 49.8 | 61.6 | (19.1%) | 31.3 | 0.7 | 4,115.9% |
| **Adjusted EBITDA** | **2,068.5** | **1,750.0** | **18.2%** | **501.2** | **533.5** | **(6.1%)** |

[1] Represents expenses incurred in relation to performance of advisory services by the shareholders of the Group, including travel expenses and expenses for services provided for projects outside the scope of supervisory responsibilities. These services and related expenses ceased since the Company's IPO.

[2] Represents specialist antitrust economists costs as well as legal costs mainly related to antitrust proceedings conducted by the OCCP concerning the alleged abuse of dominant position by Allegro.pl and other proceedings.

[3] Represents legal, financial, tax due diligence and transactional expenses with respect to potential acquisitions of target companies along with related legal expenses.

[4] Represents donations made by the Group to support health service and charitable organizations and NGOs during the COVID-19 pandemic.

[5] 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..

[6] 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. Costs recognized in the year ended 31 December 2021 represent the accrued cost of share based compensation in relation to the PSU and RSU Plans. For 2020, the cost represents a one-off grant to employees of shares awarded at the Group's IPO ("Free Share Awards").

[7] Cost of share based compensation related to the Management Investment Plan ("MIP") in which management participated indirectly through investing in shares in the Adiman SCSP and directly via type C and D shares issued by Allegro.eu. The MIP ceased to exist at its full settlement at the moment of the Company's IPO

[8] Represents pre-acquisition advisory fees, legal, financial, tax due diligence and other transactional expenses incurred in 2021 in relation to the acquisition of Mall Group a.s. and WE|DO CZ s.r.o., which is signed and pending completion subject to regulatory approvals (more see note 35.1) and the cost of completed acquisitions of X-press Couriers sp. z o.o. and Skynet Customs Brokers sp. z o.o. The cost recorded in the comparative period are related to the IPO process completed in 2020 (PLN 61,139) and the completed acquisition of a 20% minority interest in eBilet (PLN 430).

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## 2.2. Review of Allegro.eu Group financial and operational results

### 2.2.1. REVIEW OF Q4 2021 RESULTS

The following table presents the Group's summary consolidated statements of comprehensive income data for Q4 2021 and 2020.

| Consolidated statement of comprehensive income, PLN m (unaudited) | Q4 2021 | Q4 2020 | Change % |
|---|---|---|---|
| **Revenue** | **1,600.7** | **1,299.0** | **23.2%** |
| Marketplace revenue | 1,230.3 | 1,012.9 | 21.5% |
| Advertising revenue | 152.9 | 118.3 | 29.3% |
| Price comparison revenue | 54.6 | 63.2 | (13.6%) |
| Retail revenue | 142.0 | 98.4 | 44.2% |
| Other revenue | 20.9 | 6.2 | 235.5% |
| **Operating expenses** | **(1,139.1)** | **(785.4)** | **45.0%** |
| Payment charges | (36.7) | (42.5) | (13.7%) |
| Cost of goods sold | (148.3) | (102.4) | 44.8% |
| Net costs of delivery | (429.3) | (272.2) | 57.7% |
| Marketing service expenses | (229.4) | (168.9) | 35.9% |
| Staff costs | (153.1) | (133.2) | 14.9% |
| IT service expenses | (29.7) | (19.2) | 55.1% |
| Other expenses | (59.3) | (42.3) | 40.2% |
| Net impairment losses on financial and contract assets | (22.0) | (4.1) | 440.5% |
| Transaction costs | (31.3) | (0.7) | 4,371.4% |
| **Operating profit before amortisation and depreciation (EBITDA)** | **461.6** | **513.5** | **(10.1%)** |
| **Amortisation and Depreciation** | **(139.8)** | **(118.6)** | **17.9%** |
| Amortisation | (114.6) | (102.2) | 12.2% |
| Depreciation | (25.2) | (16.5) | 53.2% |
| **Operating profit** | **321.8** | **394.9** | **(18.5%)** |
| **Net Financial result** | **(70.2)** | **(70.2)** | **0.0%** |
| Financial income | 2.4 | 3.7 | (35.0%) |
| Financial costs | (72.4) | (73.7) | (1.8%) |
| Foreign exchange (profits)/losses | (0.2) | (0.2) | 25.4% |
| **Profit/(Loss) before Income tax** | **251.6** | **324.7** | **(22.5%)** |
| Income tax expenses | (51.8) | (64.1) | (19.2%) |
| **Net profit/(loss)** | **199.7** | **260.6** | **(23.3%)** |
| Other comprehensive income/(loss) | 132.6 | 11.1 | 1,094.4% |
| **Total comprehensive income/(loss) for the period** | **332.3** | **271.7** | **22.3%** |



### REVENUE

Revenue increased by PLN 301.7 million, or 23.2%, from PLN 1,299.0 million for Q4 2020 to PLN 1,600.7 million for Q4 2021. From a two-year perspective for the 2019-2021 period, this growth reflects a 41.0% CAGR. This increase resulted primarily from the growth of marketplace, advertising, and retail revenue streams.

#### MARKETPLACE REVENUE

marketplace revenue increased by PLN 217.5 million, or 21.5%, from PLN 1,012.9 million for Q4 2020 to PLN 1,230.3 million for Q4 2021. This increase resulted primarily from 16.7% YoY GMV growth and a 41 basis points increase in Take Rate compared to last year. GMV growth comprised a 16.0% growth contribution from the Allegro Marketplace with a further 0.7pp YoY growth rate coming from eBilet.

In line with management expectations the Group registered a slight sequential deceleration in YoY GMV growth rate to 16.7%, driven by lack of retail impacting lock-down restrictions in the current period versus shopping mall closures in November 2020. Taking a two year perspective on GMV growth, the CAGR in Q4 for 2019-2021 was 35.6%.

This high GMV growth on a 2 year CAGR basis reflects buyers' increased online purchasing frequency following a positive shopping experience and the learning of new online shopping habits during the lockdowns. Increased demand has been further supported by the Group focusing on the retail basics of increasing selection, ensuring competitive prices and a satisfying delivery experience, together with increased uptake of SMART! users, further boosting purchasing frequency. As a result LTM GMV per Active Buyer advanced to PLN 3,158 and was 18.0% above the levels noted during FY 2020. At the same time, the number of Active Buyers reached 13.5m in Q4, up by 2.9% YoY.

The Group's eBilet ticket sales business accelerated to make a positive GMV contribution to YoY growth in Q4 2021 as mass events remained open throughout the fourth quarter, contributing 0.7 pp of the total 16.7% GMV growth recorded by the Group as its prior year quarter comparative was essentially generating slightly negative GMV due to returns on previously sold event tickets. eBilet recorded a GMV of 67.7 mPLN in Q4 2021.

In Q4 2021 the Take Rate reached 9.84%, up by 0.41pp versus Q4 2020 and down by 0.45pp QoQ. The YoY improvement in the Take Rate monetization mainly reflected the increasing share of merchant co-financing of SMART! deliveries by courier as well as the January 2021 launch of similar co-financing charges for lockers. Furthermore, a positive impact from targeted success fee increases in specific categories and for promoted offers introduced in January 2021, also contributed to the higher Take Rate performance. During Q4 2021 the Group intensified investment in pricing support and pay-for-performance rebates, including co-financing rebate program for merchants for next-day delivery. In addition, in Q4 the take rate was impacted by the reduction of courier MOV for free delivery within the SMART! program from 80 PLN to 40 PLN, with a simultaneous introduction of a zero rate co-financing promotion for merchants on the resulting additional courier shipments to avoid significant pricing changes in the crucial fourth quarter sales period. If the Group had not made this customer-centric decision to delay the round of co-financing increases to February 2020, it is estimated that Q4 revenues would have been approximately PLN 40 million higher. Co-financing fees on these courier deliveries were introduced from February 2022 and are expected to lift the Take Rate.

### ADVERTISING REVENUE

Advertising revenue increased by PLN 34.6 million, or 29.3%, from PLN 118.3 million for Q4 2020 to PLN 152.9 million for Q4 2021. The share of advertising revenue in GMV reached 1.21% in Q4 2021, up from 1.09% a year earlier and up by 0.1 pp versus Q3. Growth in the fourth quarter was driven by sponsored offer ads, as increasing merchant penetration and a rising price per click delivered faster than average growth within the advertising product portfolio.

A slower overall growth rate for advertising revenue than in the earlier quarters of 2021 reflected the lapping of strong demand for display advertising seen in Q4 of 2020, as marketing spending recovered and moved online after the first months of COVID-19 disruption. Advertising network services continued to develop, enabling merchants to use Google Adwords in order to drive traffic to their own Allegro offers to support their sales results, simultaneously providing effectively free traffic to the Allegro marketplace.

### PRICE COMPARISON REVENUE

Price comparison revenue decreased by PLN 8.6 million, or 13.6%, from PLN 63.2 million for Q4 2020 to PLN 54.6 million for Q4 2021. This decrease reflected a lower number of clicks from third-party customers as the e-commerce segment was generally seeing lower consumer search volumes than in the prior year. The click volume was partially replaced as Allegro increased its use of the Ceneo channel for traffic acquisition for its marketplace. As such intra-group trading is eliminated on consolidation, third-party sales of price comparison services showed a bigger YoY decline than from a total revenue perspective (13.6% vs 4.9%). Key selection KPIs (no. of merchants, visible products & offers) are growing YoY at a double-digit pace.

### RETAIL REVENUE

Retail revenue increased by PLN 43.5 million, or 44.2%, from PLN 98.4 million for Q4 2020 to PLN 142.0 million for Q4 2021. Retail revenue growth above the rate of GMV growth was largely driven by the intensified role of Allegro's retail operations to enhance the overall value proposition to the buyers, helping to provide competitive pricing or missing selection of key products when sellers present on the marketplace are unable to provide the market's lowest prices or source missing products, especially during key shopping events such as SMART! Week, Black Week or Christmas. Retail sales transacted on the marketplace equated to 1.3% of Q4 2021 GMV, versus 1.1% in the prior year quarter.



## OPERATING EXPENSES

Operating expenses increased by PLN 353.6 million, or 45.0%, from PLN 785.4 million for Q4 2020 to PLN 1,139.1 million for Q4 2021. This increase resulted primarily from higher net costs of delivery, marketing expenses and cost of goods sold, as well as recognition of transaction costs connected to the agreement to acquire the Mall Group and WE|DO.

### PAYMENT CHARGES

Payment charges decreased by PLN 5.8 million, or 13.7%, from PLN 42.5 million for Q4 2020 to PLN 36.7 million for Q4 2021. This decrease resulted from lower rates from third-party providers renegotiated within Q3 2021, combined with favourable payment mix changes, which together more than offset higher sales volumes on the Group's e-commerce marketplace.

### COST OF GOODS SOLD

Cost of goods sold increased by PLN 45.9 million, or 44.8%, from PLN 102.4 million for Q4 2020 to PLN 148.3 million for Q4 2021. This increase resulted primarily from increased sales through the Group's 1P retail business operations and higher participation in providing competitive pricing or sourcing of key products, which caused gross sales margin to decrease by 0.4 pp versus the prior-year quarter.

### NET COSTS OF DELIVERY

Net costs of delivery increased by PLN 157.1 million, or 57.7%, from PLN 272.2 million for Q4 2020 to PLN 429.3 million for Q4 2021. This increase resulted primarily from significant growth in both the number and share of buyers on the Group's e-commerce marketplace who were users of the SMART! program and to the typically significant increase in spending that comes with the availability of offers with free delivery. The YoY growth in SMART! users was supported by a promotion "Annual subscription for PLN 39" launched during the base period of Q4 2020 and again during Q4 2021 as well as several sequential improvements to the SMART! product. Product improvements included launching "SMART! na Start" (zero subscription with five free deliveries for occasional shoppers), adding a short-term promotion of unlimited deliveries on "Smart na Start" during the Smart! Week campaign in 2021, adding the cash on delivery payment method and reducing MOV on courier deliveries in stages from PLN 100 to PLN 80 in February 2021 and to PLN 40 in September 2021. Moreover, changes to SMART! program requirements for merchants lifted coverage of courier service on SMART! offers close to 100% as of Q4 2021.

From a cost perspective, the various steps taken to improve courier service within the SMART! product have increased the share of courier deliveries, which are more expensive than deliveries to lockers or pick-up points, within SMART! by 19.6pp YoY in Q4 2021 versus Q4 2020. Average cost per SMART! package delivered increased by 7.8% versus the prior year quarter, of which 3.2 percentage points was due to the increase of courier deliveries in the delivery mix.

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 60.5 million, or 35.9%, from PLN 168.9 million for Q4 2020 to PLN 229.4 million for Q4 2021. PPC expenses aimed to boost internet traffic acquisition increased in Q4 2021 by 28.0% YoY. Competition for Internet buyers remains elevated, driving higher YoY costs per acquired click. Continued improvement in conversion of purchased traffic and higher Take Rates ensured that ROIs on this main component of marketing spending remained very strong. The Group also increased its brand marketing investment in Q4 2021 by +70.1% to support Smart Week, Black Week and Christmas campaigns, as well as to reduce diagnosed barriers per each buyer segment and increase ToM in key shopping categories.

STAFF COSTS

Staff costs increased by PLN 19.9 million, or 14.9%, from PLN 133.2 million for Q4 2020 to PLN 153.1 million for Q4 2021. The comparative period staff costs included PLN 10.9 million related to shares granted to employees at the IPO as well as PLN 0.4 million related to COVID-19 support for employees. For Q4 2021 one-off items included in staff costs comprised PLN 4.1 million of share-based payment costs related to the new Allegro Incentive Plan and PLN 0.3 million spent on protective equipment against COVID-19. On a like-for-like basis, excluding these one-off costs from both periods, staff costs would have increased by 21.8% YoY. This increase in staff costs was driven by growth in the number of staff employed[2] by 33.4% YoY, with recruitment concentrated in key areas of the organization such as Technology, Commerce, Delivery Experience and Customer Experience, as well as an increases in base salaries, with the over-indexing of tech and middle-level business management recruitment, partially offset by the annual bonus being accrued at a lower expected payout level than for the prior year.

IT SERVICE EXPENSES

IT service expenses increased by PLN 10.5 million, or 55.1%, from PLN 19.2 million for Q4 2020 to PLN 29.7 million for Q4 2021. This increase resulted primarily from new licenses related to the introduction of new software solutions and increased IT costs due to growing technical platform capacity, including external cloud utilization driven by both growing storage requirements for active offers on the Group's e-commerce marketplace, and capacity requirements for the increasing number of machine learning based solutions embedded in the Group's operations.

OTHER EXPENSES

Other expenses increased by PLN 17.0 million, or 40.4%, from PLN 42.3 million for Q4 2020 to PLN 59.3 million for Q4 2021. Items excluded from Adjusted EBITDA in the other expenses line in Q4 2021 included PLN 3.8 million of regulatory proceedings costs vs PLN 2.3 million of regulatory proceeding costs, PLN 4.4 million of group restructuring and development costs and – PLN 1.0 million of monitoring costs in Q4 2020. On a like-for-like basis, excluding these one-off costs from both periods, other expenses would have increased by 51.5% YoY and this primarily results from higher consultancy and contractor outsourcing costs in connection with the development of new products and services, including IT consulting services, related to the delivery experience development agenda, projects related to customer experience improvements and ongoing work on product catalogue development as well as fit-out costs related to new offices.

NET IMPAIRMENT LOSSES ON FINANCIAL AND CONTRACT ASSETS

Net impairment losses on financial and contract assets increased by PLN 17.9 million, or 440.5% from PLN 4.1 million for Q4 2020 to PLN 22.0 million for Q4 2021. This increase resulted primarily from the growth of sales on the Group's e-commerce marketplace by 21.5% and increased provisions due to deteriorating collection performance from merchants in comparison to 2020. Moreover, the prior year comparative is flattered by the reversal of PLN 3.6 million from an additional provision arising from the extension of payment terms for SME merchants from 14 to 60 days in response to the COVID-19 pandemic, made earlier in 2020, that proved over-cautious. On consumer loans, the expected credit losses increased to PLN 2.6 million from PLN 1.1 million in the prior year and was 0.3% of loans written in Q4 2021 vs 1.4% in comparative period, reflecting tight credit control and strong collection processes in both periods.

TRANSACTION COSTS

Transaction costs were PLN 31.3 million for Q4 2021 versus PLN 0.7 million for Q4 2020. The comparative period included IPO-related one-off costs, in the amount of PLN 0.7 million, while the current period expenditure of PLN 31.3 million was mainly related to the Mall Group / WE|DO acquisition.

[2] Active headcount, on the employment contract



## OPERATING PROFIT BEFORE AMORTIZATION AND DEPRECIATION

Operating profit before amortization and depreciation decreased by PLN 51.9 million, or 10.1%, from PLN 513.5 million for Q4 2020 to PLN 461.6 million for Q4 2021 as a result of the factors described above. This result includes PLN 39.6 million of one-off EBITDA adjustments reported in the period, mainly related to the acquisition of the Mall Group, compared to PLN 20.0 million one-offs, mostly related to the grant of shares for employees at IPO, and Group restructuring costs as described above, reported in the prior year period. Excluding the impact of these one-off items, operating profit before amortization and depreciation would have decreased by 6.1%.

AMORTIZATION

Amortization increased by PLN 12.4 million, or 12.2%, from PLN 102.2 million for Q4 2020 to PLN 114.6 million for Q4 2021. This increase resulted primarily from an increase in intangibles associated with capitalized development costs of projects that were completed and put into use over the last twelve months.

DEPRECIATION

Depreciation increased by PLN 8.8 million, or 53.2%, from PLN 16.5 million for Q4 2020 to PLN 25.2 million for Q4 2021. This increase resulted primarily from the depreciation of right of use assets resulting from new leases of office, warehouse space and Allegro parcels machines, together with depreciation on additional computer and office equipment related to growth of the organization and scaling of the server parks required to support the marketplace platform.

OPERATING PROFIT

Operating profit decreased by PLN 73.1 million, or 18.5%, from PLN 394.9 million for Q4 2020 to PLN 321.8 million for Q4 2021. The YoY decrease in operating profit in Q4 2021 resulted primarily from higher YoY net costs of delivery from a larger base of highly engaged SMART! customers, as well as increasing share of more expensive courier deliveries in the Smart! parcels mix, that drove delivery expenses higher, along with seasonal ramp up of investments in marketing and building ongoing team capacity, offset the higher Take Rate and increased share of advertising revenue. The Q4 Take Rate was also impacted by the time-limited zero rate co-financing promotion for courier deliveries on orders between PLN 40 PLN and PLN 80. Excluding the net impact of items included in adjustments to EBITDA, which was PLN 19.6 million higher than in Q4 of 2020, Operating profit decreased by PLN 53.5 million, or – 12.9%.

## NET FINANCIAL RESULT

Net financial costs amounted to PLN 70.2 million in Q4 2021 and was flat versus the prior year quarter. Interest earned and paid both rose versus the prior year, by a combined PLN 2.6 million of higher net expense, due to the increasing market interest rates seen in the fourth quarter. This was partially offset by Net outflows on interest hedging instruments being down 6.5% YoY, or PLN 1.0 million, as a result of the rise in WIBOR interest rates seen in Q4.

Deferred borrowing costs on the Group's previous loan facilities were written off in the second half of 2020, due to the early repayment resulting from the refinancing transaction. Thereupon the PLN 10.7 million of costs was recognized in Q4 2020 relates to the portion of the total attributed to the fourth quarter from the total of PLN 143.4 million.

| PLN m (unaudited) | Q4 2021 | Q4 2020 | Change % |
|---|---|---|---|
| Interest from deposits | 2.3 | 0.4 | 439.6% |
| Other financial income | 0.1 | 3.3 | (97.2%) |
| **Financial income** | **2.4** | **3.7** | **(35.9%)** |
| Deferred borrowing cost | — | (10.7) | (100.0%) |
| Interest paid and payable for financial liabilities | (47.0) | (42.5) | 10.5% |
| Second Lien early repayment cost | — | (0.1) | (100.0%) |
| Interest rate hedging instrument | (14.2) | (15.2) | (6.5%) |
| Interest on leases | (1.7) | (0.7) | 149.4% |
| Valuation of financial assets | (6.2) | — | N/A |
| Revolving facility availability fee | (1.2) | (0.9) | 37.9% |
| Net exchange losses on foreign currency transactions | (0.2) | (0.2) | 25.4% |
| Other financial costs | (2.0) | (3.6) | (43.5%) |
| **Financial costs** | **(72.6)** | **(73.9)** | **(1.8%)** |
| **Net financial result** | **(70.2)** | **(70.2)** | **0.0%** |

## PROFIT BEFORE INCOME TAX

Profit before income tax decreased by PLN 73.1 million, or 22.5%, from PLN 324.7 million for Q4 2020 to 251.6 million for Q4 2021as a result of the factors described above.

## INCOME TAX EXPENSES

Income tax expenses decreased by PLN 12.3 million, or 19.2%, from PLN 64.1 for Q4 2020 to PLN 51.8 million for Q4 2020. The Group's effective tax rate was 19.8% and 20.6% for Q4 2020 and Q4 2021 respectively, compared to the Polish standard corporate income tax rate of 19% for each period.



The following table presents a breakdown of income tax expenses for the periods indicated.

| PLN m (unaudited) | Q4 2021 | Q4 2020 | Change % |
|---|---|---|---|
| Current income tax on profits | (83.0) | (93.8) | (11.5%) |
| (Increase)/Decrease in net deferred tax liability | 31.2 | 29.7 | 5.1% |
| **Income tax expense** | **(51.8)** | **(64.1)** | **(19.2%)** |

## NET PROFIT

Net profit decreased by PLN 60.8 million, or 23.3%, from PLN 260.6 million for the Q4 2020 to PLN 199.7 million for Q4 2021 as a result of the factors described above.

## ADJUSTED NET PROFIT

Adjusted net profit decreased by PLN 49.8 million, or 17.3% YoY, from PLN 287.6 million for Q4 2020 to PLN 237.7 million for Q4 2021 when PLN 39.6 million of EBITDA adjustments and PLN 1.6 million of tax effect on the above adjustments are excluded. 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) | Q4 2021 | Q4 2020 | Change % |
|---|---|---|---|
| **Net Profit** | **199.7** | **260.6** | **(23.3%)** |
| EBITDA adjustments | 39.6 | 20.0 | 98.1% |
| **Net financial result adjustment** | **—** | **10.8** | **(100.0%)** |
| Second Lien facility early repayment cost [1] | — | 0.1 | (100.0%) |
| Deferred borrowings cost write off [2] | — | 10.7 | (100.0%) |
| **Tax impact of adjustments** | **(1.6)** | **(3.7)** | **(56.9%)** |
| **Adjusted net profit** | **237.7** | **287.6** | **(17.3%)** |

[1] Represents early repayment charges of the Second Lien Facility before the due date.
[2] As a result of the Board of Director's decision, taken on 28 September, to refinance its existing borrowing facilities using a new borrowing facility and proceeds of a primary share offering pursuant to the Group's IPO, the carrying value of the existing borrowing facilities was modified to reflect an earlier expected full repayment date of 14 October 2020. As a result of this decision, the carrying value of the existing borrowing facilities at amortized cost increased by PLN 143.4 million and an equivalent amount of deferred borrowings cost was recognized as a non-cash financial expense. The amount represents part of the total costs recognized in Q4 2020.

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### OTHER COMPREHENSIVE INCOME

Other comprehensive income increased by PLN 121.5 million, or 1,094.4%, from PLN 11.1 million for Q4 2020 to PLN 132.6 million for Q4 2021. This increase resulted primarily from favorable changes in the valuation of the floating to fixed interest rate swap contracts reflecting the strong upward trend in market interest rate yields seen in the final quarter of 2021.

### TOTAL COMPREHENSIVE INCOME

Total comprehensive income increased by PLN 60.7 million, or 22.3%, from PLN 271.7 million for the Q4 2020 to PLN 332.3 million for the Q4 2021 as a result of the factors discussed above.

## 2.2.2. REVIEW OF FY 2021 RESULTS

### RESULTS OF OPERATIONS

The following table presents the Group's summary consolidated statements of comprehensive income data for FY 2021 and FY 2020.

| Consolidated statement of comprehensive income, PLN m (audited) | FY 2021 | FY 2020 | Change % |
|---|---|---|---|
| **Revenue** | **5,352.9** | **3,997.8** | **33.9%** |
| Marketplace revenue | 4,319.2 | 3,231.0 | 33.7% |
| Advertising revenue | 477.1 | 337.8 | 41.2% |
| Price comparison revenue | 180.6 | 190.0 | (4.9%) |
| Retail revenue | 333.8 | 216.6 | 54.1% |
| Other revenue | 42.1 | 22.4 | 88.1% |
| **Operating expenses** | **(3,359.1)** | **(2,411.0)** | **39.3%** |
| Payment charges | (142.6) | (152.9) | (6.7%) |
| Cost of goods sold | (341.1) | (222.7) | 53.2% |
| Net costs of delivery | (1,246.2) | (692.5) | 80.0% |
| Marketing service expenses | (661.6) | (564.7) | 17.2% |
| Staff costs | (555.2) | (490.1) | 13.3% |
| IT service expenses | (100.9) | (61.4) | 64.4% |
| Other expenses | (195.0) | (125.8) | 55.1% |
| Net impairment losses on financial and contract assets | (66.7) | (39.4) | 69.3% |
| Transaction costs | (49.8) | (61.6) | (19.1%) |
| **Operating profit before amortisation and depreciation (EBITDA)** | **1,993.7** | **1,586.8** | **25.6%** |



| Consolidated statement of comprehensive income, PLN m (audited) | FY 2021 | FY 2020 | Change % |
|---|---|---|---|
| **Amortisation and Depreciation** | **(520.8)** | **(463.8)** | **12.3%** |
| Amortisation | (435.4) | (400.2) | 8.8% |
| Depreciation | (85.4) | (63.6) | 34.3% |
| **Operating profit** | **1,472.9** | **1,123.0** | **31.2%** |
| **Net Financial result** | **(114.8)** | **(506.3)** | **(77.3%)** |
| Financial income | 114.4 | 17.0 | 574.2% |
| Financial costs | (229.7) | (519.1) | (55.7%) |
| Foreign exchange (profits)/losses | 0.5 | (4.2) | N/A |
| **Profit/(Loss) before Income tax** | **1,358.1** | **616.7** | **120.2%** |
| **Income tax expenses** | **(268.5)** | **(198.1)** | **35.5%** |
| **Net profit/(loss)** | **1,089.6** | **418.6** | **160.3%** |
| **Other comprehensive income/(loss)** | **240.9** | **(74.7)** | **N/A** |
| **Total comprehensive income/(loss) for the period** | **1,330.5** | **343.8** | **287.0%** |

### REVENUE

Revenue increased by PLN 1,355.1 million, or 33.9%, from PLN 3,997.8 million for FY 2020 to PLN 5,352.9 million for FY 2021. From a two-year perspective for the 2019-2021 period, it translated into 43.7% CAGR for FY 2021. This increase resulted primarily from the growth of marketplace, advertising, and retail revenue streams.

#### MARKETPLACE REVENUE

Marketplace revenue increased by PLN 1,088.2 million, or 33.7%, from PLN 3,231.0 million for FY 2020 to PLN 4,319.2 million for FY 2021. This increase resulted primarily from 21.3% YoY GMV growth for the year and a higher Take Rate, which reached 10.23% for the full 2021, up by 0.96pp YoY. GMV growth in the period was almost entirely driven by the Allegro Marketplace with a minimal positive contribution of 0.2 pp coming from eBilet as severe lockdown restrictions negatively impacted public events and eBilet's ticket sales during much of H1 2021, with restrictions being gradually eased from May 2021.

The Group's GMV growth reached 21.3% YoY for FY 2021, in line with management expectations, with widely varying growth rates registered in each quarter due to COVID-19 related impacts. In response to waves of threat from COVID-19, the Polish government imposed lockdowns on all non-essential offline retail in March-May 2020 and subsequently implemented less severe restrictions, focused on closing covered shopping malls, three times in Nov 2020, Jan 2021 and March 2021. This disruption to normal shopping patterns raised demand for online e-commerce and accelerated adoption of regular online shopping. Furthermore, during the most severe March-May 2020 lockdown, the Group made its SMART! Program, with free delivery, available for free to any Active Buyers who wished to register, resulting in a peak YoY growth rate for 2020 of 71.5%

for the second quarter. The annual lapping of this sequence of disruptive events resulted in Q1 2021 growth of 46.1% being achieved against a prior year period minimally impacted by COVID-19, Q2 growth of 10.6% being achieved against peak disruption and highest demand in the prior year, the accelerating Q3 growth of 19.9% against a backdrop of minimal COVID-19 impact in both the current and prior year quarter, and with a soft deceleration in the YoY growth rate in Q4 to 16.7% driven by lack of restrictions in the current period vs. shopping mall closures in the comparative period in November. Looking through these events to 2 year CAGR growth from 2019 to 2021, growth in GMV for FY 2021 has been 36.7%, well above the pre-pandemic trend of low to mid-twenties growth.

This higher GMV growth on a 2 year CAGR basis reflects buyers' increased online purchasing frequency following a positive shopping experience and the learning of new online shopping habits during the lockdowns. Increased demand has been further supported by the Group focusing on the retail basics of increasing selection, ensuring competitive prices and a satisfying delivery experience, together with increased uptake of SMART! users further boosting purchasing frequency. As a result LTM GMV per Active Buyer advanced to PLN 3,158 and was 18.0% above the levels noted during FY 2020. At the same time, the number of Active Buyers grew to 13.5m, up by 2.9% YoY.

The Group's eBilet ticket sales business effectively reopened in the second quarter of 2021 as mass events recommenced from mid-May and has been recovering strongly towards sales volumes last seen in the first quarter of 2020. For FY 2021 eBilet grew GMV by 134.5% YoY, for a 0.2 pp contribution to total GMV growth for the Group.

In FY 2021 the Take Rate reached 10.23%, which was up by 0.96 pp YoY. This improved Take Rate monetization mainly reflected the June 2020 introduction of success fees on delivery charges paid by buyers (a market standard practice aimed to fight artificially high delivery prices), the April 2020 launch of merchant co-financing of SMART! deliveries by courier and the January 2021 launch of similar co-financing charges for lockers. Furthermore, a positive impact from targeted success fee increases in specific categories and for promoted offers introduced in January 2021, also contributed to the higher Take Rate performance.

### ADVERTISING REVENUE

Advertising revenue increased by PLN 139.3 million, or 41.2%, from PLN 337.8 million for FY 2020 to PLN 477.1 million for FY 2021. This increase resulted primarily from the strong performance of sponsored offer ads, driven by growth in merchants purchasing sponsored ads for their offers and a rising price per click. The increase was also the result of improved performance of display advertising due to a strong rebound in demand, particularly from major brands, after the COVID-19 disruption of the prior year. This progress on display revenues also reflected the scalability of new self-service solutions, which made access to display products easier for display advertising clients. Advertising network services continued to ramp up throughout the period, enabling merchants to use Google Adwords in order to drive traffic to their own Allegro offers to support their sales results, simultaneously providing effectively free traffic to the Allegro marketplace.

### PRICE COMPARISON REVENUE

Price comparison revenue decreased by PLN 9.3 million, or 4.9%, from PLN 190.0 million for FY 2020 to PLN 180.6 million for FY 2021. This decrease resulted primarily from a growing share of price comparison services acquired by the Allegro marketplace platform, driving a higher share of intra-Group revenue that is eliminated on consolidation, as well as lower number of clicks from third-party customers as the e-commerce segment was generally seeing lower consumer search volumes than in the prior year. As such intra-group trading is eliminated on consolidation, third-party sales of price comparison services showed YoY decline (-4.9%), while from a total revenue perspective (i.e without eliminating intra-group transactions) it grew +6.6% YoY. Despite pressure on revenues, key selection KPIs (no. of merchants, visible products & offers) are growing YoY at a double-digit pace.





### RETAIL REVENUE

Retail revenue increased by PLN 117.2 million, or 54.1%, from PLN 216.6 million for FY 2020 to PLN 333.8 million for FY 2021. 1P retail sales represented 0.9% of total GMV in FY 2021 and 0.7% of total GMV in FY 2020. This increase results from a stronger focus on using 1P retail in order to enhance the overall value proposition to buyers, helping to provide competitive pricing or missing selection of key products when the merchants present on the marketplace are unable to provide lowest prices or source products, especially during shopping event campaigns such as SMART! Week, Black Week and Christmas.

## OPERATING EXPENSES

Operating expenses increased by PLN 948.2 million, or 39.3%, from PLN 2,411.0 million for FY 2020 to PLN 3,359.1 million for FY 2021. This increase resulted primarily from increased net costs of delivery, cost of goods sold, marketing, IT services and other expenses, partially offset by the non-recurrence in the current year of transaction costs related to the IPO as in FY 2020.

### PAYMENT CHARGES

Payment charges decreased by PLN 10.3 million, or 6.7%, from PLN 152.9 million for FY 2020 to PLN 142.6 million for FY 2021. This decrease resulted from lower rates charged per transaction by third-party providers due to discounts that increase after reaching pre-agreed volume thresholds, which offset higher sales volumes on the Group's e-commerce marketplace, as well as further rate reductions negotiated in Q3 2021, together with positive trends in payment mix towards cheaper methods.

### COST OF GOODS SOLD

Cost of goods sold generated from retail revenues increased by PLN 118.4 million, or 53.2%, from PLN 222.7 million for FY 2020 to PLN 341.1 million for FY 2021. This increase resulted primarily from increased sales through the Group's 1P retail business operations, while gross sales margin improved by 0.6 pp versus the prior year period, as a result of an optimized algorithm helping to address correction of price defects, better cost efficiency and general improvements in purchasing processes.

### NET COSTS OF DELIVERY

Net costs of delivery increased by PLN 553.7 million, or 80.0%, from PLN 692.5 million for FY 2020 to PLN 1,246.2 million for FY 2021. When adjusting to include PLN 82.8 million of free SMART! program costs classified as marketing expenses in the base period, the YoY increase was at 60.7%.

This increase resulted primarily from significant growth in both the number and share of buyers on the Group's e-commerce marketplace who were users of the SMART! program and to the typically significant increase in spending that comes with the availability of offers with free delivery. The YoY growth in SMART! users was supported by a promotion "Annual subscription for PLN 39" launched during Q4 2020 and again during Q4 2021 and several sequential improvements to the SMART! product, including the launch of "SMART! na Start" (zero subscription five free deliveries for occasional shoppers), a temporary promotion of unlimited deliveries on "Smart na Start" during the Smart! Week campaign in 2021, adding the cash on delivery payment method and reducing MOV on courier deliveries in stages from PLN 100 to PLN 80 in February 2021 and to PLN 40 in September 2021. Furthermore, changes to SMART! program requirements for merchants lifted coverage of courier service on SMART! offers to close to 100%.

From a cost perspective, the various steps taken to improve courier service within the SMART! product have increased the share of courier deliveries, which are more expensive than deliveries to lockers or pick-up points, within SMART! by 9.8pp YoY in FY 2021 versus FY 2020. Average cost per SMART! package delivered increased by 6.9% versus the prior year, of which 0.9% was due to the increase of courier deliveries in the delivery mix.

The resulting increase in the average cost per SMART! delivery was only partially offset by the higher co-financing revenues for courier services in FY 2021, as zero rate co-financing promotions were used during the year after courier MOV reduction in both February and September to cushion the short-term impact of co-financing on merchants within respective order value ranges.

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 97.0 million, or 17.2%, from PLN 564.7 million for FY 2020 to PLN 661.6 million for FY 2021. In the prior year this expense item included PLN 82.8 million of delivery costs associated with free SMART! trialists who received the service as part of a CSR response to the severe first COVID-19 lockdown. Excluding that amount, marketing expenses increased by 37.3% versus the comparable period. PPC expenses grew by 36.9% YoY. Increased competition for buyers as offline fully reopened in Q2 2021, drove costs per acquired click higher in a change similar to the higher advertising click rates noted by the Group on its own Allegro marketplace. Nevertheless, improving conversion of purchased traffic and higher Take Rates ensured that ROIs on this main component of marketing spending remained very strong. Brand marketing investment in 2021 increased 37.2% YoY, mainly to support Smart Week, Black Week and Christmas campaigns, deliver targeted marketing messages to certain buyer segments and increase share of voice in key shopping categories. The marketing services expense line includes PLN 2.3 million for current period and PLN 6.9 million for a base period,costs of donations to the health sector and charitable organizations and NGOs related to COVID-19 included as one-off costs in the Adjusted EBITDA reconciliation.

### STAFF COSTS

StaStaff costs increased by PLN 65.1 million, or 13.3%, from PLN 490.1 million for FY 2020 to PLN 555.2 million for FY 2021. The comparative period staff costs included PLN 52.2 million in respect of share based compensation for managers who had invested in the Management Investment Plan that was settled at the IPO, a further PLN 25.4 million related to shares granted to employees at the IPO, as well as PLN 3.3 million related to COVID-19 support for employees. For FY 2021 one-off items included in staff costs comprised PLN 16.7 million of share-based payment costs related to the new Allegro Incentive Plan and PLN 1.3 million spent on protective equipment against COVID-19. Excluding those one-off costs from both periods, staff costs increased by 31.3% YoY, driven by growth in the number of staff employed[3] of 33.4% YoY, with recruitment concentrated in key areas of the organization such as Technology, Commerce, Delivery Experience and Customer Experience, as well as an increase in base salaries and the over-indexing of tech and middle-level business management recruitment, partially offset by the annual bonus being accrued at a lower expected payout level than for the prior year..

### IT SERVICE EXPENSES

IT service expenses increased by PLN 39.5 million, or 64.4%, from PLN 61.4 million for FY 2020 to PLN 100.9 million for FY 2021. This increase resulted primarily from new licenses related to the introduction of new software solutions and increased IT costs due to growing technical platform capacity, including external cloud utilization, driven by both growing storage requirements for active offers on the Group's e-commerce marketplace and capacity requirements for the increasing number of machine learning based solutions embedded in the Group's operations.

### OTHER EXPENSES

Other expenses increased by PLN 69.3 million, or 55.1%, from PLN 125.8 million for FY 2020 to PLN 195.0 million for FY 2021. Items excluded from Adjusted EBITDA in the other expenses line in 2021 included PLN 4.6 million of regulatory proceedings costs vs PLN 4.9 million of regulatory proceeding costs, PLN 7.2 million of group restructuring and development costs and PLN 1.8 million of monitoring costs in 2020. On a like-for-like basis, excluding these one-off costs from both periods, other expenses would have increased by 70.1% YoY and this primarily results from higher consultancy and contractor outsourcing costs in connection with the development of new products and services, including IT consulting services, related to the delivery experience development agenda, projects related to customer experience improvements and ongoing work on product catalogue development as well as fit-out costs related to new offices. FY 2021 also included a PLN 12.3 million write down of input VAT in the Luxembourg entities after being assessed as irrecoverable.

### NET IMPAIRMENT LOSSES ON FINANCIAL AND CONTRACT ASSETS

Net impairment losses on financial and contract assets increased by PLN 27.3 million, or 69.3% from PLN 39.4 million for FY 2020 to PLN 66.7 million for FY 2021. This increase resulted primarily from the growth of sales on the Group's e-commerce marketplace by 33.7% and increased provisions by 0.12pp per million of revenue due to worse collection performance. On consumer loans, the provision increased to PLN 7.5 million from PLN 1.2 million in prior year, compared to PLN 1,993.1 million of new loans originated during FY 2021, reflecting tight credit control and strong collection processes.

### TRANSACTION COSTS

Transaction costs decreased by PLN 11.8 million, from PLN 61.6 million for FY 2020 to PLN 49.8 million for FY 2021. The comparative period numbers included IPO-related one-off costs, in the amount of PLN 60.4 million and costs of acquiring the remaining 20% minority interest of eBilet Polska Sp. z o.o. of PLN 0.4 million. The current period expenditure is mainly related to the Mall Group / WE|DO acquisition.

## OPERATING PROFIT BEFORE AMORTIZATION AND DEPRECIATION

Operating profit before amortization and depreciation increased by PLN 406.9 million, or 25.6%, from PLN 1,586.8 million for FY 2020 to PLN 1,993.7 million for FY 2021 as a result of the factors described above. This result includes PLN 74.7 million of one-off EBITDA adjustments reported in the period, compared to PLN 163.2 million one-offs, mostly IPO-related, reported in the prior year period. Excluding the impact of these one-off items, operating profit before amortization and depreciation would have increased by 18.2%.

### AMORTIZATION

Amortization increased by PLN 35.2 million, or 8.8%, from PLN 400.2 million for FY 2020 to PLN 435.4 million for FY 2021. This increase resulted primarily from an increase in intangibles associated with capitalized development costs of projects that were completed and put into use during 2021.

### DEPRECIATION

Depreciation increased by PLN 21.8 million, or 34.3%, from PLN 63.6 million for FY 2020 to PLN 85.4 million for FY 2021. This increase resulted primarily from the depreciation of right of use assets resulting from new leases of office and warehouse space, and depreciation of new Allegro parcel machines, computer and office equipment related to growth of the organization and scaling of the server parks required to support the marketplace platform.

## OPERATING PROFIT

Operating profit increased by PLN 349.9 million, or 31.2%, from PLN 1,123.0 million for FY 2020 to PLN 1,472.9 million for FY 2021. This resulted from the growth of Allegro business performance described above combined with the inclusion of IPO-related one-off costs in the base period, including the costs of shares granted to employees, Management Investment Plan and other one-off costs. Excluding the net impact of items included in adjustments to EBITDA, which was PLN 88.5 million lower than in 2020, Operating profit increased by PLN 261.4 million, or 20.3%.

[3] Active headcount, on the employment contract

## NET FINANCIAL RESULT

Net financial costs decreased by PLN 391.5 million, or 77.3%, from PLN 506.3 million for FY 2020 to PLN 114.8 million for FY 2021. This decrease resulted primarily from lower costs of servicing the Group's borrowings following the refinancing process that was completed in mid October 2020, reducing both the nominal value of borrowings valued at amortized costs and the corresponding interest margin. Further organic deleveraging since the refinancing delivered a further step-down in interest margin during Q4 2021. As a result of these factors, interest costs dropped 47.2% to PLN 156.7 million for the twelve months ended 31 December 2021 in comparison to the prior year period. The lower costs associated with the Group borrowings were partially offset by the higher charges related to the interest rate hedging instruments, PLN 16.7 million or 39.9% YoY, due to a significant fall in WIBOR reference rates triggered by the COVID-19 pandemic, which was the prevailing situation for most of 2021 before WIBOR rates began to rise strongly towards the year end.

Moreover in the current period the Group recognized the PLN 105.9 million non-cash income on revaluation of borrowings, due to the improving leverage ratio of the Group that lowered interest margin from Q3 2021, thereby reducing the present value of future cash outflows from the Group's borrowings.

Expenses and write-offs resulting from the refinancing process in 2020, which were recorded in Q3 and Q4 2020 are connected with the Group's IPO, included a PLN 143.4 million non-cash charge, representing the unamortized value of costs incurred at the inception of the Group's previous borrowing facilities, as well as early repayment charges amounting to PLN 26 million.

The following table presents a breakdown of the Group's financial income and financial costs for the periods indicated.

| PLN m (audited) | FY 2021 | FY 2020 | Change % |
|---|---|---|---|
| Valuation of financial instruments | 5.0 | 10.9 | (54.0%) |
| Interest from deposits | 3.1 | 2.8 | 12.1% |
| Other financial income | 0.3 | 3.3 | (90.3%) |
| Net exchange gains on foreign currency transactions | 0.5 | — | N/A |
| Remeasurement of borrowings | 105.9 | — | N/A |
| **Financial income** | **114.9** | **17.0** | **577.2%** |
| Deferred borrowing cost write off | — | (143.4) | (100.0%) |
| Interest paid and payable for financial liabilities | (156.7) | (297.1) | (47.2%) |
| Second Lien early repayment cost | — | (26.0) | (100.0%) |
| Interest rate hedging instrument | (58.6) | (41.9) | 39.9% |
| Interest on leases | (5.0) | (3.0) | 64.5% |
| Revolving facility availability fee | (3.9) | (3.3) | 17.5% |
| Net exchange losses on foreign currency transactions | — | (4.2) | (100.0%) |
| Other financial costs | (5.6) | (4.4) | 27.0% |
| **Financial costs** | **(229.7)** | **(523.3)** | **(56.1%)** |
| **Net financial costs** | **(114.8)** | **(506.3)** | **(77.3%)** |



## PROFIT BEFORE INCOME TAX

Profit before income tax increased by PLN 741.4 million, or 120.2%, from PLN 616.7 million for FY 2020 to PLN 1,358.1 million for FY 2021 as a result of the factors described above.

## INCOME TAX EXPENSES

Income tax expenses increased by PLN 70.4 million, or 35.5%, from PLN 198.1 million for FY 2020 to PLN 268.5 million for FY 2021. The Group's effective tax rate was 19.8% and 32.1% for FY 2021 and 2020, respectively, compared to the Polish standard corporate income tax rate of 19% for each period. The high effective tax rate in the comparative period resulted from non tax deductible IPO expenses and other tax losses incurred by one of the Group's Luxembourg subsidiaries in the combined amount of PLN 266.0 million, for which no deferred tax asset was recognized as this entity is not likely to generate taxable income in the foreseeable future.

| PLN m (audited) | FY 2021 | FY 2020 | Change % |
|---|---|---|---|
| Current income tax on profits | (294.3) | (261.0) | 12.8% |
| (Increase)/Decrease in net deferred tax liability | 25.8 | 62.8 | (58.9%) |
| **Income tax expense** | **(268.5)** | **(198.1)** | **35.5%** |

## NET PROFIT

Net profit increased by PLN 671.1 million, or 160.3%, from PLN 418.6 million for FY 2020 to PLN 1,089.6 million for FY 2021 as a result of the factors described above.

## ADJUSTED NET PROFIT

Adjusted net profit increased by PLN 427.8 million, or 58.4%, from PLN 731.9 million for FY 2020 to PLN 1,159.6 million for FY 2021.

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

| Reconciliation of Adjusted net profit, PLN m | FY 2021 | FY 2020 | Change % |
|---|---|---|---|
| Net profit | 1,089.6 | 418.6 | 160.3% |
| EBITDA adjustments | 74.7 | 163.2 | (54.2%) |
| Net financial result adjustment | — | 169.4 | (100.0%) |
| Second Lien facility early repayment cost [1] | — | 26.0 | (100.0%) |
| Deferred borrowings cost write off [2] | — | 143.4 | (100.0%) |
| **Tax impact of adjustments** | **(4.7)** | **(19.3)** | **(75.5%)** |
| Adjusted net profit | 1,159.6 | 731.9 | 58.4% |

[1] Represents early repayment charges of the Second Lien Facility before the due date.
[2] As a result of the Board of Director's decision, taken on 28 September, to refinance its existing borrowing facilities using a new borrowing facility and proceeds of a primary share offering pursuant to the Group's IPO, the carrying value of the existing borrowing facilities was modified to reflect an earlier expected full repayment date of 14 October 2020. As a result of this decision, the carrying value of the existing borrowing facilities at amortized cost increased by PLN 143.4 million and an equivalent amount of deferred borrowings cost was recognized as a non-cash financial expense

## OTHER COMPREHENSIVE INCOME

Other comprehensive income increased by PLN 315.6 million, from negative PLN 74.7 million for FY 2020 to PLN 240.9 million for FY 2021. This increase resulted primarily from favorable changes in the valuation of floating to fixed interest rate swap contracts amid the significant upward movement in market interest rate yields visible in the final months of 2021, while the onset of the COVID-19 pandemic in 2020 had generated a corresponding loss in value of these swap contracts in the prior year, due to monetary easing measures undertaken by the Polish government.

## TOTAL COMPREHENSIVE INCOME

Total comprehensive income increased by PLN 986.7 million, or 287.0%, from PLN 343.8 million for FY 2020 to PLN 1,330.5 million for FY 2021 as a result of the factors discussed above.



## 2.2.3. REVIEW OF CASH FLOW PERFORMANCE

The following table summarizes net cash flows from operating, investing and financing activities for the twelve months ended 31 December 2021, for the twelve months ended 31 December 2020 and three month periods respectively:

| Cash Flow, PLN m | FY 2021 | FY 2020 | Q4 2021 (unaudited) | Q4 2020 (unaudited) |
|---|---|---|---|---|
| **Net cash inflow/(outflow) from operating activities** | **1,406.6** | **1,509.9** | **387.5** | **344.9** |
| Profit before income tax | 1,358.1 | 616.7 | 251.6 | 324.7 |
| Income tax paid | (303.5) | (121.1) | (40.8) | (27.9) |
| Amortisation and depreciation | 520.8 | 463.8 | 139.8 | 118.6 |
| Net interest expense | 109.4 | 508.4 | 61.2 | 68.6 |
| Changes in net working capital | (301.3) | (34.9) | (36.4) | (152.2) |
| Other operating cash flow items | 23.1 | 77.1 | 12.1 | 13.1 |
| **Net cash inflow/(outflow) from investing activities** | **(429.9)** | **(218.2)** | **(173.0)** | **(47.9)** |
| Capitalized development costs | (224.8) | (149.3) | (62.7) | (43.2) |
| Other capital expenditure | (182.2) | (81.2) | (87.7) | (21.4) |
| Acquisition of subsidiaries | (22.6) | (11.8) | (22.6) | (7.4) |
| Other investing cash flow | (0.3) | 24.1 | — | 24.1 |
| **Net cash inflow/(outflow) from financing activities** | **(204.5)** | **(510.5)** | **(31.6)** | **162.9** |
| Proceeds from capital increase | — | 972.3 | — | 972.3 |
| Borrowings received | — | — | — | 345.0 |
| Borrowings repaid | (1.7) | (1,056.7) | (1.7) | (711.7) |
| Interest rate hedging instrument settlements | (61.8) | (38.9) | (14.2) | (12.0) |
| Lease payments | (36.0) | (29.1) | (10.2) | (7.3) |
| Interest paid | (124.6) | (275.9) | (27.6) | (38.6) |
| Other financing cash flow | 19.5 | (82.2) | 22.0 | (384.8) |
| Net increase/(decrease) in cash and cash equivalents | 772.2 | 781.2 | 183.0 | 459.9 |

## NET CASH FROM OPERATING ACTIVITIES

Net cash from operating activities decreased by PLN 103.3 million or 6.8% YoY and increased by PLN 42.6 million or 12.4% YoY for Q4 2021.

The full year decrease is mostly attributable to the ramp-up of the Allegro Pay consumer finance lending operations, launched in the second half of 2020, that produced a net increase in the outstanding loan book in FY 2021 of PLN 306.8 million compared to PLN 52.0 million recorded in FY 2020. Working capital excluding the impact of Allegro Pay registered a net cash inflow of PLN 5.5 million for FY 2021 driven by the higher balance of trade and other payables that was partially offset by a higher balance of trade receivables and growth in inventory to support higher retail sales.

In FY 2021 the Group originated PLN 1,993.1 million of new consumer loans. The accelerating growth of Allegro Pay is driven mostly by the increasing number of active buyers utilizing the service, additionally boosted by a gradual expansion of eligibility for credit in the first half of 2021. In Q3 the possibility to make an eligible credit application for Allegro Pay service was expanded to all Polish bank account holders by leveraging credit data accessible under the PSD2 rules. As a result, all active buyers, including new active buyers with insignificant purchasing history on Allegro, may apply for a credit line to use Allegro Pay's lending services. This change has accelerated the growth in customers taking credit, while also reducing the acceptance rate due to continued cautious risk management policies.

The increasing volume of originated consumer loans was further boosted by several new functionalities introduced by Allegro Pay during the year, including: card repayment, one-click buy directly from the product page and upgraded credit-scoring models, providing a more accurate assessment of the credit limit granted to customers. Despite the significant increase of the base of active borrowers, the Group was able to maintain a relatively low credit loss ratio. The value of expected credit loss provision amounted to PLN 6.3 mln as of 31 December 2021, representing the 1.73% of gross value of outstanding consumer loans. This is the result of good risk management discipline and higher than originally expected demand for Buy Now, Pay Later products, characterized by short tenors and correspondingly fast turnover of the loan book.

Moreover, in December 2021 the Group completed its first consumer loans sale to Aion Bank, receiving PLN 181.3 mln for loans with a net carrying value of PLN 180.6 mln. Without this sale, which the Group expects to be the first of a regular series over the 2-year agreement with Aion Bank, the Group's working capital outflow would have been PLN 482.9 mln for FY 2021 and PLN 218.0 mln for Q4 2021.

In addition to the increased outflows of working capital described above, the other factor contributing significantly to reduced cash flow from operations in the FY 2021 compared to the prior year period was a 150.6% or PLN 182.3 million increase in income tax paid, which mainly reflects the settlement in arrears of most tax due for 2020 in the first half of 2021.

The factors described above, driving the higher cash outflow from operating activities, were offset by the significant increase of profit before income tax, growing by PLN 741.4 million, or 120.2% to reach PLN 1,358.1 million in FY 2021, due to the factors described in the previous sections.

## NET CASH USED IN INVESTING ACTIVITIES

Net cash used in investing activities was PLN 429.9 million for FY 2021, which represents a YoY increase of 211.7 or 97.0% and PLN 125.0 million or 261% YoY for Q4 2021. This increase is a combination of the higher development costs qualifying for capitalization, PLN 75.5 million or 50.6% YoY, reflecting the growth and investment in the Group's technology teams, creating the necessary capacity for the ongoing development projects, as well as strong growth in other capital expenditures, increasing by PLN 101.0 million or 124.2%, due to the deployment of several new initiatives.

The main initiative driving the increase of the capital expenditures is the launch of Allegro's own parcel locker network, with more than a thousand machines deployed across the biggest Polish cities and towns in FY 2021. This significant contribution to the capital expenditures of the Group was further



increased by the preparation for the commercial launch of the Group's first fulfillment center, as well as the fit-out investment in the new offices located in Poznań and Warsaw.

## NET CASH USED IN FINANCING ACTIVITIES

Net cash used in financing activities was PLN 204.5 for FY2021, which represents a decrease in cash outflow amounting to PLN 306.0 million, or 59.9% YoY. This decrease is mainly related to the Group's refinancing process that was completed in Q4 2020 and resulted in shifting the previous amortizing repayment schedule to a bullet repayment in 2025. As a result, no principal repayment was recorded in FY 2021. Moreover, the completion of the refinancing initiative caused the decrease of both the nominal amount of indebtedness and the corresponding reference interest margin to lower interest payments in the current period. That amount was further reduced by the low level of the WIBOR reference rate across the majority of 2021 that on the other side contributed to the higher cost of settlement of the floating to fixed interest rate SWAP contracts. The impact of this factor has been declining over time, as the market is observing the upward movement in reference rates in the last months of FY 2021.

The cash flow from financing activities for the comparative period is also reflecting the impact of the Group's IPO, completed in late 2020 that resulted in recording the PLN 972.3 million proceeds from the capital increase, used to fund a reduction in borrowings, net of arrangement fees paid, by PLN 711.7 mln in addition to the standard debt repayment of PLN 345.0 million in the prior year.

### 2.2.4. INDEBTEDNESS

As of 31 December 2021, the Group's total bank borrowings outstanding was PLN 5,500.0 million, with a carrying value (principal adjusted by amortised cost) at PLN 5,366.3 million and falling due with a bullet repayment in October 2025.

Furthermore, at the end of 2021, the Group had PLN 500.0 million committed but undrawn from a revolving facility and had executed an additional bridge term loan financing agreement making a further PLN 1,000 million available for the purpose of the potential acquisition of Mall Group a.s. and WE|DO CZ s.r.o. The acquisition is pending receipt of all required competition authority clearances from five Central European countries and the Group expects it to close in the first half of 2022.

Following steady improvement in the Group's leverage ratio and in line with its borrowing facility agreement, on 5 August 2021 the Group's interest margin was reduced. As a result, the carrying value of the existing borrowings valued at amortized cost decreased by PLN 105.9 million in a non-cash adjustment recorded in financial income for FY 2021.

This decrease in the book value of borrowings was more than offset by increases in lease liabilities, driven by the recognition of right to use assets and corresponding lease liabilities, as the Group leased its new fulfillment center, leased the initial floors of its new offices in Poznan and Warsaw and leased a significant number of locations for its One Box green parcel lockers network during the year.

As a result of the above movements in borrowings and lease liabilities, which was further offset by a PLN 772.2 million increase in cash held, together with rolling twelve months Adjusted EBITDA rising by 18.2%, the Group's leverage decreased from 2.47x as of 31 December 2020 to 1.77x as of 31 December 2021.

| PLN m (unaudited) | 31.12.2021 | 31.12.2020 |
|---|---|---|
| **Adjusted EBITDA LTM** | **2,068.5** | **1,750.0** |
| Borrowings at amortized cost | 5,366.3 | 5,437.8 |
| Lease liabilities | 251.1 | 73.3 |
| less cash and cash equivalents | (1,957.2) | (1,185.1) |
| **= Net Debt** | **3,660.2** | **4,326.0** |
| **Leverage** | **1.77 x** | **2.47 x** |
| Equity | 9,454.1 | 8,089.6 |
| Net debt to Equity | 38.7% | 53.5% |





# 3. Summary of key developments

## 3.1. Acquisitions

### 3.1.1. AGREEMENT TO ACQUIRE THE MALL GROUP A.S. AND WE|DO CZ S.R.O

On 4 November 2021 Allegro.eu and Allegro.pl entered into a share purchase agreement (the "SPA") to acquire Mall Group a.s. ("Mall Group"), a leading e-commerce platform across Central and Eastern Europe, and WE|DO CZ s.r.o., a last mile delivery expert ("WE|DO", together with the Mall Group "Target"). The acquisition ("Mall Group / WE|DO acquisition", "Transaction") is a significant step for Allegro in its strategy of international expansion and, subject to receipt of all required regulatory approvals, will, in the view of the Company, allow the soon-to-be expanded joint group to accelerate growth across Europe. The SPA has been concluded by and between Allegro.eu and Allegro.pl as the buyers and EC Investments a.s. (owning 40% of the shares in Mall Group a.s.), BONAK a.s. (owning 40% of the shares in Mall Group a.s.), Rockaway e-commerce a.s. (owning 20% of the shares in Mall Group a.s.), and Titancoin International a.s. (owning 100% of the ownership interest in WE|DO CZ s.r.o.) as the sellers.

Mall Group is the biggest e-commerce group in Central and Eastern Europe. Mall Group operates in nine countries and offers its services to the 130 million residents of Central and Eastern Europe. In 2020, it delivered more than 14 million orders to its customers. In the FY ended 31 March 2021, the Target had 4.7 million unique active customers and ca. 350 millions of domain visits. The Target also operates critical fulfillment and last mile infrastructure supporting its 1P and 3P businesses.

The acquisition will, in the view of the Company, significantly increase the Allegro.eu Group's Total Addressable Market and provide the Company with a sizable e-commerce segment share in several CEE countries beyond Poland, which would otherwise require significant time and investment to build organically with a less certain outcome. Specifically, the Transaction brings customers, merchants, web traffic and strong logistics capabilities. The Transaction also brings a highly trained and competent team with proven ability to develop successful e-commerce businesses. The Company envisages growing its joint talent pool to drive the development roadmap of the enlarged Group across CEE.

The Transaction will allow both groups to accelerate growth and expand customer and merchant bases across the region in a combined platform, which should significantly accelerate the development of the Target's GMV through expanded selection and improved user engagement in the third-party marketplace model.The planned combination of Allegro, Mall Group and WE|DO should strengthen the companies' joint status as a leading marketplace platform for CEE customers and merchants. The joint 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 (TAM) of 70m people. The tie-up should improve the shopping experience and provide the best prices, broadest offer selection and maximum convenience for an 18m-strong existing combined customer base across the region.

The Target will be acquired for a price amounting to EUR 881 million based on a firm value valuation of EUR 925 million adjusted for debt and debt like items of EUR 44 million. The price is agreed on the basis of a locked-box mechanism (i.e. the purchase price is fixed by reference to the Target's balance sheet position as at 31 March 2021) and therefore, the SPA contains customary provisions as to the lock-box pricing, including leakage and permitted leakage provisions.

The transaction will be financed through a combination of stock and cash consideration comprising a ca. 53.7% cash consideration, financed with EUR 473.5 million cash on hand and new debt, and a ca. 46.3% stock or cash consideration. Allegro has the discretion to either issue stock to Mall Group selling shareholders or raise incremental cash consideration. If Allegro chooses to pay in Allegro.eu shares, the Parties have agreed that such shares will be valued at an estimated 3M VWAP (3-month volume weighted average price) of Allegro shares on the date of signing of the SPA (i.e. PLN 55.98 per share) and that such value will be re-calculated to EUR using the FX rate as of 29 October 2021 of 4.6208 PLN/EUR, (i.e. EUR 12.11 per share). Hence the maximum number of shares to be issued by Allegro in exchange for the EUR 407.5 million consideration will not be higher than 33,649,039 representing 3.3% of Allegro.eu total issued capital.

As at the date of the Management Report, it is considered highly unlikely that the Group will choose to reduce the share component. On this assumption, Allegro pro-forma leverage post-transaction is expected to be approximately 3.0x by the end of H1 2022. The closing of the transaction is subject to the customary antitrust and regulatory approvals and is expected to close in H1 2022.

### 3.1.2. ACQUISITION OF X-PRESS COURIERS

On 8 October 2021 Allegro acquired X-press Couriers Sp. z o.o. ("XPC", "X-press Couriers"), one of its same-day delivery courier partners. X-press Couriers is a local delivery company currently servicing predominantly same-day delivery parcels within and between Poland's nine largest municipalities. Allegro has cooperated with XPC for the last two years.

The Transaction is aimed to complement Allegro's One Fulfillment offer and its One Box, proprietary locker infrastructure. It is expected that scaling these capabilities and rolling out to further big cities will enhance customer experience by continued shortening of delivery times.

The Transaction also included acquisition of Skynet Customs Brokers Sp. z o.o. ("SCB"), a customs broker agency, which is part of the X-press Couriers. Allegro expects to leverage SCB's customs competencies to complement and further improve Group's offer for International Sellers, by providing e.g. bonded warehouse and customs broker agency services for non-EU merchants in Allegro Fulfillment.



## 3.2. Allegro Pay

In 2021 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 3, 5, 10 or 20-month instalments, giving greater financial flexibility to Active Buyers and ensuring safer and easier buying online. In 2021 Allegro Pay reached important development milestones and met all its key targets for 2021. In September 2021 Allegro Pay was offered to all customers wishing to apply for an up to PLN 4,200 purchasing limit, leveraging PSD2 access to widen credit checking capabilities to include even new Allegro Active Buyers with no prior transaction history on the marketplace platform. Full customer eligibility drove further acceleration in Allegro Pay growth.

Furthermore, in line with the Group's target for 2021, Allegro succeeded to securing dedicated external financing for Allegro Pay. On 11 October 2021 Allegro Pay sp. z o.o. signed a Receivables Purchase Agreement with AION Bank SA / NV, 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 Bank"), concerning the purchase by Aion Bank of consumer loan receivables originated by Allegro Pay. Instalment loans sold under the agreement with Aion Bank are expected to be de-recognized from the Group's balance sheet, which according to Group's expectations will allow for Allegro Pay growth acceleration and improved returns on investment.

Allegro Pay and Aion Bank agreed on a limit of PLN 500 million, to be renewed every day on a rolling basis. Within the limit, Allegro Pay is able to sell receivables based on pre-agreed price parameters. The total balance of outstanding receivables purchased by Aion Bank may reach PLN 2 bn within the 2-year term of the agreement. The first tranche of consumer loans with the carrying value of PLN 180.6 million was sold by Allegro Pay to Aion Bank on 9 December 2021 in the exchange for the cash consideration amounting to PLN 181.3 million.

This dedicated external funding for continued fast loan origination and multi-year scaling of Allegro Pay will significantly reduce the consumption of net working capital for installment loans. The fast-rotating BNPL (buy now pay later) loans will remain on the Allegro's balance sheet. The Group expects that the sale of receivables under interest bearing installment loans to Aion Bank should generally result in a positive net margin being retained in Group EBITDA, while the related receivables will be de-recognized from the Group's balance sheet. The transaction does not affect the shopping experience of Allegro users as the loans will still be granted, serviced and repaid via the Allegro platform. Utilizing 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.

Dynamic growth acceleration in Allegro Pay was reflected in the Group raising its 2021 guidance for loan issuance. Following the Q3 2021 results, the Group raised the initial 2021 annual targets for Allegro Pay to over PLN 1,500 million of loans issued (up from the initial target of over PLN 1,000 million). With a total of PLN 1,993.1 million in cumulative loans originated throughout 2021, Allegro Pay exceeded its raised annual target by PLN 493 million of loans issued, while the Group provided PLN 365.1 million of loan book funding (net of receivables sold to Aion Bank in Q4 2021) as at 31 December 2021.

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 behavior. 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 sector-leading NPS of 92.8 in Q4 2021.

## 3.3. COVID-19 Impact

During 2021 the Group's GMV growth reached 21.3% YoY and was in line with management expectations, with widely varying growth rates registered in each quarter due to COVID-19 related impacts in comparable periods.

Since the outbreak of the pandemic in early 2020, the Polish government imposed a number of restrictions that have impacted Poles' usual shopping patterns. In March-May 2020 a lockdown on all non-essential offline retail was imposed, which was subsequently followed by relatively less severe restrictions, focused on closing covered shopping malls – three times – in November 2020, January 2021 and in March-early May 2021, respectively. These disruptions translated into significantly varying quarterly growth rates registered in 2021 as restrictions imposed on offline shopping raised demand for online e-commerce and accelerated adoption of regular online buying.

In Q1 2021 GMV growth reached 46.1% YoY, driven by renewed lockdowns that closed shopping malls right after 2020 Christmas and lasted until late January 2021. This produced a tailwind in demand that further supported GMV growth at the beginning of the quarter. Following a renewed spike in infections at the beginning of March, the Government once again closed countrywide non-essential stores in shopping malls on 20 March. Even though this second Q1 2021 lockdown was less severe than the first Polish lockdown imposed on 14 March 2020, overall most of the comparative period was relatively mildly impacted by COVID-19 early in the pandemic, translating into a high registered Q1 2021 GMV YoY growth rate.

In Q2 2021 the YoY GMV growth rate dropped to 10.6%, achieved against the backdrop of peak disruption and the highest demand for online goods in the prior year comparative period. Between March and early May 2021 covered shopping malls in Poland were closed, and then subsequently reopened on 5 May, with only mask and shopper density requirements remaining for the rest of Q2. By contrast, the first lockdown in the comparable period (March-May 2020) was much more severe, with total closure of all non-essential retail. During this most severe lockdown in the comparable period, the Group made its SMART! program, with free delivery, available for free to any Active Buyers who wished to register, resulting in a peak YoY growth rate of 71.5% for the second quarter of 2020. A significant part of that additional demand has been retained once offline retail had reopened as buyers maintained their shift in purchasing to online. This, combined with progress on the business input growth drivers, has delivered the 10.6% GMV growth in Q2, against the toughest comparative quarter.

In Q3 2021 the GMV growth accelerated again to 19.9% YoY delivered against a backdrop of minimal COVID-19 impact in both the current and prior year quarter. As there were no hard offline stores lockdowns in Q3 2021 nor in the comparable period, the Group's third quarter results have been relatively less impacted by COVID-19 related restrictions, even though achieved against a still elevated growth rate in the base period .

In Q4 2021 the GMV growth rate dropped again to 16.7% YoY, as the Group lapped last year's non-essential offline retail lockdown. Even though restrictions imposed in November 2020, with covered shopping malls closed ahead of the peak shopping season, were relatively less severe, COVID-19 impact in the comparative period did drive lower YoY growth rate during Q4 2021 and there were no lockdowns on offline stores imposed in the last quarter of 2021, with only relatively mild mask and shopper density requirements in place.

Looking through these events to 2 year CAGR growth from 2019 to 2021, growth in GMV for the twelve month period ending 31 December 2021 has been 36.7%, well above the pre-pandemic trend of low to mid-twenties growth.

This higher GMV growth on a 2-year CAGR basis reflects buyers' increased online purchasing frequency following a positive shopping experience and the learning of new online shopping habits during the lockdowns. Increased demand has been further supported by the Group focusing on the retail basics of increasing selection, ensuring competitive prices and providing a fast and reliable delivery experience, together with increased uptake of SMART! users further boosting purchasing frequency.

Throughout the pandemic the Group continued to support society providing uninterrupted and safe shopping from home. Dynamic increases in online shopping were well handled by logistics infrastructure with continuous improvement in delivery predictability and speed.

The Group continues to operate on the assumption that there will be no more government imposed hard lockdowns on all non-essential offline retail. However, despite progressing vaccine roll-out across the EU and in Poland, domestic cumulative uptake of full vaccination remains below average EU/EEA levels. It is also uncertain how effective particular vaccines will be against the newly emerging variants of the virus, such as Omicron. There is still significant uncertainty going forward on the coronavirus outlook and it is therefore not possible to predict when pandemics-related measures affecting the retail sector will finally cease.

Additionally, the spread of COVID-19 has led the Group to modify its operational practices. Since the pandemic outbreak, the Group has implemented a work-from-home policy which has been used by nearly all of the Group's employees throughout FY 2021. For the Group's employees who work in the Group's warehouses and/or could not work remotely, the Group has implemented additional protective procedures back in 2020. In 2021 the Group continued to invest heavily in expanding its workforce and in the leasing and fitting out of larger offices to house this workforce once social distancing restrictions and high risk of infection from COVID-19 have passed. With prolonging pandemic crisis and extended working from home on the majority of the Group's workforce, use of Group's offices remained limited.

# 3.4. Funding

On 30 November 2021 the Board of Directors of the Company granted approval for establishing a committed PLN 1,000,000,000 bridge term loan financing (the "Additional Facility") with Santander Bank Polska S.A to be drawn on a need basis in order to facilitate the financing of the acquisition of 100% stake in each of Mall Group a.s., and WE|DO CZ s.r.o. The Additional Facility will have a 12 months availability period with a 6 months utilization period.

Furthermore on 30 November 2021 the Board of Directors of Allegro.eu adopted a resolution on the establishment of a Polish law governed bond issuance programme, up to the aggregate nominal value of outstanding bonds up to PLN 3,000,000,000 (three billion zloty) at any time under the programme (the "Programme").

Bonds issued under the Programme will be offered solely to qualified investors, without the obligation to publish a prospectus. The Bonds may be denominated in PLN or EUR and will be issued on a senior unsecured basis. The Programme will allow for the issuance of plain vanilla Bonds, green Bonds and sustainability Bonds. The Bonds may bear a floating or a fixed interest rate.

The Company is considering issuing a first series of PLN denominated Bonds which will bear a floating or a fixed interest rate and will have a maturity of up to 5 years, provided that the final parameters will be determined in the book-building process and will be subject to an approval of the Company's Board of Directors. The first series of Bonds will have no specific purpose under the Act on Bonds and the net proceeds of the issue shall be used to finance general corporate purposes of the Company and its capital group. The Company's decision on the issuance of the first series of Bonds will depend on the market conditions on the Polish debt securities market.

The Group has access to the total PLN 1,000,000,000 (one billion zloty) multi-currency revolving credit facilities. The first one amounting to PLN 500,000,000 (five hundred million) was established during the refinancing process that was completed in mid October 2020. On 3 February 2022 the Group entered into a second revolving credit facility agreement amounting to PLN 500,000,000 (five hundred million) with the maturity date of October 2025. As of the date of publication of the Annual Report of Allegro.eu S.A. Group, both revolving credit facilities remain fully unutilized. Even if the Group does not proceed with bond issue, the above facilities together with free cashflows generated by the Group's companies are expected to be sufficient to cover the full repayment of PLN 1,000,000,000 (one billion zloty) bridge term loan.



# 3.5. Growth in SMART!

The SMART! loyalty program has been a major growth driver throughout FY 2021, with continued dynamic expansion in the number of participating merchants, available offers, subscribers and users. By the end of 2021, total SMART! users had grown to exceed 5 million active buyers, up from 2.1 million at 30 June, 2020, the last published user base total released by the Group.

In addition to rapid growth in paid SMART! subscriptions, expansion of the SMART! user base was further boosted by the launch of the "SMART! for Start" ("SMART! na Start") promotion in March 2021, an attractive offer for less engaged buyers to try SMART! via a subscription free package of five free SMART! deliveries to be used within twelve months. A substantial part of the free SMART for Start! trialists have subsequently converted to paid subscribers once they consumed their 5 free deliveries. The Group has prolonged this successful promotion to ensure that all new and less engaged Active Buyers get the opportunity to test the benefits of SMART!

Further improvements to the SMART! program launched in 2021 included introduction of the cash on delivery payment method and reducing MOV on courier deliveries, initially from PLN 100 to PLN 80 (in Q1 2021), and further down to PLN 40 in Q3 2021. By matching the MOV on courier deliveries with lockers and PUDO, thus effectively introducing a single MOV across all delivery methods, Allegro made free Smart! to-door deliveries more accessible to those consumers without easy access to pick-up points, further driving convenience and simplification of SMART! customer shopping funnel.

In 2021 the Group continued to develop the SMART! Student loyalty program and launched Allegro Family in July 2021, an attractive offer allowing multiple buyer accounts to share a subscription, unlocking personalized user experience features for all SMART! users. All these developments, combined with raising availability of courier delivery on SMART! offers towards 100%, further growth in the number of SMART! offers as well as improving delivery speed contributed to continued subscription uptake.

In 2021 the Group also made significant progress in managing the economics of the SMART! program, having introduced gradual changes in the co-financing of delivery costs. SMART! brought strong GMV uplift for Allegro merchants, driven by the huge popularity of free deliveries among Allegro buyers. Proven sales growth for SMART! merchants created space for monetization, with gradual changes to the co-financing structure for merchants being introduced. Contributions to the cost of free courier deliveries began in April 2020), with payments to support locker deliveries starting in January 2021. In order to promote the benefits of faster delivery on conversion rates to the merchants, the Group decided to reinvest some of the co-financing receipts by introducing a rebate of the co-financing fee when speedy picking, packing and shipping by a merchant enabled a next day delivery to the SMART! user. This incentive has contributed to acceleration in delivery speed during 2021, raising merchant's awareness of the importance of excellence in logistics to their sales results, and will continue until the behavioral change is sufficiently embedded.

An exception to merchants' participation in the cost of delivery was the initial cost of MOV reduction for courier deliveries, initially in Q1 after it was lowered from PLN 100 to PLN 80 in Q1, and later after it was lowered from PLN 80 to PLN40 in Q3. During a promotional period (from January to August 2021 for the first reduction, and from September 2021 for the second reduction) there was no delivery co-financing by the merchants, with the cost of free courier delivery within these ranges of the order value fully covered by Allegro. Following very good reception of lower courier MOV from the buyers, the Company decided to maintain the single MOV of PLN 40 across all delivery methods going forward. With changes to the co-financing fee structure from February 2022, the Group will close the gap in merchants' contribution towards the cost of courier deliveries for PLN 40 – 79.99 orders going forward. Notwithstanding these various monetization initiatives to share the cost of SMART! free delivery with the merchants, Allegro continues to fund the vast majority of these expenses.

The 2021, record-breaking edition of the SMART! Week at the turn of September and October was bigger than the 2020 event and attracted many new Allegro SMART! users. In order to drive higher conversion, the Group launched another "Annual SMART! for PLN 39" promotion in November 2021, ahead of the autumn sales and holiday shopping period (following success of similar earlier time limited promotions in 2020), further contributing to the subscribers base growth.



## 3.6. Launch of One by Allegro

2021 saw Allegro achieve key milestones in the Group's flagship delivery projects: development of fulfillment capability and the rollout of a proprietary locker network. In addition, the Group completed the acquisition of X-press Couriers, a local same-day delivery company. In November 2021 Allegro unveiled its new logistics brand, "One by Allegro", which includes "One Box" green parcel lockers, "One Fulfillment" service for merchants and "One Punkt" pick-up points, reflecting Group's innovative approach to swift and responsible deliveries.

One Fulfillment by Allegro is a comprehensive service for merchants that includes storing, packaging and delivering products, as well as customer service throughout the delivery process. From September , Allegro's first fulfillment center was running a full-scale trial with selected merchants, helping them coordinate and manage shipments. Following a successful pilot programme, Allegro launched the commercial phase of its logistics service One Fulfillment on January 24, 2022, making the service more widely available to merchants. One Fulfillment will complement Allegro's delivery model primarily based on merchants fulfilling their orders, which continues to be the priority for Allegro. By now nearly 80% of orders are delivered within 1-2 days. Distribution of some products purchased on Allegro from a single logistics center will further reduce delivery times, provide high-quality customer service and reduce environmental impact, by i.a. using eco-friendly packaging materials, implementing processes to minimise waste and reducing the number of courier trips, thus contributing to lower carbon footprint . During 2022 the first fulfillment center will be brought up to full capacity with investment in additional shelving and automation, along with recruitment of a full complement of staff to run the warehouse at full scale. Decisions on adding additional fulfillment centers will be taken by the Group once demand, cost and performance data from the first fulfillment center has been fully analysed later in 2022.

In 2021 the Group has also reached important milestones in development of its One Box green parcel lockers network. Launched in November 2021, the green lockers network already spanned over 1000 state-of-the-art, eco – and socially friendly Allegro APMs around the country by 31 December 2021. The Group plans to have at least 3,000 machines installed by the end of 2022. 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 renewable green energy, and up to 90% of the plant support structure is made of recycled wood.

Within the One by Allegro brand, buyers can also use a network of approximately 800 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 nearly 50 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.

In October 2021 the Group acquired X-press Couriers, a local same-day delivery company, to complement fulfillment and lockers services in driving faster deliveries. Ownership of XPC provides the Group with its own same day delivery capability and collection and distribution capabilities. In the future these capabilities may be levered to support specific use cases within the thousands of distribution tasks undertaken each day to support the marketplace, all of which are currently provided by the Group's third party distribution partners.

# 4. Remuneration Report

This section of the Report constitutes the remuneration report of Allegro.eu in relation to the financial year ending on 31 December 2021, which has been prepared by the remuneration and nomination committee of the Company and adopted by the Board of Directors on 23 February 2022 in accordance with the Luxembourg law of 24 May 2011 on the exercise of certain rights of shareholders and implementing the directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending directive 2007/36/EC as regards the encouragement of long-term shareholder engagement, as amended (the "Law"), and in particular article 7ter of the Law.

## 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 has been amended in 2021 (June 29 and September 22, 2021 Remuneration and Nomination Committee meetings) with the aim to clarify specific AIP rules and definitions.

## 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 "Key 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 favored, in particular, by the amount, principles, and structure of the remuneration of the Directors and Key Managers. The remuneration principles take into account the current financial situation of the Group.



## 4.3. Remuneration of Executive Directors and Key Managers

The Remuneration Policy is intended to attract, motivate, and retain Directors and Key Managers who have the highest level of competence and experience. Remuneration for Directors and Key Managers is determined considering market pay rates for persons performing functions of board members, including entities with a similar profile of activity 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.

The Remuneration and Nomination Committee consider the opinion of an independent advisor in the field of remuneration of Executive Directors and Key Managers. The appointed advisor in 2021 was HKP Group. The advice and recommendations of the external advisers were used as a guide, 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.

The Allegro Group has its operations in Poland and is listed on the Warsaw Stock Exchange, but it competes with top international market players in the highly demanding tech and e-commerce industry. Hence, to maintain the firm's current competitive advantage and build future business success the Group needs to be in a position to recruit top talent in Poland and beyond (e.g. European 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 and Key Managers:

- Peer Group 1 consists of 11 companies of the WIG 20 Index selected from the following sectors: financial services, software, telecommunications and retail. Allegro is currently a member of WIG 20 Index, with one of the highest values of market capitalization from among the selected companies. The choice of this peer group reflects the location of the Group's operations and takes into account local market practice for Director and Key Manager roles.
- Peer Group 2 consists of 16 European listed companies in the e-commerce, technology, platform and retail sectors selected by the Remuneration and Nomination Committee. 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.

The Executive Directors and the Key Managers 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 and Key Managers consist of the following components:

### 4.3.1. FIXED REMUNERATION

Executive Directors and Key Managers 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 or Key Manager 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. Base salary levels are reviewed annually with effect from 1 April and are compared to the market benchmarks to ensure that the Group remains competitive.

Executive Directors and Key Managers 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 to the Executive Directors and Key Managers with insurance against any damage resulting from claims arising from the liability of members of the bodies of a capital company (D&O liability insurance). The Company does not provide any retirement schemes beyond what is required by local labor law requirements.

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### 4.3.2. SHORT – TERM VARIABLE REMUNERATION

In addition to the base salary, Executive Directors and Key Managers may receive a discretionary annual bonus. The purpose of this offering is to:

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

The amount of the annual bonus depends on:

- the amount of the annual base salary,
- the target size of the bonus as a percentage of annual base salary that ranges from 65% to 100% depending on the performed function.
- results against agreed corporate performance criteria that determines 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 (see below for detailed rules)
- A modifier based on individual performance that can boost or reduce the bonus based on corporate performance within a range of +25% and – 100%, considering the following criteria:
  - realization of goals and tasks,
  - attitude and way of performing work,
  - skills development and knowledge sharing
- any other objectives as may be determined by the Committee from time to time

Executive Directors and Key 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. For the avoidance of doubt, the Executive Directors who are employed both at Allegro.pl and Allegro.eu are entitled to an annual bonus from the Allegro.pl pool for the 2021 financial year in addition to their Director fees received from Allegro.eu.



| Corporate Bonus Pool | |
|---|---|
| Performance criteria | Operating Company's bonus pool is based on the company's performance criteria realization. Annual targets for a given year as agreed with the Board of Directors and the Committee.<br>Company Performance Index (CPI) is a base for determining a company's bonus pool. It is driven by target achievement of two KPIs:<br>Allegro.pl and Allegro Pay:<br>• GMV – weight 50% where 100% performance = annual budget<br>• EBITDA – weight 50% where 100% performance = annual budget<br>Ceneo.pl:<br>• Revenue – weight 50% where 100% performance = annual budget<br>• EBITDA – weight 50% where 100% performance = annual budget<br>eBilet:<br>• 60% eBilet CPI (EBITDA / GMV)<br>• 40% Allegro.pl CPI (E BITDA / GMV) |
| Min/Max payout (Cap) as of Base Salary | Min = 0%;<br>100% = annual budget<br>Max = no limit for GMV and 150% Cap for EBITDA<br>The Remuneration Committee views the Allegro Group as operating in a high growth market with a significant and long term opportunity to grow in an e-commerce segment which is underpenetrated by international standards. In this context, uncapping the maximum performance score for GMV is intended to align Shareholder and Management interests to grow the business as fast as possible. In contrast, the EBITDA maximum performance score is capped at 150% of the annual budget to incentivise management to stay focused on growth and investment rather than absolute EBITDA delivery (for example through cost cutting or reducing investment) even in a situation where GMV growth is underperforming the annual budget. The Remuneration Committee has full discretion each year to change or introduce different KPIs from GMV and EBITDA in the Short-Term Variable Bonus Plan. A KPI such as NPS could therefore be included at some point in the future. However, at present the Remuneration Committee views NPS as already deeply embedded in the mindset of the organization as a key metric that helps to drive top line growth, which is itself already sufficiently targeted by the inclusion of the GMV metric in the Short-Term Variable Bonus Plan and also in the longer term Performance Stock Unit Plan. |
| Bonus threshold | 87.5% of company performance criteria realization, separately for each KPI. |
| Bonus pool acceleration | Linear (8% of bonus for 1% of target realization above the bonus threshold) |
| Payout frequency | Annually after annual results confirmation |

The GMV and EBITDA targets and actual performance for purposes of calculating short-term bonuses for 2021 and 2020 are presented in the tables below.

### FY 2021

| Allegro.pl | Weight | Target (mPLN) | Actual (mPLN) | Realization | Bonus | Company Performance Index |
|---|---|---|---|---|---|---|
| GMV | 50% | 42,000.0 | 42,471.1 | 101.1% | 109.0% | 54.49% |
| IFRS EBITDA | 50% | 1,847.7 | 1,903.1 | 103.0% | 124.0% | 62.01% |
| | | | | | | **116.50%** |

| Ceneo.pl* | Weight | Target (mPLN) | Actual (mPLN) | Realization | Bonus | Company Performance Index |
|---|---|---|---|---|---|---|
| Revenue | 50% | 359.4 | 305.4 | 85.0% | 0.0% | 0.00% |
| IFRS EBITDA | 50% | 160.9 | 129.1 | 80.3% | 0.0% | 0.00% |
| | | | | | | **0.00%** |

* The Remuneration and Nomination Committee has decided to award a 50% discretionary bonus to the Ceneo Team in consideration of the fact that a significant part of the underperformance was due to factors beyond Ceneo's control. Namely, weaker e-commerce traffic and higher costs of traffic acquisition than planned.

| eBilet | Weight | Target (mPLN) | Actual (mPLN) | Realization | Bonus | Company Performance Index |
|---|---|---|---|---|---|---|
| GMV | 50% | 167,741.9 | 130,577.1 | 77.84% | 0.0% | 0.00% |
| IFRS EBITDA | 50% | 332.8 | 1,108.6** | 333.06% | 150.0% | 75.00% |
| | | | | | | **75.00%** |

** IFRS EBITDA at 286.0 kPLN adjusted by Allegro.pl charges regarding CX and IT services for CX support (not included in the budget) amounted to 719.1 kPLN and 103.5 kPLN respectively



For 2021 it was agreed that eBilet bonus pool is based on eBilet and Allegro.pl combined CPI

- 60% eBilet CPI (EBITDA / GMV)
- 40% Allegro.pl CPI (EBITDA / GMV)

| eBilet | Weight | Company Performance Index |
|---|---|---|
| eBilet CPI | 60% | 75.0% |
| Allegro.pl CPI | 40% | 116.5% |
| | | **91.60%** |

As proposed by Management and approved by the Remuneration and Nomination Committee, the nominal value of the Allegro.pl bonus has been reduced by 2 million PLN to compensate for the 50% discretionary bonus granted to Ceneo.pl despite not meeting targets for its 2021 short-term bonus. This resulted in the Allegro.pl CPI decrease from 116.5% to 113.05%.

## FY 2020

| Allegro.pl | Weight | Target (mPLN) | Actual (mPLN) | Realization | Bonus | Company Performance Index |
|---|---|---|---|---|---|---|
| GMV | 50% | 28,435.0 | 35,055.2 | 123.3% | 286.3% | 143.13% |
| IFRS EBITDA | 50% | 1,467.9 | 1,606,1* | 109.4% | 150.0% | 75.00% |
| | | | | | | **218.13%** |

* IFRS EBITDA amounted to 1,531.3 mPLN and adjusted by one-off costs related to Grant in shares for employees regarding IPO +23.4 mPLN, Management Incentive Plan +49.8 mPLN and IPO recognition bonus +2.0 mPLN

| Ceneo.pl | Weight | Target (mPLN) | Actual (mPLN) | Realization | Bonus | Company Performance Index |
|---|---|---|---|---|---|---|
| Revenue | 50% | 266.3 | 280.5 | 105.4% | 142.9% | 71.44% |
| IFRS EBITDA | 50% | 136.8 | 140.4** | 102.6% | 120.7% | 60.37% |
| | | | | | | **131.81%** |

** IFRS EBITDA amounted to 134.6 mPLN and adjusted by one-off costs related to Grant in shares for employees regarding IPO +1.9 mPLN, Management Incentive Plan +3.9 mPLN and IPO recognition bonus +0.1 mPLN

| eBilet | Weight | Target (mPLN) | Actual (mPLN) | Realization | Bonus | Company Performance Index |
|---|---|---|---|---|---|---|
| GMV | 50% | 375,000.0 | 55,675.5 | 14.8% | 0.0% | 0.00% |
| IFRS EBITDA | 50% | 15,900.0 | -3,695.1 | -23.2% | 0.0% | 0.00% |
| | | | | | | **0.00%** |



## 4.3.3. LONG – TERM VARIABLE REMUNERATION

The Group has introduced the Allegro Incentive Plan (AIP), a discretionary benefit offered to its Executive Directors, Key Managers and employees. 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 Directors' 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 provisions of the scheme can only be modified by the Shareholders Meeting and 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 and Key Managers.

Executive Directors and Key Managers may be offered variable remuneration under the AIP in the form of Performance Share Units ("PSU"). Selected employees of the Group may be also offered the variable remuneration in the form of Restricted Stock Units ("RSU") Both plans details are presented in the table below:

| Allegro Incentive Plan | |
|---|---|
| Eligibility | Awards may be granted to Directors and certain selected employees of the Group at the discretion of the Remuneration and Nomination Committee |
| 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. |
| 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 aggregate total market value of Shares over which an award is granted may not exceed 200% of annual base salary or 300% in exceptional circumstances (as measured at the date of grant).<br>The Remuneration and Nomination Committee will determine the value of awards to be granted to each Participant in any financial year. |
| 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. 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 adopted, unless by further decision of the Shareholders' Meeting. |
| Performance Conditions | Awards in the form of PSUs will be subject to performance conditions which will be determined by the Remuneration and Nomination Committee at the time of grant. Awards will 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.<br>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.<br>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.<br>The Remuneration and Nomination Committee may grant awards subject to a different vesting period and release schedule, at its discretion. Any part of an AIP award which is not released in accordance with its terms will immediately lapse. |
| Malus and Clawback | The Remuneration and Nomination Committee, may reduce the number of Shares under a PSU or within the period of two years after a PSU has been released, require the repayment of some or all of the Shares so released (net of any tax), if certain events occur, including (i) the Participant's gross misconduct, fraud or dishonesty or that of someone else at their direction, in each case, resulting in material losses to the Group or causing the Group's material reputational damage and (ii) a material error in the assessment of the performance (including material misstatement of accounts in the case of clawback) upon which the value of the award was granted or number of Shares were released. |
| Leaving the Group | In case of cessation of employment of a Participant within the Group, they will be considered:<br>• 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<br>• a „good leaver", if a Participant ceases to be employed for any reason other than those specified in above.<br><br>**For PSU awards:**<br>• 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<br>• if a Participant is a „good leaver":<br>  • 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<br>  • 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.pl, within any twelve month-period, the treatment is as for the bullet point above save that:<br>    • 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<br>    • 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.<br><br>**For RSU awards:**<br>• 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<br>• if a Participant is a „good leaver," no further awards shall vest unless the Remuneration and Nomination Committee exercises its discretion otherwise.<br>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. |



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

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.pl and eBilet figures;
- EBITDA – weight 50%, based on consolidated Group figures.

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.

GMV and EBITDA are key valuation metrics used by our investors. These financial outputs are resulting from continuous, sequential improvements on a set of operational inputs, allowing for even stronger alignment of interests with our Shareholders.

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

- PSU 200% (max level) to be aligned with 3Y plan targets;
- PSU 100% (target level) to be above market forecasted growth;
- PSU 0% (threshold level) to be at the minimum growth level.

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.

At the time of preparing this report, the Remuneration and Nomination Committee were yet to discuss and conclude on the nature of changes, if any, to performance conditions originally set for the 2021 grant as a result of the expected material impact of the Mall Group / WE|DO acquisition. This will be addressed at the same time as setting performance conditions for the 2022 grant of PSUs.

Details of the Allegro.eu GMV and EBITDA targets for 2021 long-term variable remuneration are presented in the table below. However, the PSU award will only be released on the third anniversary of the grant date provided the relevant performance targets set for all 3 years are met.

| Allegro.eu | Weight | Target (mPLN) | Actual (mPLN) | Realization | Bonus | Company Performance Index |
|---|---|---|---|---|---|---|
| GMV | 50% | 42,167.7 | 42,601.7 | 101.0% | 108.2% | 54.12% |
| Adjusted EBITDA | 50% | 2,044.5 | 2,068.5 | 101.2% | 109.4% | 54.70% |
| | | | | | | **108.81%** |

Targets for 2022 and 2023 are based on the Group's medium term plan as it stood in 2021 at the time of issuing the 2021 grant. These targets are considered commercially sensitive and will be disclosed retrospectively in future annual reports of the Remuneration and Nomination Committee.

The first AIP awards were granted in April 2021. 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 price of shares (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.

The individual PSU awards granted and canceled in 2021 as well as the total number of units and total value of the RSU awards granted to other employees of the Group, all valued using the prescribed valuation methodology based on recent trading, are presented in the tables below:

| AIP award | Name of Director | Company Position | Total number of units granted in 2021 | Total award value granted in 2021 (PLN)* | Total number of units cancelled in 2021 | Total award value cancelled in 2021 (PLN)* |
|---|---|---|---|---|---|---|
| AIP PSU | Francois Nuyts | Executive Director | 163,949 | 10,923,964 | 0 | 0 |
| AIP PSU | Jon Eastick | Executive Director | 23,987 | 1,598,400 | 0 | 0 |
| AIP PSU | Piotr Szybiak | CTO, MBM | 20,349 | 1,355,940 | 20,349 | 1,355,940 |
| AIP PSU | Damian Zapłata | CCO, MBM | 23,987 | 1,598,400 | 23,987 | 1,598,400 |
| AIP PSU | Wojciech Bogdan | CDO, MBM | 22,961 | 1,530,000 | 0 | 0 |
| AIP PSU | Marcin Łachajczyk | Managing Director, MBM | 8,765 | 584,016 | 0 | 0 |
| AIP PSU | Key Managers other than Senior Managers | — | 66,707 | 4,449,625 | 0 | 0 |
| | | | **330,705** | **22,040,345** | **44,336** | **2,954,340** |



| AIP award | Total number of shares granted in 2021 | Total award value granted in 2021 (PLN)* |
|---|---|---|
| AIP RSU | 647,306 | 42,934,477 |

* The AIP awards granted in 2021 presented in the tables above are the sum values of 2021 AIP Grant calculated at Grant Date as a percentage of annual base salary of each Director / Key Manager / employee and divided by the market value of the shares, which is an amount equal to the average closing price of shares (as derived from the WSE, 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. Those values are therefore different from values accrued in compliance with IFRS2 standards presented in the tables in the following sections of the document.

## MANAGEMENT INVESTMENT PLAN

The Executive Directors, Chairman, and Key Managers participated in the Management Investment Plan ("MIP") that ceased to operate at the date of the Group's IPO.

Under the MIP, the management participated indirectly through various classes of shares of Adiman SCSp and directly via type C and D shares issued by Allegro.eu. Managers paid the fair value of the issued shares at the grant date with any difference to nominal value being paid to share premium.

At IPO in October 2020, the management's holdings from their investments made under the MIP were converted into ordinary shares of Allegro.eu on the basis of the market capitalization of the Group derived from the listing price of PLN 43 per share and applying the terms of the MIP. The resulting shareholdings from the management's investments represent returns on their individual investments made at fair value and are not classified as remuneration for work performed by the Group and are not covered by this Remuneration Report.

This general conclusion is modified in relation to two elements of the MIP's terms which delivered value to the management in a form that qualifies to be treated as equity settled share based compensation in accordance with IFRS 2 – Share Based Compensation. These two elements were:

- where certain managers were given non-recourse loans to purchase part of their shares, the non-recourse loans together with the shares issued are considered to create an option under IFRS 2. It gives the party receiving the loan the right upon an exit event to choose not to repay the loan, but instead to relinquish their rights to the shares.
- most managers were also entitled to participate in a 'ratchet feature' where, if upon an exit event the ultimate shareholder return amount was at least 3 times their initial investment amount, then Management's B shares were entitled to share in a further amount of 1% of the shareholder receipts.

Applying IFRS 2 to these two elements, the benefits were fair valued at grant date and amortized over the expected vesting period. The expected vesting period at the relevant grant date was either June or December 2021 and represented the assumed maturity date of the option at the grant date. The ratchet feature, which was granted to both key Management and selected other managers, was also valued under IFRS 2 at inception of the MIP. The expenses that were recognized by the Group as a result of these two terms from the MIP were charges of a non-cash nature.

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Where these non-cash charges required under IFRS 2 are attributable to Board Members and Key Managers of the Group, the relevant amounts are presented below. They are considered to be components of returns the managers received from their MIP investments that can be classified as remuneration for work performed as opposed to returns made on investments made at fair value. These figures are presented separately as non-cash payments and are excluded from remuneration presented in the further part of this Remuneration Report.

Directors and Key managers received no non-cash equity settled share based compensation resulting from MIP in 2021.

## NON-CASH EQUITY SETTLED SHARE BASED COMPENSATION RECOGNIZED UNDER IFRS2 FROM FAIR VALUE INVESTMENTS MADE UNDER THE MIP (IN KPLN)

| Name of the Director | Company | Position | 2021 | 2020 |
|---|---|---|---|---|
| Darren Huston | Allegro.eu | Chairman, Non-Executive Director | 0.0 | 3,772.1 |
| Francois Nuyts | Allegro.eu | Executive Director | 0.0 | 3,044.6 |
| Jon Eastick | Allegro.eu | Executive Director | 0.0 | 130.9 |
| Piotr Szybiak | Allegro.eu | Key Manager, MBM | 0.0 | 109.7 |
| Damian Zapłata | Allegro.eu | Key Manager, MBM | 0.0 | 109.7 |
| Wojciech Bogdan | Allegro.eu | Key Manager, MBM | 0.0 | 1,737.5 |
| Marcin Łachajczyk | Allegro.eu | Key Manager, MBM | 0.0 | 38.7 |



## 4.3.4. REMUNERATION STATEMENT FOR EXECUTIVE DIRECTORS AND KEY MANAGERS

### REMUNERATION STATEMENT FOR EXECUTIVE DIRECTORS AND KEY MANAGERS FOR 2021 (IN KPLN)

| | | | Fixed Remuneration | | | Variable Remuneration | | | | | Proportion of fixed and variable remuneration | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Name of Director | Company | Position | Base Salary | Fees | Other Benefits | One year variable* | Multi year variable** | Extraordinary item | Pension Expenses | Total Remuneration | Fixed | Variable |
| Francois Nuyts | Allegro.eu | Executive Director (01.09.2020 –) | — | 228.4 | — | — | — | — | — | 228.4 | 100% | 0% |
| | Allegro.pl | Group CEO, MBM (01.08.2018 –) | 3,568.1 | — | 47.4 | 4,466.0 | 4,253.4 | — | — | 12,334.9 | 29% | 71% |
| Jon Eastick | Allegro.eu | Executive Director (01.09.2020 –) | — | 228.4 | — | — | — | — | — | 228.4 | 100% | 0% |
| | Allegro.pl | Group CFO, MBM (01.02.2018 –) | 1,065.6 | — | 60.2 | 759.2 | 622.3 | — | — | 2,507.4 | 45% | 55% |
| Piotr Szybiak | Allegro.pl | CTO, MBM (01.12.2015 – 23.06.2021, employment termination – 30.09.2021) | 751.0 | — | 31.0 | — | — | 71.0 | — | 852.9 | 100% | 0% |
| Damian Zapłata | Allegro.pl | CCO, MBM (01.12.2017 – 27.08.2021) | 713.1 | — | 42.6 | — | — | 133.2 | — | 888.9 | 100% | 0% |
| Wojciech Bogdan | Allegro.pl | CDO, MBM (01.05.2020 –) | 1,039.2 | — | 21.0 | 765.0 | 595.7 | — | — | 2,420.8 | 44% | 56% |
| Marcin Łachajczyk | Ceneo.pl | Managing Director, MBM (01.01.2013 –) | 618.0 | — | 80.0 | 227.5 | 227.4 | — | — | 1,152.9 | 61% | 39% |

* Short – term variable remuneration: a discretionary annual bonus. Bonus amounts based on accrued values as final awards based on the rules of short-term variable compensation for 2021 are yet to be determined and paid out in March 2022.

** Long – term variable remuneration: Allegro Incentive Plan – Performance Share Units. AIP awards amounts based on values accrued in compliance with IFRS2 standards. Amounts presented above are cost based values incurred in 2021 only and are therefore different to total award values granted in 2021 presented in section 4.3.3. – Long-Term Variable Remuneration.

## REMUNERATION STATEMENT FOR EXECUTIVE DIRECTORS AND KEY MANAGERS FOR 2020 (IN KPLN)

| | | | Fixed Remuneration | | | Variable Remuneration | | | | | | Proportion of fixed and variable remuneration | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Name of Director | Company | Position | Base Salary | Fees | Other Benefits | One year variable accrued* | One year variable paid* | Multi year variable** | Extraordinary item | Pension Expenses | Total Remuneration | Fixed | Variable |
| Francois Nuyts | Allegro.eu | Executive Director (01.09.2020 –) | — | 74.1 | — | — | — | — | — | — | 74.1 | 100% | 0% |
| | Allegro.pl | Group CEO, MBM (01.08.2018 –) | 3,349.0 | — | 39.3 | 7,304.2 | 9,092.8 | — | — | — | 12,481.2 | 27% | 73% |
| Jon Eastick | Allegro.eu | Executive Director (01.09.2020 –) | — | 74.1 | — | — | — | — | — | — | 74.1 | 100% | 0% |
| | Allegro.pl | Group CFO, MBM (01.02.2018 –) | 1,065.6 | — | 41.3 | 1,336.3 | 1,592.1 | — | — | — | 2,699.0 | 41% | 59% |
| Piotr Szybiak | Allegro.pl | CTO, MBM (01.12.2015 – 23.06.2021, employment termination – 30.09.2021) | 996.9 | — | 65.8 | 1,251.4 | 1,118.2 | — | — | — | 2,180.9 | 49% | 51% |
| Damian Zapłata | Allegro.pl | CCO, MBM (01.12.2017 – 27.08.2021) | 1,065.6 | — | 64.2 | 1,633.2 | 1,586.3 | — | — | — | 2,716.1 | 42% | 58% |
| Wojciech Bogdan | Allegro.pl | CDO, MBM (01.05.2020 –) | 680.0 | — | 4.1 | 1,112.3 | 1,049.1 | — | | — | 1,733.2 | 39% | 61% |
| Marcin Łachajczyk | Ceneo.pl | Managing Director, MBM (01.01.2013 –) | 579.8 | — | 60.3 | 573.1 | 573.1 | — | — | — | 1,213.1 | 53% | 47% |

* Short – term variable remuneration: a discretionary annual bonus. Final decisions on 2020 bonuses were taken by the Remuneration Committee after the annual report publication The amounts stated in the 2020 Remuneration Report were bonus accruals. The current period remuneration report includes actually paid amounts for 2020. The differences also take into account currency fluctuations between 2020 report date and actual payment date.

** Long – term variable remuneration: AIP-PSU.

## 4.4. 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 be 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 2021 (IN KPLN)

| Name of Director (date of appointment — resignation from the Board of Directors) | Company | Position | Fixed Remuneration | | | Variable Remuneration | | Extraordinary item | Pension Expenses | Total Remuneration | Proportion of fixed and variable remuneration | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Base Salary | Fees | Other Benefits | One year variable* | Multi year variable** | | | | Fixed | Variable |
| Darren Huston (12.05.2017 —) | Allegro.eu | Chairman Non-Executive Director | — | 1,370.1 | — | — | — | — | — | 1,370.1 | 100% | 0% |
| Carla Smits-Nusteling (01.09.2020 —) | Allegro.eu | Independent Non-Executive Director | — | 561.7 | — | — | — | — | — | 561.7 | 100% | 0% |
| David Barker (01.09.2020 —) | Allegro.eu | Non-Executive Director | — | — | — | — | — | — | — | 0.0 | — | — |
| Nancy Cruickshank (01.09.2020 —) | Allegro.eu | Independent Non-Executive Director | — | 493.2 | — | — | — | — | — | 493.2 | 100% | 0% |
| Paweł Padusiński (01.09.2020 —) | Allegro.eu | Non-Executive Director | — | — | — | — | — | — | — | 0.0 | — | — |
| Richard Sanders (01.09.2020 —) | Allegro.eu | Non-Executive Director | — | — | — | — | — | — | — | 0.0 | — | — |

* Short – term variable remuneration: a discretionary annual bonus.
** Long – term variable remuneration: Allegro Incentive Plan – Performance Share Units

## REMUNERATION STATEMENT FOR NON-EXECUTIVE DIRECTORS FOR 2020 (IN KPLN)

| | | | Fixed Remuneration | | | Variable Remuneration | | | | | Proportion of fixed and variable remuneration | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Name of Director (date of appointment — resignation from the Board of Directors) | Company | Position | Base Salary | Fees | Other Benefits | One year variable* | Multi year variable** | Extraordinary item | Pension Expenses | Total Remuneration | Fixed | Variable |
| Darren Huston (12.05.2017 —) | Allegro.eu | Chairman Non-Executive Director | — | 479.5 | — | — | — | — | — | 479.5 | 100% | 0% |
| Carla Smits-Nusteling (01.09.2020 —) | Allegro.eu | Independent Non-Executive Director | — | 182.2 | — | — | — | — | — | 182.2 | 100% | 0% |
| David Barker (01.09.2020 —) | Allegro.eu | Non-Executive Director | — | — | — | — | — | — | — | 0.0 | — | — |
| Nancy Cruickshank (01.09.2020) | Allegro.eu | Independent Non-Executive Director | — | 160.0 | — | — | — | — | — | 160.0 | 100% | 0% |
| Paweł Padusiński (01.09.2020 —) | Allegro.eu | Non-Executive Director | — | — | — | — | — | — | — | 0.0 | — | — |
| Richard Sanders (01.09.2020 —) | Allegro.eu | Non-Executive Director | — | — | — | — | — | — | — | 0.0 | — | — |
| Daniele Arendt (05.05.2017 — 12.10.2020) | Allegro.eu | Non-Executive Director | — | — | — | — | — | — | — | 0.0 | — | — |
| Gautier Laurent (05.05.2017 — 12.10.2020) | Allegro.eu | Non-Executive Director | — | — | — | — | — | — | — | 0.0 | — | — |
| Séverine Michel (05.05.2017 — 12.10.2020) | Adinan Midco | Director | 160.0 | — | — | — | — | — | — | 160.0 | 100% | 0% |
| Cédric Pedoni (05.05.2017 — 12.10.2020) | Allegro.eu | Non-Executive Director | — | — | — | — | — | — | — | 0.0 | — | — |
| Gilles Willy Duroy (17.10.2019 — 12.10.2020) | Allegro.eu | Non-Executive Director | — | — | — | — | — | — | — | 0.0 | — | — |

* Short – term variable remuneration: a discretionary annual bonus.
** Long – term variable remuneration: Allegro Incentive Plan – Performance Share Units

### OTHER RELATED PARTY TRANSACTIONS WITH NON-EXECUTIVE DIRECTORS OF THE GROUP PRIOR TO THE IPO

Since Group inception through to 2020, the Chairman of the Board of Directors provided, through his personal consulting company, BlackPines Capital Partners Ltd ("BlackPines"), several consulting services to the Company which were not related to the Chairman's directorship mandate. The consultancy fees paid by the Company to BlackPines covered the performance of services in connection with strategic advice to the Board of Directors and strategic and operational guidance, directives and direction to the Company's CEO and executive team, and similar assistance to the Company and any company of the Group through the personal services of Mr. Huston, pursuant to the general direction of the Board of Directors. This contract was discontinued prior to the IPO in 2020. These fees are disclosed as related party transactions in the Note 37 to the Consolidated Financial Statements.

No further services were provided in 2021. No other Non-Executive Director provided services to the Group for which they received financial compensation in the period from inception of the Company to its IPO.



## 4.5. Comparative information on the remuneration and Company's performance

The table below sets out the annual remuneration of 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 Directors and Senior Managers in 2021.

| Annual Change | | YoY change (in %) | YoY change (in kPLN) | 2021 (in kPLN) | 2020 (in kPLN) |
|---|---|---|---|---|---|
| **Director's total remuneration (from all Legal Entities)** | | | | | |
| Francois Nuyts | CEO (01.08.2018 –), Executive Director (01.09.2020 –) | 0.06% | 7.90 | 12,563.20 | 12,555.30 |
| Jon Eastick | CFO (01.02.2018 –), Executive Director (01.09.2020 –) | (1.35%) | (37.39) | 2,735.71 | 2,773.10 |
| Darren Huston | Chairman, Non-Executive Director (12.05.2017 –) | 185.74% | 890.60 | 1,370.10 | 479.5 |
| Carla Smits-Nusteling | Independent Non-Executive Director (01.09.2020 –) | 208.29% | 379.50 | 561.7 | 182.2 |
| David Barker | Non-Executive Director (01.09.2020 –) | 0.00% | 0.00 | 0 | 0 |
| Nancy Cruickshank | Independent Non-Executive Director (01.09.2020 –) | 208.25% | 333.20 | 493.2 | 160 |
| Paweł Padusiński | Non-Executive Director (01.09.2020 –) | 0.00% | 0.00 | 0 | 0 |
| Richard Sanders | Non-Executive Director (01.09.2020 –) | 0.00% | 0.00 | 0 | 0 |
| Daniele Arendt | Non-Executive Director (05.05.2017 – 12.10.2020) | n/a | 0.00 | n/a | 0 |
| Gautier Laurent | Non-Executive Director (05.05.2017 – 12.10.2020) | n/a | (160.00) | n/a | 160 |
| Séverine Michel | Non-Executive Director (05.05.2017 – 12.10.2020) | n/a | 0.00 | n/a | 0 |
| Cédric Pedoni | Non-Executive Director (05.05.2017 – 12.10.2020) | n/a | 0.00 | n/a | 0 |
| Gilles Willy Duroy | Non-Executive Director (17.10.2019 – 12.10.2020) | n/a | 0.00 | n/a | 0 |
| Piotr Szybiak | Key Manager, MBM (01.12.2015 –23.06.2021, employment termination –30.09.2021) | (60.89%) | (1,328.00) | 852.9 | 2,180.90 |

| Annual Change | | YoY change (in %) | YoY change (in kPLN) | 2021 (in kPLN) | 2020 (in kPLN) |
|---|---|---|---|---|---|
| Damian Zapłata | Key Manager, MBM (01.12.2017 –27.08.2021) | (67.27%) | (1,827.20) | 888.9 | 2,716.10 |
| Marcin Łachajczyk | Key Manager, MBM (01.01.2013 –) | (4.96%) | (60.21) | 1,152.89 | 1,213.10 |
| Wojciech Bogdan | Key Manager, MBM (01.05.2020 –) | 39.67% | 687.65 | 2,420.85 | 1,733.20 |

| Company's Performance | YoY change (in %) | YoY change (in kPLN) | 2021 (in kPLN) | 2020 (in kPLN) |
|---|---|---|---|---|
| GMV (mPLN) | 21.33% | 7,489.7 | 42,601.7 | 35,112.0 |
| EBITDA – Allegro segment (kPLN) | 24.05% | 368,937.9 | 1,903,119.3 | 1,534,181.4 |
| EBITDA – Ceneo segment (kPLN) | (4.02%) | (5,412.2) | 129,138.6 | 134,550.8 |
| Revenue – Ceneo segment (kPLN) | 8.85% | 24,835.2 | 305 363.4 | 280,528.2 |

| Average annual remuneration of employees other than Directors and Key Managers | YoY change (in %) | YoY change (in kPLN) | 2021 (in kPLN) | 2020 (in kPLN) |
|---|---|---|---|---|
| Total Remuneration | (1.04%) | (1.3) | 123.2 | 124.5 |

## 4.6. Diversity and Inclusion

The Company is strongly committed to be an equal opportunities employer, where every employee is respected and supported to reach their highest potential. The Company fosters a work environment where people can speak up to remove barriers to success, collaborate, and put the best ideas into practice. To emphasize the importance of the matter the Diversity Policy was adopted by the Board of Directors on 17 December 2020 and amended on 28 June 2021.



The main measures to ensure diversity are:

- The adoption of a policy to counteract discrimination and harassment,
- The adoption of a Stay Fair Code of Conduct,
- The adoption of a whistleblowing policy,
- The provision of communication and training programs that promote diversity,
- Seeking to treat all of its employees equally, regardless of 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 women choosing careers in the technology industry,
- Supporting diversity when selecting members of the Board,
- Supporting diversity and inclusion initiatives,
- Increasing the possibility of changing positions within the company,
- Monitoring activities and reporting on their effects.

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

## 4.7. Application of the Remuneration Policy

The remuneration paid to the Directors and Kay 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.

# 5. Expectations for the Group in FY 2022

The Group provides the following targets and expectations for the 2022 financial year in respect to its Polish operations.

| | FY 2021 | FY 2022 |
|---|---|---|
| | Actual | Expected |
| GMV | 21% | High Teens/Low 20s% |
| | YoY growth | YoY growth |
| Revenue | 34% | Low 30s% |
| | YoY growth | YoY growth |
| Adjusted EBITDA [1] | 18% | Low-to-Mid Teens % |
| | YoY growth | YoY growth |
| Capex [2] | PLN 407m | PLN 700–750 m |

[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)

These expectations do not take into account the pending Mall Group / WE|DO acquisition as the timing of an expected closing is pending receipt of all regulatory approvals and makes it impossible to predict the full year financial impact with any precision at this time.

The Group expects to achieve broadly similar rates of growth for GMV and Revenue in FY 2022 compared to the actual growth delivered in FY 2021. The near term priority remains to invest in GMV growth by providing the best price, selection and convenience to buyers and the best value proposition to merchants, while scaling Allegro Pay, Allegro APM and fulfillment operations.

Adjusted EBITDA growth expectations for FY 2022 are based on achieving the expected GMV growth, which is going to be supported by a growing number of Smart! customers and their rising engagement, combined with increased co-financing fees from February 2022 to support monetization of Smart! program improvements and rising penetration of the advertising revenue stream as a percentage of GMV. Revenue gains from these factors are expected to be partially offset by a higher share of Smart! transactions in GMV and their impact on net delivery costs, an approximate PLN 60 million increase in start-up losses for the Allegro One locker and fulfillment projects as they scale-up throughout 2022, and higher costs of team and operations.

Capital investment for 2022 includes the cost of the accelerating locker roll-out, which is expected to double in size versus 2021, automation investments at the fulfillment center and certain office space investments held over from 2021. In addition, continued investment in development team capacity, along with rising costs per developer, is expected to drive higher capitalised development costs as the Group continues to invest extensively in new functionalities for its platforms.

YoY growth trends for GMV and Revenue are expected to be slowest in Q1, due to headwinds from prior year lockdowns, accelerating over the remaining three quarters. In respect to Adjusted EBITDA, YoY growth rates are expected to bottom in Q1, then accelerate significantly in the remaining three quarters as new monetization initiatives and slow growth in operating expenses improve margins.

# 6. Allegro medium-term expectations 2023–2026

The Group provides the following update with regards for its Medium Term Expectations for its financial performance. Medium Term Expectations are reviewed each year by the management as part of the annual planning round, unless current performance or significant new developments require an earlier review.

The management's expectations for the period 2023-2026, based on the results of this annual planning round for 2022, are set out below:

| | | TOTAL | of which Mall Group contribution |
|---|---|---|---|
| GMV | % CAGR 2022–26 | Low-20s% | ~2 pp |
| Revenue | % CAGR 2022–26 | High teens% | ~(3–4pp)[1] |
| Adjusted EBITDA | % CAGR 2022–26 | Mid-to-High 20s% | ~3–4pp |
| Capital Investment | PLN m per annum | ~1,000–1,300 | ~200–300 |
| Laverage [1] | Steadily decrease from ~3.0x[2] at Mall acquisition towards ca. 1.0x by 2025 | | |

[1] Negative impact of Mall Goup on revenue CAGR % results from the acquired revenue base being 90% 1P sales while the growth in 2022-2026 is expected to be mainly commission earned on 3P marketplace transactions which drives GMV growth much faster than revenue growth versus the proforma 2022 baseline
[2] Leverage defined as LTM Net debt to Adjusted EBITDA

The Group's new Medium Term Expectations incorporate the Group's assumptions for the post merger integration and its ambitions for the financial performance of the Mall Group / WE|DO acquisition. This acquisition is expected by the management to have a material impact on the GMV, revenues, Adjusted EBITDA and capital investment of the expanded Group.

The Group has included preliminary estimates, which are difficult to predict until the Group has taken operational control, fully validated its post merger integration plans and confirmed medium term operational objectives for the new members of the Group. It should be noted that the acquisition of Mall Group / WE|DO is yet to be finalized and is pending receipt of all regulatory approvals.

If the transaction does not close for any reason then the Medium Term Expectations will need updating. Certain risks associated with the Mall Group / WE|DO acquisition have been set out in this Report in Section 3.2.2. Risk Factors – Risks related to the acquisition of Mall Group and WE | DO. For the purposes of building these CAGR growth estimates for 2022-2026, the Group used proforma estimates of calendar year 2022 performance as a baseline.

The new Medium Term Expectations for the expanded Group including Mall Group / WE|DO reflect assumptions that growth will come from execution of its current strategic priorities, which has been successful in delivering significant GMV and revenue growth, with sequential increases in Adjusted EBITDA over recent years, together with assumptions for a successful post merger integration and pivot of Mall Group / WE|DO towards a marketplace model. The largest contributor to Adjusted EBITDA growth through to 2026 is expected to be the continuing Polish marketplace business, where strong growth in advertising revenue as a percentage of GMV, reduced percentage margin dilution from further growth in the number of SMART! users and improvement in operating leverage from general and administrative expenses are expected to underpin profitability. The Group's Adjusted EBITDA is also expected to benefit from recent initiatives, currently in the scale-up phase, that should reach maturity in the coming years. In particular, Allegro Pay is expected to contribute significant GMV growth from increased consumer engagement without diluting margins, delivering attractive ROIs, while both the Group's APM roll-out and fulfillment center projects are expected to swing from start-up losses to making a positive EBITDA contribution over the projection period.

# 7. Recent Trading

During January 2022 and early February 2022, the Group has noted GMV growth that is consistent with meeting the expectations for FY 2022 as set out by the Group in the section above.

January 2021 provided a challenging prior year comparative, when a renewed lockdown closed covered shopping malls straight after Christmas 2020 and lasted until late January 2021, together with already well established higher demand for on-line shopping triggered by the COVID-19 pandemic, translated into a January 2021 growth rate much above the 46% YoY GMV growth rate reported for Q1 2021 as a whole and by far the fastest-growing month in FY 2021. As there were no lockdowns on offline stores imposed in early 2022, with only relatively mild mask and shopper density requirements in place, the COVID-19 situation during January 2021 represents a growth headwind to Q1 2022 performance and is reflected in the Group's expectations for 2022. Nevertheless the Group was able to register a satisfactory low double-digit YoY GMV growth rate in January 2022.

In contrast, there were no lockdowns of off-line retail in February 2021 and the Group has accordingly noted a significant acceleration in YoY GMV growth in February 2022.

Taking the above factors into consideration, the Group is expecting Q1 2022 to produce the lowest annual growth in GMV of all the quarters in 2022.



# 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 2021 i 2020 is presented in the investing activities section of the consolidated statement of cash flow as a separate line named: "Payments for property, plant & equipment and intangibles".

| PLN m (audited) | FY 2021 | FY 2020 | Q4 2021 | Q4 2020 |
|---|---|---|---|---|
| Capitalized development costs | (224.8) | (149.3) | (62.7) | (43.2) |
| Other capital expenditure | (182.2) | (81.2) | (87.7) | (21.4) |
| **Total capital expenditure** | **(407.1)** | **(230.5)** | **(150.4)** | **(64.6)** |

## CAPITALIZED DEVELOPMENT COSTS

The amount of capitalized 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 consolidated statement of comprehensive income.

| PLN m (audited) | FY 2021 | FY 2020 | Q4 2021 | Q4 2020 |
|---|---|---|---|---|
| Staff costs – Capitalisation of development costs | (154.2) | (118.7) | (40.6) | (34.4) |
| IT service expenses – Capitalisation of development costs | (0.8) | — | (0.8) | — |
| Other expenses – Capitalisation of development costs | (69.8) | (30.6) | (21.2) | (8.8) |
| **Capitalized development costs** | **(224.8)** | **(149.3)** | **(62.7)** | **(43.2)** |



## NET DEBT AND LEVERAGE

Adjusted EBITDA LTM as well as the remaining titles impacting the "Net Debt" and "Leverage" are readily observable in the consolidated statement of comprehensive income as well as consolidated statement of financial position as a part of current assets as well as current and non-current liabilities.

| PLN m (audited) | 31.12.2021 | 31.12.2020 |
|---|---|---|
| **Adjusted EBITDA LTM** | **2,068.5** | **1,750.0** |
| **(+) Borrowings at amortized cost** | **5,366.3** | **5,437.8** |
| Non-current liabilities | 5,363.0 | 5,437.22 |
| Current liabilities | 3.3 | 0.6 |
| **(+) Lease liabilities** | **251.1** | **73.3** |
| Non-current liabilities | 206.1 | 45.4 |
| Current liabilities | 45.1 | 27.9 |
| **(-) Cash and cash equivalents** | **(1,957.2)** | **(1,185.1)** |
| **= Net Debt** | **3,660.2** | **4,326.0** |
| **Leverage (Net Debt / Adjusted EBITDA LTM)** | **1,77 x** | **2,47 x** |

## CHANGES IN WORKING CAPITAL

The amount of each title impacting the working capital for the twelve months ended 31 December 2021 and 2020 respectively, are presented in the separate lines of the consolidated statement of cash flow. However, the quarterly numbers are not disclosed, as there is no such obligation to do so.

## ADJUSTED EBITDA/REVENUE (%)

Represents Adjusted EBITDA divided by Revenue. Please refer to the calculation for the three and twelve months ended 31 December 2021 and 2020 below.

| PLN m (audited) | FY 2021 | FY 2020 | Q4 2021 | Q4 2020 |
|---|---|---|---|---|
| Adjusted EBITDA | 2,068.5 | 1,750.0 | 501.2 | 533.5 |
| Revenue | 5,352.9 | 3,997.8 | 1,600.7 | 1,299.0 |
| **Adjusted EBITDA/revenue (%)** | **38.64%** | **43.78%** | **31.31%** | **41.07%** |

## ADJUSTED EBITDA/GMV (%)

Represents Adjusted EBITDA divided by GMV. Please refer to the calculation for the three and twelve months ended 31 December 2021 and 2020 below.

| PLN m (audited) | FY 2021 | FY 2020 | Q4 2021 | Q4 2020 |
|---|---|---|---|---|
| Adjusted EBITDA | 2,068.5 | 1,750.0 | 501.2 | 533.5 |
| GMV | 42,601.7 | 35,110.9 | 12,668.5 | 10,851.2 |
| **Adjusted EBITDA/GMV (%)** | **4.86%** | **4.98%** | **3.96%** | **4.92%** |



allegro

# III.

# Non-financial report

Allegro.eu Report on Non-financial Information for 2021 was prepared in accordance with EU legal requirements (Directive 2014/95/EU, Directive (UE) 2020/852), basis on Guidelines on non-financial reporting (2017/C 215/01), as well as Supplement on reporting climate-related information (2019/C 209/01). The report covers Allegro.pl, Ceneo.pl, eBilet.pl, Allegro Finanse, Allegro Pay, Opennet, X-press Couriers, Skynet Custom Brokers and Adinan Midco, Allegro.eu as well.

# 1. Business Model, Operations, and Corporate Governance

## 1.1. Business Model

### 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. The Group operates a leading online marketplace in Poland, Allegro.pl, and the price comparison platform in Poland, Ceneo.pl (Source: OC&C). In November 2021, Allegro announced it has agreed to acquire Mall Group a.s., a leading e-commerce platform across Central and Eastern Europe and WE|DO, a last mile delivery expert, bringing logistics expertise. The Transaction, when completed, will establish the enlarged Group as a leading region-wide e-commerce platform, bringing a range of popular brands – including Allegro, Allegro Pay, Ceneo, eBilet, One as well as Mall, mimovrste, czc.cz, WE|DO – under one roof.

Allegro.pl is the most recognized e-commerce brand in Poland (Source: Gemius[4]). As of 31 December 2021, the Group's e-commerce marketplace had approximately 13.5 million Active Buyers who connected with over around 133 thousand merchants. Allegro.pl attracts visits from an average of 21.6 million internet users per month, which is equivalent to 68% of Polish residents aged 16 and above[5], and around 74% of all internet users in Poland. In December 2021 Allegro.pl ranked no. 104 in the SimilarWeb global ranking of most popular websites. 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, standardized 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. The Group also has its own limited-scale, 1P 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 0.9% of the Group's gross merchandise value ("GMV") for the year ended 31 December 2021, used mainly to remedy important missing selection and uncompetitive price points among the offers available from the 3P business. The Group has established 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.

[4] 'E-commerce in Poland 2021' report by Gemius
[5] Gemius Mediapanel



Ceneo.pl is the multi-category price comparison site in Poland. Ceneo.pl is an established brand that attracted an average of 14 million monthly users in 2021 (Source: Similarweb). As of December 2021, around 23 thousand online retail stores were registered on Ceneo.pl and information on 33 million product offers was available to consumers using the price comparison service.

The Group also operates eBilet, which is the event ticket sales site in Poland, facilitating sales of a broad range of entertainment, cultural, family, and sports events. After three quarters of 2020 and the first half of 2021 being severely disrupted by COVID-19 related restrictions on public events, eBilet began to rebuild its sales in the second half of 2021 and sold a total of 1.3 million tickets for the full 2021 year (vs. 0.7 million tickets in 2020), up 80.7% YoY and back to 57.2% of pre-covid levels of 2.3 million tickets sold in 2019.

The Group also operates a number of other entities, including Allegro Pay – a consumer finance and lending solutions provider, Opennet.pl – a technology solutions provider for logistics, including APMs, X-press Couriers – a same day delivery courier company, and SkyNet Customes Brokers – 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.

### KEY FEATURES OF THE GROUP'S BUSINESS PLATFORM AND GROWTH STRATEGY

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 platform innovations that make it easier to shop online and drive improved sales conversion, such as the utilization of machine-learning based recommendations and personalizations, 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 gateway for merchants in Poland and a popular route for merchants to approximately 13.5 million Active Buyers (as of 31 December 2021). The Group serves a large 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, such as P&G, Reckitt Benckiser or Duka, to retailers, such as MediaMarkt, Decathlon and Carrefour, to in particular Polish SMEs. The Group has significantly professionalized its merchant approach over the past five 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 successfully in growing the active offer base on the marketplace to over 250 million offers and the Group aspires to reach over 400 m offers in the medium term as selection continues to broaden and the internationalization of the Group's operations leads to more international sellers onboarding, attracted by the opportunity to sell across multiple markets.

## 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 49 per year (or PLN 10.99 per month) 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 differentiated from other Polish offerings for both buyers and merchants. To manage the 3P fulfillment and delivery network, the Group has developed "HUB," which is a unique, machine-learning powered, proprietary software platform that integrates the Allegro platform, a range of logistics providers and over around 133 thousand merchants on the Group's e-commerce marketplace as of 31 December 2021. "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 that resulted from the COVID-19 pandemic lockdowns, which produced significant peaks in growth of transactions in the second quarter, when all non-essential offline retail was closed for a two month period, and again in Q4 when covered shopping centers were closed for most of November. During these periods, and also during the traditional December pre-Christmas peak in demand, the distribution network worked with only minor delivery time extensions in select categories.

## 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 recognized not only by buyers and merchants, but also by its employees.

The Group's management team has built a creative workplace for its employees, fostering a diverse, collegial, and entrepreneurial culture underpinned by teamwork, commitment, continuous professional development, and the maximization of value for all stakeholders. As a result of the continuous innovation, testing, checking, improving, and raising the bar in recruiting, Allegro is a demanding organization with a high level of caring, and the Group believes that this results in high employee engagement and top talent acquisition. In an annual survey conducted in April 2021, approximately 89% of the Group's employees said they would recommend Allegro as a great place to work (-5pp vs. 2020 survey) and approximately 85% are proud to be working at Allegro (-4pp vs. 2020 survey). The Group has also achieved a 74% engagement index in 2021, in line with the 74% average in the new technology industry for companies with over 1,000 employees globally (down from 2020, compared to 78% Allegro's engagement index and vs. 73% average in the new technology industry in 2020, Source: CAMP). The Group has access to a rich market for technology talent in Poland and it has assembled the largest tech development team in the country, with more than 1000 engineers working from five tech hubs across the country.

## ENHANCED BUYER AND MERCHANT EXPERIENCE AS A FOUNDATION FOR FURTHER EXPANSION AND GROWTH.

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 potentially 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 optimizing key merchant processes, as well as developing and enhancing merchant tools and value-added services;
- 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.

## FURTHER EXPANSION OF SMART! AND DELIVERY SERVICES

The SMART! loyalty program has achieved significant success with a constantly growing number of active buyers that has surpassed 5 million for the first time in 2021. However, Management believes that there is significant room for further growth in the number of SMART! subscribers and in the share of GMV covered by SMART! benefits such as free delivery. The Group intends to continue to develop and enhance the SMART! offering by further improving delivery speed and experience parameters, supplementing SMART! with a consumer finance FinTech offering from its Allegro Pay consumer finance arm, and potentially adding off-platform services to increase SMART! user engagement. Leveraging these initiatives, the Group aims to grow SMART! penetration to reach at least 50% of Polish households in the medium term.

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, further growing the network of out-of-home lockers and pick-up/drop-off points, expanding into innovative delivery services including scaling up of same day deliveries and the introduction of "ultra-fast" or "instant" deliveries. These initiatives are being undertaken with the Group's continued focus on its 3P merchant-fulfilled model that has proven to be an effective, asset-light approach and the Group intends to increase the share of next day deliveries by at least 20 pp within the total mix over the medium term. 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. Two main capital investment initiatives to support delivery experience reached important milestones in 2021:

i) The commercial launch of Allegro Fulfillment services. Allegro Fulfillment will be used as a supplementary tool in select cases, such as for international sellers and other select merchants, in an effort to improve delivery time and ensure delivery promise accuracy. Dedicated logistics locations known as Fulfillment Centers will be established to hold Merchants' inventory on a 3P basis and Allegro Fulfillment staff will receive, store, pick, and ship that inventory on behalf of the Merchants in exchange for processing fees. By running fulfillment centers at scale and with late cutoff times, Allegro Fulfillment aims to drive a significant increase in GMV with more next day delivery options, more domestic sellers included and faster deliveries, and to grow net revenue as a result of revenue generated from fees charged to merchants for fulfillment services as well as delivery cost savings due to transport optimization and increased package consolidation. The Group's first fulfillment center is situated outside Warsaw and began pilot operations during 2021, opening for full commercial operation in early 2022, and operates under the brand Allegro One Fulfillment. The Group intends to scale up this facility to full capacity during the course of 2022 and, depending on the demand for its fulfillment services and positive impact on key delivery, cost and financial metrics, the Group will decide on whether to invest in further fulfillment centers in due course.

ii) Investing in the 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, ending the year with over 1,000 lockers installed and with commercial deliveries commencing in November 2021. The new service is marketed under the brand Allegro One Box. This investment will initially enable 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. However, the Group estimates that it could achieve unit cost savings of 15-20% versus its existing contracts in the coming years. The Group expects to reach 3,000 installed lockers by the end of 2022 and anticipates that it may continue to deploy between 2,000 and 3,000 lockers per annum over the medium term. 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 addition to these two main investment projects in logistics and delivery assets, in October 2021 the Group acquired X-press Couriers ("XPC"), a local same-day delivery company, to complement fulfillment and lockers services in driving faster deliveries. Ownership of X-press Couriers provides the Group with its own same day delivery capability and collection and distribution capabilities. In the future these capabilities may be levered to support specific use cases within the thousands of distribution tasks undertaken each day to support the marketplace, all of which are currently provided by the Group's third party distribution partners.

Included within the XPC acquisition was the parallel purchase of sister company Skynet Customs Brokers Sp. z o.o. ("SCB"), a customs broker agency. Allegro expects to leverage SCB's customs competencies to complement and further improve Group's offer for International Sellers, by providing e.g. bonded warehouse and customs broker agency services for non-EU merchants in Allegro Fulfillment.

## 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 monetization of that broad reach, improvements in ad technology and favorable online advertising market trends. Unlike traditional display advertisers, 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 initiatives 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 campaigns); external network ads (further scalability of the Group's integration with Google and Facebook Ads 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 monetize this content therefore grow in line with growth in the marketplace and there is minimal incremental cost, resulting in advertising producing very high margin revenue streams that can be reinvested in the further development of the marketplace.

## 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, with 8.9% revenue growth in 2021 versus 2020. 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 insights that can be used to improve retail basics 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 two years. The Ceneo management team has responded to these challenges by focusing on investments to increase monetization per visit through developing Ceneo checkout services and optimizing traffic acquisition strategies, focusing on expanding the numbers of partner merchants and scaling up the product catalogue. Moreover, efficiency is being increased through investment in self-service tools and process automation.

## RAISING AMBITION IN FINTECH WITH THE ESTABLISHMENT OF ALLEGRO PAY CONSUMER FINANCE SERVICES

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 2021, the Group continued to develop Allegro Pay, its own proprietary fintech offer. Allegro Pay's offer allows for postponed payments (known as "Buy Know Pay Later", or "BNPL" loans) or splitting loans into convenient 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 92.8 as of Q4 2021.

In 2021 Allegro Pay reached important development milestones and met all its key targets for 2021. In September 2021 Allegro Pay widened its availability to all customers wishing to apply for up to a PLN 4,200 purchasing limit by leveraging the PSD2 access to widen credit checking capabilities to include even new Allegro Active Buyers with no purchasing history. Full customer eligibility drove further acceleration in the growth of Allegro Pay.

On 11 October 2021 Allegro Pay sp. z o.o. signed Receivables Purchase Agreement with AION Bank, concerning the purchase by AION of consumer loan receivables originated by Allegro Pay. Instalment loans sold under the agreement with AION are de-recognized from the Group's balance sheet This dedicated external funding for continued fast loan origination and multi-year scaling of Allegro Pay will significantly reduce the consumption of net working capital for installment loans going forward, while the fast-rotating BNPL loans will remain on the Allegro's balance sheet. Utilizing 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.

Dynamic growth acceleration in Allegro Pay was reflected in raised 2021 loans issued guidance. Following the Q3 2021 growth, the Group raised the initial 2021 annual targets for Alegro Pay to over PLN 1,500 million of loans issued (up from the initial target of over PLN 1,000 million). With the year-end gross loans balance of PLN 365.1 million (net of PLN 180.3 million of receivables sold to AION in Q4 2021) and a total of PLN 1,993.1 million of cumulative loans originated throughout 2021, Allegro Pay has exceeded the annual target by PLN 493 million of loans issued.

Going forward Allegro Pay will be scaled up and further improved in 2022 and is expected to become the leading financial services product on the marketplace, in terms of the value of loans written. Allegro Pay hopes to write PLN 4,000 million of loans in 2022. The Group intends to fund the BNPL loan book, with on balance sheet loans rising to approximately PLN 700 million by the end of 2022, and sell its new installment loans to AION in line with the arrangements already in place. In the medium term, the Group aims to grow Allegro loans written to approximately 20% of annual marketplace GMV, optimising for incremental impact on GMV and total returns relative to the on balance sheet loan book of 30% per annum.

In addition to Allegro Pay, the Group has an extensive future product roadmap with a focus on consumer products in the near term and with the potential for the offering to be expanded to include merchant financing, B2B payments and financing as well as insurance offerings over time.

## BROADENING THE POLISH PLATFORM

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 is not currently active or runs subscale operations, or through expanding value chain solutions such as logistics or financial services supporting buyers and merchants. The Group will also continue to consider, and may complement its organic initiatives with, opportunistic acquisitions. The Group has an execution track record in bolt-on M&A, including recent acquisitions of eBilet, FinAi, and OpenNet.

## GEOGRAPHIC EXPANSION

In addition, the Group has the ambition to grow outside of Poland in the medium term. International expansion could bring benefits to both Polish buyers and merchants, as well as to international ones. 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.

## 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 internationalization 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 2021 an English language front–end has been developed which, when launched, will enable 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, making expansion into other markets feasible with a relatively low incremental technology development cost.

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 defenses 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, including Allegro, Ceneo, and eBilet, and 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.



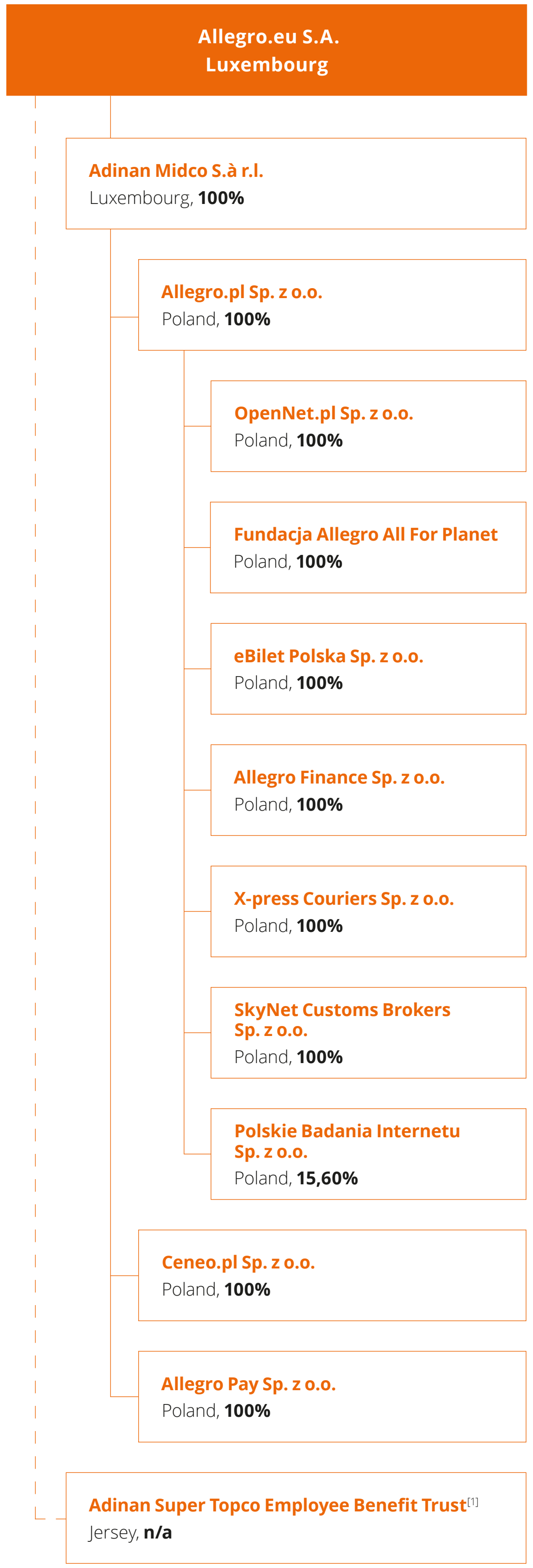
## 1.2. Group Structure

As of 31 December 2021, the Group comprised of Allegro.eu, as well as intermediate holding company Adinan Midco with their registered office in Luxembourg and companies conducting operating activities in the territory of Poland – Allegro.pl, Allegro Pay, Allegro Finance, Ceneo.pl, eBilet Polska, OpenNet.pl, X-press Couriers and Skynet Customs Brokers. Each of the Polish Operating Companies and their subsidiaries have their registered offices located in Poland. In addition, Allegro.pl owns the Allegro All For Planet Foundation, which is not consolidated due to its immateriality. Starting from 30 September 2021 Employee Benefit Trust has been included in the Group Consolidated Financial Statements (for further information see note 28.4).

The chart below presents the structure of the Group as of 31 December 2021.

In 2020 Ceneo.pl sold 50% of shares in Trade Analytics Instytut Badań Ecommerce to Allegro.pl.

As a result of the merger and liquidations performed within the Group on 21 December 2020, Adinan Topco, Adinan Holdco, Adinan Bondco, and Adinan Seniorco were absorbed into Allegro.eu and Adinan Midco.




[1] Period covered by consolidation 01.09.2021–31.12.2021

# 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. In 2021, the Board had eight members, of which two 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 11 meetings in 2021.

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 | 57 | 2020 | 2026 | — | Non-Executive Chairman |
| François Nuyts | 49 | 2020 | 2026 | — | Executive Director |
| Jonathan Eastick | 55 | 2020 | 2026 | — | Executive Director |
| David Barker | 54 | 2020 | 2026 | — | Cinven |
| Richard Sanders | 50 | 2020 | 2026 | — | Permira |
| Paweł Padusiński | 45 | 2020 | 2026 | — | Mid Europa Partners |
| Nancy Cruickshank | 51 | 2020 | 2026 | — | Independent Non-Executive Director |
| Carla Smits-Nusteling | 56 | 2020 | 2026 | — | Independent Non-Executive Director |



### DARREN HUSTON

Darren Huston is the Chairman of the Group. Mr. Huston joined the Group as Executive Chairman in January 2017 and was appointed as a member of the Board of Director on 12 May 2017 and upon the conversion of Allegro.eu into a public limited liability company (société anonyme), Mr. Huston was appointed as a Director as of 27 August 2020. Previously, Mr. Huston was CEO of Booking.com and Group CEO of the Priceline Group and he has also held various roles with Microsoft (including as CEO of Microsoft Japan), Starbucks and McKinsey & Company. Mr. Huston is also the CEO and Founder of BlackPines Capital Partners. Mr. Huston has over 25 years of managerial and leadership experience.

Mr. Huston holds an MBA degree from Harvard University and an MA in Economics from the University of British Columbia.

### FRANÇOIS NUYTS

François Nuyts is the CEO of the Group. Mr. Nuyts joined the Group as CEO in August 2018 and was appointed as a member of the Board of Directors on 1 September 2020. Mr. Nuyts is also a member of the management board of Allegro.pl and a member of the management board of Ceneo.pl. Previously, Mr. Nuyts held various management roles with Amazon across Western Europe (England, France, Spain, and Italy) where he was a part of its rapid expansion. Mr. Nuyts has over 20 years of experience in management and strategy consulting, including roles with Accenture and Kellogg's.

Mr. Nuyts holds an MBA degree from Babson College MA.

### JONATHAN EASTICK

Jon Eastick is the CFO of the Group. Mr. Eastick joined the Group as CFO in February 2018 and was appointed as a member of the Board of Directors on 1 September 2020. Mr. Eastick is also a member of the management board of Allegro.pl and a member of the management board of Ceneo.pl. Previously, he was a director at Ernst & Young. Mr. Eastick has over 30 years of experience in finance and management, including over 16 years of previous experience in CFO roles at Netia, Polska Telefonia Cyfrowa, and Lucent Technologies Poland.

Mr. Eastick holds a Bachelor of Science in International Trade and Development Economics from 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.pl 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.pl 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 Investment Committee. At Permira, Mr. Sanders is the Co-Head of Technology and has extensive experience in the sector.

Mr. Sanders holds an MA degree from Oxford University and an MBA degree from Stanford University.

### PAWEŁ PADUSIŃSKI

Paweł Padusiński led Mid Europa Partners' investment in Allegro and has been a member of the supervisory boards of the Allegro.pl and Ceneo.pl operating companies since 2017. He was appointed a member of the Board of Directors on 1 September 2020. Mr. Padusiński is a partner and the head of the Warsaw office at Mid Europa Partners where he has worked since 2005. Prior to joining Mid Europa Partners, Mr. Padusiński worked in the corporate finance department at PricewaterhouseCoopers LLP in Warsaw.

Mr. Padusiński 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 Board of Directors on 1 September 2020. Ms. Cruickshank is currently SVP Chief Digital Officer at Carlsberg, having held a NED position with the company for 18 months prior to joining the executive team. Ms. Cruickshank is also on the board of Bango Plc and Flutter Entertainment Plc. Previously, she was CEO and Founder of MyShowcase, a fresh and contemporary beauty retailer enabled by smart technology. Ms. Cruickshank has worked in the digital industry for almost 20 years, including launching Conde Nast online in 1996, overseeing Telegraph Media Group's digital business and developing 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.

### CARLA SMITS-NUSTELING

Carla Smits-Nusteling was appointed a member of the Board of Directors on 1 September 2020. Ms. Smits-Nusteling is currently Chairwoman of the Board of Tele2 AB, Non-Executive Director and Audit Chair of Nokia Corporation, lay judge of the Enterprise Court of the Amsterdam Court of Appeal, and a Board Member of Stichting Continuiteit Ahold Delhaize, a foundation organized under the laws of the Netherlands to safeguard the interests of Koninklijke Ahold Delhaize N.V. Previously, Ms. Smits-Nusteling was non-executive director of ASML (2013-2021), CFO and member of the Board of Management of Royal KPN N.V. and she held several finance and business related positions at Royal KPN N.V. 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.

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 emphasizing 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.

## Senior Managers

In addition to the executive management on the Board of Directors of Allegro.eu, the following Senior 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 2021.

### MARCIN ŁACHAJCZYK

Marcin Łachajczyk is the General Manager of Ceneo.pl. Mr. Łachajczyk joined Ceneo in January 2009 and was appointed its General Manager in January 2013. Mr. Łachajczyk has over 15 years of experience in business management and product development and has experience in developing business in international markets. He is an expert in the field of digital transformation and optimization of business processes in e-commerce and a specialist in data analysis and building strategies in e-commerce.

Mr. Łachajczyk holds an engineering degree from the Silesian University of Technology and a postgraduate degree in project management from WSB Universities. He has also completed an executive education program at Harvard Business School.

### WOJCIECH BOGDAN

Wojciech Bogdan is the Chief Data Officer of Allegro. Mr. Bogdan joined Allegro in May 2020 as Chief Data Officer and is also a member of the management board of Ceneo.pl operating company. Previously, Mr. Bogdan was a Partner at McKinsey & Company where he led the Retail and Consumer Practice in Central and Eastern Europe. He has over 20 years of business consulting experience in retail, consumer and telecommunication sector, as well as big data and AI application.

Mr. Bogdan holds a Master's degree in Economics from University of Gdańsk.

### DAMIAN ZAPŁATA

Damian Zapłata joined Allegro as Chief Commercial Officer in December 2017 and was also a member of the Management Board of Allegro.pl operating company. Mr Zapłata resigned from the Management Board of Allegro.pl and his role as a Chief Commercial Officer on 12 August 2021.

### PIOTR SZYBIAK

Piotr Szybiak joined Allegro in 2001 and was appointed as Chief Technology Officer in 2015. Mr. Szybiak was also a member of the Management Board of Allegro.pl operating company. Mr Szybiak resigned from the Management Board of Allegro.pl and his role as a Chief Technology Officer on 23 June 2021.

# 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: (i) review and approval of the annual audit plan and setting direction for the audit plans for a period of several years, (ii) discussion of the audit reports with the internal and external auditors as well as with the management, and the monitoring of their implementation, (iii) the assessment of the performance of the internal and external auditors as well as their cooperation with one another, (iv) 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 (v) 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, (vi) 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, (vii) the periodical assessment of the internal control system and (viii) the periodical review of the adequacy and security of the Groups whistleblowing, fraud detection and anti-bribery procedures.

The Audit Committee consists of David Barker, Nancy Cruickshank, and Carla Smits-Nusteling (who serves as chairperson of the Audit Committee).

### SUMMARY OF AUDIT COMMITTEE ACTIVITIES IN 2021

In 2021 the Audit Committee held 7 meetings, on 1 March, 11 May, 29 June, 3 August, 22 September, 5 November and 30 November. Key focus areas and discussion points of the Committee were:

- discussion and approval of quarterly, half-yearly and annual investor reporting packages,
- deep dives on specific focus areas: risk management, liquidity & treasury, tax, and estimates and judgments prior to the annual closing,
- formalization of the Internal Controls over Financial Reporting (ICFR) framework,
- past audits' remediation reporting and monitoring (establishing framework + quarterly updates)
- annual audit plan of the external auditor and the internal audit function,
- 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.



## REMUNERATION AND NOMINATION COMMITTEE

The tasks of the Remuneration and Nomination Committee 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, Darren Huston (who serves as chairperson of the Remuneration and Nomination Committee), and Carla Smits-Nusteling.

### SUMMARY OF REMUNERATION AND NOMINATION COMMITTEE ACTIVITIES IN 2021

In 2021 the Remuneration and Nomination Committee held 4 meetings in total, on 1 March, 28 June, 22 September and 30 November. Key focus areas and discussion points of the Committee were:

- review and approval of 2020 annual bonus pool and recommendations for Board Members and key managers of Allegro.pl and Ceneo.pl,
- review and approval of 2021 remuneration of Allegro.eu Directors and Allegro.pl/Ceneo.pl Board Members and key managers as well as of Allegro Incentive Plan pool for 2021-2023 grants,
- review and approval of Allegro.pl and Ceneo.pl Board Members and key Managers' remuneration benchmarking,
- review of 2021 Pay Policy and proposed changes to the 2022 Pay Policy,
- review and approval of changes in Allegro Incentive Plan,
- review of 2021 Employee Engagement survey results,
- approval of updates to Diversity Policy, Review of Diversity and Inclusion plan and implementation.

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## 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 |
|---|---|---|---|---|
| Cidinan S.à r.l. | 286,778,572 | 28.03% | 286,778,572 | 28.03% |
| Permira VI Investment Platform Limited | 286,778,572 | 28.03% | 286,778,572 | 28.03% |
| Mepinan S.à r.l. | 63,728,574 | 6.23% | 63,728,574 | 6.23% |
| Free Float | 385,970,096 | 37.72% | 385,970,096 | 37.72% |
| **Total:** | **1,023,255,814** | **100.00%** | **1,023,255,814** | **100.00%** |



## 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, covering new areas of corporate governance, e.g. climate, sustainable development, diversity on corporate bodies, and equal pay. The new edition of WSE Best Practices entered into force on 1 July 2021, which means that in the first half of the year 2021, the former version, i.e. WSE Best Practices 2016 were applied, and in the second half – a new one.

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 is not compliant with the WSE Best Practices (a new edition 2021), 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 organizations, 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 is 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 is 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 reached 25 % (2 out of 8 Directors). 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 is 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 is 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 is not applied.*

**Comments of the Company:** Due to technical and organizational issues caused by the pandemic of COVID-19, as well as 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 has so far held only one general shareholder meeting since its listing as a public company. The Company may implement such measures in the future once COVID-19 restrictions are reduced and it becomes practical to do so and provided that no significant legal risks related to this form of the general meeting are identified.

**4.3.** Companies provide a public real-life broadcast of the general meeting.

*The principle is not applied.*

**Comments of the Company:** Due to technical and organizational issues, the Company has not implemented measures enabling a public real-life broadcast of the general meeting. The Company does not exclude the possibility of implementing such measures in the future.

In addition, below the Company presents the practices where the Group was not compliant with the Best Practices (version 2016), in the period between 1 January – 30 June 2021.

**I.R.2.** Where a company pursues sponsorship, charity or other similar activities, it should publish information about the relevant policy in its annual activity report.

*The principle is not applied.*

**Comments of the Company:** The Company cannot guarantee that the above principle will be implemented and does not intend to introduce the sponsorship policy at present as the sponsorship activity is negligible for the Group's operations. However, it is not excluded that the Company will introduce and publish such a policy in the future.



**I.Z.1.3.** a chart showing the division of duties and responsibilities among members of the management board drawn up according to principle II.Z.1;

*The principle is not applied.*

**Comments of the Company:** The Company does not comply with this principle, as it was designed for companies in which management and supervisory functions are vested in separate boards. As the Company's Board comprises both executive and non-executive Directors, it is difficult for the Board to provide a chart with the specified scope of duties of each individual member of the Board. The Company does not rule out that it may decide to comply with this principle in the future.

**I.Z.1.10.** financial projections, if the company has decided to publish them, published at least in the last 5 years, including information about the degree of their implementation;

*The principle is not applicable.*

**Comments of the Company:** The Company does not intend to publish financial projections, therefore this principle is not applicable to the Company.

**IV.R.2.** If justified by the structure of shareholders or expectations of shareholders notified to the company, and if the company is in a position to provide the technical infrastructure necessary for a general meeting to proceed efficiently using electronic communication means, the company should enable its shareholders to participate in a general meeting using such means, in particular through:

1. real-life broadcast of the general meeting;
2. real-time bilateral communication where shareholders may take the floor during a general meeting from a location other than the general meeting;
3. exercise of the right to vote during a general meeting either in person or through a plenipotentiary.

*The principle is applied.*

**Comments of the Company:** The Company partially applies this principle, as due to technical and organizational issues, the Company does not currently plan to implement measures enabling the active participation of shareholders in the general meeting of the Company outside its seat in Luxembourg. The Company does not exclude the possibility of implementing such measures in the future.

**IV.R.3.** Where securities issued by a company are traded in different countries (or in different markets) and in different legal systems, the company should strive to ensure that corporate events related to the acquisition of rights by shareholders take place on the same dates in all the countries where such securities are traded.

*The principle is not applicable.*

**Comments of the Company:** Shares issued by the Company are listed only on the market operated by the Warsaw Stock Exchange.

# 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 2021 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 35 (Related Party Transactions) to the Annual Financial Statements.

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

## FEES FOR ADVISORY SERVICES PROVIDED BY SHAREHOLDERS AND OTHER FEES

The Group has previously entered into advisory services agreements with each of Cinven, Permira and Mid Europa Partners (or in each case, their affiliates), whereby such entities have agreed to provide certain advisory and consulting services which the Group requests. These services have included advising and consulting services relating to business activities of the Group, analysis of the Group's business activities in relation to the e-commerce environment in the Polish and European markets, monitoring the performance of the Group and associated advisory services and certain other agreed services.



## ALTER DOMUS MASTER SERVICES AGREEMENTS

The Company and Business Office Services S.à r.l. (an affiliate of Alter Domus Luxembourg S.à r.l., which is a Permira portfolio company, ("Alter Domus")) have entered into a services agreement pursuant to which several services are provided to the Company, including the provision of approximately 80 square meters 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.

## CULTURE AMP LTD

Allegro.pl sources services from Culture Amp LTD, a Permira funds portfolio company.

## GENESYS SOFTWARE LICENSES

Allegro.pl uses various pieces of software under license from Genesys Telecommunications Laboratories B.V., a Permira portfolio company. Maintenance and related services are provided by Whirly sp. z o.o., a local IT company that distributes Genesys software.

## OTHER ARRANGEMENTS WITH RELATED PARTIES

Certain current or former executive directors (or entities under their control) have entered into contracts through which they agree to provide strategic, operational and financial advisory services in exchange for a monthly flat fee retainer and additional remuneration.

## INVESTMENT OPPORTUNITIES

The Group has historically operated certain investment opportunities for the Company's Board and key employees of the Group. All such investment opportunities were settled at or around the time of the Group's IPO.

# 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.

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 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 Group has become aware that the Claimant has filed against Bola and Allegro.pl a lawsuit with the Regional Court in Poznań demanding annulment of agreements concerning the purchase of shares in eBilet sp. z o.o. allegedly concluded between Bola and Allegro.pl. However, until now Allegro.pl has not been served by the Regional Court in Poznań with any documents, and to the best knowledge of the Group the Regional Court has not made any substantive decisions, with regard to this matter.

## PROCEEDINGS BEFORE THE UOKIK PRESIDENT

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

Pursuant to the Competition Act, on 6 December 2019, the UOKiK President commenced antitrust proceedings against Allegro.pl concerning the alleged abuse of a dominant position by Allegro.pl on the Polish market for online B2C intermediary sales services by favoring its own 1P retail sales activity on its platform, in particular the activity of the OSA, over the sales activities of 3P Sellers operating on the platform. The UOKiK President claims that Allegro.pl favored 1P retail sales by granting OSA access to information, functionalities, and promotions unavailable to 3P Sellers. The proceedings were preceded by a preliminary investigation stage, which the UOKiK President commenced in June 2017.

Allegro.pl began 1P retail sales on its e-commerce marketplace in September 2015, following a testing period that ran from May through August 2015.

On 31 January 2020, in response to the initiation of the antitrust proceedings, Allegro.pl provided the UOKiK President with evidence and arguments indicating that it does not hold a dominant position and that it did not favor 1P retail sales for a number of reasons, in particular: (i) it did not favor OSA in search results; (ii) new functionalities on the platform (which were sometimes only available to OSA) were tested by OSA before either being made available to others (if the test results were positive) or being abandoned (if the results were not positive); and (iii) Allegro.pl promoted OSA to a limited extent, necessary to generate interest among buyers and/or to fill in the gaps on the platform. On 16 April 2020, Allegro.pl submitted additional economic analyses to the UOKiK President, including an economic report prepared by external antitrust economists that supports the above arguments. The economic report also points out that OSA has brought benefits for 3P Sellers and improved the platform's attractiveness and as a result has pro-competitive effects. The Group believes that Allegro.pl had ceased most of the actions criticized by the UOKiK President by the end of 2017, and all such actions had ceased by the end of 2019.

In August 2020 the UOKiK President requested from Allegro.pl documents from 2015 to 2017 relating to: questions and complaints sent by 3P Sellers regarding OSA; search algorithm and access to data collected by Allegro.pl; Allegro.pl's documents on various aspects of OSA's activity and Allegro.pl actions towards OSA; and sales targets of Allegro.pl's employees. The UOKiK President also requested information on supermarkets and hypermarkets that were active as sellers on the platform in 2019 and 2020. Allegro.pl is expecting further requests for information from the UOKiK President in the future. Such proceedings usually last between one and three years. Allegro.pl is cooperating fully with the UOKiK President, not only by answering questions, but also by proactively providing relevant evidence.

If the UOKiK President is satisfied with Allegro.pl's responses, the proceedings will end. If the UOKiK President decides to pursue the case, he must issue a "statement of objections" justifying the charges and Allegro.pl will then have the right to respond. If the UOKiK President decides that Allegro.pl holds a dominant position and has abused it, he will issue an infringement decision, with or without a fine. The UOKiK President may also order the effects of the infringement to be remedied.

In precedent cases establishing new theories of harm (into which Allegro.pl believes the "self-preferencing" alleged in these antitrust proceedings would fall), it is generally expected that the antitrust authority will not impose fines. If a fine is to be imposed, then in accordance with the Competition Act, it could be as high as 10% of the turnover of Allegro.pl in the financial year preceding the decision. Fines in the past cases involving abuse of a dominant position by major Polish companies with the highest turnover levels have generally ranged from 0.01% to 1.1% of the annual turnover of the company concerned.

The Group expects that if the UOKiK President were to issue a decision imposing the payment of a fine, such decision would not be immediately enforceable. A final decision by the UOKiK President would only become enforceable after two rounds of appeal proceedings before the relevant courts have been completed. In the past, similar proceedings generally took two to five years from the date of the decision. As of the date of this Report, it is not possible to assess the probability of the UOKiK President ultimately deciding to impose a fine against Allego.pl, the probability of such a fine being upheld against Allegro.pl by the relevant courts or the quantum of exposure, and therefore the Group has not created any provision.

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

On 15 September 2020, the Group received a formal notification that, pursuant to the Competition Act, the UOKiK President commenced proceedings against Allegro.pl on 9 September 2020 to investigate whether clauses used by Allegro.pl enabling it to change its terms and conditions (including in the general terms and conditions and in the SMART! terms and conditions) constitute abusive clauses with consumers. On 15 September 2020, Allegro.pl also received a request for information with respect to these proceedings. In November 2020 Allegro.pl presented to the UOKiK President arguments that the above mentioned clauses are not abusive and proposed draft commitments. In February 2021 Allegro.pl received a new request for information with respect to these proceedings. Allegro.pl is expecting further requests for information from the UOKiK President in the future.

If the UOKiK President recognizes any clauses as abusive, it would be expected to issue a decision prohibiting the use of such a clause in Allegro.pl's terms and conditions, with or without a fine. It might also request the Group to remedy the effects of the infringement. If a fine were to be imposed, then in accordance with the Competition Act, it could be as high as 10% of the turnover of Allegro.pl in the financial year preceding the decision for each of the clauses recognized as abusive. In past cases involving major Polish companies with the highest turnover levels that were found to use abusive clauses in their terms and conditions, fines have generally not exceeded 1% of the annual turnover of the company concerned for an abusive clause. If during the course of the investigation Allegro.pl offers adequate commitments to rectify the alleged infringement, in particular by amending the clauses under investigation, and/or to remedy the effects of the alleged infringement, the case may end with a commitment arrangement with the UOKiK President and no fine imposed.

The Group expects that if the UOKiK President were to issue a decision imposing a fine, such decision would not be immediately enforceable. A final decision by the UOKiK President would only become enforceable after two rounds of appeal proceedings before the relevant courts have been completed. In the past, similar proceedings against other Polish companies generally took two to five years from the date of the decision. As of the date of this Report, it is not possible to assess the probability of the UOKiK President ultimately deciding to impose a fine against Allego.pl, the probability of such a fine being upheld against Allegro.pl by the relevant courts or the quantum of exposure, and therefore the Group has not created any provision.

## EXPLANATORY PROCEEDINGS RELATED TO THE COOPERATION BETWEEN ALLEGRO.PL AND SELLERS

On 3 September 2020, the UOKiK President stated in a press release that he initiated explanatory proceedings into Allegro.pl's rules of cooperation with sellers in order to determine whether Allegro.pl gains unjustified advantages at the expense of its clients. According to this press release, the UOKiK President will analyze in particular the conditions of charging and reimbursing fees and the rules for determining their amount. As part of the explanatory proceedings, the UOKiK President will also analyze the principles of functioning of the SMART! program. On 14 September 2020, the Group received a formal notification that, pursuant to the Competition Act, the UOKiK President has commenced explanatory proceedings into Allegro.pl's rules of cooperation with sellers. In October 2020 Allegro.pl received questions related to the above mentioned matter. Allegro.pl is expecting to receive requests for information from the UOKiK President within these explanatory proceedings relating to its cooperation with clients in the future.



These explanatory proceedings are a preliminary step that does not have to lead to the initiation of formal proceedings against Allegro.pl. If the UOKiK President decides to pursue the matters covered by these explanatory proceedings, he must open antitrust proceedings against Allegro.pl. If the UOKiK President decides that Allegro.pl's behavior was illegal, he will issue an infringement decision, with or without a fine, and may also order the effects of the infringement to be remedied. If a fine were to be imposed, then in accordance with the Competition Act, it could be as high as 10% of Allegro.pl's turnover in the financial year preceding the infringement decision, for each infringement. If during the course of the investigation Allegro.pl offers adequate commitments to rectify the alleged infringement and/or to remedy its effects, the case may end with a commitment arrangement with the UOKiK President and no fine imposed.

## EXPLANATORY PROCEEDINGS RELATED TO EBILET PROCEDURE OF TICKETS RETURNS DURING COVID-19 PANDEMIC

On 22 February 2021, the Group received a formal notification that the UOKiK President has commenced explanatory proceedings in order to establish whether eBilet has infringed collective consumers' interests. In the same document the UOKiK President included questions to eBilet related to its policy of ticket returns during COVID-19 pandemic, in particular proposing vouchers instead of cash refunds.

These explanatory proceedings are a preliminary step that does not have to lead to the initiation of formal proceedings against eBilet. If the UOKiK President decides to pursue the matters covered by these explanatory proceedings, he must open formal proceedings against eBilet. If the UOKiK President decides that eBilet's behavior was illegal, he will issue an infringement decision, with or without a fine, and may also order the effects of the infringement to be remedied. If a fine were to be imposed, then in accordance with the Competition Act, it could be as high as 10% of eBilet's turnover in the financial year preceding the infringement decision, for each infringement.

If during the course of the investigation eBilet offers adequate commitments to rectify the alleged infringement and/or to remedy its effects, the case may end with a commitment arrangement with the UOKiK President and no fine imposed.

## EXPLANATORY PROCEEDINGS RELATED TO CONSUMER REVIEWS

On 22 December 2021 the UOKiK President opened explanatory proceedings in the field of consumer protection related to: 1) conditions of presentation and moderation of consumer reviews published on the Allegro.pl platform and 2) conditions of providing sellers with the functionality that enables them to limit the possibility to purchase goods and services offered on the Allegro.pl platform for certain consumers. Along with this notification, Allegro.pl received a request to provide information on the above-mentioned matters.

These explanatory proceedings are a preliminary step that does not have to lead to the initiation of formal proceedings against Allegro.pl. If the UOKiK President decides to pursue the matters covered by the explanatory proceedings, he must open proceedings regarding either the violation of collective consumer interests or abusive clauses against Allegro.pl (the scope of the explanatory proceedings does not indicate a precise charge).

If the UOKiK President decides that Allegro.pl's behavior was illegal, he will issue an infringement decision, with or without a fine, and may also order the effects of the infringement(s) to be remedied. If a fine were to be imposed, then in accordance with the Competition and Consumer Protection Act, it could be as high as 10% of Allegro.pl's turnover in the financial year preceding the infringement decision, for each infringement. If, during the course of the investigation, Allegro.pl offers adequate commitments to rectify the alleged infringement(s) and/or to remedy its effects, the case may end with a commitment decision by a way of which no fine is imposed.

### INFORMAL INFORMATION REQUESTS FROM THE UOKIK PRESIDENT

In the past, the UOKiK President has informally asked the Group for information about its operations, and may issue similar requests in the future. Such requests may relate to the protection of competition and/or protection of consumers.

If the UOKiK President is not satisfied with the response to such informal requests for information, he can issue additional informal requests and/or initiate explanatory, antitrust, or consumer protection proceedings.

Appeal against the UOKiK President's decision relating to Allegro.pl's alleged failure to provide in its terms and conditions a detailed description of the rules applicable to the blocking of a buyer's account(s) when the seller applies for a refund of the commission due to the buyer's fault

On 9 February 2016, the UOKiK President issued decision No. DDK 1/2016, stating that Allegro.pl infringed collective consumer interests by failing to provide in its terms and conditions a detailed description of the rules applicable to the blocking of a buyer's account(s) when the seller applies for a refund of the commission due to the buyer's fault. The UOKiK President, however, has not imposed any fine on Allegro.pl for this infringement.

Allegro.pl appealed against the decision of the UOKiK President to the Competition Court and subsequently to the Court of Appeal. The Court of Appeal in its judgement of 2 June 2021 upheld the initial decision. The decision is final. Allegro.pl no longer blocks a buyer's account(s) when the seller applies for the return of the commission due to the buyer's fault..

allegro

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

## 2.1. Risk Management System

The Group operates a risk management system where all employees participate in performing risk management and internal control activities. The risk management system is designed in a way allowing us 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:**

- minimising 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.

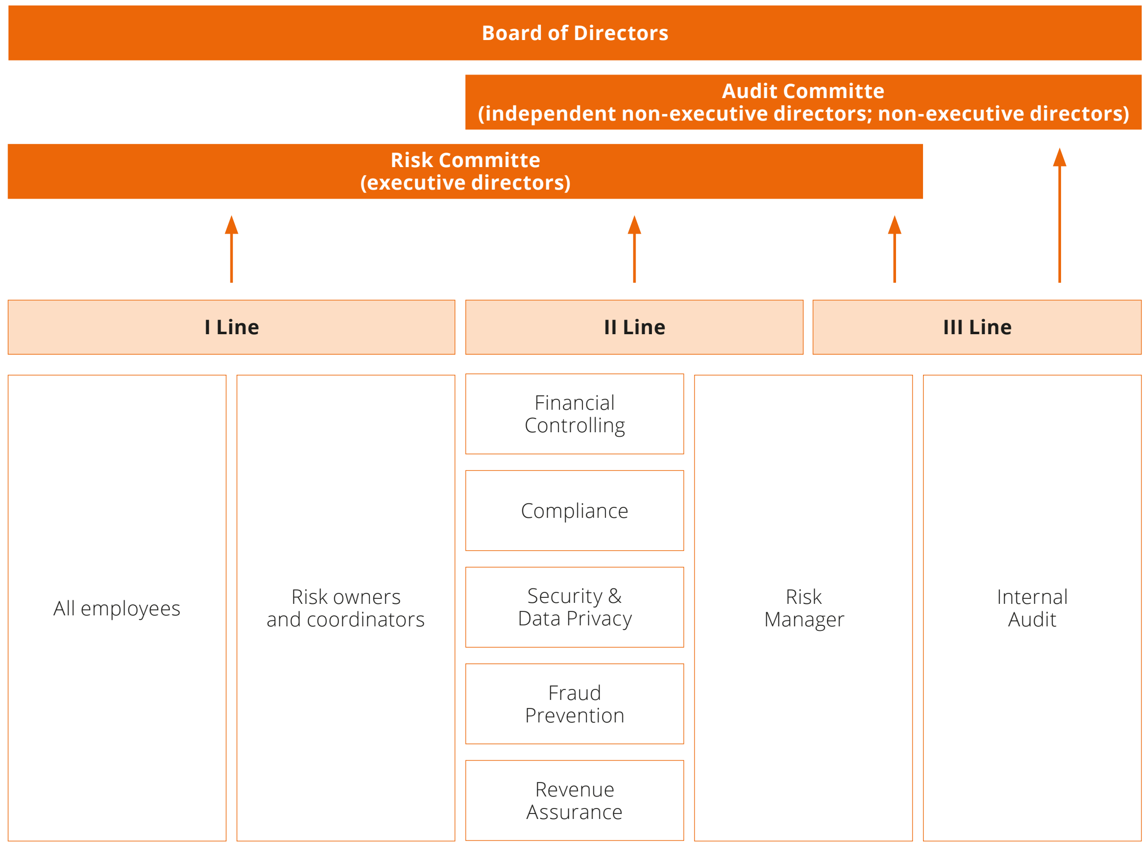


### RISK MANAGEMENT POLICY

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.




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

- Board of Directors,
- Audit Committee,
- Risk Committee,
- Risk Manager,
- Risk Owner,
- Risk Coordinator,
- Employee.

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



## RISK MANAGEMENT PROCESS

Proper identification of the environment affecting the organization 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 organization's goals, governance and organizational structure, organizational culture, norms, standards, and guidelines adopted by the organization.

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 by the internal audit.

## 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 maximize the value for the Group through appropriately adjusted costs related to the minimization of the risk level based on the frequency of assessment and the possibility of greater focus on the risks scored higher.

Such 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 | Insignificant (1) | Mild (2) | Material (3) | High (4) | Very high (5) |
|---|---|---|---|---|---|
| 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 * |

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. Risks assigned to this group are assessed monthly. |
| 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. Risks assigned to this group are assessed quarterly. |
| 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. Risks assigned to this group are assessed every six months. 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. Risks assigned to this group are assessed annually. |

* 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.

## 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 of design and implementation of a set of internal controls identified by the Senior Management as key for preparation of financial statements
- 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 quarterly in the Audit Committee meetings by the Internal Audit Manager
- 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 Internal Audit Manager 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 Internal Audit Manager, 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 recognizes 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 recognizes 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 realizing "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, does not yet include X-press couriers Sp. z o.o., Skynet Custom Brokers Sp. z o.o. acquired in October 2021, eBilet Polska Sp. z o.o., Opennet.pl Sp. z o.o. Nor does it include announced future acquisitions, specifically that of Mall Group a.s. and WE|DO CZ s.r.o., which is expected to close following receipt of relevant regulatory approvals, during 2022.

Nevertheless, the Risk Factors set out below in section 2 reflect Group Management's outside-in understanding of risks inherent in these recent or announced future 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 and announced future acquisitions at the time or preparing this Annual Management Report.

## 2.2. Risk Factors

### RISKS RELATED TO THE GROUP'S BUSINESS AND INDUSTRY

#### THE POLISH 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 Polish retail industry, including the e-commerce segment, is fragmented and characterized by intense competition. The Group competes with a diverse group of offline and multichannel retail companies such as RTV Euro AGD, Media Expert, Biedronka, Empik, SMYK, and LPP, e-commerce companies such as Alibaba, Amazon, Shopee and eBay that sell products from a large number of categories, and specialist e-commerce companies such as Zalando, eobuwie.pl and Oponeo. 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 that they feature in other countries may choose to do so in the future, utilizing 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 market.

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;
- 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
- whether the Group is able to offer convenient payment methods for every consumer and merchant.

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.

### AMAZON INC. HAS RECENTLY INTENSIFIED ITS ACTIVITY DIRECTLY COMPETITIVE TO ALLEGRO IN THE POLISH E-COMMERCE SEGMENT AND THIS MAY LEAD TO A MATERIAL CHANGE IN OUR FINANCIAL PERFORMANCE IN TERMS OF GROWTH, MARGINS AND CASH FLOWS IN THE FUTURE

On 1 March 2021, Amazon Inc. ("Amazon") launched an Amazon.pl website having previously invited merchants to register on its dedicated seller central platform. In January 2021, Amazon announced that it had signed a five year contract with InPost to provide delivery services to InPost's network of automatic parcel machines (also referred to as "lockers"). On 12th 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. As a result of these developments, the Group is expecting competition with Amazon to gradually intensify.

Since 2016 Amazon has served the Polish e-commerce segment in competition to Allegro via a Polish language translation of its German website, Amazon.de. This gave Polish consumers access to the European selection available on Amazon.de. They could browse these offers in Polish, pay using Polish zloty payment solutions and contact customer services provided in Polish. Moreover, the network of fulfillment centers 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. This baseline level of competition from Amazon is part of the highly competitive e-commerce segment environment in which the Group has successfully grown its GMV, profits and cash flows during the past several years. In this context, the Group sees Amazon's recent introduction of its dedicated Amazon.pl website and Amazon Prime loyalty program, bundled with Amazon Prime Video streaming service, procuring of local merchants and securing of additional delivery partners as clear indicators that the competitive environment will intensify in the coming quarters and years.

It is not possible for the Group to accurately estimate the potential impact of intensified competition from Amazon on its financial and operational performance. As with any other competitor, the level of Amazon's investment in gaining customers and winning sales, together with its chosen marketing mix, will have an indirect impact on the Group's performance. Whilst the Take Rates published for Polish marketplace services are generally higher than those charged by Allegro, Amazon may provide incentives that reduce this gap to the Group's pricing.

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 Amazon. In preparing its budgets and expectations for financial performance of the Group for 2022 and beyond, the Group has used its judgement to make reasonable assumptions about the level of increased competition from Amazon and the resulting impact on its results and operations. However, the Group may be incorrect in its planning assumptions and the impact of intensified competition from Amazon may have a materially more adverse effect on the Group's business, financial condition, and results of operations than currently assumed.



### SHOPEE HAS RECENTLY LAUNCHED ACTIVITY DIRECTLY COMPETITIVE TO ALLEGRO IN THE POLISH E-COMMERCE SEGMENT AND THIS MAY LEAD TO A MATERIAL CHANGE IN OUR FINANCIAL PERFORMANCE IN TERMS OF GROWTH, MARGINS AND CASH FLOWS IN THE FUTURE

On 20 September 2021, SEA Limited ("SEA") entered the Polish e-commerce segment, launching their e-commerce marketplace website Shopee.pl. In separate announcements, Shopee confirmed that it would cooperate with InPost to provide delivery services to InPost's network of automatic parcel machines and with DPD and Poczta Polska for courier delivery services in Poland. Shopee launched their mobile app focused e-commerce marketplace operation in Poland by offering free deliveries with no Minimum Order Value and aiming to attract consumers with discount vouchers of PLN 10-15 for their first purchase. The Group also understands that Shopee has been inviting local sellers to join their platform, reportedly offering the first six months of cooperation without commission or subscription fees.

As a result of these developments, the Group is expecting competition with Shopee to gradually intensify.

The Group believes that the development strategy that it has pursued over the past several years has prepared it well to meet this new and intensifying competition from Shopee. Comparatively long lead times for Asian 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 Shopee building a significant e-commerce segment share in Poland, as has been the case with other international marketplaces focused on asian sourced selection and already present in the Polish e-commerce segment for several years. Shopee's introductory low pricing model for both consumers and merchants has been used in other market entries by this competitor, notably in Latin America, and the Group notes that this price positioning was not maintained for more than four to six quarters.

In preparing its budgets and expectations for financial performance of the Group for 2022 and beyond, the Group has used its judgement to make reasonable assumptions about the level of increased competition from Shopee and other players and the resulting impact on its results and operations. However, the Group may be incorrect in its planning assumptions and the impact of intensified competition from Shopee 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 UNFAVORABLE 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 2021 was generated by consumers either directly typing Allegro websites addresses or was related to customer relationship management, social media, search engine optimization 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 utilizes 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 or terms of services could exclude the Group's websites from, or rank them lower in, search results.

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 in other geographies it may seek to enter in the future. Based on projections from Euromonitor[6] as of January 2022, the Polish retail market is projected to grow at a CAGR of 6.1% from an estimated PLN 668.6 billion in 2021 to PLN 897.9 billion in 2026 and online retail in Poland, which remains underpenetrated relative to many other countries, is projected to grow at a CAGR of 12.2% from PLN 119.3 billion in 2021 to PLN 212.5 billion in 2026. The Group's short-term and medium-term outlooks are based on its belief that it can facilitate actual growth that exceeds these projections. There is no guarantee, however, that the Polish retail market and the online retail segment in Poland will grow at rates projected by Euromonitor, at the growth rates that the Group believes may occur, or at all. While the recently observed 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, 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.

DETERIORATION IN POLAND'S ECONOMIC CONDITIONS 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 therefore the macroeconomic situation in Poland has a material impact on the business, financial condition and results of operations of the Group. The economic situation in Poland depends on a number of factors, including Polish government 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 labor market. The Polish demographic situation, macroeconomic conditions in Europe and globally and inflow of funds from the European Union also affect the economic situation in Poland.

Whilst the lockdown measures that have been introduced by the Polish Government from time to time since March 2020 in response to the COVID-19 pandemic have created tailwinds of demand for the e-commerce segment, a prolonged economic slowdown in Poland resulting from the ongoing COVID-19 pandemic or other causes could damage the Group's operations. Vaccine uptake in Poland, although above 56%[7] of the population as of 2021 year end, is well below levels achieved in many Western European countries and it remains uncertain how effective particular vaccines will be against newly emerging variants of the virus. Against this backdrop, it is not possible to predict if the Polish government will be able to avoid any future lockdown measures impacting the Polish retail market (the last one was in Q1 2021) or whether any future measures may be so severe as to damage the Polish economy to an extent that the COVID-19 pandemic starts to have a negative impact on the e-commerce segment.

The timing of the end of the COVID-19 pandemic, and the degree and the pace of any economic recovery thereafter are not fully known. Observed issues with global supply chains and localized labour shortages, together with higher inflation caused by these and other factors such as rising commodity, fuel and

[6] Euromonitor data on Retailing in Poland, as published in January 2022
[7] According to Our World in Data https://ourworldindata.org/covid-vaccinations

power prices, and resulting rising interest rates, may significantly adversely affect the financial conditions of the Group's merchants and consumers.

Any deepening of the COVID-19 crisis, or the emergence of other macroeconomic problems, may result in higher unemployment, reduced disposable income and lower consumption, as well as fluctuations in asset values and foreign exchange rates. Should any of the above issues occur, such 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.

There is a risk of new para-taxes (tax like instruments) being imposed on perceived winners from the COVID-19 pandemic such as e-commerce businesses in order to address public debt levels that have increased significantly as a result of the crisis. Should such additional costs be imposed, affected e-commerce 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 is introducing wide-ranging changes to social security and taxation in rules from 2022 that is 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 Polish 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 Poland 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 Poland may have a material adverse effect on the business, financial condition and results of operations of the Group.

### IF THE GROUP IS NOT ABLE TO MAINTAIN AND CONTINUALLY IMPROVE USER EXPERIENCES WITH THE ALLEGRO PLATFORM, 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.




### SYSTEM INTERRUPTIONS AT ANY OF THE THIRD PARTY INTEGRATORS WHOSE BUSINESS IS TO ENABLE MERCHANTS TO INTERFACE THEIR E-STORES WITH MULTIPLE E-COMMERCE SALES CHANNELS SUCH AS THE ALLEGRO.PL MARKETPLACE PLATFORM, CAN LEAD TO SERIOUS DISRUPTION TO THE GROUP'S TRANSACTION VOLUMES OR HARM TO THE GROUP'S REPUTATION.

Some of the merchants who list their offers on the Group's marketplace platform chose to do so via an e-commerce integration service that enables them to interface their own e-store with one or more e-commerce sales channels simultaneously rather than connecting their e-store directly with each of their chosen e-commerce sales channels. Such merchants' ability to manage their offers on the Group's marketplace, including adding new offers, changing prices and processing orders and returns, depends critically on the continuity of service provided by their service provider. An example of such interruption occurred in March 2021 when an accidental fire broke out in one of Europe's largest data centers and web hosting providers based in Strasbourg which was the main provider of such services to Allegro's largest third party service integrator. Most Allegro merchants affected by the outage recovered full functionality within 24 hours of the disruption onset while full recovery took up to seven days for some merchants. As a result, a number of Allegro orders were not dispatched on time, leading to increased interactions between consumers and Allegro customer services. The outage also led to a temporary decrease in the number of offers listed. While this disruption did not have a material impact on the Group's financial performance, a repeat of a similar or larger scale outage could result in bigger losses or reputational damage. The Group has started to establish mid to long-term processes to mitigate dependencies and risks associated with third party e-commerce integrators in order to further protect the business stability of the Group's marketplace platform.

### THE GROUP MAY BE UNABLE TO SUCCESSFULLY IMPLEMENT STRATEGIC OBJECTIVES SUCH AS ENHANCING SMART!, DEVELOPING AND LAUNCHING NEW CONSUMER FINANCE PRODUCTS, EXPANDING INTERNATIONALLY, EXPANDING DELIVERY AND FULFILLMENT SERVICES OR PURSUING ACQUISITIONS.

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 favorably 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.

**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 continued to grow rapidly in 2021, reaching over 5 million active buyers, comprising 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, which launched in Poland in October 2021 and which additionally offers video-on-demand streaming service, may lead to slower than expected growth from SMART! if Allegro consumers chose Amazon Prime 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.

If the Group is unable to successfully manage the anticipated growth and the related costs of the SMART! program, it could result in a material adverse effect on the Group's business, financial condition, and results of operations.

**Consumer Finance Product**

In 2021 the Group continued to develop Allegro Pay, its own proprietary fintech offer. Allegro Pay allows consumers to postpone payments ("Buy Now Pay Later" or "BNPL" offers) or split them into convenient 3, 5, 10 or 20-month installments, giving greater financial flexibility to Active Buyers and ensuring safer and easier buying online. Credit lines were successively offered to increasing cohorts of consumers until, in September 2021, Allegro Pay was made available to all consumers wishing to apply for a credit limit of up to PLN 4,200, leveraging the PSD2 access to widen credit checking capabilities to include all existing and new Allegro Active Buyers. This full customer eligibility drove further acceleration in consumer lending by the Group.

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, maintaining expected credit losses at within 1.7% in 2021. 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 behavior, 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, the latter pending both at the Polish and EU level. 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, the launch of Allegro Pay may not result in the anticipated incremental increase in purchasing of merchandise by consumers, which has been initially estimated at 35% of total purchases by Allegro Pay borrowers, and the Group may therefore fail to realize 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 October 2021 the Group signed a Receivables Purchase Agreement ("RPA") with AION Bank ("Aion") concerning the purchase by Aion of consumer loan receivables originated by Allegro Pay. The RPA creates 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, which include among others a permissible range of the original number of installments of receivables to be disposed of (from three to thirty). 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 installment receivables, then the actual values of sold portfolios may be lower than the anticipated total of PLN 2 billion within the fixed term of the agreement.

Furthermore, the Group may be unable to securitize its loan book in the future or may not be able to securitize the 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. The Group's operations in financial services may also expose it to additional regulatory review, including by the UOKiK 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 Allegro Finance team 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 utilized to fund transactions that occur outside of the Allegro platform. The Group can provide no assurance that these potential new 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 credit losses may not consume all or most of the anticipated profits. Any significant underperformance on a material Allegro Finance product could result in a material adverse effect on the Group's business, financial condition, and results of operations.

**International Expansion**

The Group's growth strategy includes possible expansion of its operations into new geographies. Such expansion may involve risks related to 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 such geographies could also involve 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.

In regard to its international expansion strategy, on 5 November 2021 the Group announced its intention to acquire the Mall Group and WE | DO and their operations across six central European countries (see Section "Summary of key developments"). While the acquisition is contingent or receiving certain regulatory approvals and is not expected to close until later in 2022, the Group has set out certain Risk Factors relating to specific risks of this acquisition (see the sub-section: Risks related to the acquisition of Mall Group a.s. ("Mall Group") and WE | DO CZ s.r.o. ("WE | DO")).

**One Fulfillment by Allegro**

In order to further improve the consumer experience and to support international sellers and select merchants, the Group is introducing its own fulfillment services ("One Fulfillment by Allegro") as a supplement to its third-party merchant-fulfillment model. The first Fulfillment Center aimed at supporting 3P sellers went live in 2021, and is operating in a large-scale trial mode as at the date of this Annual Report. The Group has experienced delays in integrating third party warehouse management software (WMS) with its marketplace platform and automated warehouse equipment. This integration must be completed successfully in order to fully utilize the space and capacity of the first Fulfillment Center and to fully test demand for, and satisfaction with, this new type of service for the Merchants using the Group's marketplace.

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 is securing supply of high quality lockers. By the end of 2021, the number of installed lockers reached the 1000 milestone and commercial deliveries to consumers began in November. The roll-out is expected to 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.. 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 unauthorized 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. Should the current military tensions between Russia and Ukraine escalate, we cannot exclude the possibility that any resulting economic disruption might delay, or make impossible for a period of time or indefinitely, scheduled deliveries of ordered locker units. The Group currently holds a significant reserve of uninstalled lockers at facilities in Poland, which provides significant protection should this risk materialise.

**Investment in a proprietary delivery capability**

In October 2021 the Group acquired X-press Couriers ("XPC"), a local same-day delivery company, to complement fulfillment and lockers services in driving faster deliveries. Ownership of XPC provides the Group with its own same day delivery capability and collection and distribution capabilities. In the future these capabilities may be levered to support specific use cases within the thousands of distribution tasks undertaken each day to support the marketplace, all of which are currently provided by the Group's third party distribution partners. The Group can provide no assurance that demand for same day delivery services, or for other specific delivery services which the Group may chose to develop to support its distribution capabilities in the future, will be sufficient to enable 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.

**Acquisitions**

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 realize 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.

In regard to its acquisitions strategy, on 5 November 2021 the Group announced its intention to acquire the Mall Group and its operations across six central European countries (see 2.2.3 Summary of key developments). While the acquisition is contingent or receiving certain regulatory approvals and is not expected to close until later in 2022, the Group has set out certain Risk Factors relating to specific risks of this acquisition (see the sub-section: Risks related to the acquisition of Mall Group a.s. ("Mall Group") and WE | DO CZ s.r.o. ("WE | DO"))

THE GROUP'S EXPECTATIONS, ASSUMPTIONS, AND JUDGMENTS UNDERLYING ITS STATED NEAR – AND MEDIUM-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 – and medium-term financial outlook in respect of GMV, net revenue, Adjusted EBITDA, capital expenditure, and other forward-looking performance measures. The information in respect of the Group's near – and medium-term 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 near – and medium-term 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 favorable 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, increased use of fulfillment centers as a result of the launch of Allegro Fulfillment 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 BEHAVIOR 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 characterized 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 optimized for mobile use and faster, more reliable load times. In addition, machine learning and other forms of artificial intelligence are transforming aspects of e-commerce ranging from optimizing search results and pricing to providing customer support and coordinating delivery logistics. 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 the attractiveness of the Group's websites 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.



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, 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.

### 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. 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.

### 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 crystallized 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 has been 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 these individuals in the future. The Group can provide no assurance that, following the crystallization of these investments, continued employment will be consistent with the expectations, personal goals or career goals of all of those individuals who were invested in the Group at the time of the IPO. 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 crystalized investments at the IPO.

In accordance with the binding requirements of the Polish labour code, the Group has in the past prioritized 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 organization. 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 organization's current employees from switching to B2B arrangements with the same employer without first severing their relationship with the organization 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 organizations 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 labor 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 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 labor disputes or if the Group were forced to enter into a collective bargaining agreement at unfavorable 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 are scheduled to be renewed in 2022 and there can be no assurance that 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. 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, however, any potential future decreases in cooperation or service charge increases could affect the attractiveness of this delivery option. This could 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.



THE ONGOING COVID-19 PANDEMIC, INCLUDING THE RESULTING GLOBAL ECONOMIC UNCERTAINTY AND MEASURES TAKEN IN RESPONSE TO THE PANDEMIC, AND OTHER FUTURE POTENTIAL 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. On 11 March 2020, the World Health Organization confirmed that its spread and severity had escalated to the point of pandemic. COVID-19 infections reached Poland in March 2020 and the Polish authorities have 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. The measures have so far been intensified and eased four times as the infection rates have increased and eased again. From December 2020 a vaccination program has been rolled out across Poland and the EU. Vaccination rates in Poland have reached 56% of double-vaccinated by the end of 2021 and this has given some relief to hospitalization rates, relative to new COVID-19 infection rates, during 2021 and in early 2022.

While some government imposed measures have stayed in place continuously, notably the recommendation to work from home if possible, the Polish government has not required covered shopping centers to close since March 2021 and only once closed all non-essential offline retail stores, between mid-March and early May of 2020. As a result of these measures specifically impacting the retail sector, and the general negative impact of COVID-19 restrictions on the economy generally, retail sales growth fell from 6.5% in 2019 to – 3.0% in 2020, recovering to grow by 12.9% in 2021. Whilst the fall in general demand is a clear drag on the e-commerce segment, periodic restrictions on off-line retail created a surge in penetration of the online retail segment in total retail sales during 2020 as consumers began to rely more heavily on online purchases and learned new purchasing habits. During 2021, while much of this additional demand for online purchases has been retained, easier access to offline stores than in 2020 and the additional sense of personal safety provided by vaccination has led to an expected slowing in the rate of increase in offline penetration for 2021. Based on the most recently available independent studies[8], growth in the online retail segment has been estimated at 16.2% for 2019, 55.3% for 2020 and a preliminary estimate of 25.1% for 2021 subject to potential revisions.

As of the date of this Management Report, it is not possible to predict how long the COVID-19 pandemic will continue, as new strains of the virus appear and may be more contagious and/or more dangerous than earlier strains, requiring governments to reintroduce some of the most severe measures seen back in 2020. Moreover, it is not possible to accurately predict to what extent the additional demand initially seen by the e-commerce segment due to the pandemic and the related restrictions will remain once the pandemic and the restrictions have fully passed. The post pandemic demand trajectory for e-commerce accordingly depends on the speed of economic recovery after restrictions are finally eased and the degree to which consumers' preferences have permanently shifted towards online shopping. It is not possible for the Group to predict the interaction of these factors with any certainty and therefore our plans and expectations may prove to be materially different from actual outcomes and result in materially different growth rates, financial and operating performance.

The spread of COVID-19 has led the Group to modify its operational practices, and it may take further actions required by authorities or that it determines are in the best interests of its employees, consumers, merchants and other stakeholders. The Group has implemented a work-from-home policy which has been used by nearly all of the Group's employees. For the Group's employees who work in the Group's warehouses and/or cannot work remotely, the Group has implemented additional protective procedures, including equipping employees with personal protective equipment

[8] Source: Euromonitor e-commerce segment estimates, as of January 2022

(e.g. masks, gloves, disinfectants, hand sanitizers, and face shields), implementing social distancing, staggering employees working hours across three shifts throughout the day, increasing the frequency of cleaning in the Group's facilities, and installing thermal imaging cameras. There is no certainty that such measures will be sufficient to mitigate the risks posed by COVID-19, and the implementation of such measures (or their insufficiency) could result in increased employee absences due to illness and harm the Group's ability to perform some of its critical functions and serve its users. Implementing these testing and compensation rules may be costly to the Group and lead the Management to delay returning to normal use of its offices than would otherwise have been the case if this law does not come into effect.

As the length of the pandemic crisis extends into 2022 and possibly longer, the impact of extended working from home on the majority of the Group's workforce may be starting to have a visible negative impact on productivity. The Group's business requires the creation of diverse teams to solve complex business and engineering problems to improve the user experience available on the marketplace and consistent progress over time is an important growth driver for the Group. Home working and close-collaboration over video conferencing is clearly suboptimal compared to teaming at the office using purpose designed facilities and this could lead to a slower rate of progress in the development of the marketplace platform over time and slow the Group's growth.

The Group is investing heavily in expanding its workforce and in the leasing and fitting out of larger offices to house this workforce once social distancing restrictions and high risk of infection from COVID-19 have passed. There is a risk that many employees may strongly prefer to continue home working or that continued restrictions reduce the acceptable desk density in the offices, significantly reducing the cost efficiency of office space relative to the market norms before the pandemic. If this should occur, it may have a significant impact on the Group's financial results and operating performance.

While the COVID-19 pandemic has led to faster growth of marketplace GMV to date, the Group's eBilet ticket sales business, which represented 1.0%, 0.2% and 0.3% of the Group's GMV for the years ended 31 December 2019, 2020 and 2021 respectively , has been disrupted by extended shutdowns of the live entertainment events industry in response to the COVID-19 pandemic, particularly between Q2 2020 and Q2 2021. In the second half of 2021, restrictions on live entertainment events have been much more moderate and ticket sales have recovered significantly, although some restrictions remain and many could be reimposed if the severity of the pandemic increases once more. If the live entertainment events industry does not return sufficiently for the eBilet business to return to its pre-COVID-19 pandemic levels of profitability in the medium term, 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 behavior 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.

### 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 New 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 2021, the Group's main credit facility is the New Facilities Agreement, covering a term loan of PLN 5.5 billion which falls due on 29 October 2025 and a revolving credit facility of PLN 0.5 billion, which was undrawn throughout 2021. In addition, the Group had secured an Additional Facility of PLN 1.0 billion to help fund the Mall Group / WE|DO acquisition once all regulatory approvals have been received. This Additional Facility is available until 9 December 2022 and shall be repaid within six months from its draw-down to close the Mall acquisition. On 3 February, 2022, the Group entered into a further revolving credit facility for an additional PLN 0.5 billion to provide the Group with additional financing flexibility.

The Group anticipates funding the repayment of the Additional Facility from the issuance of new polish zloty bonds by Allegro.eu as part of a senior unsecured bond issuance program announced by the Group on 30 November 2021. In the event that the Polish zloty bond markets are not open to the Group at commercially reasonable terms, or not at all, then alternative sources of refinancing the Additional Facility would have to be sought, or a substantial part of the Group's undrawn revolving credit facilities would need to be drawn down.

If at the maturity of the Additional Facility or the Group's New 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 2021 falls due in October 2025). 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 New Facilities Agreement 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 AND OFFICE INFRASTRUCTURE SOFTWARE AND ON SOCIAL NETWORKING AND MESSAGING SERVICES FOR COMMUNICATING WITH ITS USERS.

The Group depends on third-party providers for the software the Group uses to operate its business. For example, the Group presently licenses 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 utilized 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. 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, could negatively impact the Group's reputation and have a material adverse effect on the Group's business, financial condition and results of operations.

### THE GROUP DEPENDS ON PRZELEWY24 AND PAYU FOR 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 authorized 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 has less favorable structure 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 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.

While the Group strives to follow all relevant rules and principles in relation to consumer protection 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 or anticompetitive business practices.

Each of these risks will be enhanced 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 materialize, could have a material adverse effect on the Group's business, result of operations and financial condition.



### 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 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 center 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.

## RISKS RELATED TO THE ACQUISITION OF MALL GROUP AND WE | DO CZ (TOGETHER "ACQUIRED ENTITIES")

### THE RISK OF FAILURE TO MEET THE CONDITIONS CLOSING THE TRANSACTIONS

There is a risk of non-finalization of the takeover transaction in the absence of approvals from the relevant antitrust authorities. As at the publication date of this report, the Group has obtained (i) the FDI clearance in Slovenia and (ii) consents to complete the transaction granted by the relevant antitrust authorities in the Czech Republic, the Slovak Republic, Ukraine and Slovenia.

At the same time, one other condition precedent stipulated in the SPA with regard to anti-monopoly clearance in Poland (i.e. the UOKiK President) is yet to be fulfilled. Moreover, the merger approval proceedings of the UOKiK President were extended by four months in January 2022, moving them to the so-called second stage.

If the transaction is not finalized before the end of the Acquired Entities' fiscal year 2022 (ending on March 31, 2022), it may be necessary to obtain approvals from the relevant antitrust authorities of Austria, Montenegro, North Macedonia, Russia, Serbia, Turkey and the Turkish Republic of Northern Cyprus, in the event that in the financial year 2022 the revenues of the Acquired Entities exceed the minimum level established by the relevant antitrust authorities in the above-mentioned countries. If the above scenario materializes, the closing date for the transaction will be automatically extended to November 30, 2022 or December 31, 2022 if the situation applies to Montenegro, but not later than February 15, 2023. The extended deadline will be used to submit the appropriate documentation to the antitrust authorities of the countries whose limits were exceeded, in order to obtain the necessary approvals to finalize the transaction.

The Group will make every effort to ensure that the transaction is finalized within the time limit specified in the SPA agreement, but if certain antitrust authorities do not consent to the acquisition due to fault other than on the part of the sellers, or the conditions for obtaining approvals are unacceptable for the Group and the closing of the transaction does not take place within the time limit specified in the SPA agreement, the Group has undertaken to pay the sellers a penalty for withdrawal from the contract in the amount of EUR 50 million, with no right for the sellers to claim additional damages.

### RISK OF LITIGATION WITH THE SELLERS

The Mall Group and WE|DO acquisition is a complex transaction, including up to EUR 50 million of additional price adjustment based on business performance between signing and 31 March 2022. There is 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.

### FOREIGN EXCHANGE RISK IN THE ACQUISITION TRANSACTION

The cash portion of the base purchase price for the Acquired Entities is expressed and payable in EUR. This creates an exchange rate risk resulting from the fact that the Group obtains most of its revenues in PLN. An increase in the EUR exchange rate against PLN will translate into an increase in the amount of PLN necessary to purchase the currency needed to finalize the transaction. This risk has been mitigated by the Group entering into a hedging arrangement with a bank on 10 November 2021 to secure a deal contingent forward conversion rate to purchase EUR with PLN. The nominal amount of the transaction is 100% of the base cash component of the price, being EUR 474 million with the forward PLN/EUR rate ranging from 4.6562 on 31 January 2022 to 4.8716 on 31 March 2023, depending on the actual date of closing the acquisition. In the event that the transaction does not close, then the Group resigns from taking delivery of the EUR in accordance with the hedging arrangement.

The currency risk applies not only to the cash part of the base price of the Acquired Entity, but also to the mechanism of increasing the price (earn-out) after closing the transaction if the Acquired Entity achieves the financial results specified in the SPA agreement for its financial year 2022 ending on March 31, 2022. The price increase can be up to EUR 50 million and is payable in EUR. This part of the purchase price is not covered by the foreign currency hedging arrangement described above.

There is no currency risk in relation to the part of the price payable in shares due to the fact that the exchange rate according to the SPA for the Acquired Entities from November 4, 2021 ("SPA") is fixed at 4.6208 PLN / EUR.



### CURRENCY RISK FOR THE CONSOLIDATED RESULTS AND DIVIDEND INFLOWS OF THE GROUP

After finalizing the acquisition of the Acquired Entities, the Group will consolidate their financial results and may in the future receive dividend income if the Acquired Entities become profitable. At the same time, the Acquired Entities and their subsidiaries 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.

### RISK RELATED TO CHANGES IN THE VALUE OF THE ACQUIRED ENTITY IN THE TRANSITIONAL PERIOD VERSUS THE FAIR VALUE OF THE CONSIDERATION TO BE PAID AT COMPLETION OF THE ACQUISITION.

There is a risk that in the period between the signing of the SPA and the finalization of the acquisition of the Acquired Entities, their value will decrease. This can be influenced by both market and other external factors, as well as internal factors impacting the operational effectiveness of the business in realizing its plans. At the same time, the Group has no direct influence on the operation and strategy of the Acquired Entities, and therefore this risk is beyond its control.

Any impairment of the Acquired Entities may be partially offset by the price adjustment mechanism upon closing of the transaction. The price increase by a maximum of EUR 50 million is conditional upon the Acquired Entities meeting specific short-term EBITDA/GMV margin GMV growth targets for the financial year ending March 31, 2022. Failure to meet these objectives will result in no increase in the purchase price above EUR 881 million, or a price increase of only a part of EUR 50 million from partial realization of the targets calculated on a pro-rata basis.

Regardless of the fair value of the Acquired Entities at the time of finalizing the acquisition, the base part of the purchase price is fixed at EUR 881 million, including an amount of up to EUR 407.5 million to be settled through issuance of up to 33,649,039 shares at a valuation of EUR 12.11 per share (PLN 55.98 per share translated to euro at an exchange rate of EUR 4.6208). The fair value of consideration actually paid for shares of the Acquired Entities at the date of closing the transaction, expressed in PLN, will accordingly fluctuate depending on the actual EUR:PLN exchange rate on the date of closing and the actual market value of the Group's ordinary share trading on the Warsaw Stock Exchange on the date of closing the transaction.

Furthermore, the acquisition has been structured with reference to a so-called "lock-box" mechanism with a date of 31 March, 2021, the end of the Acquired Entities' previous financial year for which audited accounts are available. As a result, the final consideration to be paid by the Group for the Acquired Entities shall include any additional net debt accumulated by the Acquired Entities between the lock-box date and the date of closing the acquisition. Historically the Acquired Entities have required external funding to continue their operations, but the Group has no direct control over their financial performance and net cash consumption prior to taking over ownership and management control. Accordingly the fair value of consideration to be paid at closing to refinance additional net indebtedness incurred since the lock-box date represents an additional cost of obtaining control of the Acquired Companies and the amount to be paid cannot be accurately estimated due to uncertainty over the date of closing and in respect to business performance in the meantime.

As a result of the above factors, the Group can provide no assurance that the fair value of the consideration to be paid for the Acquired Entities, expressed in PLN, will not rise by the time of closing of the acquisition nor can it assure that the fair value of the Acquired Entities will not fall in the period between signing the SPA and the closing of the acquisition.

RISKS TO THE GROUP'S STRATEGY TO TRANSFORM THE ACQUIRED ENTITIES AND IMPROVE THEIR GROWTH AND FINANCIAL PERFORMANCE

The Group's strategy towards the Acquired Entities provides for their significant transformation into a consistent marketplace focused business model, managed by an integrated organization. The implementation of this strategy depends on internal factors, i.e. primarily the effective implementation of development plans by the Acquired Entities under the supervision of the Group, as well as external factors, the occurrence of which is independent 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 factors include, but are not limited to:

- **Transformation of the Mall Group business model from a majority proprietary sales model (1P) to a majority marketplace model (3P)**

Currently, the Mall Group is dominated by the proprietary sales model (1P). Following completion of the acquisition, the Group plans to migrate all or most of the countries in which the Mall Group operates ("New Countries") to its predominantly marketplace business model (3P), 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 has estimated that the 3P model can reach over two-thirds of GMV from the current ten percent level in the Acquired Entities and be responsible to a large extent for the growth of Mall Group revenues and profits in the future. The following needs to be achieved to make this key objective possible:

1. enabling approx. 130 thousand Polish and International 3P merchants already operating on the Group's platform to sell their offers in the New Countries and for a substantial proportion of these merchants to opt in to selling into the New Countries
2. leveraging functionalities already available in the Group's 3P marketplace software in the New Countries by preparing translated versions of the web pages and offer content so that consumers in the New Countries 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 the New Countries to list their offers and transact with consumers on the Mall Group marketplace in the New Countries and, if they so wish, also in Poland.

There are various risks associated with this transformation towards a 3P marketplace model, including but not limited to:

- technical difficulties may be encountered in integrating the existing websites that may delay the 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 realize projected increases in customer base, purchasing frequency or desired take-rates from the marketplace transformation
- 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.

- **Integration of the existing Mall Group sales platforms with the Group's platforms**

The Group's strategy towards the Mall Group provides for the integration of its online sales platforms with the Group's existing marketplace platform. The successful implementation of the Mall Group transformation strategy by the Group depends to a large extent on the quick and efficient integration of these platforms. It is a precondition for acquiring new sellers and, as a result, extending the sales offer and price competitiveness of the Mall Group's current offer for its active buyers. It is also expected to improve the convenience of making purchases on the part of consumers. Any delays in platform integration and possible other failures in this respect will 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 New Countries, 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 the New Countries 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 New Countries, will account for a large part of the Mall Group's 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 and operating expenses of operating in the revised 3P focused model in the New Countries**

In preparing its business case for acquiring and transforming the Mall Group into a marketplace driven e-commerce business, the Group made certain assumptions as to the cost and timing of the work necessary to integrate the existing platforms and transform the Mall Group's operating model. 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 when deciding to enter into the SPA.

- **Retention of key employees and management**

The Group intends to utilize the competences, specialist knowledge and experience of both the management boards and other employees of the Acquired Entities. Any loss of key employees, and especially senior management, may adversely affect the Group's development prospects in the New Countries 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 organizational structure managing across countries and functions**

Relatively minor cultural differences across the countries of Central and Eastern Europe where Mall operates in comparison to Poland, along with experience gained in operating different business models and the emphasizing of different aspects of business culture and values need to be addressed by the Group in developing a single business culture and organizational 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 organization has little experience in running multi-country operations and it may be that more management resources are needed to build an efficient organizational structure across countries and functions than is currently planned, leading to higher operating expenses and lower opening leverage from growth across the New Countries 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.

## 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 ANTICOMPETITIVE BEHAVIOR OR PRACTICES NEGATIVELY IMPACTING CONSUMERS AND CANNOT GUARANTEE THAT THE UOKIK 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 UOKiK President or the European Commission. 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 harmonizing 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 UOKiK President or of the EC), increasing the existing or potential liability to which the Group is exposed.

The UOKiK President is empowered under the Polish Act of 16 February 2007 on Competition and Consumer Protection (unified text: Journal of Laws of 2020, Item 1076, as amended) (the "Competition Act") to initiate administrative proceedings concerning the protection of competition or the protection of consumers, including abusive clauses in standard agreements with consumers. Additionally, both the UOKiK President and the EC may instigate proceedings pursuant to the Articles 101 and 102 of the Treaty on the Functioning of the European Union (the "TFEU").



Pursuant to the Competition Act, on 6 December 2019, the UOKiK President commenced antitrust proceedings against Allegro.pl concerning the alleged abuse of a dominant position by Allegro.pl on the Polish market for online B2C intermediary sales services by favoring its own 1P retail sales activity on its platform, in particular the activity of the Official Allegro Store, over the sales activities of third-party merchants ("3P Sellers") operating on its platform. The proceedings were preceded by a preliminary investigation stage that the UOKiK President commenced in June 2017. The antitrust proceedings are still in the evidence-gathering stage and the outcome is uncertain. Allegro.pl is expecting further requests for information from the UOKiK President in the future.

On 3 September 2020, the UOKiK President stated in a press release that he initiated explanatory proceedings into Allegro.pl's rules of cooperation with sellers in order to determine whether Allegro.pl gains unjustified advantages at the expense of its clients. On 14 September 2020, the Group received a formal notification that, pursuant to the Competition Act, the UOKiK President has commenced explanatory proceedings into Allegro.pl's rules of cooperation with sellers.

On 15 September 2020, the Group received a formal notification that, pursuant to the Competition Act, the UOKiK President has commenced proceedings against Allegro.pl to investigate whether Allegro.pl uses or has used abusive clauses in its terms and conditions.

On 22 December 2021 the UOKiK President opened explanatory proceedings in the field of consumer protection related to: 1) conditions of presentation and moderation of consumer reviews published on the Allegro.pl platform and 2) conditions of providing sellers with the functionality that enables them to limit the possibility to purchase goods and services offered on the Allegro.pl platform for certain consumers.

See section 3.1.8 Legal Proceedings for further information on regulatory proceedings relating to Allegro.pl.

Claims and investigations by regulatory agencies such as the UOKiK President or the EC, even if without grounds, typically are very expensive to defend, require significant management time and involve negative publicity. If a UOKiK 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 UOKiK 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 UOKiK 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.pl, or that the UOKiK 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.

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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 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 Group has become aware that the Claimant has filed against Bola and Allegro.pl a lawsuit with the Regional Court in Poznań demanding annulment of agreements concerning the purchase of shares in eBilet sp. z o.o. allegedly concluded between Bola and Allegro.pl. However, until now Allegro.pl has not been served by the Regional Court in Poznań with any documents, and to the best knowledge of the Group the Regional Court has rejected the lawsuit in question due to formal reasons (this decision is not yet final and binding).

THE GROUP IS SUBJECT TO A VARIETY OF REGULATIONS, INCLUDING BUT NOT LIMITED TO DATA PROTECTIONS 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 interpretation. 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 organizations 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 of for example, under the General Data Protection Regulation (EU) 2016/679 ("GDPR"), which became effective on 15 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 centers, 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 behavioral 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 behavior 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 realization 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.

### THE USE OF OPEN SOURCE SOFTWARE COULD INCREASE THE GROUP'S RISK THAT HACKERS COULD GAIN UNAUTHORIZED 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 licenses applicable to open source software typically require that the source code subject to the license be made available to the public and that any modifications or derivative works to open source software continue to be licensed under open source licenses. Although the Group does not intend to use or modify open source software without holding the necessary licenses, the Group could, however, face claims from third parties alleging the infringement of their intellectual property rights, or demanding the release or license 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 license. These claims could result in litigation, require the Group to purchase a license, 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 or provide any support. 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 realization 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.



### 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 and know-how has been established in the Group's main operating subsidiaries: Allegro.pl and Ceneo.pl. In addition, Allegro.pl and Ceneo.pl have introduced a binding code of conduct for compliance with the corporate social responsibility regulations for the suppliers of the group. The supplier's codes may also be accepted. Based on the recommendations of the Polish Ministry of Finance, Allegro.pl and Ceneo.pl have established a complex verification process in vendor creation. 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 minimize all unauthorized 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 in Allegro.pl and Ceneo.pl 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 unauthorized practices, legal infringements, corruption and fraud, in particular in purchasing practices, or other adverse consequences of noncompliance within the Group's organization 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 recognizes 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 recognizes 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 realizing “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.

### 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 POLISH LAWS AND REGULATIONS MAY BE UNCLEAR AND POLISH 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 law. The Polish legal system is based on statutory law enacted by the parliament of Poland. 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. For example, in July 2020, new restrictions on FDI in certain Polish companies came into force. Certain Polish regulations have been subject to different interpretations and may in the future be interpreted in an inconsistent manner. Moreover, not all court decisions are published in official journals and, as a matter of general rule, they are not binding in other cases and are therefore of limited importance as legal precedent. In recent years, the Polish government has proposed or implemented a number of changes to the judicial system. Some of those changes have attracted the attention of EU institutions and have been questioned by members of the Polish legal community who perceive them as potential threats to both judicial independence and the rule of law. Ongoing tensions between the government and the judiciary may potentially indirectly 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 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 Adinan Midco 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 STANDARDIZED SALES, PURCHASE AND SUPPLY AGREEMENTS AS WELL AS STANDARDIZED 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 standardized documents, standard-form contracts and standardized 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 unfavorable to the Group, a large number of standardized documents, contracts or terms and conditions could be affected. Additionally, standardized 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, standardized 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 standardized contractual terms. The invalidity or unenforceability of the standardized documents, standard-form contracts and standardized terms and conditions that the Group uses could have material adverse effects on the Group's business, financial condition and results of operations.

THE INABILITY TO ACQUIRE, USE OR MAINTAIN THE GROUP'S INTELLECTUAL PROPERTY RIGHTS, INCLUDING ALLEGRO AND CENEO 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 trademarks for its operating businesses, including Allegro and Ceneo, 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 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 utilize 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. 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.



Any litigation, whether or not it is resolved in the Group's favor, 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 realization 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.

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 POLISH TAX REGULATIONS MAY HAVE AN ADVERSE EFFECT ON THE GROUP'S RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

The Polish tax system is characterized 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), and may have (e.g. so-called hidden dividends), 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.

In July 2016, the General Anti-Avoidance Rule ("GAAR") entered into force, 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.

The Group cannot exclude the possibility that further tax law amendments will be introduced in Poland or that new tax burdens will be imposed on e-commerce activities.

Tax laws in Poland may also need to be amended in order to implement new EU legislation.



The instability of the Polish 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 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 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 five years from the end of the year in which a tax is due. 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 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 Polish tax regulations may hinder the Group's ability to effectively plan for the future and to implement the Group's business plan.

Moreover, with respect to any cross-border business of the Group, international agreements, including double tax treaties, to which Poland is 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.

### 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 is currently working over official explanatory notes which are expected in Q1, 2022. The wording of the notes will be crucial to the understanding of the beneficial owner concept.

These new rules may be applicable to interest and dividends payments within the Group and may – at least temporarily – increase the interest costs borne by Allegro.pl and Ceneo.pl. Potential denial of the WHT refund may have, however, a material adverse effect on the Group's financial standing by increasing its cost of borrowing.

### DIGITAL SERVICES TAXES HAVE BEEN PROPOSED, PARTIALLY IMPLEMENTED, AND MAY BE BROADENED BY POLAND, SOME OF THE EU MEMBER STATES, THE EUROPEAN UNION OR THE OECD, AND OTHER TAXES MAY BE IMPOSED ON THE E-COMMERCE SEGMENT OR E-COMMERCE PLATFORMS.

Tax authorities worldwide are currently reviewing the appropriate treatment of companies engaged in e-commerce and/or the digitized 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, 141 countries are in ongoing negotiations on Pillar I, which reallocates taxing rights and Pillar II, which sets a framework for Minimum Taxation. The idea is that Pillar I will replace the need for DSTs.

Previously Pillar I was a framework aimed at taxing digital companies. However, due to ongoing negotiations the scope has now changed to the 100 largest MNE's. As part of Pillar I negotiations, countries that have implemented a DST or a similar measurex, suspended these taxes. 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 OECD aims to have a final agreement on Pillar I by the end of Q2, 2022. The EU for its part has already put forward a proposal to redirect the profits of Pillar I to the EU budget. Overall these have been very welcome developments.

The Polish Ministry of Finance presented in February 2021 its own detailed proposal for legislation on taxing i.a. digital advertising services; however, also these works were suspended due to the pending OECD compromiseThe Group notes that while the motivation for these digital services taxes is to minimize tax optimization schemes by multinational businesses able to optimize their tax affairs across borders, the Group's key operating companies currently carry out business activities in Poland and its entire income is subject to Polish corporate income tax irrespective of where the income is earned. However, if taxes similar to those described above were to be imposed on the Group with no offsetting relief in the future, the Group may be put at a material competitive disadvantage because offline sellers would not be subject to such new digital services taxes and small Polish e-commerce businesses would be exempt from digital services tax (as their total annual worldwide revenue may by lower than minimum revenue thresholds), and also at a disadvantage to international e-commerce platforms that provide services in Poland but had previously optimized their tax affairs and achieved a lower average tax rate than the Group on their European profits and will pay only the new digital services tax in Poland on the same basis as the Group.

In addition, the Group has announced its plan to complete the Mall/WE|DO acquisition, businesses which operate in five new countries for the Group, and makes tax losses in most of those jurisdictions where it operates. 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. Once the Mall Group joins 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 to be acquired.

Moreover, it is worth noting that Governments are seeking funding to cover costs related to COVID-19 related 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 that the Group's objections are justified. Accordingly, any future developments leading to the imposition of digital services taxes in Poland 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 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.

## 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 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 Polish legal system, and specifically Polish tax law, is characterized by frequent changes, ambiguity and inconsistent application; therefore, judicial decisions relating to the application of Polish 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 organized 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 unfavorable to investors will not be introduced or that the tax authorities will not establish a different interpretation of tax provisions that is unfavorable 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 ARE CURRENTLY UNDERTAKING TAX AUDITS IN THE GROUP'S MAIN OPERATING COMPANIES WHICH MAY, ALONG WITH ANY FUTURE TAX AUDITS, 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 organizations 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 reorganizations 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 categorized for tax purposes, in particular in line with binding legal and tax provisions.

At present, the Group is undergoing four separate tax audits – two in Ceneo.pl (regarding CIT settlements for FY2016/2017 and FY2018) and two in Allegro.pl (regarding CIT settlements for FY2016/2017 and FY2018). The audits commenced in December 2020 and are still in the initial phase. Initial 3-month deadline for completion of those audits has been several times postponed and now the audits are expected to be completed till the end of February 2022. 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 unfavorable 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. 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 materializes, 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 unfavorable 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.PL FACES RISKS RELATED TO ITS STATUS AS A POSTAL OPERATOR.

Allegro.pl has recently 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.

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.pl, in order to support the financial performance of the Polish public postal operator's universal postal service. Under the existing postal regulations, if Allegro.pl 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 and 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.



# 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 Poland.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. A number of draft proposals were published in 2020 and 2021 that will have an overall impact on the digital economy and ecommerce. The regulatory debate at the EU and national level focuses largely on online platforms and online marketplaces (draft Digital Services Act, draft General Product Safety Regulation) and may result in additional obligations and costs (e.x.digital taxation, draft Artificial Intelligence regulation). Moreover, EU legislators are reflecting on regulating other business relevant issues, such as third countries subsidies', business to business and business to government data sharing, platforms' work, sustainability of products and many others.

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.

Below, we outlined selected information on certain aspects of the regulatory and legal environment that are applicable to Group's key business activities. Such information is not exhaustive and it is not intended to provide a comprehensive or complete description of the regulatory and legal requirements in the relevant jurisdiction.

## REVISIONS OF THE E-COMMERCE DIRECTIVE AND THE DRAFT DIGITAL SERVICES ACT AND DRAFT DIGITAL MARKETS ACT

In December 2020 the European Commission has published two regulatory proposals relevant for digital services and e-commerce platforms: Digital Services Act (DSA)[9] and Digital Markets Act (DMA), formerly referred to as ex ante rules[10]. Both draft 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 proposed. In the course of legislative works further provisions related specifically to online marketplaces liability for third party goods sold via the platform were added.

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.

Although currently Allegro does not fall under the gatekeeper definition, this act may apply for Allegro in the future, especially in case of further M&A.

Both legislative processes are expected to be finalised in Q2 2022 , but may prolong if consensus is not achieved. The legal acts will be applicable not earlier than in 2023.

[9] Proposal for a 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.

[10] Proposal for a regulation of the European Parliament and of the Council on contestable and fair markets in the digital sector.

## WORKS ON THE NEW EU LEGAL FRAMEWORK FOR AI

In April 2021 a proposal for regulation for 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 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.

## 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 in 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 personalize its offers and marketing to better match the users' interests. Even though most web analysis tools anonymize or pseudomize 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 harmonized 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 Digitalization.

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 defense, 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 2020 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. At this stage, the proposal does not include major changes in the Groups cybersecurity related obligations. 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. Works on the proposal are expected to be finalised in Q3 2022.

## 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 Competition Act and the TFEU. The protection of competition is monitored at the European level by the European Commission and at the domestic level by the UOKiK President. The UOKiK President also has the right to apply EU competition law directly (Article 101 and 102 TFEU) if the infringement affects trade between EU member states.

### PROTECTION OF CONSUMERS

Under the Competition Act, the UOKiK President, acting in public interest, is responsible for implementing the consumer protection policy. The UOKiK 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.

### POTENTIAL SANCTIONS FOR BREACH OF COMPETITION OR CONSUMER LAWS

The UOKiK President may issue a decision and impose a fine of up to 10% of the individual company's turnover generated in the year preceding the imposition of the fine for, inter alia, (i) breach of Polish (or EU) competition law, (ii) recognizing the practice as infringing collective consumer interests or (iii) recognizing the provisions of a standard form contract as abusive. The UOKiK President may also (i) enforce abandonment of the practice/abusive clause and/or (ii) order the company to remedy the effects of an infringement. Additionally, if a company fails to comply with the UOKiK President's decision, the UOKiK President may impose a fine of up to EUR 10,000 (approximately PLN 46,148) per each day of such delay.

The UOKiK President may also impose a fine on individuals (management) of up to PLN 2.0 million, if it is found they contributed deliberately to the violation of laws on anticompetitive agreements (except for bid-rigging, which is a criminal offence), collective consumer interests or to the use of abusive contractual clauses (up to PLN 5.0 million in consumer cases in the financial sector). This sanction cannot be imposed on individuals in case of abuse of dominance.

An agreement/provision that amounts to an infringement is invalid in its entirety or in relevant part.

In specific circumstances, the Competition Act provides for a possibility of concluding the proceedings by means of a commitment decision. The company may propose a commitment implementation that will allow it to eliminate the practice or its effects and the UOKiK President, recognizing that the proposed commitment will enable it to achieve these objectives, may impose, by way of an administrative decision, an obligation to implement this commitment. At the same time, the company avoids fines being imposed for the infringement.

The UOKiK President may, in all proceedings, impose on a company a fine of up to EUR 50.0 million (approximately PLN 230.7 million) for any failure to provide information, for providing false or misleading information or for a lack of cooperation during any inspection or search conducted by the UOKiK President in connection with the proceedings.

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 UOKiK President or the EC. 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 harmonizing 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.

### POTENTIAL UPCOMING CHANGES TO THE POLISH COMPETITION AND CONSUMER LAW

- New powers of the UOKiK President (i) to impose fines for antitrust infringement not only on the direct infringer but also on the controlling parent company and its managers and (ii) to impose structural remedies.
- Fine for antitrust infringement can be calculated taken into account the turnover of the whole capital group to which the infringer belongs;
- Fine for antitrust infringement on the business association can be calculated based on the turnover of all its members, which in certain cases are jointly and severally liable for the payment.
- Limitation of the scope of Legal Professional Privilege.
- Suspension of limitation period by any action of the OCCP related to the case.

## CONSUMER CREDIT REGULATIONS

Consumer credit regulations are currently under revision both at the Polish and EU level. Works on the review of EU Consumer Credit Directive[11], published on 30 June are ongoing. Proposal introduces a number of additional reporting requirements, precontractual information obligations and interest rate caps. Sanctions up to 4% of the infringing creditor turnover in the Member States concerned shall be adopted by Member States. 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 September 2021 Polish Government published a draft of the Anti Usury bill. 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 and a ban on lending with funds from bond issues and loan crowdfunding. The draft introduces a pre-contractual obligation for entities granting consumer loans to obtain and verify information on consumers' income and expenses, regardless of the amount of the loan and its purpose. It also increases the documentation requirements from clients – e.g. documents from the employer, bank statements. If adopted under current form it may impact the creditworthiness assessment process by Allegro Pay and have a negative impact on conversion. The draft was heavily criticised by the industry and is expected to be changed under the legislative process.

[11] Proposal for a DIRECTIVE OF of the European Parliament and of the Council on consumer credits; COM(2021) 347 fnal.

## 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.

It is worth noting that in June 2021 the European Commission published the revision of the product Safety Rules[12]. Proposal 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 proposal will have important implications for Allegro's online marketplace, fulfillment centre 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, organize product checks. The proposal is equipped with high financial penalties (4% of the annual turnover) and a short application deadline (6 months after adoption).

[12] 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)



## POSTAL SERVICES

As part of development of the Group's services, on 16 April 2020, Allegro.pl 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 defense, 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.pl'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.pl's total turnover.

The Postal Services Directive is currently evaluated to later on 2021 reflect changes on the postal services market including the rapid growth of the e-commerce sector.

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[13]. 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 labor 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'.

[13] Proposal for a Directive of the European Parliament and of the Council on improving working conditions in platform work COM(2021) 762 final.

## 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 us 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.

## 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. is registered as a "small payment institution" ("SPI") and applied to the Polish Financial Supervision Authority ("PFSA") on 30 December 2021 to obtain the status of "domestic payment institution" ("DPI"). The submission of the application is due to the fact that the monthly transaction value limit of EUR 1.5 million provided for SPI has been exceeded by Allegro Finance in November. The SPI and DPI licenses are described below.

Payment services in Poland are regulated and in general, companies undertaking such activities require authorization from the PFSA, in which the PFSA specifies the payment services that the payment institution is authorized 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 authorization 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 authorization is granted (opinion is issued upon the PFSA's request). The authorization (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 authorization, the scope of payment services that may be provided by an DPI is specified. The PFSA may withdraw the authorization 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 authorization expires if an DPI has not started payment services activity within twelve months from the day authorization 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). 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.

In case of an SPI, the account information service provider (conducting solely account information service, the "AISP") and the payment services office, the license from the PFSA is not required, however with the exception of AISP, such entities can perform its activities only in Poland and after being entered in the register kept by the PFSA. The activity of SPI, AISP, and payment services offices is a "regulated activity" within the meaning of the Act on Entrepreneur law of 6 March 2018 (consolidated text, Journal of Laws 2021, item. 162, as amended), which basically means that they may only be taken up following entry in the register and submission of a statement on fulfillment of requirements for such business laid down in the relevant legal act (in this case APS).

In case of SPIs, some limitations as to maximum amount of funds per user and types of payment services that the SPI is allowed to conduct apply, furthermore, the average of the total amount of payment transactions for the previous twelve months made by the SPI, including through agents, cannot exceed the amount equivalent to EUR 1.5 million per month. The SPI is also supervised by the PFSA, and certain reporting and other obligations under the APS may apply.

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)[14]. The proposal 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.

## 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 (consolidated text – Journal of Laws 2019, item 1357, as amended) and the APS.

In that capacity, the Group's activities may fall under supervision of the PFSA.

## 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.

The European Commission will reflect on the modernization of the Directive as part of the European Green Deal, which aims at making the EU climate neutral in 2050. Reaching this target will require action by all sectors of the economy, including investing in environmentally friendly technologies supporting industry to innovate. This may imply further obligations on retailers and possibly on other entities.

[14] 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



## 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 will remain binding for two years from that date.

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 UOKiK 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 recognize 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 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 UOKiK.

### Timetable

After the notification, the UOKiK 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 UOKiK requests additional information, so in practice the actual timing may be even significantly longer).

### Reasons for Objections

The President of UOKiK 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 UOKiK; 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 UOKiK 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.



# 3. Our Approach to Environmental, Social and Corporate Governance

## 3.1. Corporate, Environmental, and Social Responsibility

### 3.1.1 ALLEGRO'S SUSTAINABILITY STRATEGY FOR 2020-2023

CSR and sustainability are strategically and comprehensively managed by Allegro. Environmental, social and governance (ESG) issues are a part of Allegro's daily business activities as well as in the long-term strategic plans. Therefore, in 2020 Allegro's CSR and sustainability strategy for 2020-2023 was developed. It defines Allegro's long term priorities in this area.

The Group's CSR & Sustainability Strategy continues our important social and educational programs, adding considerable emphasis on environmental issues. The strategy's slogan is #SustainableAllTogether, because by cooperating with customers, merchants, business partners, employees, and other stakeholders we actively pursue Sustainable Development Goals. As a marketplace, Allegro has a significant impact on the Polish economy and society. Through R&D and technology investments, we create a flywheel effect that scales up much beyond our own direct contribution. Our innovations and initiatives increase resilience and fuel the growth of our customers and merchants, as well as business partners. In our approach we focus on the environmental aspects of e-commerce operations, while constantly pushing our ambitions forward and identifying further goals to be achieved.

The Group's long-term sustainability goals are expected to help our customers make responsible choices, through exposure to and promotion of sustainable products by optimizing Allegro.pl product search based on fair and transparent criteria. We are working on a dedicated space for those looking for eco-friendly products because we want to make it easier for buyers to find products with certificates, and to promote sellers in this market segment. We aim to raise awareness of the best practices in sustainable packaging and logistics, giving both sellers and buyers the knowledge and tools to promote circular use of resources across our value chains. We intend to encourage more merchants to use eco-friendly packaging. We educate our merchants and customers on the developing Allegro Academy e-learning platform. The Group measures, among all, its environmental impact, runs annual GHG (greenhouse gas) emissions monitoring and pursues an agenda to reduce average GHG emissions per GMV.

The strategy was approved and adopted by the Board of Directors. The results of its implementation are monitored continuously, and are presented to the management as well as published in the annual ESG report.

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**4 pillars of the Group's CSR and Sustainability Strategy:**

| Allegro as a platform to make sustainable choices | Allegro as the place to do business | Allegro as a good citizen | Allegro as the best place for employee development |
|---|---|---|---|
| **Enabling our customers to make more sustainable choices:**<br><br>1.1. We help our customers to make responsible choices through exposure and promotion of sustainable products<br><br>1.2. We help our customers to lower the carbon footprint of the products' delivery process<br><br>1.3. We ensure safety and comfort of our customers, protect their privacy, and consumer rights | **Improving the merchant's experience and supporting prospective entrepreneurs:**<br><br>2.1. We help merchants grow in a sustainable way<br><br>2.2. We foster entrepreneurship through education<br><br>2.3. We support micro, small, and medium-sized enterprises<br><br>2.4. We advance the climate agenda in the supply chain and deliveries | **Having a significant impact on society, contributing to the Polish economy, improving the management of our own footprint – all in the spirit of corporate citizenship:**<br><br>3.1. We invest in skills of the youth<br><br>3.2. We are here to support communities we operate in<br><br>3.3. We manage our business in a responsible way<br><br>3.4. We green our operations<br><br>3.5. We make our value chain resilient, responsible, and green | **Creating a demanding but caring working environment for employees in which diverse people can thrive:**<br><br>4.1. We support our employees in professional and personal development<br><br>4.2. We create equal opportunities in a challenging business environment<br><br>4.3. We care about the well-being of our staff and their engagement |

The strategy comprises 86 initiatives helping to operationalize our efforts. Goals and key KPIs have been defined in each pillar and are monitored monthly.

**Long-term sustainability goal for each pillar**

| Responsible shopping: | Sustainable deliveries: | Greening our operations: | Employer of choice for top talents: |
|---|---|---|---|
| over 22% value of eco-friendly trade online on Allegro in 2024[15] | 2.5 million items shipped monthly in sustainable packaging by 2022 | further reduction of GHG emissions | employee Engagement Index at a minimum of 75%. |



**Our main achievements in 2021:**

| | |
|---|---|
| 78.9 | rNPS in customer satisfaction survey[16] |
| +133 thousand | professional ("B2C") merchants on Allegro |
| 13.5 million | active buyers[17] on Allegro |
| 1,080,996 | unique users who visited in 2021 the Allegro Academy e-learning platform and attended at least one out of the 72 available educational courses |
| PLN 4.3 million | donations made by the Allegro.eu Group to charity and social organizations |
| PLN 39.3 million | raised through Charytatywni.Allegro.pl charity initiatives |
| 87% | of employees perceive Allegro as a workplace where everyone is respected regardless of gender, age, or any other dimension of diversity aspects[18] |
| 20% | of electricity consumed in 2021 by Allegro.eu Group was generated from RES (renewable sources) |
| 100 employee volunteers[19], 400 hours of volunteering | employees involved in our voluntary charity projects: Noble Gift (Szlachetna Paczka), Mam Swoje Alle (I have my own Alle) and other |

## THE ROLE OF THE BOARD OF DIRECTORS IN EMBRACING SUSTAINABLE DEVELOPMENT AND CLIMATE

As Sustainability and Climate are strategic issues for Allegro, the responsibility for defining strategic directions in this area is in the hands of the Management Committee composed of the CEO and Board of Directors. The Sustainability Team, supported by dedicated managers and employees from the various Departments within the organization, is responsible for the operational management of this area.

The management team oversees matters of sustainable development and climate, especially by monitoring and supervising the company's CSR & Sustainability strategy. At the same time, since climate and environmental risks are subject to risk management and the Risk Management Policy, all Allegro.eu employees are responsible for risk identification and reporting. 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.

[15] Includes trade ethical and environmentally friendly certified products
[16] rNPS – relational net promoter score in Q4'21, the value in Q3'21 was 78.8. Customer Service NPS for Q4'21 was 74.2 and for Q3'21 77.4
[17] Active Buyer represents, as of the end of a period, each unique email address connected with a buyer that has made at least one purchase on any of Allegro. pl, Allegrolokalnie.pl or eBilet.pl in the preceding twelve months. Previously the data excluded eBilet.pl. All data points have been retrospectively adjusted to revised definition
[18] according to BAZA Survey, more information can be found in Responsibility for the workplace Section
[19] Corporate volunteering (also called employee volunteering) means workplace-based initiatives where employers provide support or encouragement for their employees to volunteer for the local community during the workday

**Management and Leadership Role**

| | | |
|---|---|---|
| **Management Committee for CSR & Sustainability** | • approval of strategic directions and goals, as well as recommendations for changes/activities<br>• approval of reports on the implementation of the Allegro CSR Strategy<br>• supervising the integration of CSR strategy and initiatives with Allegro's business goals<br>• selection of priority areas and long-term strategic planning | **Management Committee (CEO & Board of Directors)** |

## OPERATIONAL ROLE

MANAGERS AND COMPANY EMPLOYEES:

- Contributing to creating and updating the strategy
- Involvement in implementing various initiatives
- Progress reporting

CSR & SUSTAINABILITY TEAM:

- Coordinating the implementation of the CSR & Sustainability strategy
- Monitoring results and progress in terms of specific goals
- Cooperation with project teams to execute specific actions/initiatives
- Reporting the results of specific actions and overall progress in the implementation of the strategy, as well as drafting strategy progress reports
- Communicating, both internally and externally, the actions that were taken.

Allegro.eu's highest governing body, the Board of Directors, takes ESG-related matters into account when performing its supervisory duties. ESG is discussed at meetings of the Board of Directors. The Company has established a CSR & Sustainability Management Committee, which includes General Counsel and Corporate Affairs Director, Communications Director and Chief Security Officer. The Steering Committee includes the CEO and the Board of Directors. The duties of the Committees are described above. ESG issues are also raised at meetings of the Management Board, and are taken into account in the business decisions that are made.

Allegro.pl's Sustainability & CSR team consists of several experts in the field of ESG and sustainability, additionally supported by investor relations, compliance and HR experts. The Sustainability of Delivery Experience team includes professionals dealing with sustainable development in fulfillment, deliveries and logistics services, including last mile. All of them work closely together to meet the ESG strategy goals and are also involved in reporting.





## ALLEGRO.PL JOINS UN GLOBAL COMPACT ("UNGC")

In 2021, Allegro.pl joined the UN Global Compact, an initiative of the Secretary-General of the United Nations that brings together companies and institutions which consider sustainable development important. By joining the UN Global Compact, the company pledged to implement policies and global UN initiatives, focusing on environmental protection and counteracting the climate crisis. It is also a commitment to the Sustainable Development Goals, as defined by the United Nations in its 2030 Agenda. Joining the UN Global Compact is a testament to our genuine commitment to the CSR & Sustainability strategy and our environmental pledge. We educate sellers on sustainable development and implement the climate agenda in our supply chain. Global Compact brings together over 12,000 companies and 3,000 institutions from 160 countries. This means that Allegro is joining a large international community, for whom the conversation about sustainable growth is extremely important.

In 2021 Allegro joined The Ethical Standards Committee of UN Global Compact Network Poland. The company was involved in work on diversity & inclusion, ethical issues as well as sharing good practices. In 2022 Allegro intends to continue being active in The Ethical Standards Committee and Climate Positive Program of UN Global Compact Network Poland.

**As a UNGC participant, we report on our progress on the implementation of the Ten Principles of the UN Global Compact**

| Area | UN Global Compact Principles | Link to CSR & Sustainability Strategy 2020-2023 | Action taken |
|---|---|---|---|
| Human Rights | **Principle 1:** Businesses should support and respect the protection of internationally proclaimed human rights<br><br>**Principle 2:** make sure that they are not complicit in human rights abuses | 3.5.1. Code of conduct for suppliers and business partners of Allegro and Code of Conduct to support rights of merchants employees | • Our internal regulations and code of conduct for suppliers already include the UN Global Compact principles<br>• We implemented Allegro.eu's Human Rights Policy<br>**Read more in the Human rights compliance section and the Responsibility for the workplace Section** |
| Labour | **Principle 3:** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining<br><br>**Principle 4:** the elimination of all forms of forced and compulsory labour<br><br>**Principle 5:** the effective abolition of child labour<br><br>**Principle 6:** the elimination of discrimination in respect of employment and occupation | 4.2. We create equal opportunities in a challenging business environment<br>4.2.3. Review of Diversity & Inclusion/equal opportunities governance structure<br>4.2.4. Diversity and inclusion trainings on various staff levels<br>4.2.5. Additional programme that supports the professional development of people with disabilities and/or young people from underprivileged groups (e.g. paid internships)<br>4.2.6. Appointing D&I working groups where people can share news, best practices, stories and proposals to make work environment increasingly more diverse and inclusive | ✓ We introduced the anti-discrimination and anti-bullying policy as well as the whistleblowers policy<br>✓ A diversity policy was introduced in Allegro in 2020, and we are working on diversity and inclusion at the workplace<br>✓ We also organize anti-bullying and anti-discrimination training to facilitate recognising and preventing undesired behaviours and build positive relations between employees<br>**Read more in the following sections: Respect for human rights; Responsibility for the workplace; Diversity in the workplace.** |

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| Area | UN Global Compact Principles | Link to CSR & Sustainability Strategy 2020-2023 | Action taken |
|---|---|---|---|
| Environment | **Principle 7:** Businesses should support a precautionary approach to environmental challenges<br>**Principle 8:** undertake initiatives to promote greater environmental responsibility<br>**Principle 9:** encourage the development and diffusion of environmentally friendly technologies | 1.2. We help customers to lower footprint of products' delivery process<br>2.4. We advance the climate agenda in the supply chain and deliveries, e.g. introduction of reusable packaging, reducing environmental impact of single use packaging materials, measure emissions of deliveries<br>3.4. We are greening our operations, e.g.: lead the effort to reduce emissions related to deliveries of Allegro orders, increasing energy efficiency and circularity of operations, development of data collection & emission factors | ✓ We are introducing annual GHG (greenhouse gas) emissions monitoring and agenda to reduce our carbon footprint<br>✓ We are working on a dedicated space for customers looking for eco-friendly products because we want to make it easier for them to find products with certificates and promote sellers in this market segment<br>✓ We aim to raise awareness of the best practices in sustainable packaging and logistics, giving both sellers and buyers the knowledge and tools to promote circular use of resources across our value chains<br>✓ We encourage more merchants to use eco-friendly packaging<br>✓ We joined the Science Based-Targets Initiative and committed ourselves to pursue the climate-related targets<br>**Read more in the Environmental Impact Section.** |
| Anti-Corruption | **Principle 10:** Businesses should work against corruption in all its forms, including extortion and bribery | 3.3. We manage our business in a responsible way<br>3.5.1. Code of conduct for suppliers and business partners of Allegro | ✓ Our internal regulations and Suppliers Code of Conduct already include the UN Global Compact principles<br>✓ We introduced the Anti-corruption and Anti-bribery Policy<br>✓ The Group approaches its risk management system very seriously and established a compliance framework<br>**See more in the Business ethics – anti-corruption and bribery policy and Human rights compliance section.** |

More information on Allegro's Business Model can be found in the Business Model, Operations, and Corporate Governance section.



## 3.1.2. PRINCIPAL NON-FINANCIAL RISKS

Measuring and disclosing ESG performance, risks, and controls is essential to gain the trust of stakeholders and generate maximum value from the market. We identify the following risks as the primary focus of our ESG activities. The non-financial risks identification and assessment process is an integral part of the risk management system described in The Risk Management System, Risk Factors and Regulatory Matters Section.

| Principal risks | Map of risks | More about management in section |
|---|---|---|
| Environmental & Climate Risk | Although e-commerce is more green than the alternatives, we are aware the Group's operations pose a negative environmental impact (e.g. $CO_2$ emission, packaging waste). The growth of our business, without implementing carbon emission and energy reduction programs, as well as sustainability initiatives, could result in a negative environmental impact. New regulatory framework related to the EU Green Deal and environmental transition may imply further obligations on retailers and possibly on other entities. The ongoing climate changes have the potential to generate substantive changes in operations, revenue, or expenditure. Carbon-neutral initiatives and sustainable technology solutions, e.g. eco-packaging, may increase the costs of our operations. | Environmental Responsibility<br>Read more about TCFD disclosure in Environmental Responsibility Section |
| 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 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. | Responsibility Towards Customers and Merchants<br>Business ethics |
| Risk Related To Human Rights | The control and prevention mechanisms of the Group's compliance structure might not be sufficient to adequately protect the Group from all human rights violations such as unequal employee treatment (hiring, remuneration, training and promotion, etc.) or other violations involving third-party partners and suppliers. | Human Rights Compliance |
| 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 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.<br>The 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.<br>The COVID-19 pandemic has profound implications for employees who are required to continue operating in the workplace (especially at the warehouse). Employees working remotely may not have ergonomic and appropriate workspaces at home. | Responsibility for the workplace |
| Risk Of Corruption And Other Violation | The incidents of corruption or bribery (kickback, facilitation payment, payment extortion, cyber extortion), conflicts of interests or other inappropriate behaviour could affect the Group, as well as failure to adequately protect customers' personal data. | Business ethics |
| Risk Of cybersecurity and private data breaches | The Group relies on third-party data center providers, whose facilities could suffer as a result of a cyberattack. Cybersecurity, management of private data and ensuring a sufficient level of security for our infrastructure are important parts of our operations. | Business ethics |

The Board of Directors oversees matters of sustainable development and climate, especially by monitoring and supervising the company's CSR & Sustainability strategy. At the same time, since climate and environmental risks are subject to risk management and the Risk Management Policy, all Allegro.eu Group employees are responsible for risk identification and reporting. 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.

In line with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), Allegro.eu carefully maps climate risks and, even more broadly, environmental risks. The process of identifying, assessing and managing climate risks is part of the overall risk management process at Allegro.eu Group. Read more about TCFD disclosure in the Environmental Responsibility Section.



# 3.2. Responsibility for the workplace[20]

## 3.2.1. EMPLOYMENT MATTERS

The Group's ambition is to be a career platform for diverse, talented, and ambitious teams and individuals, who thrive in a fast-paced, changeable and complex environment. Our employees are committed to high performance, continuously looking for development opportunities and aspiring to the next big challenge, wherever it comes from.

We create a demanding but caring working environment, support the professional and personal development of our employees and create equal opportunities in what we do. The table below presents our employment structure.

At the end of 2021, the entire Allegro.eu team consisted of 4,848 people, exactly 1,559 more than a year ago. That means in 2021 Allegro.eu hired almost twice as many new employees as in 2020.

**Allegro ranks among the best employers in the "Poland's Best Employers 2021" Forbes ranking**

In the latest ranking prepared by Forbes and Statista, we came in first among employers in the retail and wholesale industry. We are all the more pleased with our success because we owe it largely to the votes of our employees!

The presented number of workers takes into account people working at the following companies: Allegro.pl, Ceneo.pl, eBilet.pl, Allegro Finanse, Allegro Pay, Opennet, X-press Couriers, Skynet Custom Brokers, Adinan Midco, and Allegro.eu.

### STRUCTURE OF WORKFORCE[21]

| Types of contracts at Allegro.eu Group | 2021 | 2020[22] | 2019 |
|---|---|---|---|
| Contract of employment | 3,613 | 2,721 | 2,194 |
| Contractors (B2B) | 535 | 240 | 17 |
| Work agencies & outsourced service | 700 | 328 | 268 |
| IN TOTAL | 4,848 | 3,289 | 2,479 |

[20] All data as of 31 December 2021
[21] The data include active and suspended workers.
[22] Number of total employees in 2020 has been retrospectively adjusted to include 130 temporary agency workers in the Błonie warehouse (previously excluded from the headcount of 3,159 reported in 2020).

| Form of Employment | 2021 | 2020 | 2019 |
|---|---|---|---|
| Permanent employment contracts | 79.4% | 79.4% | 79.2% |
| Fixed-term employment contracts | 20.6% | 20.6% | 20.8% |

| Form of employment broken down by gender | 2021 | 2020 | 2019 |
|---|---|---|---|
| Permanent employment contracts – women | 33.2% | 32.1% | 32.0% |
| Fixed-term employment contracts – women | 9.5% | 9.7% | 9.6% |
| Permanent employment contracts – men | 46.2% | 47.2% | 47.2% |
| Fixed-term employment contracts – men | 11.1% | 10.9% | 11.2% |

| Workplace | 2021 | 2020 | 2019 |
|---|---|---|---|
| Poznań Office | 45.3% | 51.3% | 57.0% |
| Warsaw Office | 33.5% | 30.7% | 25.5% |
| Wrocław Office | 6.5% | 7.2% | 8.2% |
| Kraków Office | 4.7% | 3.7% | 2.3% |
| Toruń Office | 3.0% | 3.5% | 3.8% |
| Błonie (Retail distribution center) | 2.8% | 2.6% | 2.6% |
| Adamów (Fulfillment center) | 2.6% | — | — |
| Remote | 1.2% | — | — |
| Other | 0.4% | 1.0% | 0.6% |

| Legal Entity | 2021 | 2020 | 2019 |
|---|---|---|---|
| Allegro.pl | 4,212 | 2,933 | 2,227 |
| Ceneo.pl | 219 | 198 | 194 |
| Allegro Pay | 126 | 61 | — |
| eBilet.pl | 59 | 56 | 56 |
| Opennet | 67 | 30 | — |
| Allegro.eu | 7 | 6 | — |
| Allegro Finance | 10 | 3 | — |
| Adinan Midco | 2 | 2 | 2 |
| Xpress Couriers | 141 | — | — |
| Skynet Custom Brokers | 5 | — | — |
| **Allegro.eu Group** | **4,848** | **3,289** | **2,479** |



## PROFESSIONAL AND PERSONAL DEVELOPMENT OF OUR EMPLOYEES

We want Allegro to be a place full of challenges and opportunities for our employees. We provide support in professional development to everyone, guarantee equal opportunities in all aspects of employment, and offer competitive salaries and benefits. In return, we expect professional ambition and willingness to develop, the ability to cope with a rapidly changing and complex environment, and the awareness that our work, innovations and solutions affect the daily purchases of millions of consumers. We are very pleased with the high marks that we receive in the annual surveys from our employees.

Professional development of employees is crucial for the development of Allegro. We have prepared a large selection of training sessions, workshops and conferences for them, available through a special development platform called MindUp. It includes training in the so-called soft skills, technical training, managerial programs and development tools.

## ALLEGRO DEVELOPMENT MODEL

Allegro Essentials are the values that accompany us in our daily work. They define a consistent set of attitudes and behaviors shared by all Allegro employees. These are:

1. Raising the bar
2. Customer centricity
3. Agile
4. Curiosity, learning and growth
5. Contribution to others' success
6. Honesty and respect

Allegro Essentials are a signpost pointing to what builds our unique corporate culture and creates an atmosphere of success that pushes us forward. In other words, Allegro Essentials represent a consistent view of what makes us successful at Allegro. They are described clearly so that everyone can recognise and apply them. Allegro Essentials have been based on nearly 1,100 responses to questions in the 2020 BaZa questionnaire ("How would you describe Allegro's culture?) and created in cooperation with the Management Team.

## ALLEGRO FACTORS

Career Levels is a system that classifies all roles at Allegro into levels. Its purpose is to introduce transparency and organize our internal job structure, and to provide employees with a clear vision of their career path within the company. We have defined 10 Career Levels, although this number may increase as the company grows.

Allegro.pl selected 5 important competencies across all our roles and people, which we called level factors. Allegro Factors include five competences that are desired at Allegro: Impact on the Allegro business, Ability to manage complex problems, Leadership skills, Ability to communicate clearly and effectively, and Professional knowledge. The number of factors verified during recruitment depends on the level of the position (the Career Level) within the organizational structure. All new recruitment processes require Allegro Factors to be implemented.

## TRAINING SESSIONS

In 2021, the company conducted 458 internal training sessions with a total of 4,107 participants. On average, there were 6.2 hours of training per employee, compared to 8.2 hours in 2020. In 2021, an average number of hours of training per woman is 6.2, and 6.0 in the case of men. At Allegro, we do not analyze training hours in distribution across the employment structure.

In 2021, female employees participated in a similar number of training courses as in the previous year, taking into consideration the increase in employment. 41% of Allegro employees are women, and women constitute 45% of all training participants.

The presented data concerns only Allegro.pl, Allegro Pay, and Allegro Finance employees, as employees of other companies do not have access to the MindUp! training platform where the data comes from. Training was also not monitored in other entities.

| Training[23] | 2021 | 2020 | 2019 |
|---|---|---|---|
| Total number of training participants | 4,107 | 5,247 | 4 ,416 |
| Women | 45% | 45% | 32% |
| Men | 55% | 55% | 68% |
| Number of unique participants | 1,726 | 1,416 | 1,386 |
| % of employees who participated in at least one training course | 55% | 59% | 74% |
| women | 726 | 638 | 443 |
| men | 1,000 | 778 | 943 |
| Average hours of training per employee | 6.2 | 8.2 | 0.74 |
| Average hours of training per woman | 6.4 | 9.4 | nd |
| Average hours of training per man | 6.0 | 8.6 | nd |

| Internal training | 2021 | 2020 | 2019 |
|---|---|---|---|
| Number of internal training sessions | 458 | 501 | 443 |
| Average rating of trainings (on a scale of 1 to 5) | 4.5 | 4.5 | 4.5 |
| Number of internal trainers | 241 | 171 | 191 |

Data including: Allegro.pl, Allegro Pay and Allegro Finance.

[23] The data include active workers.



### MINDUP, THE EDUCATION PROGRAM FOR ALL EMPLOYEES, INCLUDES:

- development activities categorised into 3 groups: for (1) individual contributors, (2) leaders and team managers, (3) senior managers further broken down into activities dedicated to developing key competences called Allegro Factors (e.g. Impact, Managing complexity, Communication)
- other development tools, e.g. mentoring, coaching, assessment and development centres, and diagnostic tools such as Extended DISC or CliftonStrengths assessment
- short forms of learning, e.g. webinars, e-learning courses, articles
- internal workshops within business-specific development academies, e.g Commerce Academy, CX Leader Academy
- application forms for external events, including conferences, training sessions as well as studies, etc., to cover the cost of conferences, training as well as studies and postgraduate courses – as per the internal regulations
- language classes.

Additionally, we run the JUICE project where we invite inspiring guests for Allegro employees to meet, and the Health Action – we organize workshops and lectures about general well-being and healthy lifestyle.

In 2021, we continued #zdalninazdalna (#remoteforremote), a special program on effective remote work, which includes psychological guidance, workshops and webinars, as well as practical content and advice.

### SUPPORT FOR DEGREE PROGRAMS OR CERTIFICATIONS

An important element of our development offer is financial support provided by the Company to employees willing to study and gain professional qualifications at renowned universities, as well as the opportunity to participate in paid conferences or individual coaching sessions.

All rules and regulations regarding personal development are provided in the Work Regulations, Training regulations and Terms of Participation in Employee Training Courses in effect in Allegro.pl Sp. z o.o, Allegro Pay Sp. z o.o. and Allegro Finance Sp. z o.o.; Postgraduate studies – Terms of training contracts.

### MANAGERIAL AND LEADERSHIP DEVELOPMENT TRAINING

Allegro conducts many trainings and webinars at managerial level, such as:

- the Neuroscience of Creating Clarity in a Complex World,
- Leader of IMPROwizator, i.e. IMPRO = I'M PRO,
- Strategy Leader, or how to build strategies in a Complex World,
- Happiness in team work for leaders/managers,
- Stress: enemy and friend – how to build the leader's emotional resistance,
- Inclusive leadership – how an inclusive leader builds a committed, creative and highly effective team,
- NVC – reconciling family and professional roles and satisfaction with life.

Leaders could also join leadership development programs, e.g. AlleGrow program dedicated for directors, StepUP "Transformational leadership" program for senior managers or WarmUp program for first time leaders. 25 leaders (68% of directors) are part of AlleGrow program (10 started on 3rd Dec, 15 in 2022); 25 (27% of senior managers) attend StepUp program. The 6th editions of WarmUp program were run for 67 people in 2021. The scope of this training covers Allegro Factors: impact on business, leadership, managing complex problems, communicating with clarity and positivity and wellbeing. The participants could develop leadership skills: effective communication, communicating complex information, persuasive communication & motivating others to take action, responding to stressful situations & inspiring others to accept change.

Summarizing the year 2021 in managerial and leadership development training:

- from the group of team leaders and managers/ project managers – 1,494 participants attended the training that's 540 people (82% of the whole group)
- from the group of senior managers and directors – 138 participants were part of the training that's 64 leaders (65% of the whole group).

Allegro.eu encourages employees to share their knowledge and best practices, both inside and outside the organization. As part of the Allegro Tech initiative, employees participate as speakers in a number of open events, including Allegro Tech Live, Allegro Tech Labs, Allegro Tech Meeting, and UX Research Confetti.

Summarising the year 2021 in Allegro Tech, 160 speakers attended 97 external events and 16 events organized independently by Allegro Tech. Allegro Tech published 12 podcasts and the Allegro Tech blog had as many as 172,184 unique views! The company introduced a new format of Allegro Tech events dedicated to non-employees and organized two external conferences – Allegro Tech Meeting and UX Research Confetti. The company created 10 episodes of Allegro Tech Live webinars and prepared 4 workshops for the Allegro Tech Labs series. The YouTube channel offers many hours of recordings packed full with knowledge and inspirations, and Allegro Tech already boasts 104 Open Source projects.

ATM/Allegro Tech Meeting is an annual meeting of Allegro technology teams, where employees share updates on the current projects, comment on the problems they encounter and present unusual solutions they have implemented. The employees also have a chance to get to know each other better, as they work in different locations on a daily basis. "From IT for IT" ("Od IT dla IT") is the motto that has accompanied us from the very beginning, back in 2009, when the first two-day event for Allegro engineers was organized in Poznań.

The fourteenth edition of ATM took place in September 2021 entirely online. On the agenda there were 75 presentations and 7 thematic blocks (Product and People, Software, Security, Infrastructure, Machine Learning and Big Data, UX, Front-end and Lighting Talks). Almost 1,300 employees registered for the event. This year, for the first time in history, the Company organized an external edition of Allegro Tech Meeting dedicated to non-employees, open for everyone. The program included 27 presentations and 6 thematic blocks. 800 people registered for the event.

Allegro runs a mentoring program and an internal mobility program where employees temporarily change their workplace for two weeks to three months. The main goals of this program are:

- supporting sharing knowledge between teams so that the visiting employees can learn about another area of activity and use this knowledge in their projects when they return to their teams;
- retaining talented employees. If an employee is considering changing jobs, they can first check how they would fit into another project before they decide to change the team permanently;
- supporting changes in the business/organizational unit. Any employee can participate in the program, provided that both their current and prospective supervisors agree and that there are benefits for all parties that are involved.



## PERFORMANCE MANAGEMENT

Performance Management is a process where the individual performance of each employee can be assessed consistently based on objective, factual and evidence-based feedback against business goals and demonstrated behaviors. Employees are assessed twice a year.

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 us (such as the impact on the work of the organization, the need for solving complex problems analytically and innovatively, communication skills and expert knowledge).

**Percentage of employees receiving regular performance and career development reviews**[24]

| Employee assessment[25] | 2021 | 2020 | 2019 |
|---|---|---|---|
| % of employees assessed | 94.7% | 93.9% | 92.5% |
| Women | 91.3% | 86.4% | 85.2% |
| Men | 97.0% | 99.3% | 97.5% |

| Career path – % of promoted women | 2021 | 2020 | 2019 |
|---|---|---|---|
| to managerial functions | 2.47% | 1.7% | 1.4% |
| to director positions | 0.28% | 0.26% | 0.0% |
| to level-C positions | 0.0% | 0.0% | 0.0% |

| Career path – % of promoted men | 2021 | 2020 | 2019 |
|---|---|---|---|
| to managerial functions | 3.94% | 2.79% | 2.89% |
| to director positions | 0.34% | 0.13% | 0.0% |
| to level-C positions | 0.0% | 0.0% | 0.0% |

Employee assessment is a process that applies to everyone with at least 3 months of work experience, including employees returning from leave (i.e. long-term sick leave, parental leave, maternity leave). Returning employees typically do not work long enough to get their performance appraised. This is the main reason why the rate presented above is below 100%, especially for women.

[24] The data include active workers.
[25] Excluding eBilet.pl employees and employees on a trial period.

## ANNUAL ENGAGEMENT SURVEY – BAZA

We create a friendly workplace and regularly check the level of commitment of our employees. Every year we conduct an engagement survey, which we treat as the basic source of information about our company as a workplace. By analyzing the survey results, we are able to better understand what translates to employee engagement, as well as identify areas we should work on. The company tracks performance over time and implements the recommendation and conclusions.

The survey is confidential and we benchmark the results against those of the best technology companies in the world. In 2021, we achieved an engagement score similar to the 2020 BaZa result. In 2021 the survey covered all Allegro.eu companies.

| Annual Engagement Survey – Allegro.pl, AllegroPay and Allegro Finance | 2021 | New Tech 2021[26] | 2020 | 2019 |
|---|---|---|---|---|
| Engagement score | 74% | 74% | 78% | 73% |
| Company Confidence | 90% | 80% | 91% | 78% |
| Performance | 91% | n/a | 89% | - |
| Teamwork & Ownership | 88% | 80% | 88% | 88% |
| Learning & Development | 85% | 75% | 85% | 83% |
| Collaboration & Communication | 86% | 73% | 85% | 83% |
| Culture | 85% | n/a | 85% | 76% |
| Enablement | 84% | 79% | 84% | 80% |
| Management | 84% | 78% | 83% | 83% |
| Alignment & Involvement | 79% | 83% | 79% | 71% |
| Leadership | 74% | 81% | 79% | 71% |
| Feedback & Recognition | 72% | 70% | 75% | 76% |
| BaZa Action | 61% | n/a | 64% | 65% |
| Remote work | 76% | n/a | n/a | n/a |
| Work & Life blend | 61% | 54% | n/a | n/a |
| Diversity & Inclusion | 87% | n/a | n/a | n/a |
| Participation in the survey | 93% | n/a | 94% | 94% |

[26] Culture Amp Reports



| Annual Engagement Survey – Ceneo.pl | 2021 | New Tech 2021[27] | 2020 | 2019 |
|---|---|---|---|---|
| Engagement score | 78% | 74% | 77% | n/a |
| Company Confidence | 82% | 80% | 80% | n/a |
| Performance | n/a | n/a | n/a | n/a |
| Teamwork & Ownership | 90% | 80% | 1% | n/a |
| Learning & Development | 85% | 75% | 82% | n/a |
| Collaboration & Communication | 85% | 73% | 87% | n/a |
| Culture | 81% | n/a | 81% | n/a |
| Enablement | 87% | 79% | 82% | n/a |
| Management | 86% | 78% | 84% | n/a |
| Alignment & Involvement | 81% | 83% | 80% | n/a |
| Leadership | 84% | 81% | 83% | n/a |
| Feedback & Recognition | 82% | 70% | 78% | n/a |
| BaZa Action | 55% | n/a | 55% | n/a |
| Remote work | 79% | n/a | n/a | n/a |
| Work & Life blend | 60% | 54% | n/a | n/a |
| Diversity & Inclusion | 88% | n/a | n/a | n/a |
| Participation in the survey | 92% | n/a | 96% | n/a |

| Annual Engagement Survey – eBilet.pl | 2021 | New Tech 2021[28] | 2020 | 2019 |
|---|---|---|---|---|
| Engagement score | 63% | 83% | n/a | n/a |
| Company Confidence | 98% | 91% | n/a | n/a |
| Performance | n/a | n/a | n/a | n/a |
| Teamwork & Ownership | 72% | n/a | n/a | n/a |
| Learning & Development | 67% | 85% | n/a | n/a |
| Collaboration & Communication | 82% | n/a | n/a | n/a |
| Culture | 74% | n/a | n/a | n/a |
| Enablement | 75% | n/a | n/a | n/a |
| Management | 81% | n/a | n/a | n/a |
| Alignment & Involvement | 73% | n/a | n/a | n/a |
| Leadership | 82% | n/a | n/a | n/a |
| Feedback & Recognition | 59% | 79% | n/a | n/a |
| BaZa Action | n/a | n/a | n/a | n/a |
| Remote work | 71% | n/a | n/a | n/a |
| Work & Life blend | 50% | 92% | n/a | n/a |
| Diversity & Inclusion | n/a | n/a | n/a | n/a |
| Participation in the survey | 100% | n/a | n/a | n/a |

[27] Culture Amp Reports
[28] Culture Amp Reports

## REMUNERATION

At Allegro, we strive to attract and retain the most talented people. We recruit the best candidates with great development potential. We offer our employees the opportunity to participate in large and complex projects, extensive development opportunities and a competitive remuneration package. Our remuneration policy is aimed at acquiring, motivating and retaining employees who represent the highest level of competence and experience. It is based on equal treatment of employees and creates a framework that ensures that everyone who performs the same tasks is equally compensated.

Staff costs increased by PLN 65.1 million, or 13.3%, from PLN 490.1 million in FY 2020 to PLN 555.2 million in FY 2021. Excluding one-off[29] costs in both periods, staff costs increased by 31.3% YoY, driven by growth by 47.4% YoY in the number of employees, with recruitment concentrated in the organization's key areas such as Technology, Commerce, Delivery Experience and Customer Experience. Staff costs also include one-off costs of PLN 1.3 million resulting from COVID-19 support for employees. The company did not reduce salaries or benefits of any employee in response to COVID-19.

## EVALUATION OF THE COMPANY LEVEL AND REMUNERATION AUDIT

To be able to benchmark ourselves against the local and global market, we decided to approach Mercer, the well-known job evaluation company, for support. Their methodology is based on a detailed analysis of the scope of duties in the workplace. 5 factors are largely consistent with Mercer's methodology, but represent Allegro's specific context, outlining skills and competencies necessary for our business to grow, as well as keeping a competitive advantage over current and future competitors. In 2020, we completed the evaluation of positions at Allegro.pl.

At Allegro, we conduct an annual remuneration review process, which involves evaluating jobs. In 2020 and 2021 an independent internal audit of job evaluation was carried out. The audit confirmed that the selected methodology was correctly applied to the evaluation of positions in the Group, and that the salaries in positions classified with it were compared with the relevant market data from the methodology provider.

Allegro ensures the right to a minimum or living wage in line with the Polish labour law. The remuneration of each employee of Allegro.eu Group is above the country minimum wage.

The Remuneration Policy is part of The Remuneration Regulations.

[29] Staff costs in the reference period included PLN 52.2 million in respect of share based compensation for managers who had invested in the Management Investment Plan that was settled at the IPO, a further PLN 25.4 million related to shares granted to employees at the IPO, as well as PLN 3.3 million related to COVID-19 support for employees. For FY 2021 one-off items included in staff costs comprised PLN 16.7 million of share-based payment costs related to the new Allegro Incentive Plan and PLN 1.3 million spent on protective equipment against COVID-19.



## ALLEGRO SHAREHOLDER CULTURE

Obtaining the status of a public company has given the Group an opportunity to introduce the Allegro Incentive Plan (AIP), a long-term incentive program based on Allegro.eu shares, enabling employees to become co-owners. This is a unique program in terms of the scale and scope of the transfer of shares.

In October 2020, at the time of the Company's IPO all employees employed at Allegro.eu under an employment contract at the time received a one-off allocation of 233 Allegro.eu shares. The shares were awarded free of charge one year later in October 2021.

The second part of the AIP is a plan to use shares to motivate and reward current and future employees in key management positions, product managers, and experts. The status of a public company enables Allegro to use shares to build long-term employee involvement in the company's development. The program was launched in April 2021.The first tranche of 25% of the total AIP award value is set to vest in April of 2022.

## TALENT ACQUISITION

We want the best people to work at Allegro, and we evaluate our job candidates using objective criteria. We use a standardised competency-based behavioral interview, and the recruitment process is supported by the so-called Hiring Squad, i.e. a group of specialists from various fields and at various levels of their careers, whose task is to make the final selection of the person who will be employed.

Regardless of the recruitment outcome, each person applying to work at Allegro receives feedback. We place particular emphasis on information provided to those whom we have decided not to hire. We point out gaps in their competencies and suggest educational materials that may help fill in those gaps, should the candidate decide to re-apply in the future.

### SUMMER E-XPERIENCE

Every year we open our doors to people starting their professional careers. The paid internship program called Summer e-Xperience allows them to get to know how the largest e-commerce platform in Poland operates, and the best-performing interns have a chance to stay with the company. In 2021, 78 people (+25 people YoY) took part in the e-Xperience program, of which as much as 88% were employed at Allegro (+18%pp YoY).

All program participants are supervised by a mentor. Not only can they take part in the training but also prove themselves, working independently on real projects and challenges. The Summer e-Xperience program is recommended by 100% of the trainees who attend it.

Allegro.eu received the "Trustworthy Employer" title in the internship programs category for its 2021 Summer e-Xperience.

### ALLEGRO RECEIVED THE PRESTIGIOUS EB EXCELLENCE AWARDS FOR EMPLOYER BRANDING

Allegro received the main prize in the Employer Branding strategy category. The jury recognized our activities promoting Allegro as an employer on the labour market in Krakow. In the summary of the implemented initiatives, our comprehensive approach, various channels of reaching potential candidates and our results received particular recognition.

In 2021, 1168 people took part in the two-day onboarding process, including 56 people returning after a long absence.

| New joiners | 2021 | | 2020 | | 2019 | |
|---|---|---|---|---|---|---|
| Women | 42.4% | 506 | 42.3% | 289 | 43.7% | 206 |
| Men | 57.6% | 687 | 57.7% | 394 | 56.3% | 265 |
| Aged <30 | 54.7% | 652 | 60.6% | 414 | 62.6% | 295 |
| Aged 31–50 | 44.4% | 530 | 39.4% | 220 | 37.4% | 163 |
| Aged >51 | 0.9% | 11 | 0% | 0 | 0% | 0 |

| Employee turnover rate[30] | 2021 | 2020 | 2019 |
|---|---|---|---|
| Total | 14.2% | 8.9% | 10.5% |
| Women | 13.5% | 9.3% | 12.1% |
| Men | 14.7% | 8.5% | 9.4% |

| Average number of years of employment in the company | 2021 | 2020 | 2019 |
|---|---|---|---|
| Total | 3.46 | 3.56 | 3.74 |
| Women | 3.23 | 3.40 | 3.58 |
| Men | 3.62 | 3.66 | 3.86 |

In the past years Allegro has been successfully attracting, developing and retaining talent, keeping attrition levels below the market average . The past two years, with COVID-19 pandemic disrupting retail and technology sectors, created strong demand for Allegro expertise – locally and from global players. In general terms we witness increased total attrition, however it remains in line with market dynamics and globalizing talent market.

EMPLOYEE REPRESENTATION

Allegro employees are not covered by collective bargaining agreements, and Employee Representation (Reprezentacja Pracowników) is the lawfully elected employee representative body. The company does not provide any pension plans other than those required by local labour law. More about the Human Rights Policy in the Human Rights compliance section.

[30] Employee turnover rate (%) = employees who leave the company/average number of employees in the analysed period. The average employee turnover rate in 2019 in Poland was between 16% and 18%, according to external reports by Mercer and Korn Ferry published in 2020. The data include active worker.



### 3.2.2. DIVERSITY IN THE WORKPLACE

At Allegro, only competences count. An employee's age, gender, political views, beliefs, origin or religion do not matter to us. We see no obstacles in the differences, but rather view it as an opportunity to build a competitive advantage and create an inspiring workplace. We treat everyone equally and we require the same from every person employed in our company.

We create an inclusive work environment, free of prejudice, and one that fosters the development of people with different views and experiences. In 2016, we introduced the Anti-Discrimination and Anti-bullying Policy as well as the Whistleblowing Procedure. This policy states that all employees, especially managers, should treat their colleagues with dignity and uphold the principles of ethics. All employees become familiar with those principles during the onboarding process and also receive regular training.

We introduced a diversity policy that defines good practices and processes conducive to the creation of a diverse and creative workplace. The company also holds anti-harassment and anti-discrimination training sessions, the purpose of which is to support the recognition and prevention of undesirable behaviour and the creation of positive relations between employees.

### PROGRAMS TO INCREASE WORKFORCE DIVERSITY

Allegro believes in the power of diversity to establish a creative workplace through:

- Adoption of a non-discrimination, anti-bullying policy and Diversity policy and Stay Fair approach to report irregularities
- Introduction of webinars and trainings, which help us build inclusive and diverse working environment
- Minimizing bias in recruitment, promotion and pay review, by underlining the importance of knowledge and competencies in our processes. Our recruitment process is based on objective and substantive criteria and its various stages are organized according to established patterns and rules to provide a similar experience to all candidates, regardless of gender, ethnic origin, beliefs, or other criteria
- Internal Mobility
- Supporting initiatives related to diversity and inclusiveness, such as DareIT, Hackathon Accessibility, Poznań Mentoring Walk

In 2021 Allegro.eu announced to all employees the Allegro Declaration that presents the company's core D&I principles:

- Merit and competency based decisions (merit based processes) involving proactive actions to minimise unconscious bias in the decision-making process;
- Diverse working environment that accepts various ideas and encourages innovative and creative solutions;
- Inclusive and diverse workforce that matches our target customer base so that our products/services reflect a broad range of perspectives;
- Balanced organization in terms of women/men representation, especially in leadership positions.

Furthermore, in 2021 Allegro.eu introduced D&I Champions – a group of Allegro employees who have supported building an inclusive work environment with their actions. They will recommend, advise and approve all programs, approaches and strategies that will help Allegro D&I, but also listen to Allegro employees to enhance the company's activities by adding new proposals in response to specific needs.

Allegro.eu also introduced a series of dedicated webinars, workshops and events that celebrated Global D&I Month in October 2021. The webinars focused on topics of unconscious biases, inclusive leadership and management of diverse working environments. The workshops enabled our employees to share their thoughts, opinions and ideas on how we can create an even more inclusive Allegro in the future.

Allegro.eu supports initiatives that promote diversity and openness. In 2018–2021, representatives of the company took part in more than 30 events on this subject. In 2021 these included WomenTech Global, Women in Technology and Kobiety w Biznesie (Women in Business 2021). Allegro.eu was also involved in Dare-IT – Poland's biggest individual three-month mentoring program led by female IT experts for women wishing to start their careers in the industry. Allegro also runs an internal mentoring program.

All employees know the Anti-discrimination and Anti-bullying Policy as well as the Whistleblower Procedure as soon as they come to work at the company. In 2020, the company introduced the Diversity Policy.

| Anti-discrimination and Anti-bullying Policy training sessions and training sessions on the handling of reports on or instances of bullying or harassment: employee participation rate | 2021 | 2020 | 2019 |
|---|---|---|---|
| Training sessions (annual online workshop for all employees and contractors) | 73% | 88.8% | 92.8% |
| Onboarding training sessions (monthly training session for all joiners – new employees and contractors) | 100% | 100% | 100% |

| Anti-discrimination and anti-bullying Policy | 2021 | 2020 | 2019 |
|---|---|---|---|
| Reported cases of discrimination and harassment in Allegro | 2 | 5 | 2 |

All reports regarding suspected discrimination and harassment have been thoroughly verified. Some cases were referred to the Ethics Committee. No allegations were confirmed in any of the reported cases. Following the verification of applications several improvements were recommended and introduced.

The company supports a confidential reporting channel and whistleblowing system – read more in the Business ethics, anti-corruption and bribery policy and Human rights compliance sections. Allegro also provides managers, employees and contractors with training on the handling of reports or instances of bullying or harassment.



## DIVERSITY AND INCLUSION

Allegro makes every effort to be an equal opportunity employer; a place where every employee is respected and supported in achieving their highest potential. We create a work environment where everyone can speak up to remove barriers to success, collaborate with others, and bring their best ideas to life.

In 2020 the Board of Directors adopted the Diversity Policy to emphasise the importance of these issues.

Here are the most important measures that foster diversity:

- Adopting the "Stay Safe/Stay Fair" Code of Conduct
- Adopting the policy of counteracting discrimination and harassment
- Adopting the whistleblowing policy
- Conducting diversity promotion training
- Striving for equal treatment of all employees, regardless of gender, gender identity, age, race, form of employment, political views, psychosexual orientation, disability, health condition, nationality, ethnic origin, religion, creed, non-denominational status, beliefs, trade union membership, marital status or lifestyle, also when assessing an employee and making decisions regarding employment and promotion
- Supporting women choosing a career in the technology industry
- Supporting diversity in the selection of members of the Board of Directors
- Supporting diversity and inclusion initiatives
- Creating more opportunities to change positions within the company
- Monitoring and reporting on activities

| Workers[32] | 2021 | | 2020 | | 2019 | |
|---|---|---|---|---|---|---|
| Women | 40.8% | 1,416 | 41.8% | 1,133 | 41.6% | 912 |
| Men | 59.2% | 2,056 | 58.2% | 1576 | 58.4% | 1,280 |
| Women in senior management roles | 28.6% | 191 | 28.2% | 122 | 28.9% | 98 |
| Men in senior management roles | 71.4% | 477 | 71.8% | 310 | 71.1 | 241 |
| Women in executive management roles (C-Level) | 25% | 2 | 25% | 2 | 0% | 0 |
| Men in executive management roles (C-Level) | 75% | 6 | 75% | 6 | 100% | 5 |

Women accounted for 40.8% of all Allegro.eu active workers in 2021.

[32] The data include active employees.

In addition to internal activities, Allegro.eu wants to support external (national and global) initiatives. In 2021 Allegro.pl signed the Diversity Charter in Poland. The Diversity Charter is an international initiative coordinated by the Responsible Business Forum to promote the policy of equal treatment and diversity management in the workplace.

The Diversity Charter is an international project under the initiative of the European Commission, implemented in almost all European Union countries. Its goal is to promote and popularise the policy of equal treatment, inclusion and diversity management in the workplace. The Polish Diversity Charter is part of the European Diversity Charter Platform at the Directorate General for Justice of the European Commission, which makes it possible for the Signatories to meet regularly, draw from knowledge and experience, and get to know the good practices of companies from all countries where Diversity Charters are in place.

The charter is a commitment signed by organizations that undertake to ban discrimination in the workplace and introduce initiatives aimed at introducing and promoting diversity, and expresses the company's readiness to engage all employees as well as business and social partners in these activities. Organizations that decide to implement this tool support social cohesion and equality.

## SIGNING THE DIVERSITY CHARTER

Signing the Diversity Charter means:

- Joining the international group of organizations under the patronage of the European Commission Diversity Charter Platform
- Underlining the employer's openness and respect towards diverse employees, strengthening the diversity dialogue inside and outside the organization
- Joining the group of organizations which are leaders in diversity management in Poland
- Becoming involved in setting trends in diversity management and the equal opportunities policy
- Building the image of an organization that is responsible and committed to equal treatment in the workplace
- Broad inter-sectoral cooperation opportunities (business, public administration, NGOs),
- Putting the language of the Charter into real actions,
- Committing to review own policies – Diversity Charter indicators enable superior monitoring of diversity management at the operational level, as well as auditing and monitoring activities in this area.

### THE 2021 LINKEDIN TALENT AWARDS

In 2021, Allegro.pl became a winner of the LinkedIn Talent Awards competition in the Diversity Champion category in Poland. The 2021 LinkedIn Talent Awards recognized companies worldwide that have demonstrated remarkable adaptability, innovation and creativity in the talent acquisition space. More information about the criteria here.



## DIVERSITY INDICATORS[33]

Where possible, all diversity indicators are presented for all employees in the Allegro.eu Group, and also regarding managers positions, experts and specialists positions, and Board Management positions.

The company does not disclose ethnic minority information about its employees because we don't collect such data. We don't have a legal basis to collect it.

## ALL EMPLOYES

| Allegro.eu Group | 2021 | 2020 | 2019 |
|---|---|---|---|
| Women | 40.8% | 41.8% | 41.6% |
| Men | 59.2% | 58.2% | 58.4% |
| New joiners – women | 42.4% | 42.2% | 43.7% |
| New joiners – men | 57.6% | 57.8% | 56.3% |
| % of employees with disabilities | 0.7% | 0.7% | 0.9% |
| Women with disabilities | 0.4% | 0.5% | 0.5% |
| Men with disabilities | 0.3% | 0.3% | 0.4% |
| Aged <30 | 40.2% | 38.4% | 37.4% |
| Aged 31-50 | 58.8% | 60.8% | 62.0% |
| Aged >51 | 1.0% | 0.8% | 0.6% |
| Aged <30 – women | 42.2% | 40.7% | 38.9% |
| Aged 31–50 – women | 57.2% | 59.2% | 60.9% |
| Aged >51 – women | 0.6% | 0.2% | 0.2% |
| Aged <30 – men | 38.8% | 36.8% | 36.3% |
| Aged 31–50 – men | 59.8% | 62.1% | 62.9% |
| Aged >51 – men | 1.4% | 1.1% | 0.8% |
| % of foreign employees | 0.9% | 1.1% | 0.8% |
| % of foreign employees – women | 0.3% | 0.3% | 0.2% |
| % of foreign employees – men | 0.6% | 0.8% | 0.6% |

[33] The data include active employees.

| Remuneration[34] | 2021 | 2020 | 2019 |
|---|---|---|---|
| Women's remuneration against average remuneration | 96.7% | 95.2% | 95.7% |
| Men's remuneration against average remuneration | 102.1% | 102.7% | 101.5% |
| Women's remuneration against men (men=100%) | 94.3% | 91.9% | 92.9% |

## MANAGERS

| Managers | 2021 | 2020 | 2019 |
|---|---|---|---|
| Women | 28.6% | 28.0% | 29.0% |
| Men | 71.4% | 72.0% | 71.0% |
| Aged <30 | 11.8% | 8.7% | 10.1% |
| Aged 31–50 | 86.4% | 89.3% | 88.7% |
| Aged >51 | 1.8% | 2.0% | 1.2% |
| Aged <30 – women | 11.5% | 8.8% | 10.9% |
| Aged 31–50 – women | 87.5% | 91.2% | 89.1% |
| Aged >51 – women | 1.0% | 0.0% | 0.0% |
| Aged <30 – men | 11.9% | 8.7% | 9.7% |
| Aged 31–50 – men | 86.0% | 88.5% | 88,7% |
| Aged >50 – men | 2.1% | 2.8% | 1.6% |

| Managers' remuneration[35] | 2021 | 2020 | 2019 |
|---|---|---|---|
| Women managers' remuneration against average managers' remuneration | 92.8% | 93.3% | 92.0% |
| Men managers' remuneration against average managers' remuneration | 102.7% | 102.1% | 101.3% |
| Women managers' remuneration against men managers (men=100%) | 90.1% | 90.8% | 88.9% |

[34] Weighted average for group size at each level of the corporate structure and in a given business area
[35] Weighted average for group size at each level of the corporate structure and in a given business area



## EXPERTS AND SPECIALISTS

| Experts and specialists | 2021 | 2020 | 2019 |
|---|---|---|---|
| Women | 36.5% | 37.5% | 34.5% |
| Men | 63.5% | 62.5% | 65.5% |
| Aged <30 | 39.8% | 37.5% | 35.8% |
| Aged 31–50 | 59.8% | 62.3% | 64.0% |
| Aged >51 | 0.4% | 0.2% | 0.2% |
| Aged <30 – women | 34.4% | 33.6% | 32.7% |
| Aged 31–50 – women | 65.3% | 66.4% | 67.3% |
| Aged >51 – women | 0.3% | 0.0% | 0.0% |
| Aged <30 – men | 42.8% | 39.8% | 37.5% |
| Aged 31–50 – men | 56.6% | 59.8% | 62.3% |
| Aged >51 – men | 0.6% | 0.4% | 0.2% |

| Experts & specialists' remuneration[36] | 2021 | 2020 | 2019 |
|---|---|---|---|
| Women experts' & specialists' remuneration against average experts' & specialists' remuneration | 96.2% | 93.3% | 92.0% |
| Men experts' & specialists' remuneration against average experts' & specialists' remuneration | 102.4% | 102.9% | 101.7% |
| Women experts' & specialists' remuneration against men experts' & specialists' (men=100%) | 93.8% | 90.1% | 92.5% |

The data presented above relates only to employees on employment contracts.

In 2021 the company noted some improvements in overall balance between average women's and men's remuneration.

[36] Weighted average for group size at each level of the corporate structure and in a given business area

A key factor influencing the gender pay gap is the under-representation of women in technology and management positions. We have developed a detailed intervention plan focusing on:

- more gender-balanced recruitment of external candidates to technology functions, as well as for management positions (both via internal and external recruitment processes)
- ensuring that an objective, fact-based and evidence-based process for evaluating performance and promotions is followed, and resulting changes in remuneration
- joining external organizations promoting diversity and integration, as well as supporting social dialogue as a significant technology employer in Poland
- continuous education and building the commitment of Allegro employees to diversity, raising awareness and ensuring strong support throughout the organization.

All these activities are aimed at systematically solving the identified problems and striving to bridge the remuneration gap.

## PARENTAL LEAVE

| Board members | 2021 | 2020 | 2019 |
|---|---|---|---|
| Board members – women | 2 | 2 | not applicable |
| Board members – men | 6 | 6 | not applicable |
| Board members aged <30 | 0 | 0 | not applicable |
| Board members aged 31–50 | 3 | 4 | not applicable |
| Board members aged >51 | 5 | 4 | not applicable |

| Number of employees who returned to work after parental leave | 2021 | 2020 | 2019 |
|---|---|---|---|
| Employees who took parental leave | 84 | 79 | 74 |
| Employees who returned to work after parental leave | 99 | 60 | 71 |
| Employees who returned to work after parental leave in the previous year and continued to be employed for 12 months after the return | 52 | 58 | 59 |
| Employees who went on parental leave – women | 77 | 74 | 59 |
| Employees who returned to work after parental leave – women | 90 | 55 | 54 |
| Employees who returned to work after parental leave in the previous year and continued to be employed for 12 months after the return – women | 48 | 52 | 49 |
| Employees who took parental leave – men | 7 | 5 | 15 |
| Employees who returned to work after parental leave – men | 9 | 5 | 17 |
| Employees who returned to work after parental leave in the previous year and continued to be employed for 12 months after the return – men | 4 | 6 | 10 |

Data included for:
Allegro.pl, Ceneo.pl, Allegro Pay, eBilet.pl, Opennet, Allegro.eu, Allegro Finance, Adinan Midco



In 2021, 86% of employees who returned to work after parental leave in the previous year continued to be employed for 12 months after their return (87% for women and 80% for men).

### COMPLIANCE WITH THE PRINCIPLES OF THE UN GLOBAL COMPACT

We comply with the principles of the UN Global Compact initiative and the guidelines of the Organisation for Economic Cooperation and Development for Multinational Enterprises.

In 2021, no actions violating these regulations were identified.

## HEALTH AND SAFETY OF OUR EMPLOYEES

Safety and health of our employees at work is not a matter of discussion or compromise at Allegro. The company has an Occupational Health and Safety Policy in place and strict compliance with its provisions prevents accidents and occupational diseases. We constantly monitor the work environment at all company levels and systematically update our occupational risk assessments. We also involve our employees in health – and safety-related activities, Safe Workplace.

The aim of the Occupational Safety and Health Policy is to ensure safe and ergonomic working conditions through:

- preventing accidents and occupational diseases
- regularly monitoring the working environment in close cooperation with the administration team
- regularly updating occupational risk assessments
- engaging employees in health – and safety-related activities, and
- raising awareness of health and ergonomics.

The Group has been monitoring the effects of the Occupational Safety and Health Policy and the number of work accidents. In 2021, only two minor accidents were recorded.

The company has introduced Health and Safety Instructions (Instrukcje BHP) and the Training Procedure (Procedura Szkoleniowa), as well as the Accident Procedure for both commuting-related and workplace situations. The COVID-19 pandemic changed our office reality, as most of the employees worked from home, as recommended. Given the need to adapt the occupational risk assessment to the current situation, we have updated this document with additional provisions related to COVID. Occupational risk assessment consists of a detailed identification and analysis of threats to which employees are exposed, depending on their position. It enables us to verify whether sufficient measures have been introduced to reduce or eliminate threats and to determine what still needs to be done. All employees became acquainted with the new regulations during the mandatory e-learning training.

There is a special alias and a dedicated channel on the company messenger for communication with the health and safety department.

Our offices as well as our supply points (warehouses and depots) have been designed to be comfortable and safe, and safety procedures allow us to eliminate situations that may pose a threat to the health of our employees.

Allegro complies with all regulations that concern health and safety training. Each employee hired in 2021 has undergone mandatory initial training. In accordance with current regulations, we also conduct periodic safety training for selected types of positions and for employees working longer in our organization. Participation in such training is mandatory, and failing to complete it may result in exclusion from work.

| Number of accidents | 2021 | 2020 | 2019 |
|---|---|---|---|
| Minor accidents | 2 | 1 | 5 |
| Serious accidents | 0 | 0 | 1 |
| Fatal accidents | 0 | 0 | 0 |

## PROMOTION OF EMPLOYEE HEALTH

We help Allegro employees take care of their physical condition. The Health Action (Akcja Zdrowie), which Allegro has been running for many years, is a series of workshops, consultations and webinars promoting general well-being and a healthy lifestyle. In 2021, it was organized via the Mindup training platform and focused on remote work as part of #zdaninazdalna. It included consultations with psychologists, physiotherapists and nutritionists, two "power speeches", and 13 webinars. The topics of the webinars concerned health, hygiene and ergonomics of remote work, diet and nutrition, body immunity, yoga, relaxation, and mental resilience, as well as coping during the pandemic and beyond.

## WE SUPPORT EMPLOYEES DURING THE PANDEMIC

In response to the COVID-19 pandemic:

- we continue to recommend remote work while giving the opportunity to work from the office to those willing to do so who have been vaccinated or recovered from COVID-19 in the past six months
- every new employee receives a PLN 1,000 voucher to equip their home office
- training is organised online
- we ensure a safe environment in our warehouses and offices

In 2021, we continue to follow, among all, our remote work and safety guidelines in our warehouses.

With the help of a qualified external company, as a follow-up, we also audited our Distribution Centre in Adamów to assess the possibility of coronavirus transmission, and implemented all countermeasures to minimise the risk of infection, both in the office and in the warehouse.

Warehouse employees who cannot work remotely have been provided with all necessary personal protective equipment. We have also implemented a social distance system, divided working hours into shifts, increased cleaning frequency and installed thermal imaging cameras.



## EMPLOYEE BENEFITS

In addition to competitive pay, each person employed at Allegro has access to attractive benefits. These can be adapted to individual preferences. We are constantly expanding the list of benefits offered to our teams under the My Benefit System. Employees can choose the most attractive benefits using credit points awarded to them every month:

- medical care for employees and their relatives
- sports cards for employees and their children and possibly their plus ones
- co-financing kindergarten, nursery or childcare
- transport allowance or company parking space, season ticket for a bus, or petrol
- a restaurant card to use catering services in the offices or in nearby restaurants
- shopping vouchers, cinema tickets and much more.

The benefits that we offer to our employees also include Secret Santa coupons, gifts for Children's Day and Christmas, gadgets and gifts at company events, as well as fruit and vegetables delivered to the office.

In addition, our employees can take out life insurance at a preferential price not only for themselves but also for their spouse/partner and child.

Every year, we celebrate Children's Day in all locations together with our employees and their children. We oe many attractions at the event, including art workshops, games with children's entertainers, sweets, etc. In 2021, we could not oe Children's Day due to the COVID-19 pandemic; instead, all employees got an additional day off, and their children received gifts.

### KINDERGARTEN AND NURSERY FOR CHILDREN OF ALLEGRO EMPLOYEES

The company's "WOW" kindergarten and nursery for children of Allegro employees in Poznań has 57 places in three kindergarten groups, and 20 in the nursery. The educational program focuses on comprehensive development of children, who participate in numerous music and movement activities (eurhythmics, dance, sport, music therapy), language (English) and art activities. The program is further diversified with theatrical performances and creative workshops on healthy lifestyle, the environment, sustainable development and more. In 2020, as a way to support parents who were left alone at home with children, the employees of the kindergarten and nursery prepared interesting ways to spend time together during quarantine, using a special Slack channel. In 2021, the kindergarten and nursery staff participated in an NVC training to respond to the needs of children even better.

## COMMUNICATION WITH EMPLOYEES

There are many channels of communication with employees at Allegro, including our Insite+ social media platform and our qa_allegro Slack channel, where employees can ask questions about the company's strategy and employee matters. We also have Allegro Home, a page with the most important documents, links and other information.

In 2021, we organised the Allegro Outlook 2021 meeting for all of our employees, where they could learn about the company's strategy and new projects, and ask questions to the Management Board. Q&A sessions were also organised at three quarterly Allegro Business Update meetings (attended by an average of around 2500 employees), where the company presented its results and the most important business news. We also held an additional meeting with the Management Board to discuss Mall Group's acquisition.

## EMPLOYEE VOLUNTEERING

At Allegro, we are proud to support employee volunteering. Employees are involved not only in well-known nationwide initiatives such as WOŚP or Szlachetna Paczka but also in numerous local charitable and educational activities. In 2021 volunteers from Allegro organised mentoring for students, supporting their social projects under Mam Swoje Alle, an educational project developed in partnership with Fundacja Zwolnieni z Teorii. Read more about volunteers in the Social Impact Section.

| Employees volunteering program in 2021 | |
|---|---|
| **100** | volunteers |
| **400** | hours of volunteering |



# 3.3. Business ethics – anti-corruption and bribery policy and human rights compliance

## 3.3.1. MANAGEMENT SYSTEM FOR GOVERNANCE, RISK AND COMPLIANCE

The Group approaches its risk management system very seriously and established a compliance framework as shown below to be sure that all necessary measures have been implemented:

| Protect | Detect | React |
|---|---|---|
| Regulatory Affairs | Reporting: | Crisis management |
| Risk Management | • anonymously via system to CSO | Disciplinary sanctions |
| Policies | • personally via system to CSO | Remediation |
| Training, communication, awareness session | • personally to HR, Legal, CSO | |
| Support | • personally via mail to Chairman | |
| Process integration | Compliance controls | |
| Lessons learned | Monitoring and compliance approvals | |
| | Compliance audits | |
| | Compliance investigations | |
| | Internal audits | |

In addition to the matters described in the “Risk management system” section, 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 and know-how has been introduced in both of the Group’s main operating subsidiaries: Allegro.pl and Ceneo.pl.

Allegro.pl and Ceneo.pl have also introduced a Suppliers’ Code of Conduct ensuring compliance with the corporate social responsibility (“CSR”) regulations for suppliers cooperating with the Group. The Suppliers’ Code of Conduct should be accepted by each Key Vendor whose annual sales to Allegro exceed PLN 100,000. Based on the recommendations of the Polish Ministry of Finance, Allegro.pl and Ceneo.pl have established a complex verification process for vendors. Financial documents, company registration documents and bank accounts are reviewed to reject unreliable service providers.

Guidelines that include the procurement policy, tender procedure, controlling procedure and legal procedure have also been introduced and are intended to minimize all unauthorized practices, violations of the law, corruption and fraud, especially with regard to purchasing practices, or other adverse consequences of non-compliance within the Group.

At Allegro.pl, we operate in a transparent manner and to the highest ethical standards, among all thanks to our policies and regulations.

**The Allegro Code of Ethics consists of:**

- Transparency policy
- Policy against discrimination and bullying
- Whistle-blowing procedures
- Antitrust Compliance Policy
- Anti-money laundering and countering terrorism financing policies
- Security policy

**Allegro has introduced the following regulations and processes:**

- Anti-corruption rules
- Regulations for accepting and offering gifts and benefits
- Diversity policy
- Procedure in the event of an inspection
- Procedure for concluding agreements
- Tax governance policy
- Vendor verification procedure and Suppliers Code of Conduct
- Training policy
- Allegro.eu charity, social and sponsoring activities policy
- Human Rights Policy,
- and more.

The Ethics Committee oversees compliance with the Code of Ethics, examining and resolving the reported violations.

**Composition of the Ethics Committee**

- HR Director or HR Business Partner
- Head of Legal or a designated lawyer
- Manager of the division the reported violation concerns
- Representative of employees selected by the Employee Representation
- Chief Security Officer (CSO)

The Code of Ethics is periodically reviewed and is available to employees.



Being an ethical company also involves complying with the law. At Allegro, we operate within the law and we stay abreast of all relevant changes and industry regulations. We keep adjusting our services, policies and processes accordingly.

The Allegro irregularity reporting system is available to the company's employees and contractors. It is subject to the guidelines for handling complaints and grievances related to non-compliance with the Code of Ethics.

| Reporting complaints and grievances | 2021 | 2020 | 2019 |
|---|---|---|---|
| Policy on anti-money laundering and combating terrorist financing and export control, and financial sanctions manual | 0 | 0 | 0 |
| Transparency Policy | 2 | 2 | 2 |

## EMPLOYEE TRAINING ON ETHICAL STANDARDS

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.

New employees get to know our Code during a session of the mandatory OnBoarding Stay Safe/Stay Fair training. Once a year our employees participate in training devoted to our Code of Ethics policies (Transparency policy, Policy against discrimination and bullying, Whistle-blowing procedures, Antitrust Compliance Policy, Anti-money laundering and countering terrorism financing policies, Security policy) and personal data protection, in order to improve their knowledge, build competence and raise awareness.

All employees are obligatorily trained on all policies during the onboarding session. All of the employees are required to declare that they will adhere to the policies. Additionally, every year we are providing obligatory training on the policies to every employee, including contractors. The channels used to train in ethics include e-learnings, email, a dedicated internal platform (Intranet), meetings, posters, competitions and other forms of communication.

## WHISTLEBLOWING SYSTEM

At Allegro, we have a whistleblowing system for reporting violations. It guarantees confidentiality and safety of the whistleblowers, including protection from retaliatory action. Our system is open and accessible for everyone in the company (notifications can also be submitted anonymously via a special form available online). It is subject to the guidelines for reviewing complaints and grievances against Code of Ethics violations. We have launched a special online platform, introduced a dedicated online form, and made a special email address and phone number available. Every notification is reviewed, and acted on where appropriate.In 2021, we had two notification concerning our Transparency Policy. We investigated both thoroughly and penalised the transgressing employees appropriately.

We have introduced a system for corporate governance, risk management and compliance across all Allegro operations. It spans operational standards, corruption prevention, compliance with the competition law, preventing conflict of interest, information and data protection, preventing unlawful discrimination and protection of the company property and know-how.

Our system extends not only to the regulations relevant to Allegro but also the terms of cooperation with suppliers: the purchasing policy and additional requirements for suppliers, including the Suppliers Code of Conduct and the Questionnaire for Suppliers and Business Partners for every Key Vendor (i.e. a supplier whose yearly contract exceeds PLN 100,000). Following the guidelines of the Ministry of Finance, Group companies have introduced a complex verification process for choosing suppliers. Reviewing financial documents, company registration documents and bank accounts enables to reject service providers whose credentials raise concerns.

All employees undergo obligatory training on all of the most important policies during their onboarding training session. They also sign a declaration where they undertake to comply with the rules listed in those policies. Additionally, we oe obligatory training every year for all our employees.

At Allegro, we are well aware of the fact that the procurement process can create corruption risks. This is why the activity of the departments responsible for purchasing is screened for corruption risks, and is subject to anti-corruption supervision. Not a single case of corruption was recorded in 2021.

## COMPLIANCE WITH ANTI-CORRUPTION AND ANTI-MONOPOLY REGULATIONS, AS WELL AS REGULATIONS SAFEGUARDING COLLECTIVE INTERESTS OF CONSUMERS.

We ensure the highest quality and safety of products offered on the Allegro platform, as well as service and delivery quality. We cooperate very closely with UOKiK and local consumer ombudsmen. In response to their specific needs, we have set up a dedicated email address that makes it easier for them to contact our employees. In 2021, Allegro was not subject to a single financial penalty or sanction for legal non-compliance or violating the rules governing supplies, or the use of products and services.



## 3.3.2.
## HUMAN RIGHTS COMPLIANCE

Allegro.eu runs its business ethically and expects the same from its business partners, employees and contractors. As a sustainability and responsibility leader, the company responds to stakeholders' expectations as well as international and domestic regulations and guidelines, complying with all applicable laws. Allegro.eu respects human rights enjoyed by its employees and contractors, and expects respect for human rights from business partners.

Allegro.eu's responsibility for respecting human rights stems from universally recognized human rights, which, at minimum, are consistent with the rights enshrined in the International Bill of Human Rights/The Universal Declaration of Human Rights, and the fundamental rights set out in the International Labour Organization's Declaration on Fundamental Principles and Rights at Work. We respects human rights in business relationships by upholding labour rights, freedom of association, as well as the UN Guiding Principles on Business and Human Rights and OECD Guidelines for Multinational Enterprises (OECD Guidelines). As a member of the UN Global Compact, Allegro declares compliance with the Ten Principles of the UN Global Compact and is involved in meeting Sustainable Development Goals (SDGs). Moreover, Allegro.eu is familiar with The United Nations's instruments related to the rights of indigenous peoples, women, and national and ethnic, religious and linguistic minorities, children, people with disabilities, as well as migrant workers and their families.

In January 2022 the Board of Allegro.eu accepted the Allegro.eu Human Rights Policy. The policy applies to all employees, contractors and business partners. It sets out the requirements for Allegro.eu's own operations (concerning employees, direct activities, products or services), as well as recommendations for suppliers and partners specified in other additional documents and policies, such as the Suppliers Code of Conduct. In 2022 we are going to oe additional training for employees on the Human Rights Policy.

Allegro.eu respects human rights by:

a. Avoiding causing or contributing to adverse human rights impacts through their own activities, and address such impacts when they occur

b. Seeking to prevent or mitigate adverse human rights impacts that are directly linked to the Group's operations, products or services by their business relationships, even if they have not contributed to those impacts.

Allegro.eu intends to exercise due diligence to avoid violating the rights of others and to take action in response to any development that could have a negative impact on enforcing human rights that the company could contribute to directly.

HUMAN RIGHTS POLICY ASSUMPTIONS

1. **In terms of human rights, Allegro.eu aims to:**

a. identify potential human rights impacts and where they could occur

b. identify the scope of Allegro.eu's due diligence risk identification process, whether it covers only the company's own operations, or also the value chain and other activities, as well as the process preceding entering into new business relationships (mergers, acquisitions, joint ventures, etc.)

c. identify the issues Allegro.eu has specifically addressed in the due diligence process, as well as the vulnerable groups monitored throughout the process

d. underline the importance of the whistleblowing and confidential reporting system

e. prevent adverse human rights impact, including actions that prevent or restrict an individual from enjoying his or her human rights

f. educate and improve the competence of the Group's employees and contractors in human rights

g. support and educate suppliers and business partners on human rights

h. actively engage in initiatives and activities focused on broad education and promotion of the important role of business for human rights.

2. **Allegro.eu has been developing the Human Rights Due Diligence Process to identify and assess potential impacts and risks related to respecting human rights:**

a. Human rights due diligence

b. Human rights risks tracking

c. Mitigation actions

d. Remediation actions

e. Assessment of potential human rights issues

f. Monitoring the effectiveness of the actions taken by the Group

3. **Allegro.eu commits to prevent:**

a. human trafficking

b. forced labor

c. child labor

4. **Allegro.eu commits to respect:**

a. freedom of association

b. the right to collective bargaining

c. equal remuneration

d. right to non-discrimination

Allegro employees are not covered by collective bargaining agreements and are represented by the Employee Representation. Read more about non-discrimination and equal remuneration in the Diversity in the workplace section.



## COMPLIANCE WITH LABOUR STANDARDS AND HUMAN RIGHTS

Allegro complies with the applicable legal regulations and adheres to the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the OECD Guidelines for Multinational Enterprises, UN Guiding Principles on Business and Human Rights as well as Ten Principles of UN Global Compact. In 2021 and 2020 there were no incidents or instances of violation of labour or human rights.

## 3.3.3. SUPPLIERS CODE OF CONDUCT

In 2021, we cooperated with over 3,000 reliable companies that provided us with products and services necessary for Allegro to operate efficiently. Choosing a supplier for Allegro.pl/Ceneo.pl is a multi-step process that ensures we identify the best offer and that we are contracting a reliable vendor.

Allegro.pl/Ceneo.pl vendor selection process:

**Step 1** – Analysis of vendors and solutions

**Step 2** – Assessment of the vendor's credibility and potential

**Step 3** – Examination of at least three commercial offers

**Step 4** – Negotiating the terms of cooperation

**Step 5** – Acceptance of the terms and signing a cooperation agreement

At Allegro.pl we distinguish between two groups of vendors: those who provide products that are retailed in the Official Allegro Store, 1P (Oficjalny Sklep Allegro 1P) and vendors whose products and services we use internally for business purposes (e.g. administrators of buildings where our offices are located, suppliers of media and software solutions, IT systems, data centres, technological and advisory solutions, advertising and marketing services, and other services and products).

We want to make sure that our suppliers respect principles that are similar to ours. If the total value of contracts with a supplier exceeds PLN 100,000, the Allegro.pl/Ceneo.pl supplier is enrolled into the monitoring and evaluation program, and is required to accept and sign the Suppliers' Code of Conduct and the Questionnaire for Suppliers and Business Partners, as well as submit a written declaration of compliance with the Allegro Code of Ethics (Kodeks Allegro) and the Ten Principles of the UN Global Compact initiative. This enables us to verify their ethical, social and environmental practices. In 2021, 95% of the suppliers that were subject to evaluation met the criteria. They represented 10% of all new contractors (the data doesn't include eBilet.pl). The particulars of Allegro.pl's supply chain and vendor characteristics are internal information of the company.

| Supplier assessment | 2021 | 2020 |
|---|---|---|
| % assessed new vendors that met the social, environmental and ethical standards | 95% | 99% |
| % of all new vendors assessed | 10% | 9.7% |

The data doesn't include eBilet.pl

In accordance with the recommendations of the Ministry of Finance, the group companies have established a complex verification process for vendors. Financial documents, company registration documents and bank accounts are reviewed to reject unreliable service providers. We have also introduced a procurement policy, tendering procedures, controlling procedures and legal procedures aimed at minimising any unlawful practices, violations of the law, corruption and fraud as well as other negative consequences of non-compliance within the Group. In addition, all procurement processes at Allegro.pl and Ceneo.pl are based on integrated IT systems that ensure full transparency of compliance with the procedures.

We have introduced a system for corporate governance, risk management and compliance across all Allegro operations. It spans operational standards, corruption prevention, compliance with the competition law, preventing conflict of interest, information and data protection, preventing unlawful discrimination and protection of the company property and know-how.

Our system extends not only to the regulations relevant to Allegro but also the terms of cooperation with suppliers: the purchasing policy and additional requirements for suppliers, including the Suppliers Code of Conduct and the Questionnaire for Suppliers and Business Partners for every Key Vendor (i.e. a supplier whose yearly contract exceeds PLN 100,000). Following the guidelines of the Ministry of Finance, Group companies have introduced a complex verification process for choosing suppliers. Reviewing financial documents, company registration documents and bank accounts enables to reject service providers whose credentials raise concerns.

Responsibilities of vendors 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. Responsibility for clients and merchants

## 3.4.1. AGREEMENTS AND REGULATIONS IN FORCE

Allegro.pl documents concerning customers and merchants that are currently in force:

- Allegro Terms & Conditions with appendices e.g.:
- Forbidden and restricted items;
- Rules on creating Offer description;
- Policy on technical breaks and compensation for technical failure;
- Fees and sales commissions;
- Privacy protection policy;
- Junior account principles;
- Terms & conditions of PayU service;
- Terms & conditions of Przelewy 24 service;
- Notes of guidance on agreement renouncement and draft renouncement statement;
- Buyer Protection Program;
- Adding Products;
- Use of databases of Allegro.pl and available in Allegro;
- Terms & Conditions of the "Allegro Smart!" service for the Sellers;
- Allegro Lokalnie;
- General Terms & Conditions of the Cooperation Related to the Mail Order Sales of Medicinal Products;
- Allegro Community;
- General Terms & Conditions of Delivery Service;
- General Terms & Conditions of the Delivery Service for Allegro Lokalnie;
- Charity Offers;
- General Terms & Conditions of the Cooperation Related to the Sales of Vouchers Exchangeable for Medical Services;
- Data processing Agreement.

### 3.4.2. CUSTOMER SAFETY

In our CSR & sustainability strategy for 2020–2023 we set an objective to ensure the safety and comfort of our customers, and to protect their privacy and consumer rights. The safety and convenience of customers and merchants are of key importance to Allegro. The safety of Allegro customers is ensured by:

- Buyer Protection Program
- Rights Protection Cooperation Program
- Preventing the sale of counterfeit items on the platform
- Reporting violations of rights and responding quickly
- Cooperation with government agencies to withdraw products that do not meet certain standards or are not allowed on the market:
- Signing the memorandum of understanding on the sale of counterfeit goods on the internet facilitated by the European Commission
- Cooperation with the Office of Competition and Consumer Protection (UOKIK), and with municipal and district Consumer Ombudsmen, among all in the form of joint consultations, opinions and analyses
- joining the Anti-Smog Coalition together with the Polish Smog Alert and the Office of Competition and Consumer Protection
- Rules on Forbidden and Restricted Items
- Safe Online Shopping program (Bezpieczne z@kupy w sieci)
- My Sales Quality – transparent feedback from buyers

### 3.4.3. SAFETY AND COMFORT

Allegro facilitates online transactions between buyers and sellers, and creates a safe environment by providing, among all, client service support and the internal Buyer Protection Program. Product safety is also one of the priority areas where we implemented standards and procedures substantially more sophisticated than the required under the existing legal obligations. Already in 2004 Allegro launched the Rights Protection Cooperation Program aiming at eliminating counterfeit products. Since 2011, Allegro has also been a signatory of the Memorandum of understanding (MoU) on the sale of counterfeit goods on the internet; and in 2020, we have joined the Product Safety Pledge. Furthermore, as we operate predominantly on the Polish market, we collaborate directly with the competent authorities in Poland, mainly the Office for Competition and Consumer Protection. We have also run ad-hoc campaigns in response to specific issues, such as those under the anti-smog coalition to fight against the sale of illegal furnaces on the internet.

### EU TECH CREDO

As a member of the (European Tech Alliance, EUTA) and other business organisations in Poland and at the EU level, we contribute to the regulatory dialogue. Our objective is to create optimal conditions for innovation, provide proper support for merchants, and ensure safety and user friendliness for consumers, as well as a level-playing-field for all participants, including scale-ups. In order to feed into the pending EU debates, Allegro presented its EU Tech Credo, in which we underline how key it is that EU policies are effectively built on principles such as proportionality, smart regulation, and coherence between the different policy objectives and legal provisions. Rules regulating platforms' obligations, taxes, innovative payment solutions, the use of artificial intelligence and data should allow us to innovate and develop cutting-edge services without slowing down the processes or creating unjustified costs or unfair administrative burdens.




Allegro sees the legal framework as an important factor of success and competitiveness for all EU companies. This is why we have been advocating for rules that support EU companies in innovations and in leveraging new technologies to improve services for consumers. We see it as our aim to constantly focus on improving our customers' and partners' experience, help propel investments and innovation, and employ great talents. At the same time we believe that EU rules can help make the bloc a true Digital Single Market that allows companies to operate and thrive across countries, ensuring that rules established here apply and are enforceable equally to all companies that make business across Europe.

### BUYER PROTECTION PROGRAM (BPP)

Thanks to the guaranteed seamless shopping experience at every stage of the process, as many as 91% of our customers consider shopping on the Allegro platform safe. They can rely on the recommendations and comments submitted by other customers. To make sure customers can enjoy even superior protection, Allegro introduced the Buyer Protection Program, which guarantees they will recover their money should any problems with their purchase arise.

Protection extends to all offers on Allegro and Allegro Lokalnie, where payment was made by bank transfer or via the platform. Customers who experienced issues with a transaction on Allegro (e.g. did not receive the purchased products or a refund after withdrawing from the contract, or the received product does not fit the description or has arrived damaged) are eligible for a refund of up to PLN 10,000. The reporting procedure is simplified to the bare minimum (e.g. consumers no longer need to enter their bank account number on the BPP form). It is sufficient to complete an online form, which is made even simpler if the issue was reported in a discussion started on the platform.

In 2021, in an NPS (Net Promoter Score) survey carried out among customers using the BPP, Allegro achieved a result of +80.02 (the highest possible score being 100). BPP is the main driver for the Convenience Index of the Post Purchase Processes (C-Index for BPP is over 9, the highest possible score being 10). This means that most customers recommend Allegro as a safe place to shop, and the BPP program is well received.

| Buyer Protection Program at Allegro | 2021 | 2020 | 2019 |
|---|---|---|---|
| % of customers who consider shopping on Allegro safer or just as safe as on other platforms | 91.39% | 93.03% | 92.0% |
| NPS among Allegro customers using the BPP | +80.02 | +71.32 | +66.73 |
| Average number of transactions on Allegro.pl per one BPP refund | 4,883 | 7,440 | 12030 |
| Average time it takes to receive a refund | 5 days | 5 days | 5 days |
| Average time it takes to receive a refund – SMART! services users | 12h | 12h | 12h |

## RIGHTS PROTECTION COOPERATION PROGRAM

The Rights Protection Cooperation Program was created to eliminate illegal items and service offers from Allegro.

We verify reports regarding violations of:

- industrial property rights (for example, selling counterfeit items)
- copyright (for example, the use of images without the copyright owner's permission).

We protect:

- brand owners' rights
- sellers – often unaware of violations – from legal consequences
- buyers from purchasing goods which violate the law

In addition, we want to raise awareness of intellectual property rights, their protection, and violations.

To protect buyers, Allegro cooperates with owners of exclusive rights under the Rights Protection Cooperation Program, with over 1,700 brands currently on board. We also partner with the leading brands by enforcing the Memorandum of understanding on the sale of counterfeit goods on the internet.

## PRODUCT SAFETY PLEDGE

As a signatory of the Product Safety Pledge, we have launched a dedicated website, to inform our customers about our commitments under this mechanism. We have also provided answers to frequently asked questions such as: Why was my offer removed? Where can I find information on unsafe products? What is the Safety Gate? Who decides if my product is unsafe? We have also provided links to the Safety Gate database and national competent authorities.

Allegro was one of the first European companies to join the Product Safety Pledge. This is an initiative of the European Commission and the largest e-commerce platforms aimed at ensuring consumer safety and educating customers. The Product Safety Pledge supports national and European market surveillance authorities in eliminating dangerous products from the market.

Allegro's joining this initiative is an important aspect of our presence in Brussels as one of the largest European technology companies, and strengthens credibility in our relations with EU institutions that want to leverage our 23 years of experience in and knowledge of consumer protection on the Internet.

On a daily basis Allegro reviews new listings against the list of dangerous products in the Safety Gate, and monitors alerts issued by Polish authorities.

## COOPERATION WITH PUBLIC AUTHORITIES AND OTHER STAKEHOLDERS

In order to facilitate cooperation with the national authorities responsible for market surveillance, Allegro established a single point of contact for interested parties. We also organized several meetings where we presented our internal policies and procedures.

We continued our cooperation with public authorities by carrying out consultations as part of a dedicated contact path. It is also worth emphasizing our direct participation during such events as: May, 14th 2021 webinar organized by Consumer Ombudsmen (and employees of commercial inspections and UOKiK employees), October 8th 2021 International Consumer Scientific Conference. During the speeches, we emphasized the pro-customer method of solving post-transaction problems of Allegro customers and promoted a dedicated path of contact with Allegro on a wide forum.

## FIGHT AGAINST CONSUMER EXCLUSION

It is our priority to ensuring that our platform works efficiently and offers diverse consumers a quick and safe shopping experience, guaranteeing the safety of our employees, clients and business partners.



### ACCESSIBILITY OF ONLINE SHOPPING: CONTACT CHANNEL FOR THE DEAF

In November 2021 Allegro introduced another innovation to make online shopping even more accessible. The new contact channel allows Deaf users to have a video chat with online assistance from a Polish sign language interpreter. In addition to support in shopping, the platform also introduced dedicated contact channels for visually or hearing impaired users collecting parcels from One Box by Allegro parcel machines.

Contacting our consultants with the assistance of a Polish sign language interpreter will elevate our service to customers with hearing loss, who so far had access to channels such as e-mail or traditional chat. Video conferencing will allow us to offer them support faster, which we believe will increase customer satisfaction. At the same time, we're committed to providing full technical support to everyone who uses our One Box by Allegro parcel machines, which is why every machine has Braille markings and features a QR code that allows to connect online with a Migam Interpreter.

The new contact channel for the Deaf is not the first initiative of the platform to prevent digital exclusion. Allegro has also adapted its app to the needs of people with full or partial vision loss, and has been consulting community partners to ensure that its new services are designed from the start with the various needs of customers in mind.

### SILVER GENERATION

We worked to make our services accessible to people aged 65+, as this age group has continued to face challenges in using online tools and often requires personal assistance. To enable them to shop safely from home, we developed a series of dedicated solutions, including the Allegro hotline for Seniors and a series of online trainings for seniors organised in cooperation with the Polish National Institute for Silver Economy. In May 2021 the above-mentioned initiatives were completed, and combined in a dedicated campaign toproste.allegro.pl.

In 2021 Allegro.pl maintained its additional contact channel "Allegro Hotline for Seniors," launched in 2020. The Hotline is a convenient addition to the existing 24/7 contact channels for both consumers and merchants, which already include an online contact form, popular instant messenger and chat services, a call-back service and the recently launched Allegro Gadane community feature. The hotline can be reached every day from 8:00 am to 8:00 pm. The elderly can use this tool to receive advice on online shopping, and receive assistance from consultants at every stage of the purchase process – from setting up an account to helping with choosing the most convenient payment and delivery option, including free delivery with Allegro Smart!.

Allegro also conducted the "Silver Tsunami – an overview of seniors as internet users" research to better understand the needs and challenges faced by people aged 50+. Representatives of Allegro participated in two conferences organised by the National Institute of Silver Economy about the so-called silver economy: „Seniorzy w świecie cyfrowej rewolucji" (Seniors in the world of digital revolution) and "ABC technologii, czyli jak sprytnie być online" (Technology 101, how to be clever online).

Additionally, in March 2021 Allegro launched a series of online training sessions for people aged 50+ organized in cooperation with an external partner, the already mentioned Polish National Institute for Silver Economy (Krajowy Instytut Gospodarki Senioralnej). The Institute is recognised as an expert organization, whose mission is to share knowledge and prepare solutions aimed at adjusting our economy and society to the needs of the elderly. For years the Institute has been analyzing various aspects of the life of the Silver Generation, including their shopping preferences. By joining forces with the Institute we aim to help people aged 50+ take advantage of the opportunities offered by the internet and effectively remove digital barriers. For instance, during our online training sessions Allegro experts explain how to start an online shopping experience on the shopping platform, what to pay attention to when making choices, and how to safely finalize a purchase.

## EDUCATION PROGRAMME FOR YOUNG PEOPLE AND CHILDREN

The Bezpieczne Z@kupy w Sieci program is addressed to schoolchildren aged 13–18 and students, one of the age groups that shops the most online. Participants learn about the most common threats in online shopping, how to verify sellers, how to safely pay for purchases in cyberspace and how to protect against identity theft. In 2021 we organized 34 workshops, most of them online, for over 3000 participants.

## ADVERTISING AND MARKETING RESPONSIBILITY

Selling and displaying advertisements is regulated by:

- Terms and conditions of selling and displaying ads on Allegro.pl
- Terms and conditions of ads

The company ensures the message stays clear and unambiguous across all channels of communication with the customer, including marketing materials, and the company's business model has been designed with the best interest of the customer in mind.

## CUSTOMER EXPERIENCE

The Customer Experience team remains available to customers at all times, quickly and efficiently answering questions and providing support. They communicate in various channels: the Allegro Help tab, email, the traditional contact form, Allegro chat, via the callback service (requesting a call from a consultant), Whatsapp, and Messenger. Seniors who would like to create an account or find out more about shopping on Allegro can call a dedicated Hotline for Seniors.

In 2020, we launched the Allegro Gadane community, a new platform where buyers and sellers are offered access to insights and feedback submitted by other users. In its second year, Allegro Gadane recorded over 3.3 million visits, and thanks to the content posted by the community, as many as 536,000 issues were resolved. Thanks to gamification (e.g. ranks, rankings, etc.) and friendly interactions with others, several hundred committed users answering questions have formed into a group that devotes time to helping others.

At Allegro, we regularly survey customer satisfaction. Every customer who interacts with us may complete an online survey, in which they can share their opinion about the quality of service and about how their specific issue was resolved.

The high satisfaction of buyers has earned us the best-in-class Net Promoter Score (NPS) of 78.9 in Q42021 vs. 76.1 in Q42020.

The platform's rules and regulations are paramount for Allegro, which is why we constantly monitor merchants and offers, and examine all issues as they are reported. Examples include the Buyer Protection Program, the feedback system or starting a Discussion with the merchant (using a communication platform where the buyer and the merchant can solve a problem directly with each other or, at the customer's request, also with the assistance of an Allegro employee).

| Discussions | 2021 | 2020 | 2019 |
|---|---|---|---|
| Number of opened discussions | 4.8 million | 3.9 million | 1.4 million |
| % of discussions resolved successfully | 98% | 97% | 96% |



## OUT-OF-COURT PROCEDURES FOR CONSUMERS

A user who is a consumer may initiate out-of-court proceedings to resolve a complaint and pursue claims before the Permanent Arbitration Consumer Court at the Provincial Inspector of Trade Inspection in Poznań. Information on how to initiate such proceedings and on the dispute settlement procedures can be found at http://www.uokik.gov.pl in the "Consumer dispute settlement" tab (Polish: "Rozstrzyganie sporów konsumenckich"). Consumers may also use the EU ODR platform available at: http://ec.europa.eu/consumers/odr/. Detailed information on how to file a complaint can be found here : https://allegro.pl/pomoc/faq/system-rozstrzygania-sporow-konsumenckich-odr-AVXxBkejdFe.

## 3.4.4. RESPONSIBILITY TOWARDS MERCHANTS

Over 133,000 professional merchants were doing business on Allegro in 2021, most of which are small and medium-sized enterprises – a very important pillar of the Polish economy. They create jobs and are a source of income for families all around Poland. Allegro has been investing in educating merchants and customers.

Subscription offers access to a number of tools supporting sales on Allegro, which make it easier to manage merchants' business and make it more effective.

## ALLEGRO'S PROGRAMS AND TOOLS FOR MERCHANTS

Allegro's ambition is to build a convenient space for merchants with a variety of features, which will allow them to manage sales on the platform effectively. We offer various programs to existing as well as new Sellers, so that they can discover the available tools, learn how to manage their offers and boost their business with programs designed for their segment, life cycle, activities on the platform, etc.

**The Welcome program** – dedicated to new merchants who want to start selling on Allegro. The main goal of this program is to eliminate entry barriers and encourage merchants to start selling faster. New sellers are offered professional support, have access to various tools, and receive discounts and commission refunds.

**The Super Seller program** – dedicated to all Sellers who run a business on Allegro. Sellers who perform well based on objective criteria such as sales volume, speed of delivery, feedback, and how efficiently complaints are handled, receive an indexed quality rating that qualifies them as Super Sellers. The program enables us to assure the best quality of services provided by our Sellers. The key benefit for the merchants is the Super Seller tag displayed next to the offers, which makes the Seller stand out. In addition, Super Sellers receive a pool of Allegro Coins (Monety), which are automatically added to their offers.

**Merchant Development Program** – targeted at mature accounts from the VIP and TOP Brand Sellers group. The main goal of the project is to accelerate the development dynamics of the largest and highly specialized partners.

**Activation programs** – aimed at helping Sellers grow by rewarding them for taking specific actions on the platform.

Allegro's tools and services for merchants include Allegro Ads, Allegro Finance, Promote Your Offers, Streamline Your Sales, Post Listings, Loans and Leasing for Businesses, My Sales Quality and Free On-line Training.

Send with Allegro is a new order fulfillment tool. Allegro has introduced a new deferred payment service for transactions between businesses. It enables sellers to sell and buy with an extended invoice payment due date. Trade Analytics is an analytical tool that allows merchants to find answers to the most frequently asked questions about selling on Allegro. Sellers can also take advantage of dedicated programs.

### SALES QUALITY: SUCCESSFUL SELLERS AND THE SELLER QUALITY ADMIN

A tool for managing sales and monitoring trends in sales. We precisely calculate all metrics and display information about the quality of the merchants' sales. Thanks to this, they are able to quickly identify strengths as well as weaknesses they need to work on. The available information makes it easier to manage the quality of sales, and helps merchants to grow their business on Allegro.

Sales rating serves as feedback about a transaction and is posted by the buyer. Ratings can be submitted with a descriptive comment. Thanks to the sales overview, merchants can see which areas of their business are received well by buyers, and which need improving.

Most Allegro processes are automated, which makes it possible to achieve economies of scale, and to personalise the educational or advertising offer to meet and exceed the merchants' expectations.

### EDUCATIONAL PROGRAM

In addition to training and webinars, the Allegro Academy activates merchants and helps them grow their businesses.

#### ALLEGRO ACADEMY

Allegro Academy is a free online education program. In 2020, an educational platform offering free online courses was created, which is currently available in two languages – Polish and English. In 2021 courses were created also in Chinese. The platform is free for all Allegro.pl users, who can take on-line courses, sign up for webinars or listen to podcasts. The course content includes videos by experts and animations, manuals, articles, mind maps, and additional materials. At akademia.allegro.pl, Allegro employees and external experts cover many topics, from selling on Allegro, through advertising and promotion, to personal development and shopping safely online.

The Allegro Academy was created to share knowledge, help the businesses selling on Allegro grow, and support buyers. In our numerous courses, webinars and podcasts you will find practical information about sales, advertising and promotion, as well as personal development. Thanks to the great variety of topics, input of internal and external experts, and an attractive format, businesses from all around Poland, mainly small and medium-sized companies, will find out how to grow their business.

This is a unique tool on the market, thanks to its range and selection of topics, as well as popularity with the target audience. It is free for everyone. Here are a few examples of courses that are offered: Shopping safely online – 8 rules, Start selling on Allegro and many other courses on how to increase sales on the platform, including Visual design for the Allegro platform, Zero waste packaging, Online analytics, Professional communication in business, and Crises in communication with customers.

The courses contain over 400 videos from experts and animations, manuals, articles, mind maps, and additional materials.



| Allegro Academy | 2021 | 2020 |
|---|---|---|
| Number of Allegro Academy courses | 72 | 50 |
| *incl. Allegro Academy courses in English* | 18 | 7 |
| Number of tutorials for merchants and buyers | 95 | 60 |
| *incl. Allegro Academy tutorials in English* | 40 | |
| Number of webinars | 454 | 177 |
| Number of webinar participants | 51,962 | 18,791 |
| Number of unique users who visited the Allegro Academy | 1,080,996 | 962,087 |
| YouTube channel views | 3.4m | 876,700 |
| Hours of videos watched on the YouTube channel | 39.8 thousand | 8,800 |
| Number of experts in the Allegro Academy | 54 (6 external) | 51 (5 external) |

#### TRAINING AND WEBINARS

The main purpose is to create a space for merchants, where we not only share knowledge, but also enable interaction. A space where merchants can share their opinions or doubts, and discuss them with an expert. The meetings organized by Allegro should promote a sense of Partnership, help us build new solutions and give Merchants confidence that their voice is being heard. Webinars are available in Polish, English and Chinese as well.

### INTERNAL COMPLAINT-HANDLING SYSTEM

Allegro.pl will provide for an internal complaint-handling system within the meaning of Article 11(1) of Regulation (EU) 2019/1150 of the European Parliament and of the Council of 20 June 2019 on promoting fairness and transparency for business users of online intermediation services. Complaints which concern issues listed in said Regulation can be submitted by users at https://na.allegro.pl/skarga. In 2021, we received 1,036 complaints out of over 2,200,000 total requests addressed to our customer service.

### OUT-OF-COURT PROCEDURES FOR MERCHANTS

Allegro.pl may attempt to amicably settle disputes with business users who use Allegro to offer items to consumers, through an independent mediator, upon prior consent of Allegro.pl to mediation. Should the user referred to in the previous sentence propose mediation to Allegro.pl and after Allegro.pl has accepted this proposal, mediation will be conducted by a mediator from the European mediation institute, in accordance with the mediation rules applied by the institute. Allegro.pl will bear a reasonable part of the total costs of mediation, which will be determined by the parties on a case by case basis. The list of mediators and mediation rules are available from eiminstytut@gmail.com.

### 3.4.5. CUSTOMER & DATA PRIVACY, CYBERSECURITY AND DATA PROTECTION

The Group's rules and policies include:

- Security policy (including cybersecurity)
- Incidents Management Process
- NDA circulation procedure
- Rules on storing personal data at Allegro.pl sp. z o.o.
- Procedure for exercising the rights to Allegro.pl users' data
- Procedure for notification of personal data breaches to the Personal Data Protection Office
- Business Continuity Policy

At Allegro, customer satisfaction starts from ensuring safety and confidence that the purchase will be successful. Managing cybersecurity is one of our priorities. We commission the Cybersecurity Maturity Assessment [Ocena Dojrzałości Cyberbezpieczeństwa], which is a bi-annual external audit carried out by an external company. In the most recent review in 2021, Allegro.pl scored higher than the market average and higher than two years ago. We have multiple security solutions in place, all of which are being monitored and improved on an ongoing basis. We also introduced a private and public bug bounty program, which means that we enabled users to alert our IT department about security vulnerabilities detected on our platform. We also have a Computer Emergency Response Team, CERT Allegro, which is an interdisciplinary team set up to make Allegro more secure, and build awareness of security issues among our employees and users. CERT Allegro responds to cybersecurity threats, shares information, knowledge and experience related to cyber threats with other external CERT teams and supports raising security awareness among employees and users. We are a member of Trusted Introducer, an initiative of the biggest European organization of cyber threat response teams. We are also active members of various working groups, including the IAB Polska Group for Cybersecurity (chaired by one of our employees) and the Working Group for Cybersecurity in the Supply Chain at the Chancellery of the Prime Minister.

We also take good care of personal data. We are fully compliant with the GDPR. We carefully monitor the decisions and guidelines issued by the Personal Data Protection Office (PDPO) and the EDPB (European Data Protection Board), which we review and, if necessary, adjust our actions. All Allegro employees undergo training in security policy and GDPR. We also carry out audits to verify compliance with the provisions of the GDPR. The external audit in September through December 2020 did not reveal any significant shortcomings.

During 2021 there were no serious incidents or data breaches. The most serious incident in 2021 which was reported to PDPO regarded a lost registered letter between Ceneo.pl and one of the partners containing the agreement and PoA with Ceneo.pl employees personal data. The postal operator was unable to explain where the package was. In light of ENISA guidelines followed by the Group in case of Data Protection Incidents, we were obliged to report it.

In 2021, in connection with complaints submitted to the President of the Personal Data Protection Office, Allegro was a party to 5 new proceedings. The five proceedings completed in 2021 resulted in a reprimand issued by the Office (4 concerning Allegro.pl and 1 concerning eBilet.pl) and one positive decision (Allegro.pl).

In 2021, no penalties were imposed on Allegro for violating personal data protection regulations. At every stage of data collection and processing, we make sure to comply with the obligation to inform the customer about the purpose and scope of processing their data, and about the right to access and rectify them.



The rules and policies adopted by Allegro related to customer privacy, data protection and cybersecurity include:

- Security policy (including rules for managing security incidents)
- Procedure for handling and reporting significant incidents to CERT Polska
- Procedure for registering and managing data security incidents
- NDA circulation procedure
- Rules for personal data storage
- Procedure for reporting personal data breaches to the Personal Data Protection Office
- Business continuity management police

Our highest priority is to ensure a high level security of infrastructure and data, by applying a layered approach. The platform is protected by multiple security layers, including protection against distributed denial-of-service attacks, bot detection systems or web application firewalls.

We make every effort to ensure the safety of consumers, and to protect systems and consumers' data that are processed and stored in them. We have also developed policies and procedures to manage data security risks. We use technical security measures that are periodically reviewed by internal auditors, external penetration testers as well as security analysts.

We also participate in private and public Bug Bounty programs, and use third party services to improve our security practices, and prevent and detect fraud.

We have also developed rules and risk management procedures concerning data security. We make every effort to ensure that consumers using our platform stay safe. To this end, we have introduced a variety of technical and organizational security measures, which we implemented proportionately to the estimated risks.

It is worth emphasising that all of these solutions are being monitored and continuously upgraded, to address the existing threats and risk levels. We regularly test our security solutions by running penetration tests and by conducting independent and internal audits.

| Cybersecurity and data privacy infringements | 2021 | 2020 | 2019 |
|---|---|---|---|
| Cybersecurity infringements (the total number of identified leaks, thefts or customer data loss) | 0 | 0 | 0 |
| Data Privacy infringements (reported to relevant authorities) | 1 | 1 | 0 |

| The total number of legitimate privacy complaints: | 2021 | 2020 | 2019 |
|---|---|---|---|
| Complaints submitted to the regulating authority (PUODO) requiring corrective measures | 5 | 1 | 0 |

We respond on an ongoing basis to all questions, requests and complaints from external stakeholders regarding personal data, although we do not keep detailed statistics of the various types of notifications.

One of the most important aspects of security are the human factor and building awareness among employees. All our employees receive training in security policy and GDPR (including general information as well as internal policies and procedures). These take place during onboarding sessions and are repeated every year. During the onboarding training we also conduct security awareness workshops with case studies to help recognise phishing campaigns.

We also organize additional training for employees on security threats, social engineering and online privacy. We use every opportunity to educate our employees about security. This year we celebrated, among all, the Safer Internet Day, Data Privacy Day, and World Password Day. We also organize a number of contests and competitions, e.g., on the Computer Security Day.

Allegro.eu is the owner of strong brands such as Allegro, Ceneo, and eBilet. We constantly strive to make them even more recognizable by both buyers and sellers through public relations and strategic partnerships. We are doing both traditional and online marketing.

We make sure that our marketing messages are always clear, unambiguous and true. We also require the same from companies that advertise their goods on our platform. Everyone must comply with the Terms and Conditions of Selling and Displaying Ads on Allegro.pl (Regulamin sprzedaży i emisji reklam), and our Ads Service is regulated by the Ads Service Terms and Conditions.




# 3.5. Environmental Responsibility

### 3.5.1. ENVIRONMENTAL APPROACH

As a sustainability leader, and the leading e-commerce brand in Poland, which has been doing business in Poland for over 22 years, we feel responsible for managing and scaling our positive impact on the market we operate in. As we make progress in our efforts towards sustainable growth, with even more ambitious goals, we also need to be well prepared to face the upcoming regulatory changes (including the European Green Deal).

In Allegro's CSR & Sustainability Strategy for 2020–2023 we focus more on greening our operations and reducing carbon emissions, as well as putting strong emphasis on environmental issues. Allegro is on track to be the platform for sustainable shopping, helping customers make ever more responsible choices through exposure to and promotion of sustainable products, as well as lower footprint of the product delivery process. Our ambition is to continuously reduce our negative impact on the environment, primarily by reducing emissions. We aim for it to continue to lower each year.

The Group is committed to making its operations more environmentally friendly in a transparent, responsible and sustainable manner. The Group's ambition is to continuously reduce our negative impact on the environment, in particular by reducing GHG emissions.

### 3.5.2. ALLEGRO.EU'S CLIMATE POLICY

The Group is committed to making its operations more environmentally friendly in a transparent, responsible and sustainable manner. The Group's ambition is to continuously reduce our negative impact on the environment, in particular by reducing GHG emissions.

#### CLIMATE TARGETS

Allegro.eu has committed to setting science-based targets for reducing emissions in line with the Paris Agreement and has joined the global Science Based Targets (SBTi) initiative.

On September 13, 2021, Allegro.eu sent a commitment letter approved by the Allegro.eu Management Board. That way Allegro.eu made a public commitment to set a science-based target aligned with the SBTi's target-setting criteria within 24 months.

Science-based targets are considered 'science-based' if they are in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement – limiting global warming to well-below 2°C above pre-industrial levels and pursuing efforts to limit warming to 1.5°C.

### 3.5.3. CLIMATE RISKS AND OPPORTUNITIES – TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

As recommended by the Task Force on Climate-Related Financial Disclosures (TCFD), climate-related opportunities and risks are identified, assessed, and managed at Allegro.

The Company has mapped climate risks and opportunities for two climate scenarios and three-time scenarios.

| TCFD Recommendations | Implementation method: |
|---|---|
| Defining the short, medium and long term | • short term period – 2022 to 2025 (current performance forecast period)<br>• medium term – 2025 to 2030 (based on EU mid-term climate goals)<br>• long term – 2030 to 2050 (based on the EU long-term climate goals) |
| Analysing two different scenarios, including one assuming a temperature increase of 2°C or less | Risks were analysed in the context of two climate scenarios: 1.5≤2°C and 4°C |
| Assessing the resilience of strategic plans | Risks are assessed on a residual basis, i.e. taking into account Allegro's existing risk management mechanisms, adopted strategy and set goals. |

In preparing climate scenarios and assessing risks, Allegro.eu used data from the IPCC, the Intergovernmental Panel on Climate Change. Two RCP emission pathways were identified:

- **RCP 2.6** – an emissions pathway that assumes a temperature rise of approx. 1.5°C by the end of the century:
- **RCP 8.5** – an emissions pathway that assumes a temperature rise of approx. 4°C by the end of the century

The selected climate scenarios were calibrated for local conditions and potential impacts on the sector.

| Base scenario | Alternative scenario |
|---|---|
| 1.5–2°C scenario<br>(consistent with the Paris Agreement) | 4°C scenario |
| **Higher probability and scale of transformational risks (in the medium and long term):**<br>✓ Meeting EU emission reduction targets for 2030, 2050<br>✓ Poland accepts and achieves the goal of climate neutrality, or reaches it with a slight delay<br>✓ Entry into force of all regulations promulgated by the EU and implementation of subsequent ones (e.g. expansion of the EU ETS)<br>✓ Significant increase in emissions costs<br>✓ Significant increase in consumer eco-consciousness, greater demand for low-carbon products<br>✓ Significant increase in energy prices<br>✓ No negative impact on Poland's economic growth<br>✓ Faster-than-ever increase in efficiency of RES technologies | **Lower probability and magnitude of transformational risks (in the medium and long term):**<br>• Failure to meet EU emissions reduction targets for 2030, 2050<br>• Poland does not meet the climate neutrality target, it deviates significantly from it<br>• Entry into force of all regulations announced by the EU, but derogations are possible regarding the deadlines for achieving particular decarbonisation targets for the economy and particular industries<br>• Moderate increase in emission costs<br>• Significant increase in consumer eco-consciousness, greater demand for low-carbon products<br>• Gradual and moderate increase in energy prices<br>• Slower-than-expected efficiency gains in RES technologies |



- According to the IPCC's findings on the impacts of climate change in the short term, the differences in temperature increases through 2035 for the two RCP scenarios are negligible.
- These findings were confirmed in the context of Poland using the World Bank modelling tool based on scenarios used by the IPCC.
- For both scenarios, the following parameters were analyzed: increase in average monthly temperatures, precipitation and number of hot days per year (>35°C)

sources: IPCC AR5 [link], World Bank [link]

Risk identification and assessment was performed using the expert method. The process consisted of four steps:

- identification of risks in individual scenarios
- risk assessment in individual scenarios (TCFD)
- analysis and calibration of risk assessments in individual scenarios
- identification of key climate risks and opportunities

**List of identified climate risks and opportunities of Allegro.eu:**

**Principal climate risks:**

- Risk of increased requirements and increased accuracy of non-financial reporting on climate issues
- Risk of limiting the ability of internal combustion vehicles to make deliveries in urban centres.
- Risk of need for dynamic changes in own and subcontractor fleets (demand greater than the supply of low/zero-emission fleet)
- Risk of decreased availability of RES for strategic objectives
- Risk of increased financial burdens related to the purchase of electricity
- Risk of not delivering on climate promises, e.g. insufficient supply of RES energy

**Principal climate opportunities:**

- Potential decrease in energy costs through energy efficiency improvements
- Greater merchant engagement and loyalty to climate issues, and ensuring merchants can meet their obligations (including regulatory requirements) associated with climate change
- Potential increase in company value due to improvements in ESG.

The role of the Board of Directors and management of climate risk is described in the Allegro.eu's sustainability strategy for 2020–2023 Section.

The climate risk identification and assessment process is an integral part of the risk management system described in the Risk Management System, Risk Factors and Regulatory Matters Section.

Allegro also monitors the company's GHG emissions and environmental impact – see the Environmental Impact Section.

In addition to physical risks, it is also worth mentioning the transformation risks associated with the growing expectations of investors and regulators associated with sustainable development. Due to the nature of our business, we are not able to directly manage and respond to physical risks, both unexpected (resulting from extreme weather phenomena such as droughts, floods or fires) and chronic (resulting from long-term processes such as temperature changes or sea level rise).

### 3.5.4.
### ENVIRONMENTAL MANAGEMENT

The Group engages in activities and initiatives consisting in:

- Developing projects reducing Allegro.eu's emissions and energy consumption;
- Reducing emissions related to shipping Allegro.eu orders;
- Developing low-emission logistics centres for businesses selling on the Allegro platform;
- Introducing a circular economy model, including certified 100% recycled packaging and reusable packaging;
- Offering climate education to stakeholders, including clients and the society, in particular education and improvement of competence of the Group's employees related to climate and the environment.

Our office building in Warsaw, Poznan and Krakow obtained a BREEAM certificate[37] with very high results in this category in Poland.

Our data center is implementing a project to improve energy efficiency, build a photovoltaic system and use off-heat at the data processing center. The purpose of all of these initiatives is to save more electrical energy and reduce air pollution caused by emissions. In place is an intelligent energy management system that helps reduce CO2 emission.

### 3.5.5.
### ENVIRONMENTAL INDICATORS[38]

Allegro.eu Group measures and discloses data on carbon footprint in three scopes (1, 2, and 3), which reflect the scale of our environmental impact. Carbon footprint is a measure of the impact company activities have on the amount of carbon dioxide (CO2) produced through the burning of fossil fuels and is expressed as a weight of CO2 emissions produced in tonnes.

**Allegro.eu's GHG emissions includes:**

**Scope 1:** all direct emissions released from operations. For Allegro.eu Group, this includes natural gas, fuel consumption for vehicles and refrigerant leakages.

**Scope 2:** Indirect GHG emissions from consumption of purchased electricity and heat.

**Scope 3** indirect GHG emissions not covered in Scope 2 that occur throughout the value chain. This includes purchased goods and services (water supply, sewage, paper, packages and also marketing, IT services and consultancy), capital goods, energy and fuel related emission, waste, business travel, employee commuting, distribution (parcel transportation), use of sold products downstream leased assets.

Compared to 2020, Scope 1&2 GHG emission per GMV (mPLN) decreased by 0.3% (market-based method[39]) and 10.7% (location-based method[40]) in 2021. This decrease resulted primarily from the growing share of RES in electricity purchases.

[37] BREEAM ratings range from Acceptable (In-Use scheme only) to Pass, Good, Very Good, Excellent to Outstanding.
[38] Data includes: Allegro.pl, Ceneo.pl, eBilet.pl, Allegro Finance, Allegro Pay, Opennet, X-press Couriers (October-December 2021).
[39] Market-based method: electricity-related emissions calculated using the energy seller specific emission factor. In the market-based method, indicators for energy suppliers were used.
[40] Location-based method: electricity-related emissions calculated using country average emission factor. In the case of the location-based method, the average emission factor for Poland was used.



| GHG emission in relation to GMV (kt $CO_2e$/m PLN) | 2021 | 2020* | YoY |
|---|---|---|---|
| Scope 1&2 emissions (market-based) (kt $CO_2e$) in relation to GMV (m PLN) | 0.26 | 0.26 | -0.3% |
| Scope 1&2 emissions (location-based) (kt $CO_2e$) in relation to GMV (m PLN) | 0.23 | 0.26 | -10.7% |
| Total (Scope 1&2&3) emissions (market-based) (kt $CO_2e$) in relation to GMV (m PLN) | 4.7 | 3.9 | 22.9% |
| Total (Scope 1&2&3) emissions (location-based) (kt $CO_2e$) in relation to GMV (m PLN) | 4.7 | 3.9 | 21.2% |

For 2020 and 2019 not comparable due to the methodology adjustment

Compared to 2020, GHG Scope 1&2 emissions increased by 21% (market-based method) and 8.4% (location-based method) in 2021. This increase resulted primarily from strong operation growth and increased electricity consumption at the data centres.

In order to reduce its GHG emission impact, in 2021 Allegro.eu decided to join the Science-Based Target Initiative and develop a decarbonization strategy in line with the Paris Agreement within two years.

**Scope 1** direct emissions increased by 123% yoy mainly because of higher natural gas demand. This increase result from natural gas (real estate heating) and fuel (petrol, diesel, LPG, hybrid) consumption for vehicles.

**Scope 2** emissions increased by 18.5% yoy (market-based) and 5.5% yoy (location-based) due to higher consumption of purchased electricity as the new logistic infrastructure was introduced. In 2021, almost 20% of electricity consumed by Allegro.eu Group was generated from RES. In 2020 company didn't have any RES within its electricity purchase mix.

**Scope 3** GHG emission increased 50% yoy, mainly driven by Allegro.eu Group business development (more shipments and more packaging being consumed in this period), as well as investments in the roll-out of a proprietary parcel locker network.

## Source of GHG emissions [t CO2e]

| GHG emission [t $CO_2e$] [41] | 2021 | 2020 methodology adjusted * | YoY | 2020 | 2019 |
|---|---|---|---|---|---|
| Scope 1 | 526.70 | 250.58 | 110.2% | 226.10 | 320.75 |
| Scope 2 (location-based) | 9,244.37 | 8,763.48 | 5.5% | 8,286.30 | 7,509.56 |
| Scope 2 (market-based) | 10,598.02 | 8,941.53 | 18.5% | 8,464.35 | 7,452.01 |
| Scope 3 | 189,087.83 | 126,201.76 | 49.8% | 3,046.33 | 2,809.84 |
| **Scope 1+2+3 (location-based)** | **198,858.91** | **135,215.82** | **47.1%** | **11,063.18** | **10,640.15** |
| **Scope 1+2+3 (market-based)** | **200,212.56** | **135,393.87** | **47.9%** | **11,733.01** | **10,582.60** |

## Source of GHG emissions [t CO2e]

| Scope 1 [t $CO_2e$] | 2021 | 2020 methodology adjusted * | YoY | 2020 | 2019 |
|---|---|---|---|---|---|
| Natural gas | 384.27 | 190.92 | 101.3% | 190.92 | 226,84 |
| Diesel | 27.73 | 20.35 | 36.3% | 14.18 | 4.20 |
| Petrol | 51.73 | 37.61 | 37.5% | 21.00 | 48.71 |
| Hybrid cars | 51.96 | 1.69 | 2,974.6% | — | — |
| LPG | 11.01 | — | — | — | — |

[41] 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. The emissions in 2020 were selected as the base year. The sources of emission factors were KOBIZE publications (The National Centre for Emissions Management) for gasoline, diesel oil, natural gas, electricity and heat. For other emission the main source was the DEFRA database (Department of Environment, Food and Rural Affairs in the British Government). GWP factors were adopted based on the Fourth Assessment Report (AR4). Calculations were made for each subsidiary and the results were consolidated according to operational control. 100% of emissions from individual locations of the Allegro Group were taken into account. 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 factor) and market-based (electricity-related emissions calculated using the energy seller specific emission factor). In the case of the location-based method, the average emission factor for Poland was used. In the market-based method, indicators for energy suppliers were used.



| Scope 2 [t $CO_2e$] [42] | 2021 | 2020 methodology adjusted * | YoY | 2020 | 2019 |
|---|---|---|---|---|---|
| Electricity consumption (market-based method) | 10,095.27 | 8,359.38 | 20.8% | 7,882.21 | 7,042.43 |
| Electricity consumption (location-based method) | 8,741.62 | 8,181.33 | 6.9% | 7,212.37 | 7,099.98 |
| Heat | 502.75 | 582.15 | -13.6% | 582.15 | 409.58 |

| Scope 3 [t CO2e] [43] | 2021 | 2020 methodology adjusted * | YoY | 2020 | 2019 |
|---|---|---|---|---|---|
| Cat. 1 – Purchased Goods and Services | 97,748.03 | 75,030.71 | 30.3% | 340.99 | 188.20 |
| Cat. 2 – Capital goods | 30,798.93 | 14,642.84 | 110.3% | - | |
| Cat. 3 – Fuel – and Energy-Related Activities Not Included in Scope 1 or Scope 2 | 2,849.11 | 1,254.50 | 127.1% | 1,248.02 | 1,249.88 |
| Cat. 5 – Waste Generated in Operations | 13.90 | 4.93 | 181.9% | 4.93 | 0.23 |
| Cat. 6 – Business Travel | 133.88 | 73.55 | 82.0% | 73.55 | 649.21 |
| Cat. 7 Employee Commuting | 3,060.00 | 3,060.00 | 0.0% | - | - |
| Cat. 9 – Downstream Transportation and Distribution | 54,455.03 | 32,041.77 | 70.0% | 1,285.38 | 639.70 |
| Cat. 12 – End-of-Life Treatment of Sold Products | 14.96 | 6.41 | 133.4% | 6.41 | 3.29 |
| Cat. 13 – Downstream Leased Assets | 14.00 | 87.04 | -83.9% | 87.04 | 79.32 |

[42] Please note that emission from electricity includes also emission generated by Allegro employees while working from home

[43] Please note that the categories: 4,8,10,11,14,15 of Scope 3 are not relevant to Allegro Group's operations in any given year. In the following years, Allegro will analyze whether the remaining Scope 3 categories should be treated as relevant and material to the Allegro.eu's operations (assuming 5% significance threshold).

Calculations of the GHG emissions were prepared in accordance with the standards: The Greenhouse Gas Protocol A Corporate Accounting and Reporting Standard Revised Edition, GHG Protocol Scope 2 Guidance, and Corporate Value Chain (Scope 3) Accounting and Reporting Standard using Inventory and Screening approach – in case the first option could not be used (Screening approach was implemented using tools recommended by GHG Protocol and Science Based Targets Initiatives).

The table below presents our consumption indicators of energy, materials, water, waste and travels which were used to GHG emission calculation.

| Energy [GJ] | 2021 | 2020 methodology adjusted * | 2020 | 2019 |
|---|---|---|---|---|
| Electricity [GJ] | 57,589.91 | 40,935.77 | 38,301.20 | 35,297.50 |
| Heating [GJ] | 5,209.83 | 6,032.60 | 6,032.60 | 4,244.37 |
| Natural gas [GJ] (retail distribution center and fulfillment center) | 6,933.79 | 3,445.61 | 3,445.61 | 4,092.44 |
| Petrol [GJ] | 1,651.73 | 543.24 | 303.24 | 703.42 |
| Diesel [GJ] | 373.56 | 274.20 | 191.34 | 609.99 |
| **Total [GJ]** | **71,758.82** | **51,231.42** | **48,273.99** | **44,947.72** |

| Utilities consumption | 2021 | 2020 methodology adjusted * | 2020 | 2019 |
|---|---|---|---|---|
| Electricity consumption [MWh] | 15,997.20 | 11,371.05 | 10,639.22 | 9,763.99 |
| Heating [GJ] | 5,209.83 | 6,032.60 | 6,032.60 | 4,244.37 |
| Natural gas [m³] (retail distribution center and fulfillment center) | 189,759.00 | 94,296.82 | 94,296.82 | 111,754.36 |
| Petrol [l] | 49,384.10 | 16,241.94 | 9,066.31 | 21,031.32 |
| Diesel [l] | 10,342.06 | 7,591.40 | 5,297.29 | 16,887.84 |
| LPG [l] | 7,072.92 | — | — | — |

| Water consumption | 2021 | 2020 methodology adjusted * | 2020 | 2019 |
|---|---|---|---|---|
| Water consumption [m³] | 5,656.66 | 4,627.03 | 4,627.03 | 9,771.57 |
| Water and effluents emissions [t $CO_2e$] | 2.44 | 5.07 | 5.07 | 10.70 |
| Water reclaimed (recycled/reused) [m³] | 0 | 0 | 0 | 0 |
| Untreated wastewater discharged [m³] | 5,656.66 | 4,627.03 | 4,627.03 | 9,771.57 |

Water withdrawal is only used for offices and employees' needs, not for production purposes.



| Energy consumption | 2021 | 2020 methodology adjusted * | 2020 | 2019 |
|---|---|---|---|---|
| Electricity consumption (in MWh) | 15,997.20 | 11,371.05 | 10,639.22 | 9,763.99 |
| Electricity usage from renewable sources (RES) | 3,234.64 | — | — | — |

| Materials purchased in the offices | 2021 | 2020 methodology adjusted * | 2020 | 2019 |
|---|---|---|---|---|
| Paper [reams] | 1,698 | 2,438 | 2,438 | 3,080 |
| Envelopes [pcs] | 40,000 | 70,000 | 70,000 | 190,000 |
| Ticket paper [kg] | — | 1,671.90 | 1,671.90 | 2,531.20 |

| Packaging used in a warehouse [ton] | 2021 | 2020 methodology adjusted * | 2020 | 2019 |
|---|---|---|---|---|
| Cardboard packaging – 100% of recycled paper | 555.19 | 234.85 | 234.85 | 117.05 |
| Original stretch film – unrecycled | 54.17 | 48.80 | 48.80 | 22.40 |
| Half-pallet wood | 91.54 | 9.97 | 9.97 | 10.98 |
| 100% recycled foil fillers are 100% recyclable, HDPE foil | 0 | 7.30 | 7.30 | 3.50 |

| Waste | 2021 | 2020 methodology adjusted * | 2020 | 2019 |
|---|---|---|---|---|
| Total waste [t] | 340.62 | 185.00 | 183.76 | 10.59 |
| Recycled waste [t] | 297.86 | 179.60 | 179.60 | — |
| Non-recycled waste [t] | 42.76 | 6.58 | 6.58 | — |

Data from 2019 does not include warehouse waste.

| Business travel | 2021 | 2020 methodology adjusted * | 2020 | 2019 |
|---|---|---|---|---|
| Flight [km] | 587,903.92 | 292,295.00 | 292,295.00 | 3,047,158.00 |
| Train [km] | 730,680.00 | 552,543.00 | 552,543.00 | 2,389,917.00 |
| Cars [km] | 232,895.44 | 146,620.93 | 146,620.93 | — |

* Please note that in order to be fully compliant with SBT requirements Allegro supplemented its GHG calculation by the following categories of Scope 3: Purchased Goods and Services (cat. 1), Capital Goods (cat. 2), Downstream Transportation and Distribution (cat. 9) and Employee Commuting (cat. 7) using Screening approach – the methodology adjustment for 2020 was also implemented.

No refrigerants were released in 2019 and 2020 and 2021.

## 3.5.5. SUSTAINABLE DELIVERY EXPERIENCE

We support our customers in reducing their carbon footprint with the delivery of products by One Fulfillment by Allegro, One Point by Allegro (pick-up points), green APMs: One Box by Allegro and sustainable packaging.

One Fulfillment 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 center will further reduce delivery times, provide high-quality customer service, and reduce the environmental impact.

### LAST MILE SUSTAINABILITY

As of the beginning of November 2021, Allegro started to roll out its own network of parcel lockers, One Box by Allegro. Allegro customers can now join a range of sustainability initiatives when collecting their orders. The map of Poland at one.allegro.pl is turning greener and greener, most notably around Warsaw, Poznań, Bydgoszcz, Gdańsk, Gdynia, Łódź, Wrocław, Katowice, and Kraków. As at the end of 2021, Allegro "has grown" 1,001 green machines.

### THE NEW NETWORK WILL CONSIST OF AT LEAST 3,000 GREEN PARCEL LOCKERS ACROSS POLAND BY THE END OF 2022

The One Point by Allegro network has also introduced other environmentally friendly delivery options. We operate a partner network of next-day pick-up points, offering customers the opportunity to collect their orders on the next day after shipping, and ensuring sellers a convenient way to send and manage orders within a single platform. The carbon footprint of using APMs or pick-up points is lower compared to the courier option.

### PROMOTING REUSE AND CIRCULAR ECONOMY AMONG CLIENTS

Allegro has prepared additional features to meet its social responsibility and sustainability ambitions. After collecting their first parcel, customers can bring used electrical equipment to a parcel locker to be recycled and given a second life. In addition, for every tenth parcel picked up, the platform will plant a tree with a personalised dedication to the customer. This is only the beginning, with new environmentally friendly initiatives underway as the platform develops its One Box by Allegro network.

Apart from the convenience of delivery, which is key to both customers and sellers, Allegro's ambition spans innovation in a broader sense and paying more attention to the needs of the planet, as reflected in the amount of waste we produce, the aesthetic appeal of the cities we live in and the amount of greenery surrounding us. These issues have also been identified, without hesitation, by the buyers, who have experienced the ongoing pandemic. Allegro is developing the One brand by following its strategy of "One better method for merchants, buyers and the planet!" These are just some of the first out of many initiatives that will form the core part of the One by Allegro green delivery and returns services in the coming months.

### SUSTAINABLE PACKAGING

Our ambition is for at least 2.5 million parcels ordered on Allegro every month to be shipped in eco-friendly packaging by 2022.

We want all products sent by the Official Allegro Store and the One Fulfillment by Allegro service to be packed using sustainable packaging materials such as certified packaging, paper tape and filler, and we intend to implement more processes to minimise waste and lower the carbon footprint across the supply chain.



We have introduced eco-friendly packaging options for sellers at very competitive prices. At Allegro, we order such packaging in huge quantities and at wholesale rates, and we do not earn any profit on resale. The packaging has international certificates confirming that the raw materials used for their production come from recycling, have been obtained in a sustainable manner throughout the entire chain, and are suitable for recycling.

### SECOND LIFE OF PRODUCTS – ALLEGRO LOKALNIE

Up to 82% of online shoppers buy and sell second-hand goods online. Allegro Lokalnie is a place where buyers can find items from private sellers and enjoy the same good experience as when buying from professional sellers. With Allegro Lokalnie, it is even easier to buy and sell, and find attractively-priced unique items. You can also be sure that you are shopping online safely. As an additional perk, the items are often second-hand, and Allegro Lokalnie gives them a second life, in line with the circular economy's principle of reusing.

Allegro Lokalnie is the second most popular C2C e-commerce platform in Poland (according to the Gemius/PBI survey of September 2020).

### FIGHT FOR CLEAN AIR

One of the most important environmental problems in Poland is the quality of the air we breathe. Many Polish cities are at the top of the lists of the most polluted cities in Europe. One of the culprits are domestic coal stoves that do not meet the norms.

In March 2020, we signed a cooperation agreement with the Ministry of Economic Development, Labour and Technology, Polish Smog Alert (Polski Alarm Smogowy) as well as the chairman of the Office of Competition and Consumer Protection (UOKiK). As part of the Anti-Smog Coalition (Koalicja Antysmogowa) we have decided to remove from our platform all offers with coal stoves that fail to meet the legal requirements. In 2021 we removed 413 offers.

Additionally, to ensure an even higher level of safety, Allegro introduced a provision in its regulations that stoves can only be offered for sale if the required documentation (certificates) is attached to the offer.

### TAKING CARE OF ANIMALS

As wildlife protection is extremely important for Allegro, we have been cooperating for years with PTOP Salamandra – Polish Nature Conservation Society. Our main goal is to eliminate offers of endangered species (CITES) and help combat illegal wildlife trafficking. Thanks to the cooperation, we can identify illegal offers and remove them from the platform.

### ALLEGRO PARTICIPATES IN UN ENVIRONMENT'S CLIMATE LEADERSHIP PROGRAM

Climate Leadership is a community of business leaders who understand the necessity of climate change action and see it as an opportunity for development. In cooperation with external experts of the Program, companies develop and then implement solutions that measurably reduce their negative impact on the global climate.

Allegro joined the program as part of its project of implementing circular economy principles. One of the assumptions of Climate Leadership is that each participant should propose a commitment that will bring about measurable changes counteracting the climate crisis.

The Climate Leadership programme was launched by UNEP/GRID Warsaw Centre and powered by the UN Environment Programme.

# 3.6. Social impact

Allegro.eu Group conducts charitable, social and sponsorship, as well as corporate social responsibility (CSR) activities. Allegro's social impact spans technological education, including youth education, charity work and employee involvement in social activities.

**Allegro All For Planet Foundation** operates within the Group. Through the activity of Allegro All For Planet, since 2008 we have been trying to increase ecological awareness among Poles and promote environmentally friendly behaviour. Combining ecology and sustainable transport with technology, we have created an employee volunteering program. The Foundation also supports various social programs of other Polish NGOs.

The social impact activities have been outlined in the Allegro CSR & Sustainability Strategy for 2020–2023. The main goals are:

| | |
|---|---|
| Investing in education and development skills for young people | • Long-term educational programs for the youth (open-ended or selected groups) to foster entrepreneurial and tech skills<br>• Educational and mentoring initiatives for the youth<br>• Cooperation with universities to increase the applicability of university courses and development of skills that increase students' employability |
| Supporting communities we operate in | • Continuation and scaling of Allegro Charytatywni<br>• Continuation and scaling of existing initiatives<br>• Cooperation with selected charities<br>• Local fundraising on Allegro Lokalnie<br>• More extensive employee volunteering programs<br>• Participation in Hackathons that address issues affecting Allegro stakeholders (e.g. senior users, the disabled) and support sustainable development (e.g. climate change, smart cities) |
| Social, charity and sponsorship activities policy | • Creating and introducing the policy for social, charity and sponsorship activities, which will identify the scope of activities and outline how Allegro.eu operates in this area. |

In December 2021 Allegro.eu Group implemented the Allegro.eu 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 a benefit analysis and dialogue with stakeholders. These activities will be in line with the standards and good practices of corporate social responsibility, industry codes, the Group's code of ethics as well as internal policies and regulations.

The social and charitable activities of the Group have been inscribed into the company's foundations since its establishment, reflecting the idea that technology has the power to solve many social problems. Group Companies share their knowledge, support education in technology, help those in need by using the tools available on the Allegro.pl Platform (Charytatywni.Allegro.pl auctions and AllegroLokalnie.pl fundraisers), and through the activity of the Allegro All for Planet Foundation (which will be renamed in the near future to Allegro Foundation).



Information about charitable, social and sponsorship activities are publicly available. The company is monitoring expenses as well as in-kind donations: donations of products or services, projects/partnerships, etc.

As a member of the UN Global Compact, Allegro confirms that sponsoring, social, and charity activities are executed in accordance with the Ten Principles of the UN Global Compact, and that it pursues Sustainable Development Goals, contributing to meeting the 2030 Agenda for Sustainable Development.

The goal of Allegro.eu Charity, Social and Sponsoring Activities Policy is to establish the obligations of the Group, its Employees, Contractors and staff members with a view to discharging the Company's obligations pertaining to charitable, social and sponsorship activities. The policy ensures transparency of expenses on charity, social and sponsoring initiatives made by the Group. The Policy organizes and identifies the overarching goals of charitable, social and sponsorship activities of the Group.

The Policy 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 organizations or institutions of similar nature, as well as persons holding public offices and politicians. Charitable activities in the form of donations may not involve making donations to trade unions, employers' organizations, professional self-governing bodies, or sports clubs established as commercial companies. This prohibition also includes military organizations or persons, as well as the arms industry.

| Donation to social and charity organizations, and to support culture | 2021 |
|---|---|
| Expenditure incurred to support charitable institutions and social organizations, and as charity donations * | PLN 4.3 million |
| Expenditure incurred to support culture ** | PLN 0.5 million |

In accordance with the Allegro.eu's Policy of Charitable, Social and Sponsoring Activities, in 2021 the company made no expenses to support trade unions or political parties, and made no donations to the media.

* including donation to Allegro All For Planet Foundation, the Great Orchestra of Christmas Charity (Wielka Orkiestra Świątecznej Pomocy, Lekarze Lekarzom Foundation, Zwolnieni z Teorii Foundation, Stowarzyszenie WIOSNA as well as others organizations and institutions.

** including The Allegro Prize and The Best Book of the Year.

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## SOCIAL AND CHARITY INITIATIVES

At Allegro, we believe technology has the power to solve many social problems. We share knowledge, support technological education and help those in need by using our platform to organize charity auctions.

| Social and charity initiatives | 2021 | 2020 |
|---|---|---|
| Charytatywni.Allegro.pl platform: amount raised | PLN 39.3 million | PLN 19.4 million |
| *incl. Great Orchestra of Christmas Charity auctions* | PLN 30.1 million | PLN 14.9 million |
| Charytatywni.Allegro.pl platform: number of offers | 845,614 | 838,500 |
| Charytatywni.Allegro.pl platform: number of organizations | 425 | 401 |
| Donations from Allegro clients (Noble Cart) for Szlachetna Paczka | PLN 1 050 040 | PLN 535,000 |
| Number of people enrolled in the PFR's School of Pioneers (Szkoła Pionierów PFR) | 50 | 50 |
| Allegro Lokalnie Collections – amount raised | 251 552 | PLN 170,000** |
| Allegro Lokalnie Collections – number of collections | 257 | 178** |
| Employees volunteering program | 100 employees volunteers<br>400 hours of volunteering | 77 projects***<br>200 employees*** |

## ALLEGRO CHARYTATYWNI

Throughout the seven years of its activity, Allegro Charytatywni proved how much demand there is for an online space that brings together those who can offer support to those who may need it.

Allegro Charytatywni is an online space where any public benefit organization can raise funds to achieve goals that it considers especially important. No fees or commissions are charged. We provide the necessary technological tools and engage in selected initiatives as partners. Allegro customers who wish to support a given person or cause can put their own items on sale, and the proceeds will be donated to a cause of their choice, or buy unique items on charity auctions.

In some of the charity auctions customers can make a direct payment. In most cases, they opt for the Virtual Collection Box (Wirtualna Puszka) or a fast PayU transfer.

### ALLEGRO CHARYTATYWNI RESULTS IN 2021:

- Almost PLN 39.3 million raised
- 845,600 offers
- 955 charity goals benefitting 247 NGOs

** Since July 2020
*** #pomagamyboumiemy employee engagement campaign – two editions



## ALLEGRO FOR THE GREAT ORCHESTRA OF CHRISTMAS CHARITY

Allegro has supported the Great Orchestra of Christmas Charity (WOŚP) since its inception. 21 years of cooperation have translated into nearly PLN 80 million transferred to the account of the Great Orchestra of Christmas Charity Foundation. An additional PLN 31 million was donated to the Foundation following the 29th Grand Finale. All funds were used to purchase for laryngology, otolaryngology and head diagnostics equipment.

In 2021, we supported the Orchestra in the following ways:

- Auctions on the platform;
- Rzeczyodserca.pl – a platform for celebrities and Allegro customers to put items on sale, with proceeds being donated to initiatives that WOŚP is collecting money for in the given year. Donors are also encouraged to record videos describing the items they are putting on sale;
- Virtual Collection Box (Wirtualna Puszka);
- Video streams;
- Participation in the Grand Finale in the studio;
- Allegro Staff (Sztab Allegro), volunteering by Allegro employees.

### THE 29TH FINALE OF THE GREAT ORCHESTRA OF CHRISTMAS CHARITY SET ANOTHER RECORD:

- Over 205,000 offers and Virtual Collection Box donations helped raise PLN 30.1 million for WOŚP.
- This amount is over twice as high as in the previous year. Allegro helped break the record by donating 1 million zlotys to the Great Orchestra of Christmas Charity.
- 425 teams posted a total of over 38,000 auctions on Allegro. The engaged foreign teams included even the Polish Polar Station in Hornsund in Spitsbergen. Allegro customers also eagerly turned to their computer screens and smartphones to support the Foundation.
- In 8 weeks, the aukcje.wosp.org.pl website was visited by over 8.3 million unique users, and mobile devices generated as much as 77% of the overall traffic.

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## SUPPORTING SZLACHETNA PACZKA

For years, Allegro has been supporting Szlachetna Paczka (Noble Gift). In December 2021 our customers could, for the second time, add a donation to their order to support this initiative. A total of 94,684 charity shopping actions under the Noble Cart campaign helped collect PLN 1,050,040 to support disadvantaged families.

40 of Allegro.eu's volunteer leaders, together with their 700 volunteers, prepared Noble Gifts for 36 families struggling financially. During the Weekend of Miracles (Weekend Cudów), the parcels of a total value of over PLN 145,000 reached the needy to fulfil their dreams and satisfy all needs.

Read more about Allegro Tech and tech education in the workplace section.

## LONG-TERM EDUCATIONAL PROGRAMS FOR YOUNG PEOPLE

As part of partnership and knowledge sharing activities, since 2018 Allegro has been a strategic partner of the Polish Development Fund's (PFR) School of Pioneers (Szkoła Pionierów) initiative, an intensive educational and mentoring program for young and beginning entrepreneurs in the new tech industry. The aim of the program is to help people starting their careers create innovative projects that, in the long term, may be commercialised and launched on the Polish market, and then globally. Since its inception, 200 Pioneers have completed our educational program. In 2021, there were 50 graduates in 12 founding teams, who took part in workshops on 26 different topics. The fourth edition of the PFR School of Pioneers was to prepare the business owners to the challenges their companies will face in the age of green transformation. The programme participants can choose from 9 green challenges or work on their own solutions.

Since August 2019, Allegro has also been the partner of the Central House of Technology, supporting the education of the youth and sharing practical knowledge. Allegro is the partner of the "Technology" educational path, and the company experts are happy to share their knowledge at meetings and workshops organized for the young, based on the STEAM method (Science, Technology, Engineering, the Arts, Mathematics).

## MAM SWOJE ALLE

In 2021 we continued Mam Swoje Alle (I have my own Alle), an educational project developed by Allegro in partnership with Fundacja Zwolnieni z Teorii. Its goal is to develop and promote entrepreneurship competencies among students (12 years old or older). Thanks to public fundraiser through Allegro Lokalnie, they can raise funds for social initiatives of their choice. Furthermore, over 30 volunteers from Allegro offered mentoring to the students, supporting their social projects.

## COLLECTIONS ON ALLEGRO LOKALNIE

Since 2020, Allegro Lokalnie has made it possible to launch fundraising initiatives. Every customer can support local, social initiatives while shopping. Allegro customers can also put items on sale in a selected fundraising initiative. All you need to do is find the initiative you want to support and specify what percentage of the proceeds (10% to 100%) will be donated to the goal of your choice. The auctioned item will be visible both on Allegro Lokalnie and Allegro.pl. This will allow the offer to reach as many as 21 million visitors.

From July 2020 to December 2021, beneficiaries collected over PLN 420,000. In as many as 68% of all of the completed fundraisers, the full amount of money needed to achieve the given goal was raised.



## DONATION TO THE DOCTORS FOR DOCTORS FOUNDATION:

Thanks to the donation from Allegro, the Doctors for Doctors Foundation (Fundacja Lekarze Lekarzom) bought as many as 16 medical devices. Antibacterial lamps were delivered to medical facilities in every province. The devices were handed to the representatives of hospitals on 19 March 2021, during a conference of the Doctors for Doctors Foundation held at the headquarters of the Supreme Medical Chamber in Warsaw.

## SUPPORTING CULTURE

### THE ALLEGRO PRIZE COMPETITION IS AN OPPORTUNITY FOR VISUAL ARTISTS

The Allegro Prize competition has given publicity to artists from around the world. The jury consisting of well-known figures such as Andrzej Chyra, Natalia Sielewicz, Valeria Napoleone, and Rafał Milach discovered new talented artists and offered them the opportunity to present their art to a large audience. 3 winners were chosen and 10 distinctions awarded. The total amount of the awards was PLN 50,000. In 2021 the jury chose three winners and awarded 10 honourable mentions. Paul Debashish, Latifa Zafar Attaii, and Ewa Ciepielewska are the three artists who impressed the jury with their works and won the second edition of the international competition for visual artists – Allegro Prize 2021.

### BEST BOOK OF THE YEAR 2020 AND SUPPORTING THE BOOK INDUSTRY

Allegro became involved in the 2020 edition of the Best Book of the Year, a country-wide poll organized together with Lubimy Czytać (Polish GoodReads). A new, socially responsible category was created in 2021 to support the book industry. The offline book segment was devastated by the pandemic no less than other industries. Participants could vote for one of the five well-known NGOs promoting readership and supporting booksellers during the pandemic. As the poll organizer, Allegro supported those institutions with a donation of PLN 250,000 for their declared charity goals.

# 3.7. Taxonomy

The EU taxonomy (Regulation EU 2020/852) is a classification system, establishing a list of environmentally sustainable economic activities. Under the Taxonomy Regulation, the European Commission came up with the actual list of environmentally sustainable activities by defining technical screening criteria for each environmental objective through delegated acts. EU Taxonomy is a system enabling uniform classification of sustainability activities, which is to support investors in making investment decisions.

Following the analysis of all the activities described in the taxonomy (NACE), in the case of the Allegro.eu Group, revenues, capital expenditures and operating expenses are from the following taxonomy-eligible activities:

- Data processing; website management (hosting) and similar activities
- Road freight services
- Software, IT consultancy and related activities

The basis for calculating the share of taxonomy-eligible was the Group's financial statement for the year 2021.

| Allegro.eu Group taxonomy-eligible | 2021 |
|---|---|
| Percentage of taxonomy-eligible economic activity in total turnover | 0.38% |
| Percentage of taxonomy-eligible economic activity in total capital expenditures | 6.32% |
| Percentage of taxonomy-eligible economic activity in total operating expenditures | 7.86% |

## 3.7.1. TURNOVER

| Turnover | 2021 |
|---|---|
| **Percentage of taxonomy-eligible economic activity in total turnover** | **0.38%** |
| Percentage of non-taxonomy-eligible economic activity in total turnover | 99.62% |

### ACCOUNTING PRINCIPLES

Following the analysis of all the activities described in the taxonomy (NACE), the taxonomy-eligible revenues constitute 0.38% (20.45 mPLN) of all revenues from the Group's activities in the financial year 2021. In the case of the Group, these revenues include revenues from the following taxonomy-eligible activities:

- Data processing; website management (hosting) and similar activities
- Road freight services
- Software, IT consultancy and related activities

These activities include the provision of hosting services for external clients as well as transport and courier services. 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, backup 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 basis for calculating the share of taxonomy-eligible revenues in all revenues from the Group's operations was the Group's financial statement for the year 2021. The allocation of revenues according to the taxonomy was possible thanks to the Group's advanced controlling tools, facilitating the analysis of financial results from many angles.

### CONTEXT

Due to the temporary nature of disclosures for 2021, including:

- no comparative period
- no reporting on alignment of activities with the taxonomy

no qualitative information is disclosed regarding:

- a quantitative breakdown of the numerator to illustrate the key drivers of the change in KPIs during the reporting period, such as contract revenue, lease revenue, or other revenue sources;
- amounts relating to economic activities aligned with the taxonomy, conducted for the enterprise's own consumption;
- an explanation of qualitative key elements of changes in KPIs in relation to turnover during the reporting period.

## 3.7.2. CAPITAL EXPENDITURES

| CAPEX | 2021 |
|---|---|
| **Percentage of taxonomy-eligible economic activity in total CAPEX** | **6.32%** |
| Percentage of non-taxonomy-eligible economic activity in total CAPEX | 93.68% |

### ACCOUNTING PRINCIPLES

Following the analysis of all the activities described in the taxonomy (NACE), the taxonomy-eligible capital expenditure is 6.32% (41.55 mPLN) of all capital expenditure from the Group's activities in the financial year 2021. In the case of the Group, these expenditure includes CAPEX from the following taxonomy-eligible activities:

- Data processing; website management (hosting) and similar activities

As taxonomy eligible capital expenditures were identified only assets or processes related to taxonomy – eligible economic activities. Capital expenditures were not analysed in terms of the purchase of products from taxonomy-eligible economic activity and individual measures facilitating to the target activity to become low-carbon or to reduce greenhouse gas emissions.

The basis for calculating the share of taxonomy-eligible capital expenditure in all CAPEX from the Group's operations was the Group's financial statement for 2021 (additions to tangible assets, intangible assets, Righ-of-Use Assets presented in notes "13-Intangible assets" and "14-Property, plants and equipment" of Consolidated Financial Statement). The allocation of capital expenditure according to the taxonomy was possible thanks to the Group's advanced controlling tools, which enable the analysis of financial results from many angles.

### CONTEXT

Due to the temporary nature of disclosures for 2021, including:

- no comparative period
- no reporting on alignment of activities with the taxonomy

no qualitative information is disclosed in the aspect of: significant changes that occurred during the reporting period with respect to the implementation of capital expenditure plans, a quantitative breakdown at the aggregate level of economic activity of amounts comprised in the numerator and a qualitative explanation of key elements of changes in KPIs for capital expenditure during the reporting period.



## 3.7.3. OPERATING EXPENDITURES

| OPEX | 2021 |
|---|---|
| **Percentage of taxonomy-eligible economic activity in total OPEX** | **7.86%** |
| Percentage of non-taxonomy-eligible economic activity in total OPEX | 92.14% |

### ACCOUNTING PRINCIPLES

Following the analysis of all the activities described in the taxonomy (NACE), the taxonomy-eligible operating expenses is 7.86% (9.61 mPLN) of all operating expenses from the Group's activities in the financial year 2021 (understood as direct non-capitalised costs that relate to research and development, building renovation measures, 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 by the undertaking or third party to whom activities are outsourced that are necessary to ensure the continued and effective functioning of such assets). In the case of the Group, these expenses include expenses from the following taxonomy-eligible activities:

- Data processing; website management (hosting) and similar activities

Operating expenses were not analysed in terms of the purchase of products from taxonomy-eligible economic activity and individual measures facilitating to the target activity to become low-carbon or to reduce greenhouse gas emissions.

The basis for calculating the share of taxonomy-eligible operating expenses in all operating expenses of the Group's operations was the Group's financial statement for 2021. 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.

### CONTEXT

Due to the temporary nature of disclosures for 2021, including:

- no comparative period
- no reporting on alignment of activities with the taxonomy

no qualitative information is disclosed regarding:

- a quantitative breakdown of the numerator to illustrate the key drivers of the change in KPIs for operating expenses during the reporting period
- qualitative explanations of key elements of changes in KPIs in relation to operating expenditure during the reporting period
- other expenses related to the day-to-day servicing of material fixed assets, which were included in the calculation of operating expenses both in the denominator and in the numerator

## 3.7.4 INFORMATION ON THE ASSESSMENT OF COMPLIANCE WITH REGULATION (EU) 2020/852

Description of the nature of taxonomy-eligible economic activities:

Taxonomy-eligible economic activities of the Group:

| | |
|---|---|
| Data processing; website management (hosting) and similar activities | 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, backup devices and other components made available to the client that make up the IT system supported by the customer as well as device ordering and data storage services. |
| Road freight services | Transport and courier services |
| Software, IT consultancy and related activities | — |

## EXPLANATION OF HOW DOUBLE-COUNTING WAS AVOIDED WHEN ASSIGNING KPIS FOR TURNOVER, CAPITAL EXPENDITURE AND OPERATING EXPENSES TO DIFFERENT BUSINESS ACTIVITIES IN THE NUMERATOR

The data presented in the taxonomy is free from double counting as this data comes from the controlling system supporting the Group's management accounting. This system consists of a set of separate, financial organizational units whose financial data (revenues, capital expenditures and operating expenses) are reported on the chart of accounts and auxiliary items in accordance with the adopted accounting principles.

Operating expenses were not analysed in terms of the purchase of products from the taxonomy-eligible economic activity and individual measures facilitating the target activity to become low-carbon or to reduce greenhouse gas emissions.

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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 2021 Consolidated Financial Statements prepared in accordance with the International Financial Reporting Standards as adopted by the European Union 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 | François Nuyts |
| Director | Director |

**Audit report**

To the Shareholders of
**Allegro.eu S.A.**

## 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 S.A. (the "Company") and its subsidiaries (the "Group") as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) 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 financial position as at 31 December 2021;
- the consolidated statement of comprehensive income for the year then ended;
- 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, which include a summary of significant accounting policies.

**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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*T : +352 494848 1, F : +352 494848 2900, www.pwc.lu*

*Cabinet de révision agréé. Expert-comptable (autorisation gouvernementale n°10028256)*
*R.C.S. Luxembourg B 65 477 - TVA LU25482518*

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 40 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*<br><br>The Group's consolidated revenue amounted to PLN 5,352.9 million in 2021. There are multiple revenue streams as described in the note 9.2.<br><br>Allegro.pl marketplace revenue amounted to 4,303.9 million and accounted for 80.4% of revenue of the Group for the year ended 31 December 2021.<br><br>As part of the revenue generating activity the impact of the Smart! deliveries (loyalty program) shows a cost of PLN 1,246.2 million presented as an expense in "Net cost of delivery" in operating expenses as it exceeds the subscription fee earned.<br><br>Disclosure regarding Smart! program and key judgment applied were included in the note 9.1 and 9.5 in the consolidated financial statements.<br><br>Application of revenue recognition policies to marketplace revenue and Smart! Program is complex and involves estimates as well as management judgment related to the definition of a customer or agent versus principal. | Our audit procedures over revenue recognition included, among others:<br><br>- We understood and assessed the overall IT control environment and the controls in place.<br><br>- 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 authorized and also developed and implemented properly.<br><br>- 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.<br><br>- We used automated revenue testing for detailed tests of marketplace sales transactions which includes automatic matching of billing records with payments.<br><br>- 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.<br><br>- We reconciled billing records to trial balance without material differences.<br><br>- We analysed journal entries impacting marketplace revenue to identify any entries that might not be justified.<br><br>- We tested contract liabilities and refund liabilities to determine whether appropriate amounts have been recognised during the period. |

| | |
|---|---|
| In addition, the large number of transactions, high automation of revenue recognition and sophistication of systems and processes used by the Group increase the overall complexity.<br><br>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. | - We assessed the adequacy of the assumptions used by the Management in the process of determination of significant judgment relating to application of IFRS 15 (revenue recognition).<br><br>- 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 prior period when the accounting policy was developed.<br><br>- 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 IFRSs 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;

- 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 presented on pages 92 to 119 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 17 June 2021 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 5 years.

We have checked the compliance of the consolidated financial statements of the Group as at 31 December 2021 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 2021, identified as Standalone_and_Consolidated_Annual_Report_of_Allegro.eu_Group.zip, have been prepared, in all material respects, in compliance with the requirements laid down in the ESEF Regulation.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 23 February 2022

Véronique Lefebvre

all amounts expressed in PLN'000 unless indicated otherwise

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# 3. Consolidated Financial Statements

## Consolidated Statement of comprehensive income

| | Note | 01.01–31.12.2021 | 01.01–31.12.2020 |
|---|---|---|---|
| **Revenue** | 9 | **5,352,870** | **3,997,811** |
| **Operating expenses** | | **(3,359,130)** | **(2,410,979)** |
| Payment charges | | (142,571) | (152,889) |
| Cost of goods sold | | (341,110) | (222,675) |
| Net costs of delivery | 9.5 | (1,246,198) | (692,509) |
| Marketing service expenses | | (661,636) | (564,670) |
| Staff costs net | | (555,210) | (490,109) |
| *Staff costs gross* | | *(709,400)* | *(608,854)* |
| *Capitalisation of development costs* | | *154,190* | *118,745* |
| IT service expenses | | (100,911) | (61,398) |
| *IT service expenses gross* | | *(101,794)* | *(61,398)* |
| *Capitalisation of development costs* | | *883* | — |
| Other expenses net | | (195,017) | (125,782) |
| *Other expenses gross* | | *(264,785)* | *(156,336)* |
| *Capitalisation of development costs* | | *69,768* | *30,554* |
| Net impairment losses on financial and contract assets | 30 | (66,671) | (39,378) |
| Transaction costs | 8 | (49,806) | (61,569) |
| **Operating profit before amortisation and depreciation** | | **1,993,740** | **1,586,832** |
| **Amortisation and Depreciation** | | **(520,795)** | **(463,789)** |
| Amortisation | | (435,424) | (400,215) |
| Depreciation | | (85,371) | (63,574) |
| **Operating profit** | | **1,472,945** | **1,123,043** |



| | Note | 01.01–31.12.2021 | 01.01–31.12.2020 |
|---|---|---|---|
| **Net Financial costs** | 10 | **(114,824)** | **(506,336)** |
| Financial income | | 114,884 | 16,965 |
| Financial costs | | (229,708) | (523,301) |
| **Profit before Income tax** | | **1,358,121** | **616,707** |
| **Income tax expenses** | 11 | **(268,503)** | **(198,147)** |
| **Net Profit** | | **1,089,618** | **418,560** |
| **Other comprehensive income** | | **240,903** | **(74,712)** |
| **– Items that may be reclassified to profit or loss** | | **241,693** | **(73,774)** |
| Gain/(Loss) on cash flow hedging | | 231,614 | (104,980) |
| Cash flow hedge – Reclassification from OCI to profit or loss | | 61,802 | 38,926 |
| Deferred tax relating to these items | | (51,723) | (7,152) |
| Exchange differences on translation of foreign operations | | — | (568) |
| **– Items that will not be reclassified to profit or loss** | | **(790)** | **(938)** |
| Remeasurements of post-employment benefit obligations | | (996) | (1,137) |
| Deferred tax relating to these items | | 206 | 199 |
| **Total comprehensive income for the period** | | **1,330,521** | **343,848** |

| | Note | 01.01–31.12.2021 | 01.01–31.12.2020 |
|---|---|---|---|
| **Net profit for the period is attributable to:** | | **1,089,618** | **418,560** |
| Shareholders of the Parent Company | | 1,089,618 | 419,160 |
| Non-controlling interests | | — | (600) |

| | Note | 01.01–31.12.2021 | 01.01–31.12.2020 |
|---|---|---|---|
| **Total comprehensive income for the period is attributable to:** | | **1,330,521** | **343,848** |
| Shareholders of the Parent Company | | 1,330,521 | 344,448 |
| Non-controlling interests | | — | (600) |

| | Note | 01.01–31.12.2021 | 01.01–31.12.2020 |
|---|---|---|---|
| **Earnings per share for profit attributable to the ordinary equity holders of the company (in PLN)** | 12 | | |
| Basic | | 1.06 | (0.43) |
| Diluted | | 1.06 | (0.43) |

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

all amounts expressed in PLN'000 unless indicated otherwise

# Consolidated Statement of financial position

## ASSETS

| Non-current assets | Note | 31.12.2021 | 31.12.2020 |
|---|---|---|---|
| Goodwill | 13 | 8,669,569 | 8,639,249 |
| Other intangible assets | 13 | 4,230,029 | 4,407,024 |
| Property, plant and equipment | 14 | 443,809 | 150,820 |
| Derivative financial assets | 26 | 203,027 | — |
| Other receivables | | 30,676 | — |
| Consumer loans | 18 | 15,622 | 4,728 |
| Prepayments | 17 | 11,258 | — |
| Deferred tax assets | 23 | 4,579 | 281 |
| Investments | | 360 | 360 |
| **Total non-current assets** | | **13,608,929** | **13,202,462** |

| Current assets | Note | 31.12.2021 | 31.12.2020 |
|---|---|---|---|
| Inventory | 15 | 43,995 | 24,619 |
| Trade and other receivables | 16 | 818,828 | 646,409 |
| Prepayments | 17 | 54,068 | 36,496 |
| Consumer loans | 18 | 343,163 | 47,244 |
| Other financial assets | | 6,710 | 4,788 |
| Derivative financial assets | 26 | 13,968 | — |
| Income tax receivables | | 8,735 | 802 |
| Cash and cash equivalents | 19 | 1,957,241 | 1,185,060 |
| Restricted cash | 20 | 14,240 | — |
| **Total current assets** | | **3,260,948** | **1,945,418** |
| **TOTAL ASSETS** | | **16,869,877** | **15,147,880** |

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.



## EQUITY AND LIABILITIES

| Equity | Note | 31.12.2021 | 31.12.2020 |
|---|---|---|---|
| Share capital | 28 | 10,233 | 10,233 |
| Capital reserve | | 7,089,903 | 7,073,667 |
| Cash flow hedge reserve | | 146,209 | (95,484) |
| Actuarial gain/(loss) | | (1,728) | (938) |
| Other reserves | 28.3 | 19,707 | — |
| Treasury shares | 28.4 | (1,995) | — |
| Retained earnings | | 1,102,118 | 682,958 |
| Net result | | 1,089,618 | 419,160 |
| **Equity allocated to shareholders of the Parent** | | **9,454,065** | **8,089,596** |
| **Total equity** | | **9,454,065** | **8,089,596** |

| Non-current liabilities | Note | 31.12.2021 | 31.12.2020 |
|---|---|---|---|
| Borrowings | 21 | 5,362,982 | 5,437,223 |
| Lease liabilities | 22 | 206,086 | 45,359 |
| Derivative financial liabilities | 26 | — | 97,298 |
| Deferred tax liability | 23 | 608,797 | 579,078 |
| Liabilities to employees | 24 | 9,769 | 5,370 |
| Liabilities related to business combinations | 5 | — | 3,893 |
| **Total non-current liabilities** | | **6,187,634** | **6,168,221** |

| Current liabilities | Note | 31.12.2021 | 31.12.2020 |
|---|---|---|---|
| Borrowings | 21 | 3,316 | 577 |
| Lease liabilities | 22 | 45,056 | 27,907 |
| Derivative financial liabilities | 26 | 12,610 | — |
| Trade and other liabilities | 25 | 903,755 | 557,629 |
| Income tax liability | | 154,940 | 155,022 |
| Liabilities to employees | 24 | 103,608 | 148,928 |
| Liabilities related to business combinations | 5 | 4,893 | — |
| **Total current liabilities** | | **1,228,178** | **890,063** |
| **TOTAL EQUITY AND LIABILITIES** | | **16,869,877** | **15,147,880** |

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

all amounts expressed in PLN'000 unless indicated otherwise

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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 | Non-controlling interests | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **As at 01.01.2021** | **10,233** | **7,073,667** | **—** | **(95,484)** | **(938)** | **—** | **—** | **682,958** | **419,160** | **8,089,596** | **—** | **8,089,596** |
| Profit/(loss) for the period | — | — | — | — | — | — | — | — | 1,089,618 | 1,089,618 | — | 1,089,618 |
| Other comprehensive income | — | — | — | 241,693 | (790) | — | — | — | — | 240,903 | — | 240,903 |
| **Total comprehensive income for the period** | **—** | **—** | **—** | **241,693** | **(790)** | **—** | **—** | **—** | **1,089,618** | **1,330,521** | **—** | **1,330,521** |
| Transfer of profit/(loss) from previous years | — | — | — | — | — | — | — | 419,160 | (419,160) | — | — | — |
| Allegro Incentive Plan (see note 28) | — | — | — | — | — | 19,707 | — | — | — | 19,707 | — | 19,707 |
| Consolidation of Employee Benefit Trust (see note 28.4) | — | 17,627 | — | — | — | — | (3,386) | — | — | 14,241 | — | 14,241 |
| Release of Free Shares Awards to employees | — | (1,391) | — | — | — | — | 1,391 | — | — | — | — | — |
| **Transactions with owners in their capacity as owners** | **—** | **16,236** | **—** | **—** | **—** | **19,707** | **(1,995)** | **419,160** | **(419,160)** | **33,948** | **—** | **33,948** |
| **As at 31.12.2021** | **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** |

| | 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 | Non-controlling interests | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **As at 01.01.2020** | **434,246** | **5,141,141** | **568** | **(22,278)** | **—** | **(33,633)** | **—** | **758,784** | **391,392** | **6,670,220** | **13,422** | **6,683,642** |
| Profit/(loss) for the period | — | — | — | — | — | — | — | — | 419,160 | 419,160 | (600) | 418,560 |
| Other comprehensive income | — | — | (568) | (73,206) | (938) | — | — | — | — | (74,712) | — | (74,712) |
| **Total comprehensive income for the period** | **—** | **—** | **(568)** | **(73,206)** | **(938)** | **—** | **—** | **—** | **419,160** | **344,448** | **(600)** | **343,848** |
| Transfer of profit/(loss) from previous years | — | — | — | — | — | — | — | 391,392 | (391,392) | — | — | — |
| Change of the functional currency (see note 28) | 34,297 | 405,743 | | — | — | — | — | (440,040) | — | — | — | |
| Increase of capital (see note 28) | 232 | 972,094 | — | — | — | — | — | — | — | 972,326 | — | 972,326 |
| Conversion and decrease of the share capital (see note 28) | (459,997) | 459,997 | — | — | — | — | — | — | — | — | — | — |
| Non-recourse loans (see note 28) | 1,455 | 13,385 | — | | — | — | — | — | — | 14,840 | — | 14,840 |
| Shares based compensation (see note 28) | — | — | — | — | — | 52,191 | — | — | — | 52,191 | — | 52,191 |
| Shares granted to employees (see note 28) | — | — | — | — | — | 25,428 | — | — | — | 25,428 | — | 25,428 |
| Exercise of the awards by the employees | | 87,196 | | | | (87,196) | | | | — | | — |
| IPO costs in equity | — | (5,889) | — | — | — | — | — | — | — | (5,889) | — | (5,889) |
| Written put option liability valuation | — | — | — | — | — | 3,210 | — | — | — | 3,210 | — | 3,210 |
| Purchase of non-controlling interest – exercise of the put option on NCI (see note 5) | — | — | — | — | — | 40,000 | — | (27,178) | — | 12,822 | (12,822) | — |
| **Transactions with owners in their capacity as owners** | **(424,013)** | **1,932,526** | **—** | **—** | **—** | **33,633** | **—** | **(75,826)** | **(391,392)** | **1,074,928** | **(12,822)** | **1,062,106** |
| **As at 31.12.2020** | **10,233** | **7,073,667** | **—** | **(95,484)** | **(938)** | **—** | **—** | **682,958** | **419,160** | **8,089,596** | **—** | **8,089,596** |

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

all amounts expressed in PLN'000 unless indicated otherwise

allegro

# Consolidated Statement of cash flows

| | Note | 01.01–31.12.2021 | 01.01–31.12.2020 |
|---|---|---|---|
| **Profit before income tax** | | **1,358,121** | **616,707** |
| Amortisation and depreciation | | 520,795 | 463,789 |
| Net interest expense | 10 | 109,354 | 508,351 |
| Non-cash employee benefits expense – share based payments | 38 | 19,707 | 77,619 |
| Revolving facility availability fee | 10 | 3,889 | 3,311 |
| Net (gain)/loss exchange differences | 29.2 | (659) | 4,075 |
| Interest on leases | 29.2 | 4,982 | 3,028 |
| Net (gain)/loss on measurement of financial instrument | | (5,036) | (10,933) |
| Net (gain)/loss on sale of non-current assets | | 232 | — |
| (Increase)/Decrease in trade and other receivables and prepayments | 29.3 | (226,837) | (260,544) |
| (Increase)/Decrease in inventories | 29.3 | (19,352) | (4,568) |
| Increase/(Decrease) in trade and other liabilities | 29.3 | 293,671 | 210,956 |
| (Increase)/Decrease in consumer loans | 29.3 | (306,813) | (51,972) |
| Increase/(Decrease) in liabilities to employees | 29.3 | (42,005) | 71,183 |
| **Cash provided by operating activities** | | **1,710,049** | **1,631,002** |
| Income tax paid | | (303,452) | (121,112) |
| **Net cash inflow/(outflow) from operating activities** | | **1,406,597** | **1,509,890** |

| **Cash flows from investing activities** | Note | 01.01–31.12.2021 | 01.01–31.12.2020 |
|---|---|---|---|
| Payments for property, plant & equipment and intangibles | | (407,071) | (230,541) |
| Loans granted | | — | (18,771) |
| Repayment of loans granted | | — | 42,934 |
| Acquisition of subsidiary (net of cash acquired) | 5 | (22,551) | (11,827) |
| Other | | (278) | — |
| **Net cash inflow/(outflow) from investing activities** | | **(429,900)** | **(218,205)** |

| **Cash flows from financing activities** | Note | 01.01–31.12.2021 | 01.01–31.12.2020 |
|---|---|---|---|
| Proceeds from capital increase | 28 | — | 972,326 |
| Borrowings repaid | 29.2 | (1,655) | (1,056,693) |
| Interest paid | 29.2 | (124,565) | (275,853) |
| Early repayment fee | | — | (26,000) |
| Lease payments | 29.2 | (36,044) | (29,129) |
| Lease incentives | | 23,081 | — |
| Revolving facility availability fee payments | | (2,973) | (2,523) |
| Interest rate hedging instrument settlements | | (61,801) | (38,926) |
| Payments for acquisition of non-controlling interest | 5 | — | (40,000) |
| Payments from other financial activities | | (559) | (7,815) |
| Payments related to issuance of new shares | | — | (5,889) |
| **Net cash inflow/(outflow) from financing activities** | | **(204,516)** | **(510,502)** |

| | Note | 01.01–31.12.2021 | 01.01–31.12.2020 |
|---|---|---|---|
| **Net increase/(decrease) in cash and cash equivalents** | | **772,181** | **781,183** |
| Cash and cash equivalents at the beginning of the financial year | | 1,185,060 | 403,877 |
| Cash and cash equivalents at the end of the financial year | | 1,957,241 | 1,185,060 |

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

# 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 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 Group is registered in Luxembourg, and its registered office is located at 1, rue Hildegard von Bingen, Luxembourg. The Parent's shares have been listed on the Warsaw Stock Exchange ('WSE') since 12 October 2020.

The Group operates in Poland mostly through Allegro.pl sp. z o.o. ('Allegro.pl'), Allegro Pay sp. z o.o. ('Allegro Pay'), Ceneo.pl sp. z o.o. ('Ceneo.pl'), eBilet Polska sp. z o.o. ('eBilet'), and Opennet.pl sp. z o.o. ('Opennet.pl'). The Group's core activities comprise:

- online marketplace;
- advertising;
- online price comparison services;
- retail sale via mail order houses or via the Internet;
- online tickets distribution;
- web portal operations;
- consumer lending to marketplace buyers;
- software and solutions for delivery logistics;
- provider of intra-city SameDay and inter-city NextDay delivery services;
- data processing, hosting and related activities;
- other information technology and computer service activities;
- computer facilities management activities;
- software-related activities;
- computer consultancy activities.

These Consolidated Financial Statements were prepared for the year ended 31 December 2021 with comparative amounts for the year ended 31 December 2020.



## 2. Basis of preparation

The Consolidated Financial Statements of Allegro.eu S.A. Group for the year ended 31 December 2021 were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, binding as at 31 December 2021 (together 'the Consolidated Financial Statements').

These Consolidated Financial Statements were prepared on the historical cost basis except for certain financial assets and liabilities (including derivative instruments) 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 authorization of these Consolidated Financial Statements. In making this going concern assumption Management took into consideration the impact of the COVID-19 crisis on the Group's business. The operations have continued with minimal disruption since most staff continue home working mode since 12 March 2020. The Group has noted increased sales on its e-commerce marketplace whenever the Polish government has restricted offline retail activity as part of its lock-down measures to reduce the spread of COVID-19. Furthermore, the demand for the Group's marketplace services has remained above the historical trend in periods when these lock-down measures have been removed.

The summary of the main accounting policies applied in the preparation of these Consolidated Financial Statements is presented in the 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 2021.

all amounts expressed in PLN'000 unless indicated otherwise

# 3. Summary of significant accounting policies

## 3.1 Basis of preparation

### MEASUREMENT OF ITEMS DENOMINATED IN FOREIGN CURRENCIES

Foreign currency transactions are translated into the functional currency using the National Bank of Poland's ("NBP") exchange rates 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 NBP exchange rate prevailing as at the reporting period end date. The Group does not carry out many foreign currency transactions, however the most common currencies used by the Group are listed below:

| | 01.01–31.12.2021 | 01.01–31.12.2020 |
|---|---|---|
| EUR/PLN | 4.5994 | 4.6148 |
| USD/PLN | 4.0600 | 3.7584 |
| GBP/PLN | 5.4846 | 5.1327 |
| CHF/PLN | 4.4484 | 4.2641 |
| CZK/PLN | 0.1850 | 0.1753 |

Average exchange rates are presented in the table below:

| | 01.01–31.12.2021 | 01.01–31.12.2020 |
|---|---|---|
| EUR/PLN | 4.5775 | 4.4742 |
| USD/PLN | 3.8757 | 3.9045 |
| GBP/PLN | 5.3308 | 5.0240 |
| CHF/PLN | 4.2416 | 4.1772 |
| CZK/PLN | 0.1785 | 0.1687 |



### 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 are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented (ie 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 (ie 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.

In 2020 the Parent changed the functional currency from EUR to PLN. The decision was supported by the resolution of the extraordinary shareholders meeting concluded on 29 September 2020. The Group operates mainly in Poland and Polish złoty is the currency in which the Group usually generates and spends cash. Furthermore, on 12 October 2020 the Group debuted on the Warsaw Stock Exchange in Poland.

Starting from 30 September 2021 Adinan Super Topco Employee Benefit Trust ("EBT") whose functional currency was the British Pound ('GBP') has been included in the Group's consolidated financial statements (see note 28.4), therefore its financial statements required translating into the Group presentation currency.

As at 31 December 2021 the functional currency for all the Group's entities (except for EBT) and the presentation currency of these Consolidated Financial Statements is PLN.

### 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 2021. 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. According to IFRS 10 "Consolidated Financial Statements", the Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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.

The Group recognises non-controlling interests either at fair value or at the proportional share of identifiable net assets in the fair value; the method of recognition is selected for each business combination individually.

The excess of the sum of the consideration, value of all non-controlling interests in the acquired entity, and fair value of shares previously held in the acquired entity as at the acquisition date over the fair value of identifiable net assets acquired is recognised as goodwill. If the sum of the consideration, non-controlling interests recognised and interest previously held is lower than the fair value of net assets of the subsidiary acquired as a result of a bargain purchase, the difference is recognised directly in the profit or loss.

Transaction costs from acquisitions are recognized in profit or loss when incurred.



## 3.2. Changes in accounting policies

### 3.2.1. NEW AND AMENDED STANDARDS AND INTERPRETATIONS ADOPTED BY THE GROUP

In these Consolidated Financial Statements amendments to the following standards were applied:

**Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16** – issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021. The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one.

The amendments do not have a significant impact on these Consolidated Financial Statements. The Group borrowings, consumer loans and the variable to fixed interest rate SWAP Contracts are based on the WIBOR reference rate. IBOR Reform has no impact on those financial assets and financials liabilities as the WIBOR is considered to be compliant with the amendments to the standards.

**Amendments to IFRS 4** – issued on 25 June 2020 and effective for annual periods beginning 1 January 2021. The amendment extends the temporary exemption of applying IFRS 9 Financial Instruments until 1 January 2023, when IFRS 17 Insurance Contracts becomes effective.

The amendments do not have a significant impact on these Consolidated Financial Statements.

**Amendments to IFRS 16** – issues on 31 August 2021 and effective for annual periods beginning 1 April 2021. The amendment provides the annual extension of the May 2020 amendment that grants lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.

The amendments do not have a significant impact on these Consolidated Financial Statements.

### 3.2.2. STANDARDS AND INTERPRETATIONS PUBLISHED BUT NOT YET APPLICABLE, WHICH HAVE NOT BEEN EARLY APPLIED BY THE GROUP

**IFRS 17 "Insurance Contracts"** – issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021, not yet endorsed by EU. IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices.

The Group has assessed that the amendment does not have impact on its Consolidated Financial Statements.

**Amendments to IAS 1 "Presentation of Financial Statements"** – issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2023. These narrow scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period.

As at the date of preparing these Consolidated Financial Statements, the change has not yet been approved by the European Union. The Group is in the process of assessing the impact of the amendments on its Consolidated Financial Statements.

**Amendments to IFRS 3 "Business Combination"** – issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022, IFRS 3 was amended to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination.

The Group has assessed that the amendment does not have impact on its Consolidated Financial Statements.

**Amendment to IAS 16 "Property, Plant and Equipment"** – issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use.

The Group has assessed that the amendment does not have impact on its Consolidated Financial Statements.

**Amendments to IAS 37 "Provisions Contingent Liabilities and Contingent Assets"** – issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022 clarifies the meaning of 'costs to fulfil a contract'. The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract; and an allocation of other costs that relate directly to fulfilling.

The Group has assessed that the amendment does not have impact on its Consolidated Financial Statements.

**Amendments to IAS 1 "Presentation of Financial Statements" and IFRS Practice Statement 2: Disclosure of Accounting policies** – issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023. IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies.

As at the date of preparing these Consolidated Financial Statements, the change has not yet been approved by the European Union. The Group is currently assessing the impact of the amendments on its Consolidated Financial Statements.

**Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", Definition of Accounting Estimates** – issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023. The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates.



As at the date of preparing these Consolidated Financial Statements, the change has not yet been approved by the European Union. The Group is currently assessing the impact of the amendments on its Consolidated Financial Statements.

**Amendments to IAS 12 "Income Taxes" Deferred tax related to assets and liabilities arising from a single transaction** – issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023. The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations.

As at the date of preparing these Consolidated Financial Statements, the change has not yet been approved by the European Union. The Group is currently assessing the impact of the amendments on its Consolidated Financial Statements.

**Amendments to IFRS 17 "Insurance Contracts"** – issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023. The amendments include a number of clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard.

As at the date of preparing these Consolidated Financial Statements, the change has not yet been approved by the European Union. The Group is currently assessing the impact of the amendments on its Consolidated Financial Statements.

**IFRS 14 "Regulatory Deferral Accounts"** – issued on 30 January 2014 and effective for annual periods beginning on or after 1 January 2016. IFRS 14 permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the standard.

The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard. The standard will not have any impact on the Group's Consolidated Financial Statements as it is not relevant for the Group's operation.

**Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** – issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB. These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary.

As at the date of preparation of these Consolidated Financial Statements, the approval of this amendment is deferred by the European Union.

The Group is in the process of assessing the impact of the amendments on its Consolidated Financial Statements but so far the Group has not entered into the type of the transactions covered by this amendment. The effective date is deferred indefinitely until the research project on the equity method will be concluded.

# 4.
# Composition of the board of directors

On 1 September 2020 the shareholders meeting of the Parent appointed each of the following persons as Board of Directors: Francois Nuyts, Jonathan Eastick, David Barker, Paweł Padusiński, Richard Sanders, Carla Smits-Nusteling and Nancy Cruickshank, with immediate effect.

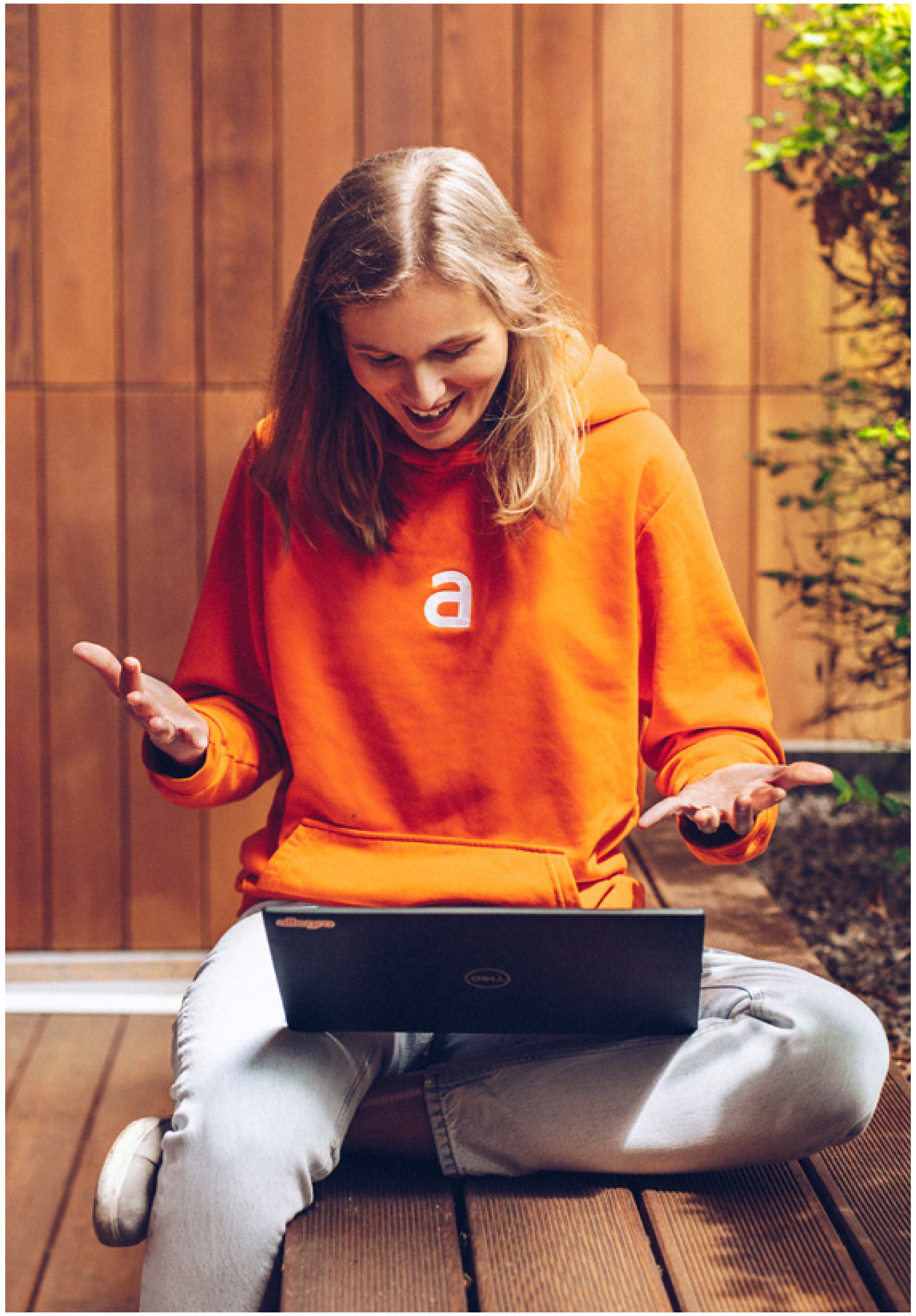
As of 12 October 2020, the following persons resigned from the Group Board of Directors: Danielle Arendt-Michels, Gautier Laurent, Severine Michel, Cedric Pedoni and Gilles Willy Duroy. Darren Huston was a member of the Board of Directors throughout 2020.

As at 31 December 2020, during 2021 and as at 31 December 2021 the Board of Directors comprised:

- Darren Huston (Chairman of the Board)
- Francois Nuyts (Group Chief Executive Officer)
- Jonathan Eastick (Group Chief Financial Officer)
- David Barker
- Nancy Cruickshank
- Paweł Padusiński
- Richard Sanders
- Carla Smits-Nusteling

The composition of the Board of Directors remained unchanged until the date of these consolidated financial statements.





# 5.
# Business combinations

In the year ended 31 December 2021 and in the comparative period ended 31 December 2020, the Group entered into business combinations as described below:

### ACQUISITION OF X-PRESS COURIERS SP. Z O.O. ('XPC') AND SKYNET CUSTOMS BROKERS SP. Z O.O. ('SCB')

On 8 October 2021 Allegro.pl sp. z o.o. purchased 100% of shares in X-press Couriers sp. z o.o. and 100% of shares in SkyNet Customs Brokers Sp. z o.o. for cash consideration of PLN 26,865 and PLN 1,925 respectively.

The payment for XPC was divided into two tranches – PLN 25,865 was settled at the date of the transaction, with the remaining PLN 1,000 payable in October 2022. The payment for SCB was settled in full at the date of the transaction. Both transactions were financed from the Group's own funds.

X-press Couriers is a leading provider of intra-city SameDay and inter-city NextDay delivery services. XPC concentrates on rapidly expanding SameDay delivery and international segments with e commerce shipments. SCB is a customs agency that provides services to XPC and other clients.

On the acquisition of XPC, the Group recognized PLN 29,253 of goodwill and PLN 530 of intangible assets. The excess of the consideration paid over the fair value of the net identifiable assets of SCB of PLN 1,067 was fully allocated to goodwill.

Goodwill on both acquisitions is attributable to scale effects expected as a result of the combination of the Group's operations with those of the acquired entities.

The underlying idea of the transaction was to acquire the existing network of couriers to complement the further roll-out of the Groups logistics operations, including the fulfillment center initiative and expanding network of Automated Parcel Lockers. In Accordance with IFRS 3 the assembled workforce fails to meet the identifiability criteria, hence any value attributed to it is subsumed into goodwill.

The revenue and net loss of XPC and SCB since the acquisition date included in the consolidated statement of comprehensive income for the 2021 financial year amounted to PLN 8,856 and PLN 388 respectively. The revenue and net profit of the Group for the 2021 financial year would have been PLN 5,372,431 and PLN 1,085,135, respectively if the acquisition of XPC and SCB had been as of the beginning of the financial year.

Costs related to the purchase transaction in the amount of PLN 819, were recognized in the consolidated statement of profit or loss and other comprehensive income as transaction costs.

### ACQUISITION OF ALLEGRO PAY SP. Z O. O. (PREVIOUSLY: FINAI S.A.).

On 27 January 2020 Allegro.pl sp. z o.o. acquired 100% of shares in FinAi S.A. (currently: Allegro Pay Sp. z o.o.). The price amounted to PLN 7,000 for 100% of the company's shares and the cash payment was divided into two tranches – PLN 2,000 was settled in 2019 and the remaining PLN 5,000 in January 2020. Together with the legal entity, the Group acquired the following assets: cash balance in the amount of PLN 798, intangible assets of PLN 6,481 trade and other receivables amounted to PLN 804, property plant and equipment amounted to PLN 23 and deferred tax asset amounted to PLN 31 as well as trade liabilities in the amount of PLN 740 and liabilities to employees of PLN 397. The company was a financial intermediary start-up which ceased to trade in September 2019. Together with FinAi, Allegro.pl acquired existing software applicable to credit analysis of the Allegro platform Buyers and performance of AML (Anti Money Laundering), KYC (Know Your Client) checks and a team of FinTech experts.



In order to conclude on the type of the transaction, the Group preformed concentration test as permitted in IFRS 3 para B7A. The concentration test was met and the set of acquired activities and assets was determined not to be a business combination but the purchase of assets. As Allegro.pl acquired means of production as opposed to a functioning business, the transaction is treated as a purchase of assets and the purchase consideration is allocated to net assets acquired (i.e. financial assets/liabilities are recognized at their fair value and the residual amount is allocated pro-rata to acquired non-financial assets). No goodwill or gain on a bargain purchase were recognized. Asset acquisition was recorded at cost which is allocated over the group of assets based on relative fair value.

On 27 May 2020 the Group entity Adinan Midco purchased 100% shares in FinAi S.A. from its subsidiary Allegro.pl.

The acquired company was renamed as Allegro Pay on 31 July 2020, to reflect the brand of the consumer finance product launched by the company in cooperation with the Allegro marketplace.

### ACQUISITION OF THE REMAINING 20% OF SHARES IN EBILET POLSKA SP. Z O.O.

On 25 September 2020 Allegro.pl purchased 33,880 shares in eBilet composing the remaining 20% of shares for cash consideration of PLN 40,000 and as at 31 December 2021, Allegro.pl owns 100% of eBilet's shares. The transaction was financed from the Group's own funds and as at 31 December 2021 there were no outstanding balances.

eBilet is one of the largest Polish online ticket distributors. Its activity includes sales of tickets for cultural, sport and other entertainment events, mostly through its online channel. The purchase opens a new market for the Allegro.eu Group, previously not available on Allegro and Ceneo platforms.

Costs related to the purchase transaction in the amount of PLN 430, were recognized in the consolidated statement of comprehensive income as Transaction Costs for the year ended 31 December 2020.

### ACQUISITION OF OPENNET SP. Z O.O.

On 27 October 2020 Allegro Logistyka sp. z o.o. ('Allegro Logistyka') purchased 100% of shares in Opennet sp. z o.o. for a cash consideration of PLN 12,286. The payment was divided into two tranches – PLN 8,393 was settled at the date of the transaction and the remaining PLN 3,894 is payable in December 2022. The transaction was financed from the Group's own funds. Opennet is a leading provider of technology solutions for the logistics industry in Poland and beyond, including a range of copyrights for software for automated parcel machines, last mile courier and pick-up points solutions, and for fulfillment. Opennet provides professional software development and maintenance services to a range of leading logistic and postal carriers. Together with Opennet, Allegro Logistyka acquired a team of qualified developers. The acquisition opens new opportunities for the Group in terms of logistics innovations. The transaction was accounted for as a business combination applying the acquisition method.

Based on the Group's purchase price allocation, goodwill recognized on the acquisition of PLN 7,907, is attributable mostly to synergies from cooperation with the Group. The synergies are expected to occur mostly in Allegro.pl.

The revenue and net profit of Opennet since the acquisition date included in the consolidated statement of comprehensive income for the 2020 financial year amounted to PLN 610 and PLN (266) respectively. The revenue and net profit of the Group for the 2020 financial year would have been PLN 4,001,257 and PLN 419,713 respectively if the acquisition of Opennet had been as of the beginning of the financial year.

Costs related to the purchase transaction in the amount of PLN 123, were recognized in the consolidated statement of profit or loss and other comprehensive income as transaction costs for the period ended 31 December 2020.

On 1 July 2021 Allegro Logistyka merged with Opennet and changed its name to Opennet.pl. The merger does not have an impact on the consolidated financial statement of Allegro.eu.

all amounts expressed in PLN'000 unless indicated otherwise

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The effect of accounting for the acquisitions is presented below:

| As at the acquisition date | X-press Couriers 08.10.2021 | SkyNet Customs Brokers 08.10.2021 | OpenNet 27.10.2020 |
|---|---|---|---|
| Purchase consideration paid – cash | 25,865 | 1,925 | 8,393 |
| Deferred purchase consideration | 1,000 | — | 3,894 |
| Fair value of net assets | 2,388 | (858) | (4,380) |
| **Goodwill** | **29,253** | **1,067** | **7,907** |

| Net assets acquired | X-press Couriers 08.10.2021 | SkyNet Customs Brokers 08.10.2021 | OpenNet 27.10.2020 |
|---|---|---|---|
| Trademarks | — | — | 157 |
| Customer Relationships | — | — | 2,015 |
| Software | 530 | — | 1,517 |
| Other intangibles | — | 67 | — |
| Property, plant and equipment | 326 | — | — |
| Right-of-use assets | 664 | — | — |
| Deferred tax assets | 293 | — | — |
| Inventory | 23 | — | — |
| Accounts receivable and other receivables | 3,672 | 1,231 | 650 |
| Cash acquired | 292 | 4,948 | 991 |
| Borrowings | (1,773) | — | — |
| Lease liabilities | (664) | — | — |
| Accounts payable and other liabilities | (5,619) | (5,376) | (263) |
| Liabilities to employees | (89) | (12) | — |
| Provision for deferred tax | (43) | — | (687) |
| **Net assets** | **(2,388)** | **858** | **4,380** |



| | X-press Couriers 08.10.2021 | SkyNet Customs Brokers 08.10.2021 | OpenNet 27.10.2020 |
|---|---|---|---|
| Purchase consideration paid | 25,865 | 1,925 | 8,393 |
| Cash and cash equivalents acquired | (292) | (4,948) | (991) |
| **Cash flow used in acquisition** | **25,573** | **(3,023)** | **7,402** |

Goodwill is tested for impairment annually or, if there is objective evidence of impairment more frequently (see note 30.1). Customer relationships, trademarks, domains and software are amortized over their estimated useful economic life (see note 13).

## 6.
## Group structure

As at 31 December 2021, the Allegro.eu Group comprised Allegro.eu as well as intermediate holding company Adinan Midco with their registered office in Luxembourg, Employee Benefit Trust located in Jersey and companies conducting operating activities in the territory of Poland – Allegro.pl, Allegro Pay, Allegro Finance, Ceneo.pl, eBilet Polska, Opennet.pl, X-press Couriers and SkyNet Customs Brokers. Each of the Polish Operating Companies and their subsidiaries have their registered offices located in Poland. In addition, Allegro.pl controls Allegro All For Planet Foundation, which is not consolidated due to its immateriality.

On 1 July 2021 the merger of Allegro Logistyka with Opennet was completed. Additionally on 29 December 2021 Trade Analytics Instytut Badań Ecommerce was liquidated. There was no impact on the consolidated financial statements of the Group.

Starting from 30 September 2021 Employee Benefit Trust has been included in the Group Consolidated Financial Statements (for further information see note 28.4).

Key information regarding the members of the Group, shares held by the Group as at 31 December 2021 and 31 December 2020 and the periods subject to consolidation is presented below.

**01.01.2021–31.12.2021**

- **Allegro.eu S.A.** Luxembourg
  - **Adinan Midco S.à r.l.** Luxembourg, **100%**
    - **Allegro.pl Sp. z o.o.** Poland, **100%**
      - **Opennet.pl Sp. z o.o.** Poland, **100%**
      - **eBilet Polska Sp. z o.o.** Poland, **100%**
      - **Allegro Finance Sp. z o.o.** Poland, **100%**
      - **X-press Couriers Sp. z o.o.** [1] Poland, **100%**
      - **SkyNet Customs Brokers Sp. z o.o.** [1] Poland, **100%**
    - **Allegro Pay Sp. z o.o.** Poland, **100%**
    - **Ceneo.pl Sp. z o.o.** Poland, **100%**
  - **Adinan Super Topco Employee Benefit Trust** [3] Jersey, **n/a**

**01.01.2020 – 31.12.2020**

- **Allegro.eu S.A.** Luxembourg
  - **Adinan Midco S.à r.l.** Luxembourg, **100%**
    - **Allegro.pl Sp. z o.o.** Poland, **100%**
      - **Allegro Logistyka Sp. z o.o.** Poland, **100%**
        - **OpenNet Sp. z o.o.** [2] Poland, **100%**
      - **eBilet Polska Sp. z o.o.** Poland, **100%**
      - **Allegro Finance Sp. z o.o.** Poland, **100%**
      - **Trade Analytics Instytut Badań Ecommerce Sp. z o.o.** Poland, **100%**
    - **Allegro Pay Sp. z o.o.** [4] Poland, **100%**
    - **Ceneo.pl Sp. z o.o.** Poland, **100%**

[1] Period covered by consolidation 08.10.2021–31.12.2021
[2] Period covered by consolidation 27.10.2020–31.12.2020
[3] Period covered by consolidation 01.09.2021–31.12.2021
[4] Period covered by consolidation 27.01.2020–31.12.2020

The voting power is the same as interest held in each entity apart from the Adinan Super Topco Employee Benefit Trust (further information see Note 28.4)

## 7.
## Approval of the consolidated financial statements

The Consolidated Financial Statements for the year ended 31 December 2021 were approved by the Board of Directors for publication on 23 February 2022.

all amounts expressed in PLN'000 unless indicated otherwise

# 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 activities, and has two reportable operating segments as follows:

- Allegro activity – segment which operates as a B2C, C2C and B2B e-commerce platform, comprising Allegro.pl (online marketplace), Allegro Pay, Allegro Finance (financial services), Opennet.pl and, starting from October 2021 X-press Couriers and SkyNet Customs Brokers (delivery experience and logistics solutions),
- Ceneo activity – segment which is a price comparison platform in Poland allowing users to compare consumer products from various Polish e-stores.

Other segment consists mainly of the results of eBilet and the costs of the holding companies.

During the third quarter of 2021, Opennet sp. z o.o. merged with Allegro Logistyka sp. z o.o and the Group changed the presentation of Opennet results from the Other operating segment to the Allegro operating segment to reflect how information is reported to chief operating decision maker.

This change of operating segment reflected the increasing role of Opennet.pl sp. z o.o. in developing logistics software for the Group, whilst still providing some of its services to third party customers.

X-press Couriers and SkyNet Customs Brokers were acquired in October 2021 and both are allocated to Allegro segment as most of the synergies are expected to occur in Allegro.pl.

The reportable operating segments are identified at the Group level. The Parent, as a holding company is included in Other segment. Segment performance is assessed on the basis of revenue, operating profit before amortisation and depreciation ('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. Both operating segments have a dispersed customer base – no single customer generates more than 10% of segment revenue. The Group's operations are conducted in one geographical area, on the territory of the Republic of Poland.



| 01.01–31.12.2021 | TOTAL | Allegro | Ceneo | Other | Eliminations |
|---|---|---|---|---|---|
| External revenue | 5,352,870 | 5,096,970 | 236,385 | 19,515 | — |
| Inter-segment revenue | — | 65,428 | 68,978 | 306 | (134,712) |
| **Revenue** | **5,352,870** | **5,162,398** | **305,363** | **19,821** | **(134,712)** |
| Operating expenses | (3,359,130) | (3,278,472) | (176,224) | (39,146) | 134,712 |
| **EBITDA** | **1,993,740** | **1,883,926** | **129,139** | **(19,325)** | **—** |
| Amortisation and Depreciation | (520,795) | | | | |
| Net financial result | (114,824) | | | | |
| **Profit before income tax** | **1,358,121** | | | | |
| Tax expense | (268,503) | | | | |
| **Net profit** | **1,089,618** | | | | |

| 01.01–31.12.2020 | TOTAL | Allegro | Ceneo | Other | Eliminations |
|---|---|---|---|---|---|
| External revenue | 3,997,811 | 3,756,433 | 235,422 | 5,956 | — |
| Inter-segment revenue | — | 12,671 | 45,106 | 168 | (57,945) |
| **Revenue** | **3,997,811** | **3,769,104** | **280,528** | **6,124** | **(57,945)** |
| Operating expenses | (2,410,979) | (2,238,778) | (145,977) | (84,169) | 57,945 |
| **EBITDA** | **1,586,832** | **1,530,326** | **134,551** | **(78,045)** | **—** |
| Amortisation and Depreciation | (463,789) | | | | |
| Net financial result | (506,336) | | | | |
| **Profit before income tax** | **616,707** | | | | |
| Tax expense | (198,147) | | | | |
| **Net profit** | **418,560** | | | | |

The Parent Company's Board of Directors does not analyse the operating segments in relation to their assets and liabilities that is analysed and verified on a consolidated basis. 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.

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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 results (i.e. the finance income and finance costs) and the depreciation/amortisation.

In the opinion of the Board of Directors, Adjusted EBITDA is the most relevant measure of profit of the Group. 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 monitoring costs, regulatory proceeding costs, Group restructuring costs, donations to various public benefit organizations, certain employee incentives and bonuses, 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 and Management Investment Plan). Consolidated adjusted EBITDA is analyzed 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 a uniform or standardized measure and the calculation of EBITDA and adjusted EBITDA, accordingly, may vary significantly from company to company.

| | 01.01–31.12.2021 | 01.01–31.12.2020 |
|---|---|---|
| EBITDA | 1,993,740 | 1,586,832 |
| Monitoring costs [1] | — | 1,794 |
| Regulatory proceeding costs [2] | 4,568 | 4,890 |
| Group restructuring and development costs [3] | 45 | 7,172 |
| Donations to various public benefit organizations [4] | 2,315 | 6,892 |
| Bonus for employees and funds spent on protective equipment against COVID-19 [5] | 1,302 | 3,276 |
| Allegro Incentive Plan [6] | 16,706 | 25,428 |
| Management Investment Plan [7] | — | 52,191 |
| Transaction costs [8] | 49,806 | 61,569 |
| **Adjusted EBITDA** | **2,068,482** | **1,750,044** |

[1] Represents expenses incurred in relation to performance of advisory services by the shareholders of the Group, including travel expenses and expenses for services provided for projects outside the scope of supervisory responsibilities. These services and related expenses ceased since the Company's IPO.

[2] Represents legal costs mainly related to regulatory proceeding, legal fees and settlement costs. The regulatory proceedings are described in the note number 33.2.

[3] Represents specialist regulatory economists costs as well as legal, financial, tax due diligence and transactional expenses with respect to potential acquisitions of target companies along with related legal expenses.

[4] Represents donations made by the Group to support health service and charitable organisations and NGOs during the COVID-19 pandemic.

[5] 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.

[6] 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. Costs recognized in the year ended 31 December 2021 represent the accrued cost of share based compensation in relation to the PSU and RSU Plans. For 2020, the cost represents a one-off grant to employees of shares awarded at the Group's IPO ("Free Share Awards").

[7] Cost of share based compensation related to the Management Investment Plan ("MIP") in which management participated indirectly through investing in shares in the Adiman SCSP and directly via type C and D shares issued by Allegro.eu. The MIP ceased to exist at its full settlement at the moment of the Company's IPO. For more information please refer to note number 39.

[8] Represents pre-acquisition advisory fees, legal, financial, tax due diligence and other transactional expenses incurred in 2021 in relation to the acquisition of Mall Group a.s. and WE|DO CZ s.r.o., which is signed and pending completion subject to regulatory approvals (more see note 35.1) and the cost of completed acquisition of X-press Couriers sp. z o.o. and Skynet Customs Brokers sp. z o.o. The cost recorded in comparative period are related to the IPO process completed in 2020 (PLN 61,139) and the completed acquisition of a 20% minority interest in eBilet (PLN 430).

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# 9. Revenues from contracts with customers

## 9.1. Accounting policies

### RECOGNITION OF REVENUE

Under IFRS 15, revenue is recognised when a customer obtains control of a good or service. Where multiple goods or services are sold in a single arrangement, the consideration is allocated to each of the performance obligations based on the relative stand-alone prices. 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 2021 and 2020).

### MARKETPLACE REVENUE

The Group earns two main type of fees: success fees and listing. The listing fee is payable up-front and is non-refundable. The success fee is payable when a listed good gets sold.

There is 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 judgment, 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 and discounts and incentives. 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.

### LISTING FEES

Based on its judgment, 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 and recognises listing fees straight line over the duration of the listing period.



### PRICE COMPARISON REVENUE

Revenues are recognized 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.

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 recognized when Allegro.pl sells goods purchased for resale by its own proprietary store via 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.

### OTHER REVENUE

Other revenues relate mainly to hosting services that are recognized over time. Customers of hosting services are companies owned or previously owned by Naspers Group, the previous owner of the Group.

### 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 incentivize 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 result in the recognition of the deferred revenue.

all amounts expressed in PLN'000 unless indicated otherwise

#### 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. Inflows from subscriptions are presented as deferred income and included 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 behaviors (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 a coins earned as a result of various buyers' activities on the Platform (for example downloading mobile app) are presented as marketing expenses.



## 9.2. Disaggregation of revenue from contracts with customers

| | 01.01–31.12.2021 | 01.01–31.12.2020 |
|---|---|---|
| Marketplace revenue | 4,319,180 | 3,230,983 |
| Advertising revenue | 477,113 | 337,834 |
| Price comparison revenue | 180,622 | 189,964 |
| Retail revenue | 333,821 | 216,626 |
| Other revenue | 42,134 | 22,404 |
| **Revenue** | **5,352,870** | **3,997,811** |

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.

The division of revenues into segments is presented below:

| 01.01–31.12.2021 | Allegro | Ceneo | Other | Eliminations | Total |
|---|---|---|---|---|---|
| Marketplace revenue | 4,303,901 | — | 15,334 | (55) | 4,319,180 |
| Advertising revenue | 421,898 | 60,247 | — | (5,032) | 477,113 |
| Price comparison revenue | — | 241,814 | — | (61,192) | 180,622 |
| Retail revenue | 333,821 | — | — | — | 333,821 |
| Other revenue | 102,778 | 3,302 | 4,487 | (68,433) | 42,134 |
| **Revenue** | **5,162,398** | **305,363** | **19,821** | **(134,712)** | **5,352,870** |

all amounts expressed in PLN'000 unless indicated otherwise

| 01.01–31.12.2020 | Allegro | Ceneo | Other | Eliminations | Total |
|---|---|---|---|---|---|
| Marketplace revenue | 3,226,006 | — | 5,389 | (412) | 3,230,983 |
| Advertising revenue | 292,187 | 48,856 | — | (3,209) | 337,834 |
| Price comparison revenue | — | 226,792 | — | (36,828) | 189,964 |
| Retail revenue | 216,626 | — | — | — | 216,626 |
| Other revenue | 34,286 | 4,880 | 734 | (17,496) | 22,404 |
| **Revenue** | **3,769,105** | **280,528** | **6,123** | **(57,945)** | **3,997,811** |

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.

| 01.01–31.12.2021<br>Timing of revenue recognition: | Allegro | Ceneo | Other | Eliminations | Total |
|---|---|---|---|---|---|
| At a point in time (incl. success fee) | 4,249,080 | 242,551 | 19,821 | (127,142) | 4,384,310 |
| Over time | 913,318 | 62,812 | — | (7,570) | 968,560 |
| **Revenue** | **5,162,398** | **305,363** | **19,821** | **(134,712)** | **5,352,870** |

| 01.01–31.12.2020<br>Timing of revenue recognition: | Allegro | Ceneo | Other | Eliminations | Total |
|---|---|---|---|---|---|
| At a point in time (incl. success fee) | 3,058,431 | 228,728 | 6,123 | (51,976) | 3,241,306 |
| Over time | 710,674 | 51,800 | — | (5,969) | 756,505 |
| **Revenue** | **3,769,105** | **280,528** | **6,123** | **(57,945)** | **3,997,811** |

In the current reporting period, the Group has identified a certain amount of the success fee arising on listing and promotional activities which was improperly linked in an accounting system to the "over time" line item in the above presented table in the Note 9.2, rather than "point in time". Therefore the Group has amended the disclosure in the Note 9.2. for the comparatives transferring PLN 589,322 from revenue recognized over time to revenue recognized at a point in time.

The Group's operations are conducted in one geographical area, on the territory of the Republic of Poland. The Group has a dispersed customer base – no single customer generates more than 10% of revenue.



## 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] | Other deferred income |
|---|---|---|---|
| **As at 01.01.2021** | **56,976** | **7,976** | **—** |
| Increased/(decreased) | 35,138 | 860 | — |
| **As at 31.12.2021** | **92,114** | **8,836** | **—** |

| | Smart! program deferred income [1] | Listing and promotional deferred income [2] | Other deferred income |
|---|---|---|---|
| **As at 01.01.2020** | **28,579** | **8,538** | **2,146** |
| Increased/(decreased) | 28,397 | (562) | (2,146) |
| **As at 31.12.2020** | **56,976** | **7,976** | **—** |

[1] **Smart! program** – the loyalty program for buyers Smart! was introduced in 2018. Monthly or annual subscription fees are paid at the beginning of the subscription period, with the part relating to future periods being recognised pro rata in deferred income at the balance sheet date.
[2] **Listing and promotional** – the sellers can list their products on the platforms in a form of an announcement. Fees are recorded as revenue during the listing period.

Contract liabilities are presented in trade and other liabilities.

There were no contract assets in 2021 and 2020.

## SIGNIFICANT CHANGES IN CONTRACT ASSETS AND LIABILITIES

There were no significant changes in contract liabilities in the current period resulting from other transaction than the recognition of the subscription fees from buyers and recognition of revenue when the services is provided.

## REVENUE RECOGNISED IN RELATION TO CONTRACT LIABILITIES

Revenue of PLN 56,976 was recognised in the period from 1 January to 31 December 2021 from the Smart! program contract liability and PLN 7,976 from listing and promotional deferred income from that amounts that were included in the contract liability balance at the beginning of the period 1 January 2021.

Revenue of PLN 28,579 was recognised in the period from 1 January to 31 December 2020 from the Smart! program contract liability and PLN 8,538 from listing and promotional deferred income from that amounts that were included in the contract liability balance at the beginning of the period 1 January 2020.

## 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 RECOGNIZED FROM COSTS TO OBTAIN AND FULFIL A CONTRACT

There were no assets to obtain or fulfil a contract in 2021 and 2020.



all amounts expressed in PLN'000 unless indicated otherwise

## 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 01.01.2021** | **32,847** | **12,889** | **4,710** |
| Increased/(decreased) | 3,630 | 1,707 | 915 |
| **As at 31.12.2021** | **36,477** | **14,596** | **5,625** |

| | Allecoins customer loyalty program contract liability [1] | Refunds contract liability [2] | Advertising revenue retrospective bonuses [3] |
|---|---|---|---|
| **As at 01.01.2020** | **21,620** | **5,398** | **4,141** |
| Increased/(decreased) | 11,227 | 7,491 | 569 |
| **As at 31.12.2020** | **32,847** | **12,889** | **4,710** |

[1] **Allecoins customer loyalty program** – the Allegro coins program was introduced in January 2017. Increase in the contract liability balance is caused by higher sale in 2020.
[2] **Refunds** – this position includes refund commission 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 cancelled transaction. At the end of each reporting period the Group adjust the transaction revenue for the expected returns and recognize a provision for returns of success fee. Refund commission liability represent the amount of consideration that the Group expects to repay to sellers using the expected value method with corresponding adjustment to revenue.
[3] **Advertising retrospective bonuses** – Allegro pays out retro-bonuses to media houses which promote ads on Allegro's web page. The estimated discounts are recognized 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 recognized.

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

| | 01.01–31.12.2021 | 01.01–31.12.2020 |
|---|---|---|
| Valuation of financial instruments | 5,036 | 10,933 |
| Net exchange gains on foreign currency transactions | 509 | — |
| Interest from deposits | 3,096 | 2,761 |
| Other financial income | 315 | 3,271 |
| Remeasurement of borrowings | 105,928 | — |
| **Financial income** | **114,884** | **16,965** |
| | | |
| Interest paid and payable for financial liabilities | (156,711) | (297,099) |
| Deferred borrowing costs written off | — | (143,378) |
| Interest rate hedging instrument | (58,570) | (41,874) |
| Second Lien facility early repayment cost | — | (26,000) |
| Interest on leases | (4,982) | (3,028) |
| Revolving facility availability fee | (3,889) | (3,311) |
| Net exchange losses on foreign currency transactions | — | (4,236) |
| Other financial costs | (5,556) | (4,375) |
| **Financial costs** | **(229,708)** | **(523,301)** |
| | | |
| **Net financial costs** | **(114,824)** | **(506,336)** |

The decrease in interest paid and playable is driven by lower costs of the Group's indebtedness resulting from the refinancing transaction completed on 14 October 2020. The savings were partially offset by higher costs to settle fixed interest rate hedging instruments, reflecting the rapid decrease of WIBOR (Warsaw Interbank Offer Rate) reference rates following the outbreak of the Covid-19 pandemic in 2020.

The remeasurement of borrowings reflects the improved leverage ratio of the Group, which by effect of the terms of the binding contract, result in the lower margin and decrease in the carrying value of the existing borrowings valued at amortized cost.



# 11. Income tax

Income tax for the year comprises current and deferred taxation. Income tax is recognized in profit or loss except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In such cases, tax is also recognized in other comprehensive income or directly in equity, respectively.

The majority of the Group's taxable income is generated in Poland and is subject to taxation according to the Corporate Income Tax Act ("CIT"). The CIT rate in Poland is 19%. In 2021 and 2020 Luxembourg companies were subject to a 24.94% taxation rate.

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.

## 11.1. Income tax expense

| | 01.01–31.12.2021 | 01.01–31.12.2020 |
|---|---|---|
| Current income tax on profits | (294,328) | (260,984) |
| (Increase)/Decrease in net deferred tax liability | 25,825 | 62,837 |
| **Income tax expense** | **(268,503)** | **(198,147)** |

all amounts expressed in PLN'000 unless indicated otherwise

## 11.2. Significant estimates

In the light of the General Anti-Abuse Rule ("GAAR"), effective since 15 July 2016, aimed at preventing the formation and use of artificial legal structures created to avoid paying taxes in Poland, 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 realize deferred income tax assets in future periods and result in the payment of additional unaccrued tax for prior periods.

Tax authorities may inspect accounting books and tax settlements within five years 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. No such positions were identified in the current reporting period.

## 11.3. Reconciliation of income tax expense to tax paid and payable

| | 01.01–31.12.2021 | 01.01–31.12.2020 |
|---|---|---|
| Profit from continuing operations before income tax expense | 1,358,121 | 616,707 |
| **Tax (payable)/recoverable at the Polish tax rate of 19%** | **(258,043)** | **(117,174)** |
| **Tax effect of amounts which are not deductible in calculating taxable income:** | | |
| Non-deductible expenses | (6,266) | (20,976) |
| Unrecognized deferred asset on tax losses | (4,146) | (24,242) |
| Recognition of deferred tax on tax losses from previous years | 2,833 | — |
| Effect of LuxCos liquidations | — | (52,234) |
| Effect of foreign tax rates and regulations | (2,881) | 16,479 |
| **Income tax expense** | **(268,503)** | **(198,147)** |

"Effect of LuxCos liquidation" represents a non-deductible result of the liquidations performed within the Group on 21 December 2020. Adinan Topco, Adinan Holdco, Adinan Bondco ceased to exist and Adinan Seniorco was merged into Adinan Midco.

"Effect of foreign tax rates and regulations" represents the effect of different tax rates used in Luxembourg and Poland.

## 11.4. Amounts recognised directly in other comprehensive income

The deferred tax relating to other comprehensive income recognized directly in other comprehensive income amounted to PLN 51,517 income in 2021 and to PLN 6,953 cost in 2020.

## 11.5. Tax losses

In 2021 Allegro Pay recognized a deferred tax asset on a tax loss from previous years in the amount of PLN 2,834. Based on the performed analysis, the entity concluded that future taxable income will be sufficient to utilize the tax loss in full.

In 2021 and 2020 unrecognized deferred tax assets on tax losses of PLN 113,826 and PLN 97,200 (expiring in 2026 and 2025) were incurred by Allegro.eu. Those losses are not likely to be utilized as the Parent will not generate future taxable income due to the tax exempt nature of income from dividends from its subsidiaries.

## 11.6. Other

No deferred tax liability is recognised on temporary differences of PLN 2,363,447 (2020: PLN 1,357,712) relating to the unremitted earnings of subsidiaries, as unremitted earnings are not taxable when paid.

Currently, Allegro.pl and Ceneo.pl are being subject to the tax and customs audits with respect to the corporate income tax settlements for the period from 28 July 2016 to 31 December 2017 and for 2018. These tax and customs audits have been initiated in December 2020 and are still in progress. So far, the auditing tax and customs office has not issued any document summarizing potential findings in terms of the audits. The deadline for completing the auditing activities was extended to 28 February 2022 but it may be further prolonged by the tax and customs office, which is a common practice.

Assisted by their external tax advisors, Allegro.pl and Ceneo.pl are providing ongoing explanations to the tax and customs office, supporting the Group's position as to correctness of the tax settlements of these entities for the periods audited.

After performing an analysis of potential tax risks connected with the above-mentioned tax settlements as well as any other transactions and operations that might represent risk from an Uncertain Tax Position in the Group, in the light of IFRIC 23 implementation (Uncertainty over Income Tax Treatments) – the Group concluded that no provision should be created. 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.

# 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 2021 and 31 December 2020 were:

| | 01.01–31.12.2021 | 01.01–31.12.2020 |
|---|---|---|
| Net profit attributable to equity holders of the Parent Company | 1,089,618,366 | 419,160,122 |
| Preference annual interest | — | (754,495,305) |
| **Profit/ (Loss) for ordinary shareholders** | **1,089,618,366** | **(335,335,183)** |
| Average number of ordinary shares | 1,023,593,977 | 787,946,396 |
| **Profit/ (Loss) per ordinary share (basic)** | **1.06** | **(0.43)** |
| Effect of diluting the number of ordinary shares | 221,093 | — |
| Number of ordinary shares shown for the purpose of calculating diluted earnings per share | 1,023,815,070 | 787,946,396 |
| **Profit/ (Loss) per ordinary share (diluted)** | **1.06** | **(0.43)** |

Basic earnings per share are calculated by dividing the net profit for the period attributable to ordinary equity holders of the Parent Company, decreased by any preferential cumulative dividend interest, by the weighted average number of ordinary shares.

In connection with the Group's IPO, which took place in October 2020, the Group's share capital was restructured to replace all classes of share capital, including cumulative preference shares, with a class of new ordinary shares ("the IPO Conversion").

Cumulative preference shares accrued interest at a compound annual rate of 12% and this accrued interest was settled at the IPO Conversion with an allocation of new ordinary shares as the equity was restructured on the basis of an IPO market capitalisation of PLN 43 billion, implied by the Company setting the IPO price of its 1 billion new ordinary shares at PLN 43 per share. Preference annual interest therefore ceased to accrue from the date of the IPO Conversion on 29 September 2020.

The Company issued a further 23,255,814 ordinary shares at IPO to raise an additional PLN 1 billion of equity in a primary capital raising, bringing the total of ordinary shares issued by the Parent to 1,023,255,815 ordinary shares.



From 30 September 2021, the Employee Benefit Trust has been consolidated in the Group Consolidated Financial Statements (see note 28.4). 1,399,853 of ordinary shares, initially possessed by the entity, have been classified as Treasury Shares and deducted from the average number of ordinary shares for the period ending 31 December 2021 for the purpose of calculating Earnings per Share. On 7 October 2021, 589,024 Treasury Shares were distributed to the employees receiving a grant of ordinary shares on the occasion of the Group's IPO, leaving the Group with 810 829 Treasury Shares held by the EBT. Moreover, the average number of ordinary shares for the period ending 31 December 2021 for the purpose of calculating Earnings per Share additionally includes 932 fully vested but not delivered shares, granted to employees at the moment of the Group's IPO, as a Free Share Award.

In the prior year period and until the IPO Conversion, ordinary shares for the purposes of calculating earnings per share comprised A1 and A2 shares. Between 2017 and the IPO, B and C shares were granted to the Group's Key Management and other managers with a determined vesting period, and were excluded from the earnings per share calculation. The Management participated indirectly through various classes of shares of Adiman SCSp and directly via type C and D shares issued by Allegro.eu.

B and C series shares were assessed for any potential dilutive effect on the EPS calculation. The Group concluded that they were not dilutive.

The dilutive item presented in the table above refers to the RSU program described in note number 28.3. RSU are treated as the non-performance based share based payments and are included in computing diluted EPS if the effect is dilutive. The shares that will be issued for no consideration are dilutive; the Group calculates the incremental number of shares that will be issued for nil consideration taking into account the market price of the shares and the assumed exercise price for RSU. This variant of the AIP program has a dilutive impact on the EPS calculation as it results in the issue of ordinary shares for less than the average market price of ordinary shares during the period.

PSU are performance-related share based payments thus 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 program described in note number 28.3 has a contingent dilutive effect on the EPS calculation for the twelve months ended 31 December 2021. However it was not concluded to be dilutive as the performance conditions have not yet been met.

# NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## 13. Intangible assets

### GOODWILL

Goodwill arises on the acquisition of business undertakings. Goodwill is not amortized 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 profit from the synergies of business combination. Impairment is recognized when the carrying amount of an asset or cash-generating unit is higher than its recoverable amount. Recoverable amount is the higher of fair value less costs to sell and the value in use.

### LICENSES, SOFTWARE AND COPYRIGHTS

Separately purchased licenses are initially recognized at cost. Licenses acquired as a result of the business combination are recognized at fair value at acquisition. Licenses have limited useful life, i.e. 2 to 5 years. The domains "Allegro.pl" and "ceneo.pl" acquired on 18 January 2017 are amortized over their estimated useful life of 15 years. The Allegro and Ceneo Platform software acquired on 18 January 2017 is amortized over its estimated useful economic life for 10 years. The eBilet software acquired in April 2019 and Opennet software acquired in October 2020 are amortized over its estimated useful economic life for 15 years. The software recognized on the acquisition of XPC is amortized over 2 years. These intangible assets are measured at historical cost (or initial fair value) less amortization and impairment losses. Amortization is calculated on a straight line basis in order to spread the cost over the estimated useful life.

### TRADEMARKS

Trademarks arising from business combinations are initially measured at fair value using the Royalty Relief Method. Trademarks are measured at historical cost (or initial fair value) less amortization and impairment losses. Brands are amortized on a straight line basis for their estimated useful life of 15 years.

### 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 amortization. Relationships acquired in the transaction of 18 January 2017 are amortized on a straight line basis for their estimated useful life of 20 years.

Relationships with event organizers purchased in the acquisition of eBilet Polska Sp. z o.o. and customer relationships acquired as a part of Opennet business are amortized on a straight line basis for their estimated useful life of 15 years.



### RESEARCH AND DEVELOPMENT COSTS

Although the Group does not have any department dedicated to research and development, such activities are performed throughout the organization. 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 capitalization criteria is recognized as intangible assets. Research and development expenditure that does not meet the capitalization criteria is recognised as an expense as incurred in staff costs. In the reported periods 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 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 capitalized in the Group's intangible assets and amortized 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. As at the end of 2021 as well as the end of 2020 there was no impairment.

### IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets with an undefined useful life and goodwill are not subject to amortization but tested annually for impairment. Amortized assets are tested for impairment wherever 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 effecting sale and value in use. For the purposes of impairment assessment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash generating units).

Non-financial assets, other than goodwill, for which impairment charges were identified, are reviewed for indication of a possible reversal of the impairment charge at each reporting period end date.

all amounts expressed in PLN'000 unless indicated otherwise

| As at 01.01.2021 | Goodwill | Customer relationships | Trademarks and other rights | Computer software and licences | Software development costs | Intangible assets under developments | Other | Total |
|---|---|---|---|---|---|---|---|---|
| Cost | 8,639,249 | 2,912,512 | 1,513,562 | 1,041,990 | 255,482 | 108,985 | 34,190 | 14,505,970 |
| Accumulated amortisation and impairment | — | (568,067) | (388,096) | (411,181) | (69,639) | — | (22,714) | (1,459,697) |
| **Net book amount** | **8,639,249** | **2,344,445** | **1,125,466** | **630,809** | **185,843** | **108,985** | **11,476** | **13,046,273** |
| **Year ended 31.12.2021** | | | | | | | | |
| Opening net book amount | 8,639,249 | 2,344,445 | 1,125,466 | 630,809 | 185,843 | 108,985 | 11,476 | 13,046,273 |
| Additions | — | — | — | 10,049 | — | 229,057 | 18,724 | 257,830 |
| Additions due to business combinations | 30,320 | — | — | 531 | — | — | 67 | 30,917 |
| Transfer from development | — | — | — | 1,254 | 195,725 | (195,725) | (1,254) | — |
| Amortisation charge | — | (144,400) | (100,704) | (109,795) | (71,195) | — | (9,329) | (435,423) |
| **Closing net book amount** | **8,669,569** | **2,200,045** | **1,024,762** | **532,848** | **310,373** | **142,317** | **19,684** | **12,899,598** |
| **As at 31.12.2021** | | | | | | | | |
| Cost | 8,669,569 | 2,912,512 | 1,513,562 | 1,053,824 | 451,207 | 142,317 | 51,727 | 14,794,718 |
| Accumulated amortisation and impairment | — | (712,467) | (488,800) | (520,976) | (140,834) | — | (32,043) | (1,895,120) |
| **Net book amount** | **8,669,569** | **2,200,045** | **1,024,762** | **532,848** | **310,373** | **142,317** | **19,684** | **12,899,598** |

The Group did not capitalize any interest expense or exchange rate differences during the periods presented.

all amounts expressed in PLN'000 unless indicated otherwise

| As at 01.01.2020 | Goodwill | Customer relationships | Trademarks and other rights | Computer software and licences | Software development costs | Intangible assets under developments | Other | Total |
|---|---|---|---|---|---|---|---|---|
| Cost | 8,631,342 | 2,910,497 | 1,513,405 | 1,024,810 | 131,273 | 83,175 | 23,443 | 14,317,945 |
| ccumulated amortisation and impairment | — | (422,167) | (286,703) | (301,641) | (32,029) | — | (16,941) | (1,059,481) |
| **Net book amount** | **8,631,342** | **2,488,330** | **1,226,702** | **723,169** | **99,244** | **83,175** | **6,502** | **13,258,464** |
| **Year ended 31.12.2020** | | | | | | | | |
| Opening net book amount | 8,631,342 | 2,488,330 | 1,226,702 | 723,169 | 99,244 | 83,175 | 6,502 | 13,258,464 |
| Additions | — | — | — | 15,056 | — | 149,299 | 12,074 | 176,429 |
| Additions due to business combinations | 7,907 | 2,015 | 157 | 1,517 | — | — | — | 11,596 |
| Transfer from development | — | — | — | 607 | 124,209 | (123,489) | (1,327) | — |
| Amortisation charge | — | (145,900) | (101,393) | (109,540) | (37,610) | — | (5,774) | (400,217) |
| **Closing net book amount** | **8,639,249** | **2,344,445** | **1,125,466** | **630,809** | **185,843** | **108,985** | **11,476** | **13,046,273** |
| **As at 31.12.2020** | | | | | | | | |
| Cost | 8,639,249 | 2,912,512 | 1,513,562 | 1,041,990 | 255,482 | 108,985 | 34,190 | 14,505,970 |
| Accumulated amortisation and impairment | — | (568,067) | (388,096) | (411,181) | (69,639) | — | (22,714) | (1,459,697) |
| **Net book amount** | **8,639,249** | **2,344,445** | **1,125,466** | **630,809** | **185,843** | **108,985** | **11,476** | **13,046,273** |

The Group did not capitalize any interest expense or exchange rate differences during the periods presented.

all amounts expressed in PLN'000 unless indicated otherwise

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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 4–10 years
- Automated Parcel Machines 10 years
- Motor vehicles 5–7 years
- Other 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. 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 changes.

Right-of-use assets are amortized over the estimated length of the lease contract. The detailed information regarding the presentation of right-of-use assets is described in note 22.

| As at 31.12.2021 | Buildings | Computers and office equipment | Automated Parcel Machines | Other fixed assets | Assets under construction | Total |
|---|---|---|---|---|---|---|
| Cost | 167,717 | 172,569 | — | 788 | 5,414 | 346,488 |
| Accumulated depreciation | (101,486) | (93,675) | — | (507) | — | (195,668) |
| **Net book amount** | **66,231** | **78,894** | **—** | **281** | **5,414** | **150,820** |
| **Year ended 31.12.2021** | | | | | | |
| Opening net book amount | 66,231 | 78,894 | — | 281 | 5,414 | 150,820 |
| Additions | 143,221 | 82,787 | 70,123 | 600 | 69,602 | 366,333 |
| Additions due to business combinations | 727 | — | — | 263 | — | 990 |
| Disposals – gross book value | — | (9,040) | (58) | (13) | — | (9,111) |
| Transfer from assets under construction | 2,361 | 473 | — | — | (2,834) | — |
| Modification of lease contract | 11,308 | — | — | — | — | 11,308 |
| Depreciation charge | (38,353) | (45,109) | (1,649) | (260) | — | (85,371) |
| Depreciation of disposals | — | 8,829 | — | 11 | — | 8,840 |
| Reclassification – gross amount | 348 | — | — | — | (348) | — |
| **Closing net book amount** | **185,843** | **116,834** | **68,416** | **882** | **71,834** | **443,809** |
| **As at 31.12.2021** | | | | | | |
| Cost | 325,334 | 246,788 | 70,065 | 1,638 | 72,182 | 716,007 |
| Accumulated depreciation | (139,491) | (129,954) | (1,649) | (756) | (348) | (272,198) |
| **Net book amount** | **185,843** | **116,834** | **68,416** | **882** | **71,834** | **443,809** |

all amounts expressed in PLN'000 unless indicated otherwise

| As at 01.01.2020 | Buildings | Computers and office equipment | Automated Parcel Machines | Other fixed assets | Assets under construction | Total |
|---|---|---|---|---|---|---|
| Cost | 158,671 | 126,947 | — | 673 | 388 | 286,679 |
| Accumulated depreciation | (73,418) | (65,228) | — | (324) | — | (138,970) |
| **Net book amount** | **85,253** | **61,719** | **—** | **349** | **388** | **147,709** |
| **Year ended 31.12.2020** | | | | | | |
| Opening net book amount | 85,253 | 61,719 | — | 349 | 388 | 147,709 |
| Additions | 9,101 | 52,690 | — | 115 | 5,101 | 67,007 |
| Disposals – gross book value | (137) | (7,162) | — | — | — | (7,299) |
| Transfer from assets under construction | — | 75 | — | — | (75) | — |
| Impairment loss | 82 | 20 | — | — | — | 102 |
| Depreciation charge | (27,927) | (35,464) | — | (183) | — | (63,574) |
| Depreciation of disposals | 41 | 6,834 | — | — | — | 6,875 |
| Reclassification – gross amount | (370) | 370 | — | — | — | — |
| Reclassification – depreciation | 188 | (188) | — | — | — | — |
| **Closing net book amount** | **66,231** | **78,894** | **—** | **281** | **5,414** | **150,820** |
| **As at 31.12.2020** | | | | | | |
| Cost or fair value | 167,717 | 172,569 | — | 788 | 5,414 | 346,488 |
| Accumulated depreciation | (101,486) | (93,675) | — | (507) | — | (195,668) |
| **Net book amount** | **66,231** | **78,894** | **—** | **281** | **5,414** | **150,820** |

In 2021 the Group launched the new initiative aiming to improve the delivery experience provided to its customers and started building its own network of automated parcel machines (further referred as "lockers", "APM").

all amounts expressed in PLN'000 unless indicated otherwise

# 15. Inventory

The value of the Group's inventory was as follows:

| | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Goods | 49,495 | 31,146 |
| Materials | 157 | — |
| Allowance for slow-moving goods | (5,657) | (6,527) |
| **Total** | **43,995** | **24,619** |

## 15.1 Assigning costs to inventories

The goods are purchased for resale by its own proprietary store via marketplace on the Platform (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 reversed the inventories' write-downs in the amount of PLN 870. In 2020, write-downs of inventories to net realisable value amounted to PLN 1,718 of cost.

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:

| | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Trade receivables, gross | 847,924 | 658,197 |
| Impairment of trade receivables | (95,461) | (60,114) |
| **Trade receivables, net** | **752,463** | **598,083** |
| Other receivables | 52,561 | 42,249 |
| VAT receivables | 13,804 | 6,077 |
| **Total** | **818,828** | **646,409** |

The Group's receivables comprise amounts due from companies and individuals and their concentration level is low. The Group does not have significant trade receivables in foreign currencies.

## 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. 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 31.2 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.

all amounts expressed in PLN'000 unless indicated otherwise

## 16.3 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.

## 16.4 Impairment and risk exposure

Information about impairment and the exposure to credit risk and interest rate risk is disclosed in note 31. 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 recognized as part of the bad debt provision expense in the statement of comprehensive income. In comparison to the previous year, the impairment provision increased by PLN 35,348 for the year ended 31 December 2021 and by PLN 19,627 for the year ended 31 December 2020.



## 17. Prepayments

The value of the Group's prepayments was as follows:

| | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Property, plant and equipment | 11,258 | — |
| **Long term prepayments** | **11,258** | **—** |
| Licenses | 19,540 | 12,460 |
| Insurance | 14,158 | 11,539 |
| Technical support | 6,104 | 5,903 |
| Delivery Services | 6,713 | 4,097 |
| Other | 7,553 | 2,497 |
| **Short term prepayments** | **54,068** | **36,496** |
| **Total prepayments** | **65,326** | **36,496** |

Prepayments are made when the entity incurs costs before the period to which they relate. Prepayments are determined at the amount of costs attributable to subsequent reporting periods.

all amounts expressed in PLN'000 unless indicated otherwise

# 18. Consumer loans

Consumer loans represent loans granted to Polish buyers on the Allegro.pl platform. Loans are granted for 30 days without interest or as instalment loans for between 5 and 20 months with a fixed interest rate. The interest rate increased from 7.20% to 10.50% in December 2021. Furthermore, Smart! users may take 3-month instalment loans with zero interest.

All loans are granted on the territory of Poland in Polish zloty (PLN).

The value of Consumer loans granted as at 31 December 2021 and 31 December 2020 by maturity was as follows:

| | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Consumer loans – long term | 15,622 | 4,728 |
| Consumer loans – short term | 343,163 | 47,244 |
| **Total** | **358,785** | **51,972** |

The net value of Consumer loans by duration at the time of granting, as at 31 December 2021 and 31 December 2020 is presented below:

| | 31.12.2021 | 31.12.2020 |
|---|---|---|
| 30 days | 119,522 | 8,956 |
| 3 months | 89,615 | 17,278 |
| 5 months | 26,387 | 4,326 |
| 10 months | 57,852 | 9,535 |
| 20 months | 65,409 | 11,877 |
| **Total** | **358,785** | **51,972** |



# 18.1 Gross carrying amount and loss allowance

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.

Loans are categorised into three stages based on the associated risk, where stage 3 reflects the highest risk. A description of the stages is included in note 27.

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 2021 and 31 December 2020.

| **As at 01.01.2021** | Stage 1 | Stage 2 | Stage 3 | TOTAL |
|---|---|---|---|---|
| Consumer loans, gross | 53,073 | 28 | 1 | 53,102 |
| Expected credit losses | (1,126) | (3) | (1) | (1,130) |
| **Consumer loans as at 01.01.2021** | **51,947** | **25** | **—** | **51,972** |

| **As at 31.12.2021** | Stage 1 | Stage 2 | Stage 3 | TOTAL |
|---|---|---|---|---|
| Opening balance | 53,073 | 28 | 1 | 53,102 |
| New consumer loans originated | 1,993,078 | — | — | 1,993,078 |
| Transfer to stage 1 | 838 | (805) | (33) | — |
| Transfer to stage 2 | (7,054) | 7,083 | (29) | — |
| Transfer to stage 3 | (6) | (2,586) | 2,592 | — |
| Consumer loans derecognized (partially repaid & other changes) | (338,050) | (318) | 18 | (338,350) |
| Consumer loans derecognized (fully repaid) | (1,159,521) | (1,463) | (204) | (1,161,188) |
| Consumer loans derecognized (sold) | (181,541) | — | — | (181,541) |
| **Consumer loans, gross** | **360,816** | **1,939** | **2,345** | **365,101** |
| Opening balance | (1,126) | (3) | (1) | (1,130) |
| New consumer loans originated | (13,839) | — | — | (13,839) |
| Changes due to changes in credit risk | 3,797 | (2,496) | (848) | 453 |
| Transfer to stage 1 | (100) | 98 | 2 | — |
| Transfer to stage 2 | 1,054 | (1,073) | 21 | — |
| Transfer to stage 3 | — | 1,646 | (1,646) | — |
| Consumer loans derecognized (repaid) | 6,375 | 723 | 197 | 7,295 |
| Consumer loans derecognized (sold) | 904 | — | — | 904 |
| **Expected credit losses** | **(2,935)** | **(1,105)** | **(2,275)** | **(6,316)** |
| **Consumer loans as at 31.12.2021** | **357,881** | **834** | **70** | **358,785** |

all amounts expressed in PLN'000 unless indicated otherwise

| As at 31.12.2021 | 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 as at 31.12.2021** | **357,881** | **834** | **70** | **358,785** |

| As at 01.01.2020 | Stage 1 | Stage 2 | Stage 3 | TOTAL |
|---|---|---|---|---|
| Consumer loans, gross | — | — | — | — |
| Expected credit losses | — | — | — | — |
| **Consumer loans as at 01.01.2020** | **—** | **—** | **—** | **—** |

| As at 31.12.2020 | Stage 1 | Stage 2 | Stage 3 | TOTAL |
|---|---|---|---|---|
| New consumer loans originated | 76,017 | — | — | 76,017 |
| Transfer to stage 1 | 2 | (2) | — | — |
| Transfer to stage 2 | (33) | 33 | — | — |
| Transfer to stage 3 | — | (1) | 1 | — |
| Consumer loans derecognized (repaid) | (22,913) | (2) | — | (22,915) |
| **Consumer loans, gross** | **53,073** | **28** | **1** | **53,102** |
| New consumer loans originated | (1,520) | — | — | (1,520) |
| Changes due to changes in credit risk | 394 | (3) | (1) | 390 |
| **Expected credit losses** | **(1,126)** | **(3)** | **(1)** | **(1,130)** |
| **Consumer loans as at 31.12.2020** | **51,947** | **25** | **—** | **51,972** |

| As at 31.12.2020 | Stage 1 | Stage 2 | Stage 3 | TOTAL |
|---|---|---|---|---|
| Consumer loans, gross | 53,073 | 28 | 1 | 53,102 |
| Expected credit losses | (1,126) | (3) | (1) | (1,130) |
| **Consumer loans as at 31.12.2020** | **51,947** | **25** | **—** | **51,972** |

In the third quarter of 2021 the Group entered into a consumer loans sale agreement with Aion Bank, under which the first transaction was executed in December. In the effect the risk, rewards and control were transferred to the financing partner with the relevant consumer loans being derecognized. The Group received PLN 182,271 of cash with the net gain on the transaction amounting to PLN 653.

The changes in the credit risk might 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.



## 18.2. Classification as consumer loans

The loans are initially recognized at fair value.

The Group classifies financial assets into the following categories:

- **measured at amortized 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.

Consumer loans are stated at amortised cost, net of allowances and calculated in accordance with the Group's accounting policies. Allowances are made based upon several factors including, but not limited to, historical experience and the current aging of loans.

The Group closely monitors credit quality for all consumer loans on a recurring basis. The Group implemented an internally developed risk model to help predict the buyers' repayment ability in order to properly determine the expected credit losses.

## 18.3. Impairment and risk exposure

Consumer loans outstanding as at the balance sheet date were subject to impairment allowances. The impairment policy is described in note 31. The expected credit loss allowance was recognized as part of the Impairment losses in the statement of comprehensive income.

All loans are denominated in Polish zloty, there is no exposure to foreign currency risk. There is also no exposure to price risk as the loans are expected to be held to maturity.

More information about impairment and the exposure to credit risk and interest rate risk is disclosed in note 31.

all amounts expressed in PLN'000 unless indicated otherwise

# 19. Cash and cash equivalents

At the balance sheet date Cash and cash equivalents comprised:

| | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Cash at bank | 364,441 | 643,238 |
| Bank deposits | 1,528,506 | 502,535 |
| Cash equivalents | 64,294 | 39,287 |
| **Total** | **1,957,241** | **1,185,060** |

## 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. The Group deposits its cash solely in financial institutions with the rating BBB and above.

## 19.3. Classification as cash equivalents

Cash equivalents comprise payments in transit made by the Group's customers via electronic payment channels.

# 20. Restricted cash

as at 31 December 2021 Employee Benefit Trust was holding PLN 14,240 cash that may only be utilized for the benefit of employees, including through the settlement of incentive programs and was not freely available to the Group. As at 31 December 2020 the Group had no restricted cash.



# 21. Borrowings

At the balance sheet date borrowings comprised:

| | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Loans | 5,362,982 | 5,437,223 |
| **Long term borrowings** | **5,362,982** | **5,437,223** |
| Loans | 3,316 | 577 |
| **Short term borrowings** | **3,316** | **577** |
| **Total borrowings** | **5,366,298** | **5,437,800** |

On 28 September 2020 the Board of Directors resolved to refinance the Group's existing Total Credit Facilities. On 29 September 2020 the Group entered into a new loan agreement ('New Facilities Agreement') providing commitments for a PLN 5,500,000 senior secured term loan facility (the 'New Senior Facility') and PLN 500,000 (equivalent) multi-currency revolving credit facility ('New RCF' and together with the New Senior Facility, the 'New Facilities').

On 14 October 2020 the Group completed its refinancing transaction by drawing the full amount of borrowings under the New Facilities Agreement, receiving a net amount of PLN 5,440,000 after deduction of PLN 60,000 arrangement fees and expenses and, together with Allegro.eu utilizing its net proceeds from the initial public offering of the Company's shares, applied the available funds to the repayment and discharge in full of all indebtedness outstanding under the existing Total Credit Facilities in the amount of PLN 6,151,732 (refer to note 29).

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The transaction was accounted for as derecognition of the existing borrowings. The new debt was recognized at fair value. Immediately before the derecognition of the pre-existing borrowing, the carrying value of the existing borrowing facilities at amortized cost increased by PLN 143,378 and an equivalent amount of deferred borrowings cost was recognized as non-cash financial expense. The total loss on refinancing amounted to PLN 143,378 (refer to note 29).

The repayment of the Second Lien Facility before the termination due date triggered an additional PLN 26,000 of early repayment charges.

The maturity date for the New Facilities Agreement and for the New RCF is October 2025. There are no repayments due on the New Senior Facility before the final due date on 14 October 2025. As a result of the refinancing transaction, the balance of outstanding bank borrowings was reduced by PLN 651,732 from PLN 6,151,732 to PLN 5,500,000 (in nominal amounts).

The New Facilities Agreement initially bears interest at a rate per annum equal to WIBOR or EURIBOR, as applicable at the Credit Facility Borrower's option for the New RCF (in each case subject to a zero floor) and an initial margin of 2.25% per annum, in relation to New Senior Facility and of 1.80% per annum, in relation to the New RCF.

On 5 August 2021, as a result of improved leverage ratio, the Group lowered the margin of its borrowings, in line with the facility agreement. As a result, the carrying value of the existing borrowings valued at amortized cost decreased by PLN 105,928.

On 9 December 2021 the Group signed the Additional Facility in amount of PLN 1,000,000. The Additional Facility has a 12 months availability period with a 6 months utilization period. As at 31 December 2021 it was not yet utilized.

The borrowings are measured at amortized 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 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 through recalculation of the amortised cost, and the adjustments are recognized in profit or loss as financial income or financial cost. As at 31 December 2021 the average effective interest rate is 1.99%, and as at 31 December 2020 was 2.47%.

The repayment term for the New Facilities is 2025, and the schedule of loan amortization is as follows:

| Less than 3 months | From 3 to 12 months | From 1 to 5 years | More than 5 years | Total |
|---|---|---|---|---|
| 3,316 | — | 5,362,982 | — | 5,366,298 |

As of the balance sheet date there were four swap agreements conducted (31 December 2020: three swap agreement). The purpose of interest rate hedging in the Group is to limit the part of interest cash flow exposed to interest rate fluctuations. (see note 31.1)

Following the refinancing, the Group changed the settlement dates of the New RCF which do not fall at the end of each quarter anymore.

The fair values of borrowings are not materially different to their carrying amounts, since the interest payable on those borrowings is close to current market rates (contractual rates reflects current market rates of interests applicable to such terms of similar instruments).



## 21.1. Accounting policies

Borrowings are initially recognised at fair value net of transaction costs incurred. After the initial recognition, borrowings are stated at amortised cost under the effective interest rate method. Any difference between the amount received (net off transaction costs) and the redemption value is recognised in profit and loss statement over the period of the respective agreements, using the effective interest rate method. Borrowings due within one year are classified as short-term. Otherwise, they are presented as long-term items.

## 21.2. Compliance with loan covenants

Under the Senior Term and Revolving Facilities Agreement, the Group was obliged to maintain certain financial ratios defined as Consolidated Senior Net Debt and Consolidated Senior Secured Net Debt at levels no higher than indicated in the agreements.

Due to the refinancing, Adinan Midco, a member of the Group signed the New Senior Facilities Agreement on 29 September 2020. Based on this agreement, the Group shall ensure Total Net Leverage in respect of any Relevant Period ending on a test date on or after, shall not exceed a ratio indicated in the Agreement (see note 32).

Allegro.eu Group complied with the financial covenants of its borrowing facilities during the 2021 and 2020 reporting periods and after the balance sheet date until the date of authorization of these Consolidated Financial Statements for the issue. See note 32 for details.

## 21.3. Risk exposure

Details of the Group's exposure to risks arising from current and non-current borrowings are set out in note 31.

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# 22. Leases

## 22.1. 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 1–9 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:

| | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Depreciation and amortisation | (39,570) | (25,493) |
| Interest expenses | (4,982) | (3,028) |
| Short-term leases expenses | (168) | (152) |
| **Total** | **(44,720)** | **(28,673)** |



## 22.2. Amounts recognised in the statement of financial position

Changes in right-of-use assets during the financial year:

| **As at 01.01.2021** | Leased Buildings | Leased Computers and office equipment | Leased Motor vehicles | Leased Lands | Total |
|---|---|---|---|---|---|
| Cost | 161,883 | 1,501 | 304 | — | 163,688 |
| Accumulated depreciation | (99,673) | (1,461) | (172) | — | (101,306) |
| **Net book amount** | **62,210** | **40** | **132** | **—** | **62,382** |
| **As at 31.12.2021** | | | | | |
| Opening net book amount | 62,210 | 40 | 132 | — | 62,382 |
| Additions – new leases | 151,942 | 19,053 | — | 28,260 | 199,255 |
| Lease Incentives | (23,081) | — | — | — | (23,081) |
| Disposals | — | (725) | — | — | (725) |
| Modification of lease contract | 11,656 | — | — | — | 11,656 |
| Depreciation charge | (35,174) | (2,809) | (78) | (1,509) | (39,570) |
| **Closing net book amount** | **167,553** | **15,559** | **54** | **26,751** | **209,917** |
| **As at 31.12.2021** | | | | | |
| Cost | 302,400 | 19,829 | 304 | 28,260 | 350,793 |
| Accumulated depreciation | (134,847) | (4,270) | (250) | (1,509) | (140,876) |
| **Net book amount** | **167,553** | **15,559** | **54** | **26,751** | **209,917** |

all amounts expressed in PLN'000 unless indicated otherwise

| As at 01.01.2020 | Leased Buildings | Leased Computers and office equipment | Leased Motor vehicles | Leased Lands | Total |
|---|---|---|---|---|---|
| Cost | 152,489 | 1,402 | 189 | — | 154,080 |
| Accumulated depreciation | (74,586) | (1,154) | (73) | — | (75,813) |
| **Net book amount** | **77,903** | **248** | **116** | **—** | **78,267** |
| **As at 31.12.2020** | | | | | |
| Opening net book amount | 77,903 | 248 | 116 | — | 78,267 |
| Additions – new leases | 8,452 | 99 | 115 | — | 8,666 |
| Modification of lease contract | 942 | — | — | — | 942 |
| Depreciation charge | (25,087) | (307) | (99) | — | (25,493) |
| **Closing net book amount** | **62,210** | **40** | **132** | **—** | **62,383** |
| **As at 31.12.2020** | | | | | |
| Cost | 161,883 | 1,501 | 304 | — | 163,689 |
| Accumulated depreciation | (99,673) | (1,461) | (172) | — | (101,306) |
| **Net book amount** | **62,210** | **40** | **132** | **—** | **62,383** |

The right-of-use assets are part of property, plant and equipment in the statement of financial position.

Changes in lease liabilities during the financial year:

| As at 31.12.2021 | |
|---|---|
| Opening lease value | 73,266 |
| Modification | 11,656 |
| Lease payments | (31,062) |
| Additions – new leases | 199,255 |
| Disposals | (725) |
| Interest expense | 4,982 |
| Interest payment | (4,982) |
| Currency valuation | (659) |
| Other | (589) |
| **Lease liabilities** | **251,142** |

| As at 31.12.2020 | |
|---|---|
| Opening lease value | 85,538 |
| Modification | 942 |
| Lease payments | (26,101) |
| Additions – new leases | 8,666 |
| Interest expense | 3,028 |
| Interest payment | (3,028) |
| Currency valuation | 4,221 |
| **Lease liabilities** | **73,266** |



## 22.3. Amounts recognised in the statement of cash flow related to leases

The total cash outflow was PLN 36,044 in 2021, and PLN 29,129 in 2020.

## 22.4. 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 9 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. Each lease payment is allocated between the liability and financial cost. 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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## 22.5. 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.

## 22.6 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 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 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 and decided to recognize these type of contracts on the 5 years basis, being a length no longer than the enforceable period and no shorter than non-cancelable period.



## 23. Deferred tax

Deferred income 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 recognized also for unused tax losses and are recognized 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.

### 23.1. Deferred tax assets

The deferred tax assets at the balance sheet date comprised temporary differences attributable to:

| | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Accrued expenses | 87,826 | 54,959 |
| Liabilities to employees | 24,216 | 32,469 |
| Cash flow hedges | 2,396 | — |
| Impairment of trade receivables | 14,539 | 9,285 |
| Other items | 20,941 | 13,220 |
| **Total deferred tax assets** | **149,918** | **109,933** |
| | | |
| Deferred tax assets pursuant to set-off rules | (145,339) | (109,652) |
| **Net deferred tax assets** | **4,579** | **281** |

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| | Accrued expenses | Liabilities to employees | Other | Offsetting | Total |
|---|---|---|---|---|---|
| As at 01.01.2021 | 54,959 | 32,468 | 22,507 | (109,652) | 281 |
| Recognized on a business combination | — | — | 292 | — | 292 |
| (Charged)/credited to profit or loss | 32,867 | (8,252) | 12,477 | (35,687) | 1,405 |
| (Charged)/credited to OCI | — | — | 2,601 | — | 2,601 |
| As at 31.12.2021 | 87,826 | 24,215 | 37,876 | (145,339) | 4,579 |

| | Accrued expenses | Liabilities to employees | Other | Offsetting | Total |
|---|---|---|---|---|---|
| As at 01.01.2020 | 28,445 | 14,817 | 25,451 | (59,001) | 9,712 |
| (Charged)/credited to profit or loss | 26,514 | 17,651 | 4,207 | (50,651) | (2,279) |
| (Charged)/credited to OCI | — | — | (7,152) | — | (7,152) |
| As at 31.12.2020 | 54,959 | 32,468 | 22,507 | (109,652) | 281 |

In 2021 the Group recognized PLN 2,396 of deferred tax asset on contingent forward contract and PLN 54,119 of deferred tax liabilities on interest rate swap ('IRS') contracts. In 2020 no deferred tax asset has been recognized in respect of unrecognized losses on cash flow hedge contracts as the subsidiary where such contracts are recorded is considered unlikely to generate sufficient profit to recover these losses in the future.

In 2021 Allegro Pay recognized a deferred tax asset on a tax loss from previous years at PLN 2,834. Based on the performed analysis, the entity concluded that future taxable income will utilize the tax loss in full.



## 23.2. Deferred tax liabilities

The deferred tax liabilities at the balance sheet date comprised temporary differences attributable to:

| | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Intangible assets (business combination fair value adjustment) | 652,923 | 665,658 |
| Cash flow hedge | 54,119 | — |
| Loan valuation | 18,407 | 6,080 |
| Property, plant and equipment | 9,075 | 5,237 |
| Other items | 19,613 | 11,755 |
| Total deferred tax liabilities | 754,137 | 688,730 |
| | | |
| Deferred tax liabilities pursuant to set-off of rules | (145,340) | (109,652) |
| Net deferred tax liabilities | 608,797 | 579,078 |

| | Recognition of intangible assets in business combination | Loan valuation, Property, plant and equipment and other items | Offsetting | Total |
|---|---|---|---|---|
| As at 01.01.2021 | 665,658 | 23,072 | (109,652) | 579,078 |
| Recognized on a business combination | 19 | — | — | 19 |
| Charge/(credited) to profit or loss | (12,754) | 24,023 | (35,688) | (24,419) |
| Charge/(credited) to OCI | — | 54,119 | — | 54,119 |
| As at 31.12.2021 | 652,923 | 101,214 | (145,340) | 608,797 |

| | Recognition of intangible assets in business combination | Loan valuation, Property, plant and equipment and other items | Offsetting | Total |
|---|---|---|---|---|
| As at 01.01.2020 | 687,760 | 14,749 | (59,001) | 643,508 |
| Recognized on a business combination | 687 | — | — | 687 |
| Charge/(credited) to profit or loss | (22,789) | 8,323 | (50,651) | (65,117) |
| As at 31.12.2020 | 665,658 | 23,072 | (109,652) | 579,078 |

all amounts expressed in PLN'000 unless indicated otherwise

## 23.3. 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:

| | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Deferred tax assets | 149,919 | 109,933 |
| *– long-term* | *14,403* | *13,525* |
| *– short-term* | *135,516* | *96,408* |
| Offsetting | (145,340) | (109,652) |
| **Total** | **4,579** | **281** |

| | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Deferred tax liability | 754,137 | 688,730 |
| *– long-term* | *666,586* | *610,240* |
| *– short-term* | *87,551* | *78,490* |
| Offsetting | (145,340) | (109,652) |
| **Total** | **608,797** | **579,078** |



## 24. 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 recognizes 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 recognized 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 recognized 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 recognized 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 – ZUS (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 (ZUS) ("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 recognizes 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.

### EMPLOYEE CAPITAL PLANS

Employee Capital Plans ("Pracownicze Plany Kapitałowe", "PPK") were introduced by new legislation from 1 January 2019, pursuant to which employers are under the obligation to introduce Employee capital plans in their organization. Employee Capital Plans constitute a new form of saving under the pension system. The basic contribution financed by the employee amounts to 2 per cent of gross salary. In turn, the employer shall pay a contribution in the amount of 1.5 per cent of the employee's obligatory contribution, extendable by up to a 2.5% of the voluntary contribution calculated on the basis of the salary. Obligations only apply to those employees who did not opt out of PPK. The liability related to employee capital plans as at 31 December 2021 equaled PLN 1,238, as at 31 December 2020 equaled PLN 1,048 and is included in trade and other liabilities.



### LONG-TERM INCENTIVE PROGRAM

The Long-Term Incentive Program ("LTI") was a form of recognition bonus granted to key directors and managers within the Group. The bonus was earned over time and to be paid once, with its value based on both the Group's financial performance and the participant's personal performance, however not earlier than June 2021 or until the Group's Major Shareholders have exited their investment in the Group or the Group has been listed on a stock exchange. A provision for LTI liabilities was created proportionately to the passage of time and disclosed in the consolidated financial statements under liabilities to employees. Following the Group's IPO in October 2020, the LTI bonus fully vested and was paid out in full to participants in June 2021. The LTI is now discontinued.

### SHARE BASE PAYMENT

Share-based payment transactions are treated in accordance with IFRS 2. The standard encompasses all arrangements where an entity purchases goods and services in exchange for issue of an entity's equity instruments, or cash payments based on the fair value of the entity's equity instruments, unless the transaction is clearly for a purpose other than payment for goods and services supplied to the entity receiving them. In accordance with IFRS 2, the Allegro.eu Group distinguishes between equity settled and cash settled plans. 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. Expenses from cash-settled plans are also allocated over the expected vesting period, but against a liability. A description of the existing equity-settled Allegro Incentive Plan and completed Management Investment Plan can be found in note 28.3.

all amounts expressed in PLN'000 unless indicated otherwise

## 24.1.
## Movements in liabilities to employees

The movements in liabilities to employees is presented below:

| | 01.01.2020 | Charged | Reversed | Utilised | 31.12.2020 | Charged | Reversed | Utilised | 31.12.2021 |
|---|---|---|---|---|---|---|---|---|---|
| Employee Incentive program (LTI) | 19,111 | 5,752 | (24,863) | — | — | 2,073 | — | — | 2,073 |
| Provision for pensions and disability pensions | 3,451 | 1,919 | — | — | 5,370 | 2,326 | — | | 7,696 |
| **Long-term liabilities to employees** | **22,562** | **7,671** | **(24,863)** | **—** | **5,370** | **4,399** | **—** | **—** | **9,769** |
| Bonus provision | 47,628 | 120,389 | (4,809) | (59,708) | 103,499 | 97,232 | | (122,648) | 78,083 |
| Employee Incentive program (LTI) | — | 24,863 | — | — | 24,863 | | | (24,863) | — |
| Unused holiday provision | 11,428 | 12,515 | — | (4,982) | 18,960 | 19,448 | — | (13,804) | 24,605 |
| Provision for pensions and disability pensions | 31 | 17 | — | — | 48 | 25 | | | 73 |
| Other | 528 | 1,031 | — | — | 1,559 | | (712) | | 847 |
| **Short-term liabilities to employees** | **59,615** | **158,814** | **(4,809)** | **(64,690)** | **148,928** | **116,705** | **(712)** | **(161,315)** | **103,608** |
| **Total** | **82,177** | **166,486** | **(29,672)** | **(64,690)** | **154,298** | **121,104** | **(712)** | **(161,315)** | **113,377** |

all amounts expressed in PLN'000 unless indicated otherwise

## 25.
## Trade and other liabilities

Trade and Other Liabilities at the balance sheet date comprised:

| | Note | 31.12.2021 | 31.12.2020 |
|---|---|---|---|
| Trade payables | | 581,469 | 342,861 |
| Contract and refund liabilities | 9.3/9.4 | 157,649 | 115,399 |
| VAT payables | | 81,454 | 73,448 |
| Purchase of non-financial assets | | 39,116 | 2,475 |
| Social insurance and other tax liabilities | | 19,976 | 13,695 |
| Other liabilities | | 24,091 | 9,751 |
| **Total** | | **903,755** | **557,629** |

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.

## 25.1.
## 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.



## 26.
## Derivative financial instruments

The Group decided to exclude derivative financial instruments from other financial assets and liabilities and present them as a separate line in the Statement of Financial Position.

Derivative financial instruments designated as hedging instruments are initially recognized 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 recognized in Other Comprehensive Income.

### INTEREST RATE SWAPS

In connection with its outstanding Senior debt facilities, which are subject to floating interest rates, the Group has entered into the following Interest Rate Swap contracts to fix a portion of its interest rate risk exposure, which were still open at 31 December 2021 and at 31 December 2020:

**As at 31.12.2021**

| Origination date | Start Date | End Date | Notional | Swap Rate |
|---|---|---|---|---|
| 30.11.2020 | 31.12.2020 | 30.06.2022 | 2,041,000 | Wibor 3M fixed rate — 2.3050% |
| 16.12.2020 | 30.06.2022 | 28.06.2024 | 750,000 | Wibor 3M fixed rate — 0.7075% |
| 18.12.2020 | 31.12.2020 | 30.06.2022 | 862,000 | Wibor 3M fixed rate — 1.6150% |
| 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% |

**As at 31.12.2020**

| Origination date | Start Date | End Date | Notional | Swap Rate |
|---|---|---|---|---|
| 30.11.2020 | 31.12.2020 | 30.06.2022 | 2,156,750 | Wibor 3M fixed rate — 2.3050% |
| 16.12.2020 | 30.06.2022 | 28.06.2024 | 750,000 | Wibor 3M fixed rate — 0.7075% |
| 18.12.2020 | 31.12.2020 | 30.06.2022 | 919,116 | Wibor 3M fixed rate — 1.6150% |
| 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% |

all amounts expressed in PLN'000 unless indicated otherwise

In measuring the fair value of interest rate swaps, the Group uses the present value of future cash flow based on interest rate curves. At 31 December 2021, the Warsaw Interbank Offer Rate 3 Months (Wibor 3M) had increased by 233 bps in comparison with 31 December 2020, resulting in interest rate swap assets increasing significantly.

## CONTINGENT FX FORWARD

On 4 November 2021, Allegro.pl sp. z o.o. entered into a share purchase agreement regarding a potential acquisition of Mall Group a.s. capital group and logistics company WE|DO CZ s.r.o. Closing is expected to take place in 2022 after receipt of all necessary regulatory approvals. The acquisitions will be made for a combined of EUR 881,000 being a combination of cash and shares. As Allegro Group generates 100% of revenue streams in PLN, the cash component is subject to foreign exchange volatility in the months prior to closing of the acquisition. To mitigate this exposure, on 10 November the Group executed a Deal Contingent FX Forward. The notional amount of hedge of EUR 474,000 is equal to the cash component of the consideration. The maturity date of the contract falls on 31 March 2023. The Group applied cash flow hedge accounting to hedge the highly probable future transaction (acquisition of Mall Group a.s. and WE|DO CZ s.r.o.) with the Deal Contingent FX Forward (hedging instrument). If the transaction does not occur, the contract will expire unexercised without any fee.

| | 31.12.2021 | | 31.12.2020 | |
|---|---|---|---|---|
| Balance Sheet position | Interest Rate Swap | Contingent Forward | Interest Rate Swap | Contingent Forward |
| Derivative financial assets — long term | 203,027 | — | — | — |
| Derivative financial assets — short term | 13,968 | — | — | — |
| Derivative financial liabilities — long term | — | — | 97,298 | — |
| Derivative financial liabilities — short term | — | 12,610 | — | — |
| **Total** | **216,995** | **12,610** | **97,298** | **—** |

## CASH FLOW HEDGES

The Group adopted a cash flow hedge accounting policy to mitigate potential adverse impacts on the Group's financial performance of changes in interest rates (swap) and changes in the EUR/PLN exchange rates (contingent FX forward). The nominal amounts and the maturities of the hedging instruments are presented in the tables above.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized 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 recognized 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 recognized in other comprehensive income is transferred to the income statement.

In respect to the contingent FX forward if the forecasted business combination transaction is not completed the cumulative gain or loss recognized in other comprehensive income is not a subject to the reclassification to profit and loss. This is considered by the Group to be improbable.

The fair values of interest rate swaps used for cash flow hedge are disclosed in this note. Movements of the reserve capital are disclosed in Consolidated Statement of Changes in Equity.

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.

The fair value of the contingent FX forward is calculated using the expected foreign exchange rates and the probability of completion of the business combination transaction on particular dates.

## 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 hedge ratio of 100%. Sources of ineffectiveness may include changes in credit risk of the counterparty or changes in timings of cash flows. As all critical terms matched during the year, the economic relationship was 100% effective.

In relation to the contingent FX forward the Group applies cash flow hedge accounting as there is a clear economic relationship between the hedged item (foreign currency payment) and hedging instrument, with hedge ratio of 100%. Hedge is highly effective, and sources of ineffectiveness may include changes in credit risk of the counterparty.

Carrying amount of IRS as at 31 December 2021 equals 216,995 and is presented as derivative financial asset, cash flow hedging reserve relating to interest rate cash flow hedges amounts to 156,423 and is presented net of deferred tax liability recognised in the amount of 54,118. Hedging gains recognised in OCI in 2021 amounted to 251,097 and equal the change in fair value of IRS so no hedge ineffectiveness was recognised.

Carrying amount of FX forward as at 31 December 2021 equals 12,610 and is presented as derivative financial liability. Cash flow hedging reserve relating to FX cash flow hedge amounts to 10,214 and is presented net of deferred tax asset recognised in the amount of 2,396. Hedging losses recognised in OCI in 2021 amounted to 10,214 and equal the change in fair value of IRS so no hedge ineffectiveness was recognised.

A slight ineffectiveness in relation to the contingent FX forward, if any, may be caused by a change in the credit risk of Company or the bank counter party to the derivative

all amounts expressed in PLN'000 unless indicated otherwise

# 27. 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 amortized 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 2021 and 2020 all financial assets and liabilities except for derivative instruments, were initially recognized at fair value including transaction costs and subsequently measured at amortised cost.

The Group applies hedge accounting and classifies those financial liabilities as cash flow hedges under IFRS 9.

The Group holds the following financial instruments:

| | Note | 31.12.2021 | 31.12.2020 |
|---|---|---|---|
| **Financial assets at amortised cost** | | **3,142,360** | **1,882,513** |
| Consumer loans | 18 | 358,785 | 51,972 |
| Trade receivables and other receivables* | 16 | 805,024 | 640,333 |
| Cash and cash equivalents | 19 | 1,957,241 | 1,185,060 |
| Restricted cash | 20 | 14,240 | — |
| Investments | | 360 | 360 |
| Other financial assets | | 6,710 | 4,788 |
| **Derivative financial instruments** | | **216,995** | **—** |
| Derivative financial instruments (cash flow hedge) | 26 | 216,995 | — |

* excluding tax-related settlements

| | Note | 31.12.2021 | 31.12.2020 |
|---|---|---|---|
| **Liabilities at amortised cost** | | **6,323,707** | **5,920,493** |
| Trade and other liabilities** | 25 | 701,374 | 405,534 |
| Borrowings | 21 | 5,366,298 | 5,437,800 |
| Lease liabilities (outside IFRS9 scope) | 22 | 251,142 | 73,266 |
| Liabilities related to business combination | | 4,893 | 3,893 |
| **Hedging derivatives** | | **12,610** | **97,298** |
| Derivative financial instruments (cash flow hedge) | 26 | 12,610 | 97,298 |

** excluding deferred income and tax-related settlements



The amortised cost of a financial asset or financial liability is defined as the amount at which the financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset and the transfer qualifies for derecognition. Financial asset transfer occurs when rights to cash flows are transferred or rights to cash flows are retained but the entity enters into so-called "pass-through arrangement" which meets the criteria as set out in IFRS 9. Therefore, derecognition is not limited to the cases of transfer of rights to cash flows, but to the broader term of "financial asset transfer".

The Group transfers a financial asset if it transfers the contractual rights to receive the cash flows of the financial asset, or if it retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes 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 recognized 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 recognized amounts and intends to settle on a net basis, or realise the asset and settle the liability simultaneously.

## IMPAIRMENT OF FINANCIAL ASSETS

The Company's policy regarding the impairment of financial assets is in line with the requirements of IFRS 9, which requires estimation of the expected loss, regardless of whether or not there were any impairment indicators. The standard provides 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 simplified model, described in note number 31.

# NOTE TO THE CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## 28. Equity

The amounts in this note are provided in PLN and not in thousand PLN.

Allegro.eu was established pursuant to the notarial deed drawn up on 5 May 2017. All shares were fully paid up by a contribution in kind evaluated at PLN 8,313,297,585 from which PLN 831,519,555 was allocated to the share capital of the Parent and PLN 7,481,778,030 was allocated to the share premium of the Parent. The capital was originally issued in EUR which also was the functional currency of the Parent company until end of September 2020.

The Group issued various classes of both, ordinary and preference shares. Subscriber Ordinary Shares gave a right to return at the level of 11% of the nominal value of the Subscriber Ordinary Shares issued by the Company which amount shall be paid once only. Distributions on A, B and C series of Ordinary Shares could only be made once Preference Shares and cumulative Preference Dividends had been fully paid off. B and C series shares were granted to key Management and selected other managers with a determined vesting period. The holders of the D1, D2, D3, and D4 Preference Shares were entitled to an annual cumulative dividend equal to on overall interest rate of 12.0% of the preference share amount being the nominal value and share premium of preference shares, respectively.

On 15 December 2017 the Shareholders resolved to proceed to distribute an aggregate amount of PLN 46,332,907 out of the D1, D2, D3 and D4 Preference Share Premium Accounts.

On 23 May 2019, during an Extraordinary General Meeting, the shareholders decided to repurchase 4,692,359,731 D1 Preference Shares and 4,692,359,731 D2 Preference Shares and determined the total cancellation amount to be equal to PLN 1,967,015,789 in the case of the D1 Preference Shares and PLN 709,721,684 in the case of the D2 Preference Shares. The shareholders resolved the consequential reduction of the issued share capital of the Company by an amount of PLN 395,819,313 and the reduction of the share premium by an amount of PLN 2,280,918,160. The outflow from the decrease in capital was funded by the proceeds from an increase in borrowings from senior term loans and by available cash balances held by the Group and had the effect of eliminating all D1 and D2 Preference Shares out of the company's share capital.

As at 31 December 2019, the Group's share capital was PLN 434,245,523 divided into 10,295,789,705 shares with a par value of PLN 0.0422 each (0.10 Euro each).



In 2020 the Parent changed the functional currency from EUR to PLN. The decision was supported by the resolution of the extraordinary shareholders meeting concluded on 29 September 2020. The Group operates mainly in Poland and Polish złoty is the currency in which the Group usually generates and spends cash. Furthermore, on 12 October 2020 the Group debuted on the Warsaw Stock Exchange in Poland and The Parent's ordinary shares were to be listed, so redenomination into polish złoty facilitated listing polish złoty redenominated ordinary shares.

After the redenomination into PLN, the share capital was PLN 468,412 thousand. The meeting of shareholders resolved to create a single new class of shares ('New Ordinary Shares') and to convert all the existing shares into one billion New Ordinary Shares (1,000,000,000). The new nominal value per New Ordinary Share was established at the level of one polish grosz, PLN 0.01.

As a result of this conversion the issued capital was decreased to PLN 10,000,000 without cancellation of shares and without distribution of the reduction proceeds of PLN 459,997,000, which instead were transferred to Capital Reserve.

The multiplier used to convert each class of existing shares into equivalent New Ordinary Shares was calculated based on the IPO price per New Ordinary Share established at PLN 43 per share on 28 September 2020 following the close of book building.

The resulting market value of the 1,000,000,000 New Ordinary Shares of PLN 43,000,000,000 was first attributed to the existing D3 and D4 Preference Shares at original cost plus accrued cumulative preference dividends with the residual value allocated to the classes of the ordinary shares. The resulting attributed values of each class of share were then used to calculate the allocation of New Ordinary Shares to each class.

| Type | Before conversion | Multiplier | After conversion ORDINARY SHARES |
|---|---|---|---|
| Subscriber Ordinary Shares | 5,000,000 | 0.0001 | 605 |
| A1 Shares | 434,804,791 | 0.8179 | 355,624,294 |
| A2 Shares | 434,804,789 | 0.8179 | 355,628,890 |
| B1 Shares | 23,514,029 | 0.9922 | 23,330,750 |
| B2 Shares | 23,514,024 | 0.9922 | 23,330,996 |
| C1 Shares | 5 | 56,894 | 284,468 |
| C2 Shares | 23,923,440 | 0.8150 | 19,496,576 |
| D3 Preference Shares | 4,692,359,731 | 0.0310 | 145,647,454 |
| D4 Preference Shares | 4,692,359,729 | 0.0163 | 76,655,967 |
| **Total number of shares** | **10,330,280,538** | | **1,000,000,000** |

Pursuant to the Group's IPO, on 2 October 2020 the General Meeting of Shareholders resolved to approve a share capital increase within the framework of the Authorized Share Capital, by issuing 23,255,814 New Ordinary Shares with a nominal value of PLN 0.01 each to be sold at the IPO subscription price of PLN 43 per share for a total value of PLN 1,000,000,000 net of broker fees of PLN 27,674,193 related to issuing of the new shares. The transaction costs related to the issuance of the New Ordinary Shares were deducted from Capital Reserve in amount PLN 5,889,272.

all amounts expressed in PLN'000 unless indicated otherwise

The share capital of the Group increased from PLN 10,000,000 to PLN 10,232,558 and PLN 972,093,251 was allocated to capital reserve, when the Parent received net proceeds, after the deduction of brokerage fees, following completion of the Group's IPO on 12 October 2020.

As a result of the transactions described above, at 31 December 2020 and 31 December 2021 the Group's share capital comprised 1,023,255,814 New Ordinary Shares with a nominal value of PLN 0.01 each and a total value of PLN 10,232,558.

On 16 March 2021 the shareholders of the Group, i.e. Cidinan S.à r.l., Permira VI Investment Platform Limited, and Mepinan S.à r.l. sold 76,595,000 of the Company's ordinary shares representing 7.5% of votes at the General Meeting of the Parent Company. At the balance sheet date the immediate owners of the Parent's shares were:

| | | 31.12.2021 | | 31.12.2020 | |
|---|---|---|---|---|---|
| **Name** | Ultimate owner | Share value | % of share capital | Share value | % of share capital |
| Cidinan S.à r.l. | Cinven | 286,778,572 | 28.03% | 321,246,322 | 31.39% |
| Permira VI Investment Platform Limited | Permira | 286,778,572 | 28.03% | 321,246,322 | 31.39% |
| Mepinan S.à r.l. | Mid Europa Partners | 63,728,574 | 6.23% | 71,388,074 | 6.98% |
| Other Shareholders | n/a | 385,970,096 | 37.72% | 309,375,096 | 30.24% |
| **Total** | | **1,023,255,814** | **100%** | **1,023,255,814** | **100%** |

The largest individual shareholders of the Group since The Parent's inception have been ultimately owned by the private equity funds: Cinven, Permira and Mid Europa Partners (together the "Ultimate Founding Shareholders").

As at 31 December 2021 and 31 December 2020 the Allegro.eu S.A. has no distributable earnings.



## 28.1. Redenomination

Change of the functional currency was accounted for prospectively. Prospective accounting means that the Group translates all items into the new functional currency using the exchange rate at the date of the change. The resulting translated amounts for non-monetary items are treated as their historical cost. Also the equity positions are translated to new functional currency using the exchange rate at the date of the change of functional currency – that is irrespective of the fact that the entity has previously used the historical exchange rate to translate the share capital and capital reserve from functional currency to presentation currency. No additional exchange differences should arise on the date of the change of functional currency; it means no additional exchange differences on translation should be recognized in other comprehensive income. The Group has translated the share capital and share premium of the Parent from EUR to PLN using the exchange rate at the date of the change of functional currency, resulting in an increase of the share capital and share premium as compared to the carrying amounts presented previously by translating from EUR functional currency into presentation currency (PLN) using historical exchange rate. Therefore the effect of the change of carrying amount of the share capital and share premium was recognized with corresponding entry directly in retained earnings.

## 28.2. Initial Public Offering

On 12 October 2020 ('Listing Date'), the Parent's shares debuted on the Warsaw Stock Exchange. The Initial Public Offering comprised 213,549,039 shares with the offer price PLN 43 per share. In addition, Cidinan S.à r.l, Permira VI Investment Platform Limited and Mepinan S.à r.l. granted to Morgan Stanley & Co. International plc as Stabilization Manager an over-allotment option to purchase up to 15% of the total number of Sale Shares. The over-allotment option was exercised in full, covering 32,032,356 shares of the Parent. As a result, the total number of shares sold in the IPO, including the Over-allotment Option, amounted to 245,581,395 shares, which represents approx. 24% of the Parent's issued share capital.

The brokerage fees of PLN 27,674 thousand and 5,889 thousand of IPO costs, both incurred in 2020 on the Primary Share issuance of 23,255,814 New Ordinary Shares, were recognized in equity. The brokerage fees were deducted from capital increase and recorded to Capital Reserve, when IPO costs were recorded directly to Capital Reserve. Additionally, the Group recognized PLN 61,569 thousand of costs related to preparations of the IPO in the financial year ended 31 December 2020 (recognized in profit/loss in the line item Transaction Cost").

# 28.3. Share based payments

The amounts in this note are provided 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.

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.

On 18 December 2020 Group Key Management (Board of Directors and Senior Key Managers) was informed of the detailed principles of the PSU program ('Performance Shares Units'). Under IFRS, this date is considered as a service commencement date, as from this date the Group Key Management may reasonably expect to benefit from the future award.

The grant date occurred on 2 April 2021 when the Remuneration Committee of the Board of Directors of Allegro.eu granted 320,870 units awarded under the Performance Share Unit (PSU) plan with an estimated total value at the grant date of PLN 18,474 and 717,027 shares awarded under Restricted Stock Unit (RSU) plan with an estimated total value at the grant date of PLN 34,870. These awards have been granted to Executive Directors, Key Managers and other employees. The fair value per share to be used in recognizing the costs of share based compensation is PLN 56.06, being the closing price of Allegro.eu shares listed on Warsaw Stock Exchange on the grant date. The total estimated value of the program, at the grant date, was PLN 53,344.

On 1 October 2021 the Remuneration Committee of the Board of Directors of Allegro.eu granted an additional 9,835 of PSUs and 21,460 of RSUs to the Group's employees. The total value of new grants estimated using the fair value per share at the grant date at 58.09 was PLN 626 for PSUs and PLN 1,109 for RSUs.

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 revaluation of the total cost of the AIP program to account for any changes in the assumptions made in the initial estimation. Those adjustments are mostly driven by fluctuation of the number of units granted under the AIP program, due to changes in employment. As of 31 December 2021 the total number of units awarded and still outstanding under the PSU and RSU plans was 286,369 and 647,306 respectively and the total amount of the program costs recognized against Other Reserve was 19,707.

The Group has made a judgment that the service commencement date or the grant date has not yet occurred for the subsequent awards to be granted until 2030 as the program 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 3 year performance period, depending on the extent to which pre-defined cumulated GMV and 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 3 year performance 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 each unit is capped to a maximum of one share per unit, even if the Group has over performed its PSU performance criteria.

Total share based compensation to be recognized in the future periods prior to vesting, based on the outstanding 286 369 PSUs has been estimated at PLN 7,913 as of 31 December 2021. This estimate is calculated based on the fair value at grant date of the Group's shares at closing, an estimate of 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.

Since the inception of the AIP program, two members of the Allegro.pl management board left the Group, resulting in the forfeit of their granted units and thereby contributing to the decline in the estimated total costs to be recognized in future periods in relation to the PSU variant of the AIP program.

In the year ended 31 December 2021, PLN 7,112 of costs was recognized in relation to PSU Plan against Other Reserves.

- **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 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.

Total share based compensation to be recognized in the future periods prior to vesting, based on the outstanding 647 306 RSUs has been estimated at PLN 18,177 as of 31 December 2021. 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 number of awards that will vest.

In the year ended 31 December 2021, PLN 12,594 was recognized under the RSU Plan against Other Reserves. 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.

### FREE SHARES AWARDS ("FSA")

In light of the Group's desire to encourage employee share ownership, all employees (excluding MIP participants) who were employed by the Group on the listing date received a free one-off award of shares with a value of PLN 10 which constituted 233 shares each. The number of shares was calculated dividing PLN 10 by the value of the share price at the IPO date. The award vested immediately at listing date while shares were delivered to the recipient on the first anniversary of the IPO, regardless of whether the recipient was still an employee on

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allegro

that time. The total grant amounted to PLN 25,428 and was accounted against the Other Reserve in equity with the corresponding entry to profit/loss (line item "Staff costs gross"). All the shares vested in 2020 and were transferred from Other Reserve to Capital Reserve.

On 6 October 2021 the Group fulfilled its obligations to satisfy the Free Share Awards by the transfer of 589,024 shares held by the Employee Benefit Trust. These shares were subject to a one year lock up period that expired on 12 October 2021, the anniversary of the IPO date.

As at 31 December 2021 and 31 December 2020 the Group has no obligations resulting from the outstanding shares under the FSA, except for retaining 932 vested shares that the Group has so far been unable to deliver to qualifying employees or former employees.

The table below presents all the outstanding shares under the incentive programs introduced by the Group:

| | Number of granted shares | | |
|---|---|---|---|
| | PSU | RSU | FSA |
| **As at 01.01.2020** | — | — | — |
| New Grants | 226,841 | — | 589,956 |
| Forfeited | — | — | — |
| Exercised | — | — | — |
| **As at 31.12.2020** | **226,841** | **—** | **589,956** |
| New Grants | 9,835 | 752,345 | — |
| Re-assessment of the number of awards between the service commencement date and the grant date | 94,029 | — | — |
| Forfeited | (44,336) | (105,039) | — |
| Exercised | — | — | (589,024) |
| **As at 31.12.2021** | **286,369** | **647,306** | **932** |

When the Group Key Management was informed about the detailed principles of AIP program in December 2020 (i.e. service commencement date started), the Group estimated the predefined number of shares expected to be granted under the program in April 2021. Taking into consideration that number of grants is being calculated by dividing individual targets by the weighted average share price, the actual number of share units granted in April 2021 was higher than assumed at the service commencement date, thus adjustment was reflected in share based payment expense from the grant date.



### MANAGEMENT INVESTMENT PLAN ("MIP")

As described further in note 39, the Group's Management (Group Key Management and other selected Managers) was granted loans to purchase part of their shareholdings under the Management Investment Plan. Some of the loans were made on a non-recourse basis which gives rise to a benefit under IFRS 2 'Share-Based Payment'. In accordance with IFRS 2, the non-recourse loans are technically not recognized as loans from an accounting perspective, with their nominal value being offset against the corresponding nominal value of shares and equivalent number of shares, thereby reducing the value of share capital and capital reserve.

Following the IPO, all loans granted to Management under the MIP, both recourse and non-recourse, were repaid. The Management Investment Plan was settled in full by the allocation of New Ordinary Shares to Management and the plan ceased to operate from the date of the IPO. As the result of the loans' repayments, as at 31 December 2020 all the equity deductions, related to non-recourse loans were reversed.

In 2020, all vested amounts related to MIP were transferred from Other Reserve to Capital Reserve.

## 28.4. Treasury shares

Treasury shares are Group's own shares that are held by the Employee Benefit Trust for the purpose of distributing shares to the Group's employees under the Allegro Incentive Plan (see note 28.3 for further information). Shares held by the Trust and not yet issued to employees at the end of the reporting period are shown as treasury shares in the financial statements. Treasury shares are recognized at cost on a first-in-first-out basis.

As at 31 December 2021 Adinan Super Topco Employee Benefit Trust (hereinafter referred as 'Employee Benefit Trust', 'EBT', 'Trust') has been consolidated in the these Consolidated Financial Statements. EBT is a structured entity with predetermined activities and therefore while the Group does not hold any direct interest, based on contractual arrangements it effectively controls the relevant activities of EBT and therefore the EBT is consolidated as at 31 December 2021. The Trust was established to administer its assets for the benefit of the Group's employees and acts as a facilitator of the Group's share based payment compensation programs and as a settlor of the Free Share Awards, granted at the moment of IPO (see note 28.3). As at the end of the current reporting period EBT was in possession of PLN 1,995,407 Treasury Shares, valued at cost. Those Treasury Shares are intended to be used to settle the employee awards program currently run by the Group. The shares used by the Trust to settle the program were initially acquired from Allegro's Main Shareholders. Where the price paid by employees on acquisition of shares under the Management Investment Plan (the share based payment program existing before IPO) exceeded the cost, the premium received has been reflected in equity, as a part of capital reserve (premium on sale of treasury shares).

On 7 October 2021, 589,024 Treasury Shares were distributed to the employees receiving a grant of ordinary shares on the occasion of the Group's IPO, leaving the Group with 810,829 Treasury Shares held by the EBT.

all amounts expressed in PLN'000 unless indicated otherwise

# NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

## 29. Cash flow information

### 29.1. Non-cash investing and financing activities

Investing and financing transactions that do not require the use of cash or cash equivalents are as follows:

| | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Lease liabilities / Right-of-use assets | (199,255) | (8,666) |
| Non-cash borrowings received less paid commissions | — | 5,440,000 |
| Non-cash borrowings repaid | — | (5,440,000) |
| **Total** | **(199,255)** | **(8,666)** |

In 2020 the Group completed the refinancing transaction by repaying in cash the difference between previous debt and the New Facilities less paid commission. Therefore the non-cash movement recorded in the comparative period amounted to PLN 5,440,000.



### 29.2. 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 | Other financial liabilities | Total |
|---|---|---|---|---|
| **As at 01.01.2021** | **(73,266)** | **(5,437,800)** | **(97,298)** | **(5,608,364)** |
| Principal repaid | 31,063 | — | — | 31,063 |
| Interest paid | 4,982 | 124,565 | — | 129,547 |
| Revolving facility availability fee paid | — | 2,973 | — | 2,973 |
| Interest rate hedging instrument paid | — | — | 61,802 | 61,802 |
| **Cash movements** | **36,045** | **127,538** | **61,802** | **225,385** |
| Interest accrued | (4,982) | (124,565) | — | (129,547) |
| Revolving facility availability fee accrued | — | (3,289) | — | (3,289) |
| Interest rate hedging instrument accrued | — | 1,036 | — | 1,036 |
| Provision accrued | — | (3,000) | — | (3,000) |
| Gain/(Loss) on cash flow hedging | — | — | 231,614 | 231,614 |
| Transfer from derivative liability to derivative asset position | — | — | (216,995) | (216,995) |
| Additions (new leases) | (199,255) | — | — | (199,255) |
| Foreign exchange adjustment | 659 | — | — | 659 |
| Modification on lease contract | (11,656) | — | — | (11,656) |
| Loan provision – income (cumulative catch-up) | — | 105,927 | — | 105,927 |
| Loan provision – cost | | (32,145) | | (32,145) |
| Other | 1,313 | — | 8,268 | 9,581 |
| **Non-cash movements** | **(213,921)** | **(56,036)** | **22,887** | **(247,071)** |
| **As at 31.12.2021** | **(251,142)** | **(5,366,298)** | **(12,610)** | **(5,630,050)** |

all amounts expressed in PLN'000 unless indicated otherwise

| Liabilities from financing activities | Leases | Loans | Written put option liability | Other financial liabilities | Total |
|---|---|---|---|---|---|
| As at 01.01.2020 | (85,538) | (6,336,915) | (43,210) | (38,923) | (6,504,585) |
| Principal repaid | 26,101 | 1,056,693 | — | — | 1,082,794 |
| Interest paid | 3,028 | 275,853 | — | — | 278,881 |
| Early repayment fee paid | — | 26,000 | — | — | 26,000 |
| Revolving facility availability fee paid | — | 2,523 | — | — | 2,523 |
| Put option liability paid | — | — | 40,000 | — | 40,000 |
| Interest rate hedging instrument paid | — | — | — | 38,926 | 38,926 |
| Payments from other financial activities | — | 7,815 | — | — | 7,815 |
| **Cash movements** | **29,129** | **1,368,884** | **40,000** | **38,926** | **1,476,939** |
| Interest accrued | (3,028) | (297,099) | — | — | (300,127) |
| Revolving facility availability fee accrued | — | (3,311) | — | — | (3,311) |
| Gain/(Loss) on cash flow hedging | — | — | — | (104,980) | (104,980) |
| Early repayment fee accrued | — | (26,000) | — | — | (26,000) |
| Additions (new leases) | (8,666) | — | — | — | (8,666) |
| Foreign exchange adjustment | (4,221) | — | — | — | (4,221) |
| Modification on lease contract | (942) | — | — | — | (942) |
| Put option liability release | — | — | 3,210 | — | 3,210 |
| Deferred borrowing cost write off | — | (143,378) | — | — | (143,378) |
| Other | — | 20 | — | 7,679 | 7,699 |
| **Non-cash movements** | **(16,857)** | **(469,768)** | **3,210** | **(97,301)** | **(580,716)** |
| As at 31.12.2020 | (73,266) | (5,437,800) | — | (97,298) | (5,608,364) |

## 29.3. Changes in net working capital

Changes in net working capital are set out below:

| Changes in trade and other receivables and prepayments | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Receivables and prepayments – current period balance | 914,830 | 682,907 |
| Receivables and prepayments – previous period balance | (682,907) | (423,713) |
| Balances acquired in business combination – XPC, SCB | (4,628) | — |
| Balances acquired in business combination – Opennet | — | (650) |
| Other | (458) | 2,000 |
| Total change | 226,837 | 260,544 |

| Changes in inventories | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Inventories – current period balance | 43,995 | 24,619 |
| Inventories – previous period balance | (24,619) | (20,051) |
| Balances acquired in business combination – XPC, SCB | (24) | — |
| Total change | 19,352 | 4,568 |

| Changes in consumer loans | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Consumer loans – current period balance | 358,785 | 51,972 |
| Consumer loans – previous period balance | (51,972) | — |
| Total change | 306,813 | 51,972 |

The change in consumer loans balance is net of an inflow of PLN 182,271 from the sale of loans to AION bank, executed in December 2021.

all amounts expressed in PLN'000 unless indicated otherwise

| Changes in trade and other liabilities | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Liabilities – current period balance | 903,755 | 557,629 |
| Liabilities – previous period balance | (557,629) | (349,161) |
| Balances acquired in business combination – Opennet | — | (264) |
| Balances acquired in business combination – XPC, SCB | (10,087) | — |
| Unpaid purchase of fixed assets, intangible assets and other | (42,929) | 2,852 |
| Other | 561 | (100) |
| **Total change** | **293,671** | **210,956** |

| Changes in liabilities to employees | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Liabilities to employees – current period balance | 113,377 | 154,298 |
| Liabilities to employees – previous period balance | (154,298) | (82,176) |
| Actuarial gain/(loss) – current period balance | (1,728) | (938) |
| Actuarial gain/(loss) – previous period balance | 938 | — |
| Actuarial gain/(loss) – deferred tax | (205) | — |
| Balances acquired in business combination – XPC, SCB | (89) | — |
| **Total change** | **(42,005)** | **71,183** |



# RISKS

## 30. Critical estimates and judgments

Preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment 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.

In 2020 the Parent changed the functional currency from EUR to PLN. The decision was supported by the resolution of the extraordinary shareholders meeting concluded on 29 September 2020. The Group operates mainly in Poland and Polish złoty is the currency in which the Group usually generates and spends cash. Furthermore, on 12 October 2020 the Group debuted on the Warsaw Stock Exchange in Poland.

The existence of coronavirus (Covid-19) was confirmed in early 2020 and has spread across Poland and most of the world, causing disruptions to businesses and economic activity. The pandemic has had a positive impact on revenues generated by companies operating in the online marketplace industry and a negative impact on online ticket distribution. The Group introduced several assistance programs for its Sellers and Buyers. The Group assessed the impact of Covid-19 on the Group's operations and on the results presented in these Consolidated Financial Statements. The Group performed an analysis in terms of expected credit losses and Goodwill impairment.

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.

all amounts expressed in PLN'000 unless indicated otherwise

## 30.1. Estimated impairment of goodwill

Goodwill results from business combination and is not subject to amortisation, but is tested each year for potential impairment, or more often, if there is indication of impairment. For the purpose of impairment testing goodwill is allocated to cash generating units which are expected to benefit from synergies achieved as a result of business combination.

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 2021 and 31 December 2020. When determining the recoverable amount of a cash generating unit, the Group applied the value in use method assessed using the discounted cash flow method based on the five year plan and including residual value.

Goodwill recognized by the Group and disclosed in the statement of financial position arose from the acquisition of shares of Grupa Allegro sp. z o.o. by Allegro.pl sp. z o.o., Ceneo sp. z o.o by Ceneo.pl sp. z o.o., eBilet Polska sp. z o.o. and OpenNet sp. z o.o., X-press Couriers sp. z o.o. and SkyNet Customs Brokers sp. z o.o. As at 31 December 2021 it amounted to PLN 8 669 569. For more information about the Goodwill please refer to note number 5.

Goodwill on acquisition of Grupa Allegro sp. z o.o. is PLN 8,140,604, Ceneo sp. z o.o. – PLN 441,801 and eBilet Polska sp. z o.o – PLN 48,937, OpenNet sp. z o.o – PLN 7,907, X-press Couriers sp. z o.o. – PLN 29,253, and SkyNet Customs Brokers sp. z o.o. – PLN 1,067. The total goodwill of PLN 8,669,569 is the effect of the high profitability of the acquired enterprises and expected future benefits in the form of estimated cash flows of the acquirees. No part of the recognised goodwill will be deductible for income tax purposes.

For the purposes of impairment tests the Group has identified three separate cash-generating units: Allegro, Ceneo and eBilet (incl. impairment test of goodwill arising on acquisition of each of these entities) and analysed them for impairment of assets at the end of the year ending 31 December 2021. As at 31 December 2020 there were four cash generating units identified for the purpose of an impairment test of goodwill: Allegro, Ceneo, eBilet, Opennet. 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.

During the third quarter of 2021, the changes in the internal organization structure and the increasing role of Opennet in developing logistics software for the Group, whilst still providing some of its services to the third party customers, caused in a change in the composition of cash-generating unit "Allegro" to which goodwill has been allocated. As the result of the reorganization, Opennet which previously was separate cash generating unit was merged with cash-generating unit of Allegro resulting in one CGU Allegro.

As a result of this amendment and new acquisitions, cash-generating unit of Allegro includes four legal entities, as presented in the table below:



| | Goodwill | CGU |
|---|---|---|
| Allegro.pl sp. z o.o. | 8,140,604 | Allegro |
| X-press Couriers sp. z o.o. | 29,253 | Allegro |
| Opennet.pl sp. z o.o. | 7,907 | Allegro |
| SkyNet Customs Brokers sp. z o.o. | 1,067 | Allegro |
| **Total Allegro CGU** | **8,178,831** | |
| Ceneo.pl sp. z o.o. | 441,801 | Ceneo |
| eBilet Polska sp. z o.o. | 48,937 | eBilet |
| **Total** | **8,669,569** | |

The recoverable amount on the cash-generating unit was determined by calculating the value in use. The calculations used the projected cash flows before tax based on past performance and Management's expectations of market development for the following five years. The result of each of the three cash generating units' tests showed no impairment as at 31 December 2021 and 31 December 2020.

The cash flow projections used by the Group to calculate values in use are prepared based on the financial budgets approved by the Group's 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 has implemented plans to improve features and value added services including proprietary financial lending to drive acquisition and customer engagement.

The higher average rise in Allegro's EBITDA margin assumption used by the Group in 2021 in comparison to 2020 reflect a change of assumptions to rely less on low margin revenue streams than assumed in the prior year. Reduction in net cost of delivery and an acceleration in time of delivery has been assumed to result from the investments being made in the Group's own fulfilment services for merchants, a proprietary APM network and proprietary delivery capabilities.

The Management noted that the recoverable amount on the cash-generating unit of eBilet could be affected by the business disruption caused by Covid-19. The goodwill impairment test was performed and the value in use was calculated using adjusted assumptions of severe disruptions to mass events throughout 2022, and a strong recovery thereafter. The Management concluded there is no impairment risk unless severe Covid-19 disruptions of events continue into 2023 and the medium term.

The critical assumptions made when calculating recoverable amount were as follows:

all amounts expressed in PLN'000 unless indicated otherwise

| Allegro | 31.12.2021 | 31.12.2020 |
|---|---|---|
| The average annual rate of growth of revenues during the forecast period | 24.30% | 25.12% |
| Average annual rise/(fall) in EBITDA margin during the forecast period | 0.15 ppt | (0.73) ppt |
| Growth rate outside the forecast period (including inflation) | 2.50% | 2.50% |
| Discount rate (pre-tax) | 10.80% | 10.30% |

| Ceneo | 31.12.2021 | 31.12.2020 |
|---|---|---|
| The average annual rate of growth of revenues during the forecast period | 20.63% | 25.04% |
| Average annual rise/(fall) in EBITDA margin during the forecast period | (0.69) ppt | (0.60) ppt |
| Growth rate outside the forecast period (including inflation) | 2.50% | 2.50% |
| Discount rate (pre-tax) | 10.80% | 10.30% |

| eBilet | 31.12.2021 | 31.12.2020 |
|---|---|---|
| The average annual rate of growth of revenues during the forecast period | 43.46% | 54.69% |
| Average annual rise/(fall) in EBITDA margin during the forecast period | 4.84 ppt | 9.40 ppt |
| Growth rate outside the forecast period (including inflation) | 2.50% | 2.50% |
| Discount rate (pre-tax) | 11.50% | 11.00% |

| OpenNet | 31.12.2021 | 31.12.2020 |
|---|---|---|
| The average annual rate of growth of revenues during the forecast period | n/a | 50.29% |
| Average annual rise/(fall) in EBITDA growth during the forecast period | n/a | (0.38) ppt |
| Growth rate outside the forecast period (including inflation) | n/a | 2.50% |
| Discount rate (pre-tax) | n/a | 10.30% |



Future net cash flow of the cash-generating units is based on the critical assumptions presented above, each of which involve degree of uncertainty.

Sensitivity analysis of the aforesaid assumptions shows that the Group would recognize impairment if any of the key assumptions is changed as follows:

| Allegro | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Decrease of the revenue CAGR by: | 3.00 ppt | 3.74 ppt |
| Decline in annual EBITDA margin by: | 17.27 pp | 13.78 ppt |
| Decrease of the marginal growth rate by: | 20.62 ppt | 14.73 ppt |
| Growth in the discount pre-tax rate by: | 10.36 ppt | 8.55 ppt |

| Ceneo | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Decrease of the revenue CAGR by: | 5.25 ppt | 10.19 ppt |
| Decline in annual EBITDA margin by: | 18.15 ppt | 32.17 ppt |
| Decrease of the marginal growth rate by: | 58.80 ppt | n/a* |
| Growth in the discount pre-tax rate by: | 17.73 ppt | 31.30 ppt |

* each potential change of growth rate has no impact on the result of the impairment test

| eBilet | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Decrease of the revenue CAGR by: | 0.80 ppt | 3.60 ppt |
| Decline in annual EBITDA margin by: | 11.00 ppt | 19.77 ppt |
| Decrease of the marginal growth rate by: | 10.90 ppt | 10.63 ppt |
| Growth in the discount pre-tax rate by: | 6.79 ppt | 6.38 ppt |

| OpenNet | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Decrease of the revenue CAGR by: | n/a | 6.29 ppt |
| Decline in annual EBITDA margin by: | n/a | 28.33 ppt |
| Decrease of the marginal growth rate by: | n/a | n/a* |
| Growth in the discount pre-tax rate by: | n/a | 313.26 ppt |

* each potential change of growth rate has no impact on the result of the impairment test

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 CGUs as of 31 December 2021 and as at 31 December 2020 and therefore result in a material impairment.

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## 30.2. 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.

## 30.3. Impairment of receivables

The impairment allowance is recorded based on the impairment loss model, according to the expected credit losses concept. Losses are recognised as at the moment of recognising receivables, according to the default rate assessed for each of the homogenous group of customers and aging of the receivable balance within the homogenous group. The default rates are calculated for separate, homogenous group of customers based on historical data for the previous 48 months. Additionally the Group calculates individual allowances for receivables where there is indication of impairment.

Detailed information on the impairment losses on receivables is disclosed in note 31.2 of the additional notes and explanations.

## 30.4. Impairment of consumer loans

At each balance sheet date the Group assesses whether there is any objective evidence that credit exposures are impaired.

If at balance sheet date credit risk concerning the financial instrument has not increased significantly since initial recognition, the Group asses impaired allowances that are expected within 12 months.

For consumer loans for which there has been a significant increase in credit risk since the initial recognition or which are credit impaired, the Group asses impaired allowances for expected credit losses over the expected life of the financial instrument.

More information about the assumptions in respect to expected credit losses concerning impairment of consumer loans were presented in Note 31.2.



## 30.5. 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 recognized as the effect of a change in accounting estimates.

Sensitivity analysis of amortization of significant intangible assets is presented below:

| **Amortisation period sensitivity analysis of significant intangibles assets** | **period change: shorter by 5 years** | **period change: longer by 5 years** |
|---|---|---|
| Customer relationships | (48,542) | 29,125 |
| Trademarks and domains | (50,452) | 25,226 |
| Software | (150,503) | 50,168 |
| **Impact on profit/(loss)** | **(249,497)** | **104,519** |

In 2021 the Group reviewed its amortization rates and decided to maintain the previous estimates of the economic useful lives of its assets.

## 30.6. 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 analyzed potential impact of the climate-related matters on reporting and concluded that the climate-related matters do not affect these Consolidated Financial Statements.

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# 31. 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<br>Cash deposits – fixed rate<br>Consumer loans – fixed rate | Sensitivity analysis | Interest rate swaps, offsetting cash deposits |
| Market risk – foreign exchange | Future commercial transactions<br>Recognised financial assets liabilities not denominated in PLN | Cash flow forecasting<br>Sensitivity analysis | Not hedged |
| Mergers and Acquisitions risk – foreign exchange | Highly probable future acquisitions transaction of Mall Group a.s. and WE\|DO CZ s.r.o. | Cash flow forecasting<br>Sensitivity analysis | Deal Contingent FX Forward |
| Credit risk | Cash and cash equivalents<br>Receivables<br>Consumer loans | Credit ratings<br>Aging analysis | Diversification of bank deposits, credit limits and letters of credit |
| Liquidity risk | Borrowings and other liabilities | Rolling cash flow forecasts | Availability of committed credit lines and borrowing facilities<br>Signed consumer loans repurchase agreement |



## 31.1. Market risk

### RISK OF CHANGES IN CASH FLOWS RESULTING FROM INTEREST RATE CHANGES

Borrowings with 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. That risk is partially mitigated by short-term cash deposits and by interest rate swap contracts ("IRS").

Following the refinancing that took place in 2020 at the time of the Group's IPO, described in note 21, the hedge ratio increased to 56%.

As the actual hedge ratio therefore exceeded the hedge ratio of 50% determined in the accounting policy, a prorata share of changes in the valuation of IRS contracts was recognized through profit and loss instead of through other comprehensive income.

In 2021 the Group modified its hedge policy to allow cash flow hedging for up to 100% of interest rate risk exposure to be hedged. A new IRS contract concluded on 2 November 2021 was designated as a cash flow hedge, with changes in valuation recognized through other comprehensive income. As a result, the hedge ratio has increased to 78% and all changes in valuation are recognized through other comprehensive income.

### SENSITIVITY

The Group assesses its exposure to floating interest rate risk and estimates that if the interest rate changes by 0.1 p.p., its financial costs in respect of interest will rise/(fall) by approx. PLN 2,903 annually.

| | Interest rate change impact on profit/(loss) as at 31.12.2021 | | | | | |
|---|---|---|---|---|---|---|
| **change in interest rate (ppt)** | **-0.3** | **-0.2** | **-0.1** | **0.1** | **0.2** | **0.3** |
| Interest cost | 16,500 | 11,000 | 5,500 | (5,500) | (11,000) | (16,500) |
| Interest rate swap cost | (8,710) | (5,807) | (2,903) | 2,903 | 5,807 | 8,710 |
| **Impact on profit/(loss)** | **7,790** | **5,193** | **2,597** | **(2,597)** | **(5,193)** | **(7,790)** |

| | Interest rate change impact on profit/(loss) as at 31.12.2020 | | | | | |
|---|---|---|---|---|---|---|
| **change in interest rate (ppt)** | **-0.3** | **-0.2** | **-0.1** | **0.1** | **0.2** | **0.3** |
| Interest cost | 16,500 | 11,000 | 5,500 | (5,500) | (11,000) | (16,500) |
| Interest rate swap cost | (9,227) | (6,151) | (3,076) | 3,076 | 6,151 | 9,227 |
| **Impact on profit/(loss)** | **7,273** | **4,849** | **2,424** | **(2,424)** | **(4,849)** | **(7,273)** |

all amounts expressed in PLN'000 unless indicated otherwise

Fixed rate exposes the Group to fair value risk but this does not have an impact on these Consolidated Financial Statements as these items are not measured at fair value.

### FOREIGN EXCHANGE RISK

Foreign exchange risk occurs as a result of sales or purchases made by the Group in currencies other than its functional currency, i.e. PLN. Operating transactions concluded in currencies other than the functional currency are relatively rare due to the currently limited scope of cross-border activity.

As described in note 35 the Group is exposed to significant foreign exchange risk due to the expected acquisition transaction of the Mall Group a.s. capital group and logistics company WE|DO CZ s.r.o, which is subject only to receiving all required regulatory approvals. As Allegro Group generates 100% of revenue streams in PLN, the cash component will be subject to FX volatility in the following months prior to closing of the transaction for the acquisition of Mall Group and WE|DO. To mitigate this risk, on 10 November the Group executed the Deal Contingent FX Forward. The notional amount of hedge is EUR 474 million. The maturity date of the contract falls between 31 January 2022 and 31 March 2023 and is a subject to the completion of the acquisition transaction. Further information is provided in the note 26.

The Group believes the fulfilment of these conditions to be highly probable.

## 31.2. Credit risk

### RISK MANAGEMENT

Financial assets representing the highest exposure to credit risk are cash, trade receivables and consumer loans. 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. 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.

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

### 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
- cash and cash equivalents

| | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Impairment of receivables | 60,721 | 38,213 |
| Impairment of consumer loans | 5,950 | 1,165 |
| **Net impairment losses on financial and contract assets** | **66,671** | **39,378** |



### 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 2021 and 31 December 2020 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 to the previous year, the impairment provision increased mainly in line with the growth of the business resulting in growth of balance of accounts receivables.

all amounts expressed in PLN'000 unless indicated otherwise

On that basis, the loss allowance as at 31 December 2021 and 31 December 2020 was determined as follows for both trade receivables and contract assets:

| | 31.12.2021 | | | | 31.12.2020 | | | |
|---|---|---|---|---|---|---|---|---|
| **Aging of trade receivables, net** | Business | % | Individuals | % | Business | % | Individuals | % |
| Current | 679,351 | 92% | 9,113 | 67% | 486,139 | 83% | 8,374 | 53% |
| Overdue less than 3 months | 52,535 | 7% | 3,187 | 23% | 91,895 | 16% | 5,786 | 36% |
| Overdue 3 to 12 months | 5,470 | 1% | 929 | 7% | 3,760 | 1% | 1,457 | 9% |
| Overdue 1 to 3 years | 1,510 | 0% | 368 | 3% | 433 | 0% | 238 | 1% |
| **Total** | **738,866** | **100%** | **13,597** | **100%** | **582,227** | **100%** | **15,855** | **100%** |

| | Business | Individuals | Business | Individuals | Business | Individuals | Business | Individuals |
|---|---|---|---|---|---|---|---|---|
| **Aging of receivables as at 31.12.2021** | Trade receivables, gross | | Impairment of trade receivables | | Probability of default ratio | | Trade receivables, net | |
| Current | 687,605 | 9,526 | (8,254) | (413) | 1% | 4% | 679,351 | 9,113 |
| Overdue less than 3 months | 56,632 | 3,805 | (4,097) | (618) | 7% | 16% | 52,535 | 3,187 |
| Overdue 3 to 12 months | 43,777 | 5,307 | (38,307) | (4,378) | 88% | 82% | 5,470 | 929 |
| Overdue 1 to 3 years | 32,633 | 8,639 | (31,123) | (8,271) | 95% | 96% | 1,510 | 368 |
| **Total** | **820,647** | **27,277** | **(81,781)** | **(13,680)** | **—** | **—** | **738,866** | **13,597** |

| | Business | Individuals | Business | Individuals | Business | Individuals | Business | Individuals |
|---|---|---|---|---|---|---|---|---|
| **Aging of receivables as at 31.12.2020** | Trade receivables, gross | | Impairment of trade receivables | | Probability of default ratio | | Trade receivables, net | |
| Current | 489,070 | 8,704 | (2,931) | (330) | 1% | 4% | 486,139 | 8,374 |
| Overdue less than 3 months | 95,979 | 6,629 | (4,084) | (842) | 4% | 13% | 91,895 | 5,786 |
| Overdue 3 to 12 months | 25,807 | 6,807 | (22,047) | (5,350) | 85% | 79% | 3,760 | 1,457 |
| Overdue 1 to 3 years | 13,449 | 11,753 | (13,016) | (11,515) | 97% | 98% | 433 | 238 |
| **Total** | **624,305** | **33,893** | **(42,078)** | **(18,037)** | **—** | **—** | **582,227** | **15,856** |

Carrying amount of the trade and other receivables balance represents the maximum exposure to the credit risk.

all amounts expressed in PLN'000 unless indicated otherwise

### 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's rating agency were used (rating is disclosed in the Note 19.2). 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 2021, the Group held 37%, 8%, 2% and 53% of all its funds in individual banks with the ratings of A, A-, BBB+, BBB respectively (as at 31 December 2020, 38%, 32% and 25% of all its funds in individual banks with the ratings of A, A+, BBB respectively). There is a concentration of credit risk, three major banks in which the Group holds its cash and cash equivalents represent 53%, 22%, 15% of total balance respectively. The Group used ratings of S&P Global Ratings agency.

### CONSUMER LOANS

The provision for the loss allowance relates to the expected credit losses ('ECL') under IFRS 9, which requires estimation of the expected loss, regardless of whether or not there were any impairment indicators.

Depending on the risks associated with each loan, loans are categorised into three stages based on the associated risk, where stage 3 reflects the highest risk. IFRS 9 requires to recognize the credit losses from default events that are expected within 12 months or over the expected life of the financial instrument depending on the stage assigned to the exposure.

- if credit risk has not significantly increased since initial recognition (stage 1), and
- for which there has been a significant increase in credit risk since the initial recognition (stage 2), or
- which are credit impaired (stage 3).

The expected credit losses for exposures with no significant increase in credit risk since initial recognition are calculated in 12-month period and lifetime ECL are calculated for exposures with a significant increase in credit risk since the initial recognition or which are credit impaired.

A significant increase in credit risk ('SICR') is verified according to the likelihood of default and this changes with respect to the date of originating the loan.

The Company considers that a significant increase in credit risk ('SICR') occurs when an asset is more than 30 days past due. Financial instruments are moved back to stage 1 once they no longer meet the criteria for a significant increase in credit risk. The Company defines a financial instrument as in default when the consumer is more than 90 days past due (stage 3). For more information please refer to note number 27.



The expected credit loss of consumer loans is calculated using three main components:

- probability of default ('PD'),
- loss given default ('LGD'), and
- the exposure at default ('EAD').

Where:

**Probability of default** – determines the probability that the debtor will be unable to meet its obligation over a one year time horizon (using practical expedient allowed in IFRS9).

**Loss Given Default** – the percentage of loss over the total exposure when a debtor goes into default.

**Exposure at Default** – reflects the estimated value of credit exposure.

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.

Quality of the portfolio covered by the rating model:

| Exposure credit risk by ratings as at 31.12.2021 | Consumer loans, gross | Impairment of consumer loans | Consumer loans, net |
|---|---|---|---|
| A | 20,098 | (15) | 20,083 |
| B | 52,751 | (111) | 52,640 |
| C | 87,796 | (377) | 87,419 |
| D | 82,008 | (807) | 81,201 |
| E | 61,529 | (1,346) | 60,183 |
| F | 34,435 | (1,332) | 33,103 |
| G | 19,659 | (1,228) | 18,431 |
| H | 6,825 | (1,100) | 5,725 |
| **Consumer loans as at 31.12.2021** | **365,101** | **(6,316)** | **358,785** |

| Exposure credit risk by ratings as at 31.12.2020 | Consumer loans, gross | Impairment of consumer loans | Consumer loans, net |
|---|---|---|---|
| A | — | — | — |
| B | 434 | (9) | 425 |
| C | 3,497 | (74) | 3,423 |
| D | 17,294 | (370) | 16,924 |
| E | 19,130 | (407) | 18,723 |
| F | 10,290 | (217) | 10,073 |
| G | 2,445 | (52) | 2,393 |
| H | 12 | (1) | 11 |
| **Consumer loans as at 31.12.2020** | **53,102** | **(1,130)** | **51,972** |

all amounts expressed in PLN'000 unless indicated otherwise

The vast majority of the consumer loans as at 31 December 2021 and 31 December 2020 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.

The existence of Covid-19 did not have any impact on consumer loans, payment terms, and expected credit losses.

## 31.3. 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.

Loans were received on 18 January 2017, upon a change of the Group owner in order to repay liabilities to the previous Group's related entities, and to acquire intellectual property rights, including domains, trademarks and software. In May 2019 the loans balance was increased in order to partially fund a return of share capital to the ultimate shareholders. Due to the Group's IPO in October 2020, leverage was reduced and equity was increased with proceeds from primary share issuance. As a result at 31 December 2021, the Group's outstanding bank borrowings amounted to PLN 5,500,000 (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.

At 31 December 2021, the Group had access to an undrawn revolving borrowing facility of PLN 500,000, which remains undrawn and fully available at the date of these financial statements. Moreover in 2021 the Group entered to a bridge term loan financing agreement, through which the additional PLN 1,000,000 was made available for the purpose of the expected acquisition transaction of the Mall Group a.s. capital group and the logistics company WE|DO CZ s.r.o, which is subject only to receiving all required regulatory approvals. The additional facility has a 12 months availability period with a 6 months utilization period. The conclusion of the facility triggered the upfront fee in the amount of PLN 3,000.

Those resources were not utilized as the date of signing these financial statements and remained undrawn at the date of these financial statements.

A further PLN 500,000 of undrawn revolving credit facility was secured by the Group on 3 February 2022 (see note 36)



**Liabilities by maturity, based on undiscounted contractual payments**

| 31.12.2021 | Trade and refund liabilities | Loans | Interest on loans | Lease liability | Liabilities related to business combina-tions | Other financial liabilities | Total |
|---|---|---|---|---|---|---|---|
| Less than 3 months | 582,405 | — | 57,637 | 11,363 | — | — | 651,405 |
| 3 to 12 months | — | — | 176,113 | 50,244 | 4,893 | 2,247,708 | 2,478,958 |
| 1 to 5 years | — | 5,500,000 | 651,938 | 350,307 | — | — | 6,502,245 |
| **Total** | **582,405** | **5,500,000** | **885,688** | **411,914** | **4,893** | **2,247,708** | **9,632,608** |

| 31.12.2020 | Trade and refund liabilities | Loans | Interest on loans | Lease liability | Liabilities related to business combina-tions | Other financial liabilities | Total |
|---|---|---|---|---|---|---|---|
| Less than 3 months | 393,307 | — | 33,362 | 7,170 | — | — | 433,839 |
| 3 to 12 months | — | — | 101,938 | 20,737 | — | — | 122,675 |
| 1 to 5 years | — | 5,500,000 | 406,271 | 70,899 | 3,893 | 97,298 | 6,078,361 |
| **Total** | **393,307** | **5,500,000** | **541,571** | **98,806** | **3,893** | **97,298** | **6,634,875** |

all amounts expressed in PLN'000 unless indicated otherwise

## 32. 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, including dividend distributions.

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 Senior facilities agreement signed by Adinan Midco, a member of the Group on 29 September 2020, the Group shall ensure 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. As at 31 December 2021 and 31 December 2020 the Group did not violate any of the covenants indicated in the Agreement.

Since the refinancing process completed in the second part of 2020 net debt to equity ratio has been gradually decreasing. This was achieved mainly through stable cash generation profile as well as the lowering of the borrowings carrying value due to the improved leverage and debt margin.

The Group is expecting the gearing to remain fairly stable across the upcoming periods, subject to the potential completion of the probable acquisitions transactions.

The gearing ratios at 31 December 2021 and 31 December 2020 were as follows:

| | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Borrowings | (5,366,298) | (5,437,800) |
| Lease liabilities | (251,142) | (73,266) |
| Cash and cash equivalents | 1,957,241 | 1,185,060 |
| **Net debt** | **(3,660,199)** | **(4,326,006)** |
| Total equity | 9,454,065 | 8,089,596 |
| **Net debt to equity ratio** | **39%** | **53%** |



# UNRECOGNISED ITEMS

## 33. Contingent liabilities

### 33.1. Guarantees granted to non-Group entities

The Group had guarantees which secure its lease agreements in the amount of PLN 3,738 at the end of 31 December 2021 and PLN 20,000 at the end of 31 December 2020.

### 33.2. Other

The President of the Office of Competition and Consumer Protection (the 'UOKiK President') is conducting four separate proceeding concerning Allegro.pl as at the date of these financial statements as described below:

*Antitrust Proceedings Related to Alleged Abuse of a Dominant Position by Favoring Own Sales Activity on the Platform*

On 6 December 2019, the UOKiK President commenced antitrust proceedings against Allegro.pl concerning the alleged abuse of a dominant position by Allegro.pl on the Polish market for online B2C intermediary sales services by favoring its own 1P retail sales activity on its platform.

If the UOKiK President is satisfied with Allegro.pl's responses, the proceedings will end. If the UOKiK President decides to pursue the case, he must issue a "statement of objections" justifying the charges and Allegro.pl will then have the right to respond. If the UOKiK President decides that Allegro.pl holds a dominant position and has abused it, he will issue an infringement decision, with or without a fine. If a fine were to be imposed, then in accordance with the Competition Act, it could be as high as 10% of the turnover of Allegro.pl in the financial year preceding the decision. The UOKiK President may also order the effects of the infringement to be remedied.

*Proceedings Against Allegro.pl to Investigate Whether Allegro.pl's Terms and Conditions Contain Abusive Clauses*

On 9 September 2020, the UOKiK President commenced a proceedings to investigate whether clauses used by Allegro.pl enabling it to change its terms and conditions (including in the general terms and conditions and in the SMART! terms and conditions) constitute abusive clauses with consumers.

If the UOKiK President recognizes any clauses as abusive, it would be expected to issue a decision prohibiting the use of such a clause in Allegro.pl's terms and conditions, with or without a fine. It might also request the Group to remedy the effects of the infringement. If a fine were to be imposed, then in accordance with the Competition Act, it could be as high as 10% of the turnover of Allegro.pl in the financial year preceding the decision for each of the clauses recognized as abusive. In past cases involving major Polish companies with the highest turnover levels that were found to use abusive clauses in their terms and conditions, fines have generally not exceeded 1% of the annual turnover of the company concerned for an abusive clause. If during the course of the investigation Allegro.pl offers adequate commitments to rectify the alleged infringement, in particular by amending the clauses under investigation, and/or to remedy the effects of the alleged infringement, the case may end with a commitment arrangement with the UOKiK President and no fine imposed.

*Explanatory Proceedings Related to the Cooperation between Allegro.pl and Sellers*

On 3 September 2020, the UOKiK President commenced an explanatory proceedings into Allegro.pl's rules of cooperation with sellers in order to determine whether Allegro.pl gains unjustified advantages at the expense of its clients.

These explanatory proceedings are a preliminary step that does not have to lead to the initiation of formal proceedings against Allegro.pl. If the UOKiK President decides to pursue the matters covered by these explanatory proceedings, he must open antitrust proceedings against Allegro.pl. If the UOKiK President decides that Allegro.pl's behavior was illegal, he will issue an infringement decision, with or without a fine, and may also order the effects of the infringement to be remedied. If a fine were to be imposed, then in accordance with the Competition Act, it could be as high as 10% of Allegro.pl's turnover in the financial year preceding the infringement decision, for each infringement. If during the course of the investigation Allegro.pl offers adequate commitments to rectify the alleged infringement and/or to remedy its effects, the case may end with a commitment arrangement with the UOKiK President and no fine imposed.

*Explanatory proceedings related to consumer reviews*

On 22 December 2021 the UOKiK President commenced explanatory proceedings in the field of consumer protection related to: 1) conditions of presentation and moderation of consumer reviews published on the Allegro.pl platform and 2) conditions of providing sellers with the functionality that enables them to limit the possibility to purchase goods and services offered on the Allegro.pl platform for certain consumers.

These explanatory proceedings are a preliminary step that does not have to lead to the initiation of formal proceedings against Allegro.pl. If the UOKiK President decides to pursue the matters covered by the explanatory proceedings, he must open proceedings regarding either the violation of collective consumer interests or abusive clauses against Allegro.pl (the scope of the explanatory proceedings does not indicate a precise charge).

*Explanatory proceedings related to eBilet procedure of tickets returns during COVID-19 pandemic*

On 22 February 2021, eBilet received a formal notification that the UOKiK President has commenced explanatory proceedings in order to establish whether eBilet has infringed collective consumers' interests. In the same document the UOKiK President included questions to eBilet related to its policy of ticket returns during COVID-19 pandemic, in particular proposing vouchers instead of cash refunds.

These explanatory proceedings are a preliminary step that does not have to lead to the initiation of formal proceedings against eBilet. If the UOKiK President decides to pursue the matters covered by these explanatory proceedings, he must open formal proceedings against eBilet.

*Appeal against the UOKiK President's decision relating to Allegro.pl's alleged failure to provide in its terms and conditions a detailed description of the rules applicable to the blocking of a buyer's account(s) when the seller applies for a refund of the commission due to the buyer's fault*

On 9 February 2016, the UOKiK President issued decision No. DDK 1/2016, stating that Allegro.pl infringed collective consumer interests by failing to provide in its terms and conditions a detailed description of the rules applicable to the blocking of a buyer's account(s) when the seller applies for a refund of the commission due to the buyer's fault. The UOKiK President, however, has not imposed any fine on Allegro.pl for this infringement.

Allegro.pl appealed against the decision of the UOKiK President to the Competition Court and subsequently to the Court of Appeal. The Court of Appeal in its judgment of 2 June 2021 upheld the initial decision. The decision is final. Allegro.pl no longer blocks a buyer's account(s) when the seller applies for the return of the commission due to the buyer's fault.

## 33.3. Accounting policies

In accordance with the principles applied by the Group and determined in IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", contingent liabilities are understood as:

- possible obligations which will arise as a result of past events, the existence of which will only be confirmed at the moment of occurrence or non-occurrence of uncertain future event(s) beyond the full control of the Group, or
- current obligations that arise as a result of past events but are disclosed in the financial statements, because:
  - it is unlikely that meeting the obligation will lead to the necessity of an outflow of funds embodying economic benefits, or
  - the amount of the obligation (liability) cannot be valued reliably enough.

Contingent liabilities are not recognised in the consolidated statement of financial position, but information about them is disclosed in Notes, unless the probability of outflow of funds embodying economic benefits is remote.

## 34. Assets pledged as security

After the Group acceded to the Senior Term and Revolving Facilities Agreement and Second Lien Facility Agreement in 2017, pledges and security interest were established on the Group assets.

On 29 September 2020, the Group concluded a new Loan Agreement ("New Loan Agreement"), therefore pledges and security interest related to previous loan agreements were released and replaced by the following:

- share pledge on the shares of Allegro.pl and Ceneo.pl represented in the consolidated financial statements as net assets in the amount of PLN 10,005,726;
- registered pledge granted by Allego.pl and Ceneo.pl over key trademarks owned by Allegro.pl 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 1,024,762 (included in the net assets above);
- a Polish law submission to enforcement by each of Allegro.pl and Ceneo.pl and Allegro.eu.

# 35. Commitments

## 35.1. Capital commitments

### INTANGIBLE ASSETS

As at 31 December 2021, the Group's future contractual commitments for expenditure on intangible assets not recognized in the statement of financial position amounted to PLN 141,377 and were related to software development. Contractual commitments as at 31 December 2020 amounted to PLN 74,295.

### RIGHT-OF-USE ASSETS

In 2021 the Group entered into various lease agreements for warehouse and offices which have not been recognized yet as lease liabilities as the relevant buildings are either still under construction or undergoing fit-out. The expected total commitment for future lease payments related to these properties is at PLN 266,283 (31 December 2020: 333,582).

### EXECUTION OF AGREEMENT TO ACQUIRE MALL GROUP A.S. AND WE|DO CZ S.R.O.

*(AMOUNTS BELOW ARE PROVIDED IN PLN AND EUR)*

On 4 November 2021, Allegro.pl entered into legally binding commitment to acquire 100% of shares in Mall Group a.s. ('Mall Group') and 100% of shares in WE|DO CZ s.r.o. ('WE|DO') from selling shareholders PPF, EC Investments, and Rockaway Capital. The shares in Mall Group and We|Do will be acquired for a combined price of EUR 881 million, based on a firm valuation of EUR 925 million adjusted for debt and debt-like items of EUR 44 million.

The valuation was determined using a lock-box mechanism with an effective date of 31 March, 2021. Based on the contractual arrangements the Group is obliged to refinance the gross indebtedness of the entities being acquired. In accordance with the information received from the selling shareholder, as at 31 March 2022, the gross indebtedness to be repaid by the Group is estimated at EUR 126 million. That represents the EUR 44 million initially adjusted in the acquisition price and the EUR 82 million of additional debt drawn between 31 March 2021 and the acquisition date.

The final price might be increased by a price adjustment of up to EUR 50 million based on specific short-term financial objectives. Mutual breakup fees of EUR 50 million were agreed pursuant to the share purchase agreement. The transaction is subject to the customary antitrust and regulatory approvals and is expected to close in the first half of 2022.

The EUR 881 million price for the shares will be financed through a combination of ca. 53.7% cash consideration, financed with cash on hand and new debt, and a ca. 46.3% stock consideration, which the company may settle by issuing 33,649,039 new shares, representing 3.3% of Allegro.eu total issued capital, at an agreed price of PLN 55.98 per share, or with the equivalent value paid in cash at the Group's discretion.



# 36. Events occurring after the reporting year

### RECOMMENDATION OF THE BOARD OF DIRECTORS REGARDING THE CANDIDATE FOR A NEW INDEPENDENT DIRECTOR

The Board of Directors of the Allegro.eu resolved to submit to the approval of the forthcoming general meeting of the shareholders of the Company the appointment of Pedro Arnt as an independent director upon recommendation of the remuneration and nomination committee of the Company.

Pedro Arnt has been identified and nominated by the Remuneration and Nomination Committee as a suitable candidate for appointment by the general meeting of the Company. Pedro Arnt will meet the criteria set forth in the WSE Code of Best Practice and the protocol of the Remuneration and Nomination Committee and has expressed his consent to be appointed as an independent director of the Company.

### APPOINTMENT OF TWO MEMBERS OF THE MANAGEMENT BOARD OF ALLEGRO.PL SP. Z O.O.

On 8 February 2022 Alvise Favara and David Roberts were appointed as the members of the Management Board of Allegro.pl sp z o.o., a wholly owned indirect subsidiary of the Company, with the effective date of 1 March 2022.

Both Alvise Favara and David Roberts joined Allegro in January 2022 – Alvise as Allegro's Chief Commercial Officer (CCO), and David as the Chief Technology and Product Officer (CTPO).

### FACILITATION OF THE SUBSEQUENT OPTION OF FINANCING OF ACQUISITION OF MALL GROUP A.S. AND WE|DO CZ S.R.O.

On 3 February 2022 the Group entered into the multi-currency Additional Revolving Credit Facility of PLN 500,000. The maturity date for the Additional Revolving Credit Facility is October 2025. The new agreement provides further means to potentially fund the acquisition of the Mall Group a.s. and WE|DO CZ s.r.o. as stipulated in the SPA and / or provide additional liquidity directly to those companies after an accession to the SFA as effectively new subsidiaries.

all amounts expressed in PLN'000 unless indicated otherwise

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# OTHER INFORMATION

## 37.
## Related party transactions

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. Transactions with Black Pines Capital Partners relate to consultancy services provided by a Key Group Manager.

The Group made the following related party transactions in the period ended 31 December 2021 and 31 December 2020:

| | 01.01 – 31.12.2021 | | | | As at 31.12.2021 | | |
|---|---|---|---|---|---|---|---|
| **Related party** | Revenues | Expenses | Financial income | Financial costs | Receiva-bles | Payables | Loans granted |
| **Associates:** | | | | | | | |
| Polskie Badania Internetu sp. z o.o. | — | 368 | — | — | — | 28 | — |
| Fundacja Allegro All For Planet | — | 900 | — | — | — | — | — |
| **Other:** | | | | | | | |
| Alter Domus Luxembourg S.à r.l. | — | 166 | — | — | — | 656 | — |
| Culture Amp LTD | | 127 | | | | | |
| **Total** | **—** | **1,561** | **—** | **—** | **—** | **684** | **—** |



| | 01.01 – 31.12.2020 | | | | As at 31.12.2020 | | |
|---|---|---|---|---|---|---|---|
| **Related party** | Revenues | Expenses | Financial income | Financial costs | Receiva-bles | Payables | Loans granted |
| **Shareholder:** | | | | | | | |
| Mepinan S.a r.l. | — | 206 | — | — | — | — | — |
| Cinven Partners LLP | — | 1,013 | — | — | — | — | — |
| Permira Advisers (London) Ltd | — | 1,381 | — | — | — | — | — |
| **Management:** | | | | | | | |
| Loans granted | — | — | 927 | | — | — | — |
| BlackPines Capital Partners Ltd | — | 4,785 | — | | — | — | — |
| **Associates:** | | | | | | | |
| Polskie Badania Internetu sp. z o.o. | — | 253 | — | — | — | 23 | — |
| Fundacja Allegro All For Planet | 31 | 1,950 | — | — | 7 | — | — |
| **Other:** | | | | | | | |
| Alter Domus Luxembourg S.à r.l. | — | 1,094 | — | — | — | 1,094 | — |
| Culture Amp LTD | — | 97 | — | — | — | — | — |
| **Total** | **31** | **10,779** | **927** | **—** | **7** | **1,117** | **—** |

all amounts expressed in PLN'000 unless indicated otherwise

# 38.
# Employment

The table below shows the number of employees as at the reporting date ended 31 December 2021 and 31 December 2020:

| | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Contract of employment | 3,613 | 2,721 |
| Contractors (B2B), work agencies & outsourced service | 1,235 | 568 |
| **Total** | **4,848** | **3,289** |

The number of employees includes various forms of employment: employment contract, contractors (B2B) and workers who are not direct employees (work agencies & outsourced services).



# 39.
# Emoluments of the management

At the balance sheet date emoluments of the key management of the Group entities comprised:

| | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Short-term employee benefits | 17,341 | 22,360 |
| Management Investment Plan | — | 8,943 |
| Share-based payment | 5,699 | — |
| **Total** | **23,040** | **31,303** |

Total emoluments of the Group's Key Management (Board of Directors and Senior Key Managers) 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 companies, Allegro.pl and Ceneo.pl.

## Management Investment Plan

### DESCRIPTION OF THE MANAGEMENT INVESTMENT PLAN

The Management Investment Plan ('MIP') was established by the Ultimate Founding Owners of the Parent: Cinven, Permira and Mid Europa Partners to enable the Group's Management (Group Key Management and other selected Managers) to co-invest in the Group while it was privately owned. The MIP ceased to operate once the Group became a public company at its IPO in October 2020. Management's investments in the MIP were converted into New Ordinary Shares of the listed Parent based on the valuation established during the IPO book-building process of 43 zloty per New Ordinary Share and a total market capitalization of PLN 43,000,000 (see also note 28, Note to the Consolidated Statement of Changes in Equity).

Under the MIP, the Management participated indirectly through various classes of shares of Adiman SCSp and directly via type C and D shares issued by Adinan Super Topco S.à r.l. (currently: Allegro.eu). Managers paid the fair value of the issued shares at the grant date with difference to nominal value being paid to share premium.

Under the MIP, Managers were given loans to purchase part of their shares. Part of the loans were made on a non-recourse basis and part on a recourse basis.

all amounts expressed in PLN'000 unless indicated otherwise

The managers were also entitled to participate in a 'ratchet feature' where, if upon an exit event (including an IPO) the Ultimate Founding Owners return amount was at least 3 times their initial investment amount, then Management's B shares were entitled to a further amount of 1% of the Ultimate Founding Owners receipts.

The goal of Ultimate Founding Owners was to achieve a successful exit at an unknown future date, either through IPO or other possible exit routes (e.g. sale of the Group). In all these cases the Ultimate Founding Owners had drag along and tag along rights towards the MIP participants, which hold an equity interest in the Allegro.eu Group. In case of leaving the MIP before exit, the leaver might partly lose entitlement to certain elements of the MIP depending on the reason of his or her departure.

As at 31 December 2021 and 31 December 2020 there were no non-recourse loans, recourse loans or ratchet features still outstanding with the Group's managers as the MIP was settled and discontinued with the transfer of 71,448,853 Ordinary Shares to management upon the restructuring of the Share Capital (see note 28), from which 7,655,152 shares were sold in the IPO. All the holdings were subject to lockup agreement until October 2021.

### ACCOUNTING IMPACT

In accordance with IFRS 2, the MIP was partially accounted for as equity-settled share-based payment transactions.

Part of the loans granted to the Group's Key Management were made on a non-recourse basis, which gave rise to a benefit under IFRS 2 Share-Based Payment. The non-recourse loans together with the shares issued are considered as option under IFRS 2. It gives the party receiving the loan the right upon an exit event to choose not to repay the loan, but instead to relinquish their rights to the shares. Initially, the expected vesting period at the relevant grant date was either June or December 2021 and represented the assumed maturity date of the option at the grant date.

The ratchet feature, which was granted to Group's Key Management and selected other managers, was also valued under IFRS 2 at inception of the MIP. Together these two features of the MIP formed an incentive program ("Program") under IFRS 2.

The benefits were valued at grant date and amortized over the expected vesting period, recognized in staff costs and as a corresponding increase in other reserve. As a result of IPO, the Program was exercised earlier than originally assumed. The total remaining value of the Program was recognized in Staff costs until the exit date in October 2020.

In 2020 the respective amount recognized through staff costs was PLN 52,191. In the light of IFRS 2, the non-recourse loans are technically not recognized as loans from an accounting perspective, therefore the nominal amounts of non-recourse loans and corresponding shares were being deducted from the Loans granted and Equity (i.e. from the share capital and capital reserve, respectively) during the lifetime of the program. The deduction was reversed at the expiration of the MIP in 2020.

## Allegro Incentive Plan

Allegro Incentive Plan is a share based payment program introduced by the Group in 2020. Awards under the AIP may be granted in the form of Performance Share Units or Restricted Stock Units which give the participants a right to receive Shares without payment on completion of a vesting period. Performance Share Units are designed for the Key Directors of the Group.

The scheme was classified as an equity settled share-based incentive scheme and is recorded in staff costs and other reserves.

The detailed description on the AIP is presented in note number 28.3.





# 40. Audit fee

The table below presents the net fees of the PricewaterhouseCoopers audit due for the reporting period ended on 31 December 2021 on 31 December 2020 by type of service:

| | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Statutory annual audit | 1,559 | 1,228 |
| Quarterly reviews | 546 | 270 |
| Issuance of comfort letters | — | 2,524 |
| Initial public offering support | — | 2,405 |
| **Total** | **2,105** | **6,427** |

PwC non-audit fees charged in 2020 related mostly to services connected with the IPO. Auditors performed the assessment before commencing any non-audit services and none of the services impaired PwC's independence. The most substantive services related to pre-IPO operations were:

- audit of the Consolidated Financial Statements of Allegro.eu for the years 2017-2019
- review of the Interim Condensed Consolidated Financial Statements for 6 months ended 30 June 2020 and 30 June 2019
- professional services in relation to the issuance of comfort letters
- review of Interim Condensed Consolidated Financial Statements for the three and nine month periods ended 30 September 2020

The above services are considered permissible under relevant EU, Luxembourg and Polish independence regulations. PwC confirmed independence to the Audit Committee during the 2020 audit and at the closing meeting on 1 March 2021. After Allegro.eu became a public entity, the only non-audit services in 2020 related to the review of the Interim Condensed Consolidated Financial Statements for the three and nine month periods ended 30 September 2020. This matter was a subject to the approval of the Audit Committee.