allegro

ANNUAL REPORT
OF ALLEGRO.EU S.A. GROUP

for the year ended 31 December 2022

allegro

TABLE OF CONTENTS

LETTER FROM THE CEO 4

I. GENERAL INFORMATION 7
1. Definitions 8
2. Introduction 10
3. Forward-looking Statements 11
4. Presentation of Financial Information 12

II. BUSINESS REPORT 17
1. Selected consolidated financial and operational highlights 18
2. Management’s discussion and analysis of financial condition and result of operations 20
3. Summary of key developments 44
4. Remuneration Report 50
5. Expectations for the Group 90
6. Recent Trading 93

III. NON-FINANCIAL REPORT 99
1. Business Model, Operations, and Corporate Governance 100
2. Risk Management System, Risk Factors, and Regulatory Matters 136
3. Our Approach to Environmental, Social and Corporate Governance 214

IV. FINANCIAL STATEMENTS 349
1. Responsibility Statement 350
2. Audit Report 352
3. Consolidated Financial Statements 362
Consolidated Statement of comprehensive income 362
Consolidated Statement of financial position 364
Consolidated Statement of changes in equity 366
Consolidated Statement of cash flows 368

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 370
1. General information 370
2. Basis of preparation 371
3. Summary of significant accounting policies 372
4. Composition of the board of directors 379
5. Business combinations 380
6. Group structure 386
7. Approval of the consolidated financial statements 389

NOTES TO THE CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME 390
8. Segment information 390
9. Revenues from contracts with customers 396
10. Financial income and financial costs 406
11. Income tax 407
12. Earnings per share 412

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION 414
13. Intangible assets 414
14. Property, plant and equipment 422
15. Inventory 426
16. Trade and other receivables 427
17. Prepayments 429
18. Consumer loans 430
19. Cash and cash equivalents 438
20. Borrowings 439
21. Leases 442
22. Deferred tax 448
23. Liabilities to employees 452
24. Trade and other liabilities 456
25. Derivative financial instruments 457
26. Financial assets and financial liabilities 461

NOTE TO THE CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 464
27. Equity 464

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS 471
28. Cash flow information 471

RISKS 476
29. Critical estimates and judgments 476
30. Financial risk management 490
31. Capital management 504

UNRECOGNISED ITEMS 505
32. CONTINGENT LIABILITIES 505
33. Assets pledged as security 510
34. Commitments 510
35. Events occurring after the reporting year 511

OTHER INFORMATION 512
36. Related party transactions 512
37. Employment 513
38. Emoluments of the management 514
39. Audit fee 515

allegro

Dear Shareholders,

Allegro is fundamentally a network. We connect over one hundred thousand small, medium and large businesses to millions of consumers. Although we have teams that work very hard to recruit merchants who specialise in specific categories and to encourage them to build their selection, merchants are fundamentally independent actors who make their own business decisions. The collective power of thousands of independent traders making millions of decisions based on their own knowledge and experience cannot be matched by a single entity. The result is exceptional choice, price and convenience. Our marketplace has prospered during periods of economic stability and growth and has continued to do well even when consumers, uncertain about the future, spend more carefully. Customers know that if a product can fit into a box (and sometimes it can be a very big box), they are very likely to be able to find it at a good price on Allegro. Particularly for consumers living in more rural areas, we offer products that they cannot find anywhere else locally.

We are very thankful for the steadfast loyalty of our Polish customers despite all the uncertainty of the past few years. Our business delivered solid topline growth and progress on cost efficiency in the face of war-related instability, high inflation and flagging consumer demand. Allegro's Polish operations reported annual GMV (gross merchandise value) growth of 15.9% in 2022. Revenue grew by 24.1% year-on-year, while Adjusted EBITDA came in 11.6% higher, all in line with expectations. As we become more selective and focused on specific growth opportunities and more disciplined in our spending and investment decisions, we have seen our leverage move steadily downwards, ending the year at 2.9x Net Debt to Adjusted EBITDA (vs. 3.5x in Q2).

Following the pandemic when our company was a lifeline for many, Allegro has solidified its position as the go-to marketplace for Polish consumers increasingly looking for value for money. Nine out of ten of Poland's most popular products are listed at their lowest prices on our platform [1]. We entered 2023 with over 14m active buyers on Allegro whose average spending continued to grow throughout 2022, confirming our appeal on our home turf. Accelerating merchant acquisition translated into 290m offers, around one-third of them export-ready.

Allegro Smart! and Allegro Pay are bywords for convenient e-shopping in Poland. We now have over 2,500 of our own One Box APMs as part of our 60,000-strong network of pick-up points, with over 11m active users accessing our services using the state-of-the-art Allegro app – the most popular shopping tool in Poland [2]. Allegro Pay continues to be the perfect choice for buyers looking to rationalise their spending, with over PLN 5.5bn of loans originated via our fintech business in 2022. That is more than planned and over 3.7 times its previous year's result, as it now readies to move to a still higher level with new financial products and services queued for 2023.

Whilst we are proud of our position in Poland and continue to look for new ways to grow here, we want to introduce our marketplace model to consumers outside our home market to continue the momentum. In hindsight, it is clear that we bought the MALL Group and WE|DO at the top of the market, but they are a strategic bridgehead to extending our addressable retail market to PLN 1.14 trillion and our base of potential customers to 70m people. Our team is now focused on the imminent launch of Allegro.cz in the Czech Republic and the build-up is well underway. We have already successfully launched Smart! in the Czech Republic and we are confident that MALL's client base will be delighted by the selection and attractive prices that our marketplace offers. We are very excited by the prospect of connecting small and large merchants – including recruits from MALL's own third-party business – with an ever-widening pool of loyal consumers. We aim to enable local businesses to 'list once, sell everywhere', an opportunity that should become increasingly attractive as the economy recovers and our marketplace expands geographically.

Our work to create a single company capable of serving customers across six countries had a slow start last year but is now gathering speed. Adjustments to minimum order values and take rates improved our Allegro Smart! and delivery economics, while at MALL we are focusing on "Retail Basics" to improve the profitability of our first-party businesses. We laid the groundwork for the "Fit to Grow" cost reduction programme last year and, as you will see, we are making some headway and the programme is delivering growing benefits over time.

I should point out that most cost reduction programmes eventually reach an endpoint, but I view this project as a starting point for building a company mindset for continuous improvement. I want us to be constantly working to improve the quality of our selection, the reliability of our services and, of course, our cost structure.

The Executive Team and I formulated our "Seven Priorities" and presented them to investors within the first thirty days of my tenure. We have given most attention to the first three which focus on re-energising growth, and the second three which focus on continuously improving our cost structure. We should not lose sight of the fact that a key determinant of success for any company is the quality and motivation of the people who work for it. These are no longer boom times, and our organisation must adjust accordingly. Allegro has been a magnet for talent in technology, retail, and operations in Poland and successfully attracted international talent in the past years. Our work on People & Culture – the last but not least of our priorities – is seeking to articulate how we would like our leaders to behave, as well as building the mechanisms to identify talent and develop it over time. We are still at the beginning of this project, but I am confident that it will become one of our most important means to attract and grow managers from within the region we serve.

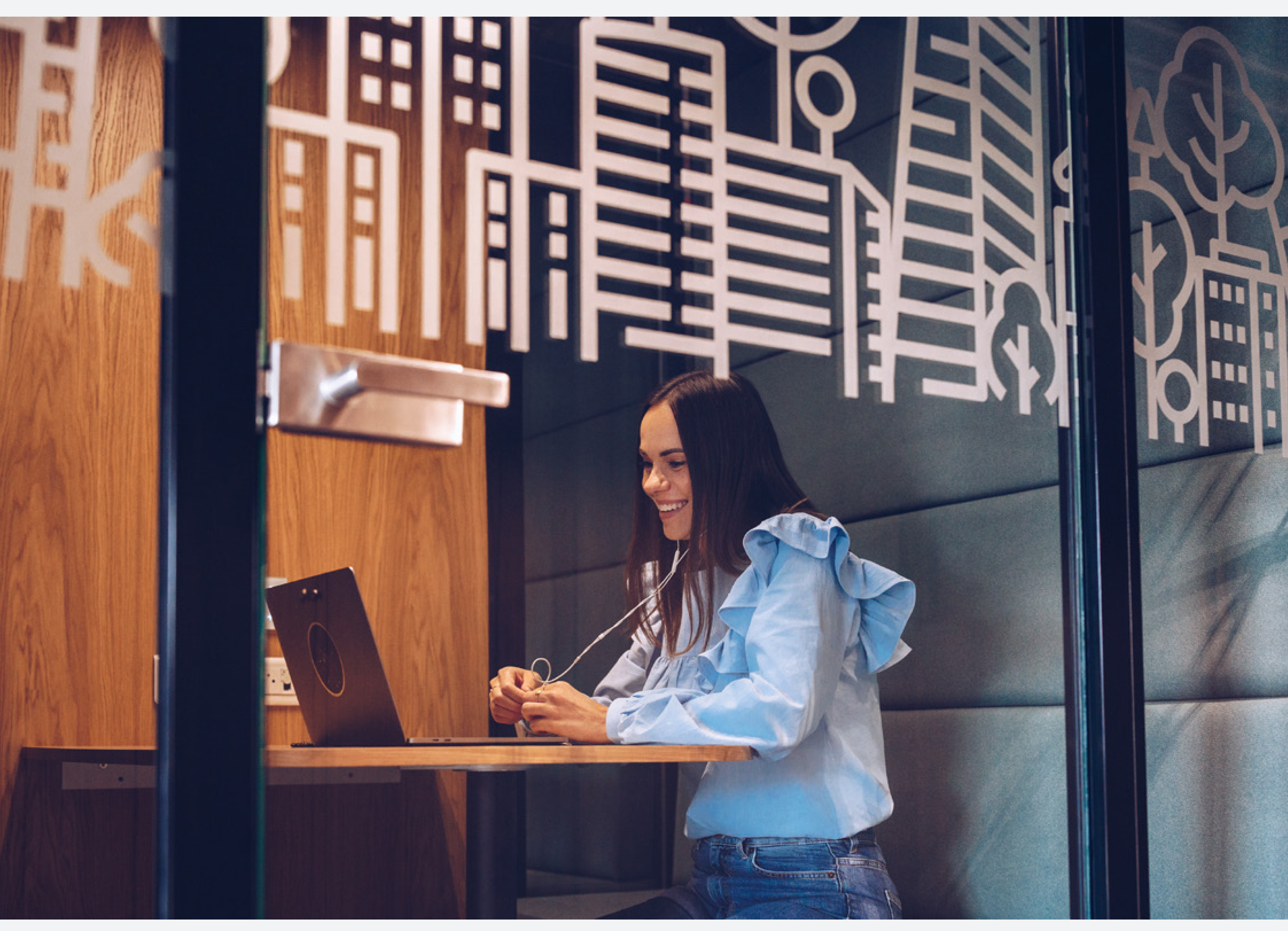
Our comprehensive approach to ESG translated to an MSCI ESG Rating upgrade to AA from A, and the No. 1 spot in retail among Diversity Leaders ranked by Financial Times and Statista [3]. Allegro is one of only five major Polish companies with climate targets, including the commitment to a nearly 38% reduction in scope 1 and 2 greenhouse gas emissions by 2030 [4], approved by the SBTi [5]. Our charity platform Allegro Charytatywni amassed PLN 56m in donations, including aid to refugees from war-torn Ukraine. Our welcome guests can also make use of the Allegro offer in Ukrainian.

I feel incredibly lucky to be the Chief Executive of such a special company. When I first introduced myself to the team, I likened companies to rock bands. There are a few estimates out there that less than one percent of musicians can earn a living from their craft. Even fewer, 5,745 over fifty years to be precise, ever have a chart hit, and less than half (47.5%) were able to chart a second time. Regardless of whether we think this analogy is fair, it certainly underscores the fact that whatever the field, success is rare and repeated success is even more rare indeed. Allegro may not be a rock band, but the company has been earning itself fans for a couple of decades now. Like the most successful Hall of Fame stars, Allegro has been able to adjust quickly to changing audience and industry rules of the game. It is now one of a handful of native European marketplaces operating at scale. One that is getting ready to present itself to a new public. Over the next few months, we'll be getting the show on the road. First stop, the Czech Republic.

Roy Perticucci
CEO

[1] As measured by PDR (Price Defect Rate)
[2] Allegro as the most popular e-commerce app in Poland, by average monthly active users, cumulative downloads, and total time, data as of Q4 2022 by data.AI
[3] The FT-Statista ranking of Europe's Diversity Leaders is based on independent perception studies of more than 100,000 employees across the continent, 850 companies with the highest total scores made the final list of Diversity Leaders
[4] 2021 as base year
[5] Science Based Targets initiative, an ambitious corporate climate action of businesses to reduce their emissions in line with climate science

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.



allegro

I. General information

1. Definitions

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

"1P"	First-party.
"3P"	Third-party.
"9M"	Nine-month period ended 30 September for a given year
"AIP"	Allegro Incentive Plan.
"Allegro"	Allegro sp. z o.o. (from 1 July 2022, previously Allegro.pl sp. z o.o.)
"Allegro Pay"	Allegro Pay Sp. z o.o.
"APMs" or "Lockers"	Automated Parcel Machines.
"BaaS"	Bank-as-a-Service
"BNPL"	Buy Now Pay Later.
"Ceneo.pl"	Ceneo.pl sp. z o.o.
"CEE"	Central and Eastern Europe
"CE-5"	Five countries in Central Europe where Mall Group operates: Croatia, Czechia, Hungary, Slovakia, Slovenia
"Cinven"	Depending on the context, any of, or collectively, Cinven Partnership LLP, Cinven Holdings Guernsey Limited, Cinven (Luxco 1) S.A. and their respective "associates" (as defined in the UK Companies Act 2006) and/or funds managed or advised by any of the foregoing.
"Company" or "Allegro.eu"	Allegro.eu, a public limited liability company (société anonyme), incorporated under the laws of the Grand Duchy of Luxembourg, having its registered office at 1, rue Hildegard von Bingen, L-1282 Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg Trade and Companies' Register (Registre de Commerce et des Sociétés, Luxembourg) under number B214830.
"CPC"	Cost Per Click.
"eBilet"	eBilet Polska Sp. z o.o.
"EC"	European Commission.
"EU"	European Union.
"excl. Mall"	excluding relevant information for the Mall Group a.s. and WE|DO CZ s.r.o. and their operating direct and indirect subsidiaries.
"FY"	A financial year of the Group ending on 31 December of the relevant civil year.
"GMV"	Gross merchandise value.
"Group"	Allegro.eu and its consolidated subsidiaries.
"IAS"	International Accounting Standards as adopted by the EU.
"IFRS"	International Financial Reporting Standards, as adopted by the EU.
"IPO"	The initial public offering of the shares of the Company on the WSE.
"incl. Mall"	including relevant information for the Mall Group a.s. and WE|DO CZ s.r.o. and their operating direct and indirect subsidiaries.
"IT"	Information Technology.
"H1"	First half of a given year, six-month period ended 30 June.
"H2"	Second half of a given year, six-month period ended 31 December.
"Key Managers"	Person Discharging Managerial Responsibilities, jointly: Members of the Board of Directors of Allegro.eu, Management Board Members of Allegro and – only for Q1'22 Management Board Members of Ceneo.pl. Following the Mall Group Acquisition, starting from April 1st 2022, Ceneo.pl Management Board Members were no longer considered Key Managers of the enlarged Group.
"Lockers" or "APMs"	Automated Parcel Machines.
"LTM"	Last twelve months. Represents twelve months preceding the end of a period.
"Luxembourg"	The Grand Duchy of Luxembourg.
"Mall Group"	Mall Group a.s., including its operating direct and indirect subsidiaries.
"Mall Group Acquisition"	Acquisition of the Mall Group a.s. and WE|DO CZ s.r.o., announced on 4 November 2021 and closed on 1 April 2022.
"Mall Segment"	Mall Group a.s. and WE|DO s.r.o. (CZ) and their operating direct and indirect subsidiaries as of FY 2022: WE|DO s.r.o (SK), Internet Mall a.s., Internet Mall Hungary Kft, Mimovrste, spletna trgovina d.o.o., Internet Mall Slovakia s.r.o., Internet Mall d.o.o., Netretail Sp. z.o.o. in liquidation, m-HU Internet Kft., E-commerce Holding a.s., CZC. cz s.r.o., AMG Media a.s. These entities comprise the "Mall Segment" reportable in the Group's financial statements.
"MOV"	Minimum order value necessary to receive a service or a discount.
"N/A"	Not applicable.
"NDD"	Next Day Delivery.
"OCCP"	Office of Competition and Consumer Protection (in Polish: Urząd Ochrony Konkurencji i Konsumentów, UOKIK)
"Permira"	Depending on the context, any of, or collectively, Permira Holdings Limited, Permira Debt Managers Limited, Permira Advisers (London) Limited, Permira Advisers LLP and each of Permira Holdings Limited's subsidiary undertakings from time to time, including the various entities that individually act as advisers or consultants in relation to the funds advised and/or managed by Permira.
"PLN" or "złoty"	Polish złoty, the lawful currency of Poland.
"Poland"	The Republic of Poland.
"Polish Operations"	Allegro.eu, Allegro Treasury S.à r.l. and its consolidated subsidiaries operating in Poland, being the sum of "Allegro", "Ceneo" and "Other" reportable segments: Allegro Sp. z o.o. (previously operating under the name: Allegro. pl sp. z o.o.), Allegro Pay sp. z o.o., Allegro Finance sp. z o.o., Opennet.pl sp. z o.o. and SkyNet Customs Brokers sp. z o.o. together form the "Allegro segment"; Ceneo.pl Sp. z o.o. forms the "Ceneo segment"; Allegro Treasury S.à r.l., Allegro.eu and eBilet Polska Sp. z o.o. together form the "Other segment".
"pp"	Percentage points.
"PPA"	Purchase Price Allocation
"PPC"	Pay Per Click.
"PSU"	Performance Share Unit plan which represents part of AIP.
"Q1"	First quarter of a given year, a three-month period ended 31 March.
"Q2"	Second quarter of a given year, a three-month period ended 30 June.
"Q3"	Third quarter of a given year, a three-month period ended 30 September.
"Q4"	Fourth quarter of a given year, a three-month period ended 31 December.
"QoQ"	Quarter over quarter, i.e. sequential quarterly change.
"Report"	This annual report of the Company for the year ended 31 December 2022.
"RSU"	Restricted Stock Unit plan which represents part of AIP.
"SDG"	Sustainable Development Goals
"Senior Managers"	Individuals, in addition to the Board of Directors, considered relevant to establishing that the Group has the appropriate expertise and experience for the management of the business.
"Significant Shareholders"	Cidinan S.à r.l., representing the interests of Cinven & Co-Investors, Permira VI Investment Platform Limited, representing the interests of Permira & Co-Investors, 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 entered into on 4 November 2021.
"UOKiK or OCCP"	Polish Office for Competition and Consumer Protection (Urząd Ochrony Konkurencji i Konsumentów).
"WE|DO "	WE|DO CZ s.r.o. and its operating subsidiary WE|DO Slovakia s.r.o.
"WIBOR"	The Warsaw Interbank Offered Rate is the average interest rate estimated by leading banks in Warsaw that the average leading bank would be charged if borrowing from other banks. Unless specified otherwise, this refers to three-month WIBOR for loans for a three-month period.
"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.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

2. Introduction

This is the report relating to the financial year ended 31 December 2022 of Allegro.eu, a public limited liability company (société anonyme), incorporated under the laws of the Grand Duchy of Luxembourg, having its registered office at 1, rue Hildegard von Bingen, L-1282 Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg Trade and Companies' Register (Registre de Commerce et des Sociétés, Luxembourg) under number B214830. This Report summarises consolidated financial and operating data of Allegro.eu and its subsidiaries.

Allegro.eu is a holding company (together with all of its subsidiaries, the "Group"). The Group operates the leading online marketplace in Poland, Allegro.pl, and the leading price comparison platform in Poland, Ceneo.pl. Allegro, owner of the Allegro.pl online marketplace, and Ceneo.pl are the Group's key operating companies in Poland. Other significant operations in Poland are Allegro Pay, which provides proprietary consumer finance services to Allegro, and eBilet, which is the leading event ticket sales site in the country. All these entities are incorporated under the laws of Poland.

From 1st April 2022, the Group includes and consolidates also the Mall Group, a leading e-commerce player across Central and Eastern Europe and WE|DO, a last mile delivery business. Mall Group operates as an online retailer and marketplace across multiple shopping verticals in Czechia, Slovakia, Slovenia, Hungary, Croatia, and Poland (the latter now in liquidation). WE|DO provides last mile distribution services in Czechia and Slovakia, counting the Mall Group as one of its key customers. Both Mall Group and WE|DO have been acquired as 100% subsidiaries of Allegro. Together they form the Mall Segment of the Group's operations.

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

At the date of the Report, (i) 27.13% of the issued shares of the Company are controlled by Cidinan S.à r.l., a private limited liability company (société à responsabilité limitée) incorporated and existing under the laws of the Grand Duchy of Luxembourg, having its registered office at 4, rue Albert Borschette, L-1246 Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg Trade and Companies' Register (Registre de Commerce et des Sociétés, Luxembourg) under number B204672 ("Cidinan S.à r.l."), representing the interests of Cinven & Co-Investors, (ii) 27.13% by Permira VI Investment Platform Limited, representing the interests of Permira & Co-Investors, and (iii) 6.03% 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 39.70% is owned by other shareholders, including management of the Group. The number of shares held by each investor is equal to the number of votes, as there are no preferred 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.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

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 2022 and for the twelve-month periods ended 31 December 2022 and 31 December 2021, which have been derived from the audited Consolidated Financial Statements of the Group, prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, and included elsewhere in this Report. PricewaterhouseCoopers, Société coopérative, having its registered office at 2, rue Gerhard Mercator, B.P. 1443, L-1014 Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg Trade and Companies' Register (Registre de Commerce et des Sociétés, Luxembourg) under number B65477, has audited the consolidated financial statements in its capacity as independent statutory auditor (réviseur d'entreprises agréé) of the Group.

ALTERNATIVE PERFORMANCE MEASURES

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

The Group has defined the alternative performance measures as follows:

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

"Adjusted EBITDA" means operating profit before depreciation, amortisation and recognised impairment losses of non-current non-financial assets and decreased by reversal of such impairment losses further adjusted to exclude transaction costs,, market strategy preparation costs, employee restructuring costs, regulatory proceeding costs, group restructuring and development costs, donations to various public benefit organisations, certain bonuses for employees, funds spent on protective equipment against COVID-19, and expenses related to share based payments in connection with the Allegro Incentive Plan;

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

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

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

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

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

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

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

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

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

"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 LTM Adjusted EBITDA;

"Other capital expenditure" means amounts paid for investments in rollout of Group's own lockers network and fulfilment capacities; building the relevant capacity of data centres, equipping employees with appropriate equipment (i.e. workstations), office equipment (e.g. fit-out and IT devices) and copyrights;

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

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

"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.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

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

The alternative performance measures are not accounting measures within the scope of IFRS and may not be permitted to appear on the face of Consolidated 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 Consolidated 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.

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 consolidated financial statements of the corresponding period, separately identifying and explaining the material reconciling items in sections "Management's discussion and analysis of financial condition and result of operations" and "Appendix 1: Reconciliation of the key Alternative Performance Measures to Financial Statements" .

NON-FINANCIAL MEASURES

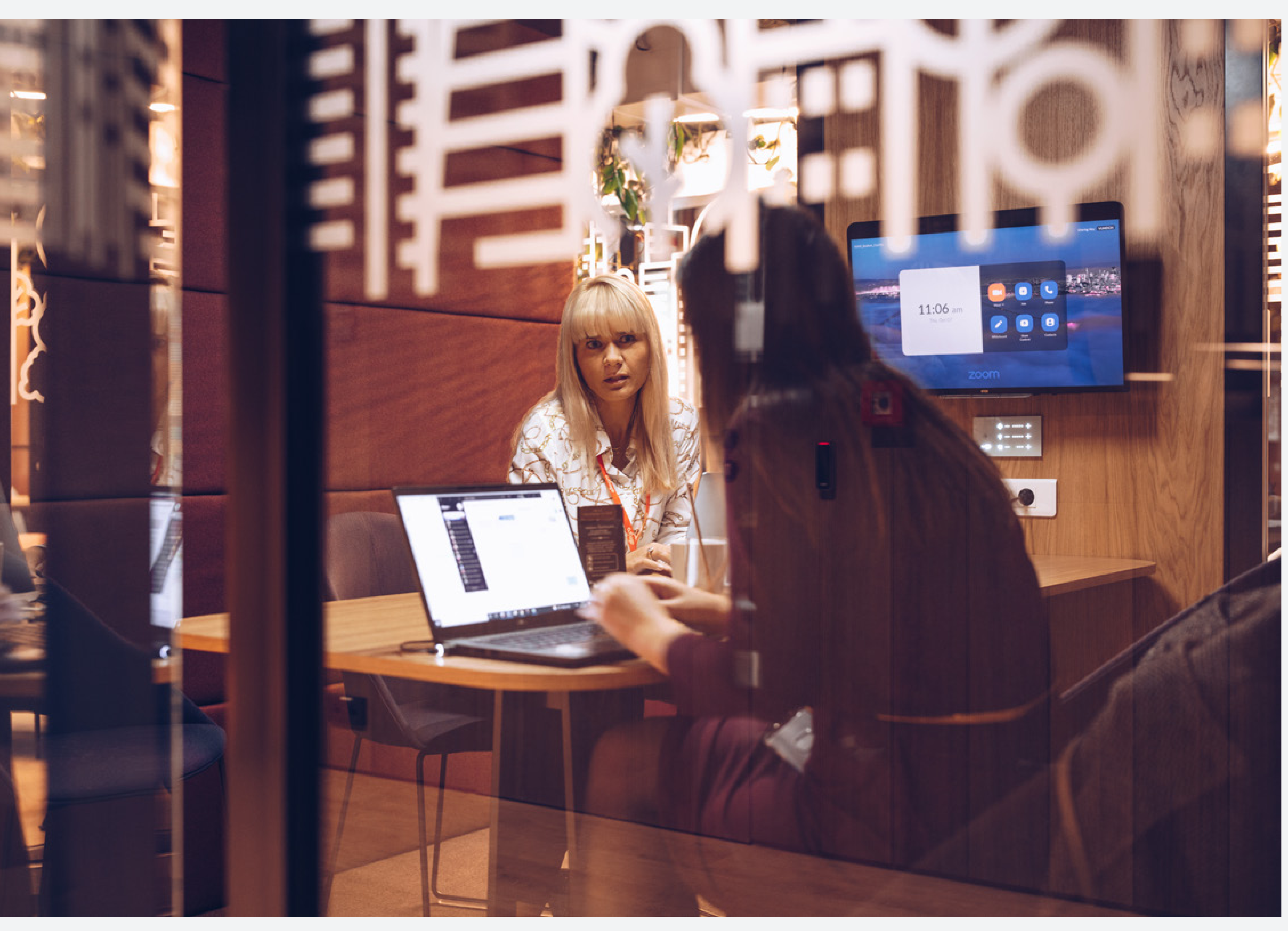
The Group has further to the listed above Alternative Performance Measures, included certain non-financial measures, including, among others, Active Buyers and GMV per Active Buyer.

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

"Active Buyers" represents, as of the end of a period, each unique email address connected with a buyer that has made at least one purchase on any of Allegro.pl, Allegrolokalnie.pl or eBilet.pl in the preceding twelve months. Active Buyers is a last-twelve-month measure and it will be reported for the Mall Segment once the twelve months since acquisition will pass in Q1 2023;

"GMV per Active Buyer" represents LTM GMV divided by the number of Active Buyers as of the end of a period. GMV per Active Buyer is a last-twelve-month measure and it will be reported for the Mall Segment once the twelve months since acquisition will pass in Q1 2023.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.



allegro

II. Business report

allegro

1.

Selected consolidated financial and operational highlights

Income Statement, PLN m	FY 2022 (audited)	FY 2021 (audited)	Change %	Q4 2022 (unaudited)	Q4 2021 (unaudited)	Change %
Revenue	**9,004.9**	**5,352.9**	**68.2%**	**3,082.8**	**1,600.7**	**92.6%**
of which Polish Operations	*6,644.9*	*5,352.9*	*24.1%*	*2,025.0*	*1,600.7*	*26.5%*
of which Mall Segment	*2,365.8*	*N/A*	*N/A*	*1,060.6*	*N/A*	*N/A*
of which Eliminations & Other	*(5.8)*	*N/A*	*N/A*	*(2.8)*	*N/A*	*N/A*
EBITDA	**2,000.5**	**1,993.7**	**0.3%**	**628.1**	**461.6**	**36.1%**
of which Polish Operations	*2,198.8*	*1,993.7*	*10.3%*	*683.7*	*461.6*	*48.1%*
of which Mall Segment	*(198.3)*	*N/A*	*N/A*	*(55.6)*	*N/A*	*N/A*
Adjusted EBITDA	**2,152.7**	**2,068.5**	**4.1%**	**668.3**	**501.2**	**33.3%**
of which Polish Operations	*2,309.4*	*2,068.5*	*11.6%*	*707.7*	*501.2*	*41.2%*
of which Mall Segment	*(156.8)*	*N/A*	*N/A*	*(39.4)*	*N/A*	*N/A*
EBIT	**(1,182.1)**	**1,472.9**	**(180.3%)**	**372.4**	**321.8**	**15.7%**
Profit / (Loss) before Income tax	**(1,639.5)**	**1,358.1**	**(220.7%)**	**262.1**	**251.6**	**4.2%**
Net Profit / (Loss)	**(1,916.8)**	**1,089.6**	**(275.9%)**	**179.6**	**199.7**	**(10.1%)**

Balance sheet	31.12.2022 (audited)	31.12.2021 (audited)	Change %
Assets	19,232.8	16,869.9	14.0%
Equity	8,981.3	9,454.1	(5.0%)
Net Debt	6,266.1	3,660.2	71.2%

Cash Flow, PLN m	FY 2022 (audited)	FY 2021 (audited)	Change %	Q4 2022 (unaudited)	Q4 2021 (unaudited)	Change %
Net cash inflow/(outflow) from operating activities	1,854.7	1,406.6	31.9%	854.9	387.5	120.6%
Net cash inflow/(outflow) from investing activities	(3,075.9)	(429.9)	615.5%	(162.3)	(173.0)	(6.2%)
Net cash inflow/(outflow) from financing activities	141.5	(204.5)	N/A	(668.2)	(31.6)	2,014.5%
Net increase/(decrease) in cash and cash equivalents	(1,079.7)	772.2	(239.8%)	24.4	183.0	(86.7%)

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

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

2.1. Key performance indicators

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

KPIs (unaudited)	FY 2022	FY 2021	Change %	Q4 2022	Q4 2021	Change %
Active Buyers (millions, for Polish Operations [1])	**14.1**	**13.5**	**4.2%**	**14.1**	**13.5**	**4.2%**
GMV per Active Buyer (PLN, for Polish Operations[1])	**3,514.9**	**3,157.8**	**11.3%**	**3,514.9**	**3,157.8**	**11.3%**
GMV (PLN in millions)	**52,495.7**	**42,601.7**	**23.2%**	**15,866.9**	**12,668.5**	**25.2%**
of which Polish Operations	*49,388.8*	*42,601.7*	*15.9%*	*14,442.8*	*12,668.5*	*14.0%*
of which Mall Segment	*3,106.9*	*N/A*	*N/A*	*1,424.1*	*N/A*	*N/A*
Polish Operations LTM GMV (PLN in millions) [1]	**49,388.8**	**42,601.7**	**15.9%**	**49,388.8**	**42,601.7**	**15.9%**
Take Rate (%) [2]	**10.83%**	**10.23%**	**0.60pp**	**10.93%**	**9.84%**	**1.09pp**
of which Polish Operations	*10.82%*	*10.23%*	*0.59pp*	*10.91%*	*9.84%*	*1.06pp*
of which Mall Segment	*12.04%*	*N/A*	*N/A*	*12.36%*	*N/A*	*N/A*

[1] LTM measures for the Mall Segment are not yet available, as it is consolidated for the first time since Q2 2022
[2] Blended average take rate

KPIs (unaudited)	FY 2022	FY 2021	Change %	Q4 2022	Q4 2021	Change %
1P Gross Margin	**10.62%**	**(2.18%)**	**N/A**	**12.08%**	**(4.48%)**	**N/A**
of which Polish Operations	*3.11%*	*(2.18%)*	*5.3pp*	*8.95%*	*(4.48%)*	*13.4pp*
of which Mall Segment	*12.27%*	*N/A*	*N/A*	*12.67%*	*N/A*	*N/A*
Adjusted EBITDA (PLN in millions)	**2,152.7**	**2,068.5**	**4.1%**	**668.3**	**501.2**	**33.3%**
of which Polish Operations	*2,309.4*	*2,068.5*	*11.6%*	*707.7*	*501.2*	*41.2%*
of which Mall Segment	*(156.8)*	*N/A*	*N/A*	*(39.4)*	*N/A*	*N/A*
Adjusted EBITDA/revenue (%)	**23.91%**	**38.64%**	**(14.74pp)**	**21.68%**	**31.31%**	**(9.64pp)**
of which Polish Operations	*34.75%*	*38.64%*	*(3.89pp)*	*34.95%*	*31.31%*	*3.6pp*
of which Mall Segment	*(6.63%)*	*N/A*	*N/A*	*(3.72%)*	*N/A*	*N/A*
Adjusted EBITDA/GMV (%)	**4.10%**	**4.86%**	**(0.75pp)**	**4.21%**	**3.96%**	**0.26pp**
of which Polish Operations	*4.68%*	*4.86%*	*(0.18pp)*	*4.90%*	*3.96%*	*0.94pp*
of which Mall Segment	*(5.05%)*	*N/A*	*N/A*	*(2.77%)*	*N/A*	*N/A*

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

GMV AND ACTIVE BUYERS

For FY 2022 GMV for the consolidated Group increased by PLN 9,894.0 million, or 23.2% YoY from PLN 42,601.7 million for FY 2021 to PLN 52,495.7 million for FY 2022, whereas for Q4 2022, GMV for the consolidated Group increased by PLN 3,198.4 million, or 25.2% YoY, from PLN 12,668.5 million for Q4 2021, to PLN 15,866.9 million. .

Consolidated GMV growth was boosted by the consolidation impact of the Mall Segment, as GMV for the Mall Segment reached PLN 3,106.9 million in FY 2022 and PLN 1,424.1 million in Q4 2022 and, adding 7.3pp to the Group's growth rate in FY 2022 and 11.2pp in Q4 2022. The Mall Segment was acquired and consolidated from 1 April 2022 and therefore the Group's FY 2022 result includes nine months of the Mall Segment's trading results. As expected, Q4 GMV from the Mall Segment was up strongly, with QoQ growth of 59.2% due to the strongly seasonal nature of demand for much of Mall's selection.

For FY 2022 GMV for the Polish Operations increased by 15.9% YoY, while GMV growth in Q4 2022 reached 14.0% YoY. From the quarterly perspective, YoY GMV growth was gradually accelerating from the Q1 2022 YoY growth rate of 12.8% to Q3 2022 growth rate of 21.4% due to the sequentially decreasing impact of Covid lockdowns on recorded total GMV and elevating the growth rate in the comparative quarters of the prior year. During Q4, GMV growth continued at levels similar to Q3 during October before slowing down during November, as had been anticipated by the Group management and subsequently confirmed by slowing Polish retail sales data. Growth was also negatively impacted by the unusual timing of the World Cup tournament, which drove online visits down as consumers had less available time for shopping.

Overall, Allegro everyday shopping selection at attractive prices is showing resilience against the deteriorating macroeconomic and geopolitical backdrop. Organic growth in GMV was further supported by continued growth in Smart! users, strong performance of price benchmarking and pricing assistance, rapid adoption of Allegro Pay BNPL services and further increase in availability of next day deliveries ("NDD"). eBilet, the ticketing subsidiary, contributed 0.5pp positive growth to the Q4 GMV growth, while from the annual perspective eBilet contributed 0.7pp positive growth to the FY 2022 GMV growth.

Active Buyers of the Polish Operations grew by 4.2% YoY and by 1.8% QoQ, and reached 14.1 million at the end of FY 2022. This was the third consecutive quarter of growth in Active Buyers, reflecting the success of Allegro's marketing focus on price, selection and trust yielded a positive impact on new shopper acquisition. The average annual spend per buyer kept on growing as the structural shift to online shopping continues, with GMV per Active Buyer reaching PLN 3,515 for Polish Operations, up by 11.3% YoY. During the FY 2022 average selling prices tended to rise each month, driven by the core inflation (excluding food and energy prices), which reached 11.3% YoY in Q4 2022 and 9.1% YoY for FY 2022 in Poland . This increase was partly offset by consumers trading down in their purchase choices, with overall average order value still trending upwards.

ADJUSTED EBITDA

The Group's Adjusted EBITDA increased by PLN 84.2 million, or 4.1% YoY from PLN 2,068.5 million to PLN for FY 2021 to PLN 2,152.7 million for FY 2022, whereas for Q4 2022 Adjusted EBITDA for the consolidated Group increased by PLN 167.0 million, or 33.3% YoY, from PLN 501.2 million for Q4 2021, to PLN 668.3 million for Q4 2022 .

Since Q2 2022 the Mall Segment is consolidated by the Group and as such the consolidated Adjusted EBITDA at the Group level has been negatively impacted by the losses generated by the Mall Segment, by PLN 39.4 million loss in Q4 2022 and a loss of PLN 156.8 million for FY 2022, respectively. The Mall Segment's Q4 Adjusted EBITDA loss declined sequentially QoQ by 21.6% as the extra margin from peak Christmas season sales, together with the Group's efforts to reduce costs, improve trading performance and make greater use of WE|DO's delivery capacity was reflected in the result.

The Adjusted EBITDA of the Polish Operations increased by 41.2% for Q4 2022, representing a significant sequential improvement from a 24.6% YoY increase for Q3 2022, a 1.5% YoY decline in Q2 2022 and a 13.6% YoY decline in Q1 2022. Strong performance in Q3 and Q4 has driven the FY 2022 Adjusted EBITDA to grow by 11.6% YoY to reach PLN 2,309.4 million, at the top end of management's 2022 expectations.

For FY 2022 the Group consolidated GMV margin was 4.10% compared to 4.86% a year ago. For Q4 2022, Group Consolidated GMV margin was 4.21% compared to 3.96% for Q4 2021. Excluding the impact of Adjusted EBITDA losses of the Mall Segment, which were consolidated by the Group from Q2 2022, GMV margin for the core Polish Operations Segment increased by 0.94pp in Q4 2022 from 3.96% a year ago to 4.90% in Q4 2022. For FY 2022, GMV margin for the Polish Operations decreased by 18pp from 4.86% a year ago to 4.68% in FY 2022.

The 0.94pp YoY improvement in GMV margin in Q4 2022, in the context of the falling GMV margin for the year as a whole, reflects raised co-financing fees for Smart! deliveries before delivery contracts indexation in November partly offset these rises, growing high margin advertising revenue and a rapid slow down in the growth of SG&A expenses, reflecting the Group management's renewed focus on efficiency.

For FY 2022 the Take Rate for the Polish Operations reached the level of 10.82%, up by 0.59pp YoY, whereas for Q4 2022, Take Rate reached 10.91%, up by 1.06pp YoY. These changes resulted from the revised co-financing rates and commission rates introduced during the first quarter of the year, followed by further changes to commission rates effective from mid-July and increased co-financing charges implemented from early August.

The main drag on this margin improvement in Q4, which also drove a decline in margin for FY 2022, was a higher share of Smart! and within that an 11.8pp YoY higher share of more expensive courier deliveries for the whole year. This was the result of reducing the Smart! MOV for courier deliveries from 80 PLN to 40 PLN in late September 2021.

The marketing costs were up by 15.2% YoY for FY 2022, growing broadly in line with GMV for the year and reflecting mostly increased spending on PPC to boost internet traffic acquisition as well as intensified brand marketing costs. Q4 2022 saw significant scale back of the fixed cost marketing campaigns, which along with progress made on other cost savings resulted in marketing expenses being broadly flat in Q4 2022 YoY. The YoY increases in staff costs and other operating expenses reflect the 2021 investment in the organisation to support innovation on a broader scale, the YoY growth in adjusted SG&A costs for Polish Operations slowed down in Q4 2022 to 11.3% from 26.8% in Q3 2022 and 35.5% in Q2 2022, reflecting slower hiring while maintaining the innovation capacity to support long-term growth.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

THE FOLLOWING TABLE PRESENTS A RECONCILIATION BETWEEN REPORTED AND ADJUSTED EBITDA FOR THE PERIODS UNDER REVIEW:

Reconciliation of Adjusted EBITDA, PLN m	FY 2022	FY 2021	Change %	Q4 2022	Q4 2021	Change %
EBITDA Polish Operations	**2,198.8**	**1,993.7**	**10.3%**	**683.7**	**461.6**	**48.1%**
Regulatory proceeding costs [1]	3.3	4.6	(26.9%)	2.3	3.8	(39.8%)
Group restructuring and development costs [2]	46.6	0.05	103,278.2%	6.8	—	N/A
Donations to various public benefit organisations [3]	3.0	2.3	29.9%	—	—	N/A
Bonus for employees and funds spent on protective equipment against COVID-19 [4]	0.4	1.3	(70.1%)	—	0.3	(100.0%)
Allegro Incentive Plan [5]	47.7	16.7	185.5%	14.2	4.2	240.1%
Transaction costs [6]	3.2	49.8	(93.6%)	0.5	31.3	(98.3%)
Employees restructuring cost [7]	6.3	—	N/A	0.1	—	N/A
Adjusted EBITDA Polish Operations	**2,309.4**	**2,068.5**	**11.6%**	**707.7**	**501.2**	**41.2%**
EBITDA Mall Segment	**(198.3)**	**—**	**N/A**	**(55.6)**	**—**	**N/A**
Group restructuring and development costs	34.0	N/A	N/A	10.8	N/A	N/A
Allegro Incentive Plan	4.8	N/A	N/A	2.7	N/A	N/A
Employees restructuring cost	2.7	N/A	N/A	2.7	N/A	N/A
Adjusted EBITDA Mall Segment	**(156.8)**	**N/A**	**N/A**	**(39.4)**	**N/A**	**N/A**
Adjusted EBITDA	**2,152.7**	**2,068.5**	**4.1%**	**668.3**	**501.2**	**33.3%**

[1] Represents legal costs mainly related to non-recurring regulatory proceedings, legal and expert fees and settlement costs.
[2] Represents legal and financial due diligence and other advisory expenses with respect to
- potential acquisitions or discontinued acquisition projects,
- integration and other advisory expenses with respect to signed and/or closed acquisitions
- non-employee restructuring cost.

[3] Represents donations made by the Group to support health service and charitable organisations and NGOs during the COVID-19 pandemic and to provide humanitarian aid to people affected by the war in Ukraine.
[4] Represents expenses incurred by the Group to buy employees' protective equipment against COVID-19 and to pay employees' bonuses for the purchase of equipment necessary to enable them to work remotely during the COVID-19 pandemic.
[5] Represents the costs of the Allegro Incentive Plan, under which awards in the form of Performance Share Units ("PSU") and Restricted Stock Units ("RSU") are granted to Executive Directors, Key Managers and other employees.
[6] Represents pre-acquisition advisory fees, legal, financial, tax due diligence and other transactional expenses incurred in relation to the completed acquisition of Mall Group a.s. and WE|DO CZ s.r.o.
[7] Represents certain payments related to reorganisation of the Management Boards of the parent entity and the underlying operating entities, as well as redundancy payments for employees affected by restructuring projects.

2.2. Review of the Group financial and operational results

2.2.1. RESULTS OF THE POLISH OPERATIONS

The following table presents the Group's summary consolidated statements of comprehensive income for the Polish Operations for FY 2022, FY 2021, Q4 2022 and Q4 2021. Results of the Mall Segment are not included in this section.

Consolidated statement of comprehensive income, PLN m	FY 2022 (audited)	FY 2021 (audited)	Change %	Q4 2022 (unaudited)	Q4 2021 (unaudited)	Change %
Revenue	**6,644.9**	**5,352.9**	**24.1%**	**2,025.0**	**1,600.7**	**26.5%**
Marketplace revenue	5,281.7	4,319.2	22.3%	1,550.2	1,230.3	26.0%
Price comparison revenue	194.0	180.6	7.4%	60.2	54.6	10.4%
Advertising revenue	607.4	477.1	27.3%	198.3	152.9	29.7%
Retail revenue	483.9	333.8	45.0%	188.7	142.0	32.9%
Other revenue	77.9	42.1	84.9%	27.7	20.9	32.3%
Operating expenses [1]	**(4,446.1)**	**(3,359.1)**	**32.4%**	**(1,341.3)**	**(1,139.1)**	**17.8%**
Payment charges	(143.7)	(142.6)	0.8%	(40.2)	(36.7)	9.7%
Cost of goods sold	(468.9)	(341.1)	37.5%	(171.8)	(148.3)	15.8%
Net costs of delivery	(1,760.5)	(1,246.2)	41.3%	(565.2)	(429.3)	31.7%
Marketing service expenses	(762.4)	(661.6)	15.2%	(231.2)	(229.4)	0.8%
Staff costs	(757.2)	(555.2)	36.4%	(187.2)	(153.1)	22.3%
IT service expenses	(152.5)	(100.9)	51.1%	(43.9)	(29.7)	47.8%
Other expenses	(331.8)	(195.0)	70.1%	(84.9)	(59.3)	43.1%
Net impairment losses on financial and contract assets	(65.9)	(66.7)	(1.1%)	(16.3)	(22.0)	(25.5%)
Transaction costs	(3.2)	(49.8)	(93.6%)	(0.5)	(31.3)	(98.3%)
Operating profit before amortisation and depreciation Impairment losses of non-current non-financial assets (EBITDA)	**2,198.8**	**1,993.7**	**10.3%**	**683.7**	**461.6**	**48.1%**

[1] the audited Consolidated Financial Statements do not include a split of operating expenses into Polish Operations and the Mall Segment for FY 2022

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

REVENUE

Revenue increased by PLN 1,292.1 million, or 24.1%, from PLN 5,352.9 million for FY 2021 to PLN 6,644.9 million for FY 2022, whereas for Q4 2022 revenue increased by PLN 424.3 million, or 26.5%, from PLN 1,600.7 million for Q4 2021 to PLN 2,025.0 million. The main drivers of key revenue streams are described below.

MARKETPLACE REVENUE

Marketplace revenue increased by PLN 962.6 million, or 22.3%, from PLN 4,319.2 million for FY 2021 to PLN 5,281.7 million for FY 2022, whereas for Q4 2022 marketplace revenue increased by PLN 319.9 million, or 26.0% from PLN 1,230.3 million for Q4 2021 to PLN 1,550.2 million. This increase resulted primarily from GMV growth which for FY 2022 reached 15.9% YoY (and up by 14.0% YoY in Q4 2022) in combination with a higher Take Rate. Minor increases in commission rates and two increases in co-financing charges for Smart! free deliveries, in February and August 2022 respectively, resulted in Take Rates being up by 0.59pp YoY in FY 2022 and 1.06pp in Q4 2022.

ADVERTISING REVENUE

Advertising revenue increased by PLN 130.3 million, or 27.3%, from PLN 477.1 million for FY 2021 to PLN 607.4 million for FY 2022, whereas for Q4 2022 advertising revenue increased by PLN 45.3 million, or 29.7%, from PLN 152.9 million for Q4 2021 to PLN 198.3 million. This increase resulted primarily from further expansion of internal inventory, higher efficiency of ads driving higher click through rates and ROI for advertisers that translated to Ads pricing increases. Advertising revenue continued to grow ahead of GMV throughout FY 2022, reaching 1.2% of GMV for FY 2022 (up from 1.1% in FY 2021) and 1.4% of GMV in Q4 2022 (up from 1.2% in Q4'21).

OPERATING EXPENSES

Operating expenses increased by PLN 1,087.0 million, or 32.4%, from PLN 3,359.1 million for FY 2021 to PLN 4,446.1 million for FY 2022, whereas for Q4 2022 operating expenses increased by PLN 202.2 million, or 17.8%, from PLN 1,139.1 million for Q4 2021 to PLN 1,341.3 million. . This FY increase resulted primarily from higher net costs of delivery, staff costs, marketing expenses and IT service expenses as well as group restructuring costs incurred by Allegro to facilitate the integration of Mall Group and WE|DO into the Group following their acquisition. In contrast payment charges both grew more slowly than GMV while net impairment losses on financial and contract assets fell versus the prior year.

NET COSTS OF DELIVERY

Net costs of delivery increased by PLN 514.3 million, or 41.3%, from PLN 1,246.2 million for FY 2021 to PLN 1,760.5 million for FY 2022, whereas for Q4 2022 net costs of delivery increased by PLN 135.9 million, or 31.7%, from PLN 429.3 million for Q4 2021 to PLN 565.2 million. . This increase resulted primarily from further 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 the number of SMART! users was accelerated by several improvements to the SMART! Introduced during the previous year. In March 2021 the Group launched the "SMART! for Start" ("SMART! na Start") promotion, an attractive offer for less engaged buyers to try SMART! via a subscription free package of five free SMART! deliveries. Further SMART! program innovations included lifting coverage of courier service on SMART! offers close to 100% from mid-2021 and reducing MOV on courier deliveries to PLN 40 in late September 2021. Whilst driving the increase in SMART! penetration, these changes also translated into a higher share of courier deliveries, which increased strongly in Q4 2021 and Q1 2022 – in the first quarters after the MOV drop, but later stabilised. As Q4 2022 saw full lapping of the MOV drop in September 2021, the share of courier broadly stabilised from the YoY perspective and was up only marginally, by 0.6% YoY, and down by 3.0% QoQ.

Moreover, in November 2022, the Group introduced changes to the Smart! terms and pricing, with the intention of improving the programme's profitability. From 21 November price of the annual Allegro Smart! subscriptions that are renewed or newly purchased increased to PLN 59.90 from PLN 49.00 and the minimum order value for purchase amounts from one seller to qualify for free delivery increased to PLN 45 from PLN 40 for APMs and PUDO points, and to PLN 65 from PLN 40 for courier deliveries. The impact of these changes will be visible gradually as the SMART! subscriber base moves onto the new tariff over a 12 month period and will help to offset the impact of higher delivery costs per parcel as delivery partners look to pass on inflationary pressure.

Growth in delivery costs has slowed during the course of 2022 as the initiatives to improve Smart! introduced in 2021 have gradually been lapped in the prior year numbers. In Q4 2022, increases were mainly the result of inflation driven price increases implemented by Allegro's delivery partners, with the biggest change coming from November. Q4 2022 saw average cost per SMART! package delivered increased by 7.1% YoY, vs 7.4% YoY increase for FY 2022.

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.

In Q4 2022, the Group reclassified the PLN 21.9 million of SMART! delivery subsidies from 1P cost of sales to SMART! net cost of delivery. The amount related to the entire 2022 and the change was made to align definitions of 1P cost of sales across the Group between Allegro and Mall Group. Without this adjustment, net cost of delivery would have risen by only 26.6% YoY in Q4 2022, vs. 46.3% YoY growth for 9M 2022 and 41% growth in FY 2022. This accounting change resulted in the reported YoY increase in the 1P Gross Margin in Polish Operations in Q4 2022 and FY 2022.

MARKETING SERVICE EXPENSES

Marketing service expenses increased by PLN 100.8 million, or 15.2%, from PLN 661.6 million for FY 2021 to PLN 762.4 million for FY 2022, whereas for Q4 2022 Marketing service expenses increased by PLN 1.8 million, or 0.8%, from PLN 229.4 million for Q4 2021 to PLN 231.2 million. The significant slowdown in marketing expenditure growth in Q4 2022 resulted mainly from significantly lower YoY costs of marketing campaigns, both above and below the line. PPC spending to boost internet traffic acquisition continued to grow in Q4 2022, although markedly below the average rate of growth for the entire year.

STAFF COSTS

Staff costs increased by PLN 202.0 million, or 36.4%, from PLN 555.2 million for FY 2021 to PLN 757.2 million for FY 2022, whereas for Q4 2022 staff costs increased by PLN 34.1 million, or 22.3%, from PLN 153.1 million for Q4 2021 to PLN 187.2 million. This YoY increase resulted from growth in headcount in combination with faster growth in base salaries.

YoY increases in headcount reflect the 2021 investment in the organisation to support innovation on a broader scale, including internationalisation of the marketplace platform and the start up phases of the Polish Operation's commercial activities in fulfilment, deliveries to its own proprietary lockers and proprietary courier delivery services. Recruitment was concentrated in key areas of the organisation such as Technology, Commerce, Delivery Experience and Customer Experience, that should directly contribute to higher GMV and revenues over time.

Starting from Q2 2022 net recruitment slowed significantly, reflecting the focus on cost efficiency efforts with headcount growth slowing down in Q4 2022 to 12% YoY (vs. 19% YoY growth in Q3 2022 and 26% YoY growth in Q2 2022). From the quarterly perspective headcount was broadly flat, up by only 1.7% QoQ in Q4 2022. The annual pay review was applied and impacted average staff costs per employee from April 2022. The significantly higher inflation rates prevailing in 2022 resulted in higher increases being awarded than in the prior year pay review. A further growth driver was the second annual award of PSUs and RSUs made in April.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

The awards vest over a three year period, producing a PLN 47.7 million increase in Allegro Incentive Plan expenses related to past awards as well as this year's grants in FY 2022 and PLN 14.2 million for Q4 2022 , respectively. In total, compensation costs per average headcount rose by 10.9% in 2022, and by 6.9% excluding AIP. Base salary increases were partially offset by lower bonus accruals for 2022 relative to those paid out in respect to 2021.

OTHER EXPENSES

Expenses other than net costs of delivery, marketing and staff costs increased by PLN 269.9 million, or 30.1%, from PLN 896.1 million for FY 2021 to PLN 1,166.0 million for FY 2022, whereas in Q4 2022 other operating expenses totalled PLN 357.7 million and increased by PLN 30.4 million, or 9.3% YoY. . This increase resulted primarily from growing costs of goods sold that were up by PLN 127.8 million YoY for FY 2022, reflecting the growth of 1P business, IT service expenses which were up by PLN 51.6 million YoY for FY 2022, and growth in Other Expenses of PLN 136.8 million for FY 2022. This last amount includes PLN 46.6 million of Group restructuring and development costs incurred as a result of Mall Group / WE|DO acquisition, as well as higher consultancy and contractor outsourcing costs in connection with the development of new products and services related to the delivery experience development agenda, projects related to customer experience improvements and ongoing work on product catalogue development.

FIT TO GROW PROJECT

During the course of FY 2022 the Group started to implement an efficiency project named "Fit to Grow". One of the Group's seven priorities announced during Q3 2022, "Fit to Grow" comprises three pillars. Firstly, the organisational efficiency stream is targeted at creation of a comprehensive organisation chart covering all resources, strengthening cost control and people management processes as well as driving productivity improvements. Secondly, the cost avoidance and savings pillar's objective is to scale down operating costs and capital expenses base through optimisations and tightening the cost control across the Allegro Group without affecting the day-to-day business or our ability to grow profitably. Lastly, the project management and capital allocation stream aims to implement a company-wide process of careful selection of investment projects, monitoring of resource allocation and review of project results. By refocusing on costs, efficiency, capital expenditure and returns on investment, the Management is aiming to improve operating leverage and capital investment metrics to free up more cash flow to support the Group's growth priorities. The first impacts of the "Fit to Grow" project were already visible in FY 2022 and generated cost savings mainly in staff costs and other expenses P&L lines.

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

Operating profit before amortisation, depreciation and impairment losses of non-current non-financial assets (EBITDA) increased by PLN 205.1 million, or 10.3%, from PLN 1,993.7 million for FY 2021 to PLN 2,198.8 million for FY 2022, whereas for Q4 2022 EBITDA increased by PLN 222.1 million, or 48.1%, from PLN 461.6 million for Q4 2021 to PLN 683.7 million. This increase resulted primarily from the factors described in the section 2.2.2.1. above.

Adjusted EBITDA includes PLN 110.6 million of one-off EBITDA adjustments reported in FY 2022, compared to PLN 74.7 million one-offs reported in the prior year. Key adjustments to EBITDA in the current period included PLN 46.6 million of Group restructuring and development costs and PLN 3.2 million in transaction costs, relating mainly to the Mall Group Acquisition and post-merger integration, as well as PLN 47.7 million of costs related to the Allegro Incentive Plan, under which awards in the form of Performance Share Units ("PSU") and Restricted Stock Units ("RSU") are granted to Executive Directors, Key Managers and other employees, of which PLN 14.2 million was incurred in Q4 2022. One-off FY 2022 adjustments to EBITDA include also PLN 6.3 million of employees restructuring costs.

Adjusted EBITDA for the Polish Operations increased to PLN 707.7 million, up by 41.2% for Q4 2022, representing an acceleration from 24.6% YoY increase in Q3 2022, and a significant sequential improvement from a 1.5% YoY decline in Q2 2022 and a 13.6% YoY decline in Q1 2022, driving Adjusted EBITDA growth for FY 2022 up to 11.6% YoY, reaching PLN 2,309.4 million.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

2.2.2
RESULTS OF THE MALL SEGMENT

The following table presents selected consolidated financial data for the Mall Segment, i.e. Mall Group and WE|DO for FY 2022 and Q4 2022. Acquisition of the Mall Group a.s. and WE|DO CZ s.r.o. was closed on 1 April 2022 and for Q4 2022 the financial results of these entities are presented in a new operating Segment "Mall". Results for the Mall Segment presented for FY 2022 in the consolidated financial statements of the Group include the results for Q2 2022, Q3 2022 and Q4 2022, but exclude Q1 2022 i.e. the period prior to the completion of the acquisition, as pre-acquisition results do not form part of the Group's consolidated financial statements.

Income Statement Mall Segment, PLN m	FY 2022 (audited)	Q4 2022 (audited)
GMV [1]	**3,106.9**	**1,424.1**
of which 1P	2,616.3	1,182.2
of which 3P	490.6	241.9
Revenue	**2,365.8**	**1,060.6**
Marketplace revenue	59.1	29.9
Advertising revenue	4.9	2.0
Retail revenue	2,214.4	993.1
Other revenue	87.4	35.6
Operating expenses [2]	**(2,564.1)**	**(1,116.3)**
Payment charges	(11.1)	(4.9)
Cost of goods sold	(1,942.8)	(867.2)
Net costs of delivery	(12.9)	(6.4)
Marketing service expenses	(208.7)	(104.4)
Staff costs	(258.6)	(91.0)
IT service expenses	(21.2)	(6.3)
Other expenses	(107.7)	(34.9)
Net impairment losses on financial and contract assets	(1.0)	(1.0)
Operating profit before amortisation and depreciation Impairment losses of non-current non-financial assets (EBITDA)	**(198.3)**	**(55.6)**

[1] unaudited
[2] the audited Consolidated Financial Statements do not include a split of operating expenses into Polish Operations and the Mall Segment for FY 2022

The following table presents estimates of selected pro-forma information for the Mall Segment comparative financial data for the full twelve months of FY 2022, based on the acquired organisational structure that has continued to operate post acquisition. Results of entities that were carved out from the Mall Group a.s. by its previous owners, as they did not form part of the agreed acquisition perimeter, have been excluded from this selected pro-forma historical financial information.

Selected pro-forma financial data for Mall Segment, PLN m (unaudited)	FY 2022 pro-forma [1]	FY 2021 pro-forma [1]	Change % pro-forma [1]	Q4 2022	Q4 2021 pro-forma [1]	Change % pro-forma [1]
GMV	3,910.9	4,174.2	(6.3%)	1,424.1	1,507.4	(5.5%)
Revenue	2,996.8	3,320.8	(9.8%)	1,060.6	1,150.9	(7.8%)
Adjusted EBITDA	(197.0)	(58.9)	N/A [2]	(39.4)	(10.0)	N/A [2]
LTM Active Buyers (millions)	4.2	4.4	(5.9%)	4.2	4.4	(5.9%)
GMV per Active Buyer (PLN)	936.3	940.5	(0.4%)	936.3	940.5	(0.4%)

Pro-forma historical financial information for the Statement of Comprehensive Income in the same form and level of detail used by the Group is not available at the time of this report. Pre-acquisition, the Mall Segment operated using a different chart of accounts and historical results include the results of entities carved out during the course of its financial year ending 31 March 2021.

The Group's management has concluded that preparing fully comparable pro-forma information for the prior year pre-acquisition for all financial information included by the Group in its consolidated financial statements would be too costly to prepare and of minimal additional value to the user of this management report relative to the three pro-forma historical metrics presented above.

[1] historical GMV data for Mall based on pro-forma for the same organisational structure as acquired by the Group
[2] not applicable, as the pro-forma comparative was a negative number in the comparable pro-forma period

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

GMV

Pro-forma GMV for the Mall Segment for FY 2022 declined by 6.3% YoY, driven by a – 10.9% YoY decline in 1P GMV on a pro-forma basis, with 3P GMV increasing by 31% YoY for FY. Performance reflects significantly weaker consumer demand in the countries of operations of the Mall Segment in FY 2022, which impacted both GMV and margins.

This weak FY 2022 trading environment is the result of a combination of two key factors. Firstly, like most of Central Europe, the countries where the Mall Group operates experienced a significant acceleration in inflation in H2 2021 and throughout 2022, accompanied by rapidly rising interest rates and a slowing of real growth in retail sales. For example, real retail sales growth in Mall's key markets for Q4 2022 was – 8.6% in Czechia, – 1.0% in Slovakia . As the Mall Segment's retail assortment is significantly skewed towards electronics and white goods, which form part of consumer discretionary spending, the Mall Segment's GMV is significantly underperforming the Polish Operations as the Allegro.pl marketplace offers much wider selection across many more categories and at more competitive prices.

Secondly, demand for online retail was materially supported in the prior year by a strict COVID-19 related offline retail lockdown (all retail other than supermarkets and chemists) in Czechia that lasted between January and mid May 2021.

As the Group prepares for launch of its 3P marketplace in Czechia, it also remains focused on the turnaround of the Mall 1P business. Since completing the acquisition at the beginning of Q2 2022, the Group has moved to ensure that the Mall Segment 1P business has the relevant selection of top sellers for the local market that are price-competitive. This led to a gradual improvement in GMV YoY growth dynamics, starting from Q2 2022 once the previous year's COVID-19 offline retail lockdown had been fully lapped by mid-May, with GMV growth of 6.5% YoY in Q3 2022 (vs. decline of 6.0% in Q2 2022 and decline of 18.7% in Q1 2022, before closing of the Acquisition). However Q4 2022 saw deterioration in GMV YoY dynamics, with Mall Segment GMV down by 5.5% YoY in Q4, driven by 9.1% YoY decline in 1P GMV. In the same period 3P GMV of Mall continued to grow, up by 16.8% YoY in Q4 2022, reaching nearly 17.0% of total Mall Segment GMV for Q4 2022 (up from 13.7% YoY on a pro-forma basis). The reverse in growth trend in Q4 reflects both Mall's high exposure to discretionary consumer spending in the Christmas shopping season, and the Group Management's decision to focus on margin and cash flow for the final quarter, once relative stability in top line had been achieved during Q3.

In constant currency terms, Q4 2022 GMV declined by 9.7% and was mitigated by 4.2pp due to depreciation of the Polish Zloty, the Group's reporting currency.

REVENUE

Pro-forma revenue of the Mall Segment was down by 9.8% YoY for FY 2022 and down by 7.9% for Q4 2022, driven by the strong decline in 1P GMV, accounting for nearly 83% of GMV in the sales mix for Q4 2022. 1P GMV of the Mall Segment decreased by 10.9% and 9.1% for FY 2022 and Q4 2022, respectively.

ADJUSTED EBITDA

Pro-forma Adjusted EBITDA loss for the Mall Segment in FY 2022 reached the level of PLN 197.1 million vs PLN 58.9 million pro-forma Adjusted EBITDA loss in FY 2021. For the final three quarters of 2022, which were consolidated by the Group following the Acquisition, Adjusted EBITDA loss was PLN 156.8 million, versus loss of PLN 55.4 million in the same nine month period of 2021.

In Q4 2022 Adjusted EBITDA loss for the Mall Segment was PLN 39.4 million vs PLN 10.0 million pro-forma Adjusted EBITDA loss in Q4 2021. The Adjusted EBITDA loss has narrowed sequentially in Q4 2022 from PLN 67.1 million reported in Q2 2022 and PLN 50.3 million reported in Q3 2022, with losses seasonally lower in Q4.

The Group remains on track to deploy the Allegro marketplace platform to Mall markets in 2023 and is focused on maintaining user engagement and growing the local merchant base in the meantime. The Mall Segment's distribution business, WE|DO, accounted for PLN 8.2 millions of the Adjusted EBITDA loss in Q4 2022.

2.2.3 TOTAL COMPREHENSIVE INCOME RECONCILIATION

Consolidated statement of comprehensive income, PLN m	FY 2022 (audited)	FY 2021 (audited)	Change %	Q4 2022 (unaudited)	Q4 2021 (unaudited)	Change %
EBITDA Poland Segment	2,198.8	1,993.7	10.3%	683.7	461.6	48.1%
EBITDA Mall Segment	(198.3)	N/A	N/A	(55.6)	N/A	N/A
EBITDA	**2,000.5**	**1,993.7**	**0.3%**	**628.1**	**461.6**	**36.1%**
Amortisation and Depreciation and Impairment losses of non-current non-financial assets	(3,182.7)	(520.8)	511.1%	(255.6)	(139.8)	82.8%
Amortisation	(632.0)	(435.4)	45.1%	(167.3)	(114.6)	46.0%
Depreciation	(240.0)	(85.4)	181.1%	(76.0)	(25.2)	201.3%
Impairment losses of non-current non-financial assets	(2,310.7)	—	N/A	(12.3)	—	N/A
Operating profit	**(1,182.1)**	**1,472.9**	**(180.3%)**	**372.4**	**321.8**	**15.7%**
Net Financial result	**(457.3)**	**(114.8)**	**298.3%**	**(110.3)**	**(70.2)**	**57.0%**
Financial income	27.1	114.4	(76.3%)	7.6	(3.8)	N/A
Financial costs	(490.6)	(229.7)	113.6%	(138.2)	(66.2)	108.6%
Foreign exchange (profits)/ losses	6.1	0.5	1,100.8%	20.3	(0.2)	N/A
Profit/(Loss) before Income tax	**(1,639.5)**	**1,358.1**	**(220.7%)**	**262.1**	**251.6**	**4.2%**
Income tax expenses	**(277.3)**	**(268.5)**	**3.3%**	**(82.6)**	**(51.8)**	**59.3%**
Net profit/(loss)	**(1,916.8)**	**1,089.6**	**(275.9%)**	**179.6**	**199.7**	**(10.1%)**
Other comprehensive income/(loss)	**185.3**	**240.9**	**(23.1%)**	**(102.6)**	**132.6**	**(177.4%)**
Total comprehensive income/(loss) for the period	**(1,731.5)**	**1,330.5**	**(230.1%)**	**77.0**	**332.3**	**(76.8%)**

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

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

Amortisation, depreciation and impairment losses of non-current non-financial asset increased by PLN 2,661.9 million, or 511.1%, from PLN 520.8 million for the FY 2021 to PLN 3,182.7 million for the FY 2022, whereas for Q4 2022 amortisation, depreciation and impairment losses of non-current non-financial asset increased by PLN 115.8 million, or 82.8%, from PLN 139.8 million for the Q4 2021 to PLN 255.6 million.

The FY 2022 increase includes PLN 205.6 million of depreciation and amortisation costs recognised by the Mall Group and WE|DO, which were consolidated for the first time, inclusive of an PLN 89.5 million charge arising on the fair value uplift to assets of acquired entities in the gross amount of PLN 1,433.2 million. The major intangible assets identified in the provisional purchase price allocation process carried out since the acquisition are customer relationships, software, domains and trademarks.

The major reason for a large increases for FY 2022 was the recognition in Q3 2022 of a non-cash impairment loss of PLN 2,293 million to bring the carrying amount of the Mall Group and WE|DO down to its estimated recoverable amount. Further information is presented in the section 2.3.1. "Summary of key events". The remaining increase of PLN 163.3 million for FY 2022 is attributable to the Polish Operations, where higher capital expenditures and the recognition of right of use assets related to newly acquired office space leases and the leasing of new locations for the deployment of parcel lockers is driving the growth.

NET FINANCIAL RESULT

Net financial result worsened by PLN 342.5 million, or 298.3%, from a loss of PLN 114.8 million for the FY 2021 to a loss of PLN 457.3 million for the FY 2022, whereas for Q4 2022 net financial result worsened by PLN 40.1 million, or 57.0%, from a loss of PLN 70.2 million for the Q4 2021 to a loss of PLN 110.3 million. .

These results are driven mostly by the combination of higher interest rates and an increase in the unhedged part of outstanding debt. The increase in the nominal value of debt resulted from PLN 1,500.0 million initially drawn in connection with the completion of the acquisition transaction of Mall Group and WE|DO, which was later partially reduced in Q4 2022, when the Group repaid in full the PLN 500 million multi-currency revolving credit facility that had been drawn in the Czech Crowns. The significant upward movement in the WIBOR reference rate in FY 2022 was triggered by the National Bank of Poland which had been raising the interest rates in Poland 11 times since October 2021 until September 2022, bringing the WIBOR to the highest levels in 2 decades.

As a result, the organic deleveraging achieved since the Group's IPO in 2020 was unwound by the increase in the balance of borrowings driving the rise in the Group's leverage up to the peak level of 3.54x as of H1 2022. Although in H2 2022 leverage started declining, reaching 2.91x as of YE 2022 (vs. 1.77x as of YE 2021), this YoY increase in leverage translated into a change in expected cash outflows from the Group's borrowings followed by the recognition of PLN 47.0 million non-cash charges in financial expenses due to the higher expected interest margin, thereby increasing the amortised cost valuation of the Group's indebtedness by the same amount. In the comparative period the Group recognised the non-cash financial income in the amount of PLN 105.9 million, due to the decreased Group leverage. Gross interest expenses rose by PLN 360.4 million for FY 2022 to PLN 485.0 million and by PLN 141.2 million for Q4 2022 to PLN 168.8 million due to rising market costs of borrowing, higher interest rate margin due to higher leverage and additional debt drawn to complete the Mall Group Acquisition.

The higher cost of Group borrowings were partially offset by the favourable outcome on settlement of the floating to fixed interest rate swap contracts generating an income of PLN 146.8 million in FY 2022 and PLN 60.8 million for Q4 2022, compared to a cost of PLN 58.6 million and PLN 14.2 million for comparable periods, respectively.

Additionally, the Group's net financial result for Q4 2022 was impacted by foreign exchange gains of PLN 20.3 million driven by the strengthening of PLN currency resulting in the recognition of unreleased gains on outstanding foreign currency balance sheet positions.

INCOME TAX EXPENSES

Income tax expenses increased by PLN 8.8 million, or 3.3%, from PLN 268.5 million for the FY 2021 to PLN 277.3 million for the FY 2022, whereas for Q4 2022 income tax expenses increased by PLN 30.8 million, or 59.3%, from PLN 51.8 million for the Q4 2021 to PLN 82.6 million.

The majority of the Group's taxable income is generated in Poland and is subject to taxation according to the Corporate Income Tax Act (referred to as 'CIT'). The CIT rate is 19% in each of Poland, Czech Republic and Slovenia. Luxembourg companies are subject to taxation at 24.94% rate, in Slovakia at 21%, in Hungary at 9% and in Croatia at 18%. The Group's effective tax rate for Q4 2022 was 31.4%, compared to 20.6% for Q4 2021. The effective tax rate for FY 2022 is not calculable, due to the recognition of non-tax deductible impairment loss of Goodwill described in section 2.3.1.

PLN m	FY 2022 (audited)	FY 2021 (audited)	Change %	Q4 2022 (unaudited)	Q4 2021 (unaudited)	Change %
Current income tax on profits	(292.8)	(293.0)	(0.1%)	(105.0)	(83.0)	26.4%
Adjustments for current tax of prior periods	(52.6)	(1.4)	3,759.4%	(0.3)	—	N/A
(Increase)/Decrease in net deferred tax liability	68.0	25.8	163.4%	22.7	31.2	(27.4%)
Income tax expense	**(277.3)**	**(268.5)**	**3.3%**	**(82.6)**	**(51.8)**	**59.3%**

FY 2022 income tax expense was impacted by the results of tax audits carried out by the tax authorities.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

On 28 June 2022 Allegro and Ceneo.pl received official findings from tax audits carried out by the Head of Małopolski Tax and Customs Office (the "Tax Authority") that concerned corporate income tax ("CIT") settlements of the companies for the periods from July 2016 to December 2017 and for 2018. The Tax Authority challenged the tax-deductibility of an arrangement fee paid by the companies to their related entities as this fee was for equity received, as well as the interest rate being paid by the companies to their shareholder on intra-Group borrowings. In July 2022 the Tax Authority commenced withholding tax audits for the financial years 2017-2018 in Allegro and Ceneo.pl and these audits were also closed with the issuance of the official findings in September 2022. The Tax Authority challenged the lack of WHT on the non-arm's length interest paid by the companies to their shareholders on intra-Group borrowings. In September 2022 the Tax Authority commenced CIT audits for the financial years 2019-2020 in Allegro and Ceneo.pl and these audits ended in January 2023 with no official findings (i.e. the Tax Authority has accepted the corrections prepared by the companies in line with the previous official findings). In January 2023 the Tax Authority commenced withholding tax audits for the financial years 2019-2020 in Allegro and Ceneo.pl and these audits ended in February 2023 with no official findings (i.e. the Tax Authority has accepted the corrections prepared by the companies in line with the previous official findings).

The Group's Management after careful analysis of the official findings from tax audits received and supported by their tax advisor, decided to voluntarily correct their tax returns for the audited periods and accrue additional tax.

In 2022 the Group settled the following tax obligations towards the Tax Authority: (i) the CIT obligation for 2016 – 2018 via transferring PLN 22.5 million in tax and interest of PLN 7.7 million; (ii) the WHT obligation towards the Tax Authority for 2016 – 2018 via transferring PLN 3.3 million in tax and interest of PLN 1.3 million; (iii) the CIT obligation towards the Tax Authority for 2019 – 2020 via transferring PLN 8.5 million in tax and interest of PLN 1.6 million. Moreover in 2023 (before the approval of these Consolidated Financial Statements) the Group settled the outstanding WHT obligation for 2019-2020 via transferring PLN 3.6 million in tax and interest of PLN 1.1 million.

Charges related to the current tax of prior periods and withholding tax are presented in the statement of comprehensive income as part of the income tax line, whilst the interest arising on those penalties is included in the financial cost. As of 31 December 2022 the outstanding liability for uncertain tax treatments was estimated at PLN 22.8 million.

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

NET PROFIT

Net profit decreased by PLN 3,004.5 million, or 275.7%, from PLN 1,089.6 million for FY 2021 to negative PLN 1,914.9 million for FY 2022, whereas for Q4 2022 net profit decreased by PLN 18.2 million, or 9.1%, from PLN 199.7 million for Q4 2021 to PLN 181.5 million as a result of the factors described above.

ADJUSTED NET PROFIT

Adjusted net profit decreased by PLN 429.5 million, or 40.8%, from PLN 1,051.8 million for FY 2021 to PLN 622.4 million for FY 2022, when PLN 152.2 million of EBITDA adjustments net of PLN 16.8 million of tax effect on the above adjustments along with PLN 2,293.0 million of impairment of non-financial assets in respect of Mall Group and WE|DO, PLN 58.2 million negative impact of remeasurement of borrowings and PLN 52.6 million adjustment for one-off impact of tax proceedings are excluded.

For Q4 2022 adjusted net profit decreased by PLN 16.6 million, or by 7.0% YoY, from PLN 235.0 million for Q4 2021 to PLN 218.5 million when PLN 40.1 million of EBITDA adjustments net of PLN 1.6 million of tax effect on the above adjustments along with a PLN 0.3 million adjustment for one-off impact of tax proceedings are excluded.

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

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

Reconciliation of Adjusted net profit, PLN m (unaudited)	FY 2022	FY 2021	Q4 2022	Q4 2021
Net profit/(loss)	**(1,916.8)**	**1,089.6**	**179.6**	**199.7**
EBITDA adjustments	152.2	74.7	40.1	39.6
Tax impact of EBITDA adjustments	(16.8)	(6.6)	(1.6)	(4.3)
Impairment, financial result and tax adjustments	**2,403.8**	**(105.9)**	**0.3**	**—**
Impairment of non-financial assets	2,293.0	—	—	—
Remeasurement of borrowings	58.2	(105.9)	—	—
Impact of tax proceedings	52.6	—	0.3	—
Adjusted net profit	**622.4**	**1,051.8**	**218.5**	**235.0**

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

OTHER COMPREHENSIVE INCOME

Other comprehensive income decreased by PLN 55.6 million, or 23.1%, from PLN 240.9 million for FY 2021 to PLN 185.3 million for FY 2022, whereas for Q4 2022 other comprehensive income decreased by PLN 235.2 million, or 177.4%, from PLN 132.6 million for Q4 2021 to a loss of PLN 102.6 million. These changes primarily reflected changing interest rate expectations and their impact on the fair value of the Group's interest rate swap contracts, hedging PLN 5,625 million of the Group's borrowing into fixed interest rates A slower rate of growth in interest rate expectations during 2022 than in 2021 led to a smaller appreciation in the fair value of interest rate swap contracts for FY22. In turn, falling interest rate expectations in Q4 2022 led to a decline in the fair value of interest rate swap contracts in the final quarter of the year.

TOTAL COMPREHENSIVE INCOME

Total comprehensive income decreased by PLN 3,062.1 million, or 230.1%, from PLN 1,330.5 million for FY 2021 to PLN 1,731.5 million loss for the FY 2022, whereas for the Q4 2022 total comprehensive income decreased by PLN 255.3 million, or 76.8%, from PLN 332.3 million for Q4 2021 to PLN 77.0 million as a result of the factors discussed above.

2.2.4. REVIEW OF CASH FLOW PERFORMANCE

The following table summarises net cash flows from operating, investing and financing activities for FY 2022 and 2021

Cash Flow, PLN m	FY 2022 (audited)	FY 2021 (audited)	Change %	Q4 2022 (unaudited)	Q4 2021 (unaudited)	Change %
Net cash inflow/(outflow) from operating activities	**1,854.7**	**1,406.6**	**31.9%**	**854.9**	**387.5**	**120.6%**
Profit before income tax	(1,639.5)	1,358.1	(220.7%)	262.1	251.6	4.2%
Income tax paid	(450.3)	(303.5)	48.4%	(69.9)	(40.8)	71.2%
Amortisation and depreciation and impairment of non-current non-financial assets	3,182.7	520.8	511.1%	255.7	139.8	82.9%
Net interest expense	454.8	109.4	315.9%	128.9	61.2	110.5%
Changes in net working capital	217.3	(301.3)	N/A	271.4	(36.4)	N/A
Other operating cash flow items	89.7	23.1	288.0%	6.7	12.1	(44.8%)
Net cash inflow/(outflow) from investing activities	**(3,075.9)**	**(429.9)**	**615.5%**	**(162.3)**	**(173.0)**	**(6.2%)**
Capitalised development costs	(336.3)	(224.8)	49.6%	(87.1)	(62.7)	39.0%
of which Polish Operations	*(292.6)*	*(224.8)*	*30.1%*	*(61.7)*	*(62.7)*	*(1.6%)*
of which Mall	*(43.7)*	—	*N/A*	*(25.4)*	—	*N/A*
Other capital expenditure	(385.9)	(182.2)	111.8%	(70.5)	(87.7)	(19.6%)
of which Polish Operations	*(369.4)*	*(182.2)*	*102.7%*	*(67.1)*	*(87.7)*	*(23.5%)*
of which Mall	*(16.5)*	—	*N/A*	*(3.4)*	—	*N/A*
Acquisition of subsidiaries	(2,354.7)	(22.6)	10,341.8%	(4.8)	(22.6)	(78.5%)
Other investing cash flow	1.1	(0.3)	N/A	0.2	—	N/A
Net cash inflow/(outflow) from financing activities	**141.5**	**(204.5)**	**N/A**	**(668.2)**	**(31.6)**	**2,014.5%**
Borrowings received	1,500.0	—	N/A	—	—	N/A
Borrowings repaid	(888.9)	(1.7)	1,338.3%	(507.9)	(1.7)	29,776.0%
Interest paid	(493.9)	(124.6)	296.5%	(168.7)	(27.6)	511.3%
Interest rate hedging instrument settlements	130.5	(61.8)	N/A	44.5	(14.2)	N/A
Lease payments	(88.4)	(36.0)	145.3%	(35.0)	(10.2)	243.4%
Other financing cash flow	(17.8)	19.5	(190.9%)	(1.0)	22.0	(104.4%)
Net increase/(decrease) in cash and cash equivalents	**(1,079.7)**	**772.2**	**(239.8%)**	**24.4**	**183.0**	**(86.7%)**

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

NET CASH FROM OPERATING ACTIVITIES

Net cash from operating activities increased by PLN 448.1 million or 31.9% YoY in FY 2022 and increased by PLN 467.4 million or 120.6% YoY for Q4 2022 mostly due to working capital inflows in comparison to outflows in the prior year periods, partially offset by increased net interest expenses (see details in note 2.2.4). In respect to working capital, the Group recognised a net PLN 217.3 million of inflow in FY 2022 compared to an outflow of PLN 301.3 million in the comparative period. This improvement is mainly attributable to the lower cash consumption of Allegro Pay, despite its continued rapid growth in 2022, as a result of the extension of scope of cooperation with Aion Bank to include Buy Now, Pay Later (BNPL) loans sales in Q4 2022. As a result, despite the significant growth of the Group's consumer lending operations, translating to PLN 5.5 billion of loans originated in FY 2022 (+273.9% YoY), the total outflow from working capital, arising on those transactions, amounted to PLN 8.1 million funding from the Group sources in FY 2022 comparing to the uses of PLN 306.8 million in the previous year, with PLN 730.5 million of loans sold in Q4 2022, including PLN 168.0 million of BNPL loans. The positive changes in working capital were further supported by the significant increase in trade payables, as a result of typical Q4 peak seasonality in Mall Group as the settlements with suppliers continue throughout Q1 after the Christmas season. The net cash inflow from operating activities was reduced by higher income tax paid which increased by PLN 146.8 million compared to the previous year.

NET CASH USED IN INVESTING ACTIVITIES

Net cash used in investing activities recorded an outflow of PLN 3,075.9 million for FY 2022 mostly due to acquisition of Mall Group and WE|DO. The price for shares in Mall Group and WE|DO was settled via the combination of a stock consideration and a cash payment from both new debt financing and the Group's own funds. The total cash outflow recorded upon the completion of the acquisition transaction amounted to EUR 473.5 million (equivalent of PLN 2,219.0 million) and included the PLN 16.8 million of loss arising on the settlement of a deal contingent forward, concluded by the Group to minimise the foreign exchange risk related to the transaction. Additionally, at the date of the Transaction the Group settled the outstanding indebtedness of Acquired Entities with loan towards the previous shareholders in the amount of CZK 1,089.1 million (equivalent of PLN 207.6 million), forming a part of the purchase price consideration for the acquired business. The total cash outflow arising on the acquisition transaction was presented net of cash of acquired entities in the amount of PLN 61.6 million and reduced to reflect the recognition of the indemnification asset amounting to PLN 15.1 million. The cash outflows from the acquisition of subsidiaries were further deepened by the deferred payment for the shares in X-press Couriers sp. z o.o. in the amount of PLN 1.0 million and Opennet.pl Sp. z o.o. in the amount of PLN 3.9 million.

The remaining increase in the outflow from investing activities results from the higher development costs qualified for capitalisation, growing by PLN 111.5 million or 49.6% YoY for FY 2022 and by PLN 24.4 million or 39.0% YoY for Q4 2022, reflecting the upward trend in the headcount for the technology team, aiming to create the necessary capacity for the ongoing platform development projects, as well as reflecting the impact on the acquisition of Mall Group and WE|DO.

Moreover, the Group's other capital expenditures increased by PLN 203.7 million, or 111.8% YoY for FY 2022 and decreased by PLN 17.2 million or 19.6% YoY for Q4 2022. The YoY increases reflect the accelerating roll-out of Allegro's own parcel locker network, investments in the fit out of the Group's new office buildings, where most new space has now been delivered, and the first time consolidation of capital investments made by the Mall Group and WE|DO.

NET CASH USED IN FINANCING ACTIVITIES

Net cash inflow from financing activities was PLN 141.5 million for FY 2022, mainly due to the utilisation of a PLN 1,000.0 million bridge term loan and a PLN 500.0 million equivalent multi-currency revolving credit facility drawn in Czech crowns to partially fund the Mall Group and WE|DO acquisition completed on 1 April 2022. However, in Q4 2022, the Group repaid in full a PLN 500.0 million equivalent multi-currency revolving credit facility, and due to the unfavourable changes in the exchange rate, the total borrowings repaid amounted to PLN 507.9 million. Moreover, as part of the acquisition transaction described above, the Group repaid the entire outstanding indebtedness of the Acquired Entities towards its financing banks in the amount of CZK 2,004.8 million (equivalent of PLN 381.0 million).

The inflow from financing activities was further supported by the favourable outcome arising on the settlement of floating to fixed interest rate swap contracts generating an inflow of PLN 130.5 million for FY 2022 comparing to an outflow PLN 61.8 million for FY 2021, as the market observed a significant increase of the WIBOR reference rate across late 2021 and early 2022, resulting in the favourable revaluation of the Group's hedged interest rate exposures.

Conversely, the same upward movement in interest rates together with the gross addition of PLN 1,500.0 million in nominal value of borrowings contributed to the increase in the interest payments arising on the Group's indebtedness growing by PLN 368.7 million, or 295.9% YoY, moving in the opposite direction to the amounts received on the settlement of the floating to fixed interest rate swap contracts.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

2.2.5. INDEBTEDNESS

PLN m (unaudited)	31.12.2022	31.12.2021
LTM Adjusted EBITDA Polish Operations	2,309.4	2,068.5
LTM Adjusted EBITDA Mall Segment	(156.8)	N/A
Adjusted EBITDA LTM	**2,152.7**	**2,068.5**
Borrowings at amortised cost	6,453.5	5,366.3
Lease liabilities	690.2	251.1
Cash	(877.6)	(1,957.2)
Net Debt	**6,266.1**	**3,660.2**
Leverage	2.91 x	1.77 x
Equity	8,981.3	9,454.1
Net debt to Equity	69.8%	38.7%

As of 31 December 2022, the Group's total borrowings were PLN 6,453.5 million, representing PLN 6,997.7 million of principal adjusted to be presented at amortised cost.

On 9 November 2022 the Group refinanced its PLN 1,000.0 million bridge term loan with a new facility ("New Additional Facility"). The maturity date and margin of the New Additional Facility were aligned to the conditions of the term loan B under the same Senior Facilities Agreement ("SFA"). The maturity date is 14 October 2025 and the margin shall vary based on the group's leverage. Other terms and conditions, including guarantors and transaction security, are the same as for the remaining Group's borrowings defined under the SFA, with no additional covenants.

In Q4 2022, the Group repaid in full its Revolving Credit Facility ("New RCF"), drawn in CZK amounted to equivalent of PLN 500.0 million for the Mall Group and WE|DO acquisition. The availability period for drawing on the two fully unutilised revolving credit facilities in the total amount of PLN 1,000 million expires in September 2025.

The increase in lease liabilities from the beginning of 2022 is PLN 439.1 million and it is driven by a PLN 267.8 million increase relating to the initiation of leases on newly delivered office space in Poland and a further PLN 151.1 million related to leases acquired with the Mall Group and WE|DO.

The material decrease in cash follows the above-mentioned acquisition since the Group used a significant part of its cash on hand to settle the cash components of the consideration payable for the acquisition.

The increase in the Group's leverage from 1.77x at the end of 2021 to 2.91x at the end of Q4 2022 resulted primarily from the following factors:

- increase in borrowings as a result of utilisation of a PLN 1,000.0 million bridge term loan, drawn for the purpose of financing the Mall Group acquisition, later refinanced in Q4 2022 with a new long term facility of the same principal amount;
- increase in leases due to factors described above;
- PLN 1,079.6 million decrease in cash held (please see details in the previous note: Review of Cash Flow performance)
- however, the increase in Group's leverage was limited by the growth in YoY Adjusted EBITDA on a rolling twelve month basis by 4.1%, as a result of the strong performance of Polish Operations in Q4'2022.

Despite the YoY increase in leverage, starting from H2 2022 the Group's leverage began to decline as the Polish Operations LTM EBITDA continued its growth and brought leverage down from 3.54x at the end of June to 3.44x at the end of September and further down to 2.91x as of the end of December 2022. Deleveraging was supported by cash flow improvement on the back of successful profitability initiatives in Poland (monetisation and cost optimisation), optimisation of capex spend and managing down of Mall's inventory balance, as well as extending the scope of Allegro Pay loan sales to Aion Bank to include Buy Now, Pay Later loans.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

3. Summary of key developments

3.1. Acquisition of Mall Group and WE|DO CZ

CLOSING OF THE ACQUISITION OF THE MALL GROUP A.S. AND WE|DO CZ S.R.O

On 1 April 2022 with reference to SPA ("Share Purchase Agreement") dated 4 November 2021, the Group purchased 100% of shares in 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") from selling shareholders 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.) (together 'Former Shareholders'). Both Acquired Entities were ultimately controlled by the same parties.

The acquisition ("Mall Group Acquisition", "Transaction") was a significant step for Allegro in its strategy of international expansion, allowing the expanded joint group to accelerate growth across Europe. The Transaction is expected to allow both groups to accelerate growth and expand customer and merchant bases across the region in a combined platform, which should significantly accelerate growth in Target's GMV through expanded selection and improved user engagement in the third-party marketplace model. The ongoing integration 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 of 70 million people. The tie-up should improve the shopping experience and provide the best prices, broadest offer selection and maximum convenience for an 18 million-strong existing combined customer base across the region.

The total Enterprise Value was EUR 996m at agreed share price and EUR 843m at prevailing market price on the transaction closing date. The transaction was 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 consideration, as follows:

- EUR 459.5m cash for 53% shares of Mall Group
- 33.6 million of newly issued Allegro shares valued at EUR 407.5m at a pre-arranged subscription price equal of PLN 55.98 per share for remaining 47% of Mall Group, vs PLN 35.10 Allegro shares price on the date of closure valued at EUR 254.4m
- EUR 14m in cash for 100% shares of WE|DO
- EUR 115.3m of Mall Group's outstanding indebtedness settled with a loan from Allegro Treasury S.à r.l. (previously: Adinan Midco S.à r.l.).

The newly issued shares represented 3.3% dilution.

Upon completion of the acquisition of Mall Group and WE|DO, the Group determined the fair value of acquired assets and liabilities. The Transaction was a crucial step in Group's strategy of international expansion, therefore key assets, on which the significant fair value uplift was recognised were: customer relationship, software, trademark and domains. The impact of that Transaction on Group comprehensive income is described in section 2.2.2.3.

MALL GROUP INTEGRATION AND PREPARATIONS TO LAUNCH THE 3P MARKETPLACE

Since completing the acquisition at the beginning of Q2 2022, the Group has been integrating the newly acquired business with Allegro, with multiple teams involved. The Group has been working on two immediate levers to add value to the new organisation: (i) launching the Allegro 3P platform in Czechia aimed for 2023, and (ii) turning around Mall 1P operations, by stabilising and then growing GMV with a parallel focus on cost and efficiency. Launch of Allegro's 3P marketplace in Czechia and other Mall markets remains one the business priorities for the combined Allegro Group. The Group is on track to launch the 3P marketplace in Czechia in the course of 2023, with the ongoing Friends & Family testing of the Allegro Czech platform, including such features as language, productisation, international delivery method, local payment solutions and with nearly 100 million allegro.pl offers ready to export.

IMPAIRMENT

On November 28th 2022, the result of an impairment test of the assets of Mall Group and WE|DO CZ was finalised. The Board accepted modifications to the original investment plan for Mall Group / WE|DO acquisition and a resulting revised valuation. The impairment test was performed in accordance with International Accounting Standards and compared a financial projection estimating the fair value less cost to sell of Mall Group and WE|DO, as at 30 September 2022 with the carrying amount of Mall Group and WE|DO, which stood at PLN 4,072 million, and resulted in the Group recognizing a non-cash impairment charge of PLN 2,293.0 million. This impairment loss was fully allocated to goodwill and reduced the net income of the Group in the third quarter of 2022. The Board acknowledged that it had agreed a full price back in November 2021 to obtain a scarce asset to facilitate Allegro's transformation into an international business. The Board also acknowledged that in hindsight, that price was set at the top of the market cycle, since when many traded peer e-commerce companies have lost 50-70% of their market value. In the meantime inflation and the cost of living crisis has led Mall and WE|DO to significantly underperform original expectations for its financial performance. Rising inflation and borrowing costs have caused the cost of equity to move up considerably, reducing the present value of the long term cash flows projected to be generated from these Allegro marketplace deployments. As of 31 December 2022 the Group determined that there are no new external or internal factors that might indicate that assets recognised on the acquisition of Mall Group and WE|DO might be further impaired. Therefore no additional impairment was recognised in reference to these assets.

Despite this very significant set-back, the Company remains fully committed to delivering the strategic value of a successful outcome whereby the Allegro 3P marketplace becomes a meaningful player in Central European e-commerce. Thus creating a combined multi-country 3P/1P capability and playbook which, after a successful launch in each of Mall's key markets, can be rolled out organically into additional markets in future years and providing a key driver for future growth.

The impairment booked did not affect the Group's EBITDA, nor cash flow generation. It was an accounting event that did not have any impact on the stability of Allegro's business, nor the business priorities – including the launch of Allegro's 3P marketplace in Czechia and other Mall markets.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

3.2. Appointment of Roy Perticucci as Chief Executive Officer of the Allegro Group

From September 2022 Roy Perticucci took over from Francois Nuyts as the new Chief Executive and a member of the Management Board of Allegro. The Board of Directors co-opted Roy Perticucci as a director of the Company and appointed him as chief executive officer of the Allegro Group with effect as of 21 September 2022. Roy Perticucci replaced François Nuyts who resigned from office with effect as of 31 August 2022, for the remaining period of Mr Nuyts' term of office, i.e., until 1 September 2026. The smooth transition proceeded according to plan, after Francois announced his intention to step down from the role of Allegro CEO in February 2022.

Mr. Perticucci has over 20 years of experience leading retail and ecommerce businesses internationally, as well as a track record of building organisations. He led the European Operations/Customer Fulfillment at Amazon between 2013-2020 and for a short time simultaneously held the same responsibility for North America. Previously, he held senior roles at other large retailers including Ahold (Albert.nl), Dixon's and Tesco across Europe. As Development Director and later Operations Director at Tesco.com, Mr. Perticucci oversaw the development of the world's largest Grocery Home Shopping business during its period of rapid growth. His contributions included the launch of the company's first "dark store" and the Wine Warehouse as well as the Tesco.net ISP. He began his career as a software developer at Accenture in Milan, and later as a consultant at the Boston Consulting Group in Munich.

3.3. Allegro Pay

In 2022 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 installments, giving greater financial flexibility to Active Buyers and ensuring safer and easier buying online. Extensive testing of purchasing patterns against control groups for Allegro Pay's Active Buyers has led the Group to conclude that an average Allegro Pay user increases his or her purchases by at least 35% relative to their observed pre-Allegro Pay buying behaviour. This strong incremental engagement effect drives additional GMV, commission revenues and margins for the Group and produces strong returns on investment from Allegro Pay's loan book. Allegro Pay proprietary lending solutions greatly improve the user experience with consumer credit solutions available for the Group's e-commerce marketplace buyers. Buyers appreciate the simplicity and convenience of Allegro's fintech offer, which is reflected in consistently high and sector-leading NPS.

Dynamic growth acceleration in Allegro Pay was reflected in surpassing the 2022 loans issued guidance. With the year-end gross loans balance of PLN 388.8 million (net of receivables sold to Aion in FY 2022 of over PLN 1.5 billion) and a total of PLN 5.5 billion of cumulative loans originated throughout 2022, Allegro Pay exceeded the Group's initial expectation by PLN 1.5 billion. Moreover, in mid-2022 Allegro Pay reached an important milestone of over 1 million onboarded customers.

Throughout 2022 Allegro Pay continued its successful cooperation with Aion Bank SA / NV, its external financing partner and a credit institution incorporated as a joint-stock company under the laws of Belgium, acting through its Polish branch trading under the name "Aion Bank S.A. Spółka Akcyjna Oddział w Polsce" ("Aion", "Aion Bank"). In late 2021 Allegro had signed with Aion Bank a Receivables Purchase Agreement ("RPA"), concerning the purchase by Aion Bank of consumer loan receivables originated by Allegro Pay.

Under the agreement instalment loans are sold to Aion and de-recognised from the Group's balance sheet, allowing for Allegro Pay growth acceleration and improved returns on investment. In December 2022 Allegro Pay extended its cooperation with Aion Bank, so that not only the instalment loans, but also "Buy Now Pay Later" ("BNPL") 30-day customer loans can be offered to Aion for purchase. 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 instalment and BNPL loans. Cooperation with Aion does not affect the shopping experience of Allegro users as the loans are still granted, serviced and repaid via the Allegro platform. Utilising the off-balance sheet financing significantly increases Allegro's ROIC (Return on Invested Capital) from Allegro Pay and is expected to enable faster growth of the Group's fintech offering.

On December 22, Allegro Pay signed a Term sheet with Aion Bank to launch services in the Bank-as-a-Service model ("BaaS"). The BaaS model will enable Allegro Pay to launch new financial products and services that are reserved for entities holding banking license (i.e. saving and payment accounts). Under the Term sheet the parties agreed that Allegro Pay will act as Aion's outsourcing service provider and deliver to Aion all IT services required or necessary for onboarding of customers and the accounts management through Allegro's on-line trading platform including mobile application. Cooperation with Aion, acting as a BaaS provider and a banking licence holder, will facilitate compliance with regulatory requirements. BaaS products will be offered under Allegro Pay branding (white label). Processes and entire customer interactions will be embedded in Allegro's platform.

Allegro Pay and Aion intend to conclude the Agreement establishing the general rules of future cooperation in the scope of new products in the BaaS model until April 28, 2023. Cooperation in the BaaS model is expected to provide an extensive future product development roadmap with a focus on consumer products, such as potential expansion into saving and payment accounts, personal loans or issuing cards.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

3.4. Funding

On 9 November 2022 the Group refinanced its PLN 1,000.0 million bridge term loan with a new facility of the same principal amount. The new additional facility's maturity date is 14 October 2025. The margin of the new additional facility is the same as for the senior term loan facility (principal of PLN 5,500.0 million) and shall vary based on the Group's leverage.

Other terms and conditions, including guarantors and transaction security, are the same as for the remaining Group's borrowings defined under the main loan agreement, with no additional covenants. Following the PLN 1 billion bridge loan refinancing, all Group's gross debt is now due in October 2025.

3.5. Growth and improvement in economics of SMART!

The SMART! loyalty program has continued to be a major growth driver throughout FY 2022, with continued dynamic expansion in the number of participating merchants, available offers, subscribers and users. Rapid growth in paid SMART! subscriptions, was further boosted by continuation of the successful and highly popular "SMART! for Start" ("SMART! na Start") trial programme as well as by an accelerating uptake of the Allegro Family programme. "SMART! for Start" is an attractive trial offer for less engaged buyers to try SMART! via a subscription free package of five free SMART! deliveries to be used initially within twelve months, and later within three months, after the trial duration was adjusted in March 2022 to optimise for speed of conversion to paid Smart! and profitability. A substantial part of the free SMART for Start! trialists have subsequently converted to paid subscribers once they consumed their 5 free deliveries.

The 2022, record-breaking edition of the SMART! Week in October was bigger than the 2021 event and attracted many new Allegro SMART! users, further contributing to the subscribers base growth, appreciating convenience and simplicity of SMART! customer shopping funnel.

Throughout 2022 the Group made good progress in managing the economics of the SMART! Program. As SMART! brought strong GMV uplift for Allegro merchants, driven by the huge popularity of free deliveries among Allegro buyers, this proven sales growth for SMART! merchants created space for monetisation. During 2022, the Company introduced gradual changes to the co-financing structure for merchants, cushioning profitability impact from courier MOV reduction launched in September 2021. From February 2022 co-financing rates had been increased, including adding new charges for courier delivery at MOV below PLN 80. Following August 2022 changes to the co-financing structure Smart! merchants' contribution towards rising cost of deliveries had been further increased.

Continued improvements to Smart! profitability came in early November from the changes introduced to the loyalty programme. From 21 November the price of the annual Allegro Smart! subscriptions that are renewed or purchased increased to PLN 59.90 from PLN 49.00 (gross of VAT) and the minimum order value for purchase amounts from one seller to qualify for free delivery increased to PLN 45 from PLN 40 for APMs and PUDO points, and to PLN 65 from PLN 40 for courier deliveries.

3.6. Further development of One by Allegro

Throughout 2022 the Group continued to develop its logistics brand, "One by Allegro", which now includes "One Box" green parcel lockers, "One Fulfillment" service for merchants, "One Punkt" pick-up points, as well as "One Kurier" courier services provided, reflecting Group's innovative approach to swift and responsible deliveries.

One 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. Since the commercial launch of the logistics service in January 2022, One Fulfillment is now widely available to merchants, including international sellers for whom the offer is particularly attractive as it can significantly reduce their delivery times, making their offers eligible to the Smart! Loyalty programme. Fulfillment services complement Allegro's delivery model primarily based on merchants fulfilling their orders, which continues to be the priority for Allegro.

In 2022 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 2,500 state-of-the-art, eco – and socially friendly Allegro APMs around the country by 31 December 2022, with steady expansion of One Box availability on merchant offers. By moving ahead with the project, the platform is also addressing the needs of local communities, social activists and experts by creating environmentally friendly solutions that meet the needs of local residents and seamlessly blend in with the urban space.

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

Within the One by Allegro brand, buyers can also use a network of approximately 1,300 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 around 60 thousand very convenient delivery pick-up options – the widest network in Poland. Continued shortening of delivery times and improving convenience remain at heart of Allegro's delivery experience strategy.

Also in 2022, Allegro's own local same-day delivery company, X-press Couriers acquired in late 2021, was rebranded to One Kurier and further developed, complementing fulfillment and lockers services in driving faster deliveries, by eg. same-day and next-day deliveries to One Box and One Punkt that had been launched in 2022. One Kurier provides the Group with its own same day delivery capability and collection and distribution capabilities.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

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 2022, prepared by the Remuneration and Nomination Committee of the Company and adopted by the Board of Directors on 28 March 2023 in accordance with the Luxembourg Law of 24 May 2011 on the exercise of certain rights of shareholders in general meetings of listed companies and implementing Directive 2007/36/EC of the European Parliament and of the Council of 11 July 2007 on the exercise of certain rights of shareholders in listed companies, as amended (the "Law"), and in particular article 7ter of the Law.

Acknowledgement and approval of the Remuneration Report prepared by the Remuneration and Nomination Committee of the Company constituted a separate item of the agenda of the Annual General Meeting of shareholders of the Company held on 17 June 2021 and 22 June 2022. The following table presents results of the vote of the AGM to the annual report on directors' remuneration in respect of the 2020 and 2021 financial years.

AGM	2021		2022	
	Number of shares for which votes have been validly cast	Corresponding proportion of the share capital	Number of shares for which votes have been validly cast	Corresponding proportion of the share capital
	755,269,149	73.80%	645,560,741	61.08%
	Number	% of votes cast	Number	% of votes cast
Votes in favour	688,297,019	91.13%	675,384,842	95.77%
Votes against	66,972,130	8.87%	29,824,101	4.23%
Abstentions	—	0.00%	—	0.00%
Total votes cast	**755,269,149**		**705,208,943**	

Following the 2021 AGM, the Company engaged in dialogue with the Proxy Voting teams and minority institutional investors in order to better understand investors' key concerns related to Directors' remuneration matters. In response to requests from shareholders and other stakeholders, the Company has carried out several actions to improve the level of disclosure and transparency, aiming to better clarify the link between pay and performance. As a result the Group's 2022 Remuneration Report included new retrospective disclosure of PSU performance targets and their realization level as well as additional explanations of uncapping GMV performance bonus and of using the same KPIs for both Short-Term Variable Bonus Plan and for the Performance Stock Unit Plan. Moreover, the Company had published answers to questions asked by the shareholders prior to the Annual General Meeting, which provided more context and background for the remuneration matters to ensure investors could make a balanced assessment of these items ahead of the 2022 vote. At the 2022 AGM, the Company noted a significant reduction in votes against the Remuneration Report, down to 4.2% of votes (vs. 8.9% at the 2021 AGM), with nearly 95.8% of votes cast in favour.

4.1. Adoption of the Remuneration Policy

The remuneration policy of the Company (the "Remuneration Policy") was adopted by the Board of Directors on 28 September 2020 upon proposal from the Remuneration and Nomination Committee and approved by the general meeting on 29 September 2020 in accordance with the Law. The Allegro Incentive Plan (AIP) component of the Remuneration Policy was approved by shareholders of the Company on 20 September 2020, adopted by the board of the Company on 7 October 2020 and amended in 2021 and 2022 (22 September 2021, 28 March 2022 and 22 June 2022 at 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 "Senior Manager") so as to contribute to the implementation of the long-term business strategy, long-term interests, sustainability, and stability of the Group. It takes into account the interests of the Group's shareholders and other stakeholders (including customers, business partners, employees, and society). This goal is to be addressed, in particular, by the amount, principles, and structure of the remuneration of the Directors and Senior Managers. The remuneration principles take into account the current financial situation of the Group.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

4.3. Remuneration of Executive Directors and Key Managers

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

The Remuneration and Nomination Committee consider the opinion of an independent advisor in the field of remuneration of Executive Directors and Senior Managers. Similarly to the previous year, the appointed advisor in 2022 was HKP Group. The advice and recommendations of the external advisers were used to guide and supply the market benchmarks for Executive Directors and Senior Managers, but do not serve as a substitute for thorough consideration of the issues by each Committee member. Advisers attended Committee meetings occasionally, as and when required by the Committee.

With the acquisition of the Mall Group and WE|DO on 1 April 2022, the Group's operations were extended into five more European countries (Czechia, Slovakia, Slovenia, Hungary and Croatia). Allegro Group continues to be listed on the Warsaw Stock Exchange. The Group competes with top international market players in the highly demanding technology and e-commerce industry. Hence, to maintain the Group's current competitive advantage and build the future business success the Group needs to be in a position to attract and recruit top talent in Poland and beyond (e.g. European Union market). In order to compete for the best talent, the Group provides competitive pay levels and structures based on objective market data.

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

- Peer Group number 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 key range and location of the Group's operations and takes into account local market practice for Director and Senior Manager roles.
- Peer Group number 2 consists of 16 European listed high-growth companies in the e-commerce, technology, platform and retail sectors selected by the Remuneration and Nomination Committee. The choice of this peer group is essential in order to assure Allegro's attractiveness as an employer to highly qualified individuals from Poland and throughout Europe as well as to provide a reference benchmark in line with Allegro's international growth strategy.

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

The remuneration package along with all of its components (fixed and variable) that Executive Directors and Senior Managers receive is a direct result of the aforementioned analysis. The Executive Directors and the Senior 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 Senior Managers consists of the following components:

4.3.1. FIXED REMUNERATION

Executive Directors and Senior 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 Senior 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 April 1 and are compared to the market benchmarks to ensure that the Group remains competitive.

Executive Directors and Senior 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 the Executive Directors and Senior Managers with insurance against any damage resulting from claims arising from the liability of members of the bodies of a capital company (Directors and Officers – D&O liability insurance). The Company does not provide any retirement schemes beyond what is required by local labor law requirements. In terms of any potential separation, severance regulations apply based on local Labour Code provisions (including notice period length) or in individual cases some contractual provisions contractual provisions – e.g. entitlement to bonus and/or 'good leaver' clauses for long-term variable remuneration.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

4.3.2. SHORT-TERM VARIABLE REMUNERATION

In addition to the base salary, Executive Directors and Senior Managers may receive a discretionary annual bonus. The purpose of this remuneration component 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 for an individual Director or Senior Manager depends on:

- annualized base salary, prorated for any base salary changes during the financial year and prorated for the part of the year employed,
- the target size of the bonus as a percentage of annual base salary. For the 2022 financial year, it was set at 75% for all Executive Directors and Senior Managers apart from the Group CEO, for whom it was set at 100% of the annual base salary,
- results against agreed corporate performance criteria (CPI index) that determine the size of the relevant Corporate Bonus Pool expressed as a percentage of the target bonus of 100% and accrued for each participant in the pool (the detailed rules can be found in the "Corporate Bonus Pool" table below). For the 2022 financial year short-term variable remuneration of all Executive Directors and Senior Managers is calculated against the agreed corporate performance metrics of the Allegro (previously Allegro.pl) company. The corporate performance metrics are set as one-year targets to address short term performance of the organization and review the short term KPIs realization versus agreed budget/target for a specific year,
- an individual modifier based on evaluation of individual performance approved by the Remuneration and Nomination Committee. The modifier can boost or reduce the bonus within a range of +25% and – 100%, considering the following criteria:
    - realization of goals and tasks,
    - attitude and way of performing work,
    - skills development and knowledge sharing,
- any other objectives as may be determined by the Committee from time to time.

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

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

Executive Directors and Senior Managers may receive an annual bonus from the Corporate Bonus Pool of the entity in which they performed their function, which is calculated according to the criteria set out below. In the 2022 financial year, all Executive Directors and Senior Managers perform their functions in Allegro. For the avoidance of doubt, the Executive Directors who are employed both at Allegro and Allegro.eu are entitled to an annual bonus from the Allegro pool for the 2022 financial year in addition to their Director fees received from Allegro.eu. The short-term variable remuneration is calculated based on performance conditions of Allegro.

Corporate Bonus Pool	
Performance criteria	Operating Company's bonus pool is based on the company's annual performance criteria realization. Annual targets for a given year as agreed with the Board of Directors and the Committee. Company Performance Index (CPI) is a base for determining a company's bonus pool. It is driven by target achievement of two KPIs: Allegro and Allegro Pay: • GMV – weight 50% where 100% performance = annual budget • Adjusted EBITDA – weight 50% where 100% performance = annual budget Ceneo.pl: • Revenue – weight 50% where 100% performance = annual budget • Adjusted EBITDA – weight 50% where 100% performance = annual budget
Min/Max payout (Cap) as of Base Salary	**For Allegro and Allegro Pay, Ceneo.pl:** Min = 0%; 100% = annual budget Max Cap is limited for EBITDA at level of 150% and without limit for GMV in 2022. As of 2023 the Remuneration and Nomination Committee has decided to introduce the Max Cap also on GMV factor (CAP at level of 200%) The KPIs targets can be changed or expanded to include other metrics. For example, a KPI such as NPS could be included at some point in the future. However, at present the Remuneration and Nomination 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 below/above the bonus threshold, continuing beyond the bonus target until any applicable cap is reached).
Bonus pool calculation based on Company Performance Index	EBITDA and GMV are reviewed separately against the targets. If the target is achieved at a minimum level of 87.5%, the KPI is treated as met and realization is calculated for this KPI. Each 1% of overachieving the threshold releases 8% of the bonus pool. Both KPIs weigh 50%, so the bonus pool is calculated based on overachievement or underachievement of both metrics. Example: GMV: target 100; actual 90; realization 90%; bonus threshold met – above 87.5%. Bonus pool calculation based on GMV factor: 8% x (90% – 87.5%) x 50%= 10% EBITDA: target 100, actual 110; realization 110%; bonus threshold met – above 87.5% Bonus pool calculation based on EBITDA factor: 8% x (110% – 87.5%) x 50%= 90% Bonus pool released: 10% + 90% = 100%
Payout frequency	Annually after annual results confirmation

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

The performance targets and actual performance for purposes of calculating short-term bonuses for 2022 and 2021 are presented in the tables below.

FINANCIAL YEAR 2022

Allegro.pl	Weight	Target (mPLN)	Actual (mPLN)	Target vs Actual Results Realization	Base for Bonus pool calculation	Company Performance Index
GMV	50%	51,580.0	48,957.4	94.9%	59.3%	29.7%
Adjusted EBITDA	50%	2,265.0	2,199.8	97.1%	77.0%	38.5%
						68.14%

Ceneo.pl	Weight	Target (mPLN)	Actual (mPLN)	Target vs Actual Results Realization	Base for Bonus pool calculation	Company Performance Index
Revenue	50%	359.3	299.6	83.4%	0.0%	0.00%
Adjusted EBITDA	50%	118.5	113.9	96.1%	69.0%	34.49%
						34.49%

FINANCIAL YEAR 2021

Allegro.pl	Weight	Target (mPLN)	Actual (mPLN)	Target vs Actual Results Realization	Base for Bonus pool calculation	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 [1]	Weight	Target (mPLN)	Actual (mPLN)	Target vs Actual Results Realization	Base for Bonus pool calculation	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%

[1] The Remuneration and Nomination Committee 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)	Target vs Actual Results Realization	Base for Bonus pool calculation	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 [2]	333.06%	150.0%	75.00%
						75.00%

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

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

eBilet	Weight	Company Performance Index
eBilet CPI	60%	75.0%
Allegro CPI	40%	116.5%
		91.60%

As proposed by Management and approved by the Remuneration and Nomination Committee, the nominal value of the Allegro bonus was 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 CPI decrease from 116.5% to 113.05%.

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

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

4.3.3.
LONG-TERM VARIABLE REMUNERATION

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

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

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

Allegro Incentive Plan

Eligibility	Awards may be granted only to Employees (including Executive Directors and Senior Managers) of the Group at the discretion of the Remuneration and Nomination Committee.
Targets	The targets are up to 200% for all Executive Directors and Senior Managers. In exceptional circumstances the target may be increased to 300% (as measured at the date of grant).
Forms of Awards	Awards under the AIP may be granted in the form of PSU or RSU which give the participants a right to receive Shares without payment on completion of a vesting period and, in the case of PSUs, subject to the satisfaction of performance conditions. The AIP rules also include flexibility for the Remuneration and Nomination Committee to grant other forms of awards, such as share options. The Remuneration and Nomination Committee may also, at their discretion grant an additional PSU Special Award to eligible Group employees (including Executive Directors and Senior Managers) provided that the Committee has determined that there are significant circumstances such as acquisition of a new entity by the Group. Such an award must be subject to performance conditions. As new joiners, employees (including Executive Directors and Senior Managers) may also be granted a Special Award as compensation for, or buy out from a new joiner's contract in their previous employment.
Overall Plan Limits	In any ten-year period, not more than 10% of the issued share capital of the Issuer may be issued or transferred out of treasury for the purposes of awards granted under the AIP and any other discretionary employees' share plans adopted by the Company. This limit does not include management investment into the Company or awards that have been made or granted on or prior to Admission (including conditional upon Admission) or have lapsed.

Allegro Incentive Plan

Individual Limits	The maximum total market value of Shares over which an award is granted during any financial year may not exceed 200% of annual base salary of a given employee or 300% in exceptional circumstances (as measured at the date of grant). The aforementioned limit does not apply to any Special Award: • Granted in connection with significant circumstances such as acquisition of a new entity by the Group; such a Special Award must not exceed 100% of Executive Directors' and Key Managers' annual base salary and 150% of any other Senior Managers' annual base salary • Granted to a new joiner that in general relates to compensation for, or buy out from, the new joiner's contract in their previous employment
Source of Shares	Awards under the AIP may be granted over newly issued Shares, Shares held in treasury, or Shares purchased in the market (including Shares held in an employee benefit trust).
Timing of Awards	The first awards under the AIP were granted in April 2021. For 2022 and beyond, awards will normally be granted within a six-week period after the Issuer announces its annual results or 1 October of each calendar year. However, the Remuneration and Nomination Committee may grant awards outside this period at its discretion. No awards may be granted more than ten years after the AIP was approved by the Shareholders of allegro.eu, unless by further decision of the Shareholders' Meeting.
Performance Conditions	Awards in the form of PSUs are subject to performance conditions which are determined by the Remuneration and Nomination Committee at the time of grant. Awards vest between 0% (if the performance conditions are not met) to 200% (at maximum level) based on the extent to which the performance conditions are met in full. Unlike the short term targets, the GMV-based and EBITDA-based performance conditions, which are derived from long-term targets, are expressed as compound annual growth rate (CAGR). It describes the rate at which a given indicator would grow if it grew at the same rate every year of a multi-year plan. The long-term target is reviewed based on three years performance conditions. Any performance condition may be amended or substituted if one or more events occur which cause the Remuneration and Nomination Committee to consider that an amended or substituted performance condition would be more appropriate. Any such amended or substituted performance condition will, in the reasonable opinion of the Remuneration and Nomination Committee, not be materially more or less difficult to satisfy.
Vesting and Release of Awards	RSUs will vest and Shares be released in the ordinary course in three annual tranches – 25%, 25%, and 50% respectively on the first, second, and third anniversaries of the date of grant, subject to continued employment. RSUs granted to Executive Directors and Senior Managers in the form of a sign-on bonus award may be vested in the ordinary course in three annual tranches or in specific cases in the course of two annual tranches – 50% and 50%. PSUs will notionally vest in the ordinary course in three annual tranches – 25%, 25%, and 50% respectively on the first, second, and third anniversaries of the date of grant, but will only be released on the third anniversary of grant, subject to continued employment and satisfaction of the relevant performance conditions applicable to such PSU. The Remuneration and Nomination Committee may grant awards subject to a different vesting period and release schedule, at its discretion.
Malus and Clawback	The Remuneration and Nomination Committee may decide at any time at its discretion that an employee (including Executive Directors and Senior Managers) shall in respect of their PSU award or RSU award be subject to: • a malus adjustment before an award vests, and/or • the clawback of any amount after an award vests, in accordance with the Company's applicable Malus and Clawback Policy and procedures, as amended from time to time.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

Allegro Incentive Plan

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

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

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

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 and 2022 grants if it considers other measures may be more appropriate to the particular circumstances impacting the Group at the relevant point in time. Accordingly, the performance measures selected may vary from annual grant to annual grant.

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

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

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

4.3.4. ALLEGRO INCENTIVE PLAN – 2022 GRANT

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

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

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

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

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

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

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

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

Allegro does not disclose future targets for PSU performance as these are deemed commercially sensitive. However, going forward the Group intends to provide retrospective disclosure of performance against such targets after the year-end in which a given PSU grant is settled. The first such disclosure is therefore expected to be included in the Remuneration Report for 2023 in respect to the 2021 Award, which is due to be paid out in April 2024 based on the results of 2021-2023.

4.3.5. ALLEGRO INCENTIVE PLAN – 2022 SPECIAL AWARD

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

In order to focus management attention on timely and effective international expansion and support the functional integration of Mall Group and WE|DO with Allegro an AIP-PSU Special Award was designed and granted. It is a 2-year program related to the Acquisition of the Mall Group and WE|DO for Executive Directors and Senior Managers with one vesting in April 2024. Performance conditions for this AIP-PSU Special Award refer to the Mall Group and WE|DO business results, and are based on a 2 year GMV (100%) perspective.

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

4.3.6. ALLEGRO INCENTIVE PLAN – 2021 GRANT

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

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

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

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

The PSU Performance 2021-2023 targets:

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

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.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

4.3.7. EXECUTIVE SUMMARY OF PSU AND RSU AWARDS

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

						Information regarding the reported financial year					
	The main conditions of share award plans					Opening balance	During the year			Closing balance	
Name of Director	Specification of plan	Performance measurement period	Grant date	Vesting dates [1]	Unit price at grant date	Number and market value of units granted at the beginning of the year	Number and market value [3] of units granted	Number and market value [4] of units vested (notional vestings in case of AIP-PSU)	Number of units forfeited	Number of units subject to a performance conditions	Number of units granted and unvested [1] at year end
Roy Perticucci	AIP-RSU Special Award [2]	n/a	03.10.2022	11.04.2023 11.04.2024 11.04.2025	25.85 PLN per unit	0	330,525 8,544.06 kPLN	0	0	0	330,525
Francois Nuyts	AIP-PSU	01.01.2021 — 31.12.2023	02.04.2021	02.04.2022 02.04.2023 02.04.2024	66.64 PLN per unit	163,949	0	40,988 1,340.31 kPLN	122,961	0	0
Jon Eastick	AIP-PSU	01.01.2021 — 31.12.2023	02.04.2021	02.04.2022 02.04.2023 02.04.2024	66.64 PLN per unit	23,987	0	5,997 196.10 kPLN	0	23,987	17,990
		01.01.2022 — 31.12.2024	26.04.2022	11.04.2023 11.04.2024 11.04.2025	32.28 PLN per unit	0	94,889 3,063.00 kPLN	0	0	94,889	94,889
	AIP-PSU Special Award	01.01.2022 — 31.12.2023	06.07.2022	11.04.2024	24.12 PLN per unit	0	49,752 1,200.00 kPLN	0	0	49,752	49,752
Alvise Favara	AIP-PSU	01.01.2022 — 31.12.2024	06.07.2022	11.04.2023 11.04.2024 11.04.2025	32.28 PLN per unit	0	143,614 4,635.86 kPLN	0	0	143,614	143,614
	AIP-PSU Special Award	01.01.2022 — 31.12.2023	06.07.2022	11.04.2024	24.12 PLN per unit	0	50,109 1,208.63 kPLN	0	0	50,109	50,109
	AIP-RSU Special Award [2]	n/a	07.03.2022	02.04.2022 02.04.2023 02.04.2024	37.34 PLN per unit	0	297,898 11,123.49 kPLN	116,569 3,811.81 kPLN	0	0	181,329

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

	The main conditions of share award plans					Information regarding the reported financial year					
						Opening balance	During the year			Closing balance	
Name of Director	Specification of plan	Performance measurement period	Grant date	Vesting dates [1]	Unit price at grant date	Number and market value of units granted at the beginning of the year	Number and market value [3] of units granted	Number and market value [4] of units vested (notional vestings in case of AIP-PSU)	Number of units forfeited	Number of units subject to a performance conditions	Number of units granted and unvested [1] at year end
David Robers	AIP-PSU	01.01.2022 — 31.12.2024	06.07.2022	11.04.2023 11.04.2024 11.04.2025	32.28 PLN per unit	0	144,046 4,649.78 kPLN	0	0	144,046	144,046
	AIP-PSU Special Award	01.01.2022 — 31.12.2023	06.07.2022	11.04.2024	24.12 PLN per unit	0	50,109 1,208.63 kPLN	0	0	50,109	50,109
	AIP-RSU Special Award [2]	n/a	07.03.2022	02.04.2022 02.04.2023	37.34 PLN per unit	0	129,521 4,836.30 kPLN	64,761 2,117.68 kPLN	0	0	64,760
						187,936	**1,290,463** **40,469.9 kPLN**	**228,315** **7,465.9 kPLN**	**122,961**	**556,506**	**1,127,123**

NOTE

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

[1] In case of PSU awards, vesting dates indicated in the table are dates of notional vesting, which is when the Executive Director, Key Manager or Senior Manager becomes notionally entitled to have shares transferred to them (or their nominee) in the event of them becoming a Good Leaver, subject to the satisfaction of applicable performance conditions.

[2] The AIP-RSU Special Awards granted to three Executive Directors who joined the Group in 2022 were awarded as compensation for, or buy out from contracts in their previous employment, in line with the rules governing forms of awards.

[3] The gross value of shares granted in 2022 is calculated using an average share price from 60 days prior to grant date.

[4] The gross value of shares vested in 2022 is calculated using a spot share price at vesting date.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

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

	The main conditions of share award plans						Information regarding the reported financial year
Name of Director	Specification of plan	Performance measurement period	Grant date	Award Date [1]	Vesting dates [2]	Unit spot price at award date	Costs incurred in 2022 calculated in compliance with IFRS2 (kPLN)
Roy Perticucci	AIP-RSU Special Award [3]	n/a	03.10.2022	30.09.2022	11.04.2023 11.04.2024 11.04.2025	21.55 PLN per unit	1,715.06
Francois Nuyts	AIP-PSU	01.01.2021 — 31.12.2023	02.04.2021	01.04.2021	02.04.2022 02.04.2023 02.04.2024	56.06 PLN per unit	-2,292.92
Jon Eastick	AIP-PSU	01.01.2021 — 31.12.2023	02.04.2021	01.04.2021	02.04.2022 02.04.2023 02.04.2024	56.06 PLN per unit	375.25
		01.01.2022 — 31.12.2024	26.04.2022	11.04.2022	11.04.2023 11.04.2024 11.04.2025	28.36 PLN per unit	1,748.13
	AIP-PSU Special Award	01.01.2022 — 31.12.2023	06.07.2022	05.07.2022	11.04.2024	22.82 PLN per unit	0.00 [5]
Subtotal							**2,123.38**
Alvise Favara	AIP-PSU	01.01.2022 — 31.12.2024	06.07.2022	11.04.2022	11.04.2023 11.04.2024 11.04.2025	28.36 PLN per unit	2,645.79
	AIP-PSU Special Award	01.01.2022 — 31.12.2023	06.07.2022	05.07.2022	11.04.2024	22.82 PLN per unit	0.00 [5]
	AIP-RSU Special Award [3]	n/a	07.03.2022	04.03.2022	02.04.2022 02.04.2023 02.04.2024	26.31 PLN per unit	4,623.70
Subtotal							**7,269.49**
David Robers	AIP-PSU	01.01.2022 — 31.12.2024	06.07.2022	11.04.2022	11.04.2023 11.04.2024 11.04.2025	28.36 PLN per unit	2,653.75
	AIP-PSU Special Award	01.01.2022 — 31.12.2023	06.07.2022	05.07.2022	11.04.2024	22.82 PLN per unit	0.00 [5]
	AIP-RSU Special Award [3]	n/a	07.03.2022	04.03.2022	02.04.2022 02.04.2023	26.31 PLN per unit	2,010.30
Subtotal							**4,664.05**

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

Name of Director	The main conditions of share award plans						Information regarding the reported financial year
	Specification of plan	Performance measurement period	Grant date	Award Date [1]	Vesting dates [2]	Unit spot price at award date	Costs incurred in 2022 calculated in compliance with IFRS2 (kPLN)
Wojciech Bogdan [4]	AIP-PSU	01.01.2021 — 31.12.2023	02.04.2021	01.04.2021	04.04.2022 04.04.2023 04.04.2024	56.06 PLN per unit	170.35
Marcin Łachajczyk [4]	AIP-PSU	01.01.2021 — 31.12.2023	02.04.2021	01.04.2021	04.04.2022 04.04.2023 04.04.2024	56.06 PLN per unit	103.00
Total							**13,752.41**

[1] The award date is a date at which the entity and an employee agree to a share-based payment arrangement, being when the entity and the counterparty have a shared understanding of the terms and conditions of the arrangement.
[2] In case of PSU awards, vesting dates indicated in the table are dates of notional vesting, which is when the Executive Director, Key Manager or Senior Manager becomes notionally entitled to have shares transferred to them (or their nominee) in the event of them becoming a Good Leaver, subject to the satisfaction of applicable performance conditions.
[3] The AIP-RSU Special Awards granted to three Executive Directors who joined the Group in 2022 were awarded as compensation for, or buy out from contracts in their previous employment, in line with the rules governing forms of awards.
[4] Following the acquisition of the Mall Group on April 1 2022, the Group has changed the composition of the list of Persons Discharging Managerial Responsibilities (PDMR) by removing the Ceneo Management Board Members. As such starting from April 1, 2022 Marcin Łachajczyk and Wojciech Bogdan were no longer considered Key Managers of the enlarged Group. The table covers their Q1 2022 remuneration only.
[5] The IFRS2 cost of 0.00 PLN incurred in 2022 for AIP-PSU Special Award is because the Performance Conditions' threshold value has not been met.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

4.3.8. MANAGEMENT INVESTMENT PLAN (SETTLED AND DISCONTINUED AT THE GROUP'S IPO IN 2020)

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:

i) 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 IFRS2. 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.

ii) 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 IFRS2 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 IFRS2 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.

Where these non-cash charges required under IFRS2 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 and 2022.

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	2022	2021	2020
Darren Huston	Allegro	Chairman, Non-Executive Director	0.0	0.0	3,772.1
Francois Nuyts	Allegro	Executive Director	0.0	0.0	3,044.6
Jon Eastick	Allegro	Executive Director	0.0	0.0	130.9
Piotr Szybiak	Allegro	Key Manager, MBM	N/A	0.0	109.7
Damian Zapłata	Allegro	Key Manager, MBM	N/A	0.0	109.7
Wojciech Bogdan	Ceneo.pl	Key Manager, MBM	0.0	0.0	1,737.5
Marcin Łachajczyk	Ceneo.pl	Key Manager, MBM	0.0	0.0	38.7

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

4.3.9.
REMUNERATION STATEMENT FOR EXECUTIVE DIRECTORS AND KEY MANAGERS FOR 2022 (IN KPLN)

			Fixed Remuneration			Variable Remuneration		Extraordinary item [4]				Proportion of fixed and variable remuneration	
Name of Director	Company	Position (date of appointment – resignation from the Board of Directors)	Base Salary	Fees	Other Benefits	One year variable [1]	Multi year variable [2]	Cash -based	Shared -based	Pension Expenses	Total Remunera-tion	Fixed	Variable
Roy Perticucci	Allegro.eu	Executive Director (21.09.2022 —)	—	58.6	—	—	—	—	—	—	58.6	100%	0%
	Allegro	Group CEO, MBM (01.09.2022 —)	1,184.45	—	171.63	805.4	—	195.8	—	—	2,357.33	66%	42%
Francois Nuyts	Allegro.eu	Executive Director (01.09.2020 — 31.08.2022) employment termination — 31.12.2022	—	175.79	—	—	—	—	—	—	175.79	100%	0%
	Allegro	Group CEO, MBM (01.08.2018 — 31.08.2022) employment termination — 31.12.2022	3,695.53	—	54.88	3,141.2	1,340.3	61.8	—	—	8,293.72	46%	54%
Jonathan Eastick	Allegro.eu	Executive Director (01.09.2020 —)	—	234.38	—	—	—	—	—	—	234.38	100%	0%
	Allegro	Group CFO, MBM (01.02.2018 —)	1,185.30	—	52.89	597.7	196.1	—	—	—	2,032.01	61%	39%
Alvise Favara	Allegro	CCO, MBM (01.03.2022 —)	2,114.64	—	242.30	1,078.5	—	—	3,811.8	—	7,247.22	85%	15%
David Robers	Allegro	CTPO, MBM (01.03.2022 —)	2,723.06	—	161.20	1,388.8	—	1,832.8	2,117.7	—	8,223.54	57%	17%
Wojciech Bogdan [3]	Ceneo.pl	CDO, MBM (01.05.2020 —)	271.50	—	5.10	130.1	—	—	—	—	406.65	68%	32%
Marcin Łachajczyk [3]	Ceneo.pl	Managing Director, MBM (01.01.2013 —)	180.0	—	18.7	189.0	—	—	—	—	387.70	51%	49%

NOTE

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

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

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

[2] Long-term variable remuneration: Allegro Incentive Plan – Performance Share Units – AIP award amounts presented above are the gross value of tranches vested in 2022, calculated on the basis of share spot price at vesting date. These shares have not yet been delivered to the participant as delivery will be in 2024 once the three years covered by the Grant have been completed. The final payout value in 2024 will depend on the full 3-year performance against the Grant's performance conditions. The vested units will be paid out in 2024 even if the Executive Director or Senior Manager leaves the organization in the meantime, as long as they qualify as a "Good Leaver" according to the AIP policy. The cost incurred in 2022 in compliance with IFRS2 standards can be reviewed in the table in section 3.3.4. Executive Summary of PSU and RSU awards.

[3] Following the acquisition of the Mall Group on April 1 2022, the Group has changed the composition of the list of Persons Discharging Managerial Responsibilities (PDMR) by removing the Ceneo Management Board Members. As such starting from April 1, 2022 Marcin Łachajczyk and Wojciech Bogdan were no longer considered Key Managers of the enlarged Group. The table covers their Q1 2022 remuneration only.

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

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

4.3.10. 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 (date of appointment – resignation from the Board of Directors)	Base Salary	Fees	Other Benefits	One year variable accrued [1]	One year variable paid[1]	Multi year variable [2]	Extraordinary item	Pension Expenses	Total Remuneration accrued	Total Remuneration paid	Total Remuneration accrued vs paid (diff)	Fixed	Variable
Francois Nuyts	Allegro.eu	Executive Director (01.09.2020 — 31.08.2022)	—	228.4	—	—		—	—	—	228.4	228.4	0.0	100%	0%
	Allegro.pl	Group CEO, MBM (01.08.2018 — 31.08.2022)	3,568.1	—	47.4	4,466.0	4,091.1	—	—	—	8,081.5	7,706.6	374.9	47%	53%
Jon Eastick	Allegro.eu	Executive Director (01.09.2020 —)	—	228.4	—	—	—	—	—	—	228.4	228.4	0.0	100%	0%
	Allegro.pl	Group CFO, MBM (01.02.2018 —)	1,065.6	—	60.2	759.2	944.2	—	—	—	1,885.1	2,070.0	-184.9	54%	46%
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	852.9	0.0	100%	0%
Wojciech Bogdan	Ceneo.pl	CDO, MBM (01.05.2020 —)	1,039.2	—	21.0	765.0	864.8	—	—	—	1,825.2	1,925.0	-99.8	55%	45%
Marcin Łachajczyk	Ceneo.pl	Managing Director, MBM (01.01.2013 —)	618.0	—	80.0	227.5	231.8	—	—	—	925.5	929.8	-4.3	75%	25%

[1] Short-term variable remuneration: a discretionary annual bonus. Final decisions on 2021 bonuses were taken by the Remuneration Committee after the annual report publication. The amounts stated in the 2021 Remuneration Report were bonus accruals. The current period remuneration report includes actually paid amounts for 2021. The differences also take into account currency fluctuations between 2021 report date and actual payment date.
[2] Long-term variable remuneration: AIP-PSU.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

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 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 2022 (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 [1]	Multi year variable [2]				Fixed	Variable
Darren Huston (12.05.2017 –)	Allegro.eu	Chairman, Non-Executive Director	—	1,406.28	—	—	—	—	—	1,406.3	100%	0%
Carla Smits-Nusteling (01.09.2020 –)	Allegro.eu	Independent Non-Executive Director	—	576.57	—	—	—	—	—	576.6	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	—	522.67	—	—	—	—	—	522.7	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	—	—
Pedro Arnt (22.06.2022 –)	Allegro.eu	Independent Non-Executive Director	—	117.19	—	—	—	—	—	117.2	100%	0%

[1] Short-term variable remuneration: a discretionary annual bonus.
[2] Long-term variable remuneration: Allegro Incentive Plan – Performance Share Units

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

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 [1]	Multi year variable [2]				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	—	—

[1] Short-term variable remuneration: a discretionary annual bonus.
[2] 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.

No further services were provided in 2021 and 2022. 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.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

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

The table to the righ provides a reconciliation of total cash-based and total share-based remuneration of Executive Directors, Key Managers and Non-Executive Directors as presented in the Remuneration Report and the costs reported in the 2022 Financial Statement of the Group (note 38).

Name of Director	Company	Position (date of appointment – resignation from the Board of Directors)	Total Cash-based Remuneration (kPLN) [1]	Total Share-based Remuneration (IFRS2 cost incurred in 2022, kPLN) [2]
Roy Perticucci	Allegro.eu	Executive Director (21.09.2022 –)	58.60	1,715.06
	Allegro	Group CEO, MBM (01.09.2022 –)	2,357.33	
Subtotal			**2,415.92**	**1,715.06**
Francois Nuyts	Allegro.eu	Executive Director (01.09.2020 – 31.08.2022) employment termination – 31.12.2022	175.79	-2,292.92
	Allegro	Group CEO, MBM (01.08.2018 – 31.08.2022) employment termination – 31.12.2022	6,953.41	
Subtotal			**7,129.20**	**-2,292.92**
Jonathan Eastick	Allegro.eu	Executive Director (01.09.2020 –)	234.38	2,123.38
	Allegro	Group CFO, MBM (01.02.2018 –)	1,835.91	
Subtotal			**2,070.29**	**2,123.38**
Alvise Favara	Allegro	CCO, MBM (01.03.2022 –)	3,435.41	7,269.49
David Robers	Allegro	CTPO, MBM (01.03.2022 –)	6,105.86	4,664.05
Wojciech Bogdan [3]	Ceneo.pl	CDO, MBM (01.05.2020 –)	406.65	170.35
Marcin Łachajczyk [3]	Ceneo.pl	Managing Director, MBM (01.01.2013 –)	387.70	103.00
Darren Huston	Allegro.eu	Chairman, Non-Executive Director (12.05.2017 –)	1,406.28	0.00
Carla Smits-Nusteling	Allegro.eu	Independent Non-Executive Director (01.09.2020 –)	576.57	0.00
David Barker	Allegro.eu	Non-Executive Director (01.09.2020 –)	0.00	0.00
Nancy Cruickshank	Allegro.eu	Independent Non-Executive Director (01.09.2020 –)	522.67	0.00
Paweł Padusiński	Allegro.eu	Non-Executive Director (01.09.2020 –)	0.00	0.00
Richard Sanders	Allegro.eu	Non-Executive Director (01.09.2020 –)	0.00	0.00
Pedro Arnt	Allegro.eu	Independent Non-Executive Director (22.06.2022 –)	117.19	0.00
Total			**24,573.74**	**13,752.41**

[1] Total Cash-based Remuneration presented in the table above is reflected as Short-term employee benefits in the 2022 Financial Statement (note 38). It includes base salary, fees, other benefits, one year variable remuneration and cash-based extraordinary items.
[2] Total Share-based Remuneration presented in the table above is reflected as Share based-payment in the 2022 Financial Statement (note 38). It includes the IFRS2 cost of share-based extraordinary items and multi year variable remuneration.
[3] Following the acquisition of the Mall Group on April 1 2022, the Group has changed the composition of the list of Persons Discharging Managerial Responsibilities (PDMR) by removing the Ceneo Management Board Members. As such starting from April 1, 2022 Marcin Łachajczyk and Wojciech Bogdan were no longer considered Key Managers of the enlarged Group. The table covers their Q1 2022 remuneration only.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

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

Annual Change		2022-2021 YoY change (in %)	2022-2021 YoY change (in kPLN)	2021-2020 YoY change (in %)	2021-2020 YoY change (in kPLN)	2022 (in kPLN)	2021 (in kPLN)	2020 (in kPLN)
Director's total remuneration (from all Legal Entities)								
Roy Perticucci	Group CEO, MBM (01.09.2022 –), Executive Director (21.09.2022 –)	100.00%	2,415.92	0.00%	0.00	2,415.92	0.00	0.00
Francois Nuyts	Group CEO, MBM (01.08.2018 – 31.08.2022), Executive Director (01.09.2020 – 31.08.2022)	6.74%	534.57	-36.80%	-4,620.36	8,469.51	7,934.94	12,555.30
Jonathan Eastick	CFO (01.02.2018 –) Executive Director (01.09.2020 –)	-1.39%	-31.92	-17.12%	-474.79	2,266.39	2,298.32	2,773.10
Alvise Favara	CCO, MBM (01.03.2022 –)	100.00%	7,247.22	0.00%	0.00	7,247.22	0.00	0.00
David Robers	CTPO, MBM (01.03.2022 –)	100.00%	8,223.54	0.00%	0.00	8,223.54	0.00	0.00
Marcin Łachajczyk	Key Manager, MBM (01.01.2013 –)	-64.86%	-750.53	-4.61%	-55.92	406.65	1,157.18	1,213.10
Wojciech Bogdan	Key Manager, MBM (01.05.2020 –)	-84.62%	-2,132.98	45.44%	787.48	387.70	2,520.68	1,733.20
Piotr Szybiak	Key Manager, MBM (01.12.2015 – 23.06.2021, employment termination – 30.09.2021)	-100.00%	-852.90	-60.89%	-1,328.00	0.00	852.90	2,180.90
Damian Zapłata	Key Manager, MBM (01.12.2017 – 27.08.2021)	-100.00%	-888.90	-67.27%	-1,827.20	0.00	888.90	2,716.10
Darren Huston	Chairman, Non-Executive Director (12.05.2017 –)	2.64%	36.18	185.74%	890.60	1,406.28	1,370.10	479.50
Carla Smits-Nusteling	Independent Non-Executive Director (01.09.2020 –)	2.65%	14.87	208.29%	379.50	576.57	561.70	182.20
David Barker	Non-Executive Director (01.09.2020 –)	0.00%	0.00	0.00%	0.00	0.00	0.00	0.00
Nancy Cruickshank	Independent Non-Executive Director (01.09.2020 –)	5.97%	29.47	208.25%	333.20	522.67	493.20	160.00
Pedro Arnt	Independent Non-Executive Director (22.06.2022 –)	100.00%	117.19	0.00%	0.00	117.19	0.00	0.00
Paweł Padusiński	Non-Executive Director (01.09.2020 –)	0.00%	0.00	0.00%	0.00	0.00	0.00	0.00
Richard Sanders	Non-Executive Director (01.09.2020 –)	0.00%	0.00	0.00%	0.00	0.00	0.00	0.00
Daniele Arendt	Non-Executive Director (05.05.2017 – 12.10.2020)	0.00%	0.00	0.00%	0.00	0.00	0.00	0.00
Gautier Laurent	Non-Executive Director (05.05.2017 – 12.10.2020)	0.00%	0.00	-100.00%	-160.00	0.00	0.00	160.00
Séverine Michel	Non-Executive Director (05.05.2017 – 12.10.2020)	0.00%	0.00	0.00%	0.00	0.00	0.00	0.00
Cédric Pedoni	Non-Executive Director (05.05.2017 – 12.10.2020)	0.00%	0.00	0.00%	0.00	0.00	0.00	0.00
Gilles Willy Duroy	Non-Executive Director (17.10.2019 – 12.10.2020)	0.00%	0.00	0.00%	0.00	0.00	0.00	0.00
Total		**77.23%**	**13,961.73**	**-25.15%**	**-6,075.48**	**32,039.64**	**18,077.92**	**24,153.40**

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

Annual Change	2022-2021 YoY change (in %)	2022-2021 YoY change (in kPLN)	2021-2020 YoY change (in %)	2021-2020 YoY change (in kPLN)	2022 (in kPLN)	2021 (in kPLN)	2020 (in kPLN)
Company's Performance							
GMV (mPLN)	14.92%	6,355.70	21.33%	7,489.70	48,957.40	42,601.70	35,112.00
EBITDA – Allegro Segment (kPLN)	15.59%	296.68	24.05%	368.94	2,199.80	1,903.12	1,534.18
EBITDA – Ceneo Segment (kPLN)	-11.80%	-15.24	-4.02%	-5.41	113.90	129.14	134.55
Revenue – Ceneo Segment (kPLN)	-1.89%	-5.76	8.85%	24.84	299.60	305.36	280.53

Annual Change	2022-2021 YoY change (in %)	2022-2021 YoY change (in kPLN)	2021-2020 YoY change (in %)	2021-2020 YoY change (in kPLN)	2022 (in kPLN)	2021 (in kPLN)	2020 (in kPLN)
Average annual remuneration of employees other than Executive Directors, Non-Executive Directors and Key Managers							
Total Remuneration	18.82%	23.19	-1.04%	-1.3	146.4	123.2	124.5

4.6. Diversity and Inclusion

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

We create an inclusive work environment, free from discrimination, harassment and prejudice, one that fosters equitable treatment and supports development of everyone. Through the Diversity Policy (adopted by the Board of Directors on 17 December 2020 and amended on 28 June 2021), the Anti-Discrimination and Anti-bullying policies and Whistleblowing Procedure (implemented in 2016) we promote Allegro's values and expected behaviors underpinned by dignity, respect and principles of ethics. All employees become familiar with those principles as part of the onboarding process and through regular training.

The main measures to support our commitment to diversity and inclusion 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,
- adoption of a non-discrimination and anti-bullying policy, implementation of Diversity policy and Stay Fair approach that enables reporting of any inappropriate conduct and irregularities,
- a program of DEI webinars and training, which help build inclusive and diverse working environment,
- minimizing the risk of biased behaviors in HR recruitment, promotion, pay review processes by underlining the importance of knowledge and competencies in our processes. Our processes are based on objective and substantive criteria to provide equitable experience to all candidates and employees, regardless of gender, ethnic origin, beliefs, or other criteria,
- considering diversity when selecting members of the Board,
- developing Internal Mobility initiatives to support development and growth of our employees within Allegro,
- developing initiatives to encourage more women choosing careers in technology,
- supporting initiatives related to diversity and inclusion, such as: DareIT, Hackathon Accessibility, Poznań Mentoring Walk,
- monitoring the impact of activities and reporting on their outputs,
- annual equal pay audit; monitoring and reporting on gender pay gap and implementing actions to narrow the gap.

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

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

4.7. Application of the Remuneration Policy

The remuneration paid to the Directors, Key Managers and Senior 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.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

5. Expectations for the Group

STATUS OF MEDIUM-TERM EXPECTATIONS

The Group's management notes that its previous Medium-Term Expectations for 2023-2026 ("MTE") were prepared after the 2021-2022 annual planning round and were published on 24 February 2022, coinciding with the invasion of Ukraine by Russia. On 29 September 2022, in view of the ongoing economic and geopolitical disruption resulting from the war in Ukraine, the Management decided to place the published MTE under review.

After a review of the Group's approach to publishing expectations initiated by the Group's new CEO, the Group has decided to replace the MTE with a set of medium term aspirations.

The CEO and the Group's management have instead established a set of medium term aspirations:

- Continue profitable GMV growth in Poland, focusing on under-indexed categories, to achieve a low double-digit GMV CAGR
- Enhance the Polish marketplace model with expansion of Allegro Pay and increasing penetration of Advertising services
- Priority focus on efficiency to move Poland GMV margin back towards a 5% target and improve Mall's legacy 1P business
- Accelerate Group GMV growth through international Allegro marketplace launches, starting with Mall footprint countries
- Drive both SG&A and capital discipline across the extended TAM [1] to improve Group margins and sequentially reduce leverage

In combination with the near term focus on the Management's seven top priorities published in September 2022, these medium term aspirations provide the framework for the Group's Management to prepare annual budgets and medium term financial plans for its internal use.

[1] Target Addressable Market

EXPECTATIONS FOR FY 2023

Key 2023 priorities

1.	**Strong in Poland**	• Grow GMV with ca. a third of growth driven by under indexed categories. • Raise combined share of advertising and promo to support margins and monetisation.
2.	**Win in Czechia and Slovakia with Group's marketplace model**	• Launch allegro.cz 3P with investment scaled around test results and macro situation.
3.	**Scale up Allegro Pay**	• Scale-up of Allegro Pay, financed mainly by 3P partners. • Work towards launching banking services in BaaS model.
4.	**Improve SMART! and delivery economics**	• Partial swing-back towards APMs from courier. • Smart! pricing changes to partly offset indexation impact with delivery costs to rise moderately as % of GMV. • Focus APM project on utilization.
5.	**MALL 1P business turnaround**	• Reduce Mall 1P losses. • Open Mall 1P as allegro.cz merchant.
6.	**Fit to grow**	• Optimize costs and improve efficiency throughout the Group. • Significantly lower capex YoY. • Support cash flow improvement and continued deleveraging.
7.	**People and Culture**	• Using Group's talent pool efficiently to meet Group's business ambitions, strengthen its core values and ensure sustainability.

FINANCIAL EXPECTATIONS

The Group has noted the prevailing market practice of major global listed e-commerce companies and concluded that it is more common to provide expectations for the quarter ahead instead of the earlier practice of providing expectations for the full financial year. The Group has decided to switch to a similar policy with effect from the 2023 financial year.

This is to focus on providing greater precision with shorter term, but higher confidence financial expectations.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

TARGETS AND EXPECTATIONS FOR THE Q1 2023:

Polish Operations	2022E	2022 Actual	Q1'23E
GMV	15–17% YoY growth	15.9%	13–14% YoY growth
Revenue	23–26% YoY growth	24.1%	20–22% YoY growth
Adjusted EBITDA [1]	10–12% YoY growth	11.6%	20–23% YoY growth
CAPEX [2]	PLN 650–700m	PLN 662m	PLN 100–110m

Mall Segment [3]	Q2-Q4 2022E	Q2-Q4 2022 Actual	Q1'23E
GMV	Low single-digit % YoY decline	-2.5%	1–2% YoY pro-forma decline [4]
Revenue	Low single-digit % YoY decline	-5.5%	2–4% YoY pro-forma decline [4]
Adjusted EBITDA [1]	PLN 120–160m loss	PLN 157m loss	Loss in the range of PLN 75–80m [5]
CAPEX [2]	PLN 70–100m	PLN 60m	PLN 20–30m [5]

Group consolidated	2022E	2022 Actual	Q1'23E
GMV	22–24% YoY growth	23.2%	20–21% YoY growth
Revenue	67–71% YoY growth	68.2%	64–66% YoY growth
Adjusted EBITDA [1]	2–6% YoY growth	4.3%	3–6% YoY growth
CAPEX [2]	PLN 720–800m	PLN 722m	PLN 120–140m

[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)

[3] GMV and revenue YoY change expectations and actuals for the Mall Segment are calculated on a pro-forma basis

[4] Including positive impact from PLN/CZK FX rate changes

[5] Including approximately PLN16m start-up losses and PLN10m of capitalized development expenses related to 3P marketplace launch preparation in Czechia

6. Recent Trading

During the first quarter of 2023, the Group has noted monthly GMV growth fluctuating between 12% and 15% for its Polish operations. Overall a similar growth rate versus Q4 2022 is expected, despite the sequential weakening of Polish retail sales growth from month to month. Moreover, the composition of growth is switching back towards transaction growth after a low in the fourth quarter, with a corresponding weakening of inflationary factors in the growth rates. This reflects a shift in consumer behavior towards everyday selection and away from discretionary categories, together with trading down to more affordable substitute products. The observed trends reflect the benefit of Allegro's wide selection and competitive prices to produce resilient growth performance as consumer spending patterns respond to economic circumstances.

In regards to the Mall Segment, continuing weak retail demand and falling real incomes continue to put pressure on GMV as consumers reduce spending on discretionary items. A contraction in GMV of approximately 1-2% YoY relative to the prior year pro forma comparative is observed, factoring in a positive impact from the exchange rate fluctuations.

On a consolidated basis, the Group has therefore observed growth in GMV of approximately 20-21% YoY in the quarter to date, of which approximately 13-14pp is due to the Polish Operations and approximately 7pp is coming from the Mall Segment.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

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 2022 and 2021 is presented in the investing activities section of the interim condensed consolidated statement of cash flow as a separate line named: "Payments for property, plant & equipment and intangibles".

PLN m (audited)	FY 2022	FY 2021	Q4 2022	Q4 2021
Capitalised development costs	(336.3)	(224.8)	(87.1)	(62.7)
Other capital expenditure	(385.9)	(182.2)	(70.5)	(87.7)
Total capital expenditure	(722.2)	(407.1)	(157.6)	(150.4)

CAPITALISED DEVELOPMENT COSTS

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

PLN m (audited)	FY 2022	FY 2021	Q4 2022	Q4 2021
Staff costs – Capitalisation of development costs	(206.7)	(154.2)	(53.4)	(40.6)
IT service expenses – Capitalisation of development costs	(19.0)	(0.9)	(6.7)	(0.8)
Other expenses – Capitalisation of development costs	(117.3)	(69.8)	(29.0)	(21.2)
Capitalised cost of Allegro Incentive Program	6.6	—	1.9	—
Capitalised development costs	(336.3)	(224.8)	(87.1)	(62.7)

NET DEBT AND LEVERAGE

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

PLN m (audited)	31.12.2022	31.12.2021
Adjusted EBITDA LTM	2,152.7	2,068.5
(+) Borrowings at amortised cost	6,453.5	5,366.3
Non-current liabilities	6,451.8	5,363.0
Current liabilities	1.7	3.3
(+) Lease liabilities	690.2	251.1
Non-current liabilities	567.7	206.1
Current liabilities	122.5	45.1
(-) Cash	(877.6)	(1,957.2)
= Net Debt	6,266.1	3,660.2
Leverage (Net Debt / Adjusted EBITDA LTM)	2.91 x	1.77 x

CHANGES IN WORKING CAPITAL

The amount of each title impacting the working capital for FY 2022 and 2021 respectively, are presented in the separate lines of the interim condensed consolidated statement of cash flow. However, the quarterly numbers are not disclosed, as there is no such obligation to do so.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

ADJUSTED EBITDA/REVENUE (%) FOR THE POLISH OPERATIONS

Represents Adjusted EBITDA divided by Revenue. Please refer to the calculation for the three and FY 2022 and 2021 below.

PLN m (unaudited)	FY 2022	FY 2021	Q4 2022	Q4 2021
Adjusted EBITDA	2,309.4	2,068.5	707.7	501.2
Revenue	6,644.9	5,352.9	2,025.0	1,600.7
Adjusted EBITDA/revenue (%)	**34.75%**	**38.64%**	**34.95%**	**31.31%**

ADJUSTED EBITDA/GMV (%) FOR THE POLISH OPERATIONS

Represents Adjusted EBITDA divided by GMV. Please refer to the calculation for the three and FY 2022 and 2021 below.

PLN m (unaudited)	FY 2022	FY 2021	Q4 2022	Q4 2021
Adjusted EBITDA	2,309.4	2,068.5	707.7	501.2
GMV	49,388.8	42,601.7	14,442.8	12,668.5
Adjusted EBITDA/GMV (%)	**4.68%**	**4.86%**	**4.90%**	**3.96%**

1P GROSS MARGIN FOR THE POLISH OPERATIONS

Represents retail revenue minus cost of goods sold, divided by retail revenue. Please refer to the calculation for the three and FY 2022 and 2021.

PLN m (unaudited)	FY 2022	FY 2021	Q4 2022	Q4 2021
Retail revenue	483.9	333.8	188.7	142.0
Cost of goods sold	468.9	341.1	171.8	148.3
1P Gross Margin	**3.11%**	**(2.18%)**	**8.95%**	**(4.48%)**

ADJUSTED EBITDA/REVENUE (%) FOR THE MALL SEGMENT

Represents Adjusted EBITDA divided by Revenue. Please refer to the calculation for the three months ended FY 2022 and 2021 below.

PLN m (unaudited)	FY 2022	FY 2021	Q4 2022	Q4 2021
Adjusted EBITDA	(156.8)	N/A	(39.4)	N/A
Revenue	2,365.8	N/A	1,060.6	N/A
Adjusted EBITDA/revenue (%)	**(6.63%)**	**N/A**	**(3.72%)**	**N/A**

ADJUSTED EBITDA/GMV (%) FOR THE MALL SEGMENT

Represents Adjusted EBITDA divided by GMV. Please refer to the calculation for the three months ended FY 2022 and 2021 below.

PLN m (unaudited)	FY 2022	FY 2021	Q4 2022	Q4 2021
Adjusted EBITDA	(156.8)	N/A	(39.4)	N/A
GMV	3,106.9	N/A	1,424.1	N/A
Adjusted EBITDA/GMV (%)	**(5.05%)**	**N/A**	**(2.77%)**	**N/A**

1P GROSS MARGIN FOR THE MALL SEGMENT

Represents retail revenue minus cost of goods sold, divided by retail revenue. Please refer to the calculation for the three months ended FY 2022 and 2021 below.

PLN m (unaudited)	FY 2022	FY 2021	Q4 2022	Q4 2021
Retail revenue	2,214.4	N/A	993.1	N/A
Cost of goods sold	1,942.8	N/A	867.2	N/A
1P Gross Margin	**12.27%**	**N/A**	**12.67%**	**N/A**

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

allegro

III.

Non-financial report

Allegro.eu Report on Non-financial Information for 2022 was prepared in accordance with EU legal requirements (Directive 2014/95/EU, Directive (UE) 2020/852), the Guidelines on non-financial reporting (2017/C 215/01), as well as the Supplement on reporting climate-related information (2019/C 209/01). The report covers Allegro.eu SA, Allegro sp. z o.o., Ceneo.pl sp. z o.o., eBilet Polska sp. z o.o., Allegro Finance sp. z o.o., Allegro Pay sp. z o.o., Opennet.pl sp. z o.o., "Skynet Custom Brokers" sp. z o.o., Allegro Foundation and Allegro Treasury s.à r.l., Mall Group a.s., WE|DO s.r.o (CZ), WE|DO s.r.o. (SK), CZC.cz s.r.o., Internet Mall a.s., Internet Mall Slovakia s.r.o., Netretail sp. z o.o. in liquidation, E-commerce Holding a.s, AMG Media a.s., MIMOVRSTE, spletna trgovina d.o.o., Internet Mall d.o.o., Internet Mall Hungary Kft., m-HU Internet Kft.

1. Business Model, Operations, and Corporate Governance

1.1. Business Model

1.1.1. SCOPE OF BUSINESS ACTIVITY

Allegro is the go-to commerce platform for Polish consumers and has delivered strong revenue growth, profitability and cash flow at scale. The Group operates a leading online marketplace in Poland, Allegro.pl, and the price comparison platform in Poland, Ceneo.pl (Source: OC&C). On April 1st 2022, Allegro completed the acquisition of Mall Group a.s., a leading e-commerce player across Central and Eastern Europe and WE|DO, a last mile delivery expert, bringing logistics expertise. The Transaction established 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 and WE|DO – into the same capital group.

After the recent acquisition, the Group now operates on the territory of Europe mainly in Poland, Czech Republic, Slovakia, Hungary, Croatia and Slovenia. The Group's most significant operating entities are: Allegro Sp. z o.o. (previously Allegro.pl Sp. z o.o. or 'Allegro'), Ceneo.pl Sp. z o.o. ('Ceneo'), eBilet Polska Sp. z o.o. ('eBilet'), Allegro Pay Sp. z o.o. ('Allegro Pay'), that account for the "Polish Operations" of the Group, as well as CZC.cz s.r.o. ('CZC'), Internet Mall a.s. ('Mall.cz'), Internet Mall Slovakia s.r.o. ('Mall. sk') and Mimovrste, spletna trgovina d.o.o ('Mimovrste') that are included in the "Mall Segment".

Polish Operations remain the core of the Allegro business and account for the significant majority of the Group's operations. Allegro is the most recognised e-commerce brand in Poland (Source: Gemius [1]), with 85% spontaneous brand awareness. As of 31 December 2022, the Group's e-commerce marketplace had nearly 14.1 million Active Buyers who connected with over 133 thousand merchants. Its marketplace, Allegro.pl, attracts visits from an average of 22.4 million internet users per month, which is equivalent to 70% of Polish residents aged 15 and above [2], and around 75% of all internet users in Poland. In December 2022 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, standardised delivery solutions in cooperation with national delivery service partners, and free-delivery programs, sales incentives for quality performance, marketing campaign support, and merchant finance solutions. In addition, the Group earns advertising revenue by providing various types of advertising opportunities to brands and merchants on the platform. In Poland, the Group also has its own limited-scale, 1P (own shop) retail operations that generate revenue by selling products directly to buyers on the e-commerce marketplace. The Group's 1P retail business is intended to be a supplement to the 3P business, representing around 1% of the Group's gross merchandise value ("GMV") for the year ended 31 December 2022, used mainly to remedy important missing selection and uncompetitive price points among the offers available from the independent merchants . The Group also operates its own proprietary FinTech consumer finance subsidiary, Allego Pay, which cooperates closely with the marketplace to advance consumer loans to active buyers to facilitate their purchases on the Allegro marketplace, providing further support to user engagement.

Ceneo.pl is a multi-category price comparison site in Poland. Ceneo.pl is an established brand that attracted an average of 17 million monthly users in 2022 (Source: SimilarWeb). As of December 2022, information on around 16 million products and on 34 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 most of 2020 and 2021 had been severely disrupted by COVID-19 related restrictions on public events, eBilet began to rebuild its sales from the second half of 2021 and throughout 2022, with ticket sales up 134% versus 2021 and 34% higher than the pre-covid result from 2019.

The Group also operates a number of other entities in Poland, including Allegro Pay – a consumer finance and lending solutions provider, Opennet.pl – a technology solutions provider for logistics, including APMs and SkyNet Customers 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.

Apart from the Polish Operations described above, from 1 April 2022, the Allegro.eu Group includes also the Mall Group, a leading e-commerce player across Central and Eastern Europe and WE|DO, a last mile delivery business as well as their subsidiaries.

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

Although owned by the same group of investors as Mall Group prior to its sale to the Allegro Group, WE|DO has historically operated separately from the Mall Group with its own management team, seeking customers unrelated to Mall as well as counting Mall Group as a key customer. Courier last mile infrastructure and operations, including access to >1,100 pick up points and lockers, are operated under the WE|DO brand. Mall Group and WE|DO have built some of the leading e-commerce and logistics businesses in the CEE region, combining a large customer base, strong traffic, experienced cross-country teams and brands that are highly popular across the region.

Both Mall Group and WE|DO have been acquired as 100% subsidiaries of Allegro. Together with their subsidiaries they form the "Mall Segment" of the Group's operations.

[1] 'E-commerce in Poland 2021' report by Gemius
[2] Gemius Mediapanel

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

1.1.2 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 utilisation of machine-learning based recommendations and personalisations, the development of mobile entry points to the platform, the use of mass-scale testing on consumer usage preferences, improvements to the speed of product delivery and access to convenient delivery innovations, the development of on – and off-platform marketing tools, the addition of new seamless payment options, and providing consumer finance products.

On the supply side, the Group is a leading online opportunity for merchants in Poland and a popular route for merchants to nearly 14.1 million Active Buyers (as of 31 December 2022). 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, small and medium sized enterprises, the majority of merchants are Polish SMEs. The Group believes that this wide variety of merchants allows it to offer the broadest assortment of products at attractive prices, without dependence on any individual merchants. The Group has significantly professionalised its merchant approach over the past six 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 290 million offers at the end of 2022 and the Group aspires to further increase the number of offers as selection continues to broaden and the internationalisation of the Group's operations leads to more international sellers onboarding, attracted by the opportunity to sell across multiple markets.

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

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

The SMART! loyalty program launched in August 2018 aims to offer a great value for money proposition. It is a PLN 59.99 per year (or PLN 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 fulfilment 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 133 thousand merchants on the Group's e-commerce marketplace as of 31 December 2022. "HUB" allows a simple and intuitive delivery promise and full package tracking to be provided to buyers, while for the Group, its merchants and carriers, "HUB" provides a tool to manage end-to-end delivery performance, status communication and settlements. Merchants are able to take advantage of the smart logistic network that is simple to use and provides a range of delivery options, while benefiting from more competitive delivery costs through the Group's framework agreements with key logistics partners, including, among others, InPost, DPD, UPS, and the Polish state postal service (Poczta Polska). The significant majority of delivery volumes are processed through the Group's contracts and tools.

The Group's 3P delivery network proved resilient to the distortions in the e-commerce value chain such as those that resulted from the offline retail lockdowns, which produced significant peaks in growth of transactions, but also during the traditional December pre-Christmas peak in demand, the distribution network generally operates with only minor delivery time extensions in select categories. Moreover, the marketplace software applies an algorithm to reliably predict the time of delivery and provide a "delivery promise" to consumers, despite not physically controlling the inventory. This capability is being continuously upgraded, evidenced by Allegro being able to provide delivery promise of "in time for Christmas" for almost two days longer in 2022 than in 2021, thereby increasing sales from the Christmas peak season.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

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

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

The Group's management team has built a creative workplace for its employees, fostering a diverse, collegial, and entrepreneurial culture underpinned by teamwork, commitment, continuous professional development, and the maximisation 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 organisation with a strong employer brand, and the Group believes that this results in high employee loyalty and pride, as well as top talent acquisition from the market. Every year Allegro conducts a satisfaction survey (from 2022 one bigger and smaller pulse checks), which serves as the basic source of information about our company as a workplace. By analysing the survey results, we are able to better understand what translates to employee engagement, as well as identify areas we should work on. Company tracks performance over time and takes action in response to survey results.

Mall Group has been also conducting a regular monthly employee satisfaction survey, which allows the Management to better understand the employee engagement, eNPS and other areas affecting overall satisfaction, motivation and loyalty. The survey results are used by the managers to further work with teams and define action steps. Further information can be found in the section "Our Approach to Environmental, Social and Corporate Governance" – Employee Engagement Survey.

ENHANCED BUYER AND MERCHANT EXPERIENCE

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

The Group's near term ambition is to deploy its marketplace software and the above approach to driving the value proposition for merchants and consumers into the markets currently served by Mall and WE|DO. This process is expected to start with the deployment of a Czech version of the marketplace in 2023, with further markets covered by a sequential roll-out thereafter.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

RAISING AMBITION IN FINTECH WITH CONTINUED DEVELOPMENT OF ALLEGRO PAY

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

In 2022, the Group continued to develop Allegro Pay, its own proprietary fintech offer. Allegro Pay's offer allows for postponed payments (known as "Buy Now 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 93.5 as of Q4 2022.

In 2022 Allegro Pay reached further development milestones and met all its key targets for 2022. In December 2022, Allegro Pay extended its cooperation with Aion Bank, so that it may also offer "Buy Now Pay Later" 30-day customer loans to Aion for purchase. Until December Aion's purchases had been limited to instalment loans of various duration. Through the sale of Buy Now Pay Later customer loans to Aion within the extended cooperation, the Group expects that the value of outstanding customer loans that it needs to finance from its own capital resources will decline proportionately. Instalment and BNPL loans sold under the agreement with Aion are de-recognised from the Group's balance sheet. This dedicated external funding for continued fast loan origination and multi-year scaling of Allegro Pay significantly reduces the consumption of net working capital needed to grow the consumer loans business going forward.

Utilising the off-balance sheet financing significantly increases Allegro's ROIC (Return on Invested Capital) from Allegro Pay and is expected to enable faster growth of the Group's fintech offer.

Also in December 2022, Allegro Pay signed a Term Sheet with Aion to launch services in the Bank-as-a-Service ("BaaS") model. The Term sheet establishes the general rules of future cooperation agreement between Allegro Pay and Aion and Vodeno, a company belonging to the same capital group as Aion, acting as Aion's subcontractor and provider of certain IT technical solutions. The BaaS model will enable Allegro Pay to launch new financial products and services that are reserved for entities holding a banking licence (i.e. saving and payment accounts). Allegro Pay will act as Aion's outsourcing service provider and deliver to Aion all IT services required or necessary for onboarding of customers and the accounts management through Allegro's on-line trading platform including mobile application. Cooperation with Aion, acting as a BaaS provider and a banking licence holder, will facilitate compliance with regulatory requirements. BaaS products will be offered under Allegro Pay branding (white label). Processes and entire customer interactions will be embedded in Allegro's platform.

Allegro Pay and Aion intend to conclude the Agreement establishing the general rules of future cooperation in the scope of new products in the BaaS model until April 28, 2023.

Dynamic growth acceleration in Allegro Pay was reflected in surpassing the 2022 loans issued guidance of PLN 4.0 billion. The year-end gross loans balance of PLN 388.8 million (net of receivables sold to Aion in 2022), with a total of 5.5 billion of cumulative loans originated.

Going forward, the Group intends to scale up and further improve Allegro Pay in 2023 and beyond.

In addition to Allegro Pay, the Group has an extensive future product roadmap with a focus on additional products in the near term, such as further expansion in merchant financing, B2B payments and financing as well as development of insurance offerings over time.

ADVERTISING SERVICES

The Group has significant reach due to the high level of user engagement with, and visits to, its marketplace platform and this has underpinned strong growth in the Group's advertising revenues. The Group believes that there is significant potential to increase advertising revenue through further monetisation of that broad reach, improvements in ad technology and favourable online advertising market trends. The Group believes that it is well positioned to capture a large share in digital advertising via scalable, automated and AI-driven advertising solutions leveraging the Group's traffic, data and product catalogue. Some of the Group's key Allegro Ads 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 monetise this content therefore grow in line with growth in the marketplace and there is minimal incremental cost, resulting in advertising producing high margin revenue streams that can be reinvested in the further development of the marketplace.

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

PRICE COMPARISON SERVICES

Ceneo is a leading price comparison platform in Poland and among the most successful comparison sites in Europe in terms of site visits, which was able to keep close to 2021 revenue volume in 2022 (only – 1.9% YoY) despite headwinds from the macroeconomic situation. The Group benefits from Ceneo as a result not only of the increased traffic that is directed to the Group's e-commerce marketplace, but also from monetisation of a different part of the customer journey and an expanded advertising reach. Ceneo provides consumers with price comparison listings for products that they are interested in purchasing. Merchants pay for click-through leads from the Ceneo listing to the merchants own e-stores, either based on standard price lists or by bidding for position in promoted spots on the listings. In addition, Ceneo provides check-out services to some of its merchant partners, charging higher commissions for processing a retail transaction with an end consumer on their behalf. As content is provided for free by the merchants listing on the price comparison platform, Ceneo's price comparison services have historically produced high margins for the Group. These margins and growth rates have been gradually coming down as the cost of acquiring e-commerce search traffic for the platform has risen significantly in the past three years. The Ceneo management team has responded to these challenges by focusing on investments to increase monetisation per visit through developing Ceneo checkout services and optimising traffic acquisition strategies, focusing on price & selection through expanding top merchants' portfolio (eg. Amazon) and scaling up the product catalogue. Moreover, efficiency is being increased through investment in self-service tools and process automation.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

SMART! AND DELIVERY EXPERIENCE SERVICES

The SMART! loyalty program has achieved significant success with a constantly growing number of active buyers. The 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 other innovative delivery services. These initiatives are being undertaken in parallel with the Group's continued focus on its 3P merchant-fulfilled model that has proven to be an effective, asset-light approach. However, where software and integration driven 3P solutions will not deliver sufficient progress in the delivery experience of the buyers, or when unit costs of delivery may be reduced further at reasonable cost of investment, the Group will also make capital investments to improve its capabilities. Two main capital investment initiatives to support delivery experience reached important milestones in 2022:

i) Commercial launch of Allegro's One Fulfillment services. Allegro Fulfillment is 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. Allegro Fulfillment Center holds Merchants' inventory on a 3P basis and Allegro Fulfillment staff receive, store, pick, and ship that inventory on behalf of the Merchants in exchange for processing fees. The Group's first fulfillment center situated outside Warsaw and opened 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 and, depending on the demand for its fulfillment services and positive impact on key delivery, cost and financial metrics, the Group may decide on whether to invest in further fulfillment centers in the future.

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. Over the course of 2022, the Group's locker network reached over 2,500 machines, up from just over 1,000 lockers as of EY 2021. The new service, marketed under the brand Allegro One Box, commenced commercial deliveries in November 2021. The investment in One Box lockers network enabled the Group to develop the full scope of competencies necessary to build, manage, and integrate such a network. The final scale of the investment and number of lockers to be built is yet to be determined and will depend on the delivery experience improvements and returns on investment delivered by the initial investments. Future investment will be guided by solving for customer convenience at lowest cost, with the Group remaining agnostic between a proprietary network roll-out and leveraging third party locker networks.

In addition to these two main investment projects in logistics and delivery assets, in late 2021 the Group acquired a local same-day delivery company, X-press Couriers, later rebranded to One Kurier, to complement fulfillment and lockers services in driving faster deliveries. Ownership of One Kurier 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.

In line with the Group's International Expansion strategy, Allegro Delivery Experience team is currently developing delivery solutions for the Czech Republic and Slovakia, supporting the launch of a cross-border marketplace and Smart. The goal is to allow consumers in all AMG countries to choose convenient, fast, and cost-effective delivery methods while shopping on the platform, thanks in part to the existing fulfillment and delivery capabilities of Mall and WE|DO.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

TECHNOLOGY PLATFORM

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

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

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

The Group is working to leverage its new multi-language capabilities to support the deployment of its marketplace in the countries currently served by the Mall Group, starting with the Czech Republic in 2023. Allegro's proprietary marketplace software stack is being extended to provide service under a new domain, Allegro.cz, which will be available to Czech consumers and the whole merchant base. The new domain will operate in the Czech language, enable payment in Czech Crowns and integrate local delivery solutions. Czech merchants will be able to onboard to Allegro and sell on the Czech market, with the option to sell into Poland and the wider EU if they so choose. The Mall Group's brands, Mall and CZC, will be leading merchants on Allegro.cz when it launches.

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

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

SALES AND MARKETING

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

GEOGRAPHIC EXPANSION

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

The acquisition of Mall Group WE|DO, completed in April 2022, was a significant step for Allegro in its strategy of international expansion, allowing the expanded Group to accelerate growth across Europe. 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 growth in Mall's GMV through expanded selection and improved user engagement in the third-party marketplace model. The ongoing integration of Allegro, Mall Group and WE|DO should strengthen the companies' joint status as a leading marketplace platform for CEE customers and merchants. The Group's combined merchants pool in Poland and across Eastern Europe will benefit from the ability to 'list once, sell everywhere' and gain wider access to a PLN 1.14 trillion addressable retail market of 70 million people. The acquisition should improve the shopping experience and provide the best prices, broadest offer selection and maximum convenience for an 18 million-strong existing combined customer base across the region.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

FOCUS ON THE MANAGEMENT'S SEVEN PRIORITIES

In execution of Allegro's growth strategy the Management is focused on the following seven priorities. The priorities are agreed goals that the entire Group is working towards:

GROWTH PRIORITY 1:
STRONG IN POLAND

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

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

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

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

GROWTH PRIORITY 3:
SCALE UP ALLEGRO PAY

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

COST PRIORITY 4:
IMPROVE SMART! AND DELIVERY ECONOMICS

The Group aims to rebalance the economics of delivery and the SMART! loyalty programme. In November 2022, the annual subscription fee of the loyalty programme was increased to PLN 59.90 from PLN 49. The Group has also increased the minimum order value to PLN 45 for out-of-home delivery methods and to PLN 65 for courier delivery, which over time ought to drive the delivery mix towards less expensive shipping methods. Moreover, in August 2022, the delivery co-finance charges for merchants were increased, aiming to share more evenly the cost of deliveries with Smart! program merchants. While Allegro continues to make progress in delivery speed and to expand the One Box lockers network, as well as availability of One Box delivery option across offers on the platform, the Group is carefully analysing returns on investment delivered by the current network before expanding further.

COST PRIORITY 5:
MALL 1P BUSINESS TURNAROUND

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

COST PRIORITY 6:
FIT TO GROW

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

PRIORITY 7:
PEOPLE AND CULTURE

Allegro aims to create a single organisation across 6 countries, making sure that talent is deployed as productively and clearly as possible within the post-merger structure, while looking for the synergies. The Managements aims to shift from recruiting outside local markets, while ensuring that the internal talent pool is efficiently deployed.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

1.2. Group Structure

As of 31 December 2022, the Group comprised of Allegro.eu, as well as intermediate holding company Allegro Treasury s.à r.l. (previously Adinan Midco) with their registered office in Luxembourg and companies conducting operating activities in the territory of Poland – Allegro sp. z o.o. (previously Allegro.pl sp. z o.o.), Allegro Pay sp. z o.o., Allegro Finance sp. z o.o., Ceneo.pl sp. z o.o., eBilet Polska sp. z o.o., OpenNet.pl sp. z o.o. and Skynet Customs Brokers sp. z o.o. as well as the Mall Segment. Each of the Polish Operating Companies and their subsidiaries have their registered offices located in Poland. Apart from the Polish Operating Companies, as of 31 December 2022 the Group also included the Mall Segment companies that have been consolidated since 1 April 2022, comprising the e-commerce and logistics businesses and brands of Mall Group and WE|DO, based mainly in Czechia, Slovakia and Slovenia (Mall Group a.s., Internet Mall a.s., Internet Mall Hungary Kft., Mimovrste d.o.o., Internet Mall Slovakia s.r.o., Internet Mall a.s., Netretail sp. z.o.o. w likwidacji, m-HU Internet Kft., E-commerce Holding a.s., AMG Media a.s., CZC.cz s.r.o., WE|DO s.r.o. (CZ) and WE|DO s.r.o (SK). The Employee Benefit Trust has been also included in the Group Consolidated Financial Statements.

Key information regarding the members of the Group, their country of domicile, economic interest held by the Group as at 31 December 2022 and the periods subject to consolidation are presented below.

Rozbaleno, Uloženka and Digital Engines were disposed of on 27 October 2022, while the E-commerce Holding a.s. merged with the Mall Group a.s. on 31 December 2022.

PERIOD COVERED BY CONSOLIDATION
01.01.2022 – 31.12.2022

- **Allegro.eu** – Luxembourg
  - - - **Adinan Super Topco Employee Benefit Trust** – Jersey, **n/a**
- **Allegro Treasury S.à r.l.** (previously Adinan Midco S.à r.l.) – Luxembourg, **100%**
  - **Allegro Sp. z o.o. (prev. Allegro.pl sp. z o.o.)** – Poland, **100%**
    - **Mall Group a.s.** [1] – Czech Republic, **100%**
      - **E-commerce Holding a.s.** [1] – Czech Republic, **100%**
        - **AMG Media a.s. (previously LGSTCS a.s.)** [1] – Czech Republic, **100%**
          - **Uloženka s.r.o.** [1] – Czech Republic, **100%**
        - **Digital Engines s.r.o. v likvidaci** [1] – Czech Republic, **100%**
        - **CZC.cz s.r.o.** [1] – Czech Republic, **100%**
        - **Rozbaleno.cz s.r.o. v likvidaci** [1] – Czech Republic, **100%**
      - **Internet Mall a.s.** [1] – Czech Republic, **100%**
      - **Internet Mall Hungary Kft.** [1] – Hungary, **100%**
      - **Mimovrste d.o.o.** [1] – Slovenia, **100%**
      - **Internet Mall Slovakia s.r.o.** [1] – Slovakia, **100%**
      - **Internet Mall d.o.o.** [1] – Croatia, **100%**
      - **Netretail Sp. z.o.o. w likwidacji** [1] – Poland, **100%**
      - **m-HU Internet Kft.** [1] – Hungary, **100%**
    - **eBilet Polska Sp. z o.o.** – Poland, **100%**
    - **Opennet.pl Sp. z o.o.** – Poland, **100%**
    - **Allegro Finance Sp. z o.o.** – Poland, **100%**
    - **SkyNet Customs Brokers Sp. z o.o.** – Poland, **100%**
    - **WE|DO CZ s.r.o** [1] – Czech Republic, **100%**
      - **WE|DO SK s.r.o** [1] – Slovakia, **100%**
  - **Ceneo.pl Sp. z o.o.** – Poland, **100%**
  - **Allegro Pay Sp. z o.o.** – Poland, **100%**

[1] Period covered by consolidation 01.04.2022–31.12.2022

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

1.3. Management

Allegro.eu, being a company incorporated and existing under the laws of Luxembourg, has a one-tier (unitary) management system in which the Board of Directors includes both executive Directors (dealing with the day-to-day management) and non-executive (supervising) Directors – as opposed to the majority of Polish companies, having both the management board and the supervisory board. As of 2022 year end, the Board had nine members, of which three 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 7 meetings in 2022.

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

Name	Age	Year appointed for the current term to the Board of Directors	Year term expires	Resigned on	Representing
Darren Huston	58	2020	2026	—	Non-Executive Chairman
Roy Perticucci	60	2022	2026	—	Executive Director, Group CEO
Jonathan Eastick	56	2020	2026	—	Executive Director, Group CFO
David Barker	55	2020	2026	—	Cinven
Richard Sanders	51	2020	2026	—	Permira
Paweł Padusiński	46	2020	2026	—	Mid Europa Partners
Nancy Cruickshank	52	2020	2026	—	Independent Non-Executive Director
Carla Smits-Nusteling	57	2020	2026	—	Independent Non-Executive Director
Pedro Arnt	50	2022	2028	—	Independent Non-Executive Director
François Nuyts	50	2020	—	31 August 2022	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.

ROY PERTICUCCI

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

FRANÇOIS NUYTS

François Nuyts served as the CEO of the Group until 31 August 2022. 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 was also a member of the management board of Allegro and a member of the management board of Ceneo.pl. Mr Nuyts resigned from the Management Board of Allegro and his role as a Chief Executive Officer on 31 August 2022.

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 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 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.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

RICHARD SANDERS

Richard Sanders led Permira's investment in Allegro and has been a member of the supervisory boards of the Allegro and Ceneo.pl operating companies since 2017. He was appointed a member of the Board of Directors on 1 September 2020. Mr. Sanders joined Permira in 1999 and is a partner and a member of the 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 organised under the laws of the Netherlands to safeguard the interests of Koninklijke Ahold Delhaize N.V. Previously, Ms. Smits-Nusteling was non-executive director 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.

PEDRO ARNT

Pedro Arnt was appointed a member of the Issuer's Board on June 22, 2022. Mr Arnt has been working for over 20 years in various senior leadership capacities in the consumer internet industry, serving since 2011 as the Chief Financial Officer of MercadoLibre (MELI), one of the largest global marketplaces and Latin America's most popular ecommerce site by number of visitors. Prior to joining MercadoLibre, Pedro worked for The Boston Consulting Group in the Buenos Aires and São Paulo offices. Over his career, he has held roles in various capacities, gaining multi-year experience leading a variety of teams from early-stage corporate development and marketing, through managing the company's customer experience operations, continuing as Vice President of Strategic Planning, Treasury & Investor Relations. He holds a bachelor's degree from Haverford College and a master's degree from the University of Oxford.

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

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

STATEMENT ON BOARD INDEPENDENCE TARGET

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

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

Key Managers (“Persons Discharging Managerial Responsibilities”)

In addition to the executive management on the Board of Directors of Allegro.eu, the following Key Managers are considered relevant to establishing that the Group has the appropriate expertise for the management of the business and have served for all or part of 2022:

ALVISE FAVARA

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

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

DAVID ROBERTS

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

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

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 optimisation 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.

RECLASSIFICATION OF KEY MANAGERS FOLLOW THE ACQUISITION OF MALL GROUP

Following the acquisition of the Mall Group on April 1 2022, Ceneo has become a relatively much smaller part of the enlarged consolidated Group. To reflect this change the Group has changed the composition of the list of Person discharging managerial responsibilities (PDMR) by removing the Ceneo Management Board Members. As such starting from April 1, 2022 Marcin Łachajczyk and Wojciech Bogdan were no longer considered Key Managers of the enlarged Group.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor’s report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

1.4. Board Committees

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

AUDIT COMMITTEE

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

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

The Audit Committee consisted of David Barker, Nancy Cruickshank (until 21.09.2022), Pedro Arnt (from 22.06.2022) and Carla Smits-Nusteling (who serves as chairperson of the Audit Committee).

SUMMARY OF AUDIT COMMITTEE ACTIVITIES IN 2022

In 2022 the Audit Committee held 6 meetings held in February, March, May, June, September and November. Key focus areas and discussion points of the Committee were:

- discussion and approval of quarterly, half-yearly and annual investor reporting packages,
- risk management, compliance, ethics, fraud & cybersecurity,
- deep dives on specific focus areas:
  - compliance,
  - whistleblower, anti-fraud & anti-bribery,
  - internal audit,
  - risk management,
  - liquidity & treasury,
  - tax, and
  - estimates and judgments prior to the annual closing.
- formalisation 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 , and Carla Smits-Nusteling. In 2022 Darren Huston served as the chairperson of the Remuneration and Nomination Committee until June 22, 2022 when he resigned from the role and Nancy Cruickshank was appointed as Chairperson.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

SUMMARY OF REMUNERATION AND NOMINATION COMMITTEE ACTIVITIES IN 2022

In 2022 the Remuneration and Nomination Committee held 6 meetings in total, on 28 February, 28 March, 8 April, 28 June, 21 September and 28 November. Key focus areas and discussion points of the Committee were:

- review and approval of 2021 annual bonus pool and bonus payout recommendations for Board Members and key managers of Allegro and Ceneo.pl,
- review and approval of 2022 remuneration of Allegro.eu Directors and Allegro/Ceneo.pl Board Members and key managers as well as of Allegro Incentive Plan pool and grants for 2022-2024 ,
- review and approval of Allegro 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,
- review and updates on Diversity, Equity and Inclusion Policy and initiatives
- review and approval of compensation packages for newly hired senior managers, adjustments to senior management compensation and leaving arrangements when applicable.

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	27.13%	286 778 572	27.13%
Permira VI Investment Platform Limited	286 778 572	27.13%	286 778 572	27.13%
Mepinan S.à r.l.	63 728 574	6.03%	63 728 574	6.03%
Free Float	419 619 135	39.70%	419 619 135	39.70%
Total:	**1 056 904 853**	**100.00%**	**1 056 904 853**	**100.00%**

The largest individual shareholders of the Group since the parent company's inception in 2020 have been ultimately owned by the private equity funds: Cinven, Permira and Mid Europa Partners (together the "Significant Shareholders").

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

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

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

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

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

Following the WSE Rules, on 30 July 2021 the Group published its first Best Practice 2021 compliance report. The practices where the Group was not compliant with the WSE Best Practices in 2022, disclosed in the compliance report, are discussed below. Besides, the Board monitors and assesses the issues of compliance of the Group with the WSE Best Practices on an ongoing basis. To date, no cases of permanent or incidental breach have been reported.

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

The principle was not applied.

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

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

The principle was not applied.

Comments of the Company: The principle was 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 22 % (2 out of 9 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 was not applied.

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

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

The principle was not applied.

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

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

The principle was not applied.

Comments of the Company: Due to technical and organisational 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 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 was not applied.

Comments of the Company: Due to technical and organisational 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.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

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 2022 as well as in the previous year, that are required to be reported in connection with IAS 24 "Related Party Disclosures" are set forth in Note 36 (Related Party Transactions) to the Annual Financial Statements. Transactions with related parties referred to settlements of consulting and management services and loans granted. All transactions were entered into on an arm's length basis.

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

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.

BUSINESS OFFICE SERVICES

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

ALTER DOMUS MASTER SERVICES AGREEMENTS

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

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

CULTURE AMP LTD

Allegro sources services in the field of employee satisfaction surveys from Culture Amp LTD, a Permira funds portfolio company.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

1.8. Legal proceedings

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

LEGAL DISPUTES RELATING TO THE MINORITY STAKE OF SHARES IN EBILET

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

The Claimant has filed against Bola, individuals associated with Bola and Allegro two lawsuits, i.e. one with the Regional Court in Poznań and one with the Regional Court in Warsaw demanding annulment of agreements concerning the purchase of shares in eBilet Polska concluded between Bola, individuals associated with Bola and Allegro. The lawsuit filed in Poznań court has been rejected and the decision is now final and binding. The case in Warsaw is pending. In the course of these proceedings the court issued an interim injunction under which it prohibited Allegro to transfer shares in eBilet Polska until the conclusion of the dispute. This decision is not final yet. Based on information available to the Group and based on the assessment of the Group's legal advisor as of the date of this Report, the Group has no reason to believe that the outcome of the case in question would have a material impact on the Group.

PROCEEDINGS BEFORE THE OCCP PRESIDENT

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

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

Allegro does not agree with the decision and appealed it to the court of first instance on February 2nd, 2023. Allegro remains of the opinion that the OCCP President defined the market too narrowly, Allegro does not hold a dominant position and it did not favour 1p in any anti competitive way. The judgement of the court of first instance may be appealed to the Court of Appeal and ultimately to the Supreme Court. Courts may uphold or annul the decision or significantly decrease the fine. The fine, if sustained, becomes due and payable only upon ruling of the Court of Appeal.

In the opinion of Allegro's external legal counsel, the OCCP's decision should not be upheld in court, however it is difficult to predict exactly whether the court will annul or amend the decision. Accordingly the Management of Allegro and the Group has made no financial provision at this time,as it is more likely than not that fine imposed on Allegro will not become due and payable. Moreover, according to the Allegro's external legal counsel, even if the case is not annulled, the courts tend to significantly reduce fines imposed by the OCCP. It is also very difficult to arrive at a reasonable prediction of what level of fine might be accepted by a Court. For these reasons, no provision has been created.

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

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

Allegro does not agree with the decision and appealed it to the court of first instance. Allegro remains of the opinion that its modification clauses were not unfair and the fine imposed by the OCCP President was too high (it did not take into account important mitigating circumstances). The judgement of the court of first instance may be appealed to the Court of Appeal and ultimately to the Supreme Court. Courts may uphold or annul the decision or significantly decrease the fine. The fine, if sustained, becomes due and payable only upon ruling of the Court of Appeal.

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

EXPLANATORY PROCEEDINGS RELATED TO THE COOPERATION BETWEEN ALLEGRO AND SELLERS

On 3 September 2020, the OCCP President stated in a press release that he initiated explanatory proceedings into Allegro's rules of cooperation with sellers in order to determine whether Allegro gains unjustified advantages at the expense of its clients. According to this press release, the OCCP President will analyse in particular the conditions of charging and reimbursing fees and the rules for determining their amount. As part of the explanatory proceedings, the OCCP President will also analyse 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 OCCP President has commenced explanatory proceedings into Allegro's rules of cooperation with sellers. In October 2020 Allegro received questions related to the above mentioned matter. Allegro is expecting to receive requests for information from the OCCP 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. If the OCCP President decides to pursue the matters covered by these explanatory proceedings, he must open antitrust proceedings against Allegro. If the OCCP President decides that Allegro's behaviour 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's turnover in the financial year preceding the infringement decision, for each infringement. If during the course of the investigation Allegro offers adequate commitments to rectify the alleged infringement and/or to remedy its effects, the case may end with a commitment arrangement with the OCCP President and no fine imposed.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

CONSUMERS' PROTECTION PROCEEDINGS AGAINST EBILET RELATED TO PROCEDURE OF TICKETS RETURNS DURING COVID-19 PANDEMIC

This proceeding is a continuation of a previously conducted explanatory proceedings regarding eBilet's procedure of money refund for events cancelled due to the COVID-19 pandemic launched on 22 February 2021. eBilet answered questions asked by the OCCP President and provided legal arguments that Covid-19 legislation should apply also in this case to the OCCP President. If the OCCP President is satisfied with eBilet's responses, the proceedings will end without further actions. If not, the OCCP 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 eBilet's turnover in the financial year preceding the decision. The OCCP President may also order the effects of the infringement to be remedied (e.g. obligation to compensate affected consumers).

Based on information available to the Group and based on the assessment of the Group's legal advisor as of the date of this Report, the Group has no reason to believe that the outcome of the case in question would have a material impact on the Group.

EXPLANATORY PROCEEDINGS RELATED TO THE RULES OF LEASE OF PROPERTY FOR THE INSTALLATION OF PARCEL LOCKERS

On 6 July 2022 Allegro received questions from the OCCP President in the explanatory proceedings related to unfair non-competition clauses included in the lease agreement concluded for the purpose of installation of parcel lockers. The OCCP President is analysing whether the rules being in place may infringe competition law. These explanatory proceedings are a preliminary step that does not have to lead to the initiation of formal proceedings against any company. If the OCCP President decides to pursue the matters covered by the explanatory proceedings, the antimonopoly proceedings against specific company or companies must be opened (the scope of the explanatory proceedings does not indicate a precise charge).

EXPLANATORY PROCEEDINGS RELATED TO CONSUMER REVIEWS

On 22 December 2021 the OCCP 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 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. If the OCCP 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 (the scope of the explanatory proceedings does not indicate a precise charge).

If the OCCP President decides that Allegro's behaviour 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's turnover in the financial year preceding the infringement decision, for each infringement. If, during the course of the investigation, Allegro 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.

EXPLANATORY PROCEEDINGS RELATED TO ALLEGRO ONE MARKETING

On 28th October 2022 Allegro received a decision to launch an explanatory proceedings and questions from the OCCP regarding the marketing claims of Allegro's logistic service Allegro One. The OCCP is trying to establish whether a violation of collective consumers' interest may have taken place. Earlier that year, on 7th February 2022, the OCCP asked Allegro several questions on the same matter in an informal request to provide information on how ecological aspects are being used by Allegro to promote its parcel locker services. The OCCP did not regard Allegro's explanations as sufficiently backing the claims within the marketing strategy and is now investigating further. These explanatory proceedings are a preliminary step that does not have to lead to the initiation of formal proceedings against Allegro. If the OCCP President decides to pursue the matters covered by the explanatory proceedings, he must open proceedings regarding the violation of collective consumer interests against Allegro (the scope of the explanatory proceedings does not indicate a precise charge).

EXPLANATORY PROCEEDINGS RELATED TO PLANNED INTRODUCTION OF THE INDEXATION CLAUSE TO SMART! TERMS & CONDITIONS

On 22th November 2022 Allegro received a decision to launch explanatory proceedings and questions from the OCCP President regarding the planned introduction of the indexation clause to Smart! Terms & Conditions. The OCCP President is analysing whether a violation of collective consumers' interest or use of abusive clauses in contracts with consumers may have taken place. Although Allegro planned to introduce the indexation clause to Smart! Terms & Conditions on 21st November 2022, it resigned from it on 17th of November 2022, which was widely communicated via e-mails to Smart! subscribers and on allegro.pl website. Accordingly, the indexation clause was not introduced to any contract with a consumer. These explanatory proceedings are a preliminary step that does not have to lead to the initiation of formal proceedings against Allegro. If the OCCP President decides to pursue the matter covered by the explanatory proceedings, he must open proceedings regarding the violation of collective consumer interests and/ or usage of abusive clauses against Allegro (the scope of the explanatory proceedings does not indicate a precise charge). As of the date of the Report, Allegro did not receive further communication from the OCCP in this case.

EXPLANATORY PROCEEDINGS INITIATED IN 2023 RELATED TO ALLEGRO PAY

On 27 January 2023 Allegro Pay received a decision to launch explanatory proceedings along with questions from the OCCP President regarding the conditions for granting consumer credits, as well as the limitation of use of payment cards as an Allegro Pay repayment method for a few days.

The proceedings are aimed at investigating whether Allegro Pay's actions or T&Cs might have infringed collective consumers' interest or contain unfair contract terms. These explanatory proceedings are a preliminary step that does not have to lead to the initiation of formal proceedings against Allegro Pay. If the OCCP President decides to pursue the matter covered by the explanatory proceedings, he must open proceedings regarding the violation of collective consumer interests and/ or usage of abusive clauses (the scope of the explanatory proceedings does not indicate a precise charge). As of the date of the Report, Allegro Pay did not receive further communication from the OCCP in this case.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

CONSUMERS' PROTECTION PROCEEDINGS AGAINST EBILET RELATED TO PROVIDING MISLEADING INFORMATION TO CONSUMERS ABOUT THE LOWEST PRICE OF A TICKET ON EBILET WEBSITE

On 9 March eBilet received a decision of the President of the OCCP instigating the proceedings for the breach of collective consumers interests against eBilet followed by the request for information. The charges of the President of the OCCP relate to providing misleading information to consumers about the lowest price of a ticket on eBilet website that does not include additional (and according to the OCCP – obligatory) fees. The decision to instigate the proceedings was preceded by informal requests for information from the President of the OCCP in 2022 to which eBilet replied and, as a result of which, an additional note next to the ticket price informing that additional fee may apply was added. eBilet is analysing the decision and preparing answers to the questions asked by the OCCP. If the OCCP President is satisfied with eBilet's responses, the proceedings will end without further actions. If not, the OCCP will issue an infringement decision, with or without a fine. If a fine was 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 decision. The OCCP President may also order the effects of the infringement to be remedied (e.g. obligation to compensate affected consumers). As of the date of the Report it is difficult to assess the potential outcome of the proceedings.

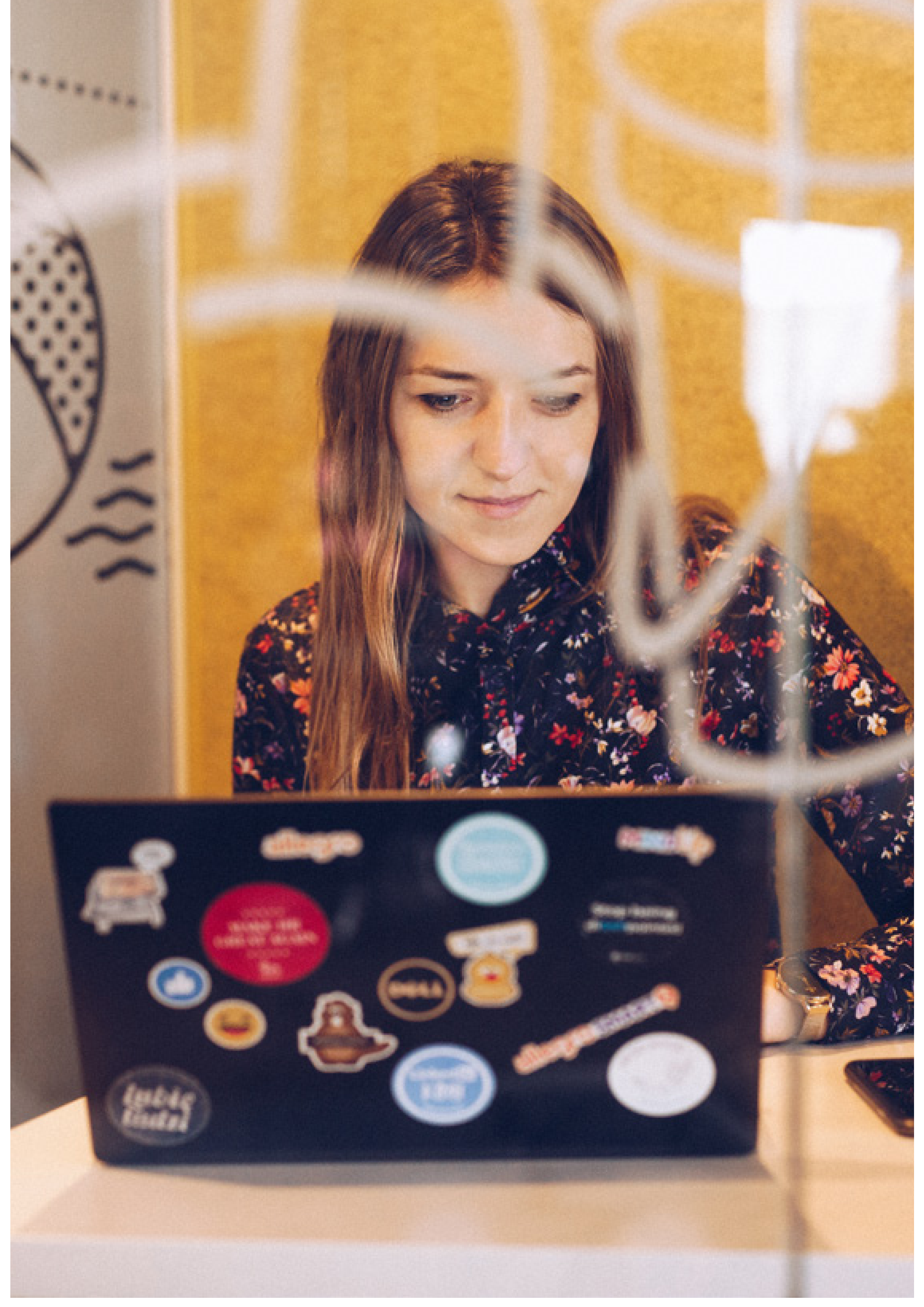
Based on information available to the Group and based on the assessment of the Group's legal advisor as of the date of this Report, the Group has no reason to believe that the outcome of the case in question would have a material impact on the Group.

INFORMAL INFORMATION REQUESTS FROM THE OCCP PRESIDENT

In the past, the OCCP 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.

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

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



This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

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

2.1. Risk Management System

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

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

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

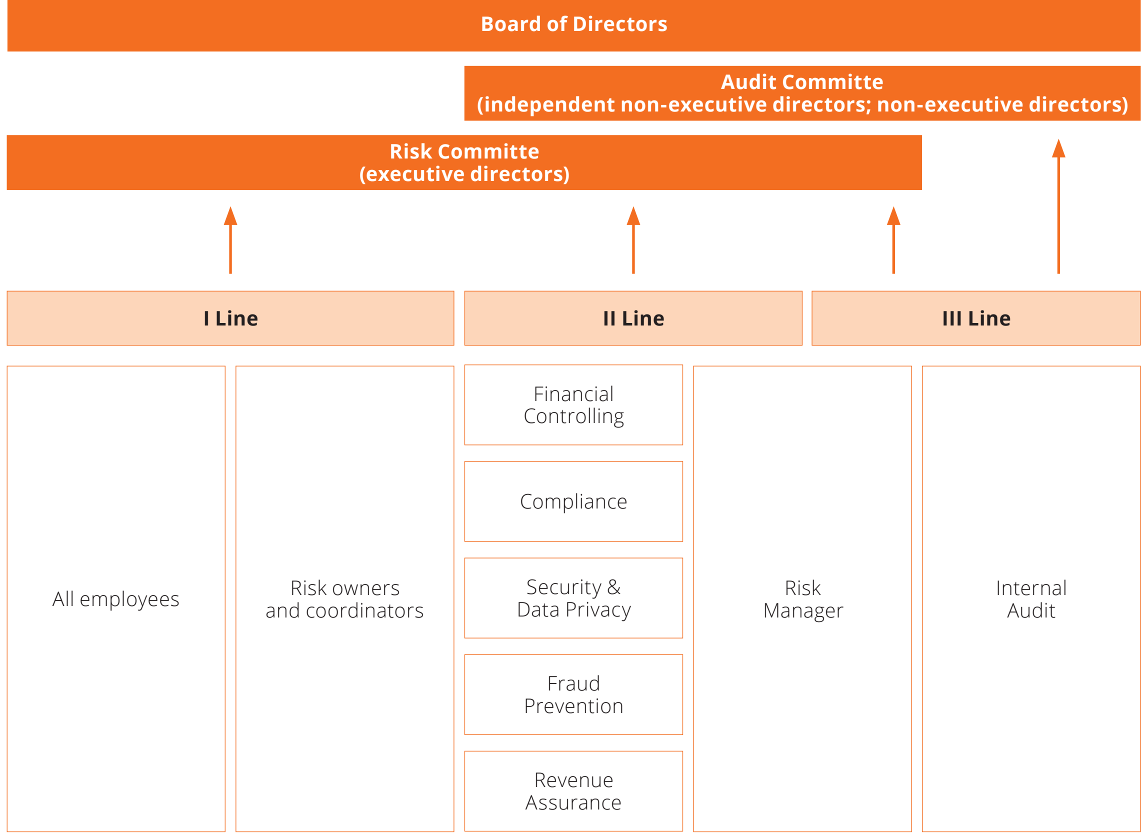
- reducing the risks affecting the achievement of goals and implementation of tasks;
- taking full advantage of the business opportunities and mitigating the risk of lost opportunities;
- improving the effectiveness of internal processes by relying on and constantly improving the existing corporate governance;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

RISK MANAGEMENT POLICY

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

ROLES AND RESPONSIBILITIES

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



This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

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

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

RISK MANAGEMENT PROCESS

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

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

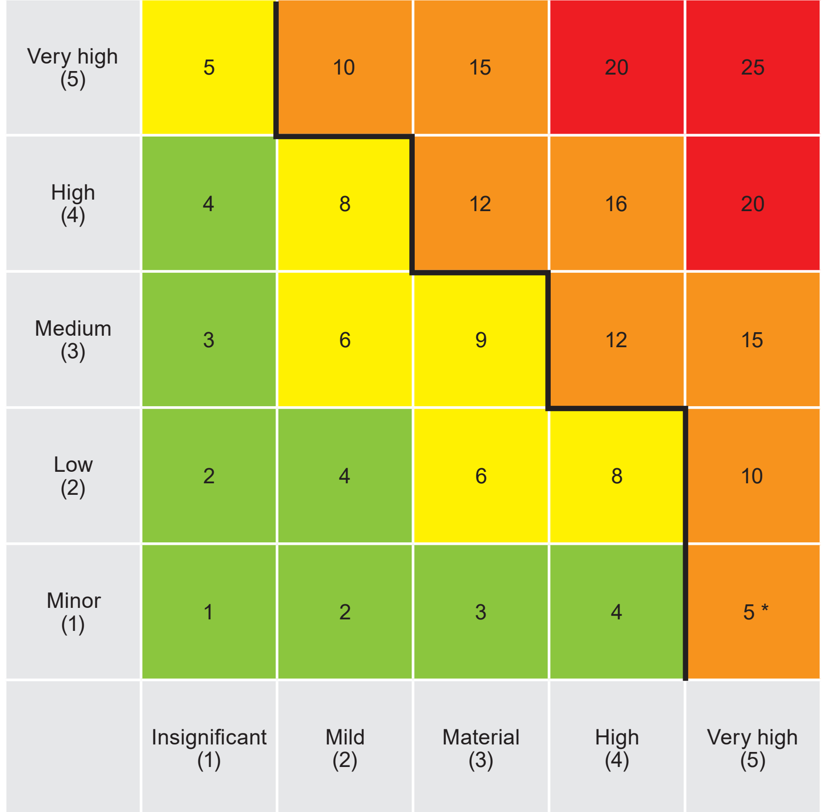
- **Risk identification and measurement processes** – risks are identified in every functional area of Group's operations, recorded in the Group Risk Register, and evaluated in accordance with methodology placed in risk management procedure
- **Risk mitigation and control** – for every risk recorded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

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

RISK ASSESSMENT APPROACH

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

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



* 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.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

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

Accordingly, as at the date of this report, the risk assessment set out above, produced from application of the Group's Risk Management Policy, does not yet include Skynet Custom Brokers Sp. z o.o. acquired in October 2021, eBilet Polska Sp. z o.o., Opennet.pl Sp. z o.o., Mall Group a.s. or WE|DO CZ s.r.o.,

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.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

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 characterised 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, LPP and e-commerce companies such as Alibaba, Amazon, and eBay that sell products from a large number of categories, as well as specialist e-commerce companies such as Zalando, Modivo and Oponeo.pl. 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, utilising their delivery and logistics infrastructure that already exists in Poland or elsewhere in Europe to shorten delivery times, or invest in extending their existing infrastructure models into the Polish 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.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

AMAZON AND OTHER E-COMMERCE PLAYERS MAY INTENSIFY THEIR 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

In March 2021, Amazon Inc. ("Amazon") launched an Amazon.pl website having previously invited merchants to register on its dedicated seller central platform. In October 2021, Amazon.pl launched Amazon's Prime loyalty program in Poland, which has a similar objective to the Group's SMART! Program of increasing purchasing frequency and loyalty amongst active buyers. Throughout 2022, Amazon continued to develop its business in Poland, adding new products to its portfolio and having launched the first Polish edition of Amazon's Prime Day, company's deal event that offers discounts on thousands of products and advertising Amazon Prime Video streaming service and content. Moreover, the network of fulfillment centres operated by Amazon in Poland, chiefly to serve the German e-commerce segment, made it possible to deliver a significant part of Amazon.de selection with next day or two day service. As a result of these developments, the Group is expecting that competition with Amazon may gradually intensify.

In 2021, SEA Limited ("SEA") entered the Polish e-commerce segment, having launched their e-commerce marketplace website Shopee.pl in September 2021. Shopee launched their mobile app focused e-commerce marketplace operation in Poland by initially offering free deliveries with no Minimum Order Value and aiming to attract consumers with discount vouchers for their first purchase as well as local sellers by reportedly offering promotional terms at the beginning of cooperation without commission or subscription fees. During 2022 Shopee made significant changes to their early market entry strategy, with introduction of Minimum Order Value to qualify for free delivery as well as commissions for sellers. In January 2023, Shopee announced they intended to exit Poland and close their local operations. Despite these developments, the Group may not exclude that other international competitors may decide to enter the Polish e-commerce segment in the future, which could cause the competitive environment to intensify. Moreover, the Group cannot rule out the possibility that SEA may decide to make another attempt to enter the Polish or Central European e-commerce segment in the future.

From time to time other e-commerce platforms, such as Aliexpress, Erli or Wszystko.pl announce their plans to compete in the Polish e-commerce space. It is not possible for the Group to accurately estimate the potential impact of intensified competition from Amazon or other e-commerce players 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, may have an indirect impact on the Group's performance.

The Group believes that the development strategy that it has pursued over the past several years has prepared it well to meet intensified competition from Amazon and other players. Allegro remains a primary consumer touchpoint when buying an item online in Poland, offering a wide and continuously increasing selection of over 290 million offers at the end of 2022, offered at very attractive prices, with seamless delivery experience and competitive marketplace take rates. This, combined with comparatively long lead times for internationally sourced selection and the familiarity of Polish consumers with the user experience and customer service provided by Allegro's marketplace is expected to provide meaningful protection against foreign competitors building a significant e-commerce segment share in Poland.

In preparing its budgets and expectations for financial performance of the Group for 2023 and beyond, the Group has used its judgement to make reasonable assumptions about the level of competition from other e-commerce players and the resulting impact on its results and operations. However, the Group may be incorrect in its planning assumptions and the impact of intensified competition may have a materially more adverse effect on the Group's business, financial condition, and results of operations than currently assumed.

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

The Group believes that the Allegro brand under which it operates has significantly contributed to the growth of its business. The Group believes that the strong awareness of the Allegro brand in Poland contributes to higher unpaid traffic on its websites and lower marketing costs as the significant majority of traffic on its websites in 2022 was generated by consumers either directly typing Allegro websites addresses, use mobile application or was related to customer relationship management, social media, search engine optimisation channels or other sources of free traffic. Therefore, the Group believes that maintaining and enhancing the Allegro brand is critical to the Group's ability to expand and retain its base of consumers, merchants, and brands.

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

These expenses include substantial outlays for offline marketing, in particular television advertising, and online marketing such as paid search engine marketing or affiliate programs, under which the Group pays third parties to refer visitors from third-party websites to the Group's websites. The Group's decisions regarding investments in user acquisition are driven by its analysis of the profit contribution generated from consumers and merchants that the Group acquired in earlier periods. There can be no assurance that the Group's assessment of user acquisition investment and resulting net revenue from such consumers and merchants, including those relating to the effectiveness of the Group's marketing expenditures, will prove to be correct or that the Group's marketing efforts and other promotional activities will achieve what the Group considers an optimal mix of advertising tactics at a cost that the Group considers economically viable. Furthermore, the Group cannot guarantee that certain methods of advertising that it currently utilises will not become less effective or that potential increased competition in the retail market will not result in a decreased return on the Group's marketing investment. The Group's online partners might be unable to deliver the anticipated number of user visits or impressions, or visitors that are attracted to the Group's websites by such campaigns might not make purchases as anticipated. Moreover, changes to search engines' algorithms 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.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

THE GROUP'S SUCCESS DEPENDS ON THE CONTINUED GROWTH OF E-COMMERCE AND THE CORRESPONDING SHIFT FROM OFFLINE TO ONLINE SHOPPING IN THE MARKETS IN WHICH IT OPERATES.

The Group depends on the continued development and growth of the Polish retail market, including the online retail and the e-commerce segment in which it currently operates, as well as corresponding markets and segments the countries where Mall Group operates (CE-5 [1]), as well as in other geographies it may seek to enter in the future. Based on projections from Euromonitor [2] as of February 2023, the Polish retail market is projected to grow at a CAGR of 7.9% from an estimated PLN 799.2 billion in 2022 to PLN 1,085.1 billion in 2026 and online retail in Poland, which remains underpenetrated relative to many other countries, is projected to grow at a CAGR of 11.6% from PLN 120.8 billion in 2022 to PLN 187.6 billion in 2026. There is no guarantee, however, that the retail market and the online retail segment in Poland and other countries where the Group operates, will grow at rates projected by Euromonitor, at the growth rates that the Group believes may occur, or at all. While intensification of competition may lead to faster growth in the e-commerce segment than would otherwise be the case, it may also lead to a relative loss of segment share for the Group that could overall result in slower actual growth. Loss of share, slowing growth, stagnation, or contraction in the market and segment in which the Group operates in Poland, CE-5 or in geographies where it may operate in the future, could have a material adverse effect on its business, financial condition, and results of operations.

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 predominantly 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 labour 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 had been introduced by the Polish Government from time to time in 2020 and 2021 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 potential future lockdowns or other causes such as a sustained period of higher real interest rates, could damage the Group's operations. Although impact of the COVID-19 pandemic had eased off during 2022 with all restrictions lifted in Poland in March 2022, it is not possible to predict if the Polish government will be able to avoid any future lockdown measures impacting the Polish retail market 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.

[1] Croatia, Czechia, Hungary, Slovakia and Slovenia
[2] Euromonitor data on Retailing in Poland, as published in February 2023

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

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

Moreover, the Polish Government has historically introduced wide-ranging changes to social security and taxation in rules and, in 2022, measures to protect consumers from rising prices and interest rates, that are likely to significantly redistribute disposable income among Polish consumers in favour of less well-off households. Whilst such changes have historically tended to lead to higher retail sales growth, there can be no assurance that this will be the case in respect to these newest reforms and they may have a negative impact on demand for the Group's services.

The Group's business, as well as the successful implementation of its strategy, is highly dependent on the financial condition of its merchants and consumers and their continued and increased use of the Group's e-commerce marketplace and other services. The financial condition of 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 and condition and results of operations of the Group.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

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

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

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

UNFOLDING ENERGY CRISIS IN EUROPE COULD MATERIALLY ADVERSELY AFFECT THE GROUP'S BUSINESS, FINANCIAL CONDITION OR RESULTS OF OPERATIONS.

In view of the possible energy crisis due to the limitation of oil, gas and coal flows from Russia to Europe, Allegro may be exposed to significant increases in energy prices. Even though, as an online marketplace, the Group's direct exposure to energy prices is relatively limited, with direct energy costs accounting for around 0.5% of the Group's total operating costs, energy costs, including electricity, gas, diesel and petrol, constitute a significant input for many of Allegro's suppliers and merchants.

Moreover, the Group, its suppliers and/or its merchants may face certain energy demand management measures imposed by the government aimed at limiting the energy consumption, which may in turn cause disruption to the Group's operations and financial performance.

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, 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 centres 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.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

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

Staying strong in Poland

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

Scale up Allegro Pay

In 2021 the Group continued to develop Allegro Pay, its own proprietary fintech offer. Allegro Pay allows consumers to postpone payments by one month ("Buy Now Pay Later" or "BNPL" offers) or split them into convenient 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 <2% in 2022. Nevertheless, the Group can provide no assurance that these credit risk assessment processes will remain as effective in the future. It may be that variances in future credit collection performance of individual consumers or in response to economic factors is greater than currently anticipated in the Group's assumptions.

The accuracy of the risk model and the Group's ability to manage credit risk related to the Group's consumer finance offering may also be affected by competitors' actions, changes in consumer behaviour, availability of funding resources, changes in the economic environment and other factors as well as legal or regulatory changes (e.g. bankruptcy laws, minimum payment regulations, restrictions on fees and interest rates, credit checking requirements or other consumer credit related provisions). In 2022 a number of legislative proposals were adopted or are currently pending at the Polish and EU level, including Antiusury bill, Law on identity theft, revision of Consumer Credit Directive. They will impact the operations of Allegro Pay. If the Group is unable to satisfactorily monitor and manage the credit risk inherent in its loans, it could result in a material adverse effect on the Group's business, financial condition and results of operations.

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

In 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 created a framework for a series of possible disposals of receivables based on an offer and acceptance mechanism. Receivables to be offered to Aion in the course of the Transaction must be compliant with eligibility criteria defined in the RPA, which include among others a permissible range of the original number of installments of receivables to be disposed of (from three to thirty). In December 2022, the Group extended the scope of its cooperation with Aion so that it may also offer "Buy Now Pay Later" 30-day customer loans to Aion for purchase.

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 terms of the agreement.

Furthermore, the Group may be unable to securitise its loan book in the future or may not be able to securitise 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 OCCP President, the Polish Financial Supervision Authority (Komisja Nadzoru Finansowego), the General Inspector of Financial Information (Generalny Inspektor Informacji Finansowej) and the Personal Data Protection Office (Urząd Ochrony Danych Osobowych), may be adversely impacted by changes to the Act of 12 May 2011 on Consumer Credit, the Act of 21 July 2006 on Supervision Over Financial Market and the Act of 29 August 1997 – The Banking Law, and such activity may be subject to additional risks including risk relating to money laundering, bribery and corruption and terrorist financing.

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

In December 2022, Allegro Pay sp. z o.o. signed a Term sheet with Aion Bank establishing the general rules of future cooperation agreement between Allegro Pay, Aion and Vodeno (the "Agreement") in the scope of new products based on the Banking-as-a-Service ("BaaS") model and introduced changes to former cooperation with Aion under the Receivables Purchase Agreement dated 11 October 2021. Vodeno is a company belonging to the same capital group as Aion, acting as Aion's subcontractor and provider of certain IT technical solutions.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

The BaaS model will enable Allegro Pay to launch new financial products and services that are reserved for entities holding banking license (i.e. saving and payment accounts). Under the Term sheet the parties agreed that Allegro Pay will act as Aion's outsourcing service provider and deliver to Aion all IT services required or necessary for onboarding of customers and the accounts management through Allegro's on-line trading platform including mobile application. Cooperation with Aion, acting as a BaaS provider and a banking licence holder, will facilitate compliance with regulatory requirements. The Term sheet is binding and includes the terms of cooperation, which will be detailed in the Agreement. Specifically, the Parties agreed that they will cooperate in good faith to further specify detailed functionalities of the services, technical specifications, commercial requirements, operational, regulatory and legal arrangements that need to be put in place for the successful implementation of their collaboration. The Term sheet provides that BaaS products will be offered under Allegro Pay branding (white label). Processes and entire customer interactions will be embedded in Allegro's platform. Allegro Pay and Aion intend to conclude the Agreement by the end of April 2023. The Board considers BaaS as an attractive way to enter the opportunities of providing banking products and services and establish a platform for further expansion of Allegro Pay. If the parties fail to conclude the BaaS Agreement within the intended timeline, Allegro Pay may fail to achieve the assumed growth and product development milestones. Furthermore, 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.

IMPROVING ECONOMICS OF SMART! AND DELIVERY

- **SMART!**

Following its launch in 2018, the SMART! loyalty program has achieved rapid consumer uptake and financial success as the Group has invested heavily in its development. Number of SMART! customers continues to grow, having reached over 5 million active buyers by the end of 2021, 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 was launched in 2021 and which additionally offers video-on-demand streaming service, may lead to slower than expected growth from SMART! if Allegro consumers choose other e-commerce players' offers instead or in addition to a SMART! subscription in the future. To avoid such a situation, the Group may choose to improve the value of the SMART! program for consumers and/or merchants and such actions could deteriorate the Group's profitability whilst strengthening growth. While the Group is aiming to improve economics of SMART, having i.a. increased in November 2022 the annual subscription fee and minimum order values to qualify for free delivery, the Group may be unable to successfully manage the anticipated growth and the related costs of the SMART! program, which could result in a material adverse effect on the Group's business, financial condition, and results of operations.

- **One Fulfillment by Allegro**

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

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

In 2021, the Group began investing in the roll-out of its own network of proprietary lockers as part of its strategy to improve delivery experience for consumers. The Group invested in a team dedicated to managing the site acquisition and locker installation and operation and is securing supply of high quality lockers. By the end of 2022, the number of installed lockers crossed the >2,500 milestone. The roll-out may take several years and the target size of the locker network is yet to be established and will depend on the project's delivery of consumer facing operational objectives as alternative methods of delivery.

As of date of this Report, InPost operates the largest APMs network in Poland. From time to time other companies, such as Aliexpress, Orlen, DPD, Poczta Polska or DHL announce their plans to roll-out more lockers in Poland. As a result, the Polish APMs market may become increasingly competitive and saturated, which may potentially result in lower than assumed utilisation of Group's own lockers and could have a material adverse effect on the Group's business, financial condition and results of operations.

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

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

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

- **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. In 2022, the company was rebranded to One Kurier and its ownership 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.

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

On April 1st 2022, the Group completed the acquisition of the Mall Group and WE | DO and their operations across CE-5 countries (see Section "Summary of key developments"). This transaction marked a significant milestone in Allegro's international expansion and the Group is currently preparing to launch Allegro 3P platform in Czechia, while working on turnaround of Mall 1P operations. 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 Czechia, Slovakia and other geographies where Mall Group operates, 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. For more detailed description of risk factors related to the Mall Segment please refer to the sub-section: Risks related to the Mall Group a.s. ("Mall Group") and WE | DO CZ s.r.o. ("WE | DO")).

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

One of the Management's seven priorities has been the implementation of a Group-wide efficiency initiative known as "Fit to Grow". The project is based on three pillars of activity i) improve employee productivity, ii) reduce costs and capital investment through tighter policies and spend controls, together with increased intensity of supplier negotiations and iii) increase the effectiveness of selecting development projects for software development and improving the efficiency of deployment of software developers to realise such projects. If implemented effectively, Management expects the "Fit to Grow" project to free up additional free cash flow to reinvest in growth initiatives which, in turn should yield greater growth impact due to the more rigorous capital and developer resource allocation procedures. Management can provide no assurance that the Fit to Grow project will realise all its objectives in each of the three pillars of activity and this may lead to slower growth, lower margins or lower free cash flow, which can lead to a material deterioration in the Group's financial performance and condition.

Moreover, the challenges, difficulties and additional workload on employees from implementing such a project may lead to unwanted side effects, such as lower employee engagement and higher attrition, lower consumer or merchant levels of satisfaction and net promoter scores, or more incidences of losses due to one-off failures of controls that may be monitored less effectively due to cost reductions. Any such side effects of the Fit to Grow project may also result in worse financial performance.

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 realise the anticipated benefits or synergies of a transaction; failure to identify all of the problems, liabilities or other shortcomings or challenges of an acquired company or technology, including issues related to intellectual property, regulatory compliance, accounting practices or employee or consumer issues; risks of entering new markets in which the Group has limited or no experience; potential loss of key employees, consumers and suppliers from either the Group's current business or an acquired company's business; inability to generate sufficient net revenue to offset acquisition costs; additional costs or equity dilution associated with funding the acquisition; and potential write-offs or impairment charges relating to acquired businesses. If, in the context of any future acquisition, the Group fails to properly assess the merits of the acquisition target, incur costs that later prove to be unjustified, fails to integrate the acquisition into the Group's business properly and in a cost-efficient manner, or incurs liabilities that prove to be larger than anticipated, it could have a material adverse effect on the Group's business, financial condition and results of operations. Two of Management's top seven priorities relate to the execution of its plans in respect to its acquisition of the Mall Group and WE|DO.

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

The Group might elect to pursue new business opportunities, develop new product offerings, expand internationally or acquire other businesses, any of which could prove to be non-cost-effective or otherwise unsuccessful. Any such initiative that is not favourably received by users could damage the Group's reputation and brand, and any expansion or alteration of the Group's operations could require significant additional expenses and divert management and other resources, which could in turn materially and adversely affect the Group's business, financial condition and results of operations.

The Group may be unable to successfully implement its strategic objectives and Management's Seven Priorities, while ongoing key investment projects may not bring expected benefits, or prove to be more costly than assumed. Any of the foregoing would have a material adverse effect on the Group's business, financial condition and results of operations.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

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

Various expectations are presented in this Report relating to the Group's near – term financial outlook and other forward-looking performance measures. The information in respect of the Group's financial outlook and other forward-looking performance measures represent the Group's targets only and should not be relied upon to predict or forecast actual results or future events. Such targets and beliefs are unaudited and reflect a number of assumptions relating to future GMV, net revenue, Adjusted EBITDA, capital expenditures and other forward-looking performance measures, any of which may not be borne out due to both known and unforeseen risks, uncertainties and other important factors beyond the control of the Group that could affect actual results.

Such targets and the underlying assumptions and judgments carry an inherent degree of uncertainty and may not take into account all relevant considerations. If the assumptions upon which the estimated data is based prove to be inaccurate, growth rates may be lower than targeted or the Group's position in its industry may be less favourable than expected, which in turn may have a material adverse impact on the Group's business, financial condition and results of operations in the near – and medium-term.

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

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

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

The rapid growth of the Group's business to date has placed, and any future growth is expected to continue to place, significant demands on the Group's management and its operational and financial infrastructure. As the Group seeks to grow its business, it will need to continue to improve and upgrade its systems and infrastructure to deal with the greater scale and complexity of operations (including, for example, the additional complexities from an increased international presence as a result of geographic expansion or use of new proprietary locker network and delivery solutions will increase the scope, size and complexity of its IT and compliance systems). Such expansion will require the Group to commit substantial management, operational and other resources in advance of any increase in the size of the business, with no assurance that its revenue and profit will increase accordingly.

Continued growth could in particular strain the Group's ability to maintain reliable service levels for the Group's merchants and consumers; to attract, train, motivate and retain highly skilled employees; and to continue to develop and to enhance the Group's operational, financial and management controls. Any failure to effectively manage the increasing size and complexity of the Group's business resulting from future growth could have a material adverse effect on its business, financial condition and results of operations.

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

The e-commerce segment is characterised by rapid technological development, and new advances in technology can increase competitive pressure. The Group's success depends on its ability to continually improve its technological platform in order to remain competitive. For example, 5G cellular network technology is rapidly being rolled out in countries around the world, including Poland, enhancing the need for the Group's websites to be optimised for mobile use and faster, more reliable load times. In addition, machine learning and other forms of artificial intelligence are transforming aspects of e-commerce ranging from optimising 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.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

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

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

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

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.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

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

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

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

The Group has previously offered the Company's Board and key employees of the Group investment opportunities in the Group in order to attract and retain highly qualified individuals. These investments crystallised at the Group's IPO in October 2020, through conversion into ordinary shares of the Group, tradable on the Warsaw Stock Exchange. Each participating manager had the opportunity to sell a minority of their ordinary shares at the IPO and the remaining shareholdings were subject to a lock-up period that expired twelve months after the IPO in October 2021. A much higher rate of attrition than before the IPO 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 crystallisation 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 crystalised investments at the IPO.

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

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

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

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

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

Moreover, in addition to traditional delivery services, many of the Group's consumers choose out-of-home delivery options such as InPost parcel lockers or other pick-up/drop-off locations across Poland, including Żabka stores, Orlen gas stations and Ruch kiosks. Parcel lockers, as a specific out-of-home delivery solution, are a system of postal deposit boxes that online shoppers can use to collect packages 24 hours a day, seven days a week and are a popular delivery option for Polish consumers. 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 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. In March 2020, the World Health Organisation confirmed that its spread and severity had escalated to the point of pandemic. In March 2020 the Polish authorities implemented numerous measures to try to contain the virus, such as travel bans and restrictions, lockdowns, quarantines and shutdowns of business and workplaces, social distancing, limiting or banning social gatherings and mass events. From December 2020 an extensive vaccination program has been rolled out across Poland and the EU and this has given some relief to hospitalisation rates, relative to new COVID-19 infection rates, during 2021 and 2022. Although from March 28 2022 all COVID-related restrictions in Poland were lifted, including obligatory face coverings, travel restrictions and self-isolation requirements, the Group cannot exclude a risk that some of the restrictions may be reintroduced in the future. As of the date of this Report, it is not possible to predict how long the COVID-19 pandemic will continue, as new strains of the virus may 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 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. 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.

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. In 2022, the Group invested heavily in fitting out of new, more modern offices to house its workforce once social distancing restrictions and high risk of infection from COVID-19 have passed and they fully return to the office. There is a risk that prolonged working from home or additional restrictions on acceptable desk density in the offices may significantly reduce 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.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

While the COVID-19 pandemic has led to faster growth of marketplace GMV, the Group's eBilet ticket sales business has been disrupted by extended shutdowns of the live entertainment events industry. Since lifting of restrictions on live entertainment events in the second half of 2021, the ticket sales have recovered significantly, with eBilet ticket sales accounting for 0.9% of the Polish Operations' GMV in 2022 (vs. 1.0%, 0.2% and 0.3% of the Group's GMV for the years ended 31 December 2019, 2020 and 2021 respectively). It is possible, however, that some restrictions on live entertainment may be reimposed if the severity of the pandemic increases once more. If rebound in live entertainment is not sustainable, profitability of eBilet in the medium term may be impacted and the Group may be required to impair the carrying value of its investment and write off certain amounts of net assets. The degree to which COVID-19 impacts the Group's business, results of operations, and financial position will depend on future developments of the issues described above and, which, as of the date of this Report, are highly uncertain and cannot be predicted.

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

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

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

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

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

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

In September 2022, the Group upgraded its buyer protection programme to Allegro Protect. The new programme guarantees the return of funds within 48 hours for two years from the date of purchase. The limit of compensation for unsuccessful purchases was also increased to PLN 20k. Allegro Protect offers upgraded benefits to make customers even more confident when shopping on Allegro and is expected to drive additional GMV for the Group. Nevertheless, the Group cannot exclude the possibility that higher costs of the programme will outweigh the expected benefits for the Group, which could have a material adverse effect on the Group's business, financial condition and results of operations.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

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

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

As at 31 December 2022, all the Group's gross debt falls due in October 2025, after the Group refinanced in November 2022 the Additional Facility of PLN 1.0 billion which was drawn to help fund the Mall Group / WE|DO acquisition under the Senior Facility Agreement ("SFA"). The final maturity date for the New Additional Facility is 14 October 2025, consistent with the PLN 5,500,000,000 Term Loan B also under SFA. There are no prepayments due on the New Additional Facility prior to the final due date and the facility ranks pari passu with other facilities made available pursuant to the SFA.

If at the maturity of the New Additional Facility or Senior Facilities, the Group does not have sufficient cash flows from operations and other capital resources to pay the Group's debt obligations, or to fund the Group's other liquidity needs, the Group may be required to refinance or restructure the Group's indebtedness. Furthermore, the Group may need to refinance all or a portion of its indebtedness on or prior to their stated maturity (all of the Group's indebtedness at 31 December 2022 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 SFA may limit the Group's ability to pursue any of these measures.

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

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

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

THE GROUP IS DEPENDENT ON THIRD-PARTY PROVIDERS FOR ITS MARKETING, CLOUD 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 licences business software from Google and any change in the availability of such software, could cause a significant interruption to the Group's business. The Group also relies on social networking and messaging services, including telephone and chat services, to communicate with its users. Changes to the terms and conditions of these services could limit the Group's promotional capabilities, and there could be a decline in the use of such social networking services by existing and potential consumers and merchants. Increasingly the Group uses cloud based services to run analysis and store data utilised by its core marketplace and price comparison platforms.

Any interruption in availability of cloud services could degrade the quality of the user experience on the platforms while rapid increases in costs could cause the Group to increase capital investment to reduce dependence on cloud based services. 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.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

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 authorised or were transmitted in error, as well as risks that consumers have insufficient funds and the risk of fraud. While the Group has implemented a fraud detection system based on machine learning tools, any failure to avoid or limit losses from fraudulent transactions could damage the Group's reputation and result in increased legal expenses and fees.

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

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

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

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

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

Following the Mall Group acquisition in April 2022, the Group's 1P operations also include the Mall 1P business, where the Group is focused on turnaround of these operations by optimising the 1P selection and stock levels to improve trading economics and cash flow management, optimising costs to limit the negative impact of losses on the Group's EBITDA as well as aligning marketing spend as well as aligning marketing spend with new platform strategy to improve ROI, improving marketing tools for brands to increase ads revenues. If the Group fails to improve the performance of Mall's the Mall's 1P operations, it could have a material adverse effect on the Group's business, financial condition and results of operations.

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

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

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

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

The Group is exposed to risks due to external factors beyond its control, including, but not limited to, accidents, vandalism, natural hazards, acts of terrorism, damage and loss caused by fire, power failures, flooding or other events, that could potentially lead to the interruption of the Group's business operations, personal injuries, damage to third-party property or the environment. For example, the Group relies on third-party data centre providers, whose facilities could suffer catastrophic failure as a result of physical damage or cyberattack and subject the Group to losses beyond those for which it is insured. In addition, the Group's activities relating to the direct sale of goods involve specific risks such as fire, falls from height, objects falling from storage shelving and during movement, or traffic movements which could result in damage to equipment, damage to the property of third parties and personal injury or death.

Accidents or other incidents that occur at the Group's warehouse or involve the Group's personnel or operations could result in claims for damages against the Group and could damage the Group's reputation. Although the Group insures itself against such losses to a level and at a cost it deems appropriate, the Group's insurance policies are subject to exclusions and limitations, and the Group cannot guarantee that all material events of damage or loss will be fully or adequately covered by an applicable insurance policy. As a result, the amount of any costs, including fines or damages that the Group might incur in such circumstances, could substantially exceed any insurance the Group has to cover such losses. In addition, the Group's insurance providers could become insolvent. In case of any of these events occurring, alone or in combination, they could have a material adverse effect on the Group's business, financial condition and results of operations.

RISKS RELATED TO THE MALL GROUP AND WE | DO (TOGETHER “ACQUIRED ENTITIES” / "MALL SEGMENT")

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 organisation. 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:

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

Currently, the Mall Segment operations are dominated by the proprietary sales model (1P) of the Mall Group. Over time the Group plans to transform the profile of Mall Segment operations, by launching a 3P marketplace in the countries in which the Mall Group operates (“CE-5”, Croatia, Czechia, Hungary, Slovakia, Slovenia) , rolling out the business model, which has already proven itself in Poland as capable of producing strong growth and margins, and in which the Group has extensive experience and competence. As a result, the Group estimates that over time the majority of GMV can be generated by the 3P marketplace model, which is expected to be responsible to a large extent for the growth of Mall Segment revenues and profits in the future. The Group intends to launch the 3P platform in Czechia in 2023. 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 CE-5 and for a substantial proportion of these merchants to opt in to selling into the CE-5 countries
2. leveraging functionalities already available in the Group's 3P marketplace software in CE-5 by preparing translated versions of the web pages and offer content so that local consumers can comfortably make 3P transactions with the Group's current and future merchant base
3. leverage functionalities already available in the Group's 3P marketplace software to encourage merchants based in CE-5 to list their offers and transact with consumers on Allegro marketplace in CE-5 and, if they so wish, also in Poland.

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

- technical difficulties may be encountered that may delay the 3P marketplace launch and business profile transformation or deteriorate the user experience provided to merchants or consumers
- fewer merchants than anticipated may be willing to sell cross-border, resulting in either poorer selection or a need to provide greater financial incentives to deliver the desired scale of marketplace experience to local consumers

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

- consumers in the countries currently serviced by Mall may not adjust to the user experience offered by a marketplace e-commerce model, or be reluctant to shop with merchants who are not locally based, resulting in lower shopping frequency and consumer numbers than anticipated
- fluctuations in exchange rates or fundamental changes in costs of doing business in Poland relative to the countries served by the Mall Group today may erode all or some of the price level advantages identified by the Group as a competitive advantage when deciding to undertake the acquisition
- local competitors may respond more aggressively than anticipated, making it more difficult to realise projected increases in customer base, purchasing frequency or desired take-rates from the marketplace transformation
- difficulties for the Group and for its merchants in managing cross-border transactions, such as compliance with different regulations or complexity in providing customer care or managing returns, may prove greater than anticipated and lead to a poorer experience for consumers and merchants, leading to a negative impact on financial performance of the marketplace.
- developing a local language version of the marketplace to operate on each of the Mall Group's markets may prove more expensive than expected and/or it may be harder than anticipated to reach a level of quality in the translation, mostly prepared with the assistance of automated translation, that is acceptable to local consumers and merchants. Such a situation would be likely to result in poorer than expected performance of the Allegro marketplace in the new markets.

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

The Group's strategy towards the Mall Segment provides for the integration of its online sales platforms with the Group's local 3P marketplace platform, by transforming Mall to one of the anchor retailers on the new local 3P marketplace, which will be launched first in Czechia and potentially later in other CE-5 counties. The successful implementation of this strategy by the Group depends to a large extent on the quick and efficient integration of these platforms. It is also possible that transforming current Mall retail operations to one of the merchants on Allegro's new local 3P marketplace will negatively impact Mall's financial results, due to increased competition from other merchants and other factors. Any delays in execution of Mall Segment strategy and possible other failures in this respect may negatively affect the Group's financial results, including both growth and profit margins.

- **Maintaining the Mall Group's current active buyer base**

The integration of Mall Group platforms with the Group's platform, from the consumer's perspective, will mean certain changes in their appearance, functionalities and the way they are used by clients. The Group plans that all these changes can be introduced gradually and with constant monitoring of consumers' reactions to the implemented solutions, but there is a risk of losing some customers of Mall Group platforms, accustomed to the current form of services. Losing consumers may lead to a decline in the Mall Group's revenues and thus to a deterioration of the Group's financial results. Moreover, if the extended selection provided by the Group's Polish and international merchants is not sufficiently attractive to consumers in the CE-5, or if the user experience and convenience does not meet their expectations, the Group may acquire fewer new Active Buyers to the combined platforms in CE-5 than planned, resulting in slower growth and lower profit margins.

- **Cross-border goods logistics in Mall Group**

The Group plans that in the future, Polish and international 3P merchants already operating on the Group's platform, who will start distributing their goods to Mall Group customers in Ce-5, will account for a large part of the Mall Segment revenues. Due to the greater complexity of logistics processes for cross-border sales, delivery times may be longer than assumed in the Group's planning assumptions. Extended delivery times would reduce the convenience of shopping for active buyers shopping on the combined platform and could reduce their willingness to continue purchasing from the combined Group, with a consequent negative impact on growth and profit margins.

- **Risks of underestimating the costs of integration, costs of 3P marketplace launch, costs of Mall 1P operations and other operating expenses of the Mall Segment in CE-5**

In preparing its business case for acquiring and transforming the Mall Segment into a marketplace driven e-commerce business, the Group made certain assumptions as to the cost and timing of the work necessary to turn around the existing Mall 1P operations, prepare and launch the 3P marketplace first in Czechia and later potentially also in other countries. Should it turn out the costs of this activity will be higher than included in the Group's plans, this may lead to a worsening of the Group's financial performance and cash flows from the acquisition. Furthermore, operating expenses to support the new operating model for the Mall Group, including but not limited to wages and salaries, marketing, logistics and customer care expenses, may prove to be higher than assumed and lead to lower margins and lower free cash flow generation than assumed at the time of the acquisition.

- **Retention of key employees and management**

The Group intends to utilise the competences, specialist knowledge and experience of both the management boards and other employees of the Acquired Entities. Losses of key employees, and especially senior management, may adversely affect the Group's development prospects in the CE-5 and the future financial results achieved by the Group. The Group will seek to limit the above risk by implementing appropriate incentive systems for employees.

- **Possible difficulties in creating a single culture within the Group,and/or in the creation of an efficient organisational structure managing across countries and functions**

Relatively minor cultural differences relative to Poland, which are present across the countries of Central and Eastern Europe where Mall operates, along with the Group's relative lack of experience in operating different business models may result in the Group experiencing difficulties in developing a single business culture and organisational structure across the expanded Group once it includes the Acquired Entities. These factors may create difficulties in communication and cooperation that could lead to delays in integration of the two businesses and the creation of a more consistent, marketplace focused e-commerce business model across the entire Group. Moreover, the Group as an organisation has little experience in running multi-country operations and it may be that more management resources are needed to build an efficient organisational structure across countries and functions

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

than is currently planned, leading to higher operating expenses and lower opening leverage from growth across the CE-5 than is currently expected. Should such issues arise, growth, margins and free cash flows delivered by the acquisition of the Mall Group may be lower than currently assumed.

- **Deterioration in economic conditions in CE-5 [1] countries or a worsening global economy could materially adversely affect the Group's business, financial condition or results of operations.**

The acquisition of the Mall Group has coincided with a deteriorating macroeconomic situation in the countries in which the Mall Group operates that may have a potentially material impact on the business, financial condition and results of operations of the Group. The future economic situation in CE-5 depends on a number of factors, including national governments' attempts to influence the economy, such as setting levels of taxation, formulating government budgets and regulation, influencing the money supply, interest rates, exchange rates and the labour market. The demographic situation, macroeconomic conditions in Europe and globally as well as inflow of funds from the European Union also affect the economic situation in the CE-5 countries.

It is not possible to predict if the national governments will be able to avoid any future retail lockdown measures impacting the local markets or whether any future measures may be so severe as to damage the national economies to an extent that the COVID-19 pandemic starts to have a negative impact on the e-commerce segment.

Should highly inflationary conditions be sustained for a significant period, driving the cost of living crisis or potential increase in unemployment, reduced disposable income and lower consumption, as well as fluctuations in asset values and foreign exchange rates may have an adverse impact on consumer confidence and discretionary consumer spending, impacting profitability of current Mall Group 1P operations as well as the planned launch of Allegro's 3P marketplace in the Mall countries.

The Group's business, as well as the successful implementation of its strategy, is highly dependent on the financial condition of its merchants and consumers and their continued and increased use of the Group's e-commerce marketplace and other services. The financial condition of CE-5 households, including the Group's consumers, is highly correlated with the unemployment rate and increases in real wages. An increase in the unemployment rate in CE-5 countries and/or a fall in real wages, could reduce consumer spending and lead to reduced use of the Group's e-commerce marketplace and other services. Any deterioration of economic conditions in Czechia, Slovakia, Croatia, Hungary or Slovenia may have a material adverse effect on the business, financial condition and results of operations of the Group.

[1] CE-5: Croatia, Czechia, Hungary, Slovakia, Slovenia

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

As the Group consolidates the financial results of the Mall Segment it may in the future receive dividend income if the Mall Segment becomes profitable. At the same time, the Mall Group and WE | DO generate revenues mainly in currencies other than PLN, i.e. EUR, CZK, HUF and HRK. Any strengthening of the PLN exchange rate against these currencies will have a negative impact on the Group's consolidated financial results expressed in PLN and on the PLN value of any dividends to be received.

Conversely, while the Mall Group and WE|DO continue to require funding to maintain their operations, any devaluation of the Polish zloty increases the relative cost of funding the acquired companies relative to the cash generated in the core Polish Operating segment.

RISK OF LITIGATION WITH THE SELLERS

The Mall Group and WE|DO acquisition was a complex transaction, involving a risk of possible claims for damages between the parties to the transaction depending on future events and circumstances. As a result the Group can provide no assurance that it will not become involved in lengthy, complex and costly litigation with the sellers should any aspect of the implementation of the transaction become a matter for dispute.

The costs of such litigation and any eventual adverse settlement may lead to a material adverse financial impact on the Group and or its operations.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

RISKS RELATED TO REGULATION, LEGAL AND INTELLECTUAL PROPERTY MATTERS

THE GROUP MIGHT BE SUBJECT TO FINES AND FOLLOW-ON CLAIMS FOR DAMAGES IN RELATION TO ALLEGED OR ACTUAL ANTI COMPETITIVE BEHAVIOUR OR PRACTICES NEGATIVELY IMPACTING CONSUMERS AND CANNOT GUARANTEE THAT THE OCCP PRESIDENT OR THE EC WILL NOT DEEM CERTAIN OPERATIONS THE GROUP CONDUCTS TO VIOLATE EU AND/OR POLISH COMPETITION OR CONSUMER PROTECTION LAWS.

The Group may be subject to civil claims for damages in relation to the alleged or actual infringement of competition or consumer law. A damages action can be triggered by a stand-alone action or by an action that follows a public enforcement decision such as a decision of the OCCP President or the European Commission, once the decision is final (after the judgement of the court of second instance, if the decision is appealed and upheld). To ensure effective enforcement of such claims, a private enforcement legal framework has been under development in recent years throughout the European Union to, among other things, introduce a directive harmonising rules on numerous issues arising in competition damages claims and introduce collective redress mechanisms. This framework seeks to strengthen the position of private claimants seeking damages by removing substantive and procedural obstacles for claimants to prove an infringement and establish damages. The number of such claims is also growing in Poland (both stand-alone cases and cases based on a prior infringement decision of the OCCP President or of the EC), increasing the existing or potential liability to which the Group is exposed.

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

Claims and investigations by regulatory agencies such as the OCCP President or the EC, even if without grounds, typically are very expensive to defend, require significant management time and involve negative publicity. If a OCCP President or EC investigation were to conclude with a result adverse to the Group or if the Group were to enter into a settlement arrangement, the Group may be subject to significant fines, penalties and other sanctions, or could be forced to change its business practices substantially.

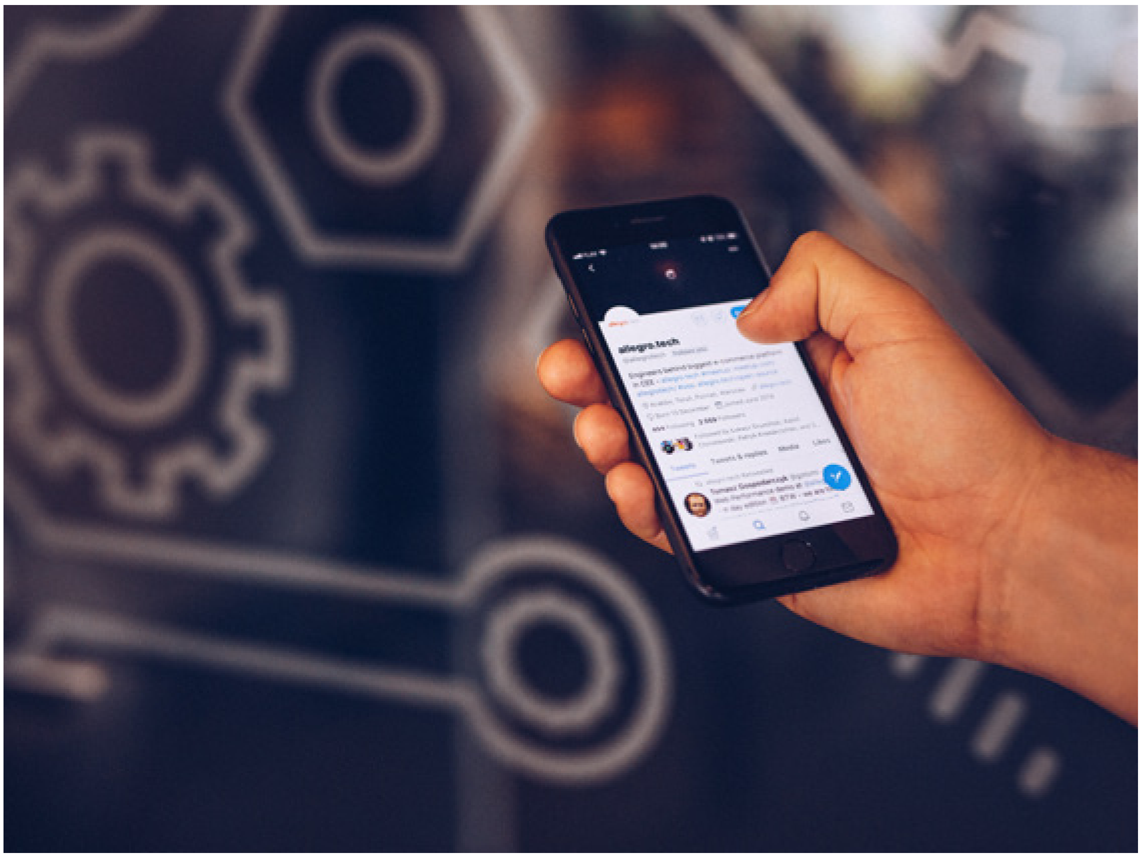
Alternatively, if the Group were to enter into a commitment arrangement, the Group may be required to change its business practices substantially in order to implement the commitments. Both the OCCP President and the EC have the power to impose fines of up to 10% of the turnover of the company concerned in the last financial year for breach of competition rules or, in the case of the OCCP President, for breach of consumer protection rules. Fines imposed by the EC may also be calculated based on the turnover of the group to which the company concerned belongs, with fines of up to 10% of group turnover in the last financial year for breach of competition rules. Any adverse determinations could also result in significant adverse publicity or reputational harm, and could result in, or complicate, other inquiries, investigations or lawsuits in future antitrust or other investigations, consumer protection or other investigations. Furthermore, the Group can provide no assurance as to the timing of the above mentioned proceedings relating to Allegro, or that the OCCP President or the EC will not initiate further regulatory proceedings.

Such fines, any adverse decisions in proceedings, changes to the way in which the Group can operate, or negative publicity generated therefrom, may have a material adverse effect on the Group's business, financial condition and results of operations.

THE GROUP IS AWARE OF CERTAIN PENDING LEGAL DISPUTES BETWEEN INDIVIDUALS ASSOCIATED WITH BOLA INVESTMENT LIMITED ("BOLA") AND A THIRD PARTY INDIVIDUAL ("CLAIMANT") RELATING TO THE OWNERSHIP OF A MINORITY STAKE OF SHARES IN EBILET SP. Z O.O. THAT WAS THE FORMER OWNER OF EBILET POLSKA SP. Z O.O. ("EBILET POLSKA").

eBilet Polska has been part of the Group since April 2019. eBilet sp. z o.o. is not, and has never been, part of the Group. Based on information available to the Group and based on the assessment of the Group's external legal advisor as of the date of this Report, the Group has no reason to believe that the outcome of the pending disputes known to the Group would have a material impact on the Group.

The Claimant has filed against Bola, individuals associated with Bola and Allegro two lawsuits, i.e. one with the Regional Court in Poznań and one with the Regional Court in Warsaw demanding annulment of agreements concerning the purchase of shares in eBilet Polska concluded between Bola, individuals associated with Bola and Allegro. The lawsuit filed in Poznań court has been rejected and the decision is now final and binding. The case in Warsaw is pending.



This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

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 implementations and interpretations. . Moreover, (as in detail described in previous reports and below) a number of legal acts are being prepared at the EU level that will increase the degree of regulations and therefore compliance costs and risk for both the e-commerce and broadly understood tech sector. Given the extensive scope and timing of the changes, the Group cannot guarantee that its practices have complied or will comply fully with all applicable laws and regulations and their interpretation. Any failure, or perceived failure, by the Group to comply with any of these laws or regulations could result in damage to the Group's reputation and a loss of revenue, and any legal or enforcement action brought against the Group as a result of actual or alleged noncompliance could further damage its reputation and result in substantially increased legal expenses and/or penalties. In addition, legislative and regulatory bodies or self-regulatory organisations may extend the scope of current laws or regulations, enact new laws or regulations or issue revised rules or guidance regarding privacy, data protection and consumer protection.

Adverse changes in laws or regulations applicable to the Group could cause the Group to incur substantial costs or require the Group to change its business practices and could compromise its ability to pursue its growth strategy effectively. This is the case for example, under the General Data Protection Regulation (EU) 2016/679 ("GDPR"), which was adopted on 14 April 2016 and became applicable beginning 25 May 2018. The GDPR imposes additional obligations on companies regarding the handling of personal data and provides certain individual privacy rights to persons whose data is stored.

Compliance with existing, proposed and recently enacted laws (including implementation of the privacy and process enhancements called for under GDPR) and regulations can be costly, and any compliance failure may also give rise to civil liability, administrative orders to stop processing personal data (including injunctive relief), fines or even criminal charges, and could subject the Group to legal and reputational risks. The Group collects, stores and uses data in the ordinary course of its operations that is protected by data protection laws. Although the Group takes precautions to protect users' data in accordance with the privacy requirements provided for under applicable laws, the Group may fail to do so and certain users' data may be leaked as a result of human error, willful misconduct or technological failure or otherwise be used inappropriately. The Group works with independent and third-party suppliers, partners, dealers, service providers and call centres, and the Group cannot eliminate the risk that such third parties could also experience system failures involving the storing or the transmission of proprietary information. Violation of data protection laws or regulations by the Group or one of the Group's partners or suppliers may result in fines, reputational harm or temporary or definitive limitations (including a ban) on data processing and could have a material adverse effect on the Group's business, results of operations or financial condition.

A variety of local and international laws and regulations govern the collection, use, retention, sharing and security of consumer data. These laws and regulations are changing especially rapidly and these issues are expected to be further regulated at the EU level. Data protection is a particularly sensitive and politically charged issue in Europe, and any actual or alleged failure by the Group to comply with applicable laws or regulations could have a significant adverse effect on the Group's reputation and popularity with existing and potential consumers and merchants.

Local and international governmental authorities continue to evaluate the privacy implications inherent in the use of cookies and other methods of online tracking for behavioural advertising and other purposes. Certain governments have enacted or are considering measures that could significantly restrict the ability of companies to engage in these activities, such as by regulating the level of consumer notice and consent required before a company can employ cookies or other electronic tracking tools. Additionally, some providers of consumer devices and web browsers have implemented, or have announced plans to implement, means to make it easier for internet users to prevent the placement of cookies or to block other tracking technologies, which, if widely adopted, could result in a significant reduction in the effectiveness of the use of cookies and other methods of online tracking. New laws, regulations, or developments in industry practice or consumer behaviour might result in the loss of or a substantial reduction in the Group's ability to use such practices to effectively market products, or might adversely affect the Group's ability to attract new merchants or consumers on cost-effective terms.

The realisation of any of such risks, alone or in combination, could have a material adverse effect on the Group's business, financial condition and results of operations.

LACK OF CONSISTENCY OF EU LAW IMPLEMENTATION ACROSS THE COUNTRIES IN WHICH IT OPERATES

EU law is implemented across the Member States at different times and sometimes in different scope in each of the EU countries. It is also implemented and interpreted in different ways, and may be subject to gold plating (add-on local regulations that are not required by the EU legislation), differently in each local jurisdiction. Given the Group expansion and operations in many countries this creates additional compliance costs and uncertainty as to its consistent implementation. The Company cannot ensure that it will be compliant with all versions of EU legislation across all the jurisdictions in which it operates. As mentioned above, delays in implementation of EU law to local legal systems not only may cause uncertainty as to the deadline of implementation within the Group, but also pose a risk of inconsistent implementations of EU law between the jurisdictions in which Allegro operates. This will impede the Company's ability to ensure a unified compliance to EU law across the various jurisdictions in which it operates.

Given a large number of regulatory proposals and stronger scrutiny that local companies face compared to third country players the Group can not exclude that this will result in hindering the Group's competitive position. This can be observed within competition policy whereby European regulators take a more flexible and conciliatory approach in proceedings against global players than the Polish authority (OCCP) against the Group.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

THE USE OF OPEN SOURCE SOFTWARE COULD INCREASE THE GROUP'S RISK THAT HACKERS COULD GAIN UNAUTHORISED ACCESS TO THE GROUP'S SYSTEMS AND THE GROUP COULD BE SUBJECT TO LITIGATION IF THIRD PARTIES CHALLENGE THE GROUP'S RIGHTS TO USE SUCH SOFTWARE ON AN EXCLUSIVE BASIS.

Some of the Group's software and systems contain open source software, which may pose certain risks to the Group's software and solutions. The licences applicable to open source software typically require that the source code subject to the licence be made available to the public and that any modifications or derivative works to open source software continue to be licensed under open source licences. Although the Group does not intend to use or modify open source software without holding the necessary licences, the Group could, however, face claims from third parties alleging the infringement of their intellectual property rights, or demanding the release or licence of the open source software or derivative works developed by the Group using such software (which could include the Group's proprietary source code) or otherwise seeking to enforce the terms of the applicable open source licence. These claims could result in litigation, require the Group to purchase a licence, publicly release the affected portions of the Group's source code, limit the licensing of the Group's technologies or cease offering the implicated solutions.

In addition, use of certain open source software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide contractual protections with respect to the software. Also, the licensors are not obliged to maintain their software 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 realisation of any of such risks, alone or in combination, could have a material adverse effect on the Group's business, financial condition and results of operations.

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 Sp. z o.o.,Ceneo.pl Sp. z o.o., Allegro Pay Sp. z o.o. and Allegro Finance Sp. z o.o.. In addition, Allegro Sp. z o.o., Ceneo.pl Sp. z o.o., Allegro Pay Sp. z o.o. and Allegro Finance Sp. z o.o. 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 Sp. z o.o., Ceneo.pl Sp. z o.o., Allegro Pay Sp. z o.o. and Allegro Finance Sp. z o.o. 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 minimise all unauthorised practices, violations of the law, corruption and fraud, especially with regard to purchasing practices, or other adverse consequences of non-compliance within the Group. In addition, all purchasing processes in Allegro Sp. z o.o., Ceneo.pl Sp. z o.o., Allegro Pay Sp. z o.o. and Allegro Finance Sp. z o.o. are based on integrated IT systems that allow full transparency of liability creation. A breach of the regulations can certainly damage the Group's reputation and significantly impair the Group's business, financial and earnings position. This policy and the oversight of the Group's internal compliance and legal departments might not be sufficient to prevent all unauthorised practices, legal infringements, corruption and fraud, in particular in purchasing practices, or other adverse consequences of noncompliance within the Group's organisation or by or on behalf of the Group's employees.

The limitations of capacities may further be exacerbated by growing regulatory requirements that will be imposed on the Group under currently negotiated EU legislation and due to expansion of the Group activities. Any failure in compliance could harm the Group's reputation and have a material adverse effect on the Group's business, financial condition and results of operations.

The Group aims to apply its management system for governance, risk and compliance described above across all the Group's operating companies. However, at the same time the Group recognises that, in the case of acquired companies or businesses, it usually takes some time to introduce this management system, whether from a zero base or by modifying a pre-existing policies and procedures at the acquired entity. Moreover, the Group recognises that it may be prudent to focus on other priorities in the short term immediately after an acquisition, such as establishing an effective post merger integration process, securing key staff or realising "quick-win" synergies, ahead of procedural compliance. Accordingly, in periods following a material acquisition, risks of failures in governance, risk management and general compliance may be heightened for a time and could harm the Group's reputation and have a material adverse effect on the Group's business, financial condition and results of operations.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

ADVERSE JUDGMENTS OR SETTLEMENTS RESULTING FROM LEGAL PROCEEDINGS COULD EXPOSE THE GROUP TO MONETARY DAMAGES AND LIMIT THE GROUP'S ABILITY TO OPERATE THE GROUP'S BUSINESS.

The Group may become involved from time to time in private actions, investigations and various other legal proceedings by employees, suppliers, competitors, government agencies or others. The results of any such litigation, investigations and other legal proceedings are inherently unpredictable. Any claims against the Group, whether meritorious or not, could be time-consuming, result in costly litigation, damage the Group's reputation, require significant amounts of management time and divert significant resources.

If any of these legal proceedings were to be determined adversely to the Group, or if the Group were to enter into a settlement arrangement, the Group could be exposed to monetary damages or limits on the Group's ability to operate the Group's business, which could have a material adverse effect on the Group's business, financial condition and results of operations.

INTERPRETATION OF LAWS AND REGULATIONS IN THE COUNTRIES THE GROUP OPERATES MAY BE UNCLEAR AND THOSE LAWS AND REGULATIONS MAY CHANGE.

Although the Company is an entity formed under the laws of Luxembourg, the key operating companies of the Group have been established and operate under Polish and Czech law. A significant number of regulations relating to the issue of and trading in securities, shareholders' rights, foreign investments, issues related to corporate operation and corporate governance, commerce, taxes and business activity have been introduced and changed in recent years and/or may be changed in the future. Moreover,in recent years, the Polish government has proposed or implemented a number of changes to the judicial system. Some of those changes have attracted the attention of EU institutions and have been questioned by members of the Polish legal community who perceive them as potential threats to both judicial independence and the rule of law.

Ongoing tensions between the government and the judiciary may potentially indirectly result in some additional delays to the proceedings. If the stability of the Polish judicial system deteriorates, it may make the outcome of various legal proceedings in which the Group is or may be involved in relation to its business less predictable than it is presently. The Group cannot provide assurance that its interpretation of Polish laws and regulations and those in the other jurisdictions in which it operates will not be challenged and any successful challenge could result in fines or penalties or could require the Group to modify its practices, all of which could have a material adverse effect on the Group's business, financial condition and results of operations.

INTERPRETATION OF LUXEMBOURGISH LAWS AND REGULATIONS MAY BE UNCLEAR AND LUXEMBOURGISH LAWS AND REGULATIONS MAY CHANGE.

As the Company and Allegro Treasury S.à r.l. are both entities incorporated and governed by the laws of Luxembourg, both entities must comply with all relevant Luxembourgish laws and regulations. The Luxembourgish legal system is based on statutory law enacted by the parliament of Luxembourg. A significant number of regulations relating to the issue of securities, shareholders' rights, issues related to corporate operation and corporate governance, taxes and business activity have been introduced and changed in recent years and/or may be changed in the future. Certain Luxembourgish regulations have been subject to different interpretations and may in the future be interpreted in an inconsistent manner.

THE GROUP USES STANDARDISED SALES, PURCHASE AND SUPPLY AGREEMENTS AS WELL AS STANDARDISED TERMS AND CONDITIONS IN THE MAJORITY OF SITUATIONS WHERE IT IS POSSIBLE TO DO SO, WHICH INCREASE THE POTENTIAL THAT SOME OR ALL CONTRACT TERMS USED THEREIN MAY BE INVALID OR UNENFORCEABLE IF ANY CLAUSE IS HELD TO BE VOID.

The Group maintains legal relationships with a large number of persons, including merchants, suppliers and manufacturers. In this context, the Group also uses standardised documents, standard-form contracts and standardised terms and conditions in the vast majority of cases where it is possible to do so. If such documents, contracts or terms and conditions are found to contain provisions that are disadvantageous to the Group, or if clauses in such documents or contracts are declared invalid and thus displaced by statutory provisions that are unfavourable to the Group, a large number of standardised documents, contracts or terms and conditions could be affected. Additionally, standardised terms under Polish law have to comply with the statutory law on general terms and conditions, which means they are subject to rigid fairness control by the courts regarding their content and the way they, or legal concepts described therein, are presented to the other contractual party by the person using them. The standard is even stricter if they are used vis-à-vis consumers. As a general rule, standardised terms are invalid if they are not transparent, clearly worded, or if they are unbalanced or discriminate against the other party inappropriately. Due to frequent changes to the legal framework, particularly regarding court decisions relating to general terms and conditions, the Group may be unable to avoid risks from the use of such standardised contractual terms. The invalidity or unenforceability of the standardised documents, standard-form contracts and standardised terms and conditions that the Group uses could have material adverse effects on the Group's business, financial condition and results of operations.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

THE INABILITY TO ACQUIRE, USE OR MAINTAIN THE GROUP'S INTELLECTUAL PROPERTY RIGHTS, INCLUDING ALLEGRO, CENEO AND MALL TRADEMARKS AND DOMAIN NAMES FOR ITS SITES COULD SUBSTANTIALLY HARM THE GROUP'S BUSINESS, RESULTS OF OPERATIONS OR FINANCIAL CONDITION.

The Group believes the Group's user data (as a part of the Group's trade secrets and databases), copyrights, trade secrets, patents, proprietary technology and similar intellectual property are critical to the Group's success, and the Group relies on trademark, copyright, patent and trade secret protection, agreements and other methods with the Group's employees and others to protect the Group's proprietary rights. In addition, the Group has developed, and the Group anticipates that it will continue to develop, a substantial number of programs, processes and other know-how on a proprietary basis (but partly based on open source codes) that are of key importance to the successful functioning of the Group's business, however know-how has an unclear and vague legal status, with no direct regulations on this matter. The Group might not be able to obtain effective intellectual property protection in every country in which the Group is active or in which such protection is relevant, and the Group's efforts to protect the Group's intellectual property could require the expenditure of significant financial, managerial and operational resources. A large part of the Group's intellectual property rights could be challenged or invalidated through administrative processes or litigation, and the Group cannot be certain that others will not independently develop or otherwise acquire equivalent or superior technology or intellectual property rights. In addition, the Group may consider revising its current intellectual property policies, especially concerning its intellectual property strategy outside of Poland.

The Group is the registrant of Polish and EU trademarks for its operating businesses, including Allegro, Ceneo and Mall, and has also registered internet domain names containing "Allegro," "Ceneo" and other operating business names for the Group's websites. The Group has also registered the trademarks and respective domain names in certain international jurisdictions. With respect to several of these trademarks the Group has endeavoured to enter into coexistence agreements for specific countries or situations. The Group has also registered selected internet domain names for some of its operating entities.

Domain names are generally regulated by internet regulatory bodies and are also subject to trademark laws and other related laws of each country. If the Group does not have or cannot obtain or maintain on reasonable terms the ability to use its trademarks or a major private brand in a particular country, or to use or register its domain name, the Group could be forced either to incur significant additional expenses to market the Group's services within that country, including the development of a new brand and the creation of new promotional materials, or to elect not to offer its services in that country.

Furthermore, the regulations governing domain names and laws protecting marks and similar proprietary rights could change in ways that block or interfere with the Group's ability to use relevant domains or the Group's current brand. In addition, the Group might not be able to prevent third parties from registering, using or retaining domain names, trademarks or other rights that interfere with the Group's consumer communications or infringe or otherwise decrease the value of the Group's marks, domain names and other proprietary rights. Regulatory bodies may establish additional generic or country-code top-level domains or may allow modifications of the requirements for registering, holding or using domain names. As a result, the Group might not be able to register, use or maintain the domain names that utilise the name "Allegro" in all of the countries in which the Group currently conducts business or intends to conduct business in the future.

The Group might be required to spend significant resources to monitor and protect its intellectual property rights. The Group may not be able to discover or determine the extent of any infringement, misappropriation or other violation of the Group's intellectual property rights and other proprietary rights. The Group may initiate claims or litigation against others for infringement, misappropriation or violation of the Group's intellectual property rights or proprietary rights or to establish the validity of such rights. The Group may also be sued and litigated against. Despite the Group's efforts, the Group may be unable to prevent third parties from infringing upon, misappropriating or otherwise violating the Group's intellectual property rights and other proprietary rights. It is also possible that the litigation against the Group may commence in bad faith. Any litigation, whether or not it is resolved in the Group's favour, could result in significant expense to the Group and divert the efforts of the Group's technical and management personnel.

In addition, the Group has received in the past, and the Group anticipates receiving in the future, communications alleging that certain items posted on, or sold through, the Group's sites violate third-party copyrights, marks and trade names or other intellectual property rights or other proprietary rights. Brand and content owners and other proprietary rights owners have actively asserted their purported rights against online companies, including Allegro. In addition to litigation from rights owners, the Group may be subject to regulatory, civil or criminal proceedings and penalties if governmental authorities believe the Group has aided and abetted in the sale of counterfeit or other unlawful products. Such claims, whether or not meritorious, could result in significant additional expenses and redirect management attention. The Group has prepared proper internal proactive procedures and preventive measures to address business areas where such claims may arise.

The realisation of any of such risks, alone or in combination, could have a material adverse effect on the Group's business, financial condition and results of operations.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

THE GROUP COULD FACE LEGAL AND FINANCIAL LIABILITY FOR THE SALE OF ITEMS THAT INFRINGE ON THE INTELLECTUAL PROPERTY AND DISTRIBUTION RIGHTS OF OTHERS AND FOR INFORMATION AND MATERIAL DISSEMINATED THROUGH ITS PLATFORMS.

Although the Group's terms of use clearly prohibit the sale of counterfeit items or any items infringing upon third parties' intellectual property rights on the Group's platform and the Group has implemented solutions to exclude goods and services that have been determined to violate its terms of use, the Group is not able to detect and remove every item that may infringe on the intellectual property rights of third parties. As a result, the Group has received in the past, and anticipates that it will receive in the future, complaints alleging that certain items listed or sold through the Group's platform infringe third-party copyrights, trademarks or other intellectual property rights. Content owners and other intellectual property rights owners have been active in defending their rights against online companies, including the Group. The Group has taken steps to cooperate with intellectual property rights owners to seek to eliminate allegedly infringing items listed on its marketplace. The Group's policies prohibit the sale of goods that may infringe third-party intellectual property rights, and the Group may suspend the account of any merchant who infringes third-party intellectual property rights. Despite these measures, some owners of intellectual property rights may consider the Group's efforts insufficient, and the Group anticipates that it will continue to receive legal claims from content and intellectual property owners alleging violations of their rights, which could result in substantial monetary awards, penalties or costly injunctions against the Group.

By starting Allegro Fulfillment the Group also enters into a new area of possible IP infringements arising out of the sale of counterfeit items or any items infringing upon third parties' intellectual property rights. Similarly to aforementioned possible infringements due to the sale of those goods on the platform, despite having clearly stated in appropriate terms that such practices are forbidden and having appropriate processes and solutions to prevent those practices the Group is not able to detect and remove every item that may infringe on the intellectual property rights of third parties when providing Allegro Fulfillment.

Despite these measures, some owners of intellectual property rights may consider the Group's efforts insufficient, and the Group anticipates that it will continue to receive legal claims from content and intellectual property owners alleging violations of their rights, which could result in substantial monetary awards, penalties or costly injunctions against the Group. It should be also noted, that generally the fulfillment area of services is also still new from the law's perspective, and may be subject to changing trends in judicature and legislature.

It is also possible that third parties could bring claims against the Group for defamation, libel, invasion of privacy, negligence or other claims based on the nature and content of the materials disseminated through the Group's platforms, particularly materials disseminated by the Group's merchants. While applicable regulations require hosting providers to have actual knowledge of any illegal content on their platforms in order to have any potential liability, certain regulations are vague and unclear with respect to the e-commerce platform provider's responsibility to actively monitor transactions or take action to prevent infringing activities. If the Group or other online services providers are held liable or potentially liable for information carried on or disseminated through their platforms, the Group may have to implement measures to reduce its exposure to this liability. Any measures the Group may need to implement may involve spending substantial resources and/or discontinuing certain services. Any costs that the Group incurs as a result of liability or asserted liability could have a material adverse effect on its business, results of operations and financial condition.

The Group could also face legal and financial liability for the alleged infringement of the intellectual property of third parties related to the conduct of its business.

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

The tax system in general is characterised by change and uncertainty as tax regulations are frequently amended, subject to numerous and sometimes contradictory interpretations.

In recent years, a number of new tax regulations have come into force that were prepared in a relatively short time and implemented with short grace periods. Other tax reporting or compliance obligations or new tax regulations may be introduced, which could also affect the Group's operations. Certain of these regulations have had (e.g. voluntary and mandatory split payment regulations in Poland), and may have (e.g. tax on shifted profits, taxable restructuring transactions), an impact on the Group's business and financial condition, including cash flows. Due to the short lead times in publishing laws or secondary legislation, the Group may not always have sufficient time to program new requirements into its systems, or may be unable to determine what changes need to be made, prior to the new laws coming into force. This may lead to fines or penalties for non-compliance.

The Group cannot exclude the possibility that further tax law amendments will be introduced in Poland and / or CE-5 or that new tax burdens will be imposed on e-commerce activities.

Tax laws in the countries in which the Group operates may also need to be amended in order to implement new EU legislation.

The instability of the tax system stems not only from changes in the law, but also from the reliance by tax regulators on court interpretations, which are also subject to potential changes and reversals. The lack of well-established regulations results in unclear and inconsistent interpretations, which lead to uncertainties and conflicts in application.

As a result, the Group faces the risk that its activity in selected areas could be unsuited to the changing regulations and the changing practice in their application.

There is also a risk that the tax rulings already obtained and applied by the Group in Poland will be changed or deprived of their protective power, which could lead to tax exposure for the Group.

Due to the fact that potential disputes with the Polish / CE-5 tax authorities cannot be ruled out, the tax authorities could challenge the tax settlements of companies in the Group regarding non-time-barred tax liabilities (including the due performance of the tax remitter's obligations by companies in the Group) and determine tax arrears for these entities, which may have a material adverse effect on the business, financial standing, growth prospects or results of the Group.

Tax settlements, together with other areas of legal compliance (e.g. customs duty) may be subject to review and investigation at any time by the tax authorities and additional tax assessments with penalty interest and penalties may be imposed within a few years from the end of the year in which a tax is due (e.g. in Poland – within 5 years, in the Czech Republic – within 3 years, in Slovakia – within 5 years, etc.). In certain cases, the limitation period might be extended.

In view of these frequent changes, which may have a retroactive effect, and the existing uncertainty, the lack of a uniform interpretation of tax law and the relatively long statute of limitations for tax liabilities, the risk of challenging the application of tax regulations in Poland and CE-5 may be higher than found in the legal systems of other countries. Additionally, these changes in tax regulations have had and may in the future have negative effects on the Group's business, financial condition, results of operations and prospects. Further, the lack of stability in the tax regulations may hinder the Group's ability to effectively plan for the future and to implement the Group's business plan.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

Moreover, with respect to any cross-border business of the Group, international agreements, including double tax treaties, to which Poland / CE-5 countries are a party also have an effect on the Group's business. Different interpretations of the double tax treaties by the tax authorities, as well as any changes to these treaties, may have a material adverse effect on the Group's business, financial standing or results.

Last but not least it should be noted that in July 2016, the General Anti-Avoidance Rule ("GAAR") entered into force in Poland, which, to a certain extent, may be applied retroactively (as described below). Therefore, since July 2016 any reference to the Polish tax regulations, including for the purpose of this Report, includes the GAAR.

AMENDED WITHHOLDING TAX (WHT) REGIME IN POLAND.

A new pay & refund mechanism was introduced in Poland in 2019; however, its application was suspended by the Ministry of Finance. As of 2022 this mechanism, after some amendments, entered into full force.

The mechanism applies to passive payments (dividends, interest & royalties) made to related foreign entities exceeding PLN 2 million per annum (summed up per each particular recipient). The excess over that amount is subject to a standard 19%/20% WHT rate. The payer is obliged to withhold the tax and remit it to the tax office. If a given payment qualified for an exemption (e.g. based on the Parent-Subsidiary or Interest & Royalties Directives) or a reduced WHT double tax treaty rate, in particular such a payment is made for the its beneficial owner, a taxpayer or in certain cases tax remitter can apply for a WHT refund.

Since those rules are rather general and vague, the Ministry of Finance is currently working over official explanatory notes which have been delayed for over a year and are now expected in Q1, 2023. The wording of the notes will be crucial to the understanding of the beneficial owner concept.

These new rules are applicable to interest and dividends payments within the Group and do – at least temporarily – increase the interest costs borne by Allegro, Ceneo.pl and Allegro Pay. As at 31 December 2022 these companies have paid in total PLN 88.3 million of WHT (i.e. Allegro paid PLN 86.5 million, Ceneo.pl paid PLN 0.3 million and Allegro Pay paid PLN 1.5 million) and are waiting to reclaim this tax. The Management believes, based on the advice received from the Group's tax adviser, that this tax will qualify for the refund. However, the Management can give no assurance that the tax authorities will interpret the rules in the same way as the tax adviser and the Group may encounter difficulties in recovering its WHT payments from the tax office. Potential denial of the WHT refund may have an adverse effect on the Group's financial standing by increasing its cost of borrowing.

OTHER TAX AND REPORTING-RELATED LEGISLATION WHICH IS RELEVANT TO ALLEGRO

In 2022 the Polish Ministry of Finance continued legislative works on the e-invoicing system (Krajowy System e-Faktur or KSeF) which is separate to envisaged works on e-invoicing at the EU level. The system will introduce obligatory e-invoicing through a government supplied framework. The system was supposed to be obligatory from 1 July 2024, but the legislative proposal was not finalised yet and the final shape of the regulations is far from being agreed. The legislation is relevant for the Polish entities, in particular for Allegro as the company issues more than hundred thousand invoices every month and the whole internal invoicing system will have to be adjusted to invoicing through a government-supplied system.

Another important file is the implementation (already delayed) of the DAC7 directive which will impose reporting obligations on marketplaces with respect to B2C and C2C transactions above certain thresholds. The directive should have been implemented by 31 December 2022, but the Polish draft act was announced in February 2023 and is expected to be effective as of 1 May 2023.

The implementation of the DAC7 directive will imply a wide scope of technological and reporting changes in Allegro. The first reporting is to be done in 2024 for the whole 2023.

It shall be also noted that the Ministry of Finance is planning to introduce an annual SAF-T reporting for corporate income tax as of 2024 (i.e. first report to be published in 2025 for the whole 2024). As the proposed reporting standard has not been announced yet, most likely this requirement will be delayed in time. No details are known at this stage. However, implementation of this requirement will also imply a wide scope of technological and reporting changes in Allegro.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

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 digitalised economy. It is likely that in the future countries might attempt to impose new digital services taxes or sales taxes on the Group's business or levy additional income or other taxes relating to the Group's activities.

The European Commission was supposed to publish a proposal for a digital levy, which would help the EU to tax the digital economy and help support the EU's budget and borrowing due to COVID-19 spending. However, due to progress at the OECD Inclusive Framework negotiations, the digital levy and other considered Digital Services Taxes (DSTs) in the EU have been put on hold. Currently, 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 measure, 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 new multilateral convention to implement Pillar I will be finalised by mid-2023 for entry into force in 2024 under a revised timeline.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 and stopped EU and local legislators' attempts to impose digital taxes. Yet, should agreement at the OECD level fail, new tax related proposals may be put forward.

In December 2022 a new proposal related to VAT in Digital Age taxation was introduced at the EU level. The package consists of a (i) Directive imposing a number of important changes that will significantly impact companies that operate across borders in the EU and, specifically, those designated as electronic interfaces (online platforms, etc.), (ii) changes to the regulation on the exchange of information of VAT information and (iii) amendments to regulation setting out information requirements for certain VAT schemes. Certain provisions of this package may affect Group operations, will require internal implementation and may hinder Group's ability to facilitate sales from foreign (incl. third) countries.

In addition, some drafts of Digital Service Taxes have provided protection from additional tax burdens for independent groups due to their relatively low turnover or low profitability. As the Mall Group joined the Group, any such protections included in any future such regulations that may come into force are likely to be ineffective when the rules are applied to the financial results of the entire Group. As a result any imposition of digital services taxes or similar could materially deteriorate the financial performance of the Mall Group business.

Moreover, it is worth noting that Governments may be still seeking funding to cover costs related to 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 / CE-5 that the Group's objections are justified. Accordingly, any future developments leading to the imposition of digital services taxes in Poland/CE-5 could have a material adverse effect on the Group's effective tax burdens and in certain cases may lead to double taxation of the Group's revenue and put the Group at a significant competitive disadvantage to its competitors.

Furthermore, the Group cannot predict the effect of any future attempts to impose sales, income or other taxes specifically on the e-commerce segment. New or revised taxes, in particular sales taxes, VAT and similar taxes, would likely increase the cost of doing business online and decrease the attractiveness of advertising and selling products over the internet. New taxes could also lead to significant increases in administrative costs necessary to capture data, collect and remit taxes and ensure compliance. Any of these events occurring could, alone or in combination, have a material adverse effect on the Group's business, financial condition and results of operations.

AN INCREASED FOCUS BY THE RELEVANT TAX AUTHORITIES ON RELATED PARTY TRANSACTIONS MAY CAUSE THE GROUP'S POLICIES TO UNDERGO MORE SCRUTINY, AND THE GROUP MAY BE SUBJECT TO TAX AUDITS AND CHALLENGES IN RELATION TO SUCH TRANSACTIONS.

When concluding and performing related-party transactions, the Group takes special care to ensure that such transactions comply with the applicable transfer pricing regulations. However, due to the specific nature of related-party transactions, the complexity and ambiguity of legal regulations governing the methods of examining the applied prices, as well as the difficulties in identifying comparable transactions for reference purposes, no assurance can be given that specific companies in the Group will not be subject to inspections or other investigative activities undertaken by the tax authorities.

The tax authorities may have a different view of the Group's compliance with transfer pricing and may attempt to challenge the arm's-length nature of some of the Group's related party transactions. Should the methods of determining arm's-length terms for the purpose of the above transactions be challenged, resulting in, for example, the assessment of additional taxable income, this may have a material adverse effect on the Group's business, financial condition, results of operations and the price of the Shares.

Moreover, an increased focus by the Polish and CE-5 tax authorities on related party transactions may cause the Group's policies to undergo more scrutiny, and the Group may be subject to tax audits and challenges in relation to such transactions.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

POLISH TAX RULINGS MAY BE SUBJECT TO REVIEW.

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

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

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

THE INTERPRETATION OF POLISH AND CE-5 TAX LAWS RELATED TO THE TAXATION OF INVESTORS MAY BE INCONSISTENT, AND SUBJECT TO CHANGE, AND IT IS POSSIBLE THAT A NON-POLISH INVESTOR MAY BE SUBJECT TO POLISH TAX AS A RESULT OF INVESTMENT IN THE OFFER SHARES UNDER THE CURRENT POLISH TAX LAWS.

The legal system, and specifically Polish/CE-5 tax law, is characterised by frequent changes, ambiguity and inconsistent application; therefore, judicial decisions relating to the application of Polish/CE-5 tax law regulations are frequently inconsistent. This applies in particular to issues relating to the taxation of income generated by investors in relation to their acquisition, holding and disposal of shares in a non-Polish company admitted to organised trading on the WSE, such as the Offer Shares. In particular, Polish regulations on the source of income may treat income from the Offer Shares as earned in Poland and subject to Polish income tax unless the respective double tax treaty to which Poland and the investor's residency state applies.

Furthermore, no assurance may be given that amendments to tax laws that are unfavourable to investors will not be introduced or that the tax authorities will not establish a different interpretation of tax provisions that is unfavourable to investors, which could have an adverse effect on effective tax burdens and the actual profit of investors from their investment in the Shares.

As a result of the above factors, the risk connected with Polish tax law may be greater than in other countries. This risk could have material adverse effects on the Offering in Poland.

TAX AUTHORITIES 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 organisations to national tax authorities. Since 1 July 2018, all Polish taxpayers have been obliged to provide JPK files at the request of tax authorities during VAT proceedings, verification activities or tax and custom audits.

Polish tax authorities have recently focused on, among other things, corporate income tax, incl. withholding tax, and transfer pricing settlements, and have paid special attention to any group restructuring actions, intra-group settlements, new or innovative offerings and their terms and conditions, as well as debt financing.

The Group performs in-depth, detailed legal and tax analysis before carrying out any reorganisations and transactions, and making innovative offerings. Moreover, whenever possible, the Group has obtained individual tax rulings confirming the correctness of the tax treatment to be adopted or actually adopted. Therefore, the Group believes that all transactions performed in the past have been correctly categorised for tax purposes, in particular in line with binding legal and tax provisions.

At present, there are some entities in the Group in CE-5 that are subject to a tax audit – e.g. CZC.cz s.r.o, m-HU Internet Kft., Internet Mall d.o.o., etc. Those audits are still ongoing. In the current tax environment, the Group cannot exclude the risk that the tax authorities (e.g. during those tax audits) may take a different approach to tax treatments from the ones adopted by the Group. Should the Group become aware of the tax authorities taking a different approach on one or more issues during the course of these audits, the Group will reassess its approach to the topic creating controversy and may conclude, depending on its assessment of the merits of the tax authorities' arguments, that provisions for additional tax liabilities, penalties and interest, should be created, having a negative impact on the Group's financial results.

Tax inspections, which are often lengthy, may force the Group to engage its resources and, as a result, to bear additional costs. Moreover, the results of tax inspections themselves might prove different than subsequent resolutions of the administrative courts (in case the resolutions of tax authorities are appealed).

Any tax audit could produce findings unfavourable to the Group and, if upheld following due process, may have a material adverse effect on the Group's business, financial condition and operational results.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

IMPLEMENTATION OF THE 2021 EU VAT E-COMMERCE PACKAGE MAY RESULT IN ADDITIONAL TAX EXPOSURE FOR THE GROUP DUE TO THE CONSIDERED PLANS TO MAKE THE IMPORT ONE STOP SHOP SYSTEM OBLIGATORY FOR MARKETPLACES.

On 1 July 2021 all EU Member States implemented new rules governing the VAT obligations for B2C e-commerce sellers and electronic interfaces, including marketplaces. This 2021 EU VAT e-commerce package introduced significant changes based on which electronic interfaces, including marketplaces, that facilitate cross-border sales to consumers via third parties are treated as "deemed suppliers" and VAT collectors in certain cases. This full liability regime made electronic interfaces, including marketplaces, responsible for charging and collecting VAT on deemed supplier transactions.

The deemed supplier regime is obligatory for cases where goods which are stored within the EU and shipped within the EU by non-EU merchants, regardless of the value of these goods and voluntary for cases where goods which are, following placement of a buyer's order on the marketplace, imported from outside the EU of net value not exceeding EUR 150, sold on a platform by Polish, EU and non-EU merchants. So far, the Group has not implemented the voluntary scenario as the benefits of the Import One Stop Shop system are not guaranteed and the risk of double taxation still exists.

Following the introduction of the new legislation, in order to conduct VAT settlements of merchants' sales, the Group has to rely on information provided by the merchants. This information may include mistakes or could turn out to be false. It may also result in additional exposure to tax risks, even if the Group follows safeguard provisions and conducts business checks.

In addition, the rules are still being subject to further discussions at the EU level and the Import One Stop Shop scenario may become obligatory for all marketplaces. In such a situation, as the IOSS system is prone to misuses, there is risk of double taxation and it will require significant and time consuming IT development by the Group. Moreover, there are ongoing discussions at the EU level to make the marketplaces responsible for collection of custom duties. No details are known yet.

THE GROUP MAY HAVE EXPOSURE TO GREATER THAN ANTICIPATED TAX LIABILITIES.

As of the date of this Report, the Group has a limited presence in jurisdictions outside of Poland and CE-5. Its presence abroad may result either from its own retail activity (within the 1P model) or from its merchants and/or consumers making cross-border transactions (within the 3P model). The Group may, however, be subject to different forms of taxation or reporting obligations in other jurisdictions, including, but not limited to, income tax, value added tax or sales tax.

Tax law and administration is complex and often requires the Group to make subjective determinations. Changes in tax laws or their interpretation or application or changes in the amount of taxes imposed on companies could increase the Group's future tax burden. If the Group fails to manage these risks adequately, or if one or more of these risks materialises, this could have a material adverse effect on the Group's reputation, business, financial condition and results of operations.

THE GROUP FACES THE RISK THAT ITS ACTIVITY AND/OR TRANSACTIONS IN SELECTED AREAS COULD BE REVIEWED UNDER THE GENERAL ANTI-AVOIDANCE RULE.

The GAAR regulations apply to all tax benefits gained following the date the GAAR entered into force as a general anti-tax abuse law, in addition to existing anti-abuse regulations related to mergers, spinoffs, qualified exchanges of shares and exempt dividend distributions. Under certain conditions the tax authorities may also review past transactions under the GAAR. The GAAR allows the tax authorities to disregard a legally valid transaction (relationship) for tax purposes if the primary aim or one of the primary aims of the transaction was tax avoidance, where "tax avoidance" is interpreted as "an act (or series of acts) applied primarily in order to receive a tax benefit, which in certain circumstances defeats the object and purpose of the tax act, provided the manner of conduct in a particular case was artificial."

Conduct will be considered artificial if, under the existing circumstances, it would not be applied by a reasonable entity who is guided by goals being in line with the laws and it is connected with lawful purposes other than tax benefits contradictory to the object and purpose of a taxable act. In order to assess if a particular act was artificial, attention should be paid especially to: (i) unjustified division of an operation, (ii) the involvement of intermediary entities without business substance, (iii) elements directed to achieve a result identical or similar to the initial state of facts, (iv) elements that cancel or exclude each other, (v) economic risk exceeding the planned benefits other than tax benefits to the degree that it must be decided that a rational entity would not have chosen to act that way, (vi) situations where the tax benefit obtained is not reflected in an economic risks borne by the entity or in its cash flow, (vii) profit before tax which is insignificant in comparison to the tax benefit which does not result directly from the actually incurred economic loss and (viii) engaging the entity which does not conduct a real business activity or does not play significant economic function or which has its seat or place of residence in a territory applying harmful tax competition.

A tax benefit refers to a situation in which: (i) a tax liability has not arisen, the date when a tax liability arises has been deferred or the tax liability has been reduced, or a tax loss has been incurred or overstated; or (ii) a tax loss has arisen or its amount is overstated; or (iii) a tax overpayment or a right to claim a tax refund has arisen, or the amount of a tax overpayment or tax to be refunded has been increased; or (iv) there is no obligation to collect the tax by a tax remitter if this obligation results from the circumstances indicated in point (i) above.

The Group faces the risk that its activity and/or transactions in selected areas could be reviewed under the GAAR, including transactions performed before the GAAR regulations entered into force. Any potential decisions regarding GAAR could be unfavourable to the Group and may have a material adverse effect on the Group's business, financial condition and operational results.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

ALLEGRO FACES RISKS RELATED TO ITS STATUS AS A POSTAL OPERATOR.

Allegro has been classified as a postal operator and in that capacity its operations are subject to various industry regulations and ongoing oversight from the Polish authority charged with regulating postal operators, the Office of Electronic Communications (Urząd Komunikacji Elektronicznej, "UKE").

Continued growth in this segment of the Group's operations as a result of initiatives to improve the Group's logistics and other services could entail additional regulatory requirements. Any failure by the Group to comply with applicable laws and regulations could result in penalties, which could have a material adverse effect on the Group's business, financial condition and results of operations.

The regulatory environment for postal and courier services within the European Union is currently undergoing changes and certain proposed new EU-wide legislation relating to, among other things, cross-border, universal postal services and cybersecurity requirements is anticipated. Any such regulatory changes may have a direct impact on the Group's operations or an indirect impact through the Group's suppliers. Moreover, the Group cannot rule out the possibility that in the future new taxes or similar payments may be imposed on postal operators such as Allegro, in order to support the financial performance of the Polish public postal operator's universal postal service. Under the existing postal regulations, if Allegro generates revenue from universal postal service or equivalent postal services (other than courier services) it may be required to participate in such support. Failure by the Group to manage these risks adequately or the occurrence of one or more of these risks could have a material adverse effect on the Group's reputation, business, financial condition and results of operations.

RISKS RELATED TO THE SHARES

FUTURE SALES OR THE POSSIBILITY OF FUTURE SALES OF A SUBSTANTIAL NUMBER OF THE SHARES BY THE SHAREHOLDERS MAY MATERIALLY ADVERSELY AFFECT THE MARKET PRICE OF THE SHARES.

The significant shareholders of the Company as well as Directors and Senior Managers and other members of management of the Company may sell substantial numbers of their shares on the public market. Such sales could make it more difficult for the Company to raise capital through the issuance of equity securities in the future.

DIVIDENDS AND GAINS FROM DISPOSITIONS OF THE SHARES MAY, IN CERTAIN CIRCUMSTANCES, BE SUBJECT TO POLISH TAX WHEN RECEIVED OR EARNED BY NON-POLISH TAX RESIDENTS.

Investors who do not reside within the territory of Poland are required to pay tax exclusively on income obtained within the territory of Poland (i.e. on Polish source income). Income earned in the territory of Poland includes, among other items, income from securities and financial derivatives that are admitted to public trading in the territory of Poland on the regulated exchange market, including income generated from the disposal of such securities or financial derivatives, and the exercise of the rights arising from any of the above. On account of the fact that the shares are traded on the WSE, dividends and gains from dispositions of the Shares may, in certain circumstances, be subject to Polish tax when received or earned by non-Polish tax residents. This is primarily the case where an exemption or a double taxation treaty does not apply between Poland and the country where the investor is a tax resident.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

2.3. Regulatory Matters

INTRODUCTION

The Group's operations are subject to numerous laws, rules and regulations resulting from both EU and domestic laws in countries where the Group operates. The regulatory requirements applicable to the Group's business activities are subject to change, as they are continuously adapted at the national, European, and international level. The regulatory debate at the EU and national level focuses largely on online platforms and online marketplaces and may result in additional obligations and costs This will result in far reaching obligations and potentially establishment of new supervisory authorities and regulatory risks.

In 2022 a number of legislative processes relevant for the Group that were described in the 2021 Annual Report were concluded at the PL and EU level. This includes but is not limited to regulation on online platforms liability and obligations (Digital Services Act, General Products Safety Regulation), the so-called gatekeeper regulation (Digital Markets Act), sectoral acts (Anti Usury Bill, Batteries and Waste Batteries Regulation) and other relevant matters (Women on boards" directive, Gender Pay Gap Directive, Network and Information Security Directive "NIS 2", Digital Operational Resilience Act (DORA) – Regulation). They will require internal implementation and will entail changes in the operations of the Group.

Works are also progressing in the EU on regulations related to artificial intelligence, business to business and business to government data sharing, platforms' work, sustainability of products and many others.

Additionally, a number of draft proposals were published in 2022 that will have an overall impact on the digital economy and ecommerce. This includes but is not limited to Draft VAT in the digital age package, Draft Regulation on Packaging and Packaging Waste (PPWR), Draft Regulation on Cyber Resilience Act (CRA), Draft Product Liability Directive (PLD), Draft AI Liability Directive (AILD).

The growing number of laws related to ecommerce and the digital economy increases the risk of overlooking relevant legislation and being unable to mitigate related risks in advance. This risk will be exacerbated as the Group continues to expand its activities to new countries. If the Group fails to comply with any of these laws and regulations, the Group may be subject to civil liability, administrative orders, fines, or even criminal sanctions. Such failure may also have an adverse impact on the Group's reputation.

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

DIGITAL SERVICES ACT AND DIGITAL MARKETS ACT

In 2022 the European Commission adopted two regulatory proposals relevant for digital services and e-commerce platforms: Digital Services Act (DSA) [1] and Digital Markets Act (DMA), formerly referred to as ex ante rules [2]. Both regulations introduce heavy financial penalties for a failure to comply.

Digital Services Act, redefines platform's obligations regarding fighting illegal content (notice and action mechanism, trusted flaggers), increases platforms' obligations regarding transparency vs. users (incl. on recommendations and advertising, content moderation, automated decision making), introduces sellers' verification (traceability) obligations, and introduces reporting obligations vs national competent authorities and the European Commission. Stricter enforcement tools, incl. financial sanctions up to the 6% annual turnover were adopted. More importantly, a new supervisory authority dedicated to ensure compliance with the regulation, Digital Services Coordinator, will be established. . In the course of legislative works further provisions related specifically to online marketplaces liability for third party goods sold via the platform were added. Platforms should be DSA compliant by 2/17/2024. Worth noting that the Group does not exceed 45 million active user recipients within the meaning of the DSA, thus it will not be obliged to comply with the obligations addressed to Very Large Online Platforms.

The Digital Market Act, introduces obligations and limitations to certain business' practices for "gatekeeper platforms" such as prohibition to combine data between gatekeeper's services with third party data, data from users on consent, prohibition of self-preferencing practices, prohibition from limiting business users' access to users and business users' right to sell outside (lower prices), limits in bundling of services, data sharing obligations, and limits to use of data.

As of now Allegro does not fall under the gatekeeper definition under the DMA. Yet, this act may apply for Allegro in the future, especially in case of further M&As.

[1] 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.
[2] Proposal for a regulation of the European Parliament and of the Council on contestable and fair markets in the digital sector.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

WORKS ON THE NEW EU LEGAL FRAMEWORK FOR AI

In April 2021 a proposal for regulation laying down harmonised rules on Artificial Intelligence was published by the European Commission. The proposal defines Artificial Intelligence; prohibits the use of certain AI systems seen as intrusive or manipulative; sets the requirements for high risk AI systems and rules on putting AI systems on the EU market and into service. It provides transparency obligations for certain AI systems and sets rules on market monitoring & surveillance, including sanctions up to EUR 30,000,000 or up to 6% of total worldwide annual turnover for the previous financial year. Among others, the use of AI systems for the use of creditworthiness assessment, in the employment context and biometric identification are perceived as high risk applications.

The proposal, if adopted as proposed by the EC, will imply careful assessment of used AI algorithms in the company, requirement to maintain risk management systems for high risk applications, a number of data governance, reporting and documentation requirements. They will increase compliance cost and – given new framework and unclear definitions, may bring uncertainty related to use of AI.

CONSUMER CREDIT REGULATIONS

In 2022 consumer credit regulations were under revision both at the Polish and EU level. Works on the review of EU Consumer Credit Directive [1], published on 30 June are soon to be finalised. 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 2022 Polish Anti Usury bill was adopted. It includes, among other things, a reduction in limits on non-interest costs of consumer loans, supervision of the Financial Supervision Authority over the lending industry and a ban on lending with funds from bond issues and loan crowdfunding. The bill introduces a pre-contractual obligation for entities granting consumer loans to obtain and verify information on consumers' income and expenses, regardless of the amount of the loan and its purpose. Given the changes introduced in the course of the legislative process, the final version of the bill does not contain most problematic provisions.

It is also worth mentioning that in December 2022 the draft law on amending certain laws in connection with the prevention of identity theft was presented by the government. The proposed regulation is aimed at strengthening protection against abuse resulting from the theft of data that uniquely identifies an individual. In particular, it concerns limiting the scale of incurring certain types of financial and property obligations on stolen data. The bill will cover companies granting loans (banks and loan companies). If the law is passed in its current version, Allegro Pay will be required to verify the PESEL (Powszechny Elektroniczny System Ewidencji Ludności – Common Electronic System of Population Register) number in the registry when entering into a consumer credit agreement. The proposed regulation may result in the need to modify the internal procedure for granting consumer credit.

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

PRODUCT SAFETY

Retailers who place products on the market in the European Union have to ensure that the products are safe. This is also the purpose of the Directive 2001/95/EC of the European Parliament and of the Council of 3 December 2001 on general product safety (the "Directive on Product Safety") according to which manufacturers must put on the market products which comply with the general safety requirement. In addition, they must provide consumers with the necessary information in order to assess a product's inherent threat, particularly when this is not directly obvious and they must take the necessary measures to avoid such threats (e.g. withdraw products from the market, inform consumers, recall products which have already been supplied to consumers, etc.). In this context it is important to know that under the Directive on Product Safety – just like under most other European and/or national legislation on product safety – an importer (i.e. in most cases also a retailer) of a product that was produced in a country outside of the European Union qualifies as the manufacturer of the product.

According to the Directive on Product Safety distributors are obliged to supply products that comply with the general safety requirement, to monitor the safety of products on the market and to provide the necessary documents ensuring that the products can be traced. If the manufacturers or the distributors discover that a product is dangerous, they must notify the competent authority and, if necessary, cooperate with them.

In Poland, the Directive on Product Safety has been implemented through Act of 12 December 2003 on general products safety and amendments of the Polish Civil Code of 23 April 1964. Further details are determined in various acts and governmental regulations on the safety of specific products/ product groups.

In June 2021 the European Commission published the revision of the product Safety Rules [2]. The legislative works concluded and the final text is to be published in Q2 2023. The Regulation will be applicable as of the end of 2024. The Regulation strengthens consumer rights in the EU single market reshaped by digitalisation and the COVID-19 pandemic. It addresses risks related to online shopping by introducing product safety rules for online marketplaces. It aims at ensuring that all products reaching EU consumers, through online or offline channels are safe, whether coming from within the EU or from outside and that dangerous products are recalled from the market. The proposal will have important implications for Allegro's online marketplace, fulfillment center and 1P. It will strengthen product related obligations, including unsafe product removals, access to interfaces/data scraping for market surveillance authorities, online interface design to enable traders to provide product information on the listing, cooperate in ensuring effective product recalls, organise product checks. The proposal originally envisaged high financial penalties (4% of the annual turnover), however in the present version it is left to Member States to lay down the effective, proportionate and dissuasive penalties.

[2] The Proposal for a regulation of the European Parliament and the Council on general product safety, amending Regulation (EU) No 1025/2012 of the European Parliament and of the Council, and repealing Council Directive 87/357/EEC and Directive 2001/95/EC of the European Parliament and of the Council (COM(2021) 346 final)

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

DATA PRIVACY

GENERAL REGULATIONS

As part of its regular operations, the Group processes significant quantities of personal data. Therefore, the Group has implemented robust privacy policies and IT solutions to ensure compliant processing of personal data.

The General Data Protection Regulation that entered into force on 25 May 2018 sets out the general framework for the European data privacy regime. Fines for breach of the GDPR may be significant, depending on circumstances of an individual breach. In the worst case scenario they can go as high as 4% of the turnover of the Group. Moreover, the supervisory authority may restrict further use of data in question, which could potentially impact the Group's operations. At the local level the GDPR is supplemented by the local legislation.

The following items illustrate selected areas of data privacy protection which are of particular relevance in the e-commerce sector:

- **Email advertising:** Subject to certain exceptions, email advertisements (e.g. newsletters, product recommendations or sales announcements) may only be sent to addressees who have given their explicit prior consent. The EU rules governing email marketing are set forth in the GDPR and, operating as a lex specialis in relation to the GDPR, in the so-called e-Privacy Directive (Directive 2002/58/EC as amended). The general rule under the e-Privacy Directive, is that the use of email for direct marketing purposes is only permitted in respect of subscribers or users (of the public electronic communications services concerned) who have given their prior consent (opt-in). These rules may further change as the e-Privacy Directive is currently under review.

- **Web analysis:** Web analysis technologies such as cookies or tracking tools (e.g. Google Analytics) enable the operator of a website to personalise its offers and marketing to better match the users' interests. Even though most web analysis tools anonymise or pseudomise collected data and do not allow for a subsequent allocation of data to individual data subjects, the use of such tools may still be subject to data privacy laws. For example, the use of cookies is regulated by the Directive on Privacy and Electronic Communications which provides for an opt-in regime pursuant to which the use of cookies requires an informed consent of the website user.

CYBERSECURITY

In the EU, the cybersecurity regime has been harmonised under the EU Directive 2016/1148/EU of the European Parliament and of the Council of 6 July 2016 concerning measures for a high common level of security of network and information systems across the Union (the "NIS Directive") which entered into force on 8 August 2016. The NIS Directive requires "essential service operators" within critical infrastructure sectors, such as the energy, transport or banking sector, as well as "digital service providers" (e.g. online marketplaces), to carefully review existing network security mechanisms, to implement "state-of-the-art" security measures which shall ensure a level of security for their infrastructure appropriate to the risk of the respective entity as well as to establish proper notification measures to promptly notify the competent authority of any incident which has a substantial impact on the services offered in the European Union.

The NIS Directive is further supplemented by the Commission Implementing Regulation (EU) 2018/151 of 30 January 2018 laying down rules for its application as regards further specification of the elements to be taken into account by digital service providers for managing the risks posed to the security of network and information systems and of the parameters for determining whether an incident has a substantial impact.

The NIS Directive has been implemented in Poland by the Act of 5 July 2018 on the National Cybersecurity System, which sets out detailed obligations within the framework of the NIS Directive and provides for penalties for breaches that may be imposed by the Polish Minister of Digitalisation.

While fines for individual breaches that may be imposed would normally not exceed PLN 20,000 per breach, in the unlikely event the Group is found in notorious breach, that could result in:

- direct and serious cybersecurity threat to defence, state security, public order and safety, or human life or health; or

- threat of causing serious proprietary damage or substantial disturbance in performance of essential services,

fines may be up to PLN 1.0 million.

In December 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. Works at the EU level were finalised on 28 November 2022. Member States would have to transpose NIS 2 into their national laws by 17 October 2024 and shall apply those measures by 18 October 2024. The Directive aims to ensure a high level of responsibility for the cybersecurity risk-management measures and reporting obligations at the level of the essential and important entities. These obligations are to be approved and overseen by the management body. Worth noting that postal operators are included in the scope of the NIS Directive as important entities, which may imply additional obligations related to ensuring services security.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

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 OCCP President. The OCCP 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 OCCP President, acting in public interest, is responsible for implementing the consumer protection policy. The OCCP President conducts proceedings concerning (i) practices infringing collective consumer interests and (ii) abusive clauses in standard agreements with consumers. The Group must also comply with various consumer protection laws regulated at the EU level. There are numerous acts encompassing consumer protection laws, the most important one being the Act on consumer rights, which has recently been revised because of the implementation of the Omnibus directive. The new regulations have been in force since 1 January 2023 and are already subject to OCCP scrutiny. It is worth noting that Allegro was a pioneering company when it came to implementation of changes to the consumer law as Allegro was compliant with the regulations before the new law (which was a delayed implementation of EU legislation) came into force in Poland.

POTENTIAL SANCTIONS FOR BREACH OF COMPETITION OR CONSUMER LAWS

The OCCP 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) recognising the practice as infringing collective consumer interests or (iii) recognising the provisions of a standard form contract as abusive. The OCCP President may also (i) enforce abandonment of the practice/abusive clause and/or (ii) order the company to remedy the effects of an infringement. Additionally, if a company fails to comply with the OCCP President's decision, the OCCP President may impose a fine of up to EUR 10,000 (approximately PLN 46,148) per each day of such delay.

The OCCP 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 anti competitive 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 OCCP President, recognising 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 OCCP 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 OCCP 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 OCCP 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 harmonising rules on numerous issues arising in competition damages claims and introduce collective redress mechanisms. This framework seeks to strengthen the position of private claimants seeking damages by removing substantive and procedural obstacles for claimants to prove an infringement and establish damages.

POTENTIAL UPCOMING CHANGES TO THE POLISH COMPETITION AND CONSUMER LAW

There are two acts concerning competition and consumer protection which are currently being processed and which may be relevant to Allegro. The first one is the implementation of the Consumer Protection Cooperation Regulation which will give additional powers to the President of OCCP in the field of consumer law breaches (especially online). The other one is the much delayed implementation of the ECN+ directive which, among others, will introduce a term of office for the President of OCCP (note that the President of OCCP has so far been appointed and dismissed at will by the Prime Minister)

- New powers of the OCCP 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.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

POSTAL SERVICES

As part of development of the Group's services, on 16 April 2020, Allegro was registered in the register maintained by the UKE as a postal operator.

Provision of postal services is governed by:

- Directive 97/67/EC of the European Parliament and of the Council of 15 December 1997 on common rules for the development of the internal market of Community postal services and the improvement of quality of service, which has been implemented in Poland under the Postal Act of 23 November 2012; and
- the Regulation (EU) 2018/644 of the European Parliament and of the Council of 18 April 2018 on cross-border parcel delivery services.

In the Group's capacity as postal operator, the Group will be subject to various ongoing regulatory and reporting duties and will be subject to ongoing supervision by the President of the UKE. The Group may also be subject to certain specific duties related to state security, national defence, and public order and safety matters (including crime prevention) and will need to cooperate on that with various Polish state security agencies.

Whenever the Polish public postal operator (Poczta Polska) incurs losses on its universal postal service, it may request that the President of the UKE orders that such losses shall be compensated by those of the remaining postal operators whose revenue from universal postal service or equivalent services (excluding courier services) in a given financial year exceeds PLN 1.0 million. Such operators would then participate in such losses on a pro rata basis in accordance with a formula set out in the Postal Act and each operator's share cannot exceed 2% of the amount by which its revenue generated by such services exceeds PLN 1.0 million.

If the Group is found in breach of its various regulatory duties, the Group may be exposed to a fine of up to 2% of part of Allegro's turnover generated from postal activities (or EUR 500,000 (PLN 2.3 million) if the Group's breach occurs within first twelve months of rendering postal services).

Furthermore, breach of certain reporting duties under the Regulation (EU) 2018/644 may result in fines up to 2% of Allegro's total turnover.

In the context of the postal services it is worth mentioning that in December 2021 the European Commission published a draft directive related to working conditions in platform work [1]. It includes measures to correctly determine the employment status of people working through digital labour platforms and introduces new rights for both workers and self-employed people regarding algorithmic management. The directive aims at improving the working conditions in platform work and to support the sustainable growth of digital labour platforms in the EU. Although it is not targeted at postal/couriers' services it may have an impact on contractual relations between platforms and postal/courier service providers'.

MARKETING AND USE OF EXPLOSIVES PRECURSORS

Under the new Regulation (EU) 2019/1148 of 20 June 2019 on the marketing and use of explosives precursors, amending Regulation (EC) No 1907/2006 and repealing Regulation (EU) No 98/2013, which entered into force in February 2021, online marketplaces such as the Group will need to:

- ensure that users selling regulated explosive precursors know their obligations (Art 7.3);
- take measures to help users comply with verification obligations (Art 8.4); and
- have in place measures to detect suspicious transactions and report attempted or suspicious transactions within 24 hours (Art 9.2 & 9.4).

The Group has introduced processes and necessary T&C changes to ensure compliance with this Regulation and Polish implementing laws.

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

PAYMENT SERVICES AND AML REQUIREMENTS

As is the case for many other e-commerce businesses, the Group's operations are heavily dependent on the provision of payment services. While payment services have historically been provided by third-party payment services providers, the Group launched its own payment services in the second half of 2020, making applicable payment services regulations directly applicable to the Group. Allegro Finance sp. z o.o. 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 licences are described below.

Payment services in Poland are regulated and in general, companies undertaking such activities require authorisation from the PFSA, in which the PFSA specifies the payment services that the payment institution is authorised to provide.

At the national level, the payment services are primarily regulated by the Act on Payment Services of 19 August 2011 (Journal of Laws of. 2020 item. 794, as amended) (the "APS"). APS contains provisions which are national implementation of the Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market, amending Directives 2002/65/EC, 2009/110/EC and 2013/36/EU and Regulation (EU) No 1093/2010, and repealing Directive 2007/64/EC (PSD2).

The payments services and issuance of electronic money is supervised by the PFSA to the extent and subject to the conditions stipulated in the Act on financial market supervision of 21 July 2006 (Journal of Laws 2020, item. 2059, as amended). In the same time, the President of the NBP supervises the payment systems within the meaning of Article 1.1 of the Act of 24 August 2001 on settlement finality in payment and securities settlement systems and the rules of oversight of these systems (Journal of Laws of 2019, item 212, as amended), the payment schemes within the meaning of the APS, as well as participates in the PFSA's supervision of: (i) domestic payment institutions which provide the acquiring service; (ii) entities which operate securities settlement systems; and (iii) entities which operate securities clearing systems.

Under the APS, the provision of payment services is a licensable activity (unless one of the exemptions provided for in the APS applies). Only entities listed in Article 4.2 of the APS, in the specific conditions set out in the APS, may become payment services providers. Payment services may be provided by a payment institution. The term "payment institution" covers DPIs in Poland and institutions licensed in other EU Member States to provide payment services ("EU payment institutions"). In order to begin providing payment services in Poland as an DPI, an authorisation from the PFSA is required. In case of acquiring services, the President of the National Bank of Poland must issue an opinion before the relevant authorisation is granted (opinion is issued upon the PFSA's request). The authorisation (and the opinion) can be obtained based on an application filed with the PFSA by the legal entity with a registered office in Poland that intends to provide payment services in Poland. In the authorisation, the scope of payment services that may be provided by an DPI is specified. The PFSA may withdraw the authorisation at any time in the circumstances described in the APS (however, other supervisory measures are also available to the PFSA, including power to: request to dismiss or to suspend the managing person responsible for irregularities, limit the scope of DPI's activity, impose a fine on the managing person or on the DPI itself).

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

The authorisation expires if an DPI has not started payment services activity within twelve months from the day authorisation has been granted, as well as in case an DPI does not provide payment services over a period of six consecutive months or more. Expiry must be expressly stated in the PFSA's decision.

Certain requirements laid down in the APS must be satisfied by an entity that intends to provide payment services in Poland. If an DPI wants to provide most of the payment services (listed in Articles 3.1–3.5 of the APS), it must have share capital of at least EUR 125,000 or its equivalent in złoty. Contributions to cover the share capital may not originate from a credit facility or loan or be in any way encumbered or originate from illegal or undisclosed sources. The DPI must also hold the required amount of own funds (the minimum requirement for own funds specified in the APS). 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 licence 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) [1]. The Regulation was adopted on 28 November 2022. DORA will become applicable on 17 January 2025. It aims to bring the requirements relating to ICT risk management in the financial services sector and guidelines issued separately by the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA), and the European Securities and Market Authority (ESMA), under one roof. As a payments institution regulated under PSD2, Allegro is compliant with the PSD2 and the EBA Guidelines on operational risk and major incident reporting. This framework is already quite robust and includes many of the requirements laid out in DORA. Additionally, certain cybersecurity related obligations may be introduced.

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 AND PACKAGING WASTE

In relation to the Group's activities, in particular retail activities, the Group is subject to various reporting, recycling and other obligations under Polish Act on Waste of 14 December 2012 (consolidated text – Journal of Laws 2020, item 797, as amended) and the Polish Act of 13 June 2013 on dealing with packaging and packaging waste (consolidated text – Journal of Laws 2020, item 1114, as amended). These acts implement, among others, the European Parliament and Council Directive 94/62/EC of 20 December 1994 on packaging and packaging waste and Directive 2008/98/EC of 19 November 2008 on waste as well as subsequent amendments to these directives. The ongoing transposition of the above-mentioned directives into the national law in Poland may extend the statutory obligations of the Allegro group, in the form of increased reporting and financial burdens.

On 30 November 2022 the European Commission published proposal for a new regulation on packaging and packaging waste (PPWR), which will substantially amend the Single Use Plastic Directive [2] and repeal the current directive on packaging and packaging waste (Directive 94/62/EC). The proposed regulation will harmonise across the EU Member States certain provisions, i.a. regarding Extended Producer Responsibility (EPR), packaging minimisation, reuse, recycling and labelling. The proposal has a direct obligations for online platforms to verify EPR obligations of sellers (notably, platforms should obtain from the packaging producers – manufacturers, importers or distributors – information about their compliance with the extended producer responsibility rules, and the rules on traceability of traders selling packaging online will be subject to the enforcement rules set out in Regulation (EU) 2022/2065 (DSA).

[1] Proposal for a regulation of the European Parliament and of the Council on digital operational resilience for the financial sector and amending Regulations (EC) No 1060/2009, (EU) No 648/2012, (EU) No 600/2014 and (EU) No 909/2014

[2] Directive (EU) 2019/904 of the European Parliament and of the Council of 5 June 2019 on the reduction of the impact of certain plastic products on the environment.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor’s report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

Overall, the proposal will impact the Group for its 3P (online marketplace), 1P and fulfillment operations, as well as merchants. At the same time some of the proposed obligations are aligned with the Allegro approach, especially as regards promoting sustainable packaging solutions via One Fulfillment by Allegro. Furthermore, the expected harmonisation of the rules on registration in each Member State's packaging database could bring some benefits to the merchants, especially those selling crossborder (despite the required bureaucracy). Nevertheless, there are risks entailed with provisions delegated to the secondary legislation and their proper implementation over time, as well as to the arbitrary bans on usage of certain packaging materials or formats.

In 2022, as part of the European Green Deal, the European Commission also published several other proposals related to the area of sustainability, transparent information to consumers, e.g. by labelling improvements, incl. draft Regulation on Ecodesign for Sustainable Products (ESPR), draft Directive on empowering consumers for the green transition and revision of Regulation (EC) on Classification, Labelling and Packaging of substances and mixtures (CLP).

INTERIM FDI REGIME

General

The below amendments to the Polish the Act on the Control of Certain Investments of 24 July 2015 entered into force on 24 July 2020 and were supposed to be effective for 2 years, but were extended in 2022 by another 3 years (to July 2025).

The revised interim foreign investment regime (the "FDI Regime") was introduced in response to the negative effects that COVID-19 pandemic may have on valuations of Polish businesses. Any transaction that falls within the scope of the FDI Regime will have to be notified to the OCCP President, who has the right to object to the contemplated transaction.

The FDI Regime will apply to all WSE-listed companies that have their registered offices in the territory of Poland and whose revenue from the sale of goods or services in Poland in any two financial years preceding the notification was at least EUR 10.0 million (PLN 46.1 million). As the Company is incorporated in Luxembourg, therefore, a number of restrictions under the FDI Regime will not apply to trading in the Company's shares.

However, the FDI Regime may apply to some of the Group's Polish operating companies due to their software-related activities. In such case, indirect acquisition of a dominant position over such Polish operating companies (including by way of acquiring a dominant position over the Group) by a Foreign Investor (as defined below) will be a transaction that has to be notified under the FDI Regime.

Foreign Investor

The FDI Regime will recognise as a "Foreign Investor":

- in the case of natural persons, those who are not citizens of an EU/EEA/OECD country; and
- in the case of other entities, those that do not have their registered seat in an EU/EEA/OECD country or have not had their registered seat in EU/EEA/OECD country for two years or more.

In the case of indirect investments (e.g. through subsidiaries or special purpose vehicles), the entity (or person) at the top of the Foreign Investors group structure is considered pursuant to the above criteria. Similarly, if the investment is made by portfolio managers or other agents, the client is taken into account.

Notification

The notification should be filed before the signing of a preliminary agreement obliging an investor to make the acquisition or, in the case of the acquisition of a WSE-listed company by way of a public tender offer, before the tender offer is announced.

Once the notification has been filed, the Foreign Investor may sign the preliminary agreement or announce the tender offer, which will be conditional on receipt of clearance from the President of OCCP.

Timetable

After the notification, the OCCP President has 30 business days to either (i) approve the transaction or (ii) initiate control proceedings. The control proceedings may last up to 120 calendar days (the clock stops whenever OCCP requests additional information, so in practice the actual timing may be even significantly longer).

Reasons for Objections

The President of OCCP may object to a transaction if:

- the investor does not complete the notification fully or fails to provide the additional information/documents/explanations requested by the President of OCCP; or
- the transaction leads to at least a potential threat to public order, public safety, or public health;
- it is not possible to determine whether the investor has its registered seat (or citizenship) in an EU/EEA/OECD member state; or
- the transaction could have a negative impact on projects or programs which are of EU interest.

Consequences of Non-Compliance

Any transaction made in breach of the FDI Regime (without notification or without approval) will be null and void and the investor will be unable to exercise its rights (including any voting rights) under the shares acquired. In case of taking control over a parent company of a Polish protected entity; only the latter sanction will apply.

Investment made without approval is a criminal offence subject to a penalty of imprisonment from six months to five years and a fine of up to PLN 50.0 million.

Moreover, anyone managing the subsidiary or exercising voting rights on behalf of a Foreign Investor, who fails to notify the President of OCCP of the foreign investment of a certain kind (such as a cross-border merger outside of Poland) is liable to a fine of up to PLN 5.0 million, a term of imprisonment of six months to five years or both of these sanctions jointly.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

3.

Our Approach to Environmental, Social and Corporate Governance

1.1.
ESG management

1.1.1.
KEY DATA & RESULTS FOR ESG

GREAT PLACE TO WORK

- 7,840 people working in the Group (Polish Operations and Mall Segment)
- 82% of the employees said they would recommend Allegro as a great place to work
- 1,159 employees engaged in volunteering
- Equal pay: the gender pay gap is under 5% (women's remuneration against men's (men=100%) is 95.12%)
- 85% of employees perceive Allegro as a workplace where everyone is respected regardless of gender, age or any other dimension of diversity
- almost 14,4 thousand development activities (eg. internal and external workshops, webinars, e-learning, conferences, coaching sessions etc.) and 92% of employees who participated in at least one training course

BEST SHOPPING EXPERIENCE

- 80.8 rNPS in the customer satisfaction survey
- 14.1 million Active Buyers on Allegro
- 90% of customers who consider shopping on Allegro safer or just as safe as on other platforms
- over 133 thousand professional merchants on Allegro
- almost 480 thousand unique users (sellers) who visited the Allegro Academy e-learning platform
- approximately 96% of One Boxes were accessible according to our accessible standards
- the number of active offers on Allegro Lokalnie rose by 30% YoY

MANAGEMENT OF THE ENVIRONMENTAL IMPACT

- 10.4% YoY lower emission in the whole value chain (Scope 1, 2 and 3) emission
- 28% YoY lower emission intensity for the whole value chain (Scope 1, 2 and 3) emission in relation to revenue
- 23% of energy consumption from RES by Guarantee of Origins
- 12.2% YoY decreased Scope 3 GHG emissions
- 3.7 million sustainable packaging introduced to the market by Allegro
- 98% of waste was recycled in warehouses and depots

SUPPORT FOR THE SOCIETY

- PLN 56 million donations made by Allegro's customers thanks to the charity platform – Allegro Charytatywni
- 338 NGOs' users on Allegro Charytatywni
- Over 750 thousand charity offers and 541 charity goals on Allegro Charytatywni
- PLN 11.7 million collected for Ukrainian refugees

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

1.1.2. SUSTAINABILITY & ESG STRATEGY

Environmental, social and governance issues are a part of Allegro's daily business operations as well as its long-term strategic plans. Consequently, in 2020 Allegro developed its CSR and Sustainability Strategy for 2020-2023 that defines Allegro's long-term priorities in this area.

ESG is a key element in our business decisions. We consider ESG factors to be equally important as other business indicators. Our ESG Strategy is implemented through cooperation in all areas, incl. Technology, Commerce, Operations (Customers & Delivery Experience), Human Resources, Compliance & Risk, Investor Relations, Procurement, Marketing, PR, CSR and ESG Teams. We are managing ESG comprehensively, involving the Executive Team Members and Board Members, and embracing all important stakeholders: clients (consumers and merchants), employees, and society as well as investors, ESG rating agencies, business partners and regulators.

By setting ambitious goals, i.a. climate targets, the company becomes a trendsetter and leader on the CEE market. We continuously work on diversity, equity and inclusion, being considerate of different groups of clients: gender-based, seniors, young generation and people with disabilities etc.

We have already set long-term climate and governance targets:

- Climate targets [accepted by Science Based Targets initiative]: 38% reduction of GHG emissions (scope 1 and 2) by 2030, in line with the Paris Agreement 1.5°C pathway and engaging at least 73% of the largest suppliers to determine their science-based targets for Scope 1 and 2 by 2027;
- Governance targets: ensure that independent members constitute at least a majority (over 50%) of the Board of Directors by 1 September 2026.

We are working on a set of principles for product managers to adhere to when creating products with an impact on ESG.

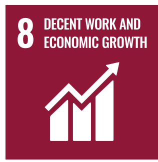
We aim to raise awareness of the best practices in sustainable packaging and logistics, giving both merchants and buyers the knowledge and tools to promote the circular use of resources across our entire value chain. We intend to encourage more merchants to use sustainable packaging. We educate our merchants and customers on the Allegro Academy e-learning platform.

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

The Board of Directors discussed ESG topics whilst approving various Policies (eg. Climate, Human Rights, and Anti-discrimination) and their approach to ESG during their meetings in March, June, September and November 2022.

The Remuneration and Nomination Committee of the Board of Directors reviews on regular basis Diversity, Equity and Inclusion (DE&I) metrics and initiatives, as well as takes the DE&I objectives into account in benchmarking and shaping the Group remuneration policies

SUSTAINABLE DEVELOPMENT GOALS PURSUED AS PART OF ALLEGRO'S SUSTAINABILITY & ESG STRATEGY FOR 2020–2023



ESG STRATEGY Group FOCUS ON:

ENVIRONMENTAL IMPACT	SOCIAL IMPACT	GOOD GOVERNANCE
#1 go-to-place for sustainable e-shopping	#4 the best place for employees to develop where diverse people can thrive	#8 strong and comprehensive ESG management
#2 the place for merchants (SMEs) for sustainable development and grow	#5 accessible, reliable, trustworthy and safe platform	#9 recognised as an ethical company
#3 sustainable leader on the market with the climate targets in the whole value chain	#6 responsible for the supply chain [1]	#10 leader in transparency and reporting
	#7 good citizen with real impact on tech education and charity support	

[1] network of companies (vendors) that are involved in the production and delivery of a services for Group

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

SHORT-TERM ESG GOALS AND IMPLEMENTATION PROGRESS

As part of a strategy review, we prioritised the main ESG goals that we present below.

ENVIRONMENTAL IMPACT

#1 go-to-place for sustainable e-shopping

#2 the place for merchants (SMEs) for sustainable development and grow

- Develop a sustainable product base (Allegro Naturalnie)
- Develop sustainable packaging in 1P and fulfillment center

#3 sustainable leader on the market with the climate targets in the whole value chain

- Implement environmental management system (ISO 14001) in Polish operation
- Monitor GHG emission (Group) and continue decarbonisation strategy

SOCIAL IMPACT

#4 the best place for employees to develop where diverse people can thrive

- Improve Diversity, Equity and Inclusion. The top 4 priorities in DEI are currently related to gender (pay gap and development/career opportunities), nationality (English first communication, access to various unified processes and mechanisms), age/generation representation employees, as well as consumers and neurodiversity

#5 accessible, reliable, trustworthy and safe platform

- Create more accessibility services and platforms for all customers, incl. customer support for other minority groups

#6 responsible for the supply chain [1]

- Include ESG indicators into Supply Chain (Group's suppliers)

#7 good citizen with real impact on tech education and charity support

- Develop the Allegro Foundation
- Further grow of employees's volunteering
- Continue charity activities and education programmes (incl. Charytatywni Allegro)

GOOD GOVERNANCE

#8 strong and comprehensive ESG management

#9 recognised as an ethical company

- Integrate processes and development of ESG in Mall Group operations
- Refresh ESG Strategy for Group

#10 leader in transparency and reporting

- Prepare for introduction of new EU regulations – CSRD (Corporate Sustainability Reporting Directive) and Taxonomy (ESG and sustainability reporting

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

1.1.3. KPI'S AND LONG-TERM ESG TARGETS

Long-Term ESG targets	GOALS	2022 – POLISH OPERATIONS
	Greening our operations: further reduction of GHG emissions: Goals aligned with the SBTi (Polish Operations):	
Environmental	**Scope 1+2:** 38% reduction of GHG emissions by 2030, in line with the Paris Agreement 1.5°C pathway **Scope 3:** engaging at least **73% of the largest suppliers** to determine their science-based targets for their Scope 1 and 2 by 2027.	▲Scope 1+2 (market-based) [1] ↑ 26% In 2022 over **23% of electricity consumed by company was generated from RES**, comparing to 15% in 2021 (Polish Operations). ▼ **Scope 3 GHG emissions** decreased by **12.2%** in 2022 YoY Categories in which emissions have decreased the most are purchased goods and services and capital goods. The highest increase was recorded in the category downstream transportation and distribution. **Total (Scope 1 & 2 & 3) emissions (market-based) in relation to revenue (PLN in millions) is ↓28% lower than last year**
	Employer of choice for top talents	
Social	Employee engagement index at a minimum of 75%	▼ **67%%** at Allegro (74% 2021) BAZA engagement score
	Board of Directors independence	
Corporate governance	The goal to ensure that independent members constitute at least a majority (over 50%) of the Board of Directors by 1 September 2026	↑ In 2022, the Board had nine members, of which three were considered independent – 33%. Two of eight members were considered independent in 2021 – 25%.

[1] In market-based method, emission factors for energy suppliers were used.

ESG KPI'S FOR 2023

KPI's	Unit	2021	2022	2023 Target
Accessibility for Clients Share of APMs with accessibility (Polish Operations)	%	—	96%	97%
Sustainable packaging Share of sustainable packaging in 1P and fulfillment centre in (Polish Operations) *(reuse and recycled packaging (excluding Heavy and Bulky)*	%	71%	75%	↗ increase
Sustainable for Clients and Merchants Numbers of products with sustainable labelling (Allegro Naturally)	actual number	nd	12,500	↗ increase
Diversity & Inclusion Decreasing gender pay gap Salary Ratio = Average woman salary/Average man salary (%) (Q) Weighted average for group size at each level of the corporate structure and in a given business area	%	94.3%	95.1%	96%

YEAR-TO-YEAR KPI'S FROM PREVIOUS ESG REPORT

KPI description	2022	2021	2020
rNPS in customer satisfaction survey **[KPI 1]**	80.8	78.9	76.1
professional ("B2C") merchants on Allegro **[KPI 2]**	133 thousand+	+133 thousand	128 thousand
active buyers on Allegro **[KPI 3]**	14.1 million	13.5 million	13 million
unique users who visited the Allegro Academy e-learning platform **[KPI 4]**	471.4 thousand (sellers)	1 million (sellers and buyers)	962 thousand (sellers and buyers)
donations made by Allegro's customers on the charity platform – Allegro Charytatywni **[KPI 5]**	PLN 56 million	PLN 39.3 million	PLN 19.4 million
Sustainable packaging introduced to the market by Allegro **[KPI 6]**	3.7 million	571 thousand	n/a
% of employees who perceive Allegro as a workplace where everyone is respected regardless of gender, age or any other dimension of diversity **[KPI 7]**	85%	87%	n/a

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

1.1.4.
RESPONSIBLE OVERSIGHT

As Sustainability and Climate are strategic issues for Allegro, the responsibility for defining strategic directions in this area lies with the Board of Directors. The Sustainability Team, supported by dedicated managers and employees from the various departments within the organisation, 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 Sustainability & ESG 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.

Management and leadership role

Management Committee for ESG & Sustainability	• approves strategic directions and goals and recommends changes/activities • approves reports on the implementation of the Allegro ESG & Sustainability Strategy • supervises the integration of the ESG & Sustainability Strategy and initiatives with Allegro's business goals • selects priority areas and formulates long-term strategic plans	Board of Directors

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 Board of Directors' meetings. The Company has established the ESG & Sustainability Management Committee, composed of General Counsel and Corporate Affairs Director, Communications Director and Chief Security Officer. The Steering Committee includes the CEO and the members of the Executive Team. The duties of the Committees are described above. ESG issues are also raised at meetings of the Board and are taken into account in the business decisions that are made.

Allegro's Sustainability & ESG 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.

1.1.5.
IMPLEMENTING THE SDGS / UN 2030 AGENDA

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 Sustainability & ESG strategy and our environmental pledge.

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 development is extremely important. Link: https://www.unglobalcompact.org/

In 2021, Allegro joined the Ethical Standards Committee of UN Global Compact Network Poland and in 2022, Allegro continued its activity in the Ethical Standards Committee and Climate Positive Programme of UN Global Compact Network Poland.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

1.1.6. SOLIDARITY WITH UKRAINE

The war across our Eastern border has shocked many of us. We stand in solidarity with Ukraine, our hearts are with its citizens. As Group we focus to help our Ukrainian employees and support them, as well as provide assistance and psychological help for all employees. We also engaged our clients and together we supported refugees from Ukraine. We blocked Russian and Belarusian products and merchants. Moreover, we translated and provided our platform in the Ukrainian language to give Ukrainians convenient access to our offers.

Actions taken by Group

- **We support our employees and contractors – Ukrainian citizens :**
  - Each employee was given an additional 7 days of paid leave to take care of their families
  - Each employee was paid an allowance in the amount of PLN 2,500
  - Each employee can take advantage of free legal advice and psychological support
  - We stay in touch with all employees and try to provide individual help if we can.
  - We organised a collection of first aid and emergency supplies
- **For all employees and contractors**
  - Psychological help in Polish, Ukrainian or English for employees, contractors and relatives.
  - Legal assistance provided in the following languages: Ukrainian, Russian and Polish.
  - Additional support – special email alias or contact with HR Business Partner.
  - We organised a series of 10+ trainings and webinars for all employees and contractors on how to deal with the current conflict situation (incl topics like how to deal with emotions, how to talk to children, how to support a team, etc.), as well as "How to support yourself and others?" or "Stress, fear, uncertainty. How to take care of your own and your employees' emotions"

- **For customers (buyers and sellers)**
  - **Allegro launched its Ukrainian language version to facilitate access to its offers to a growing group of Ukrainians living in Poland.**
    - The translated user interface enables Ukrainian-speaking customers to conveniently use the website and manage their accounts and payments.
    - The new language version may be selected from the menu in the top section of the website, after clicking the flag at allegro.pl, or the dedicated address for international sales at allegro.com.
    - Additionally, Allegro offers support to buyers in Ukrainian on the contact page and translated articles in the Help Center (about 30 most important articles for a start). Customers may also contact Allegro via e-mail. A new language version will also be available on Allegro's iOS and Android apps soon.
  - Merchants from Ukraine – we contacted all our merchant from Ukraine and offered them our help
  - We have withdrawn all Russian and Belarusian products from the Official Allegro Store
  - We blocked the accounts of all merchants from Russia and Belarus at Allegro.pl and Ceneo.pl.
    - We excluded all Russian and Belarusian products from co-financing programs.
    - We have suspended merchants from Russia and Belarus.
    - We block the possibility of issuing new offers for Russian and Belarusian products based on sanction lists and well-known brands
- **For refugees from Ukraine**
  - Group has taken action to support organisations providing humanitarian aid. The company has also involved its customers, giving them several opportunities to support selected initiatives. In total, more than PLN 11.7 million has already been collected in 2022.
  - The company has provided in-kind (food, cleaning supplies, Allegro vouchers), as well as non-material and financial assistance
  - Allegro employees are also actively engaged in helping. Their enthusiasm for developing bottom-up initiatives has turned into local charity collections and volunteering involvement. To facilitate them in developing their initiatives, **the Allegro Foundation** dedicated the 3rd edition of the #we_help_because_we_can charity grant competition to support Ukraine, among others. 19 charity initiatives were selected, and the maximum grant amounted to PLN 15 thousand for each initiative accepted.
  - More in the Part "Social and charity work".

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

1.2
Polish Operations: Relations with customers (buyers and sellers)

We are committed to the best shopping experience at Allegro. We operate a platform that guarantees simple and convenient shopping. A vast majority of transactions are successful, and in the rare instances when there is an issue, we enable customers to easily reach the merchant and offer assistance using an innovative mediation system. If the parties fail to reach an agreement or in case of problems with platform functions e.g. registration or payment, they can ask Allegro employees for support. We offer both merchants and buyers fast and easy access to 24/7 assistance.

Unless stated otherwise, data in this section 1.2 refers to the Polish Operations, ie. ex Mall Segment.

1.2.1. KEY DATA & RESULTS FOR CUSTOMERS

23.9 million number of Active Service Recipients [1]

80.8 rNPS in customer satisfaction survey (as of end of 2022)

14.1 million active buyers on Allegro (as of end of 2022)

90% of customers who consider shopping on Allegro safer or just as safe as on other platforms

Over 133 thousand professional (“B2C”) merchants on Allegro (as of end of 2022)

almost 480 thousand unique users (sellers) who visited the Allegro Academy e-learning platform (as of end of 2022)

approximately **96%** of One Boxes were accessible

Over 290 million active offers

1.2.2. HIGH RESULTS OF CUSTOMER SATISFACTION

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.

[KPI 1] The high satisfaction of buyers earned us the best-in-class relational Net Promoter Score (rNPS) of 80.8 at the end of 2022 vs 78.9 at the end of 2021 and 76.1 at the end of 2020.

Over 20.2 million internet users in Poland visited the Allegro platform in January 2023 according to the Mediapanel research by Gemius/Polskie Badania Internetu.

Allegro’s app is the most popular e-commerce app in Poland, with more than 11 million average monthly active users, cumulative download, and total time, as of Q4 2022 according to data.AI.

Allegro received Start of Customer Service Quality Award for 6th consecutive year (since 2018)

Star of Customer Service Quality – awarded based on customers’ opinion survey, carried out by the Polish QualityProgram

The process is standardised and consists of 4 steps: analysis of customer feedback left on the website throughout the year, nominations of companies based on the highest number of positive opinions, CAWI survey (online) on a representative group of consumers from all over Poland, selection of companies with the highest results in the industry. Giving Allegro this award for the sixth time in a row is proof that the company is not slowing down and consistently delivering the best customer experience.

Our priority is to maintain a trustworthy environment for both sides of transactions, supported by a set of clear rules. We constantly monitor merchants and offers and examine all issues as they are reported. Examples include Allegro Protect (previously Buyer Protection Programme), 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	2022	2021	2020
Number of opened discussions	4.3 million	4.8 million	3.9 million
% of discussions resolved successfully	98.2%	98.1%	96.9%

The Customer Experience team remains available to customers at all times, quickly and efficiently answering questions and providing support. The team communicates using various channels:

- site with Help articles and Contact Form that allows communication via written message,
- chat supported by bot,
- social media,
- call-back or
- traditional hotline in case of urgent problems (e.g. technical problems with Allegro One Box).

Allegro is launching a contact channel for the Deaf: online connection with Migam Interpreter. The contact channel allows deaf users to have a video chat with online assistance from a polish sign language interpreter. In addition to shopping support, the platform has also prepared dedicated contact channels for users with visual or hearing loss collecting parcels from One Box by Allegro parcel machines. Allegro is introducing another innovation to make online shopping even more accessible. Seniors who would like to create an account or find out more about shopping on Allegro can call a dedicated Hotline for Seniors.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor’s report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

1.2.3. ALLEGRO GADANE – COMMUNITY PLATFORM

Allegro Gadane is a community platform where buyers and merchants are offered access to insights and feedback submitted by other users. Allegro Gadane recorded over 3.9 million visits, and thanks to the content posted by the community, as many as 810,000 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.

1.2.4. ACCESSIBILITY FOR ALL

It is our priority to ensure that our platform can be used by everyone. That is why we care about accessibility of our services at every stage of the procurement process.

AVAILABLE SERVICES

Our platform and services are created to be intuitive and easy to use, to make the shopping process more comfortable, but also to be more accessible for people who do not use online shopping on a daily basis. We are also taking a number of actions to make our services accessible for people with specific needs.

RAISING AWARENESS AND SOLVING SPECIFIC PROBLEMS

Accessibility Hackathons are programming marathons, open for all employees, during which volunteers from our organisation work on changes that will make it easier and more convenient for people with specific needs to use Allegro. Thanks to four hackathons, organised from 2019 till the end of 2022, over 60 changes were deployed, helping Allegro to improve accessibility on the platform.

Aim of it was also to raise awareness in the organisation about the special needs of our clients. During each hackathon there is a presentation showing particular problems people with disabilities may face using our platform. Thanks to these events Allegro established cooperation with non-for profit organisations like migam.org or widzialni.org. Recording of these events are also available for employees who are interested in the topic.

There is also a specific space to share knowledge and report problems about accessibility which are gradually being solved. We also organised training on accessibility for web-developers and designers to improve the awareness about accessibility there. Most initiatives in the accessibility area come from our workers, who see it as an important part of their job.

ALLEGRO AS A FOUNDING MEMBER OF BUSINESS ACCESSIBILITY FORUM

Allegro became a founding member of Business Accessibility Forum (BAF) – a partnership initiative of the Widzialni Foundation, Allegro, Microsoft Polska, Orange Polska and Santander Bank Polska. The Forum will be a platform for discussion and exchange of good practices to better respond to the obligations under the European Accessibility Act.

Until June 2025 Poland is obliged to adopt new regulations on the accessibility of goods and services of commercial entities. It extends the obligations to adapt products and services to accessibility standards to new business areas including e-commerce, which means Allegro also will implement these requirements.

The purpose of the BAF is to cooperate and inspire each other in developing and promoting best standards and good practices. The goal is to implement them in accessing services offered via the Internet for people with individual needs, and education in this regard. This is important because new companies will join the BAF – including the leaders of the various market sectors covered by the EAA.

https://baforum.pl/

POLISH SIGN LANGUAGE HOTLINE

To make online shopping more accessible Allegro implemented a video chat with online assistance from a Polish sign language interpreter. A Polish sign language interpreter has elevated our service to customers with hearing loss, who so far had access to channels such as email or traditional chat. Video conferencing allows us to offer them support faster, which we believe increases customer satisfaction.

DEAF HOTLINE PROJECT RECOGNISED BY POLISH NATIONAL SALES AWARDS

Allegro was awarded with the "Leader Deaf hotline" in the Technological Innovator category. The Polish National Sales Awards is the most prestigious competition of the sales and customer service sector in Poland, which every year recognises participants for outstanding achievements and high ethical standards.

SUPPORT FOR SILVER GENERATION

To make our services more accessible to people aged 65+, Allegro 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 Allegro Gadane community feature. The hotline can be reached every day from 8:00 am to 8:00 pm. Seniors 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!

Seniors can also use information materials that help using online tools and enable them to shop safely from home. The materials were prepared as a part of "To proste" (It's Easy) campaign, in partnership with the Polish National Institute for Silver Economy.

https://allegro.pl/zobacz/toproste

ACCESSIBLE DELIVERY

Our goal for One Box APM's network is to make it 100% accessible for all. In order to achieve that we cooperate and have consultations with non-governmental organisations, local authorities, communities and representatives of unprivileged groups. One of the effects of such a cooperation was a report "Daj się! czyli jak tworzyć dostępny automat paczkowy" that we created and published jointly with Avalon Foundation.

Our aim and ambition is to eliminate as many infrastructural barriers on our client's way for his parcel as possible. Among many other efforts in that matter we always try to align the APM's pick-up zone to the surroundings level, provide a paved path to the APM and install wheelchair ramps when it's needed. Our clients can also adjust the level of the locker to which their parcel will be delivered.

Everyone who uses our One Box by Allegro APMs, is also provided with full technical support. Every machine has Braille markings and features a QR code that allows users to connect online with a Migam Interpreter.

Every locker machine is double-checked in respect of its accessibility during the process of product audit. Our personnel is being constantly trained on how to plan the APM locations to make them meet our strict criteria. If necessary we also make adjustments that were recommended and accepted during the regular meetings.

At the end of the year 2022 approximately 96% of One Boxes were accessible according to the criteria we developed with organisations mentioned above. In 2023 we aim to elevate this percentage to 97. Ultimately we will try to eliminate all the barriers on the way to any of our APMs.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

1.2.5 SAFE SHOPPING

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:

- Allegro Protect
- Rights Protection Cooperation Programme
- 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 advocates, including 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 programme (Bezpieczne z@kupy w sieci)
- My Sales Quality – transparent feedback from buyers.

Allegro facilitates online transactions between buyers and merchants and creates a safe environment, in particular by since 2004 providing customer service support and the internal Allegro Protect (previously Buyer Protection Program). Product safety is also one of the priority areas where we implemented standards and procedures substantially more sophisticated than the ones required under the existing legal obligations.

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 joined the Product Safety Pledge. Furthermore, as we operate predominantly in 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 stoves on the internet.

In 2022 we changed the Buyer Protection Programme to Allegro Protect. In addition to the name of the program, we changed its symbol, logo and some provisions of the terms and conditions. We focus on the overall protection and satisfaction from the purchase. We want buyers to feel safe, so we are extending the time to report problems with an order and to request compensation from 6 months to two years. We are also raising the maximum possible compensation from 10,000 to 20,000 PLN. This way, buyers will feel secure even when spending large amounts of money. The new program guarantees the return of funds for two years from the date of purchase.

OUR RESEARCH SHOWS THAT 98% OF THOSE WHO HAVE REPORTED A PROBLEM TO THE SELLER ARE SATISFIED WITH THE SOLUTION OFFERED BY THE SELLER AND ALLEGRO.

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 better protection, Allegro introduced the Allegro Protect, 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 the 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 20,000. The reporting procedure is simplified to the bare minimum (e.g. consumers no longer need to enter their bank account number on the Allegro Protect 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 a 2022 NPS (Net Promoter Score) survey carried out among customers using the Allegro Protect, Allegro achieved a result of +79.8 (the highest possible score being 100). The Allegro Protect is the main driver for the Convenience Index of the Post-Purchase Processes (C-Index for the Program is over 9, the highest possible score being 10). This means that most customers recommend Allegro as a safe place to shop, and the Allegro Protect is well received.

Allegro Protect	2022	2021	2020
% of customers who consider shopping on Allegro safer or just as safe as on other platforms	90.20%	91.39%	93.03%
NPS among Allegro customers using the Allegro Protect	+79.80	+80.02	+71.32
Average number of transactions on Allegro.pl per one Allegro Protect refund	3,800	4,900	7,400
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	12 h	12 h	12 h

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

RIGHTS PROTECTION COOPERATION PROGRAMME

The Rights Protection Cooperation Programme was created to eliminate illegal and dangerous products from Allegro.

On a daily basis, we deal reactively and proactively with violations of

- industrial property rights (counterfeit items, products infringing design rights etc.)
- copyrights (for example, the use of images without the copyright owner's permission).

We protect:

- consumers from purchasing goods which violate the law
- merchants, often unaware of violations, from legal consequences of violation of brand owners' rights

In addition, we want to raise awareness of intellectual property rights, their protection, and violations.

To protect buyers, Allegro works with owners of exclusive rights under the Rights Protection Cooperation Programme, with over 1,700 brands currently on board. We also partner with leading brands by enforcing the Memorandum of Understanding on the sale of counterfeit goods on the internet.

PRODUCT SAFETY PLEDGE – EUROPEAN INITIATIVE FOR PRODUCT SAFETY

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 22+ years of experience in and knowledge of consumer protection on the internet.

As a signatory of the Product Safety Pledge, we have launched a dedicated website, to inform our customers about Allegro's 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 competent national authorities.

Every day, 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 organised several meetings where we presented our internal policies and procedures.

We continued to work with public authorities by carrying out consultations as part of a dedicated contact path. It is also worth emphasising that we participated in the International Consumer Scientific Conference "Consumer rights yesterday, today and tomorrow. 60 years of consumer rights" organised by the Association of Consumer Advocates and the Department of Civil, Economic and Private International Law at Kraków University of Economics held on 9-10 June 2022. During the speeches, our representatives presented the pro-customer method of solving post-transaction problems of Allegro customers and promoted a dedicated path of contact with Allegro.

1.2.6. ENABLING MERCHANTS TO GROW

There were more than 133,000 professional merchants on Allegro in 2022. Our ambition is to build a professional selling space for them. We offer a wide variety of features that facilitate effective sales management on Allegro. We have prepared solutions for both entities – those with extensive experience in selling on our platform as well as newcomers to Allegro so that they can all discover the available tools, learn how to manage their offers and boost their business with our assistance. Our programmes are tailored to specific segments, life cycle and activity" with category on the platform.

1.2.7. SUPPORT FOR MERCHANTS, OR HOW WE CAN HELP

To support merchants Allegro offers the following tools and services to merchants :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. Ship with Allegro is a shipping parcels tool that enables merchants to dispatch orders directly from their Allegro account or via the API. Allegro has also introduced One Fulfillment by Allegro service – an end-to-end logistics service that allows sellers to store their products in Allegro's warehouses and have Allegro handle the shipping, delivery, and customer service aspects of their orders. One of the main benefits of using One Fulfillment by Allegro is that it can help sellers save time and resources, as they do not need to manage their own inventory or handle the logistics of shipping and handling. Allegro also implemented a new deferred payment service for transactions between businesses. It enables merchants to sell and buy with an extended invoice payment due date.

Another popular feature among merchants is Trade Analytics, an analytical tool that allows merchants to find answers to the most frequently asked questions about selling on Allegro. Merchants can also use My Sales Quality, an analytical tool designed to manage sales and monitor trends in sales. My Sales Quality displays precisely calculated metrics and information about the quality of the merchants' sales. That way, they are able to quickly identify strengths as well as weaknesses they need to work on. The available information helps merchants 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. The sales overview enables merchants to see which areas of their business are received well by buyers and which require additional effort. Most Allegro processes are automated, which makes it possible to achieve economies of scale and to personalise the educational or advertising services to meet and exceed the merchants' expectations.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

1.2.8.
ALLEGRO ACADEMY – COURSES, TUTORIALS, WEBINARS, PODCAST

Allegro Academy is a free of charge online education platform available in Polish, English, and Chinese. It was created in 2020 and for the first two years was dedicated to Allegro sellers as well as buyers. Since 2022 Allegro Academy has been dedicated only to Allegro merchants. Allegro Academy includes courses, tutorials, webinars, and podcasts. It is created by Allegro employees and external experts.

Allegro Academy was established to share knowledge and help the businesses selling on Allegro grow. With the great variety of topics, input from internal and external experts, and an attractive format, users, mainly small and medium-sized businesses from all across Poland, can find out how to grow their business and boost their sales.

The Academy is also a space for merchants where they can interact with each other. Merchants can share their opinions or doubts and discuss them with an expert. The meetings organised by Allegro Academy are based on a sense of partnership, help us build new solutions and, most importantly, give merchants confidence that their voice is being heard.

[KPI 4]

Allegro Academy	2022 (sellers only)	2021 (sellers+buyers)	2020 (sellers+buyers)
Number of Allegro Academy courses	97	72	50
incl. courses in English	*35*	*18*	*7*
Number of tutorials for merchants and buyers	150	95	60
incl. tutorials in English	*34*	*40*	—
Number of webinars	492	454	177
Number of webinar participants	40,879	51,962	18,791
Number of unique users	471,373	1,080,996	962,087
YouTube channel views	56,039	3.4 m	876,700
Hours of videos on the YouTube channel	28,922	39,800	8,800

1.2.9.
ALLEGRO “STARTUP ASYSTENT”

Allegro helps to start a business from scratch and open a store on the platform as it launches the “StartUp Asystent” programme. With “StartUp Asystent”, aspiring online merchants receive expert assistance in getting started. The program offers free support as early as at the stage of registering and then opening a new business. All you need to do is book a free consultation. Starting a business with Allegro also involves a range of additional benefits, including the Welcome Package and commission-free sales on the platform for up to the first 90 days.

“StartUp Asystent” is Allegro’s innovative programme offering entrepreneurs step-by-step support from day one of their business. It is the first initiative in this area, set-up by an Online Marketplace Platform. Run in partnership with CashDirector, it provides assistance in registering a new business, setting up a business bank account, as well as registering for VAT and insurance (ZUS) with the help of company experts. The programme also offers day-to-day accounting assistance and guidance on how to operate a new business, all free of charge and without leaving home.

StartUp Asystent also gives new Allegro merchants a range of additional benefits. The welcome package for programme members includes up to 100% discount on sales commission for the first 90 days of the new business. It also ensures access to dedicated Allegro services for small and medium-sized enterprises, including Allegro Pay Business and One Fulfillment. The former offers up to PLN 10,000 in revolving funds for business-related purchases, with the option to defer payment by 30 or even 60 days. One Fulfillment provides end-to-end logistics services for new businesses, from product storage to order fulfillment.

For more information about the programme, visit *https://allegro.pl/kampania/startup*

1.2.10.
SUSTAINABLE AND RESPONSIBLE SOLUTIONS FOR CLIENTS AND MERCHANTS

1.2.10.A.
ALLEGRO NATURALNIE (ALLEGRO NATURALLY)

On Allegro, we want to give everyone a chance to find the products they are looking for and give them the maximum choice. We have created Allegro Naturally for people who are primarily looking for products that are healthy and have limited impact on the environment. You can find there mainly cosmetics and hygiene products, products for children, cleaning products or food (also vegan).

Each product that comes to Allegro Naturally has at least one certificate proving that it meets certain environmental or social criteria. Depending on the type of certification, it can originate from places where organic cultivation or responsible forest or water management is used, they may provide a guarantee of the absence of substances hazardous to health, or they may ensure decent working conditions for the people who produce them.

In cooperation with the Buy Responsibly Foundation, we have selected more than 50 certificates awarded by well-known institutions and NGOs from all over the world. They can be obtained after fulfilling certain conditions and passing an appropriate procedure or an audit carried out by independent bodies.

Thanks to our approach, consumers can be sure that Allegro Naturally features only tried and tested products whose quality is confirmed by independent experts.

Examples of certificates: EU Organic Label, FairTrade, Rainforest Alliance.

https://allegro.pl/zobacz/naturalnie

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor’s report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

1.2.10.B. ALLEGRO LOKALNIE

Allegro Lokalnie makes it easy to buy and sell second-hand goods, find unique items at attractive prices and be confident that shopping online is safe. An added value is the fact that these are often second-hand items, given a second life by Allegro Lokalnie in line with the 're-use' principle (one of the six core principles of a circular economy, along with reduce, recycle, repair, remanufacture and recover). Allegro Lokalnie mobile apps reports an increase in visits of 51% YoY. The number of active offers on Allegro Lokalnie increased by 30% YoY.

Our survey ("Online resale in Poland", PMR July 2022) revealed that over 56% of the respondents decide to buy resold products over the last year. The most popular categories are: Fashion, Electronics, Home&Garden, Culture&Entertainment. Poles buy online in the resale market because, above all, it is cheaper; the products have lower, more attractive prices. Respondents also pointed to non-financial aspects: environment protection, reduction of waste, and lack of support for large corporations. For another group, it was important that unique products, collector's or rare items unavailable basically anywhere else, can be bought in the resale market.

Allegro Lokalnie is consistently developed. In 2022 we launched Allegro Smart! on Allegro Lokalnie. Customers with an active Allegro Smart! membership are able to take advantage of free deliveries to parcel lockers across the country.

1.2.10.C. CHARITY PLATFORM – ALLEGRO CHARYTATYWNI

Allegro has been active in charitable activities since its inception, proving that technology can help solve many social problems. As part of Charity Platform – Allegro Charytatywni, customers of the platform can bid on and buy items listed for charity offers during their daily shopping. Merchants, on the other hand, can easily list any item for charity and thus support the NGO of their choice.

Allegro does not charge any fees or commissions on the sale of charity offers, and all proceeds go directly to the account of the verified organisation running the given fundraiser.

1.2.10.D. SUSTAINABLE LOGISTICS

We develop available shipment capabilities by facilitating everyday sales on our platform and reinforcing our innovative approach to swift and responsible deliveries.

In November 2021, we unveiled our new logistics brand, One by Allegro, which includes One Fulfillment service for merchants, One Box APMs, and One Punkt pick-up points.

One by Allegro

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 January 24, 2022 the One Fulfillment by Allegro service has been constantly evolving to better help sellers save time and resources, as they do not need to manage their own inventory or handle the logistics of shipping and handling. With One Fulfillment by Allegro service we help significantly reduce delivery times thanks to faster dispatch, provide high-quality customer service and take care of environmental impact, in particular by using sustainable packaging materials and consolidating orders to one parcel.

One Box APMs

In 2021, we also launched our network of APMs One Box, which already spanned over 2500 in December 2022. Our project addresses the needs of local communities, social activists and experts. We create sustainable solutions that meet the needs of local residents and seamlessly blend in with the urban space. Moreover, have purchased a guarantee of origins for energy used in all parcel machines to confirm that the same energy volume as we use in AMPs is coming from renewable resources. Up to 100% of the plant support constructions can be recycled as it is made out of a mix of wood and HDPE.

Cause-related marketing

Allegro One offers a tree planting program for the customers where Allegro funds tree planting for each 10th order placed by the customer in the span of the calendar year to One Box and One Punkt. Until now, customers generated over 150.000 trees (end of 2022) and all of them were already planted across multiple locations of Lasy Państwowe (The Polish National Forestry Commission) during spring and autumn planting seasons in 2022. Customers can place virtual dedication that allows them to track where the tree is planted and what is the tree species.

One Courier by Allegro

In October 2021, the Group also acquired X-press Couriers, a local same-day delivery company, to complement fulfillment and APM services in driving faster deliveries. The acquisition of XPC added same-day delivery, collection and distribution capabilities to Allegro.

On April 1, 2022, a full legal merger of X-press Couriers with Allegro was made. We presented the new Allegro One Kurier brand to the market, offering delivery on Saturdays, SameDay delivery from Monday to Saturday, Nextday delivery, One box delivery, SameDay delivery to One box – unique delivery on the market, between 20 cities, with delivery guarantee (from 31.08.2022).

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

1.2.11. INNOVATIONS AT ALLEGRO

New products for customers and retailers are always the result of close collaboration between our business teams and engineers who design specific solutions based on advanced, state-of-the-art technologies. Allegro engineers care about the development, security and stability of the platform, and our ranks also include teams dealing with e.g. artificial intelligence and machine learning.

More than 28 000 Allegro.pl implementations in 2022!

The Allegro platform is changing all the time. An average of 77 implementations and several tests of new solutions are carried out every day.

The most important ones included: Allegro Analytics tool, commercial launch of One Fulfillment, internationalisation of allegro.pl – including Czech and Ukrainian language, as well as an additional entry-way through allegro.com, biometric authorisations in our apps, paid return process, requirement of 100% of new offers connected with Allegro Product Catalogue, same-day deliveries to Allegro One Boxes, deliveries to customers done by Allegro One Courier and the launch of Allegro Care program just to name a few.

As there is a constant flux of matters, we care about regular and transparent communication with sellers. We engage them in discussions about changes to the platform and inform them in advance. Thanks to this, they can prepare as best as possible, well in advance. In total, more than 700 communications have been sent in 2022.

1.2.12. RESPONSIBLE COMMUNICATION

Allegro prioritises sustainability and measures to reduce its environmental impact. To address the increasing communication concerning the issue, Allegro has developed The Good practices in green / sustainability / ESG / CSR marketing and communication at Allegro. The document set rules of presenting environmental issues in external communication to help formulate correct and truthful messages and was adopted in the beginning of 2023 following internal consultation. This document outlines the rules of environmental and green / eco / sustainability / CSR communication and is primarily addressed to creators of such messages, including PR, CSR/ESG, employer branding, Marketing and Communication employees, Allegro Life members, and creators of external presentations and speeches. The rules should be followed by everyone preparing environmental-related content and graphics concerning Allegro, including third-party suppliers, companies and agencies providing services for Allegro. The document takes into account applicable regulations and recommendations on communicating environmental issues [1]. The aim of the document is to provide transparent and reliable communication based on facts and easily understandable for end consumers.

[1] Draft Directive of the European Parliament and of the Council amending Directive 2005/29/EC [on unfair commercial practices] and 2011/83/EU [on consumer rights] as regards empowering consumers for the green transition through better protection against unfair practices and better information (COM(2022) 143 final, 30.03.2022); the European Commission Guidance on the interpretation and application of Directive of the European Parliament and of the Council amending Directive 2005/29/EC concerning unfair business-to-consumer commercial practices in the internal market (in particular 4.1.1 "Environmental claims").

ASPECT: MARKETING AND LABELLING

We are ensuring safety to buyers, 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, and our Ads Service is regulated by the Ads Service Terms and Conditions.

Selling and displaying advertisements is regulated by:

- Terms and Conditions for the Sale and Display of Advertisements on Allegro.pl
- Ads Service Terms and Conditions

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.

In December 2022 Allegro received one complaint for a Christmas ad from The Advertising Council. The case is pending, we have submitted clarifications and we are waiting for The Advertising Council response. In 2022, we did not report a single case of non-compliance with regulations or voluntary codes regulating marketing communication.

EXPLANATORY PROCEEDINGS RELATED TO ALLEGRO ONE MARKETING

On 28th October 2022 Allegro received a decision to launch explanatory proceedings and questions from the OCCP regarding the marketing claims of Allegro's logistic service Allegro One. The OCCP is trying to establish whether a violation of collective consumers' interest may have taken place. Earlier this year, on 7th February, the OCCP asked Allegro several questions on the same matter in an informal request to provide information on how ecological aspects are being used by Allegro to promote its parcel locker services. The OCCP did not regard Allegro's explanations as sufficiently backing the claims within the marketing strategy and is now investigating further. 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 the violation of collective consumer interests against Allegro (the scope of the explanatory proceedings does not indicate a precise charge).

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

1.3.
Contribution to the economy

PLN 450.3 million:
Group's income tax paid in FY 2022

The tax policy of Allegro.eu and its subsidiaries is based on adherence to all obligations arising from tax regulations. The Group pays taxes when due and in the required amount and submits due tax statements and information. In particular, the amount of tax due is defined according to actual economic events. The actual tax strategy of the Group results from a number of internal procedures in individual companies, and strategy implementation reports are publicly available on corporate websites at Allegro.pl [1] and Ceneo.pl [2] in compliance with applicable Polish law.

The Group's tax reporting promotes the credibility of its entities among investors and other stakeholders and builds confidence in Group companies. The Group's tax operations are consistent with the business strategy, and its image of a responsible taxpayer fits into a broader context of the organisation's sustainability.

The Group's tax strategy is regularly reviewed by the Tax Team in close partnership with the board. Compliance, internal control and risk management systems, including tax risk management systems, and the reliability of financial reports within the Group are overseen by the Audit Committee. The Audit Committee also conducts an independent effectiveness review of those systems.

Given the scale and scope of the Group's operations, it is impossible to avoid all tax risks, e.g. due to frequent changes in tax regulations and the level of their complexity. The companies are trying to minimise tax risk by following the letter and the spirit of tax law and working with reputable tax consultancies and law firms.

If there are any doubts about how to apply tax regulations, the Group consults professional third-party tax and legal advisers and uses the institution of tax interpretation. The Group is also obliged to undergo an annual audit of accounts conducted by an external and independent authorised entity.

As members of trade associations and on their own behalf, Group companies participate in the Polish and EU legislative process and issue opinions on draft amendments to tax regulations at the stage of public consultation.

All employees can report concerns regarding the organisation's unethical or illegal tax behaviour using a whistleblowing system. The system guarantees confidentiality and safety of the whistleblowers, including protection from retaliatory action. It is open and accessible for everyone in the company (reports can also be submitted anonymously via a special form available online).

The Group cooperates with tax authorities to the full extent provided for by the law. The companies provide tax authorities with complete information regarding tax settlements and provide additional information at the request of tax authorities in a timely manner.

The Group submits information on its taxes due in periodical financial reports. The Group does not carry out a fiscal policy in countries considered as tax havens.

[1] https://allegro.pl/zobacz/informacja-o-realizacji-strategii-podatkowej
[2] https://info.ceneo.pl/Brands/infoceneo/Ceneo_informacja_o_strategii_2020.pdf, https://info.ceneo.pl/Brands/infoceneo/Ceneo_informacja_o_strategii_2021.pdf

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

2.
People and Culture

2.1.
Responsible workplace

2.1.1.
KEY DATA & RESULTS RESPONSIBLE WORKPLACE

In the latest survey (2022) performed in Polish Operations, 82% of the employees said they would recommend Allegro as a great place to work.

Our strategic goal is to provide the best place for diverse employees to develop their full potential and thrive. The top 4 priorities in Diversity & Inclusion are currently related to gender pay gap and career opportunities, nationality (access to various unified processes and mechanisms in English), age/generation representation, and neurodiversity.

Our Gender pay gap index for Polish Operations shows an improvement in closing the pay gap, from 5.7% in 2021 to 4.88% in 2022. We continue to review our internal processes to ensure fairness and transparency.

As Allegro acquired MALL Group and WE | DO in 2022, it was extremely important to focus even more on HR communication and align this process in all six countries that we operate in. The majority, 66,8%, of our employees in Poland are between 30 and 50 years old, 36,9% are below 30, and only 1,3% are over 50. We continue to take actions aimed at diversifying our workforce so that different generations are represented.

In the summer of 2022, we piloted a Neurodiversity Programme designed to increase organisational knowledge about neurodiversity and how to best respond to various needs of neurodiverse employees and customers. Our intention is to further develop the programme to roll it out across the organisation.

Allegro supports employee volunteering. In August 2022 the company introduced an extra day off for employee volunteering. 272 employees engaged in various social activities (total of 2,176 hours) during the first 5 months of the program (August-December 2022). Our employees engaged in various social activities such as organising classes for scouts, planting plants with ecological foundations, tidying up animal shelters, helping refugees, preparing gifts for disadvantaged families, organising activities for educational facilities, or sorting food for people in need in food banks.

2.1.2.
ALLEGRO TEAM

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 2022, the entire Group team consisted of 7,840 people, exactly 2,992 more than a year ago, as Allegro acquired the Mall Group and WE|DO. The Polish operations consisted of 4,986 people (141 more than last year).

To integrate the companies within the Group, we examined our cultural differences through a global Culture Survey. More than 7 thousand Allegro employees took part in the survey that showed we share similar values and ways of working. Differences in the organisational culture between regions are visible in the prioritisation of our common values. Transparency and flexibility are the most appreciated elements of our culture in all countries.

Allegro ranks seventh among the best employers in Poland, and first in the retail category, in Forbes' Poland's Best Employers 2022 ranking. Allegro has been also recognised by the Financial Times & Statista among Diversity Leaders. We are all the more pleased with our success because we owe it largely to the votes of our employees.

WORKFORCE STRUCTURE [1]

Types of contract	Group		Polish Operations					
	2022		2022		2021		2020	
Contract of employment	5,930	75.6%	4,054	81.3%	3,613	74.5%	2,721	82.7%
incl. women	*2,691*	*45.4%*	*1,798*	*44.5%*	*1,545*	*42.8%*	*1,133*	*41.6%*
incl. men	*3,239*	*54.6%*	*2,256*	*55.5%*	*2,068*	*57.2%*	*1,588*	*58.4%*
Contractors (B2B)	684	8.7%	543	10.1%	535	11.0%	240	7.3%
Work agencies & outsourced service	1,226	15.6%	389	7.8%	700	14.4%	328	10.0%
TOTAL	**7,840**	**100%**	**4,986**	**100%**	**4,848**	**100%**	**3,289**	**100%**

[1] The data include active and suspended workers.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

Form of Employment	Group		Polish Operations					
	2022		2022		2021		2020	
Permanent employment contracts	87.7%	5,191	85.4%	3,462	85.4%	2,868	79.4%	2,162
Fixed-term employment contracts	12.3%	729	14.6%	592	14.6%	745	20.6%	559
Permanent employment contracts – women	37.0%	2,191	36.7%	1,489	36.7%	1,200	33.2%	874
Fixed-term employment contracts – women	6.4%	381	7.6%	309	7.6%	343	9.5%	264
Permanent employment contracts – men	50.7%	3,000	48.7%	1,973	48.7%	1,669	46.2%	1,286
Fixed-term employment contracts – men	5.9%	348	7%	283	7%	401	11.1%	297

Workplace	2022	2021	2020
Poland	4,022	4,839	3,281
Czech Republic	2,254	—	—
Hungary	24	—	—
Slovenia	475	—	—
Slovakia	56	—	—
Croatia	44	—	—
Other	32	9	8
Total	**6,907** [1]	**4,848**	**3,289**

[1] No information about location contractor workers in Poland

Legal entities of the Group	2022	2021	2020
Allegro.eu	7	7	6
Allegro Finance	10	10	3
Allegro Treasury	2	2	2
Allegro	4,421	4,212	2,933
Ceneo.pl	233	219	198
Allegro Pay	161	126	61
eBilet	69	59	56
Opennet	79	67	30
Xpress Couriers (until 1.04.2022 when merged with Allegro)	—	141	—
Skynet Custom Brokers	4	5	—
Mall Group a.s.	6	—	—
Internet Mall a.s.	1,525	—	—
Internet Mall Hungary Kft.	24	—	—
Mimovrste, spletna trgovina d.o.o.	475	—	—
Internet Mall Slovakia s.r.o.	53	—	—
Internet Mall d.o.o.	44	—	—
Netretail Sp. z.o.o. v likvidaci	1	—	—
CZC.cz s.r.o	326	—	—
WE|DO CZ s.r.o	391	—	—
WE|DO SK s.r.o	6	—	—
LGSTCS a.s. – AMG Media a.s.;	3	—	—
Group	**7,840**	**4,848**	**3,289**

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

2.1.3. ALLEGRO FACTORS AND ALLEGRO ESSENTIALS

Career Levels is a system that classifies all roles at Allegro. Its purpose is to introduce transparency, organise our internal structure, and to provide employees with a clear vision of their career path within the company. We have defined 10 Career Levels. 5 important competencies were selected, which we call Allegro Factors. These include five competencies 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 career level. All recruitment processes involve evaluation of the candidate's Allegro Factors.

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

1. Raising the bar
2. Customer-focused
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.

2.1.4. TRAININGS AND DEVELOPMENT

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.

The professional development of employees is crucial for the development of Group. We have prepared a large selection of programs, workshops, webinars, conferences, etc., for them, in cooperation with external and internal trainers, available through dedicated development platforms such as MindUp. It includes training in the so-called soft skills, technical training, managerial programmes and development tools such as mentoring, coaching, diagnostic tools, etc.

In 2022, in Polish operations we conducted **14 425 development activities** (e. g. internal and external workshops, webinars, e-learnings, conferences, coaching sessions etc.) with a total of **27 468** participations (3 713 unique participants). An average employee received 36 hours of training, compared to reported 6.2 hours in 2021. This rapid growth results from including into reporting, as of 2022, the full scope of development activity, which was limited until 2021. In 2022, the average number of training hours was **38.48** per woman and **33.29** per man.

In 2022 in Polish Operations, female employees participated in a similar number of training courses as in the previous year, taking into consideration the increase in employment. 44.35% of Allegro employees in Polish Operations are women, and women constitute 46.71% of training participants.

The data presented covers only Allegro, Allegro Pay, Allegro Finance, and partially eBilet which has limited access to the MindUp platform and Ceneo which collect and manage training data in a separate place. Other companies do not have access to the platform where the data comes from.

The development activities for all employees, include:

- 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 competencies called Allegro Factors** (e.g. Impact, Complexity Management, 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
- workshops within business-specific development academies, e.g. Commerce Academy, CX Leader Academy, DEX Academy
- external events, including conferences, training sessions as well as studies, etc.,
- language classes
- onboarding program for new joiners to the organisation

Additionally, we run the JUICE project where we invite inspiring guest speakers, and Health Action – workshops and lectures about general well-being and healthy lifestyle.

SUPPORT FOR KNOWLEDGE SHARING AND INTERNAL MOBILITY

Allegro runs a mentoring programme and an internal mobility programme where employees temporarily change their team allocation and/or role for two weeks to three months. The main goals of this programme are:

- to support knowledge sharing 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
- to encourage longer-term internal mobility and retain talented employees. If an employee is considering changing jobs within Allegro, they can first check how they would fit into another project before they decide to change the team permanently
- to support changes in the business/organisational unit.

SUPPORT FOR DEGREE PROGRAMMES AND CERTIFICATIONS

An important element of professional development we offer is financial support provided by the Company to employees willing to study and gain professional qualifications at renowned universities and institutions, especially if aligned with the business needs. The purpose of these activities is to increase expertise base in specific functional areas, provide access to the most up to date knowledge, where necessary fulfil legal obligations and support individual professional development of selected employees so they can contribute to our success. The most common certification programs include, but are not limited to: ACCA, globally renowned security certification, counsel legal training, internal auditors certification (CIA), SalesForce certification, etc. In 2022 our employees and leaders pursued postgraduate education, among others, at Stanford University, Warsaw University of Technology, University of Social Sciences and Humanities (SWPS), Koźmiński University, WSB Universities, Poznan University of Economics and Business, etc.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

MANAGERIAL AND LEADERSHIP DEVELOPMENT ACTIVITIES

Allegro conducts development activities, programs and training courses, targeted at various managerial levels. These activities include:

- Leadership Programs:
  - for senior leaders – leading teams through transformation and digital disruption (4 editions, 38 participants in 2022)
  - for managers – high impact communication (2 editions, 17 participants in 2022)
  - for first-time leaders – moving smoothly through the transition to the leadership roles (6 editions, participants 88 participants)
- Coaching & Mentoring
- Training offer:
  - Working with engagement,
  - Continuous feedback,
  - Operational and personal efficiency,
  - Visionary Leader – seller of vision,
  - Stress enemy and friend – how to build the leader's emotional resistance,
  - Successful delegating,
  - Strengths based leadership.

The scope of these training programmes covers Allegro Factors: the impact on business, leadership, managing complex problems, communicating with clarity and positivity and well-being. The participants develop leadership skills: effective communication, communicating complex information, persuasive communication & motivating others to take action, responding to stressful situations & inspiring others to accept change.

A summary of managerial and leadership development activity in 2022:

- 506 unique individual team leaders and managers attended at least one dedicated training session or program, while total attendance in all sessions equated to 4173 participations
- 178 unique individual senior managers and directors attended at least one dedicated session or program, while total attendance in all sessions equated to 996 participations.

The following table presents data for Polish Operations, due to lack of data from the Mall Segment. We are integrating our data collection systems. Data for the whole Group will be available in the coming years.

	Group	Polish Operations		
All Trainings [1]	2022	2022	2021	2020
Total number of training participants	27,886	27,468	4,107	5,247
% Women	*47%*	*47%*	*45%*	*45%*
% Men	*53%*	*53%*	*55%*	*55%*
Number of unique participants	4,131	3,713	1,726	1,416
% of employees who participated in at least one training course	67.3%	92%	55%	59%
# Women	*N/A*	*1,608*	*726*	*638*
# Men	*N/A*	*2,106*	*1,000*	*778*
Average hours of training per employee	N/A	36	6.2	8.2
Average hours of training per woman	N/A	38.5	6.4	9.4
Average hours of training per man	N/A	33.3	6.0	8.6

ALLEGRO TECH MEETING (ATM)

For 15 years we have been organising a large internal technological conference – Allegro Tech Meeting. The aim of the conference is to create a space for sharing knowledge and exchanging best practices for all technology teams in the organisation. Originally, the conference was organised with Allegro employees in mind, however since 2021 we've made it available to the public. In 2022 over 1,800 people registered for the event and attended it through online and offline channels. The agenda included 60 presentations and lightning talks in 6 thematic blocks (Big Data & ML, Security & soft Skills, Software, Infrastructure & Cloud, Frontend & Mobile, PM & UX) and a total of 76 speakers were involved in their preparation

All rules and regulations regarding employee development are provided in the Work Regulations, Training Regulations and Terms of Participation in Employee Training Courses in effect at Allegro, Allegro Pay Sp. z o.o. and Allegro Finance Sp. z o.o.; Postgraduate Studies – Terms of Training Contracts.

[1] The data include active employees .

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

2.1.5. PERFORMANCE MANAGEMENT

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

The promotion path is closely related to employee evaluation and is based on an objective assessment of the level of competencies and skills, based on a set of criteria that are especially relevant to us and reflected in Allegro Factors.

The following data concerning performance and career development reviews is presented only for Polish Operations, due to the lack of data for the Mall Segment. We are working on integration of our structures and data collection systems.

Percentage of employees receiving regular performance and career development reviews [1]

	Polish Operations		
Employee assessment [2]	2022	2021	2020
% of employees assessed	95.7%	94.7%	93.9%
Women	*95.5%*	*91.3%*	*86.4%*
Men	*95.9%*	*97.0%*	*99.3%*
Experts and specialists	95,9%	95.3%	—
Women – experts and specialists	*94.6%*	*92.2%*	—
Men – experts and specialists	*96.9%*	*97.1%*	—
Managers	96,1%	96.0%	—
Women – managers	*97.2%*	*92.0%*	—
Men – managers	*95.6%*	*97.7%*	—

The above statistics does not include Employees on long-term sick leaves, maternity or parental leaves and Employees whose service length is shorter than 3 months.

[1] The data include active employees on contract of employment.
[2] Excluding eBilet employees and employees on a trial period.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

2.1.6. REMUNERATION AND BENEFITS

At Group, 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. We designed Group organisation and merged some functions across the region after acquisition of Mall Group and WE|DO. As a result we review pay policies and adjust reward tools accordingly. We have started a multi-year journey for alignment.

We are evaluating all job positions based on one of the leading market methodologies. We are using regular benchmarking and based on market data we are conducting the remuneration revisions regularly. We aim for our compensation to be competitive versus market practice. We incentivise employees by both, fixed components and variable parts – using cash bonuses as short-term incentives (STI) and stock-based long-term incentive programs (LTI) for specific short-term and long-term incentivisation. We offer an array of benefits, providing flexibility enabling employees to choose, but also covering basic standards.

Staff costs in Polish Operations increased by PLN 202.0 million, or 36.4%, from PLN 555.2 million for FY 2021 to PLN 757.2 million for FY 2022. This YoY increase resulted from growth in headcount in combination with faster growth in base salaries. Along with FY 2022 staff costs at the Mall Segment of PLN 258.6 million, net staff costs for the consolidated Group reached PLN 1,015.8m for FY 2022.

COMPANY EVALUATION AND REMUNERATION AUDIT

At Group, we conduct an annual review process. An independent internal audit of positions evaluation was carried out in 2021. The Internal Audit observations regarding the: salary benchmarking calculation, a periodical review process and grading/valuation methodology training for all line managers were addressed as of Q3 2022.

Group ensures the right to a minimum or living wage in line with national labour regulations. The remuneration of each employee of Group is above the national minimum wage. The Remuneration Policy is part of the Remuneration Regulations.

EMPLOYEE BENEFITS

In addition to competitive pay, each person employed at Group has access to attractive benefits. In addition to the core benefits (eg., additional healthcare insurance option) we have decided to maintain the local perspective and adjust benefits menu to local market standards. These can be adapted to individual preferences. We are constantly expanding the list of benefits offered to our teams under cafeterias.

At Polish operations, 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 many more.

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.

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

Every year, we celebrate Children's Day in all locations together with our employees and their children. The event includes many attractions such as art workshops, games with children's entertainers, sweets, etc. In 2022, the event was held in all locations where Allegro has offices. Employees working in the warehouse and coworking spaces who could not attend the stationary event were given vouchers. Ceneo and eBilet employees also received vouchers and gifts.1

GOOD PRACTICE

The company's "WOW" kindergarten and nursery for children of Allegro employees in Poznań has 80 places in three kindergarten groups and 30 in the nursery. The educational programme focuses on the comprehensive development of children, who participate in numerous music and movement activities (eurhythmics, dance, sport, music therapy), language (English) and art activities. The programme is further diversified with theatrical performances and creative workshops on healthy lifestyle, the environment, sustainable development and more.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

2.1.7. TALENT RECRUITMENT

Recruiting is one of the most important processes impacting Allegro's ability to achieve business goals and it significantly shapes our culture. Being aware that the recruitment process drives the quality of people in Allegro we standardise the process among Group ensuring a coherent and highly selective recruitment process in Allegro, Mall and WeDo. 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. Members of Hiring Squad ensure the objectivity of the recruitment process by a collective decision on hiring. The recruitment processes differ depending on the position but most of them include a standardised competency-based behavioral interviews, online assessment tools and/or adequate technology competency test.

We make the best effort to positive candidate experience during the recruitment process. We believe that by actively listening to our candidates' needs and opinions we are becoming a more attractive employer. Regardless of the 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 (technology area). We measure candidates' (74 in 2022) and hiring managers' NPS (78 in 2022) and actively improve our processes and candidate experience thanks to the feedback.

One of the best incentives to take up a job in our organisation is the testimonials of people who already work for us. 82% of our employees would recommend Allegro as an excellent place to work (internal data).

NEW JOINERS

In 2022, 1,168 people took part in the two-day on-boarding process, including 56 people returning after a long absence.

The following tables present data for Polish Operations, due to lack of data from the Mall Segment. We are integrating our data collection systems. Data for the whole Group will be available in the coming years.

	Group		Polish Operations					
	2022		2022		2021		2020	
Women	690	46.2%	45.19%	456	42.4%	506	42.3%	289
Men	802	53.8%	54.81%	553	57.6%	687	57.7%	394
Aged <30	724	48.5%	46.38%	468	54.7%	652	60.6%	414
Aged 31–50	741	49.7%	52.53%	530	44.4%	530	39.4%	220
Aged >50	27	1.8%	1.09%	11	0.9%	11	0%	0
Total	**1,492**	**100%**	**100%**	**1,009**	**100%**	**1,193**	**100%**	**683**

	Polish Operations		
Employee turnover rate	2022	2021	2020
Total	**16.33%**	**14.2%**	**8.9%**
Women	13.42%	13.5%	9.3%
Men	18.58%	14.7%	8.5%

	Polish Operations		
Average number of years of employment in the company	2022	2021	2020
Total	**3.6**	**3.46**	**3.56**
Women	3.45	3.23	3.40
Men	3.71	3.62	3.66

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

2.1.8
EMPLOYEE ENGAGEMENT SURVEY

We create a friendly workplace and regularly check the level of engagement of our employees which represents the levels of enthusiasm and connection employees have with the organisation.

Every year we conduct an engagement survey (from 2022 one bigger: BaZa and smaller: BaZa Pulse Check), which we treat as the basic source of information about our company as a workplace. By analysing the survey results, we can 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 2022, we achieved an engagement score of 67% (BaZa) and 64% (BaZa pulse check), noting further drops as compared to 2020-2021 results. Main drivers of the downward trend relate to:

- rapid growth of the organisation in recent years and related need for more formalised processes and solutions – adequate to our current size and structure but changing the ways of working
- disruption caused by external environment (war in Ukraine, macroeconomic conditions) and internal transitions (post-merger re-alignment and top leadership succession).

Identified root causes led us to creating an action plan, covering three main areas: vision and transparent communication, prioritisation and workload management, talent management and career development – all contributing to increasing certainty about our future, collectively and individually.

At the same time we kept high response rates – 92% for BaZa and 79% for BaZa Pulse Check, showing that our employees do care, remain involved and raise their voices to indicate areas for improvements most important to them. In the last Pulse Check 82% of the employees said they would recommend Allegro as a great place to work and 79% are proud to be working at Allegro.

In 2022, the survey covered Polish Operations.

[KPI 7]

Engagement Survey – BaZa [1] for Polish Operations [2]	2022	2021	2020
Engagement score	67%	74%	78%
Performance	83%	91%	89%
Teamwork & Ownership	85%	88%	88%
Learning & Development	78%	85%	85%
Collaboration & Communication	75%	86%	85%
Culture	87%	85%	85%
Management	81%	84%	83%
Alignment & Involvement	86%	79%	79%
Leadership	62%	74%	79%
Feedback & Recognition	76%	72%	75%
BaZa Action	48%	61%	64%
Diversity & Inclusion	85%	87%	n/a
Intra-communication	63%	n/a	n/a
Participation in the survey	92%	93%	94%

Mall Segment has been also conducting a regular monthly employee satisfaction survey, which allows the Management to better understand the employee engagement, eNPS and other areas affecting overall satisfaction, motivation and loyalty. For 2022, the Mall Segment achieved an engagement index of 76 (vs market benchmark for European companies of 82), while overall atmosphere was stable and reached the 70 index, close to the market benchmark of 76. The survey results are used by the managers to further work with teams and define action steps.

[1] regarding Allegro, AllegroPay, Allegro Finance, Ceneo, eBilet
[2] New Tech 2022 survey results: Engagement score: 74%, Leadership 84%, Feedback & Recognition 74%, BaZa Action 64%.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

2.1.9. EMPLOYEE HEALTH AND SAFETY

The health and safety 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 working environment at all company levels and systematically update our occupational risk assessments. We also involve our employees in OHS-related activities. Safety management is the responsibility of the OHS Department.

Health services functions include: review of the safety statement with risk assessment, periodic inspection and testing of work equipment, periodic investigation of chemical, physical and biological hazards in the work environment, training of employees for safe work, preparation of fire regulations and evacuation plans, pre-employment medical examination, regular monitoring of employees' health.

At Group, we provide OHS training to all employees, through online platforms or on-site, depending on the demand. We monitor work-related injuries and undertake corrective actions. There were no serious or fatal accidents in 2022, or in the two previous years. Minor accidents are mainly related to improper handling of loads.

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 OHS-related activities, and
- raising awareness of health and ergonomics.

The Group has been monitoring the effects of the Occupational Health and Safety Policy and the number of work accidents. In 2022, only four minor accidents were recorded in Polish Operations and 14 in Mall Segments.

The company has updated 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. Hybrid work gave the need to adapt the occupational risk assessment to the current situation. We have updated this document with additional points about the home office environment. 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 will be acquainted with the new regulations at the beginning of 2023.

There is a special alias and a dedicated channel on the company messenger for communication with the OHS department. Our offices and warehouses 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. As part of past acquisitions, we took over depots in Poland and abroad that we gradually adapt to Allegro standards. Health & Safety regularly audits all offices, warehouses and depots. As part of the takeover of the Mall/WeDo group, a program is being conducted to standardise procedures and equalise the level of occupational health and safety in all offices and depots, while maintaining the specificity of local regulations.

Allegro complies with all regulations that concern OHS training. Each new employee undergoes mandatory initial OHS training during their induction period. In accordance with current regulations, we also conduct periodic safety training for selected types of positions. Participation in such training is mandatory, and failing to complete it may result in exclusion from work.

	Group	Polish Operations		
Number of accidents	**2022**	**2022**	**2021**	**2020**
Minor accidents	18 [1]	4	2	1
Serious accidents	0	0	0	0
Fatal accidents	0	0	0	0

Incidents within the Group are significantly higher than in the Polish Operations due to the larger scale of warehousing and logistics activities in Mall Group and WE|DO than in the Polish Operations.

We help Allegro employees maintain physical fitness. 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 2022, The Health Action events were focused on in-person activities, exercises and physiotherapy; it also included webinars and online exercises. Employees received access to the Mindgram platform supporting their mental health and self-development. We have conducted workshops and individual deep interviews with employees representing different backgrounds as a beginning of building a wellbeing strategy for Group. We have invited our employees to participate in a voluntary preventive flu vaccination. We have trained First Aid Team members to provide first aid. The Health and Safety Team organised in cooperation with the CSR Team, 'spin kilometre' action which promoted physical activity.

In response to the war in Ukraine Allegro launched various means to support our employees. The Health and Safety team invited every employee that needed mental support to use crisis psychological support in Polish, Ukrainian, Russian and English.

[1] including 14 from Mall Segment

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

2.1.10. EMPLOYEE REPRESENTATION

Allegro employees are not covered by collective bargaining agreements, and Employee Representation (Reprezentacja Pracowników) is the lawfully elected employee representative body in Poland.

The company does not provide any pension plans other than those required by local labour law. Read more about the Human Rights Policy in the Human Rights Compliance section.

2.1.11. ALLEGRO SHAREHOLDER CULTURE

As part of the IPO, the Group introduced the Allegro Incentive Plan (AIP), a long-term incentive programme based on Allegro.eu shares, enabling employees to become co-owners of the business. This is a unique programme in CEE in terms of the scale and scope of the shares made available to employees.

We 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 programme was launched in April 2021.

2.1.12 ENGAGING EMPLOYEES

One of the priorities in the integration of Allegro.eu Group and Mall Group was to establish a common employer branding strategy based on employees engagement and employees advocacy approach. Elaborating and implementing a new Employer Value Proposition (EVP) was a starting point for all internal and external employer branding activities. EVP is combining five key messages (Take initiative, Open your mind, Be a pro team player, Create engineering culture, Be proud) in to a joint manifesto:

We're Allegro,

For us, creating the future of e-commerce and technology is a journey with many destinations.

A journey we're going to take together.
A journey full of exciting challenges. A journey in which rather than following our hearts, we will listen to our common heartbeat and set the direction through the most unexpected paths. We'll do it with the people we believe in. The people who have a desire to improve. The people that have space to do their thing, make data-driven decisions, develop themselves, and have a real impact on our journey.

A journey that will make us blaze the trail by doing pioneering projects affecting millions of people.

That's something to be proud of, so that's what we are.

#goodtobehere

EVP was incorporated in number of employees engagement and employees advocacy initiatives:

- Internal communication of key People and Culture processes with the goal of delivering messages to employees about business, policies and procedures but also integration, new organisation excitement building, creating a sense of influence and boosting our brand as an employer.
- #AllegrLife program – internal community of social media ambassadors enabling us to showcase our organisational culture, present experts and reach a greater number of potential job candidates through a dedicated platform. In 2022 around 180 ambassadors shared 5,183 publications reaching 13,554,997 users.
- THANKSgiving – celebration with all year summary of employees involvement in employer branding activities like conducting workshops on universities, running Allegro Tech Lives, job fairs or hackathons. Throughout the year more than 250 employees helped us to build our image as a desirable employee inside and outside of the organisation.
- Podcasts – series of tech and business podcasts with employees about projects, challenges, successes, behind-the-scenes of work at Allegro and reasons why it's #goodtobehere. 24 episodes published in 2022 reached an estimated number of 36,000 listeners.
- Allegro Tech community designed to help employees and potential candidates from technology and data areas to increase digital qualifications and skills by knowledge and best practices sharing. Activities prepared and conducted by experienced employees reached tens of thousands people helping company to establish effective tech talent pipeline, e.g.:
  - Allegro Tech Meeting – 1800 employees participating in 60 presentations and Lighting Talks by 76 speakers (colleagues from the company)
  - Allegro Tech Blog – 20 articles
  - Allegro Tech Open Source – 117 projects on GitHub
  - Tech Events – 90 external events supported by Allegro, 10 Allegro Tech Live meetings, 2 external conferences (UX Research Confetti and Running .NET in Azure)
  - Employees speeches – 212 speakers on external events, 101 people promoting work at Allegro at promotional stands (online & offline)
  - Hackathons and internal conferences – Testing hackathon, accessibility hackathon, Machine Learning hackathon, Hacktoberfest or Mobile Dev Days
- e-Xperience program – started back in 2015 internship program helped us to hire 84 people last year with almost half of them staying with us after the program as employees.
- University cooperation within which our employees participated in expert lectures, workshops and meetings with the students. We collaborated with Career Offices, Students Council and Science Clubs in Poland as well as in Europe.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

2.2. Diversity and inclusion

2.2.1. KEY DATA & RESULTS ON DIVERSITY & INCLUSION

[KPI 7] 85% of employees perceive Allegro as a workplace where everyone is respected regardless of gender, age or any other dimension of diversity (according to the BaZa 2022 Annual Engagement Survey for Polish Operations).

At Allegro, we are committed to equality, diversity and inclusion (DEI) and promote these values in organisational practices. We embrace a culture where everyone, regardless of their personal identity and characteristics, can develop, grow and contribute to Allegro's success. We recognise differences as well as similarities, which help us to achieve competitive advantage and create an inspiring workplace. We treat everyone with dignity and respect and expect everyone employed by Allegro to embrace and commit to these values. An effective diversity management and non-discrimination policy are an important area of responsibility due to not only the number of employees we have, but also the significance of DEI to our stakeholders.

2.2.2. DIVERSITY & INCLUSION POLICY

Our diversity policy defines good practices and processes conducive to the creation of a diverse and creative workplace. We provide opportunities for learning about diversity and inclusion and develop positive working relations between employees by offering training that define expected standards of behaviours and conduct (e.g. anti-harassment and anti-discrimination training).

2.2.3. PROGRAMMES TO INCREASE WORKFORCE DIVERSITY

Allegro believes in the power of diversity that brings people together, fosters innovation and creativity and helps everyone grow. We achieve this by:

- adoption of a non-discrimination and anti-bullying policy, implementation of Diversity Policy and Stay Fair approach that enables reporting of any inappropriate conduct and irregularities,
- a programme of DEI webinars and training, which help build inclusive and diverse working environment,
- minimising the risk of biased behaviours in HR recruitment, promotion, pay review processes by underlining the importance of knowledge and competencies in our processes. Our processes are based on objective and substantive criteria to provide equitable experience to all candidates and employees, regardless of gender, ethnic origin, beliefs, or other criteria,
- considering diversity when selecting members of the Board,
- developing Internal Mobility initiatives to support development and growth of our employees within Allegro,
- developing initiatives to encourage more women choosing careers in technology,
- supporting initiatives related to diversity and inclusion, such as: DareIT, Hackathon Accessibility, Poznań Mentoring Walk,
- monitoring the impact of activities and reporting on their outputs.

We continue to build on the core company DEI principles, implemented and communicated to all employees in 2022:

- Merit and competency based decisions (merit based processes) with the proactive actions to minimise unconscious bias in the decision process.
- Diverse working environment that accepts various ideas and encourage innovative and creative solutions
- Inclusive and diverse workforce that corresponds with our target customer base so that our products/services reflect the broad range of perspectives.
- Balanced organisation in terms of gender representation especially in leadership positions.

2.2.4. DIVERSITY & INCLUSION CHAMPIONS

D&I Champions is a group of employees who support Allegro in building an inclusive work environment by listening to employees' voices and feeding back to the group; equally they communicate the progress of DEI activities. D&I Champions provide recommendations and advice on programmes, activities, approaches and strategies to continuously develop Allegro's DEI agenda.

In 2022 Allegro D&I Champions were meeting regularly to discuss DEI priorities, initiatives, approaches and strategies to enhance organisational understanding of diversity and inclusion and embed DEI principles in Allegro's practices.

We continue to grow our DEI educational programme with tailored webinars and workshops where employees not only can share their thoughts and ideas but also learn from the experiences of their colleagues.

- In the summer of 2022 we piloted the Neurodiversity Programme, which met with positive response from our employees. Feedback received from evaluation will support further development of this workshop in order to roll it out across the organisation.
- We continue to address the gender pay gap and implement initiatives that will help us gradually narrow the gap.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

2.2.5. ANTI-DISCRIMINATION, ANTI-BULLYING POLICIES AND WHISTLEBLOWING PROCEDURE

We create an inclusive work environment, free from discrimination, harassment and prejudice, one that fosters equitable treatment and supports development of everyone. Through our Anti-Discrimination, Anti-bullying policies and Whistleblowing Procedure (implemented in 2016) we promote Allegro's values and expected behaviours underpinned by dignity, respect and principles of ethics. All employees become familiar with those principles as part of the onboarding process and through regular training.

Employee participation in Anti-discrimination and Anti-bullying Policy training sessions	Group	Polish Operations		
	2022	2022	2021	2020
Training sessions (annual online workshop for all employees and contractors)	0 [1]	0	73%	88.8%
Onboarding training sessions (monthly training session for all joiners – new employees and contractors)	100%	100%	100%	100%

Anti-discrimination and Anti-bullying Policy	Group	Polish Operations		
	2022	2022	2021	2020
Reported cases of discrimination and bullying	5	4	2	5

All reports regarding suspected discrimination and harassment have been thoroughly verified, and if deemed appropriate, were referred to the Ethics Committee. One allegation was confirmed and appropriate steps and penalties have been taken against the person committing irregularities. After the allegations were verified, 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 Anti-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.

[1] Due to the new Law on protection of whistleblowers which should be in force from 17.12.2021 we postponed the training to present new rules, systems etc. but the Polish government postponed the local legislation. The training will take place in April 2023.

2.2.6. DIVERSITY INDICATORS

Some diversity indicators are presented separately for Polish Operations and Group operating in other countries, as the employment structure differs between the entities, making data consolidation impossible. The company does not disclose ethnic minority information about its employees because we do not collect such data as there is no legal basis for us to do so.

Board members	Group					
	2022		2021		2020	
Board members – women	2	22%	2	25%	2	25%
Board members – men	7	78%	6	75%	6	75%
Board members aged <30	0	0	0	0%	0	0%
Board members aged 31–50	2	22%	3	37,5%	4	50%
Board members aged >50	7	78%	5	62,5%	4	50%

Employees	Group		Polish Operations					
	2022		2022		2021		2020	
Women – total	45.4%	2,687	44.4%	1,798	40.8%	1,416	41.8%	1,133
Men – total	55.6%	3,233	55.7%	2,256	59.2%	2,056	58.2%	1,576
Women in senior management roles	30.9%	280	31.4%	239	28.6%	191	28.2%	122
Men in senior management roles	69.1%	627	68.6%	522	71.4%	477	71.8%	310
Women in executive management roles (Executive Team)	22.0%	2	20.0%	2	20.0%	2	10.0%	1
Men in executive management roles (Executive Team)	80.0%	8	80.0%	8	80.0%	8	90.0%	9

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

All employees	Group 2022		Polish Operations 2022		Polish Operations 2021	Polish Operations 2020
Women	2,687	45.4%	1,798	44.4%	40.8%	41.8%
Men	3,233	54.6%	2,256	55.7%	59.2%	58.2%
New joiners – women	690	46.2%	456	45.2%	42.4%	42.2%
New joiners – men	802	53.8%	553	54.8%	57.6%	57.8%
% of employees with disabilities	59	1%	41	1.0%	0.7%	0.7%
% of employees with disabilities – women	32	0.5%	22	0.5%	0.4%	0.5%
% of employees with disabilities – men	27	0.5%	19	0.5%	0.3%	0.3%
Aged <30	1,951	33.0%	1,292	31.9%	40.2%	38.4%
Aged 30–50	3,813	64.4%	2,709	66.8%	58.8%	60.8%
Aged >50	156	2.6%	53	1.3%	1.0%	0.8%
Aged <30 – women	885	32.9%	579	32.2%	42.2%	40.7%
Aged 30–50 – women	1,735	64.6%	1207	67.1%	57.2%	59.2%
Aged >50 – women	67	2.5%	12	0.7%	0.6%	0.2%
Aged <30 – men	1,066	33.0%	713	31.6%	38.8%	36.8%
Aged 30–50 – men	2,078	64.3%	1,502	66.6%	59.8%	62.1%
Aged >50 – men	89	2.8%	41	1.8%	1.4%	1.1%

All employees	Polish Operations 2022		Polish Operations 2021	Polish Operations 2020
% of foreign employees	56	1.4%	0.9%	1.1%
% of foreign employees – women	18	0.4%	0.3%	0.3%
% of foreign employees – men	38	0.9%	0.6%	0.8%

Managers	Polish Operations 2022	Polish Operations 2021	Polish Operations 2020
Women	31.4%	28.6%	28.0%
Men	68.6%	71.4%	72.0%
Aged <30	7.2%	11.8%	8.7%
Aged 30–50	90.3%	86.4%	89.3%
Aged >50	2.5%	1.8%	2.0%
Aged <30 – women	9.6%	11.5%	8.8%
Aged 30–50 – women	89.1%	87.5%	91.2%
Aged >50 – women	1.3%	1.0%	0.0%
Aged <30 – men	6.1%	11.9%	8.7%
Aged 30–50 – men	90.8%	86.0%	88.5%
Aged >50 – men	3.1%	2.1%	2.8%

Experts and specialists	Polish Operations 2022	Polish Operations 2021	Polish Operations 2020
Women	41.9%	36.5%	37.5%
Men	58.1%	63.5%	62.5%
Aged <30	30.3%	39.8%	37.5%
Aged 30–50	69.0%	59.8%	62.3%
Aged >50	0.7%	0.4%	0.2%
Aged <30 – women	24.5%	34.4%	33.6%
Aged 30–50 – women	75.2%	65.3%	66.4%
Aged >50 – women	0.3%	0.3%	0.0%
Aged <30 – men	34.6%	42.8%	39.8%
Aged 30–50 – men	64.4%	56.6%	59.8%
Aged >50 – men	1.0%	0.6%	0.4%

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

2.2.7. GENDER EQUALITY

There are a number of factors influencing gender equality including access to employment and/or specific roles, representation of genders across the organisation (sectoral challenges), fairness in policies and procedures with regards to pay, promotion, performance evaluation. We have undertaken a number of steps to address gender inequalities some of which have led to measurable outcomes such as gender pay gap narrowing, steady increase in the representation of women in managerial roles and traditionally male-dominated areas e.g. Tech. Our gender equality action plan involves the following activities:

- 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 results in changes in remuneration
- joining external organisations 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 organisation.

DIFFERENCES IN PAY BETWEEN MEN AND WOMEN

In 2022, the company noted some improvements in the overall balance between average women's and men's remuneration. The data presented below relate only to employees on employment contracts.

Polish Operations of the Group have already met the 5% target for gender pay gap indicated in the Pay Transparency directive [1]. We monitor gender representation of our workforce and representation of women in leadership and senior leadership positions, we conduct annual pay review and create opportunities for women to meet informally, discuss and share their professional experiences and stories.

Please note the following data is presented only for Polish Operations, as the employment structure, career level and given business area differs between the entities, making data consolidation impossible. Group will prepare the following data for 2023.

	Polish Operations		
Differences in pay between men and women [2]	2022	2021	2020
Women's remuneration against average remuneration	97.3%	96.7%	95.2%
Men's remuneration against average remuneration	101.8%	102.1%	102.7%
Women's remuneration against men's (men=100%)	95.1%	94.3%	91.9%

[1] Directive of the European Parliament and of the Council to strengthen the application of the principle of equal pay for equal work or work of equal value between men and women through pay transparency and enforcement mechanisms negotiations of which have been completed. The act will be adopted in 2023.

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

	Polish Operations		
Managers' remuneration [3]	2022	2021	2020
Women managers' remuneration against average managers' remuneration	94.6%	92.8%	93.3%
Men managers' remuneration against average managers' remuneration	101.9%	102.7%	102.1%
Women managers' remuneration against men managers' (men=100%)	92.2%	90.1%	90.8%

	Polish Operations		
Expert & specialist remuneration [3]	2022	2021	2020
Women expert & specialist remuneration against average expert & specialist remuneration	97.5%	96.2%	93.3%
Men expert & specialist remuneration against average expert & specialist remuneration	101.9%	102.4%	102.9%
Women expert & specialist remuneration against men expert & specialist remuneration (men=100%)	95.4%	93.8%	90.1%

	Group	Polish Operations		
Number of employees who returned to work after parental leave [4]	2022	2022	2021	2020
Employees who took parental leave	132	103	84	79
Employees who returned to work after parental leave	99	87	99	60
Employees who returned to work after parental leave in the previous year and continued to be employed for 12 months after the return	81	70	52	58
Employees who went on parental leave – women	121	100	77	74
Employees who returned to work after parental leave – women	88	84	90	55
Employees who returned to work after parental leave in the previous year and continued to be employed for 12 months after the return – women	68	65	48	52
Employees who took parental leave – men	11	3	7	5
Employees who returned to work after parental leave – men	11	3	9	5
Employees who returned to work after parental leave in the previous year and continued to be employed for 12 months after the return – men	13	5	4	6

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

[4] Data for Allegro, Ceneo, eBilet, Opennet and Mimovrste

In 2022, 77.8% of employees who returned to work after parental leave in the previous year continued to be employed for 12 months after their return (76.5% for women and 55.5% for men).

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

2.2.8. DIVERSITY & INCLUSION INITIATIVES

Allegro has been supporting initiatives promoting diversity and openness for years. In the years 2018-2022, representatives of the company took part in a number of events on this subject. In 2022, these included: Women In Tech Summit conference and cooperation with Her Impact – a technological platform that develops, inspires and supports women on the labour market in virtually every position. As part of the cooperation, we recorded a series of women's shortcasts in which 4 experts from Allegro talked about their professional path, challenges they face in everyday work and advice that can help women at the beginning of their careers.

ALLEGRO AMONG DIVERSITY LEADERS

Allegro has been recognised in the fourth edition of the Financial Times & Statista Diversity Leaders special report as the highest ranked company from Poland and came in first in the retail category as such. What's more, Allegro was 6th in the general ranking among 850 companies from 16 countries. This is a huge recognition for Allegro, especially that the study is based on recommendations collected through an independent survey among a vast sample of more than 100,000 employees.

The Diversity Leaders have been identified from among corporations from all industry sectors employing at least 250 people in the following countries: Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Norway, Poland, Spain, Sweden, Switzerland and the United Kingdom. Additionally, companies had to be publicly committed to diversity in order to be considered for the top-list. The 850 companies receiving the highest total scores were awarded as the Diversity Leaders 2023.

The report is published on the Financial Times website and in its print version. More

DIVERSITY CHARTER

In 2021, Allegro 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 organisations 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. Organisations that decide to implement this tool support social cohesion and equality.

Signing the Diversity Charter means:

- Joining the international group of organisations 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 organisation
- Joining the group of organisations 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 organisation 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 the superior monitoring of diversity management at the operational level, as well as auditing and monitoring activities in this area.

PARTNERSHIP WITH HER IMPACT

Last year as part of cooperation with the HerImpact team, we recorded a series of women's shortcasts in which four experts from Allegro talked about their professional path, challenges they face in their daily work and advice that can help women who are at the beginning of their careers. Her Impact is a technology platform that develops, inspires and supports women in the labour market in various positions.

OTHER INITIATIVES

Moreover, Allegro is engaged in the Gender Pay Gap Group of Business & Human Rights Programm UN Global Compact Network Poland, as well as, Kongres Kobiet (Womens Congress) aimed to discuss and promote the best practise for reducing the gender pay gap.

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 2022, no actions violating these regulations were identified.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

2.3. Communication with employees

At Allegro we focus on transparent and regular communication with our employees. In 2022 we strengthened the Internal Communication team (which is a part of the PR structure) to secure better quality of communication with employees.

After a merger of Allegro with Mall Group and WE|DO (April 2022), we coordinate a joint international communication. Most of our communication is in various languages (e.g. English, Polish, Czech) to ensure a good understanding. We use and develop many channels as well as tools of communication with employees to keep them well-informed. Once a month we organise "Let's Talk" – a meeting of Top Management dedicated to all our employees, always providing a business update and time for a Q&A session. We publish a newsletter with integration news among all our employees. Every important message is shared via email by the CEO or other Executive team members.

We use our Intranet, social media platform and corporate communicator for day-to-day communication, securing consistent messages in all our channels. We provide a 'Q&A channel' where employees can ask any question about the company's strategy and employee matters, and get an answer from business owners, including Executive Team members.

We have also developed channels to communicate with specific employee segments – especially People Leaders from all managerial levels. We consider this group critical for transparent, dialogue-based internal communication. We organise monthly webinars and regular information flow via dedicated email aliases and slack channel. This initiative helps to foster a community of engaged leaders and embed desired collaboration culture.

Senior leaders and Executive Team Members are in charge of cascaded communication in their respective business areas, supported by group of HR Business Partners in case of People and Culture communication.

2.4. Employee volunteering programme

Allegro supports employee volunteering. In 2022 1,159 employees engaged in volunteering. They participated both in well-known nationwide initiatives such as The Noble Gift initiative (Szlachetna Paczka) but also in numerous local charitable and educational activities. In 2022, volunteers from Allegro organised mentoring for students, supporting their community projects under Mam Swoje Alle, an educational project developed in partnership with Fundacja Zwolnieni z Teorii. The Company also announced a third edition of the grant programme #pomagamy_bo_umiemy (#we help because we can) implemented by the Allegro Foundation.

Allegro introduced the day off for employee volunteering on 1. August 2022. During the first 5 months of this program (until December 2022) 272 employees engaged in various social activities (total of 2,176 hours). Our employees engaged in various social activities such as organising classes for scouts, planting plants with ecological foundations, tidying up animal shelters, helping refugees, preparing gifts for disadvantaged families, organising activities for educational facilities, or sorting food for people in need in food banks.

Volunteers from Mall Segment, as every year, helped to brighten up the Christmas holidays for those in need.

In 2022 was the third edition of sMALL Baby Jesus Project (MALLí Ježíšek). It is the company own initiative, but in cooperation with the Nadace Krása (Beauty of Help) foundation, which aims to support seniors to stay at home, even though they have no one to take care of them, so they don't have to move to a retirement home. In the letters to the foundation, written before Christmas, elderly people ask for really basic things: small kitchen equipment, such as cutlery or a microwave oven, some bathroom accessories, but also for food. There is something else volunteers form Mall give them beyond objects: attention and presence. They are usually affected by great loneliness and when someone visits them, talks to them, it is also a real gift to them.

2.5. Impact of the war in Ukraine

Group has taken actions to support our Ukrainian employees in the time of war. All of our employees who are Ukrainian citizens, including contractors and couriers employed on B2B and cooperating persons received an additional 7 days of paid leave to take care of their families, an additional allowance in the amount of PLN 2,500, and access to free legal advice and psychological support. We stay in touch with all employees and try to help if we can, e.g. organising a collection of dressing and sanitary materials for the families of our employees from One Courier (previously XPC).

Employees of all nationalities were invited to a series of trainings and webinars for all employees and contractors, on how to deal with the current conflict situation (how you deal with emotions, how to talk to children, how to support a team, etc.) We provided psychological help in Polish, Ukrainian and English for employees and relatives as well as legal assistance provided in the following languages: Ukrainian, Russian and Polish.

More about engagement: please see the Allegro for Ukraine in ESG management and Social and charity engagement part.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

3.
Governance and responsible management

3.1.
Corporate governance

3.1.1.
TRANSPARENCY, PROCEDURES AND THE STRUCTURE

Allegro, as a company operating under the law of Luxembourg, has a one-tier 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 Polish or Czech based listed companies, which have both the management and the supervisory board.

As of 2022 year end, the Board of Directors had nine members, of which three 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, but at least once per quarter. Its meetings are only valid 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 7 meetings in 2022.

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.

3.1.2.
BOARDS MEMBERS

Name	Age	Year appointed for the current term to the Board of Directors	Year term expires	Resigned on	Representing
Darren Huston	58	2020	2026	—	Non-Executive Chairman
Roy Perticucci	60	2022	2028		Executive Director, CEO
Jonathan Eastick	56	2020	2026	—	Executive Director, CFO
David Barker	55	2020	2026	—	Non-Executive Director, Cinven
Richard Sanders	51	2020	2026	—	Non-Executive Director, Permira
Paweł Padusiński	46	2020	2026	—	Non-Executive Director, Mid Europa Partners
Nancy Cruickshank	52	2020	2026	—	Independent Non-Executive Director
Carla Smits-Nusteling	57	2020	2026	—	Independent Non-Executive Director
Pedro Arnt	50	2022	2028	—	Independent Non-Executive Director
François Nuyts	50	2020	—	31.08.2022	Former Executive Director, CEO

3.1.3.
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"). The committees are described in the Financial Report.

For detailed information on issues discussed at Committee meetings, see the Group Consolidated Annual Report for 2022.

3.1.4.
GOVERNANCE TARGETS

Governance targets: the Board has decided that it will ensure that independent members constitute at least a majority (over 50%) of the Board of Directors by 1 September 2026. This was 25 % in 2021 and 33.3 % in 2022.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

3.2. Ethics and compliance

3.2.1. KEY DATA & RESULTS FOR ETHICS AND COMPLIANCE

In 2022, we had 2 notifications concerning our Transparency Policy.

No case of corruption was recorded in 2022.

3.2.2. CODE OF ETHICS

Compliance and preventing corruption are core to the activities of Allegro. This extends to our operations as well as all our employees and entities we work with on a daily basis.

We have introduced a governance, risk and compliance management system, 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 of both Polish and Mall Operations and is being extended to all Group entities.

We approach our risk management system very seriously and have established a compliance framework as shown below to ensure that all necessary measures have been implemented:

Protect	Detect	Response
Regulatory / Public Affairs Risk Management Policies Training, communication, awareness sessions Process integration Lessons learned Compliance implementation Established responsibilities	Reporting: • anonymously or personally via system to Chief Security Officer (“CSO”) • personally to HR, Legal, CSO, Line Manager • personally via mail to Chairman Controls Monitoring and compliance approvals Review controls and compliance audits Internal audits	Crisis management Business Continuity Management Disciplinary sanctions Remediation

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

At company, we operate in a transparent manner and to the highest ethical standards, in particular thanks to our policies and regulations.

The Allegro Code of Ethics consists of:

- Transparency Policy
- Policy of counteracting undesirable phenomena such as discrimination, harassment, bullying and violence
- Whistleblowing Procedures
- Competition and Consumer Protection Compliance Policy
- Anti-money Laundering and Countering Terrorism Financing Policies
- Security Policy.

We have introduced the following regulations and processes:

- Anti-corruption Rules
- Gifts and Benefits Regulations
- Diversity Policy
- Inspection Procedure
- Agreements Procedure
- Tax Governance Policy
- Supplier Verification Procedure and Suppliers Code of Conduct
- Training Policy
- Charity, Social and Sponsoring Activities policy
- Human Rights Policy
- Climate Policy
- Business Continuity Management
- Security Policy, and more.

The Ethics Committee oversees compliance with the Code of Ethics, examining and resolving the reported violations. The composition of the Ethics Committee is as follows:

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

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

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 whistleblowing 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.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor’s report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

The number of complaints and grievances against non-compliance with the Code of Ethics

	Group	Polish Operations		
Reporting complaints and grievances	2022	2022	2021	2020
Anti-money Laundering, Countering Terrorist Financing and Export Control Policy and Financial Sanctions Manual	0	0	0	0
Transparency Policy	2	2	0	2

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 on our Code of Ethics policies (Transparency Policy, Anti-Discrimination and Anti-bullying Policy, Whistleblowing 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 employees are required to adhere to the policies. Every year, we also provide obligatory training on the policies to every employee, including contractors. Training is held through a number of channels, including e-learning, email, a dedicated internal platform (Intranet), meetings, posters, competitions and other forms of communication.

3.2.3. WHISTLEBLOWING SYSTEM AND WHISTLEBLOWER PROTECTION

At Allegro, we have a whistleblowing system for reporting irregularities. 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.

In 2022, we had:

- two notifications concerning our Transparency Policy investigated both thoroughly and transgressing employees were penalised appropriately,
- one notification concerning our Antitrust Compliance Policy – we implement appropriate changes on our platform
- five notifications concerning our Policy of counteracting undesirable phenomena such as discrimination, harassment, bullying and violence – in only one case we found irregularities and implemented a corrective plan and drew consequences from the employee

We ensure the highest quality and safety of products offered on the Allegro platform, as well as service and delivery quality. We work very closely with UOKiK and local consumer advocates. In response to their specific needs, we have set up a dedicated email address that makes it easier for them to contact our employees.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

3.3. Risk management

3.3.1. RISK MANAGEMENT SYSTEM

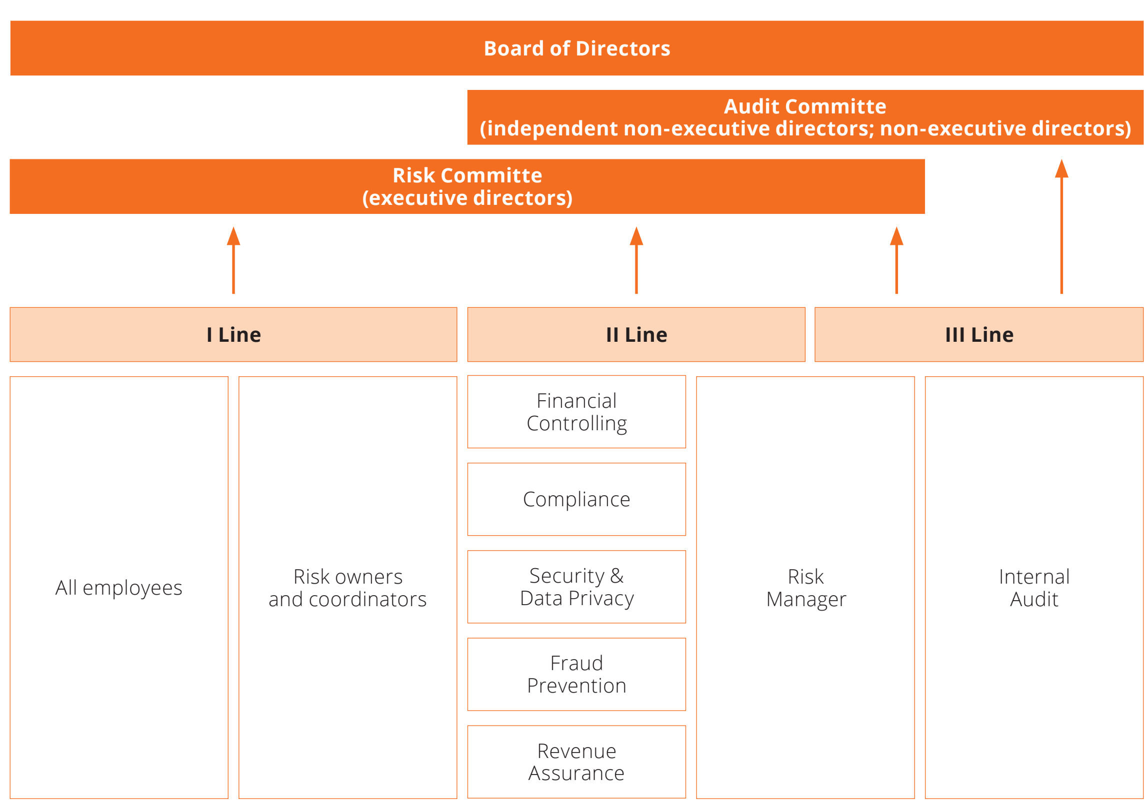
With any action taken by the Group, it is inherently uncertain whether the process is completed and the goals are met. The impact of such uncertainty on processes and their goals is defined as a risk. The purpose of risk management is to increase the probability that the Group achieves its objectives and delivers its projects by taking measures to mitigate the risk to an acceptable level.

The Group operates a risk management system where all employees participate in performing risk management and internal control activities. The risk management system is designed to allow 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.

The goal of our risk management policy is to ensure a consistent approach to 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.

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.

Read more on the risk management process in our Consolidated Annual Report for 2022, section "Risk Management System, Risk Factors and Regulatory Matters".



3.3.2. NON-FINANCIAL AND CLIMATE 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 risk identification and assessment process is an integral part of the risk management system.

Principal risks	Map of risks	More about risk management in section
Environmental & Climate Risk	Although e-commerce is more green than traditional forms of retail, we are aware that the Group's operations pose a negative environmental impact (e.g. GHG emission, packaging waste). The growth of our business, without implementing carbon emission and energy reduction programmes, as well as sustainability initiatives, could result in a negative environmental impact. The new regulatory framework related to the EU Green Deal and environmental transition may imply further obligations on retailers and possibly on other entities. 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. sustainable packaging, may increase the costs of our operations.	TCFD Report
Social Risk	The Group's brand may be adversely affected if its public image or reputation is tarnished by negative publicity. Product recalls, product liability claims, breaches of corporate social responsibility, the presence of counterfeit goods that violate the Group's terms and conditions or other fraudulent activity in the Group's e-commerce marketplace that is not detected by its anti-fraud technology could significantly harm the Group's reputation and business. User complaints or negative publicity about the Group's websites, products, delivery times, returns processes, the working conditions of its employees (or those of the employees of any of its subcontractors or suppliers), user data handling and security practices or customer support, including 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.	Relations with customers
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 Policy Ethics and compliance

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

Principal risks	Map of risks	More about risk management in section
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. 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.	Responsible workplace Diversity and inclusion
Risk of Corruption and Other Violations	The Group may be exposed to incidents of corruption or bribery (kickback, facilitation payment, payment extortion, cyber extortion), conflicts of interests or other inappropriate behaviour, as well as failure to adequately protect customers' personal data.	Ethics and Compliance
Risk of cybersecurity and private data breaches	The Group relies on third-party data centre providers, whose facilities could suffer as a result of a cyberattack. Cybersecurity, private data management and ensuring a sufficient level of security for our infrastructure are important parts of our operations.	Cybersecurity and data protection

The Board of Directors oversees matters of sustainable development and climate, especially by monitoring and supervising the company's Sustainability & ESG Strategy. At the same time, since climate and environmental risks are subject to risk management and the Risk Management Policy, all 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), Group 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 Group. Read more about TCFD in the Climate Section.

3.4 Cybersecurity and data protection

3.4.1. KEY DATA & RESULTS FOR CYBERSECURITY AND DATA PROTECTION

At Allegro, customer satisfaction starts from ensuring safety and confidence that the purchase will be successful. In addition to customer privacy and data protection, cybersecurity management is one of our priorities. The rules and policies adopted by Allegro related to customer privacy, data protection and cybersecurity include:

- Security (including cybersecurity) policy
- Incidents Management Process
- NDA circulation procedure
- Rules on storing personal data at Allegro sp. z o.o.
- Procedure for exercising the rights to Allegro users' data
- Procedure for reporting personal data breaches to the Personal Data Protection Office
- Business Continuity Policy

We commission the Cybersecurity Maturity Assessment (Ocena Dojrzałości Cyberbezpieczeństwa), which is an external audit carried out every two years. In the most recent review in 2021, Allegro scored higher than the market average.[1] We are planning the next review in 2023. 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 programme, which means that we enabled users to alert our IT department about security vulnerabilities detected on our platform.

3.4.2. INTERDISCIPLINARY SECURITY TEAM

CERT Allegro (Computer Emergency Response Team Allegro) is an interdisciplinary team formed to elevate security at Allegro and raise security awareness among employees and users. It is made up of members of the following teams: Information Security Team, Computer Security Incident Response Team, Cyber Defense & Offense Team, Anti-fraud Operations Team and Cooperation with Law Enforcement Authorities Team.

CERT has the following goals:

- monitor and analyse for security at Allegro
- respond to cybersecurity threats
- exchange cybersecurity information, knowledge and experience with external CERT teams
- raise security awareness among employees and users.

As part of its activity, CERT coordinates and handles incidents and other events involving cybersecurity threats to Allegro; actively reacts in the event of immediate cybersecurity threats to users; works with other CERT teams in Poland and worldwide, in particular as part of Trusted Introducer; supports the Crisis Management Team in crisis situations involving cybersecurity, and develops tools to detect, analyse and correlate threats.

Read more on CERT Allegro at ***https://allegro.pl/cert***

We are a member of Trusted Introducer, an initiative of the biggest European organisation of cybersecurity 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).

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

3.4.3.
PERSONAL DATA PROTECTION

Given the nature of our operations, we have access to personal data of our merchants and customers. With the scale of our operations, we manage a great amount of data. This is why we carefully protect 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 the GDPR. We also carry out audits to verify compliance with the provisions of the GDPR. The external audit conducted in July 2022 did not reveal any significant shortcomings, although there were a couple areas that needed improvement – most of them were already improved .

On December 27, 2022 at 9:00 a.m., we identified that the personal data of several dozen Allegro users have been illegally obtained although our infrastructure protections were not breached. The issue was incidental and no payment data was obtained. We are working closely with the President of the Personal Data Protection Office (UODO) and other proper authorities, to resolve the issue. In addition, we immediately contacted the users in question to notify them of the measures taken and further steps.

In 2022, in connection with complaints submitted to the President of the Personal Data Protection Office, Allegro was a party to 3 new proceedings. Four of six (total on-going proceedings: six in Allegro, 1 in Ceneo) proceedings completed in 2022 resulted in a reprimand issued by the Office (3 concerning Allegro and 1 concerning Ceneo.pl) and three positive decisions (Allegro). In 2022, 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 the right to access and rectify them.

3.4.4.
CYBERSECURITY AND DATA SECURITY

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 and 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.

	Group	Polish Operations		
Cybersecurity and data privacy infringements	2022	2022	2021	2020
Cybersecurity infringements (the total number of identified leaks, thefts or customer data loss)	0	0	0	0
Data privacy infringements (reported to relevant authorities)	1	1	1	1

	Group	Polish Operations		
The total number of legitimate privacy complaints:	2022	2022	2021	2020
Complaints submitted to the regulating authority requiring corrective measures	6	4	5	1

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 is the human factor and building awareness among employees. All our employees receive training in security policy and the GDPR (including general information, as well as internal policies and procedures), which 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 organise 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 Safer Internet Day, Data Privacy Day, among other events. On the occasion of International Cyber Security Month, we organised a number of contests for employees, such as a site game at the offices.

[1] Audit was performed for the Polish platform Allegro.pl

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

3.5. Responsibility for the supply chain

3.5.1. KEY DATA & RESULTS FOR THE SUPPLY CHAIN

In 2022, we worked with over 2,500 reliable companies that provided us with products and services necessary for Allegro to operate efficiently. Choosing a supplier for Allegro is a multi-step process that ensures we identify the best offer and that we are contracting a reliable supplier.

Allegro supplier selection process:

Step 1 – Analyse suppliers and solutions

Step 2 – Assess the supplier's credibility and potential

Step 3 – Examine at least three commercial offers

Step 4 – Negotiate the terms of cooperation

Step 5 – Accept the terms and sign a cooperation agreement

We distinguish between the following groups of Allegro suppliers:

- suppliers providing products that are retailed in the Official Allegro Store
- suppliers whose products and services we use as part of our operational activity (e.g. managers of buildings where our offices are located, suppliers of utilities and software solutions, IT systems, data centres, technological and advisory solutions, advertising and marketing services and other services and products).
- suppliers leasing out land for APMs
- courier/transport service providers.

3.5.2. SUPPLY CHAIN CODE OF CONDUCT

We want to make sure that our suppliers respect principles that are similar to ours. In connection with the acquisition of the Mall Group, we started to work on changes and unification of the purchasing procedures for all subsidiaries. From April 2022 Polish Operations suppliers are provided with the information on the Suppliers' Code of Conduct. It is sent to all suppliers, together with the statement on the legality of goods and services. Since November, we have introduced a digital form that allows us to archive information on when a partner reads these documents and whether they accepted them.

If the total value of contracts with a supplier exceeds PLN 500,000 the Polish Operations supplier is enrolled into the monitoring and evaluation programme 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. In agreements concerning our courier suppliers, the Code of Conduct and the Questionnaire for Suppliers was included as an integral part of the agreement with the vendors. This enables us to verify their ethical, social and environmental practices.

In 2022, the total number of suppliers was 2558, of which 56 (2,2%) were subject to evaluation of social, environmental and ethical impacts. 95% of suppliers that were subject to evaluation meet the ethical criteria.

Supplier assessment Polish Operations [1]	2022	2021	2020
% assessed new suppliers that met the social, environmental and ethical standards	95%	95%	99%
% of all new suppliers assessed	2,2% [2]	10%	9.7%

A supplier is not required to sign the Allegro Code of Ethics if they have their own code that is consistent with the values and principles and does not deviate from the standards of the Allegro code.

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 supplier (i.e. a supplier whose yearly contract exceeds PLN 500,000).

In accordance with the recommendations of the Polish Ministry of Finance, Polish Operations have established a complex verification process for suppliers. 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 minimizing 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 are based on integrated IT systems that ensure full transparency of compliance with the procedures.

The aim of the process of verification of business partners in the Mall Segment was to create positive relationships with customers, vendors and employees. Part of this process is to fulfill our obligations towards customers, employees, shareholders, vendors, and and the other part to ensure compliance with our obligations arising from the law. It was also prepared to prevent, even accidental or involuntary, involvement of the Mall Segment in tax fraud initiated by dishonest vendors. As the Mall Group became a part of Allegro in April 2022, there were different purchase procedures. Our purpose for 2023 is to unify the procedures and extend the procedure to verify ethical criteria applied by all Group companies.

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.

Responsibilities of suppliers and business partners according to the Ten Principles of the UN Global Compact:

- Compliance
- Respecting human rights
- Ensuring the highest standards and work conditions for employees
- Protecting the natural environment.

[1] the data do not include eBilet.pl
[2] the indicator has decreased due to a change in the procurement policy. All vendors are fully acquainted with the Allegro Code of Conduct, but ethical verification is submitted for contracts over 500,000 PLN, not 100,000 PLN as previously.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

3.6. Human Rights Policy

Allegro 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 respects human rights enjoyed by its employees and contractors and expects respect for human rights from business partners.

3.6.1. HUMAN RIGHTS POLICY GUIDELINES

In January 2022, the Board of Allegro accepted the Allegro Human Rights Policy. The policy applies to all employees, contractors and business partners. It sets out the requirements for Allegro'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.

Allegro respects human rights by:

- Avoiding causing or contributing to adverse human rights impacts through its own activities, and addressing such impacts when they occur
- 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.
- Group 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.

1) In terms of human rights, Group aims to:

1. identify potential human rights impacts and where they could occur
2. identify the scope of Group'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.)
3. identify the issues Group has specifically addressed in the due diligence process, as well as the vulnerable groups monitored throughout the process
4. underline the importance of the whistleblowing and confidential reporting system
5. prevent adverse human rights impact, including actions that prevent or restrict an individual from enjoying their human rights
6. educate and improve the competence of the Group's employees and contractors in human rights
7. support and educate suppliers and business partners on human rights
8. actively engage in initiatives and activities focused on broad education and promotion of the important role of business for human rights.

2) Allegro has been developing the Human Rights Due Diligence Process to identify and assess potential impacts and risks related to respecting human rights by:

1. Human rights due diligence
2. Human rights risk tracking
3. Mitigation actions
4. Remediation actions
5. Assessment of potential human rights issues
6. Monitoring the effectiveness of the actions taken by the Group

3) Allegro commits to prevent:

1. human trafficking
2. forced labour
3. child labour

4) Allegro commits to respect:

1. freedom of association
2. the right to collective bargaining
3. equal remuneration
4. the right to non-discrimination

We want to respect human rights across the entire Group value chain. We educate our employees, suppliers and business partners on human rights and human rights protection. We engage in initiatives to educate and promote the role of business in advancing human rights. We are committed to respecting employees' freedom of association, the right to collective bargaining, equal pay and the right to non-discrimination. We do not allow the use of human trafficking, forced labour or child labour in our organisation or companies willing to work with the Group. We have implemented an efficient and confidential human rights reporting system at our company.

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.

Allegro complies with the applicable legal regulations and adheres to the International Labour Organisation'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 2022 there were no incidents or instances of violation of labour or human rights.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

3.6.2.
COMPLIANCE WITH INTERNATIONAL STANDARDS

Allegro's responsibility for respecting human rights stems from universally recognised human rights, which 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 Organisation's Declaration on Fundamental Principles and Rights at Work. We respect 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 is familiar with the United Nations' instruments related to the rights of indigenous peoples, women, national and ethnic, religious and linguistic minorities, children, people with disabilities, as well as migrant workers and their families.

3.7.
Stakeholders engagement

3.7.1.
COLLABORATION AND PARTNERSHIPS

As a member of trade associations, we regularly participate in public consultations on Polish and EU draft legislation. We represent the interest of our merchants, consumers and a wider group of European technological companies continuing to actively engage in further digitisation and the creation of an innovation-friendly legal environment. We stay in touch with government bodies such as the Polish Office for Competition and Consumer Protection in an effort to support education and develop the best market standards. We work with the Small and Medium Entrepreneurs Ombudsman and public economic administration to improve the situation of local entrepreneurs and ensure them full representation.

3.7.2.
WE ARE A MEMBER OF THE FOLLOWING ORGANISATIONS (AS 1.03.2023):

International organisations:

- Ecommerce Europe [Allegro] (since January 2023)
- The European Tech Alliance (EUTA) [Allegro]
- Mobile Native Foundation [Allegro]
- UN Global Compact [Allegro]
- EUIPO [Allegro]
- DOT Europe [Allegro]

Polish organisations:

- The Chamber of Digital Economy (Izba Gospodarki Elektronicznej) [Allegro, Ceneo.pl]
- Digtal Technology Employers Lewiatan (Związek Pracodawców Technologii Cyfrowych Lewiatan)
- Konfederacja Lewiatan via the trade association Związek Pracodawców Technologii Cyfrowych Lewiatan [Allegro] [eBilet.pl]
- The Union of Entrepreneurs and Employers (Związek Pracodawców i Przedsiębiorców, ZPP) [Allegro]
- The IAB Polska Association of Internet Industry Employers (Związek Pracodawców Branży internetowej IAB Polska) [Allegro]
- Responsible Business Forum (Forum Odpowiedzialnego Biznesu) [Allegro]
- The Polish Association of Listed Companies (Stowarzyszenie Emitentów Giełdowych) [Allegro.eu]
- The Polish Organisation of Non-Bank Payment Institutions (Polska Organizacja Niebankowych Instytucji Płatności) [Allegro Finance]
- Business Accessibility Forum (Widzialni Foundation) [Allegro] (since March 2022)
- Związek Przedsiębiorców Finansowych [Allegro Pay] (since June 2022)
- FinTech Poland [Allegro Pay] (since February 2023)

Czech organisations:

- Digital Economy Network [Allegro]
- Polish Capital Club in Czech Republic [November 2022]
- APEK – Association of E-commerce in Czech Republic [Mall, CZC]

We also work with BusinessEurope as part of Konfederacja Lewiatan [Allegro] and Interactive Advertising Bureau Europe as part of IAB Poland [Allegro]. We also are a member of SME Connect at SME Europe through our membership in ZPP.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

3.7.3. WE ENGAGE IN THE PUBLIC DEBATE TO ENHANCE INNOVATION AND COMPETITIVENESS OF LOCAL COMPANIES

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 [1], 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 do business across Europe.

Allegro was among founders and leaders of the European Tech Alliance (Group's representative has been Chairperson 2018-2022, and since 2023 a member of its Board).

3.7.4 KEY STAKEHOLDER GROUPS

At the Group, we engage stakeholders in our operations, which allows us to make better business decisions, manage risks more effectively and foster the company's innovation.

Our key stakeholder groups include:

- customers (buyers and sellers)
- business partners
- suppliers
- employees
- local communities and non-governmental organisations
- administration
- national and international regulators
- the stock market environment
- the business environment.

We developed a detailed key stakeholder map to help us effectively manage stakeholder relations. The map enables us to match both channels and frequency of contact to the group. We choose the most effective channels of communication for each group.

[1] https://about.allegro.eu/static-files/c32463e3-8a82-4ba1-8ee3-f3db25833984

Group	Forms of contact
Customers (buyers and sellers)	• Contact form • Allegro chat • Phone call • WhatsApp • Allegro Gadane community • Hotline for Seniors • Contact channel allows Deaf users to have a video chat with online assistance from a Polish sign language interpreter • Allegro Protect • Online help centre • Channels of direct communication with Allegro advisers • Social media accounts • NPS survey • Regular online surveys • Rights Protection Cooperation • Expert meetings • Media relations • Online presentations • For Sellers site • Online Help Centre • Mailings • Key Account Manager for sellers and Business Partners • Sales Manager • Educational website for buyers • Advertising and educational campaigns in the media • Shopping guides and inspirations on the platform • Discussion with the merchant • Internal complaint-handling system • Out-of-court procedures for merchants • Special Case Team • Safe Online Shopping programme (Bezpieczne z@kupy) • Data Protection Officer • Training courses and webinars, including the Allegro Academy • Channels of direct communication with Allegro advisers • Corporate website: Allegro.eu, social media • Discussion with the buyer • Internal complaint-handling system • Out-of-court procedures for merchants
Business partners and suppliers	• Contact form • Periodical reports • Expert meetings • Media relations • Online presentations • Form for vendors https://about.allegro.eu/vendor-form • Code of ethics for suppliers and business partners • Internal complaint-handling system • Out-of-court procedures • Cooperation with public authority

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

Group	Forms of contact
Employees	• Let's Talk montly meetings with Exec Team and Q&A session • Company update: quarterly meetings with the board for all employees, including a Q&A session • The qa_allegro channel for asking questions on an ongoing basis • Juice Work&Life Academy inspirational meetings • Insite+ internal social media platform • Thematic communities • Allegro Tech Meeting • engagement survey • Email communication • Newsletters • Employee Representation • Meetings, workshops • Let's Talk & All Hands meetings with Exec Team • Training courses and the MindUp Platform • Annual and semi-annual review (an opportunity for mutual feedback) • Mentoring • Whistleblowing system • Employee Advocacy #AllegroLife program • Podcasts
Local community and non-governmental organisations	• Allegro Foundation • Volunteering programmes • Allegro Charity Platform • Educational meetings at schools and universities • Information desks at events • Cooperation with NGOs
Administration and national and international regulators	• Work with the Polish and Czech government authorities, including market regulators • Work with business organisations and chambers of commerce • Work as part of EU institutions (European Commission, European Parliament) • Participation in public consultations on draft legislation
The stock market environment, including shareholders	• Current and periodical reports • Meetings, conferences and roundtables • Email contact • Investor Relations Department • Corporate website • Newsletters • General Meeting
The business environment, media and competition	• Membership in industry organisations • Industry initiatives • Participation in conferences and meetings • Public consultations • Current and periodical reports, company updates • Media relations • Email communication, direct contact for the media • https://magazyn.allegro.pl/

Frequency of communication with our stakeholders depends on the needs and requests of our stakeholders. We also conducted surveys among our employees, concerning organisational culture and values, to better understand and integrate our teams, concerning employee satisfaction, and the choice of material topics for the ESG report.

We learn about our shareholders' issues and problems at direct meetings, as well as through surveys and analyses we conduct. We conduct our own surveys and hold meetings with clients and business partners, including individual interviews, group interviews and usability tests. The findings inform our projects and initiatives. We also constantly monitor the internet and review the media.

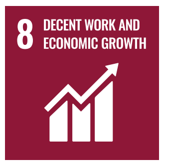
Allegro was also a main Partner of the The Chamber of Digital Economy study and publication The Sustainable e-Commerce Report 2022 (Odpowiedzialny e-commerce 2022)

- For 67% of online shoppers, it is important whether an online store is a socially responsible business and whether it develops in an environmentally sustainable way,
- 35% of respondents attach importance to the sustainability efforts of the company they buy from, e.g. whether the e-store operates ethically, or whether it is adapted to the needs of people with special needs,
- Among loyal customers of an online store, an average of 8 out of 10 people closely observe its corporate social responsibility activities and thus decide whether it is trustworthy or untrustworthy.

'17 Goals Campaign' in an ecommerce industry

In the process of preparing this report, we also used the impact matrix, created as part of the 17 Goals Campaign [1], carried out in cooperation with CSR Consulting. One of the results of the project was an analysis conducted by 17 experts, who evaluated a total of 169 tasks of the Sustainable Development Goals, looking for those which are most influenced by the e-commerce industry. The result was an e-commerce industry impact matrix, in which 3 key and 4 additional Goals for the industry were identified.

Key SDGs identified by experts for the e-commerce industry:



[1] 'The 17 Goals Campaign' is the first and the biggest national cross-sectoral initiative for the Sustainable Development Goals in Poland. It encourages business to contribute to the realisation of the 2030 Agenda. The Campaign brought together a wide range of actors: companies, governmental institutions and NGO's under the honorary patronage of the Polish Ministry of Development. It is an example of how the national, cross-sectoral cooperation towards the 2030 Agenda can work.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

4. Environment & climate

4.1. The environment and climate management

Allegro is dedicated to addressing climate change and reducing our environmental impact, as demonstrated by our comprehensive Climate Policy. This policy includes a range of actions aimed at achieving sustainability goals, such as introducing renewable energy, reducing our carbon footprint through achieving science-based targets, reducing emissions and participating in international climate and environmental initiatives.

We have undertaken several activities to reduce our emissions and energy consumption, such as introducing circular economy solutions. We also provide climate education to stakeholders, customers (clients and merchants) and employees.

Allegro monitors and manages climate and environmental risks and opportunities, as recommended by the Task Force on Climate-related Financial Disclosures (TCFD). We also integrate climate risk management into our overall risk management process.

Allegro's Climate Policy is a commitment to achieve a more sustainable way for the company, its stakeholders, and the environment.

Allegro's efforts to identify and manage its environmental impact throughout the value chain is the result of growing expectations from customers, employees, but also from financial institutions and investors. In December 2022, Allegro moved up in the MSCI ESG rating from an 'A' to an 'AA' rating. Thus, the company is among the 33% of the highest-rated companies in the retail industry. In the MSCI assessment, not only environmental but also social and governance issues are taken into account.

E-COMMERCE VS. BRICK & MORTAR STORES

Our own research has shown that due to the lack of physical stores, lower customer commute and streamlined logistics, e-commerce causes on average around 40% less GHG emissions per purchased item than traditional brick & mortar stores. It is worth mentioning that had this comparison been done to the fulfillment model (rather than the merchant model), the CO2e reduction would exceed 50% [1].

[1] Own data: For comparison, we used merchant-based models, both in direct delivery to address and delivery to parcel machine variants, prepared by external experts contracted by Allegro. Our calculations regarding brick & mortar stores were based on our professional experience in retail industry and convenience stores, as well as logistical processes analysis done by Allegro and external experts.

4.2. Key data & results for environment & climate

- **10.4%** lower emission in the whole value chain (Scope 1, 2 and 3, market-based) emission in 2022 YoY in Polish Operations
- **23%** of electricity consumed by company was generated from RES (Polish Operations)
- **12.2%** decreased Scope 3 GHG emissions in 2022 YoY (Polish Operations)
- **28%** lower emission intensity for Scope 1 & 2 & 3 (market-based) in relation to revenue YoY
- **3.7 million** sustainable packaging introduced to the market by Allegro in 2022
- **98%** of waste from warehouses and depots within Polish Operations is recycled

4.3. Environmental and climate policy

Our ambition is to continuously reduce our negative impact on the environment, primarily by reducing emissions, which is why we adopted the Climate Policy and climate targets aligned with the Paris Agreement. We also want to actively engage in the green transformation to become the frontrunner in the low-carbon economy.

We want to be the first place the clients choose for sustainable e-shopping, and a place supporting merchants (SMEs) in their sustainable development and growth. We are going to develop a sustainable product base. We are working on sustainable packaging in warehouses as well as fulfillment centre and in further we will be working on introducing labels for sellers who provide sustainable packaging without plastic.

We plan to become a sustainable leader on the market with the climate targets throughout our value chain. We are in the process of ISO 14001 implementation of the environmental management system in the Polish warehouses and will extend it to other countries we operate in. We are monitoring GHG emissions of the Group and continue to implement our decarbonisation strategy in Polish Operations. Climate targets for the Mall Segment, operating in the Czech Republic, Slovakia, Slovenia, Hungary and Croatia are being developed.

In March 2022, we adopted the Climate Policy. Under this policy, we commit to maximise renewable energy use, reduce the carbon footprint in our operations and work with our business partners to reduce emissions across the value chain.

Under the Climate Policy, we are engaged in activities and initiatives:

- to reduce emissions and energy consumption
- to reduce emissions related to shipping orders
- to develop low-carbon logistics centres for businesses selling on the Allegro platform
- to introduce a circular economy model, including 100% recycled packaging and reusable packaging
- to offer climate education to stakeholders, including customers and the public, in particular education and improvement of climate and environmental competence of Allegro's employees.

The initiatives under our Climate Policy are public and described in Allegro ESG reports. Allegro's Climate Policy is available on the Allegro.eu website.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

4.3.1. CLIMATE TARGETS IN ACCORDANCE WITH SBTI AND ALIGNED WITH THE PARIS AGREEMENT

Allegro was the first e-commerce and technology company from Poland to join the Science Based Targets initiative (SBTi), in September 2021. And already in November 2022, Allegro was classified, after a multi-stage validation process, as one of the companies with SBTi-approved climate targets. The targets adopted by Allegro were set in accordance with the SBTi's scientific method, and the pathway to meet the 1.5°C goal of the Paris Agreement.

Joining SBTi, a credible and recognised initiative, has helped us to develop and communicate the targets, as well as to fulfill the expectations of investors and to meet the ESG ratings requirements. Science-based target setting is part of the yearly reporting practice of the companies, incorporating the CDP questionnaire and scoring, which is important for institutional investors.

The SBTi's Target Validation Team verified Allegro's scope 1 and 2 targets' ambition and determined that it is in line with the 1.5°C trajectory. This is currently the most ambitious SBTi designation. The SBTi has approved the following targets:

Allegro commits to reduce scope 1 and 2 GHG emissions by 38% by 2030, from the 2021 base year level.

Allegro also commits to have 73% of its suppliers, by spending covering purchased goods & services, capital goods, and downstream transportation and distribution, with science-based targets by 2027.

As a leader in sustainability and responsible business, Allegro will continue to take numerous steps towards a more sustainable future, in particular including:

1. implementation projects to ensure renewable energy with constant prices to reduce our GHG emissions in scopes 1 & 2 (direct and indirect emissions)
2. supporting, educating and encouraging our biggest suppliers to introduce their climate targets
3. ensuring sustainable and transparent communication about our climate pathway
4. monitoring GHG emissions in Allegro
5. continuation of ESG strategy integration with the business strategy

The SBTi is a partnership between CDP, the United Nations Global Compact, World Resources Institute (WRI) and the World Wide Fund for Nature (WWF). The SBTi call to action is one of the We Mean Business Coalition commitments.

Science-based targets show companies and financial institutions by how much and how quickly businesses need to reduce their GHG emissions to prevent the worst impacts of climate change, leading them on a clear path towards decarbonisation.

4.4. Carbon footprint and environmental impact

Allegro wants to be a leader in sustainability, setting ambitious targets and paving the way for other companies in the industry. Setting emission reduction targets is a natural step for us in limiting our negative environmental impact and reducing our carbon footprint, despite the growth of our business.

A carbon footprint is the total amount of GHG emissions that are directly and indirectly released into the atmosphere. Group measures and discloses its carbon footprint data in three Scopes (1, 2 and 3), which reflect the scale of the company's environmental impact. The carbon footprint measures the impact of a company's operations on the amount of greenhouse gases emitted to the atmosphere, expressed in tonnes of CO2 equivalent. Allegro's greenhouse gas emissions include: scope 1 – direct emissions, scope 2 – indirect emissions and scope 3 – indirect emissions relating specifically to suppliers that are not covered in scope 2. Calculating the carbon footprint is the first step in determining and managing the environmental impact.

4.4.1. GHG EMISSIONS

Three scopes of carbon footprint

The Group [1][2] 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 greenhouse gas emissions, produced as a result of a company's operations during the reporting year and is expressed as a weight of CO2 equivalent emissions.

Since Allegro acquired Mall Group and WE|DO in April 2022, a year-on-year comparison of the aggregated results would be incompatible. Therefore, the carbon footprint is presented separately for the Group as of prior to the acquisition [1] (referred to as Polish Operations) and in aggregate, for the whole post-acquisition consolidated Group [2]. Carbon footprint from the Mall Segment coveredemissions for the post-acquisition period, ie. April-December 2022. The year-on-year comparisons apply to the Polish Operations only due to lack of full-year **Group's GHG emissions include:**

Scope 1: all direct emissions released from our operations. For Allegro, this includes natural gas, fuel consumption from 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 1 & 2 that occur throughout the value chain. This includes purchased goods and services (water supply, paper, products purchased as part of 1P retail operations, packages, goods transport arranged by Vendors, marketing, consultancy and other goods and services), capital goods, energy and WTT fuel-related emissions, upstream transport, waste and sewage, business travel, employee commuting and remote work, downstream transportation, use of sold products, end-of-life treatment of sold products, downstream leased assets.

[1] Carbon footprint calculations for Allegro structure prior to the acquisition of the Mall Group and WE|DO included emissions from Allegro Sp. z o.o., Ceneo.pl Sp. z o.o. and eBilet Polska Sp. z o.o. as well as Allegro Pay Sp. z o.o., Opennet.pl Sp. z o.o., Allegro Finance Sp. z o.o. (Allegro.eu S.A., Allegro Treasury S.à r.l., Adinan Super Topco Employee Benefit Trust and SkyNet Customs Brokers Sp. z o.o. were excluded from the assessment).

[2] Carbon footprint calculations for Group structure post-acquisition included (in addition to Polish Operations) emissions for April-December 2022 from Mall Group a.s. and WE|DO CZ s.r.o., WE|DO SK s.r.o., Internet Mall, a.s., Internet Mall Slovakia s.r.o., Internet Mall d.o.o., Internet Mall Hungary Kft, m-HU Internet Kft., AMG Media a.s., Mimovrste d.o.o., CZC.cz s.r.o. (Netretail sp. z o.o., Allegro.eu S.A., Allegro Treasury S.à r.l., Adinan Super Topco Employee Benefit Trust and SkyNet Customs Brokers Sp. z o.o. were excluded from the assessment).

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

GHG emission in relation to revenue ($t CO_2e/m$ PLN)	Group	Polish Operations			
	2022	2022	2021*	YoY [2]	2020
Scope 1 & 2 emissions (market-based) ($t CO_2e$) in relation to revenue (PLN in millions) [3]	1.98	2.22	2.19	2%	2.30
Scope 1 & 2 emissions (location-based) ($t CO_2e$) in relation to revenue (PLN in millions)	2.54	2.97	2.23	33%	2.25
Total (Scope 1 & 2 & 3) emissions (market-based) ($t CO_2e$) in relation to revenue (PLN in millions) [3]	39.54	32.82	45.43	-28%	33.87
Total (Scope 1 & 2 & 3) emissions (location-based) ($t CO_2e$) in relation to revenue (PLN in millions)	40.10	33.56	45.48	-26%	33.82

GHG emission in relation to revenue ($t CO_2e/m$ EUR [4])	Group	Polish Operations			
	2022	2022	2021*	YoY [2]	2020
Scope 1 & 2 emissions (market-based) ($t CO_2e$) in relation to revenue (EUR in millions) [3]	9.29	10.41	10.01	4%	10.29
Scope 1 & 2 emissions (location-based) ($t CO_2e$) in relation to revenue (EUR in millions)	11.88	13.91	10.23	36%	10.09
Total (Scope 1 & 2 & 3) emissions (market-based) ($t CO_2e$) in relation to revenue (EUR in millions) [3]	185.21	153.70	207.96	-26%	151.53
Total (Scope 1 & 2 & 3) emissions (location-based) ($t CO_2e$) in relation to revenue (EUR in millions)	187.80	157.20	208.19	-24%	151.33

Data for 2020 are not comparable due to the methodology adjustment

Compared to 2021, GHG Scope 1 & 2 emissions increased by 26.2% (market-based method) and 64.9% (location-based method) in 2022. This stems from increased consumption of heat and electricity as well as higher fuel consumption in stationary and mobile sources. In order to reduce its environmental impact, in 2021 Allegro joined the Science-Based Target Initiative and is committed to reducing Scope 1 and 2 GHG emissions by 38% by 2030 (compared to 2021).

[1] methodology of calculating carbon footprint for 2021 was adjusted
[2] the year-on-year comparisons apply to the prior to the acquisition Group structure
[3] for locations, where market-specific emission factors were not available, location-specific emission factors were adopted, with the understanding that data will be improved in the following year
[4] Average exchange rates (EUR/PLN 2022: PLN 4.68; 2021: PLN 4.58; 2020: PLN 4.47).

Scope 1 direct emissions increased by 38.3% YoY. This increase results from natural gas usage mainly in Adamów fulfillment centre and higher fuel use compared to a previous year.

Scope 2 emissions increased by 25.6% YoY (market-based) and 66.3% YoY (location-based). A smaller increase in market-based emissions is due to the use of renewable electricity – in 2022 almost 23% of electricity consumed was generated from RES (compared to almost 15.5% in 2021).

Scope 3 GHG emissions decreased by 12.2% Categories in which emissions have decreased the most are purchased goods and services and capital goods. The highest increase was recorded in category downstream transportation and distribution.

GHG emissions by Scopes [$t CO_2e$] [4]	Group	Polish Operations			
	2022	2022	2021*	YoY [2]	2020
Scope 1	1,421.76	802.01	579.89	38.3%	250.58
Scope 2 (market-based) [3]	16,440.14	13,966.59	11,122.08	25.6%	8,941.53
Scope 2 (location-based)	21,414.42	18,929,85	11,382.50	66.3%	8,763.48
Scope 3	338,228.59	203,293.04	231,490.80	-12.2%	126,201.76
Scope 1+2 (market based) [3]	17,861.89	14,768.60	11,701.97	26.2%	9,192.11
Scope 1+2 (location based)	22,836.18	19,731.87	11,962.39	64.9%	9,014.06
Scope 1+2+3 (market-based) [3]	356,090.48	218,061.64	243,192.77	-10.3%	135,393.87
Scope 1+2+3 (location-based)	361,064.77	223,024.90	243,453.19	-8.4%	135,215.82

[1] methodology of calculating carbon footprint for 2021 was adjusted
[2] the year-on-year comparisons apply to the prior to the acquisition Group structure
[3] for locations, where market-specific emission factors were not available, location-specific emission factors were adopted, with the understanding that data will be improved in the following year
[4] The greenhouse gases identified and included in the calculation are CO2, CH4 and N2O, which have been expressed as CO2 equivalent. No biogenic CO2 emissions have been identified. 2021 is established as the base year. The sources of the emission factors were KOBiZE (The National Centre for Emissions Management) for electricity and heat in Poland, data published by electricity suppliers, Exiobase 3.4 2019 for monetary values, and DEFRA (Department of Environment, Food and Rural Affairs in the British Government) otherwise. GWP factors based on the United Nations Intergovernmental Panel on Climate Change (IPCC) Fourth Assessment Report (AR4) and, due to the use of the DEFRA (Greenhouse gas reporting: conversion factors 2022) database, for a small number of indicators, on Fifth Assessment Report (AR5). Where possible, calculations were made for each subsidiary and the results were consolidated according to operational control. 100% of emissions from individual locations of Polish Operations 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 factors) and market-based (electricity-related emissions calculated using the energy seller specific emission factor). In location-based method, the average emission factor for countries were used. In market-based method, emission factors for energy suppliers were used. For locations, where market-specific emission factors were not available, location-specific emission factor were adopted, with the understanding that data will be improved in the following year.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

	Group	Polish Operations			
Scope 1 [t CO_2e]	2022	2022	2021*	YoY [2]	2020
Natural gas	868.99	628.75	437.46	43.7%	190.92
Diesel	172.81	20.70	27.73	-25.4%	20.35
Petrol	270.48	43.10	51.73	-16.7%	37.61
Hybrid cars	109.47	109.47	51.96	110.7%	1.69
LPG	—	—	11.01	-100.0%	—

	Group	Polish Operations			
Scope 2 [t CO_2e]	2022	2022	2021*	YoY [2]	2020
Electricity consumption (market-based method) [3]	14,823.35	12,520.66	10,575.74	18.4%	8,359.38
Electricity consumption (location-based method)	19,797.64	17,483.92	10,836.16	61.3%	8,181.33
Heat consumption	1,616.78	1,445.93	546.35	164.7%	582.15

	Group	Polish Operations			
Scope 3 [t CO_2e]	2022	2022	2021*	YoY [2]	2020
Cat. 1 – Purchased Goods and Services	206,559.10	95,913.35	97,803.21	-1.9%	75,030.71
Cat. 2 – Capital goods	17,308.93	16,459.95	47,582.00	-65.4%	14,642.84
Cat. 3 – Fuel – and Energy-Related Activities Not Included in Scope 1 or Scope 2	1,960.81	1,527.91	2,962.07	-48.4%	1,254.50
Cat. 4 – Upstream Transportation and Distribution	8,649.32	3,117.48	—	n/a	—
Cat. 5 – Waste Generated in Operations	424.59	79.30	13.90	470.5%	4.93
Cat. 6 – Business Travel	563.52	526.65	133.88	293.4%	73.55
Cat. 7 – Employee Commuting	1,409.47	867.38	3 060,00	-71.7%	3,060.00
Cat. 9 – Downstream Transportation and Distribution	80,993.89	79,745.79	54,455.03	46.4%	32,041.77
Cat. 11 – Use of Sold Products	13,469.61	1,550.67	6,360.15	-75.6%	—
Cat. 12 – End-of-Life Treatment of Sold Products	6,880.10	3,495.32	2,296.56	52.2%	6.41
Cat. 13 – Downstream Leased Assets	9.25	9.25	14.00	-33.9%	87.04

[1] methodology of calculating carbon footprint for 2021 was adjusted
[2] the year-on-year comparisons apply to the Group structure prior to the Mall acquisition
[3] for locations, where market-specific emission factors were not available, location-specific emission factors were adopted, with the understanding that data will be improved in the following year

The GHG emissions were calculated in accordance with The Greenhouse Gas Protocol A Corporate Accounting and Reporting Standard Revised Edition, using Inventory approach and Screening approach – in case the first option could not be used (only in case of lack of quantitative data in some subcategories) screening approach was implemented using the EEIO database adequate for Europe – Exiobase 3.4 2019, recommended by The European Environment Agency (EEA).

Scope 3 emissions were calculated as specified below:

- Cat. 1 Purchased Goods and Services – calculations based on DEFRA 2022 emission factors and an emissions expenditure estimation based on Exiobase 3.4 2019 database. This category includes emissions from products purchased as part of 1P retail operations, tap water consumption, office supplies, packaging materials and cloud services, as well as other goods and services booked as operational expenditure not included elsewhere.
- Cat. 2 Capital Goods – emissions from tangible assets booked as capital expenditure not included elsewhere, estimated using Exiobase 3.4 2019 database. Emissions from the purchase of Allegro One Box parcel machines and associated IT equipment, factors from DEFRA 2022 have been used.
- Cat. 3 Fuel – and Energy-Related Activities Not Included in Scope 1 or Scope 2 – emissions from the production and distribution of electricity and fuels – based on real Scope 1 and 2 consumption data and DEFRA 2022 emission factors.
- Cat. 4 Upstream Transportation and Distribution – emissions from transportation carried out by the Group's direct partners were calculated with DEFRA 2022 emission factors.
- Cat. 5 Waste Generated in Operations – emissions from waste and sewage generated in office buildings and warehouses and sewage treatment – based on real data on waste generated and DEFRA 2022 emission factors.
- Cat. 6 Business Travel – aeroplane, car and train travel emissions – based on real information on travel and DEFRA 2022 emission factors [1].
- Cat. 7 Employee Commuting – emissions from remote work and employee commuting were estimated using DEFRA 2022 emission factors and information on average employment in Group companies, including information about remote work [2].
- Cat. 8 Upstream Leased Assets – emissions not applicable to the Group.
- Cat. 9 Downstream Transportation and Distribution – transportation of sold products by means of transport independent from the organisation using DEFRA 2022 emission factors.

[1] Emissions from employees' hotel stays on business trips were excluded.
[2] The emissions from remote work were estimated based on the adopted assumptions: 1. While working from home, the employee uses a computer (50W) and a monitor (70W). 2. Working time is 8 hours, 251 days a year. 3. Information on remote work for individual companies in 2022 was used. 4. Energy consumption was multiplied by the benchmark for electricity. In order to comply with the GHG Protocol methodology, emissions from remote working have been assigned to Scope 3 – Category 7. The emissions from employee commuting were estimated based on the adopted assumptions: 1. Warehouse workers: warehouse workers commute 5 days a week; average distance from home to warehouse – 30 km; mode of transport: 50% of total warehouse workers – train, 50% of total warehouse workers – car (3 people per 1 car). 2. Office workers: Office workers were divided into fully stationary, hybrid and fully remote; mode of transport: car: 5% of all office workers (1,5 people in the car), distance from home to work – 10 km; bus: 45% of all office workers, distance from home to work – 10 km; rail and tram: 45% of all office workers, distance from home to work – 10 km; subway: 5% of total office workers, distance from home to work – 10 km.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

- Cat. 10 Processing of Sold Products – emissions not applicable to the Group.
- Cat. 11 Use of Sold Products – direct (Scope 1) and indirect (Scope 2) emissions from the use of energy consuming products, sold to end users, calculated with DEFRA 2022 emission factors.
- Cat.12 End-of-Life Treatment of Sold Products – Emissions from the end-of-life stage of sold products – based on real data on materials purchased and DEFRA 2022 emission factors. This category includes the end-of-life stage of products purchased as part of 1P retail operations.
- Cat.13 Downstream Leased Assets – emissions related to offices subleased to third-party companies at locations where the Group has offices.
- Cat. 14 Franchises – emissions not applicable to the Group.
- Cat. 15 Investments – emissions not applicable to the Group.

The table below presents our consumption indicators of energy, materials, water, waste and sewage, and travel, which were used to calculate the GHG emissions.

	Group	Polish Operations		
Energy consumption	2022	2022	2021*	2020
Electricity [GJ]	108,980.48	88,950.78	59,828.79	40,935.77
Heating [GJ]	15,450.17	11,847.63	5,661.64	6,032.60
Natural gas [GJ] [2]	15,690.50	11,342.25	7,893.50	3,445.61
Petrol [GJ]	3,866.05	616.06	1,483.50	543.24
Diesel [GJ]	2,311.87	276.89	372.85	274.20
LPG [GJ]	—	—	167.27	—
Total [GJ]	146,299.07	113,033.60	75,407.54	51,231.42

[1] methodology of calculating carbon footprint for 2021 was adjusted
[2] retail distribution and warehouses

	Group	Polish Operations		
Utilities consumption	2022	2022	2021*	2020
Electricity consumption [MWh]	30,272.36	24,708.55	16,619.11	11,371.05
Heating [GJ]	15,450.17	11,847.63	5.66	6,032.60
Natural gas [m³] [2]	429,171.16	310,236.55	216,023.40	94,296.82
Petrol [l]	115,589.03	18,419.20	44,354.38	16,241.94
Diesel [l]	64,005.33	7,665.78	10,342.06	7,591.40
LPG [l]	—	—	7,072.92	—

	Group	Polish Operations		
[SFDR 5] [SFDR 6] Energy consumption	2022	2022	2021*	2020
Electricity consumption (MWh)	30,272.36	24,708.55	16,619.11	11,371.05
Electricity usage from renewable sources (RES) (MWh)	5,680.16	5,680.16	2,570.71	—
% Electricity usage from renewable sources (RES)	18.76%	22.99%	15.47%	—
Energy intensity (MWh/million PLN)	3.36	3.72	3.10	2.84
Energy intensity (MWh/million EUR) [2]	15.73	17.40	14.21	12.73

	Group	Polish Operations		
Water consumption	2022	2022	2021*	2020
Water consumption [m³]	20,574.93	11,910.06	5,656.66	4,627.03
Water and effluent emissions [t CO_2e]	8.66	5.01	2.44	5.07
Water reclaimed (recycled/reused) [m³]	—	—	—	—
Untreated wastewater discharged [m³]	20,574.93	11,910.06	5,656.66	4,627.03

[1] methodology of calculating carbon footprint for 2021 was adjusted
[2] average exchange rates (EUR/PLN 2022: PLN 4.68; 2021: PLN 4.58; 2020: PLN 4.47)
[3] Indicators used to convert energy to GJ are based on KOBIZE, calorific values (CV) and carbon emission factors (EF) in 2019 for reporting under the 2022 Emission Trading System and the Ministry of the Environment Regulation of December 2019 on inventories containing information and data on the use of the environment and charges due.
[4] Renewable energy: Energy taken from sources that are inexhaustible, e.g. wind, water, solar, geothermal energy, and biofuels

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

In our Environmental approach we want to minimise water consumption, but because water withdrawal is only used for offices and employees' needs, not for production purposes, there are some initiatives in the office to accomplish the target.

The reason for the increase of water consumption was the increased number of employees working in the offices in 2022.

	Group	Polish Operations		
Materials purchased in the offices	2022	2022	2021*	2020
Paper [reams]	6,944.00	1,297.00	1,698	2,438
Envelopes [pcs]	390,905.00	365,598.00	40,000	70,000
Ticket paper [kg]	2,708.78	1,999.50	—	1,671.90

The reason for the increase of materials purchased in the offices was the increased number of employees working in the offices in 2022.

	Group	Polish Operations		
Packaging used in a warehouse [t]	2022	2022	2021*	2020
Cardboard packaging – 100% of recycled paper	2,033.47	652.79	555.19	234.85
Original stretch film – unrecycled	131.87	73.83	54.17	48.80
Half-pallet wood – unrecycled	45.30	45.30	91.54	9.97
100% recycled foil fillers, HDPE foil	71.57	—	—	7.30
Cardboard packaging – unrecycled	51.44	51.44	—	—

Waste management in all company offices and warehouses is based on recycling, in compliance with applicable Polish laws. The company monitors and reports on waste management for packaging waste placed on the market and waste generated from operations. Measures are taken to limit waste and reuse electrical equipment.

98% of waste (paper, cardboard and plastic packaging, some used equipment) from warehouses and depots within Polish Operations is recycled.

	Group	Polish Operations		
Waste [2]	2022	2022	2021*	2020
Total waste [t]	**1,648.82**	**735.58**	**340,62**	**185,00**
Recycled waste [t]	796.54	562.30	297,86	179,60
Non-recycled waste [t]	852.29	173.28	42,76	6,58

[1] methodology of calculating carbon footprint for 2021 was adjusted
[2] Where data on waste treatment methods was not available, averaged shares of individual waste treatment methods were assumed based on official statistics specific to the locations in question

Our office buildings in Warsaw, Poznań and Kraków obtained a sustainability certificate with very high results in its category in Poland. In Poznan Nowy Rynek's office is certified in the WELL Health-Safety Rating systems [2]. The Norblin Factory in Warsaw buildings will feature a range of sustainable solutions – they have already been BREEAM [3] pre-certified with a “Very Good” rating in the design phase. The Lubicz Park office building in Cracow, where our office is located, has a BREEAM certificate at the "Excellent" level

Moreover, all offices are well-connected locations, with large floor areas and numerous amenities for employees.

Our data centre is implementing a project to improve energy efficiency and use off-heat at the data processing centre. The purpose of all of these initiatives is to save more electrical energy and reduce air pollution caused by emissions. An intelligent energy management system was introduced that helps reduce CO2 emissions.

	Group	Polish Operations		
Business travel [passenger-km]	2022	2022	2021*	2020
Air travel	1,905,926.80	1,874,207.68	587,903.92	292,295.00
Train	2,796,712.00	2,780,648.00	730,680.00	552,543.00
Cars	615,563.43	438,932.06	232,895.44	146,620.93

The reason for the increase of business travel was the new Business Travel Policy after the end of COVID-19 restriction and the increased number of employees working in the offices in 2022. Moreover, the acquisition of Mall Group and WE|DO increased the need for air travel across the Group's much larger geographic footprint and particularly between Warsaw, Poznan and Prague.

No refrigerants were released in 2020, 2021 and 2022

[1] methodology of calculating carbon footprint for 2021 was adjusted
[2] WELL Health-Safety Rating systems means investment had been developed in line with the most important need of employees: a sustainable, safe and healthy workspace
[3] BREEAM is an international system that provides independent, external certification of individual buildings, communities and infrastructure projects for compliance with sustainable development principles

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor’s report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

4.5. Task Force on Climate-Related Financial Disclosures (TCFD)

Risk management in line with TCFD, or climate under control

As recommended by the Task Force on Climate-Related Financial Disclosures (TCFD), Allegro carries systematic identification, assessment, management and prioritisation of climate-related risks and opportunities.. The Company has mapped climate risks and opportunities for two climate scenarios and three time horizons.

TCFD Recommendations	Our approach
Defining the short, medium and long term horizons	• short term period – 2022 to 2025 (current performance forecast period) • medium term – 2025 to 2030 (based on EU mid-term climate goals) • long term – 2030 to 2050 (based on the EU long-term climate goals)

In preparing climate scenarios and assessing risks, Group used data from the IPCC, the Intergovernmental Panel on Climate Change. Two RCP (Representative Concentration Pathways) [1] 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. Below we identified key megatrends in Europe and Poland relevant for each scenario, which were a basis for an analysis of climate-related risks and opportunities in the Group.

[1] Representative Concentration Pathways (RCPs) are referred to as pathways to emphasise that their primary purpose is to provide time dependent projections of atmospheric GHG concentrations, both a specific long-term concentration outcome and the trajectory that is taken over time to reach that outcome. They are representative of several different scenarios that have similar radiative forcing and emissions characteristics and are intended to expedite the preparation of integrated scenarios. The IPCC's current RCPs describe four possible climate futures, all of which are considered possible depending on the volume of greenhouse gases emitted in the future—RCP 2.6 assumes that global annual GHG emissions (measured in CO2-equivalents) peak between 2010-2020, with emissions declining substantially thereafter; RCP 4.5 assumes that emissions peak around 2040, then decline; in RCP 6, emissions peak around 2080, then decline; while RCP 8.5, assumes that emissions continue to rise throughout the 21st century (Intergovernmental Panel on Climate Change (IPCC), "Towards new Scenarios for Analysis of Emissions, Climate Change, Impacts, and Response Strategies," September, 2007. IPCC Expert Meeting Report).

Base scenario	Alternative scenario
1.5–2°C scenario (consistent with the Paris Agreement)	4°C scenario
Higher probability and scale of transformational risks (in the medium and long term): ✓ Meeting EU emission reduction targets for 2030, 2050 ✓ Poland accepts and achieves the goal of climate neutrality, or reaches it with a slight delay ✓ Entry into force of all regulations promulgated by the EU and implementation of subsequent ones (e.g. expansion of the EU ETS) ✓ Significant increase in emissions costs ✓ Significant increase in consumer eco-consciousness, greater demand for low-carbon products ✓ Significant increase in energy prices ✓ No negative impact on Poland's economic growth ✓ Faster-than-ever increase in efficiency of RES technologies	**Lower probability and magnitude of transformational risks (in the medium and long term):** • Failure to meet EU emissions reduction targets for 2030, 2050 • Poland does not meet the climate neutrality target, it deviates significantly from it • Entry into force of all regulations announced by the EU, but derogations are possible regarding the deadlines for achieving particular decarbonisation targets for the economy and particular industries • Moderate increase in emission costs • Significant increase in consumer eco-consciousness, greater demand for low-carbon products • Gradual and moderate increase in energy prices • 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 analysed: increase in average monthly temperatures, precipitation and number of hot days per year (>35°C).

Source: IPCC AR5, World Bank

Risk identification and assessment were performed on a residual basis, i.e. taking into account Allegro's existing risk management mechanisms, adopted strategy and set goals. Moreover, risks and opportunities were identified and assessed on the basis of expert method i.e. through the deliberate selection of people participating in the process. Risk identification and assessment 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

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

CLIMATE RISK ASSESSMENT

Risk assessment results in the short, medium and long term for two climate scenarios:

RISK GROUP	CLIMATE RISK	2025	2030		2050	
			<2°C	4°C	<2°C	4°C
Regulatory	The risk of increased requirements and increased accuracy of non-financial reporting on climate issues	high	▲	=	=	=
	The risk of limiting the ability of internal combustion vehicles to make deliveries in urban centres. The risk of the need for rapid changes in own and subcontractor fleets (demand greater than the supply of low/zero-emission fleet)	high	▲	=	▲	▲
Market	The risk of decreased availability of RES for strategic objectives	high	▲	=	▼	=
	The risk of increased financial burden due to the purchase of electricity	high	▲	▲	=	▲
	The risk of increased financial burden due to potential development investments (CAPEX)	medium	▲	=	=	=
	The risk of increased financial burden related to space lease (OPEX)	medium	▲	▲	=	▲
	The risk of a decline in interest in products that have a negative impact on the environment due to the increasing consumer awareness	low	▲	=	▲	▲
	The risk of adopting a so-called carbon tax, possibly leading to a decline in the competitiveness of products offered on the platform	low	▲	=	=	=
Reputation	The risk of not delivering on climate promises, e.g. insufficient supply of RES energy	high	▲	=	▼	=
(Chronic) Physical	The risk of intermittent electricity supply caused by sudden weather events	low	=	▲	▲	▲

Risk: low; medium; high

Trend: ▼ downward; = no change; ▲ upward

THE LIST AND ASSESSMENT OF CLIMATE OPPORTUNITIES IDENTIFIED

We identified risks as well as opportunities. The assessment in the short, medium and long term for two climate scenarios is presented in the table below:

CLIMATE OPPORTUNITIES	2025	2030		2050	
		<2°C	4°C	<2°C	4°C
A potential increase in company value to improvement in ESG ratings	high	▲	=	▲	▲
A potential decrease in energy costs through energy efficiency improvements	high	=	=	=	=
Greater merchant engagement and loyalty in climate issues and enabling merchants to meet their commitments (including regulatory requirements) arising from climate change	high	▲	▲	▲	▲
Greater employee engagement by meeting climate targets (company perceived as sustainable)	medium	▲	▲	▲	▲
A potential increase in availability or decrease in financing costs for companies with defined climate targets	medium	▲	=	=	=
A potential increase in customer engagement and demand for some products that have a sustainable impact on the environment	medium	▲	▲	▲	▲

Opportunity assessment: medium; high

Trend: ▼ downward; = no change; ▲ upward

[TCFD Strategy B]

The process used to determine which risks and opportunities may have a financial impact was based on their impact characteristics on Group's operations. Of all the identified risks, regulatory risks and most market risks turned out to have a financial impact on the Group through increased operating and investment costs of the Group's operations.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

4.6. Sustainable packaging and deliveries

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), sustainable packaging and APMs: One Box by Allegro.

4.6.1. ONE FULFILLMENT BY ALLEGRO

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 centre will further reduce delivery times, provide high-quality customer service, and reduce the environmental impact by, amongst others, consolidating orders to one package.

4.6.2. PARCEL LOCKERS & PICK UP POINTS

As of the beginning of November 2021, Allegro started to roll out its network of APMs: One Box by Allegro. Allegro customers can now join a range of sustainability initiatives when collecting their orders. Our partner network of PUDO (pick up, drop off) points allows customers to collect their order the next day after shipping [1] and provides merchants with a convenient shipping and order management method within a single platform. The carbon footprint of using APMs or pick-up points is lower compared to the courier option, according to Allegro's own calculations, as well as other research done in the industry, Parcel Machines produce considerably less GHG emissions than direct delivery (i.e. courier services). On average we are looking at around 1/3 emissions less. This is due to the fact that with Parcel Machines the distance travelled in the final leg of the last mile delivery is much lower compared to courier operations, due to the fact that courier leaves many packages in one location rather than visiting number of homes (which result in less km driven and less petrol or diesel consumed).

4.6.3. SUSTAINABLE PACKAGING

61% of Internet users paid attention to the sustainable aspect of product packaging, according to the "Responsible E-commerce" report issued by the Chamber of Digital Economy (e-Izba).

[KPI 6] **3.7 million sustainable packaging introduced to the market by Allegro in 2022**

In 2022, Allegro encouraged its customers to use eco-friendly packaging through a set of webinars. Customers were repeatedly informed through email communication about the principle issues related to responsible and sustainable packaging. The e-mails attracted great interest with a CTR (Click Through Rate) higher than average.

In the Allegro_Pack shop, sellers can directly purchase packaging made with certified recycled materials and biodegradable fillers to reduce their environmental impact. Allegro does not add margin to benefit financially from the sale of sustainable materials and packaging online.

The packaging has international certificates confirming that the raw materials used for its production come from recycling, have been obtained in a sustainable manner throughout the entire chain, and are suitable for recycling (FSC® Certificate). Wherever possible, we use auto-lock bottom boxes that significantly reduce the need to use tape. The boxes were also designed to reduce process waste already on the production line, making the best use of the cardboard.

The amount of sustainable packaging introduced to the market by Allegro in 2022 has increased by 108% in comparison with 2021, due to increased sales and switching from plastic to paper.

[1] applies only to Next Day offers

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

4.7. Environmental initiatives

At Allegro, we promote a circular economy. After collecting their first parcel from One Box or One Point, customers are awarded a free code for returning used electrical equipment in One Box. This is transferred to a recycling company which repairs it (if needed) and gives it a second life.

We wish to give both merchants and buyers the knowledge and tools to introduce the principles of the circular economy across their value chains. That's why we led a series of webinars and performed an upcycling campaign for customers. We are doing our best to have all products sent by the Official Allegro Store and the One Fulfillment by Allegro service to be packed using sustainable packaging materials such as recycled packaging, paper tape and biodegradable fillers, and we intend to implement more processes to minimise waste sent to landfill and lower the carbon footprint across the supply chain.

In January 2023, Allegro joined a CDP initiative to sign The Business Letter In Support Of Ambitious EU Sustainability Reporting Standards (ESRS). The initiators of the letter want to ensure the Commission maintains the current disclosure requirements and does not reduce their scope. The letter draws attention to the need to maintain the ambitious shape of the environmental standards and to maintain the ESRS implementation timetable.

4.7.1. DZIELNIA – SHARING ECONOMY IN WARSAW

We are very happy to engage in and support initiatives that promote good practices in the sharing economy and the 'zero waste' concept. "Pass it on" is a pilot project launched by the City of Warsaw – Praga-South District, in which public spaces are being adapted to become places where people can meet, exchange used items in good condition, share food, and organise environmental education events. More about the project

4.7.2. ANTI-SMOG COALITION

Allegro prohibits offering non-compliant products, including coal furnaces that do not meet legal requirements. 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 removed from our platform all offers with coal furnaces that fail to meet the legal requirements. Furnaces can only be offered for sale if the required certificates are attached to the offer. In 2021, we removed 413 offers, but in 2022 only 13. Additionally, to ensure an even higher level of safety, Allegro has introduced a provision in its regulations that stoves can only be offered for sale if the required documentation (certificates) is attached to the offer.

4.7.3. ALLEGRO IS A PARTNER OF THE "PARTNERSHIP FOR CLIMATE" PLATFORM

Partners of the "Partnership for Climate" include organisations and institutions, such as government and local government units, embassies, NGOs and institutions for which climate protection is a priority. The aim of the Platform is to conduct innovative educational and promotional activities related to climate change issues. As part of the Platform, various awareness-raising events are organised, including conferences, debates, happenings, exhibitions. We participate in the meetings and share our knowledge. Partnership for Climate, which is coordinated by the City of Warsaw.

4.7.4. GREEN TRANSFORMATION COUNCIL OF THE POLISH CONFEDERATION LEWIATAN

We are a member of the Green Transformation Council of the Polish Confederation Lewiatan and we are engaging in working groups to provide opinions and consultations on regulations and strategies that are part of the European Green Deal, including the preparation of substantive expert opinions, positions, strategies, feedback on regulations, as well as active cooperation with public administration on the final shape of the proposed solutions.

4.7.5. ALLEGRO AT THE WORLD URBAN FORUM

The World Urban Forum was a high level global conference on sustainable urbanisation, convened by the United Nations Human Settlements Programme (UN-Habitat), Polish Ministry of Development Funds and Regional Policy, UN Global Compact and the Municipal Office of Katowice.

Allegro, as a member of the informal Business Council, took part in high level roundtables on recommendations for sustainable cities organised by UNGlobal Compact. One of them was Greener Urban Futures, organised by Allegro with Polityka Insight. We discussed major challenges and the cooperation between cities and businesses, with members of the parliament and the chair of the Parliamentary Team on Cities, representatives of city halls (Warsaw, Poznan, Rzeszow, Katowice), urban experts, and institutions like the UN Global Compact, UNEP/GRID, and the Embassy of Denmark in Poland.

4.7.6. WELFARE OF ANIMALS

We also protect wildlife. For many years, we have been working with PTOP Salamandra – the Polish Nature Conservation Society. Our goal is to eliminate offers of endangered species (CITES) and help combat illegal wildlife trafficking. This partnership enables us to identify illegal offers and remove them from the platform.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

4.8. Sustainable and green education

4.8.1. EDUCATIONS FOR CUSTOMERS

We engage in numerous initiatives for sellers to raise environmental awareness and offer practical tips on how to be more sustainable. As part of the Allegro Academy, where we uploaded free webinars and courses on zero-waste packaging and how to be a sustainable merchant.

As part of raising awareness of conscious packaging solutions like recycled and biodegradable materials,, Allegro has run several events and initiatives, including webinars, films, podcasts, expert panels and educational campaigns both clients and sellers:

- educational video materials on paper recycling (+3.6 thousand views)
- expert panel focused on sustainable trends in e-commerce (+3.3 thousand views)
- educational videos for customers on upcycling of packaging materials (house for your pet and document folder) (+900 views)
- report "Packaging in e-commerce: trends, news and challenges" (2 400 views, 1 700 downloads)
- webinars & podcasts: "Packaging and waste in Poland and abroad", "Will we run out of cardboard packaging in e-commerce?", "Trends in packaging in e-commerce" and "How to build a sustainable supply chain" (2,290 attendees altogether)
- involvement in workshops "MONDI Talks" regarding e-commerce challenges.
- educational webinar for merchants about the formal requirements to report generated waste (BDO) and used packaging materials (ERP)

"Recycled Packaging" (Opakowania z recyklingu) was awarded in the category Enterprise – Promotion during Stena Circular Economy Awards – Circular Economy Leader competition.

Allegro was awarded with distinction in the category Enterprise – Promotion. The project has been recognised for: selling certified eco packaging materials without any margin to promote sustainable packaging and decrease waste production and educational actions towards merchants and buyers – promoting upcycling and recycling concepts

Also, in November 2022 Allegro received a recognition for its work towards promotion of recycled materials in e-commerce during the "GOZpodarz 2022" gala organised by Employers of Poland (Pracodawcy RP).

4.8.2. EDUCATION FOR EMPLOYEES

Webinar on global warming during Earth Day

On Earth Day, April 22, Allegro Foundation organised a webinar "Why does snow in April not herald "global cooling"? – popular myths about climate change in the world." The webinar was led by bloggers from Crazy Nauka, a journalist and authors of the book "Fact, no myth", in which they deal with the most famous scientific myths. Widespread climate change myths, cause the problem to be downplayed by decision-makers, lead to the strengthening of the coal lobby and have a real impact on our future and our children's future. It is important to identify and debunk these myths efficiently. The webinar was recorded and translated simultaneously from Polish into English.

4.8.3. EDUCATION FOR CHILDREN

Allegro Foundation's cooperation with Smart Kids Planet Centrum

Allegro and Allegro Foundation are one of the partners of the Smart Kids Planet for children aged 0-10. As many as 50 engaging attractions in 9 zones await little explorers. The attractions are designed to develop the competences of the future and good habits in children, based on the global trend of edutainment, i.e. education through entertainment. In the zone developed in partnership with the Allegro Foundation, children learn through play how to send and receive parcels and find out why parcel vending machine deliveries have less impact on the environment than other delivery methods. In addition, educational videos on upcycling are presented at the zone.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

5. Social and charity engagement

5.1. Key data & results for social and charity

The company makes financial as well as in-kind donations of products or services, to various projects and in partnerships, including the Great Orchestra of Christmas Charity (Wielka Orkiestra Świątecznej Pomocy), Zwolnieni z Teorii Foundation, as well as support for victims of war in Ukraine. Within days of the Russian aggression against Ukraine, Group has taken action to support organisations providing humanitarian aid. The company has also involved its customers, giving them several opportunities to support selected initiatives. In total, more than PLN 11.7 million was collected in 2022.

In 2022 PLN 56 million donations were made by Allegro's customers thanks to the charity platform – Allegro Charytatywni.

Moreover, Allegro Foundation operates as a foundation within the Group and provides entrepreneurship education, pro-environmental activities and social solidarity as well as developing employees' volunteering.

5.2. Social and charity work policy

In December 2021, Group implemented the Group Charity, Social and Sponsoring Activities Policy. The Policy confirms that the profile of social, charity and sponsoring activities is determined by the Group's strategy and the decisions of the Board, subject to benefit analysis and dialogue with stakeholders. These activities 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 policy ensures the transparency of expenses on charity, social and sponsoring initiatives undertaken by the Group. The Policy organises 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 organisations 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' organisations, professional self-governing bodies, or sports clubs established as commercial companies. This prohibition also includes military organisations or persons, as well as the arms industry.

The Group companies share their knowledge, support education in technology, and help those in need by using the tools available on the Allegro.pl Platform (Charytatywni.Allegro.pl and AllegroLokalnie.pl fundraisers), and through the activity of the Allegro Foundation.

5.3. Charitable, social and sponsorship activities

In Allegro, we know that, as a technology company, we will achieve the best results in the areas in which we specialise and can support our stakeholders with technological solutions. That is why we are developing Allegro Charytatywnie, and that is why we started the cooperation with the non-profit organisations like: the Great Orchestra of Christmas Charity (WOŚP), the Wiosna Association, the Polish Center for International Aid (PCPM) and the Saint Nicholas Foundation's. We also participate in educational projects, where our employees – outstanding experts in the field of technology – can share their knowledge.

However, where it is possible and necessary, we are engaged in other charity actions, such as support for refugees from Ukraine or earthquake victims in Turkey and Syria in 2023. We have provided direct financial support to NGOs operating in the area.

We also carry out smaller actions directly affecting our stakeholders, which are supported at a local level by our employees and meet their needs.

Allegro also supports various social initiatives with cash and in-kind donations – for example, the donation of 15,000 teddy bears for children – accident victims to be distributed by the Polish Fire Protection Association (Związek Ochotniczych Straży Pożarnych RP), unused items such as office equipment for local communities and refugees, and a financial donation for the Krakow Smog Alert (Krakowski Alarm Smogowy) for an initiative promoting clean air. A collection of footwear for people in the crisis of homelessness was also organised among Allegro staff.

5.4. Allegro Foundation

Allegro Foundation is a charity initiative, established in October 2008 as Allegro All For Planet, with an aim to raise environmental awareness and promote eco-friendly behaviour. The Foundation changed its name in November 2022 to Allegro Foundation and rebranded its activity. Currently, its actions are based on 3 pillars: entrepreneurship education, pro-environmental activities and social solidarity. One of the main tools for implementing these directions is employee volunteering.

In 2022, the Foundation implemented a number of initiatives, e.g. promoting pro-ecological behavior and activity through the Spin Kilometres (Kręć Kilometry) campaign. It organised a volunteer action helping people in need called the Noble Gift (Szlachetna Paczka).

The Foundation also ran the 3. edition of the #we_help_because_we_can (#pomagamy_bo_umiemy) grants program, which supported the social involvement of volunteers and the help for local communities and NGOs. The Foundation also became a partner of the Neat Package zone (Strefa Zgranej Paczki) in the Smart Kids Planet center, where it educates children about conscious consumer choices and pro-environmental behavior.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

5.5 Support for NGOs through Allegro Charytatywni Platform

Allegro Charytatywni enables verified NGOs to run collections and raise funds for important social causes. Allegro does not charge any fees or commissions, and the total income from all charity offers is transferred to the account of the organisation running the collection.

Allegro customers who want to support a given charity cause and the NGO of their choice can both list any item for charity, as well as bid on and buy unique items as part of charity offers.

In addition, during charity campaigns in which Allegro is involved as a partner, customers of the platform, when finalizing their daily purchases, can add a charity donation supporting a given goal and organisation to their basket. In 2022, these were: The Great Orchestra of Christmas Charity (WOŚP), the WIOSNA Association, PCPM – Polish Center for International Aid and The Saint Nicholas Foundation.

Allegro Charytatywni in 2022:

- 338 NGOs
- 541 charity goals
- 752,355 charity offers
- PLN 56 million collected for charity

5.5.1. ALLEGRO FOR THE GREAT ORCHESTRA OF CHRISTMAS CHARITY (WOŚP)

Allegro has supported the Great Orchestra of Christmas Charity (WOŚP) since its establishment. 22 years of partnership have translated into nearly PLN 148 million transferred to the account of the Great Orchestra of Christmas Charity Foundation. After last year's 30th Anniversary Finale, the Foundation collected PLN 37.4 million for pediatric ophthalmology via Allegro auctions on the platform.

In 2022, we supported the Orchestra in the following ways:

- Auctions on the platform
- Virtual Collection Box (Wirtualna Puszka)
- Allegro Staff activity, through which we invite celebrities (stars, celebrities, influencers) to list their own Things from the Heart (Rzeczy od serca) on Allegro auctions for WOŚP;
- Participation in the Grand Finale in the studio

The 30th Finale Of The Great Orchestra Of Christmas Charity Set Another Record:

- Allegro customers also eagerly turned to their computer screens and smartphones to support the Foundation. Over 193,000 offers and Virtual Collection Box donations helped raise PLN 37.1 million for WOŚP.
- 18,887 Allegro users put their own items up for Allegro auctions for WOŚP, and over 273,875 people were bidding.
- On the day of the Grand Finale, Allegro customers auctioned for WOŚP every 8 seconds!
- During the Allegro auctions for WOŚP initiative, the aukcje.wosp.org.pl website was visited by over 7.6 million unique users.

5.5.2. NOBLE CART (SZLACHETNY KOSZYK)

For years, Allegro has been supporting the Noble Gift (Szlachetna Paczka) initiative. We are implementing the Noble Cart (Szlachetny Koszyk) project for Allegro customers, who can add a fast-track donation – a Noble Donation (Szlachetna Cegiełka) – to their shopping cart to support the Wiosna Association, an organiser of the Noble Gift. Nearly 40,000 customers participated in this campaign from November 4 to December 14, 2022. This year's shopping with a heart brought PLN 713,130 from the sale of 41,264 charity donations.

In addition, the Allegro Foundation, as every year, coordinated the employee volunteer program during the Noble Gift. Last year, 41 volunteer leaders among Group employees and 810 volunteers – Allegro employees and their relatives and friends – prepared Noble Gifts for 38 disadvantaged families. During the Weekend of Miracles (Weekend Cudów), packages worth a total of PLN 153,000 were delivered to those in need.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor’s report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

5.6. Education and technology programmes

5.6.1.
PFR SCHOOL OF PIONEERS

Since 2018, Allegro has been a strategic partner of the PFR School of Pioneers, an international educational program dedicated to future tech entrepreneurs and visionaries. The aim of the programme is to support people who are at the beginning of their careers in creating innovative projects that may be commercialised in the future and enter the Polish market and then – globally. In the long term, the program also aims to increase the number of positive impact projects with investment potential.

In 2022, we were looking for projects that meet the UN Sustainable Development Goals, with particular emphasis on ClimateTech and HealthTech. As a result, 50 people took part in the program, who formed 16 founding teams and took part in workshops in 28 thematic areas.

Five editions of the PFR School of Pioneers have already graduated 250 people who, by joining teams, have created more than 80 operating technology companies. The graduates have raised a total of more than PLN 180 million from the market to develop their start-ups.

5.6.2.
PARTNERSHIP WITH THE CENTRAL HOUSE OF TECHNOLOGY

Since 2019, Allegro has been a partner of the Central House of Technology (CDT), under which, together with the PFR Foundation, it ensures education and the transfer of practical knowledge in the STEAM (Science, Technology, Engineering, Arts, Mathematics) stream.

In 2022, Allegro was a partner of the "Digital Entrepreneurship" educational pathway, which included a number of events such as:

- 12 workshops (online and onsite) for secondary school classes, attended by 271 students and 14 teachers
- 8 workshops (online and on-site) for Digital Debutants, attended by 130 participants

As part of collaboration with CDT, Allegro employees are keen to get involved in events as experts and share their knowledge and experience.

5.6.3.
MAM SWOJE ALLE

In 2022 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 (aged 13 or above). Thanks to a public fundraiser through Allegro Lokalnie, they can raise funds for social initiatives of their choice. Furthermore, 30 volunteers from Allegro offered mentoring to the students, supporting their social projects in communication, team management and e-commerce.

5.6.4.
JUNIOR SCHOOL OF DIGITAL ECONOMY

The Chamber of the Electronic Economy (eIzba) is a Polish organisation facilitating cooperation, exchange of know-how, legislative action and representation of common interests in the dialogue with regulators. It also supports small and medium-sized enterprises by providing know-how and technological solutions. Allegro is a Partner of the Chamber and participates in its charitable undertakings, like The Junior School of Digital Economy. Primary school pupils from grades 7 and 8 learned what competencies are needed to work in a company such as Allegro in the digital industry. They also listened to cyber security, safe online shopping, and creatively using Internet resources.

5.6.5.
COOPERATION WITH THE MEGABIT BOMB: FESTIVAL OF THE FUTURE

The Megabit Bomb: Festival of the Future was inaugurated in 2021, on the centenary of Stanisław Lem's birth. Allegro became a strategic partner of the second Megabit Bomb Festival that took place in Cracow, on September 5-12th, 2022. Organised by the Stanislaw Lem Institute, the 2022 edition of this multidisciplinary event integrated topics related to new technologies or AI as well as the social, ethical and cultural consequences of their development. It is a tribute to Lem's work, attempting to undertake an analysis of our reality and current trends. Allegro as a strategic partner of the event was involved in various activities such as educational workshops for schoolchildren and seniors based on the educational trainings created in partnership with the PFR Foundation, as well as keynote speech about AI development or round tables of climate activists.

5.6.6.
DIGITAL LAYETTE FOR BUSINESS

Digital Layette for Business (Cyfrowa Wyprawka dla Firm) is a free program organised by the Polish Development Fund together with Allegro, Google, Meta and Landingi. It was addressed to local governments and local entrepreneurs who need support in the development of digital sales tools and building their image online. It was attended by 150 companies operating in the regions of Świdnik, Nysa and Włocławek. The program consisted of workshops and individual consultations with partners' experts, e.g. how to effectively use new sales channels and communication with customers online, how to increase the attractiveness of regional products and services, or how to optimise online sales and reach customers in the EU region.

5.6.7.
SMART KIDS PLANET

Allegro and Allegro Foundation are one of the partners of the Smart Kids Planet for children aged 0-10. As many as 50 engaging attractions in 9 zones await little explorers. The attractions are designed to develop the competences of the future and good habits in children, based on the global trend of edutainment, i.e. education through entertainment. In the zone developed in partnership with the Allegro Foundation, children learn through play how to send and receive parcels and find out why parcel vending machine deliveries have less impact on the environment than other delivery methods. In addition, educational videos on upcycling are presented at the zone.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor’s report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

5.7.
Support refugees from Ukraine

The humanitarian aid needs grow with each passing day of the war. Long-term support and aid diversification among various groups suffering from the warfare effects are crucial. Within days of the Russian aggression against Ukraine, Group has taken action to support organisations providing humanitarian aid. The company has also involved its customers, giving them several opportunities to support selected initiatives. In total, more than PLN 11.7 million has already been collected in 2022.

The company has provided in-kind (food, cleaning supplies, Allegro vouchers), as well as non-material and financial assistance. Since the war started, Group has supported non-profits advocating for Ukraine with more than PLN 2.9 million. PLN 1 million was donated to the Polish Migration Forum, PLN 700 thousand to the Ocalenie Foundation, and PLN 300 thousand to the Homo Faber Association, all for legal, psychological and social assistance in organising life in Poland for refugees from Ukraine. Financial support of PLN 100 thousand for the Ukraine Foundation and PLN 20 thousand for the Nomad Association were also provided by Ceneo. In addition, PLN 800 thousand from the Group were allocated for the development of the St. Nicholas Harbors (PL: Przystanie Św. Mikołaja), where children from Ukraine could have taken part in summer camps, prepared for the next school year in a new country, learned Polish and received psychological support. With Allegro support, the Saint Nicholas Foundation's initiative has expanded to 33 new Harbors across Poland.

Allegro employees are also actively engaged in helping. Their enthusiasm for developing bottom-up initiatives has turned into local charity collections and volunteering involvement. To facilitate them in developing their initiatives, the Allegro Foundation dedicated the 3rd edition of the #we_help_because_we_can charity grant competition to support Ukraine, among others. 19 charity initiatives were selected, and the maximum grant amount for each local organisation chosen by Allegro employees was PLN 15 thousand.

Also, this year's edition of the Spin Kilometres campaign supported the Ukrainian goal of helping animal shelters in Ukraine. Allegro employees raised PLN 30 thousand in total by cycling, running or walking. Another example of the Allegro Foundation's commitment was its support to the Warsaw Medical University with the donation of nearly PLN 84 thousand for necessary training equipment for Ukrainian paramedics, in accordance with TC3 procedures.

To scale up its efforts, Allegro also leveraged the technological capabilities of its platform. Within days of the war outbreak, the company launched charity donations for Allegro customers that could be easily added to the shopping cart while finalising transactions. In March, donations totalled more than PLN 6.5 million for the Polish Center for International Aid (PCPM). The funds were used for humanitarian aid, evacuation of the local population and psychological support for children. In April and May, customer donations of more than PLN 1 million were directed to the Saint Nicholas Foundation, supporting aid operations for Ukrainian children in Poland and Ukraine, as well as participation in the reconstruction of damaged educational infrastructure.

At the same time, NGOs have actively benefited from the capabilities of the Allegro Charity platform, a part of Allegro that serves to raise money for various charitable causes. Currently, more than 50 non-profits have benefitted from it, including the Polish Humanitarian Action (PAH), the Siepomaga Foundation, the Polish Medical Mission or the SOS Children's Villages.

6.
About the Non-Financial Report

6.1.
The creating process

The ESG Report for 2022 is our fifth report where we present our sustainability approach and practices at Allegro. The previous document (ESG Report for 2021) was published in 2022 and covered the year 2021. The report was prepared by a dedicated project team, reviewed by Executive Team members responsible for relevant topics and approved by the Board.

Our ESG Report for 2022 was drafted in accordance with the Global Reporting Initiative standard. It discloses non-financial information required under the Non-financial Reporting Directive (NFRD). In addition, the Report contains TCFD (Task Force on Climate-related Financial Disclosures) and SFDR (Sustainable Finance Disclosures Regulation) indicators as well as in-house indicators. The Report also contains references to the Warsaw Stock Exchange ESG Reporting Guidelines and the European Bank for Reconstruction and Development (EBRD) guidelines. The Report includes references to the Sustainable Development Goals (SDGs).

The Report covers all entities included in the Allegro Consolidated Annual Report, i.e. Allegro.eu S.A., Allegro Treasury S.à r.l. (previously Adinan Midco S.à r.l.), Allegro Sp. z o.o. (previously Allegro.pl sp. z o.o.), Opennet.pl Sp. z o.o., eBilet Polska Sp. z o.o., Allegro Finance Sp. z o.o., SkyNet Customs Brokers Sp. z o.o., WE|DO s.r.o (CZ), WE|DO s.r.o (SK), Mall Group a.s., Internet Mall a.s., Internet Mall Hungary Kft., Mimovrste, spletna trgovina d.o.o., Internet Mall Slovakia s.r.o., Internet Mall d.o.o., Netretail Sp. z.o.o. w likwidacji, m-HU Internet Kft., E-commerce Holding a.s., CZC.cz s.r.o., AMG Media a.s. (previously LGSTCS a.s.), Uloženka s.r.o., Digital Engines s.r.o. v likvidaci, Rozbaleno.cz s.r.o. v likvidaci, Allegro Pay Sp. z o.o., Ceneo.pl Sp. z o.o., Adinan Super Topco Employee Benefit Trust and Foundation Allegro.

In April 2022, Mall Group joined Group, so the report for 2022 includes more companies than the previous report. The data were consolidated for the group whenever possible, but also compared to the two previous years for the Polish Operations. The reports are prepared annually. The information in this report covers the period from 1 January 2022 to 31 December 2022 for Polish Operations and from 1 April 2022 to 31 December 2022 for Mall Segment, and refers to the state of information at the end of the year (in cases indicated in the report, the data refer to another period).

There are no restatements of information from the previous reporting period.

When preparing the report for 2022, we used the conclusions of the project team responsible for the 2021 report, with the Allegro stakeholder matrix and the issue significance matrix. The updated materiality analysis was based on a number of studies, including a survey among employees, customer satisfaction ratings, benchmarks and market studies for the e-commerce segment, gap analysis of ESG ratings' results, professional workshop on SDGs implementation, and communication with local authorities and regulators. The choice of material topics remained the same as in the previous report. Please find more information on communication with our stakeholders in chapter 3.7. Stakeholders engagement.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

6.2. Stakeholders

Our key stakeholder groups include:

- customers (buyers and sellers)
- business partners
- suppliers
- employees
- local communities and non-governmental organisations
- administration
- national and international regulators
- the stock market environment
- the business environment.

6.3. Material topics

Category: socio-economic issues

- The country's economic development
- Employment and job creation
- Customer health and safety
- Customer data security
- Product labelling
- Responsible marketing communication
- Small and Medium-sized Enterprise development
- Industry partnership for sustainability
- Innovation
- Including environmental and social issues in requirements for suppliers
- Digitisation/automation
- Global challenges in supply chains (limited availability of goods)
- Taxes

Category: social issues

- Employee education and development
- Employee health and safety
- Employee well-being
- New forms of work
- Diversity and equal treatment
- Preventing discrimination
- Human rights compliance
- Employee rights
- Social and charity initiatives
- Education quality/preparing young people for entering the job market
- Community engagement/local community relations
- Social investments
- Population ageing in Poland and Europe
- Rising consumer awareness

Category: environmental issues

- Using raw materials for packaging manufacturing
- Green logistics
- Energy consumption
- Carbon footprint
- Waste management
- Sustainable consumption
- Public environmental awareness
- Using plastics
- Using recycled materials
- Environmental degradation
- Climate change
- Using natural resources: water
- Increase in the amount of pollution generated by people

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

6.4. Non-Financial Reporting Directive Requirements

Business model	Chapter: Business Model
Key performance indicators	Chapter: About the Report
Risk management	Chapter: Risk Management
Policies and procedures	Chapter: Governance and responsible management
Environmental matters	Chapter: Environment and climate
Social matters and treatment of employees	Chapter: People and Culture area, Relations with customers
Respect for human rights	Chapter: Human Rights Policy
Anti-corruption and bribery	Chapter: Corporate governance, Ethics and compliance
Diversity on company boards	Chapter: Diversity and inclusion

7. The EU Taxonomy

The EU Taxonomy (Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088) establishes a transparent classification system enabling uniform identification of environmentally sustainable economic activities in order to support well-informed sustainable investment decision-making.

A Taxonomy-eligible activity is an economic activity which is listed in the relevant delegated acts accompanying the EU Taxonomy which establish technical screening criteria for environmentally sustainable activities, whereas a Taxonomy-aligned activity is an economic activity, which:

- contributes substantially to one or more of the environmental objectives;
- does not significantly harm any of the environmental objectives;
- complies with technical screening criteria; and
- complies with the minimum social safeguards.

Under the Commission Delegated Regulation (EU) 2021/2178, beginning 1st January 2023, non-financial undertakings shall disclose Key Performance Indicators (KPIs) related to Taxonomy-eligible and Taxonomy-aligned turnover (revenue), capital expenditures (CapEx) and operating expenditures (OpEx). In accordance with this regulation, the Group discloses:

- the percentage of Taxonomy-eligible activities in total: turnover (revenue), capital expenditures (CapEx), operating expenditures (OpEx); and
- the percentage of Taxonomy-aligned activities (i.e.: environmentally sustainable activities) in total: turnover (revenue), capital expenditures (CapEx), operating expenditures (OpEx).

The Group also discloses information accompanying the relevant KPIs, as specified in Annex I to Commission Delegated Regulation (EU) 2021/2178, relevant quantitative disclosures in tabular format as specified in Annex II to the regulation, as well as information required by Annex XII to the regulation.

As at 31st December 2022, the technical screening criteria for the first two environmental objectives – climate change mitigation and climate change adaptation have been published in the form of Commission Delegated Regulation (EU) 2021/2139 (and supplementing Commission Delegated Regulation (EU) 2022/1214). The Commission's delegated regulations on the eligible activities and corresponding technical criteria for the four remaining environmental objectives identified in the EU Taxonomy (sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, protection and restoration of biodiversity and ecosystems) have not been published yet.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

Thus, for the purpose of EU Taxonomy disclosures for 2022, the Group analysed its economic activities in terms of EU Taxonomy eligibility, and – for the first time – assessed the compliance of the eligible activities with the EU Taxonomy technical criteria relevant for climate change mitigation and climate change adaptation. The Group also assessed its compliance with the minimum social safeguards. Currently, the scope of activities eligible for the first two environmental objectives covers a specific catalogue of thirteen activity groups which have been deemed by the EU as the most relevant for achieving these two specific environmental objectives. The core business of the Group is related mostly to e-commerce which is not covered by the current catalogue of EU Taxonomy eligible activities. In consequence, the Group has a limited ability to qualify its business activities as EU Taxonomy eligible.

Nevertheless, it shall be emphasised that, in March 2022, the Group has adopted its own Climate Policy. Under the Policy, the Group commits to maximise renewable energy use, reduce the carbon footprint in its operations and work with its business partners to reduce emissions across the value chain. This means that the Group already undertakes and intends to undertake a wide range of environmentally-responsible initiatives which may not be fully reflected in the EU Taxonomy KPIs due to the current catalogue of Taxonomy-eligible activities as well as the specific definitions of eligible accounting items (especially for OpEx). More about Group's environmental approach is disclosed in the Environment & Climate Chapter in The Non-Financial Report for 2022 (see above).

7.1. Approach to assessing Taxonomy-eligibility

The Group has performed a thorough analysis of business activities relevant for all entities in the Group. In order to select Taxonomy-eligible activities, the Group identified its activities which are compliant with the descriptions of activities provided in Annex I and Annex II to the Commission Delegated Regulation (EU) 2021/2139 and which generate turnover, CapEx and OpEx compliant with definitions given in Annex I to Commission Delegated Regulation (EU) 2021/2178.

As a result of this analysis, the Group managed to identify the following Taxonomy-eligible activities related to the climate change mitigation environmental objective:

EU Taxonomy activity	Group activities
6.5. Transport by motorbikes, passenger cars and light commercial	Purchases / leases and eligible maintenance expenditures associated with the fleet of company vehicles
8.1. Data processing, hosting and related activities	Revenue from data processing, hosting and related activities; other information technology and computer service activities; computer facilities management activities; software-related activities, and computer consultancy activities. Purchases / leases and eligible maintenance expenditures associated with data processing, hosting and related activities.

Given the character of the Group's core business, no more Taxonomy-eligible activities could be identified.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

7.2. Approach to assessing Taxonomy-alignment

For the Group's activities identified as Taxonomy-eligible, the Group carried out a detailed verification of the activities' compliance with the technical screening criteria provided in Annex I of Commission Delegated Regulation (EU) 2021/2139.

Each Taxonomy-eligible activity was assessed against the technical criteria for:

- substantial contribution to the climate change mitigation objective, and
- "do no significant harm" (DNSH) to other environmental objectives of the EU Taxonomy.

The analysis of compliance with the technical criteria was based on the knowledge of experienced subject matter experts employed by the Group or cooperating with the Group.

For the year 2022, the Group did not identify any Taxonomy-aligned turnover, capital expenditures or operating expenditures.

7.3. Approach to assessing minimum social safeguards

The Group assessed its compliance with the minimum social safeguards based on the practical guidance provided by the Platform on Sustainable Finance in the document "Final Report on Minimum Safeguards" published in October 2022.

The analysis conducted by the Group for the year 2022 focused on: 1) the Group's litigation cases in the area of human rights and labour law and 2) the Group's approach to due diligence processes in the areas of human rights, labour law, corruption and bribery, taxation, and fair competition.

The compliance with minimum social safeguards was based on the knowledge of experienced subject matter experts, employed by the Group in legal, compliance, HR and ESG teams and approved by the Board of Directors.

More information you can find in Non-Financial Report for 2022 (see above).

The Group did not identify any indications of the Group's incompliance with the minimum social safeguards in 2022.

7.4. Summary of the Group's EU Taxonomy KPIs

The Group hereby discloses an overview of its EU Taxonomy KPIs for the year 2022 related to the Group's Taxonomy-aligned and Taxonomy-eligible economic activities.

EU Taxonomy KPIs for 2022	Taxonomy-aligned activities [1]	Taxonomy-eligible activities [1]
Percentage of total turnover	0.00%	0.12%
Percentage of total capital expenditures [2]	0.00%	0.80%
Percentage of total operating expenditures	0.00%	3.55%

The Group hereby discloses an overview of the comparative EU Taxonomy KPIs for the previous reporting period (for the year 2021) related to Taxonomy-eligible economic activities, with restated values for OpEx KPI. In the process of preparing the EU Taxonomy disclosures for the year 2022, the Group has revised its approach to calculating the OpEx KPI. Previously, the Group included servicing and maintenance costs associated with software in the OpEx values used for EU Taxonomy reporting.

The Group has revised its approach and has excluded costs related to software maintenance and servicing from the OpEx values applied to 2022 KPIs (because the OpEx definition provided in Annex I to Commission Delegated Regulation (EU) 2021/2178 covers day-to-day servicing costs solely of assets of property, plant and equipment – i.e.: tangible assets).

EU Taxonomy KPIs for 2021	Taxonomy-aligned activities [1]	Taxonomy-eligible activities (restated) [1]	Taxonomy-eligible activities (originally disclosed) [1]
Percentage of total turnover	N/A	0.38%	0.38%
Percentage of total capital expenditures	N/A	6.32%	6.32%
Percentage of total operating expenditures	N/A	4.57%	7.86%

[1] all values related to the climate change mitigation environmental objective

[2] please note that in financial year 2022 the value of denominator of the CapEx KPI is significantly higher (5 431 PLN m in FY 2022 vs. 657 PLN m in FY 2021) because of additions to tangible (fixed) assets and intangible assets of the Group due to business combinations (acquisition of Mall Group a.s. and WE|DO CZ s.r.o.)

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

7.5.
Key Performance Indicators related to Turnover

Proportion of turnover from products or services associated with Taxonomy-aligned and Taxonomy-eligible economic activities in 2022.

				Substantial contribution criteria		„Do Not Significantly Harm" criteria										
		Absolute turnover	Proportion of turnover	Climate change mitigation	Climate change adaptation	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiver-sity and ecosystems	Minimum safeguards	Taxonomy--aligned proportion of turnover, year N	Taxonomy--aligned proportion of turnover, year N-1	Category ("enabling activity")	Category ("transition activity")
Economic activities	Code(s)	PLN m	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	-	-
A. TAXONOMY-ELIGIBLE ACTIVITIES																
A.1. Environmentally sustainable activities (Taxonomy-aligned)																
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)	No turnover of environmentally sustainable activities (Taxonomy—aligned) in the reporting period															
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																
8.1. Data processing, hosting and related activities	63.11	11.2	0.1%	0.1%	0.0%	—	—	—	—	—	—	—	—	—	—	—
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)	—	11.2	0.1%	0.1%	0.0%	—	—	—	—	—	—	—	—	—	—	—
Total (A.1 + A.2)	**—**	**11.2**	**0.1%**	**0.1%**	**0.0%**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**0.1%**	**0.4%**	**—**	**—**
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																
Turnover of Taxonomy-non-eligible activities (B)	—	8,993.7	99.9%													
Total (A + B)	**—**	**9,004.9**	**100%**													

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

7.5.1. CONTEXT

Based on the analysis of all the activities described in Annexes to the Commission Delegated Regulation (EU) 2021/2139, the Group's Taxonomy-eligible turnover is associated with the Taxonomy activity "8.1 Data processing, hosting and related activities".

The activity covers the provision of hosting services for external clients. Hosting services are understood as making all IT components available to an external client in order to support the client's business activities, including: structured cabling, switchboards, cooling elements, servers, firewalls, routers, switches, 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 activity – which is mainly associated with data centres managed by third parties – was assessed against the technical screening criteria related to substantial contribution to climate change mitigation and "do no significant harm" to the remaining environmental objectives. The Group concluded that the activity does not comply with the full set of environmental technical criteria provided in Annex I to the Commission Delegated Regulation (EU) 2021/2139. Thus, the activity is classified as Taxonomy-eligible, but not Taxonomy-aligned. Nevertheless, the Group examined its compliance with minimum social safeguards – no indications of non-compliance were identified.

7.5.2. ACCOUNTING PRINCIPLES

The turnover used for calculating the Taxonomy KPIs covers net turnover derived from the Group's products or services.

The proportion of turnover associated with Taxonomy-aligned activities (environmentally sustainable activities) is equal to zero, as the Group did not identify any revenue-generating Taxonomy-aligned activities in the reporting period.

The proportion of turnover associated with Taxonomy-eligible but not environmentally sustainable activities was calculated by dividing:

- the numerator representing the value of revenue from products or services associated with Taxonomy-eligible activity "8.1 Data processing, hosting and related activities" recognised by the Group in 2022; by
- the denominator representing the value of total consolidated revenue of the Group, as disclosed in the Consolidated Financial Statements of Group for the year ended 31 December 2022 in the Note 9. Revenues from contracts with customers

The allocation of revenue to the Taxonomy-eligible activities was enabled by the Group's advanced financial controlling tools and the knowledge and experience of the Group's subject matter experts.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

7.6.
Key Performance Indicators related to Capital expenditures

Proportion of CapEx from products or services associated with Taxonomy-aligned and Taxonomy-eligible economic activities in 2022

				Substantial contribution criteria		„Do Not Significantly Harm" criteria										
		Absolute CapEx	Proportion of CapEx	Climate change mitigation	Climate change adaptation	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiver-sity and ecosystems	Minimum safeguards	Taxonomy--aligned proportion of CapEx, year N	Taxonomy--aligned proportion of CapEx, year N-1	Category ("enabling activity")	Category ("transition activity")
Economic activities	Code(s)	PLN m	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	-	-
A. TAXONOMY-ELIGIBLE ACTIVITIES																
A.1. Environmentally sustainable activities (Taxonomy-aligned)																
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)	No CapEx of environmentally sustainable activities (Taxonomy—aligned) in the reporting period															
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																
6.5. Transport by motorbikes, passenger cars and light commercial vehicles	49.32, 49.39, 77.11	0.1	0.0%	0.0%	0.0%	—	—	—	—	—	—	—	—	—	—	—
8.1. Data processing, hosting and related activities	63.11	43.6	0.8%	0.8%	0.0%	—	—	—	—	—	—	—	—	—	—	—
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)	**—**	**43.7**	**0.8%**	**0.8%**	**0.0%**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Total (A.1 + A.2)	**—**	**43.7**	**0.8%**	**0.8%**	**0.0%**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**0.8%**	**6.3%**	**—**	**—**
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																
CapEx of Taxonomy-non-eligible activities (B)	**—**	**5,387.8**	**99.2%**													
Total (A + B)	**—**	**5,431.5**	**100%**													

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

7.6.1. CONTEXT

Based on the analysis of all the activities described in Annexes to the Commission Delegated Regulation (EU) 2021/2139, the Group's Taxonomy-eligible CapEx is associated with the following Taxonomy activities: "6.5. Transport by motorbikes, passenger cars and light commercial vehicles" and "8.1 Data processing, hosting and related activities".

The Taxonomy-eligible CapEx is mainly associated with IFRS 16 right-of-use assets related to vehicles leased by the Group as well as to additions to property, plant and equipment of data centres.

The activities were assessed against the technical screening criteria related to substantial contribution to climate change mitigation and "do no significant harm" to the remaining environmental objectives. The Group concluded that the activities do not comply with the full set of environmental technical criteria provided in Annex I to the Commission Delegated Regulation (EU) 2021/2139 (the activity 8.1 has been described in the context for turnover KPIs, with regard to activity 6.5 the Group has confirmed that the vehicles used by the Group do not fulfil the Taxonomy's advanced criteria related to direct tail-pipe emissions). Thus, the activities are classified as Taxonomy-eligible, but not Taxonomy-aligned. Nevertheless, the Group examined its compliance with minimum social safeguards – no indications of non-compliance were identified.

7.6.3. ACCOUNTING PRINCIPLES

The CapEx used for calculating the Taxonomy KPIs covers additions to tangible and intangible assets (including the leasing right-of-use assets under IFRS 16) during the reporting period considered before depreciation, amortisation and any re-measurements, including those resulting from revaluations and impairments, excluding fair value changes.

The proportion of CapEx associated with Taxonomy-aligned activities (environmentally sustainable activities) is equal to zero, as the Group did not identify any capital expenditures related to Taxonomy-aligned activities in the reporting period.

The proportion of CapEx associated with Taxonomy-eligible but not environmentally sustainable activities was calculated by dividing:

- the numerator representing the value of capital expenditures associated with Taxonomy-eligible activities (i.e.: 6.5. Transport by motorbikes, passenger cars and light commercial vehicles and 8.1. Data processing, hosting and related activities) recognised by the Group in 2022;
- the denominator representing the value of total consolidated CapEx of the Group, as disclosed in the Annual Consolidated Financial Statements of Group for the year ended 31 December 2022 in the Notes 13. Intangible assets and 14. Property, plant and equipment It should be noted that the denominator is significantly higher compared to prior year (5 431 PLN m in FY 2022 vs. 657 PLN m in FY 2021) due to additions to tangible and intangible assets resulting from business combinations (acquisition of Mall Group a.s. and WE|DO CZ s.r.o.).

The allocation of CapEx to the Taxonomy-eligible activities was enabled by the Group's advanced financial controlling tools and the knowledge and experience of the Group's subject matter experts.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

7.7. Key Performance Indicators related to operating expenditures

Proportion of OpEx from products or services associated with Taxonomy-aligned and Taxonomy-eligible economic activities in 2022.

				Substantial contribution criteria		„Do Not Significantly Harm” criteria										
		Absolute OpEx	Proportion of OpEx	Climate change mitigation	Climate change adaptation	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of OpEx, year N	Taxonomy-aligned proportion of OpEx, year N-1	Category ("enabling activity")	Category ("transition activity")
Economic activities	Code(s)	PLN m	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	-	-
A. TAXONOMY-ELIGIBLE ACTIVITIES																
A.1. Environmentally sustainable activities (Taxonomy-aligned)																
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)	No OpEx of environmentally sustainable activities (Taxonomy-aligned) in the reporting period															
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																
6.5. Transport by motorbikes, passenger cars and light commercial vehicles	49.32, 49.39, 77.11	0.0	0.0%	0.0%	0.0%	—	—	—	—	—	—	—	—	—	—	—
8.1. Data processing, hosting and related activities	63.11	7.1	3.6%	3.6%	0.0%	—	—	—	—	—	—	—	—	—	—	—
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)	**—**	**7.1**	**3.6%**	**3.6%**	**0.0%**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Total (A.1 + A.2)	**—**	**7.1**	**3.6%**	**3.6%**	**0.0%**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**3.6%**	**4.6%**	**—**	**—**
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																
OpEx of Taxonomy-non-eligible activities (B)	**—**	**191.6**	**96.4%**													
Total (A + B)	**—**	**198.7**	**100%**													

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

7.7.1. CONTEXT

Based on the analysis of all the activities described in Annexes to the Commission Delegated Regulation (EU) 2021/2139, the Group's Taxonomy-eligible CapEx is associated with the following Taxonomy activities: "6.5. Transport by motorbikes, passenger cars and light commercial vehicles" and "8.1 Data processing, hosting and related activities".

The Taxonomy-eligible OpEx refers mainly to hardware repairs and maintenance (relating to the day-to-day servicing) as well as to repairs and maintenance of vehicles managed in the Group's fleet.

The activities were assessed against the technical screening criteria related to substantial contribution to climate change mitigation and "do no significant harm" to the remaining environmental objectives. The Group concluded that the activities do not comply with the full set of environmental technical criteria provided in Annex I to the Commission Delegated Regulation (EU) 2021/2139 (rationale has been described in the context for turnover and CapEx KPIs). Thus, the activities are classified as Taxonomy-eligible, but not Taxonomy-aligned. Nevertheless, the Group examined its compliance with minimum social safeguards – no indications of non-compliance were identified.

7.7.2. ACCOUNTING PRINCIPLES

As defined in Annex I to Commission Delegated Regulation (EU) 2021/2178, the scope of expenditures included in the calculation of the OpEx KPIs in both the numerator and denominator covers direct, non-capitalised costs related to research and development, building renovation activities, short-term leases (other than IFRS 16 right-of-use assets, if any), maintenance and repairs, and any other direct expenses related to the day-to-day operation of property, plant and equipment assets by the Company or third parties to whom activities necessary to ensure the continuous and efficient operation of those assets have been outsourced.

Following the Commission Notice on the interpretation of certain legal provisions of the Disclosures Delegated Act under Article 8 of EU Taxonomy Regulation on the reporting of eligible economic activities and assets (2022/C 385/01), the Group has:

- included in the OpEx KPIs the following cost categories (provided that the Group was able to reliably identify appropriate amounts): costs related to maintenance and repair of property, plant and equipment, i.e., including but not limited to: the cost of materials used in connection with the repair / maintenance / overhaul of equipment, facilities or buildings, as well as the costs of third parties performing the works indicated above;

- excluded from the OpEx KPIs the following cost categories: costs associated with software maintenance and costs associated with the day-to-day use of property, plant and equipment, i.e., among other things: the cost of electricity or operating fluids and the cost of employees operating the equipment.

The proportion of OpEx associated with Taxonomy-aligned activities (environmentally sustainable activities) is equal to zero, as the Group did not identify any operating expenditures related to Taxonomy-aligned activities in the reporting period.

The proportion of capital expenditures of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) was calculated as the numerator divided by the denominator as specified below

- numerator represents the value of operational expenditures associated with activities 6.5. and 8.1.

- denominator represents the value of total operational expenditures related to direct non-capitalised costs that relate to research and development, short-term lease, maintenance and repair, and any other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment.

The allocation of operating expenses according to the taxonomy was possible thanks to the Group's advanced controlling tools, which enable the analysis of financial results from many angles.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

7.7.3. KEY PERFORMANCE INDICATORS RELATED TO NUCLEAR ENERGY AND FOSSIL GAS RELATED ACTIVITIES.

From 1 January 2023, the Commission Delegated Regulation (EU) 2022/1214 extended the list of eligible activities to nuclear energy related activities and fossil gas energy related activities. In compliance with Annex XII to the Commission Delegated Regulation (EU) 2021/2178, the Group discloses in the following table information whether the Group's activities are related to nuclear energy or fossil gas:

Nuclear energy related activities

1.	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2.	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	NO
3.	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	NO

Fossil gas related activities

4.	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	NO
5.	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	NO
6.	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	NO

The business activities of the Group are not related to nuclear and gas in nature, thus the Group decided not to publish tables given in templates 2 and 3 in Annex XII of Commission Delegated Regulation (EU) 2021/2178.

The values which would be presented in the aforementioned tables may only take values equal to zero for the Group – in this context, the presentation of separate tables would, in the Group's opinion, negatively affect the transparency of this report.

7.7.4. EXPLANATION OF HOW DOUBLE-COUNTING WAS AVOIDED WHEN CALCULATING THE KPIS

The Group prepared the EU Taxonomy Disclosures taking into account the principle of avoiding double counting.

This means that the Group assigned accounting items related to individual economic activities to only one corresponding Taxonomy-eligible activity from one selected environmental goal. Each portion of turnover, CapEx and OpEx associated with a given Taxonomy-eligible activity was included only once and was not doubled by assigning to any other Taxonomy-eligible activity.

Furthermore, it shall be noted that the underlying financial data was exported from the Group's controlling system supporting the Group's management accounting. This system consists of a set of separate, financial organisational units the financial data of which (turnover, CapEx and OpEx) are reported in the chart of accounts and auxiliary items in accordance with the adopted accounting principles.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

allegro

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:

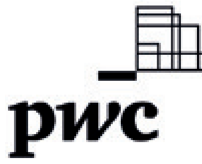
These annual 2022 Consolidated Financial Statements prepared in accordance with the International Financial Reporting Standards as adopted by the European Union and Standalone Financial Statements prepared in accordance with Generally Accepted Accounting Principles in Luxembourg, give a true and fair 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	Roy Perticucci
Director	Director

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

2.
Audit Report



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 2022, 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 2022;
- 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.

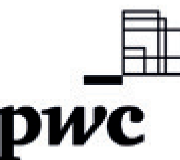
We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical 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.

PricewaterhouseCoopers, Société coopérative, 2 rue Gerhard Mercator, B.P. 1443, L-1014 Luxembourg
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

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

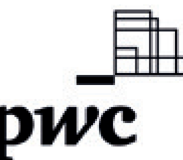


The non-audit services that we have provided to the Company and its controlled undertakings, if applicable, for the year then ended, are disclosed in Note 39 to the consolidated financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

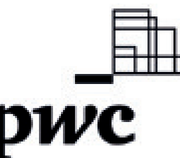
Key audit matter	How our audit addressed the key audit matter
Marketplace revenue recognition and accounting for Smart! program The Group's consolidated revenue amounted to 9,005 million PLN in 2022. There are multiple revenue streams as described in the Note 9.2. Marketplace revenue amounted to 5,341 million and accounted for 59.3% of revenue of the Group for the year ended 31 December 2022. As part of the revenue generating activity the impact of the Smart! deliveries (loyalty program) shows a cost of 1,773 million PLN presented as an expense in "Net cost of delivery" in operating expenses as it exceeds the subscription fee earned. Disclosure regarding Smart! program and key judgment applied were included in the Notes 9.1, 9.3 and 9.5 to the consolidated financial statements. Application of revenue recognition policies to marketplace revenue and Smart! Program is complex and involves estimates as well as management judgment related to the definition of a customer or agent versus principal.	Our audit procedures over revenue recognition included, among others: • We understood and assessed the overall IT control environment and the controls in place; • We tested the operating effectiveness of selected internal controls around system development, program changes and IT dependent business controls to confirm that changes to the system were appropriately authorised and also developed and implemented properly; • We tested selected internal controls in the marketplace revenue process in the areas like offers listing registering, processing of transactions, fees calculation, client payments registration and selling blockade; • We used automated revenue testing for detailed tests of marketplace sales transactions which includes automatic matching of billing records with payments; • We selected a sample of revenue transactions and recalculated commission in accordance with the price lists and vouched outstanding accounts receivables of the seller after the transaction to subsequent bank payments; • We reconciled billing records to trial balance without material differences; • We analysed journal entries impacting marketplace revenue to identify any entries that might not be justified. We tested contract liabilities and refund liabilities to determine whether appropriate amounts have been recognised during the period.



Key audit matter	How our audit addressed the key audit matter
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. 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). • 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; • We assessed adequacy and completeness of disclosures.
Valuation of intangible assets recognised in Mall Group and WE|DO acquisition As described in Notes 5 and 29. 5 to the consolidated financial statements, the Group completed the acquisition of Mall Group and WE|DO on 1 April 2022 for the purchase consideration of 3,592 million PLN and the transaction was accounted for as a business combination using the acquisition method. The acquired intangible assets included customer relationships valued at 1,207 million PLN, trademarks and domains valued at 285 million PLN and software valued at 261 million PLN. The Group recognised the acquired intangible assets at fair value established on the date of acquisition using income approach for customer relationships, trademarks and domains and depreciated replacement cost approach for software. The methods used to estimate the fair value of acquired intangible assets involve significant assumptions.	Our audit procedures over valuation of the acquired intangible assets included, among others: • We read the purchase agreement, and tested management's process for identifying intangible assets and estimating their fair value. Testing management's process included evaluating the appropriateness of the valuation methods and models, testing the completeness, accuracy, and relevance of underlying data used in the models, and testing the reasonableness of significant assumptions, including the attrition rate, income projections, discount rates and length of valuation horizon. Evaluating the reasonableness of the income projections involved considering the performance of the acquired business, the consistency with external market and industry data, and whether these assumptions were consistent with other evidence obtained in other areas of the audit; • We assessed the compliance of the valuations prepared by the management expert with requirements of relevant standards; • We assessed the work performed by the management expert supporting management in the valuation process; • Auditor's experts were used to assist in evaluating the mathematical coherence and reasonableness of significant assumptions, including the methodology of attrition rates estimation on the basis of acquired business' historical data and the discount rates, by comparing them against discount rate ranges that were independently developed using publicly available market data for comparable companies; • We assessed the sensitivity of the valuation result to changes in key assumptions; • We assessed adequacy and completeness of disclosures.

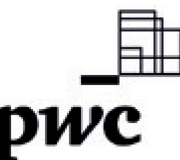
This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

Key audit matter	How our audit addressed the key audit matter
The significant assumptions applied by management in estimating the fair value of acquired intangible assets included (appropriately to the method applied) i. a. income projections and discount rates, attrition rates used in customer relationships projections, length of valuation horizon and royalty rates applied as well as assumed replacement cost. The principal considerations for our determination that performing procedures relating to the valuation of intangible assets in the Mall Group and WE|DO acquisition is a key audit matter are (i) high degree of auditor judgment and subjectivity in applying the audit procedures relating to the audit of fair value of intangible assets acquired due to the significant judgment by management when developing the estimates and (ii) significant audit effort was required in evaluating the significant assumptions relating to valuation. In addition, the audit effort involved the use of professionals with specialised skills and knowledge to assist in performing these procedures and evaluating the audit evidence obtained.	

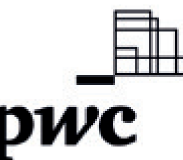


Key audit matter	How our audit addressed the key audit matter
Mall goodwill impairment As described in Note 5 and 8. 1 to the consolidated financial statements, goodwill recognised on the acquisition of Mall Group and WE|DO made on 1 April 2022 was 2,286 million PLN and was allocated for the purpose of an impairment test to one operating segment “Mall”. The Group performs its goodwill impairment test annually or more frequently if events or changes in circumstances indicate that the goodwill may be impaired.	Our audit procedures over goodwill impairment test included, among others: • We tested management’s process for developing the fair value less costs of disposal estimates of the Mall operating segment; • We evaluated the appropriateness of the fair value less costs of disposal income approach; • We assessed the impairment test’s compliance with the requirements of the relevant accounting standards; • We evaluated management's significant assumptions related to estimates of future revenue, profitability, length of the period covered by management’s detailed cash flow projections, long-term growth rate and discount rate. Evaluating management’s significant assumption on estimates of future revenue involved evaluating whether the assumption used by management was reasonable by considering (i) the current and past performance of Mall operating segment; (ii) the consistency with external market and industry data and (iii) whether the assumptions were consistent with evidence obtained in other areas of the audit. Internal valuation specialists were used to assist us in the evaluation of the Company’s income approach and the reasonableness of the assumptions related to long-term growth and discount rates; • We assessed adequacy and completeness of disclosures.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor’s report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.



Key audit matter	How our audit addressed the key audit matter
The Group identified an impairment triggering event had occurred for the Mall operating segment as of 30 September 2022, and conducted an impairment test of carrying value of acquired assets in that segment as of that date. The Group recorded impairment loss of 2,293 million PLN as presented in Note 29. 1 to the consolidated financial statements. The recoverable amount was fair value less costs of disposal of the Mall operating segment estimated using an income approach reflecting the expected transformation of the business model and included assumptions related to estimates of future revenue, profitability, the long-term growth rate and discount rate. The Group has not recognised any impairment losses to the other intangible assets or tangible non-current assets of Mall. The principal considerations for our determination that performing procedures relating to the goodwill impairment assessments of Mall is a key audit matter are (i) the significant judgment made by management when developing the fair value less costs of disposal assumptions; (ii) a high degree of auditor judgment, subjectivity, and effort in performing audit procedures and evaluating management's significant assumptions related to estimates of future revenue, profitability, long-term growth rates, and discount rates; and (iii) fact that the audit effort involved the use of professionals with specialised skill and knowledge.	



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.

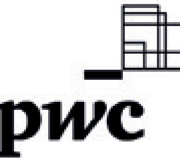
Those charged with governance are responsible for overseeing the Group's financial reporting process.

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.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.



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;

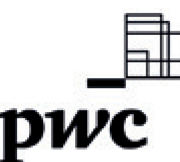
- obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely 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 100 to 135 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 22 June 2022 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 6 years.

We have checked the compliance of the consolidated financial statements of the Group as at 31 December 2022 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 2022, have been prepared, in all material respects, in compliance with the requirements laid down in the ESEF Regulation.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 29 March 2023

Véronique Lefebvre

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

3. Consolidated Financial Statements

Consolidated Statement of comprehensive income

	Note	01.01–31.12.2022	01.01–31.12.2021
Revenue	9	9,004,916	5,352,870
Operating expenses		**(7,004,380)**	**(3,359,130)**
Payment charges		(154,830)	(142,571)
Cost of goods sold		(2,408,032)	(341,110)
Net costs of delivery	9.5	(1,773,365)	(1,246,198)
Marketing service expenses		(971,118)	(661,636)
Staff costs net		(1,015,789)	(555,210)
Staff costs gross		*(1,222,509)*	*(709,400)*
Capitalisation of development costs		*206,720*	*154,190*
IT service expenses		(173,750)	(100,911)
IT service expenses gross		*(192,701)*	*(101,794)*
Capitalisation of development costs		*18,951*	*883*
Other expenses net		(437,316)	(195,017)
Other expenses gross		*(554,594)*	*(264,785)*
Capitalisation of development costs		*117,278*	*69,768*
Net impairment losses on financial and contract assets	29	(66,969)	(66,671)
Transaction costs	8	(3,211)	(49,806)
Operating profit before amortisation and depreciation and impairment losses on non-current non-financial assets		**2,000,536**	**1,993,740**
Amortisation, Depreciation and Impairment losses of non-current non-financial assets		**(3,182,663)**	**(520,795)**
Amortisation		(631,999)	(435,424)
Depreciation		(239,993)	(85,371)
Impairment losses of non-current non-financial assets	29	(2,310,671)	—
Operating profit		**(1,182,127)**	**1,472,945**

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

	Note	01.01–31.12.2022	01.01–31.12.2021
Net Financial costs	10	**(457,327)**	**(114,824)**
Financial income		33,257	114,884
Financial costs		(490,584)	(229,708)
Profit before Income tax		**(1,639,454)**	**1,358,121**
Income tax expenses	11	**(277,342)**	**(268,503)**
Net Profit		**(1,916,796)**	**1,089,618**
Other comprehensive income		**185,262**	**240,903**
– Items that may be reclassified to profit or loss		**183,212**	**241,693**
Gain/(Loss) on cash flow hedging		249,146	231,614
Cash flow hedge – Reclassification from OCI to profit or loss		(140,348)	61,802
Deferred tax relating to these items		(29,238)	(51,723)
Exchange differences on translation of foreign operations		103,652	—
– Items that will not be reclassified to profit or loss		**2,050**	**(790)**
Remeasurements of post-employment benefit obligations		2,529	(996)
Deferred tax relating to these items		(479)	206
Total comprehensive income for the period		**(1,731,534)**	**1,330,521**

	Note	01.01–31.12.2022	01.01–31.12.2021
Net profit for the period is attributable to:		**(1,916,796)**	**1,089,618**
Shareholders of the Parent Company		(1,916,796)	1,089,618

	Note	01.01–31.12.2022	01.01–31.12.2021
Total comprehensive income for the period is attributable to:		**(1,731,534)**	**1,330,521**
Shareholders of the Parent Company		(1,731,534)	1,330,521

	Note	01.01–31.12.2022	01.01–31.12.2021
Earnings per share for profit attributable to the ordinary equity holders of the company (in PLN)	12		
Basic		(1.82)	1.06
Diluted		(1.82)	1.06

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

Consolidated Statement of financial position

ASSETS

Non-current assets	Note	31.12.2022	31.12.2021
Goodwill	13	8,750,198	8,669,569
Other intangible assets	13	5,772,243	4,230,029
Property, plant and equipment	14	1,168,877	443,809
Derivative financial assets	25	324,626	203,027
Other receivables		9,233	30,676
Consumer loans at amortised cost	18	—	15,622
Prepayments	17	—	11,258
Deferred tax assets	22	16,295	4,579
Investments		360	360
Restricted cash		12,040	—
Total non-current assets		**16,053,872**	**13,608,929**

Current assets	Note	31.12.2022	31.12.2021
Inventory	15	496,620	43,995
Trade and other receivables	16	1,328,274	818,828
Prepayments	17	69,729	54,068
Consumer loans at amortised cost	18	157,540	343,163
Consumer loans at fair value	18	209,335	—
Other financial assets		2,808	6,710
Derivative financial assets	25	—	13,968
Income tax receivables		14,805	8,735
Cash and cash equivalents	19	877,559	1,957,241
Restricted cash		22,217	14,240
Total current assets		**3,178,887**	**3,260,948**
TOTAL ASSETS		**19,232,759**	**16,869,877**

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

EQUITY AND LIABILITIES

Equity	Note	31.12.2022	31.12.2021
Share capital	27	10,569	10,233
Capital reserve		8,282,469	7,089,903
Exchange differences on translating foreign operations		103,652	—
Cash flow hedge reserve		242,596	146,209
Actuarial gain/(loss)		322	(1,728)
Other reserves	27.2	67,910	19,707
Treasury shares	27.3	(1,200)	(1,995)
Retained earnings		2,191,737	1,102,118
Net result		(1,916,796)	1,089,618
Equity allocated to shareholders of the Parent		**8,981,259**	**9,454,065**
Total equity		**8,981,259**	**9,454,065**

Non-current liabilities	Note	31.12.2022	31.12.2021
Borrowings	20	6,451,821	5,362,982
Lease liabilities	21	567,699	206,086
Deferred tax liability	22	912,033	608,797
Liabilities to employees	23	7,122	9,769
Derivative financial liabilities	25	224	—
Total non-current liabilities		**7,938,899**	**6,187,634**

Current liabilities	Note	31.12.2022	31.12.2021
Borrowings	20	1,706	3,316
Lease liabilities	21	122,482	45,056
Trade and other liabilities	24	1,981,283	903,755
Income tax liability		58,893	154,940
Liabilities to employees	23	148,237	103,608
Derivative financial liabilities	25	—	12,610
Liabilities related to business combinations	5	—	4,893
Total current liabilities		**2,312,601**	**1,228,178**
TOTAL EQUITY AND LIABILITIES		**19,232,759**	**16,869,877**

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

Consolidated Statement of changes in equity

	Share Capital	Capital reserve	Exchange differences on translating fore-ign operations	Cash flow hedge reserve	Actuarial gain/ (losses)	Other reserves	Treasury shares	Retained earnings	Net result	Equity allocated to shareholders of the Parent	Total
As at 01.01.2022	**10,233**	**7,089,903**	**—**	**146,209**	**(1,728)**	**19,707**	**(1,995)**	**1,102,118**	**1,089,618**	**9,454,065**	**9,454,065**
Profit/(loss) for the period	—	—	—	—	—	—	—	—	(1,916,796)	(1,916,796)	(1,916,796)
Other comprehensive income	—	—	103,652	79,560	2,050	—	—	—	—	185,262	185,262
Total comprehensive income for the period	**—**	**—**	**103,652**	**79,560**	**2,050**	**—**	**—**	**—**	**(1,916,796)**	**(1,731,534)**	**(1,731,534)**
Costs of hedging transferred to the carrying value of goodwill (basis adjustment)	—	—	—	16,827	—	—	—	—	—	16,827	16,827
Cost of hedging transferred	**—**	**—**	**—**	**16,827**	**—**	**—**	**—**	**—**	**—**	**16,827**	**16,827**
Transfer of profit/(loss) from previous years	—	—	—	—	—	—	—	1,089,618	(1,089,618)	—	—
Increase of capital (see note 27)	336	1,180,744	—	—	—	—	—	—	—	1,181,080	1,181,080
Allegro Incentive Plan – release of treasury shares (see note 27)	—	(795)	—	—	—	—	795	—	—	—	—
Allegro Incentive Plan (see note 27)	—	—	—	—	—	60,820	—	—	—	60,820	60,820
Allegro Incentive Plan – vested shares (see note 27)	—	12,617	—	—	—	(12,617)	—	—	—	—	—
Transactions with owners in their capacity as owners	**336**	**1,192,566**	**—**	**—**	**—**	**48,203**	**795**	**1,089,618**	**(1,089,618)**	**1,241,900**	**1,241,900**
As at 31.12.2022	**10,569**	**8,282,469**	**103,652**	**242,596**	**322**	**67,910**	**(1,200)**	**2,191,737**	**(1,916,796)**	**8,981,259**	**8,981,259**

	Share Capital	Capital reserve	Exchange differences on translating fore-ign operations	Cash flow hedge reserve	Actuarial gain/ (losses)	Other reserves	Treasury shares	Retained earnings	Net result	Equity allocated to shareholders of the Parent	Total
As at 01.01.2021	**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 27)	—	—	—	—	—	19,707	—	—	—	19,707	19,707
Consolidation of Employee Benefit Trust (see note 27.3)	—	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**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

Consolidated Statement of cash flows

	Note	01.01–31.12.2022	01.01–31.12.2021
Profit before income tax		**(1,639,454)**	**1,358,121**
Amortisation, Depreciation and Impairment losses of non-current non-financial assets		3,182,663	520,795
Net interest expense	10	454,755	109,354
Non-cash employee benefits expense – share based payments	27.2	51,294	19,707
Revolving facility availability fee	10	5,428	3,889
Net (gain)/loss exchange differences		3,036	(659)
Interest on leases	28.2	23,314	4,982
Net (gain)/loss on measurement of financial instrument		6,453	(5,036)
Net (gain)/loss on sale of non-current assets		155	232
(Increase)/Decrease in trade and other receivables and prepayments	28.3	(317,127)	(226,837)
(Increase)/Decrease in inventories	28.3	(34,707)	(19,352)
Increase/(Decrease) in trade and other liabilities	28.3	576,958	293,671
(Increase)/Decrease in consumer loans	28.3	(8,091)	(306,813)
Increase/(Decrease) in liabilities to employees	28.3	259	(42,005)
Cash provided by operating activities		**2,304,936**	**1,710,049**
Income tax paid		(450,256)	(303,452)
Net cash inflow/(outflow) from operating activities		**1,854,680**	**1,406,597**

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Cash flows from investing activities	Note	01.01–31.12.2022	01.01–31.12.2021
Payments for property, plant & equipment and intangibles		(722,262)	(407,071)
Acquisition of subsidiary (net of cash acquired)	5	(2,354,748)	(22,551)
Other		1,122	(278)
Net cash inflow/(outflow) from investing activities		**(3,075,888)**	**(429,900)**

Cash flows from financing activities	Note	01.01–31.12.2022	01.01–31.12.2021
Borrowings received	28.2	1,500,000	—
Arrangement fee paid		(14,000)	—
Borrowings repaid	28.2	(888,892)	(1,655)
Interest paid	28.2	(493,920)	(124,565)
Lease payments	28.2	(105,444)	(36,044)
Lease incentives		17,022	23,081
Revolving facility availability fee payments		(3,777)	(2,973)
Interest rate hedging instrument settlements		130,537	(61,801)
Payments from other financial activities		—	(559)
Net cash inflow/(outflow) from financing activities		**141,526**	**(204,516)**

	Note	01.01–31.12.2022	01.01–31.12.2021
Net increase/(decrease) in cash and cash equivalents		**(1,079,682)**	**772,181**
Cash and cash equivalents at the beginning of the financial year		1,957,241	1,185,060
Cash and cash equivalents at the end of the financial year		877,559	1,957,241

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

Allegro.eu S.A. Group ('Group') consists of Allegro.eu Société anonyme ('Allegro.eu' or 'Parent'), and its subsidiaries. Allegro.eu and the other members of the Group were established for an unspecified period. The Group is registered in Luxembourg, and its registered office is located at 1, rue Hildegard von Bingen, Luxembourg.

The Parent was established as a limited liability company (société à responsabilité limitée) in Luxembourg on 5 May 2017. The Parent was transformed into a joint-stock company (société anonyme) on 27 August 2020. The name was changed from Adinan Super Topco S.à r.l. to Allegro.eu on 27 August 2020.

The Parent's shares have been listed on the Warsaw Stock Exchange ('WSE') since 12 October 2020.

After the acquisition of Mall Group a.s. and WE|DO s.r.o. ('Transaction' or 'Acquisition') described in note 5 'Business Combinations', the Group now operates on the territory of Europe mainly in Poland, Czech Republic, Slovakia, Slovenia, Hungary and Croatia. The Group's most significant operating entities in Poland are: Allegro Sp. z o.o. ('Allegro', previously Allegro.pl sp. z o.o.), Ceneo.pl Sp. z o.o. ('Ceneo'), eBilet Polska Sp. z o.o. ('eBilet'), Allegro Pay Sp. z o.o. ('Allegro Pay'). In the Czech Republic the Group operates through Internet Mall a.s. ('Mall.cz'), CZC.cz s.r.o. ('CZC'), and in Slovenia through Mimovrste d.o.o ('Mimovrste'). The detailed information regarding the Group structure and the country of domicile of each legal entity within the Group is presented in note 6.

The Group's core activities comprise:

- online marketplace;
- advertising;
- online price comparison services;
- retail sale via the Internet;
- online tickets distribution;
- web portal operations;
- consumer lending to marketplace buyers;
- software and solutions for delivery logistics;
- logistic 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 2022 with comparative amounts for the year ended 31 December 2021.

2. Basis of preparation

These Consolidated Financial Statements of Allegro.eu S.A. Group for the year ended 31 December 2022 were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, binding as at 31 December 2022 (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 authorisation of these Consolidated Financial Statements. In making this going concern assumption Management took into consideration the impact of the recent acquisition of Mall Group (see Note 5) as well as COVID-19 and the geopolitical situation in Ukraine on the Group's business.

The summary of the main accounting policies applied in the preparation of these Consolidated Financial Statements is presented in note 3. These accounting policies were applied by the Group consistently in all periods presented, unless indicated otherwise.

The Acquisition described in note number 5 have not had any impact on accounting policies applied in these Consolidated Financial Statements. There were no changes in accounting policies in the period covered by the Consolidated Financial Statements of Allegro.eu S.A. ended 31 December 2022.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

3. Summary of significant accounting policies

3.1 Basis of preparation

MEASUREMENT OF ITEMS DENOMINATED IN FOREIGN CURRENCIES

Transactions in foreign currency are converted into the functional currency using the exchange rates of the national banks of the respective countries prevailing at the dates of the transactions or on valuation dates (when items are re-measured). Foreign exchange gains and losses arising from settlement of those transactions and from translation at the exchange rate prevailing as at the reporting period end date are recognised on a net basis in the profit or loss. Measurement as at the balance sheet date, used the exchange rate prevailing as at the reporting period end date.

THE PRESENTATION AND FUNCTIONAL CURRENCY

The presentation currency of the Consolidated Financial Statements is the Polish zloty ('PLN').

The results and financial position of Group companies that have a functional currency different from the presentation currency (whose functional currency is not the currency of a hyperinflationary economy) are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented (i.e. including comparatives) shall be translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement presenting profit or loss and other comprehensive income (i.e. including comparatives) shall be translated at exchange rates at the dates of the transactions; and
- all resulting exchange differences shall be recognised in other comprehensive income.

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('functional currency'). These Consolidated Financial Statements of Allegro.eu S.A. Group are presented in the Polish Zloty which is the functional and presentation currency of the Parent.

Following the acquisition described in the note 5 the Group includes entities with the functional currencies other than Polish zloty.

As at 31 December 2022 the Group's entities had functional currencies as follows:

Functional currency	2022	2021
Polish zloty (PLN)	Allegro.eu S.A.	Allegro.eu S.A.
	Allegro Treasury S.à r.l.	Allegro Treasury S.à r.l.
	Allegro Sp. z o.o.	Allegro Sp. z o.o.
	Opennet.pl Sp. z o.o.	Opennet.pl Sp. z o.o.
	eBilet Polska Sp. z o.o.	eBilet Polska Sp. z o.o.
	Allegro Finance Sp. z o.o.	Allegro Finance Sp. z o.o.
	SkyNet Customs Brokers Sp. z o.o.	X-press Couriers Sp. z o.o.
	Allegro Pay Sp. z o.o.	SkyNet Customs Brokers Sp. z o.o.
	Ceneo.pl Sp. z o.o.	Allegro Pay Sp. z o.o.
	Netretail Sp. z.o.o. w likwidacji	Ceneo.pl Sp. z o.o.
Euro (EUR)	Mimovrste d.o.o.	n/a
	Internet Mall Slovakia s.r.o.	
	WE|DO SK s.r.o	
Pound Sterling (GBP)	Adinan Super Topco Employee Benefit Trust	Adinan Super Topco Employee Benefit Trust
Czech Crown (CZK)	Mall Group a.s.	n/a
	Internet Mall a.s.	
	E-commerce Holding a.s.	
	CZC.cz s.r.o.	
	AMG Media a.s.	
	Uloženka s.r.o.	
	Digital Engines s.r.o. v likvidaci	
	Rozbaleno.cz s.r.o. v likvidaci	
	WE|DO CZ s.r.o	
Hungarian Forint (HUF)	Internet Mall Hungary Kft.	n/a
	m-HU Internet Kft.	
Croatian Kuna (HRK)	Internet Mall d.o.o.	n/a

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

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 2022. 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 arising on acquisitions are recognised 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 the following amendments that came into effect as of 1 January 2022 were applied. The amendments do not have a significant impact on these financial statements.

Amendments to IFRS 3 Business Combinations update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

Amendments to IAS 16 Property, Plant and Equipment prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets specify which costs a company includes when assessing whether a contract is onerous.

Annual Improvements make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases.

All above amendments were issued on 14 May 2020.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

3.2.2. STANDARDS AND INTERPRETATIONS PUBLISHED BUT NOT YET APPLICABLE, WHICH HAVE NOT BEEN EARLY APPLIED BY THE GROUP

Certain new standards, amendment to standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2023 or later, and which the Group has not early adopted.

Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023) – Deferred tax related to assets and liabilities arising from a single transaction. The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations.

The Group is currently assessing the impact of the amendments on its financial statements.

Amendments to IAS 1 (originally issued on 23 January 2020 and subsequently amended on 15 July 2020 and 31 October 2022, ultimately effective for annual periods beginning on or after 1 January 2024, not yet approved by EU – Classification of liabilities as current or non-current. 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.

The Group is currently assessing the impact of the amendments on its financial statements.

Amendments to IAS 8 (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023) – Definition of Accounting Estimates. The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates.

The Group has assessed the impact of the amendments on its financial statements and concluded these amendments have no material impact on Group's consolidated financial statements.

Amendments to IAS 1 and IFRS Practice Statement 2 (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023) – Disclosure of Accounting policies. IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies.

The Group is currently assessing the impact of the amendments on its financial statements.

IFRS 17 "Insurance Contracts" – issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023. 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 new amendments do not impact its Consolidated Financial Statements.

Amendments to IFRS 17 "Insurance Contracts" and an amendment to IFRS 4 – 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 has assessed that the new standard does not impact its Consolidated Financial Statements.

Transition option to insurers applying IFRS 17 – issued on 9 December 2021 and effective for annual periods beginning on or after 1 January 2023. The amendment to the transition requirements in IFRS 17 provides insurers with an option aimed at improving the usefulness of information to investors on initial application of IFRS 17.

The Group has assessed that this transition option does not impact its Consolidated Financial Statements.

Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024, not yet approved by EU). The amendments relate to the sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to subsequently measure liabilities arising from the transaction and in a way that it does not recognise any gain or loss related to the right of use that it retained. This means deferral of such a gain even if the obligation is to make variable payments that do not depend on an index or a rate.

The Group is currently assessing the impact of the amendments on its financial statements.

Other amendments not listed above are not relevant for the Group.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

4. Composition of the board of directors

As at 31 December 2021, during 2022 and as at 31 December 2022 the Board of Directors comprised:

- Darren Huston (Chairman of the Board)
- Francois Nuyts (Group Chief Executive Officer) – resignation effective from 31 August 2022
- Roy Perticucci (Group Chief Executive Officer) – appointment effective from 21 September 2022
- Jonathan Eastick (Group Chief Financial Officer)
- David Barker
- Nancy Cruickshank
- Paweł Padusiński
- Richard Sanders
- Carla Smits – Nusteling
- Pedro Arnt – appointment effective from 22 June 2022

The composition of the Board of Directors remained unchanged until the date of approval of these Consolidated Financial Statements.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

5. Business combinations

In the year ended 31 December 2022 and in the comparative period ended 31 December 2021, the Group entered into business combinations as described below:

CLOSING OF THE ACQUISITION OF MALL GROUP A.S. AND WE|DO CZ S.R.O.

(amounts below are provided in PLN, EUR and CZK)

On 1 April 2022 with reference to Share Purchase Agreement ('SPA') dated 4 November 2021, the Group purchased ('Transaction') 100% of shares in Mall Group a.s. ('Mall Group') and 100% of shares in WE|DO CZ s.r.o. ('WE|DO') (together 'Targets', 'Acquired Entities') from selling shareholders 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. and which itself is ultimately owned by the three selling shareholders of Mall Group a.s.) (together 'Former Shareholders').

The Group has incurred acquisition related costs in the amount of PLN 52,152,225, from which PLN 48,941,390 was recognised in the twelve months ended 31 December 2021 in the line item transaction cost in the statement of profit or loss. The remaining PLN 3,210,835 costs are recognised in the current period in the line item transaction cost in the statement of comprehensive income in these Consolidated Financial Statements.

ABOUT THE ACQUIRED ENTITIES AND THE PRIMARY REASONS FOR THE BUSINESS COMBINATIONS

Mall Group and WE|DO have built some of the leading e-commerce and logistics businesses in the CEE region, combining a large customer base, strong traffic, highly popular consumer brands, and experienced cross-country teams. The Group's management expects that the Transaction will allow to accelerate growth and expand customer and merchant bases across the region in a combined platform, which should significantly accelerate the development of the Acquired Entities' GMV through expanded selection and improved user engagement in the third-party marketplace model.

The transaction gives the Group access to Mall Group and WE|DO's cross-border fulfilment and last-mile logistics infrastructure, while Allegro brings in its 3P marketplace expertise and state-of-the-art technology to accelerate joint growth. The two companies' advantages will thus be leveraged to the full, helping build a truly international business flywheel, based on the know-how from the joint teams. As Allegro plans to strengthen Mall Group's 3P business, currently operating mainly in 1P model, the Group also expects to see growth in Mall Group profitability through significant increase in offer selection and transaction frequency.

The Group's management expects the Transaction to 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 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. Mall Group and WE|DO extend the Group's footprint to cover also the Czech Republic, Slovakia, Slovenia, Hungary, and Croatia.

Although the transaction will bring many opportunities to all the Group members, most of the synergies are expected to occur in Mall Segment.

The revenue and net loss of the Group for the period ended 31 December 2022 would have been PLN 9,658,509,788 and PLN 2,018,111,640 respectively if the acquisition of Mall Group and WE|DO had been as of the beginning of the financial year. Since the date of the acquisition the acquired entities generated revenue in the amount of PLN 2,365,766,676 and net loss amounting to PLN 359,620,796.

PURCHASE PRICE CONSIDERATION

Upon the closing Allegro.eu initially acquired 47 shares in Mall Group a.s. representing 47% of its share capital and the remaining shares in Mall Group a.s (53 shares representing 53% of the share capital) and all the shares in WE|DO CZ s.r.o. were acquired by Allegro.

The price for all the shares in WE|DO CZ s.r.o. and 53 shares in Mall Group were acquired by Allegro in exchange for cash that amounted to EUR 14,000,000 (equivalent of PLN 65,109,800) and EUR 459,510,138 (equivalent of PLN 2,137,043,798) respectively.

The price for the 47 shares in Mall Group a.s. acquired by Allegro.eu was settled via the issuance of 33,649,039 new ordinary shares (the "New Shares") each having a nominal value of PLN 0.01. The issued shares provide the Former Shareholder with 3% of the interest in Allegro.eu and the same voting power. The fair value of the new shares on Closing (measured at the quoted price as of the Closing day) amounted to PLN 1,181,081,269.

Immediately following the closing, Allegro.eu made an in-kind contribution of the 47 shares in Mall Group a.s. to Allegro Treasury S.à r.l. (previously Adinan Midco S.à r.l.), which in turn immediately made an in-kind contribution of the 47 shares in Mall Group a.s. to Allegro. After the transaction Allegro became the only owner of 100% shares in Mall Group and 100% shares in WE|DO. Those were transferred within the Allegro.eu Group thus had no impact on the consolidated financial statements of the Allegro.eu Group.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

The cash payment for Mall Group and WE|DO was settled in full at the date of the Transaction. The Transaction was partly financed from the Group's own funds at PLN 1,221,258,800 and from Additional Term Facility at PLN 1,000,000,000. The transaction price was expressed and settled in EUR. In order to mitigate risk of foreign exchange volatility and secure Group's cash flows, the Group entered into Foreign Exchange Deal Contingent Forward, which was executed on 31 March 2022 via transferring 2,221,258,800 PLN in exchange for EUR 474,000,000. The Group applied the hedge accounting to hedge the foreign currency risk resulting from this Transaction. Foreign Exchange Deal Contingent Forward contract was used as hedging instrument and the loss on the settlement of the hedging derivative in the amount of PLN 16,827,000 was recognised directly in equity and adjusted goodwill recognised on this Transaction.

The purchase price consideration was further reduced to reflect the recognition of the indemnification asset amounting to PLN 15,134,672. In accordance with the Share Purchase Agreement the Group is entitled to receive, from the previous Shareholders, the compensation equal to any amount of cost or liabilities incurred by the Group, in relation to the contractually defined CIT and other tax claims that might arise subsequent to the commencement of the acquisition transaction. The indemnification asset was recognised in the amount equal to the amount of the VAT provision recognised in net assets acquired.

At the date of the Transaction the Group settled the outstanding indebtedness of Acquired Entities towards the previous shareholders in the amount of CZK 1,089,054,731 (equivalent of PLN 207,573,832) being accounted for as the part of the purchase price consideration. Further details have been presented in the section below.

PURCHASE PRICE ALLOCATION

The identifiable assets and liabilities of Acquired Entities are measured at the Closing date at fair value.

Based on the purchase price allocation the Goodwill recognised on the acquisition transaction amounted to PLN 2,286,138. This amount is attributable to the items that do not meet the recognition criteria and reflects the synergies that are expected to occur in Mall Segment. Those synergies are expected to result mostly from the growth in the number of merchants and increased variety of products offered on the marketplace that should in turn drive a significant increase in the Group active buyers' base.

Due to the fact that Mall Group and WE|DO were acquired by Allegro Group from the same ultimate selling party, the acquisitions were negotiated as one deal and the Targets were acquired on the same closing day and, therefore the Transaction is accounted for as one business combination transaction. Consequently the disclosure is provided for the acquisition of Targets accounted for as one business combination.

Goodwill arising on the acquisition relates to four different cash generating units ('CGU') being Mall North, Mall South, CZC and WE|DO. The Group believes that those are the smallest identifiable group of assets that are capable of generating the highly independent cash inflows. All four CGUs are assigned into one operating segment 'Mall' as described in note number 8.

Moreover the Group determined that impairment testing should be performed on the level of the Mall operating segment as a whole as this is the lowest level at which management monitors goodwill for internal management purposes. That also represents the aggregation level on which the operating segment was identified, "Mall", reflecting the level on which the Chief Operating Decision Maker is analysing the operating results of acquired entities. The goodwill is expressed in the local currencies of acquired entities (functional currency), being subject to translation into the presentation currency of the consolidated financial statements of Allegro.eu Group.

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 Sp. z o.o. 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 recognised 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 recognised in the consolidated statement of profit or loss and other comprehensive income as transaction costs.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

The effect of accounting for the acquisitions is presented below:

As at the acquisition date [in thousand PLN]	Mall Group & WE|DO 01.04.2022	X-press Couriers 08.10.2021	SkyNet Customs Brokers 08.10.2021
Purchase consideration	3,592,501	26,865	1,925
– cash consideration	2,202,154	25,865	1,925
– repayment of shareholders loan	207,574	—	—
– settlement of the FX Deal Contingent Forward	16,827	—	—
– fair value of shares issued by Allegro.eu	1,181,081	—	—
– indemnification asset	(15,135)	—	—
– deferred purchase consideration	—	1,000	—
Fair value of net assets	(1,306,363)	2,388	(858)
Goodwill	**2,286,138**	**29,253**	**1,067**

Net assets acquired			
Trademarks	142,401	—	—
Customer Relationships	1,207,128	—	—
Domains	142,401	—	—
Software	260,923	530	—
Other intangibles	10,032	—	67
Property, plant and equipment	318,225	989	—
Deferred tax assets	346	293	—
Inventory	410,173	23	—
Trade and other receivables	142,964	3,672	1,231
Trade and other receivables, gross	*149,372*	*3,672*	*1,231*
Contractual cash flows not expected to be collected	*(6,408)*	—	—
Income tax receivables	1,508	—	—
Cash and cash equivalents	61,565	292	4,948
Borrowings [1]	(380,966)	(1,773)	—
Lease liabilities	(150,949)	(664)	—
Trade and other liabilities	(523,948)	(5,619)	(5,376)
Liabilities to employees	(42,960)	(89)	(12)
Other assets/(liabilities)	34,683	—	—
Deferred tax liabilities	(327,163)	(43)	—
Net assets	**1,306,363**	**(2,388)**	**858**

[1] including the bank borrowings repaid by Allegro.eu Group upon completion of the acquisition of Mall Group and WE|DO

	Mall Group & WE|DO 01.04.2022	X-press Couriers 08.10.2021	SkyNet Customs Brokers 08.10.2021
Purchase consideration paid comprising:	(2,411,420)	(25,865)	(1,925)
Consideration paid to the Sellers (cash consideration and repayment of shareholders loan)	*(2,394,593)*	*(25,865)*	*(1,925)*
Cash flows flow relating to gross settlement of the hedging derivative:	*(16,827)*	—	—
Cash outflow in settlement of hedging derivative	*(2,221,259)*	—	—
Cash inflow in settlement of hedging derivative	*2,204,432*	—	—
Cash and cash equivalents acquired	61,565	292	4,948
Cash flow used in acquisition	**(2,349,855)**	**(25,573)**	**3,023**

Goodwill is tested for impairment annually or more frequently if there is objective evidence of impairment. In the current reporting period the Group identified circumstances, indicating that the impairment loss of assets acquired in the acquisition of Mall Group and WE|DO might have occurred. Further information is presented in note 29.1.

Customer relationships, trademarks, domains and software are amortised over their respective estimated useful economic lives (see note 13).

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

6. Group structure

Key information regarding the members of the Group, their country of domicile, economic interest held by the Group and the periods subject to consolidation are presented in the following two tables for the years ended 31 December 2022 and 31 December 2021 respectively.

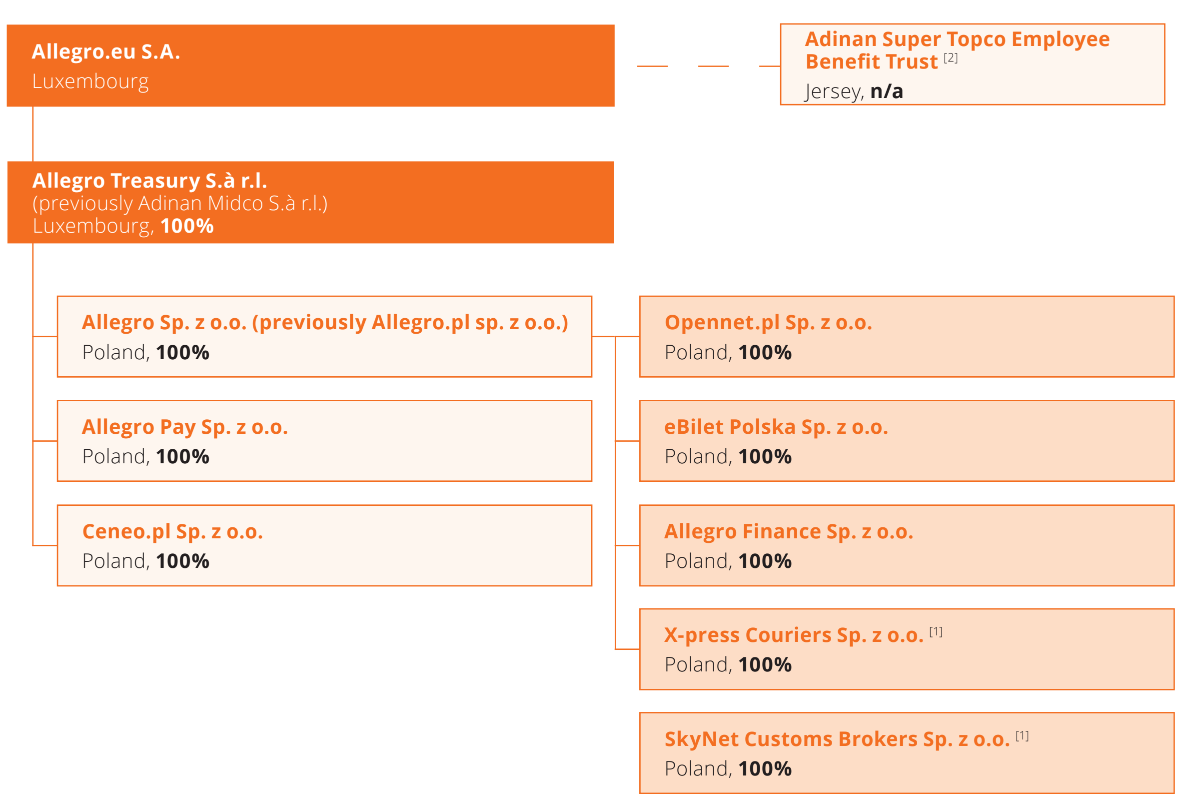
PERIOD COVERED BY CONSOLIDATION 01.01.2022 – 31.12.2022

- **Allegro.eu S.A.** – Luxembourg
  - **Adinan Super Topco Employee Benefit Trust** – Jersey, **n/a**
  - **Allegro Treasury S.à r.l.** (previously Adinan Midco S.à r.l.) – Luxembourg, **100%**
    - **Allegro Sp. z o.o. (previously Allegro.pl sp. z o.o.)** – Poland, **100%**
      - **Mall Group a.s.** [1] – Czech Republic, **100%**
        - **E-commerce Holding a.s.** [1] – Czech Republic, **100%**
          - **AMG Media a.s. (previously LGSTCS a.s.)** [1] – Czech Republic, **100%**
            - **Uloženka s.r.o.** [1] – Czech Republic, **100%**
          - **Digital Engines s.r.o. v likvidaci** [1] – Czech Republic, **100%**
          - **CZC.cz s.r.o.** [1] – Czech Republic, **100%**
          - **Rozbaleno.cz s.r.o. v likvidaci** [1] – Czech Republic, **100%**
        - **Internet Mall a.s.** [1] – Czech Republic, **100%**
        - **Internet Mall Hungary Kft.** [1] – Hungary, **100%**
        - **Mimovrste d.o.o.** [1] – Slovenia, **100%**
        - **Internet Mall Slovakia s.r.o.** [1] – Slovakia, **100%**
        - **Internet Mall d.o.o.** [1] – Croatia, **100%**
        - **Netretail Sp. z.o.o. w likwidacji** [1] – Poland, **100%**
        - **m-HU Internet Kft.** [1] – Hungary, **100%**
      - **eBilet Polska Sp. z o.o.** – Poland, **100%**
      - **Opennet.pl Sp. z o.o.** – Poland, **100%**
      - **Allegro Finance Sp. z o.o.** – Poland, **100%**
      - **SkyNet Customs Brokers Sp. z o.o.** – Poland, **100%**
      - **WE|DO CZ s.r.o** [1] – Czech Republic, **100%**
        - **WE|DO SK s.r.o** [1] – Slovakia, **100%**
    - **Ceneo.pl Sp. z o.o.** – Poland, **100%**
    - **Allegro Pay Sp. z o.o.** – Poland, **100%**

[1] Period covered by consolidation 01.04.2022–31.12.2022

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

PERIOD COVERED BY CONSOLIDATION
01.01.2021 – 30.12.2021



[1] Period covered by consolidation 08.10.2021-31.12.2021
[2] Period covered by consolidation 01.09.2021-31.12.2021

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 27.3).

The Group's management decided to liquidate Netretail Sp. z o.o., a Polish based operating entity and subsidiary of Mall Group a.s., acquired as the part of the business combination transaction completed on 1 April 2022. The assets controlled by the company were transferred to Allegro sp. z o.o, with the liquidation process expected in the first half of 2023.

On 31 December 2022 E-commerce Holding a.s. was merged with Mall Group a.s. Additionally Rozbaleno.cz s.r.o. v likvidaci, Uloženka s.r.o. and Digital Engines s.r.o. v likvidaci were disposed on 27 October 2022.

The liquidation and disposal transactions do not meet the criteria to be presented as discontinued operations, as the operations performed by those entities were not a separate major line of business, or separate major geographical area of operation, as defined in IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

7. Approval of the consolidated financial statements

The Consolidated Financial Statements for the year ended 31 December 2022 were approved by the Board of Directors for publication on 28 March 2023.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

NOTES TO THE CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

8. Segment information

8.1 Description of segments and principal activities

Allegro.eu Group has implemented an internal functional reporting system. For management purposes, the Group is organised into business units based on their products, and has three reportable operating segments as presented below.

On 1 April 2022 the Group completed the acquisition transaction of Mall Group and WE|DO. The financial results of those entities are presented in the new operating segment "Mall".

Reportable Segment	Description	Legal entities
Allegro	Segment running B2C, C2C and B2B e-commerce platform, operating on territory of Poland, comprising the online marketplace and relevant services such as consumer lending and logistics operations.	Allegro sp. z o.o. Allegro Pay sp. z o.o. Allegro Finance sp. z o.o. Opennet.pl sp. z o.o. SkyNet Customs Brokers sp. z o.o.
Ceneo	Segment providing the multi-category price comparison services in polish market, allowing the customer to find the most attractive price among the different website and marketplaces.	Ceneo.pl sp. z o.o.
Mall	Comprises the e-commerce and logistics businesses and brands of Mall Group and WE|DO, based in Czech Republic, Slovakia, Slovenia, Hungary and Croatia.	Mall Group a.s. Internet Mall a.s. Internet Mall Hungary Kft. Mimovrste d.o.o. Internet Mall Slovakia s.r.o. Internet Mall d.o.o. Netretail Sp. z.o.o. w likwidacji m-HU Internet Kft. E-commerce Holding a.s. Digital Engines s.r.o. AMG Media a.s. CZC.cz s.r.o. Rozbaleno.cz s.r.o. Uloženka s.r.o. WE|DO CZ s.r.o. WE|DO SK s.r.o.

The reportable segments are identified at the Group level and are equal to the operating segments. Segment performance is assessed on the basis of revenue, operating profit before amortisation/depreciation, recognised impairment losses of non-current non-financial assets and decreased by reversal of such impairment losses ('EBITDA'), as defined in note 8.2. The accounting policies adopted are uniform for all segments and consistent with those applied for the Group. Inter-segment transactions are eliminated upon consolidation.

Interest income and finance cost are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Group. All operating segments have a dispersed customer base – no single customer generates more than 10% of segment revenue. Information regarding the Group results incurred in the different geographical locations is presented in table below:

01.01–31.12.2022	TOTAL	Allegro	Ceneo	Mall	Other	Eliminations
External revenue	9,004,916	6,352,307	246,365	2,361,884	44,360	—
Poland	*6,652,316*	*6,352,307*	*246,365*	*9,284*	*44,360*	—
Czech Republic	*1,548,282*	—	—	*1,548,282*	—	—
Other countries	*804,317*	—	—	*804,317*	—	—
Inter-segment revenue	—	13,670	53,243	3,883	280	(71,075)
Revenue	**9,004,916**	**6,365,977**	**299,608**	**2,365,767**	**44,640**	**(71,075)**
Operating expenses	(7,004,380)	(4,266,280)	(188,381)	(2,564,076)	(56,718)	71,075
EBITDA	**2,000,536**	**2,099,697**	**111,226**	**(198,309)**	**(12,078)**	**—**
Amortisation, depreciation and impairment losses of non-current non-financial assets	(3,182,663)					
Net financial costs	(457,327)					
Profit before income tax	**(1,639,454)**					
Income tax expense	(277,342)					
Net profit	**(1,916,796)**					

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

01.01–31.12.2021	TOTAL	Allegro	Ceneo	Mall	Other	Eliminations
External revenue	5,352,870	5,096,970	236,385	—	19,515	—
Poland	*5,352,870*	*5,096,970*	*236,385*	—	*19,515*	—
Czech Republic	—	—	—	—	—	—
Other countries	—	—	—	—	—	—
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, depreciation and impairment losses of non-current non-financial assets	(520,795)					
Net financial result	(114,824)					
Profit before income tax	**1,358,121**					
Tax expense	(268,503)					
Net profit	**1,089,618**					

Other operating segment includes the results of eBilet, Allegro.eu and Allegro Treasury.

The Board of Directors does not analyse the operating segments in relation to their assets and liabilities. The Group's operating segments are presented consistently with the internal reporting submitted to the Parent Company's Board of Directors, which is the main body responsible for making strategic decisions. The operating decisions are taken on the level of the operating entities.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

8.2. Adjusted EBITDA (non gaap measure)

EBITDA, which is a measure of the operating segments' profit, is defined as the net profit increased by the income tax charge, net financial costs (i.e. the finance income and finance costs), depreciation/amortisation, recognised impairment losses of non-current non-financial assets and decreased by reversal of such impairment losses.

In the current reporting period, the definition of EBITDA was updated to reflect the new reconciling item which didn't occur in prior periods i.e. impairment losses of non-current non-financial assets.

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 regulatory proceeding costs, Group restructuring costs and development cost, donations to various public benefit organisations, certain employee incentives and bonuses, employee restructuring costs, as well as transaction costs, because these expenses are mostly of non-recurring nature and are not directly related to core operations of the Group. Adjusted EBITDA also excludes costs of recognition of incentive programs (Allegro Incentive Plan). Consolidated adjusted EBITDA is analysed and verified only at the Group level.

EBITDA and Adjusted EBITDA are not IFRS measures and should not be considered as an alternative to IFRS measures of profit/(loss) for the period, as an indicator of operating performance, as a measure of cash flow from operations under IFRS, or as an indicator of liquidity. EBITDA and Adjusted EBITDA are not uniform or standardised measures and the calculation of EBITDA and Adjusted EBITDA, accordingly, may vary significantly from company to company.

	01.01–31.12.2022	01.01–31.12.2021
EBITDA	**2,000,536**	**1,993,740**
Regulatory proceeding costs [1]	3,340	4,568
Group restructuring and development costs [2]	80,618	45
Donations to various public benefit organisations [3]	3,008	2,315
Bonus for employees and funds spent on protective equipment against COVID-19 [4]	390	1,302
Allegro Incentive Plan [5]	52,489	16,706
Transaction costs [6]	3,211	49,806
Employees restructuring cost [7]	9,065	—
Adjusted EBITDA	**2,152,657**	**2,068,482**

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

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

The amount presented in 2022 is mostly related to post-M&A professional fees for integration of Mall Group and WE|DO.

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

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

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

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

[7] Represents certain payments related to reorganisation of the Management Boards of the parent entity and the underlying operating entities, as well as redundancy payments for employees affected by restructuring projects. In 2022, the costs primarily pertained to the recruitment of the key executives, as well as redundancy payments for employees affected by restructuring projects.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

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 2022 and 2021).

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 generally only one performance obligation in a contract with the seller being the selling service. There does not appear to be any advertising benefit for the seller that could be separated from the selling service. It is because there is no indication that the seller can benefit from the advertising on its own or with other resources that are readily available as the restricted and monitored contact between the seller and the buyer prevents any interaction between them outside the Group website, which is different from any typical advertising arrangement.

SUCCESS FEES

Based on its judgement, the Management is of the view that the contract between the Group and the seller should be seen as a contract under which the Group promises to find purchasers for the seller's goods (i.e., the Group's performance consists only of finding a purchaser for the products). As a result, the Group earns revenue from sellers on the platform and recognises success fees when listed goods are sold. Transaction revenue at the end of each reporting period is reduced by a provision for commission refund for sellers 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 judgement, the Management is of the view that the contract between the Group and the seller should be seen as a contract under which the Group promises to make the seller's products available for purchase (i.e., the Group's performance includes both listing the products and finding a purchaser for them). As a result, the Group earns revenue from sellers on the platform and recognises listing fees straight line over the duration of the listing period.

PRICE COMPARISON REVENUE

Revenues are recognised when shoppers click on a seller's offer listed along with competing offers for the same product. The shopper is directed to the seller's own website and the merchant pays a click-through fee for this marketing lead.

Revenues are invoiced monthly in arrears and in general fall due after 14 days.

ADVERTISING REVENUE

Revenue from provided advertising services is recognised in the reporting period in which the service is performed. Revenue from advertising services is recorded net of any estimated discounts, including volume-based discounts.

Advertising revenues are invoiced monthly in arrears and fall due after 14 days.

RETAIL REVENUE

Revenue from retail sales is recognised when the goods purchased for resale are sold via own proprietary store operating on marketplace. The revenue is recognised when control of the goods has transferred to the customer, being the moment when the goods are delivered to the customer. Delivery occurs when the goods have been shipped to the customer's specific location. When the customer initially purchases the goods on the marketplace the transaction price received by the Group is recognised as a contract liability until the goods have been delivered to the customer.

Revenue, initially measured at the amount of consideration to which the entity expect to be entitled is decreased by the expected level of returns. At the same time refund liability, initially measured at the amount of consideration received or receivable to which the entity does not expect to be entitled, and an asset with the corresponding adjustment to cost of sales for the right to recover products from customers is recognised. The Group is not responsible for any claims on warranties.

Retail revenue is invoiced and the payment is received upon completion of the sale transaction.

OTHER REVENUE

Other revenues relate mainly to hosting services that are recognised 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 incentivise buyers to shop on the marketplace. Allegro seeks to increase numbers of buyers and their engagement metrics by incurring costs, at its own risk, that attract traffic and new buyers such as operating a free of charge loyalty scheme. Such activities result in the recognition of the deferred revenue.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

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.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

9.2.
Disaggregation of revenue from contracts with customers

	01.01–31.12.2022	01.01–31.12.2021
Marketplace revenue	5,340,815	4,319,180
Advertising revenue	612,265	477,113
Price comparison revenue	193,850	180,622
Retail revenue	2,694,679	333,821
Other revenue	163,307	42,134
Revenue	9,004,916	5,352,870

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:

01.01–31.12.2022	Allegro	Ceneo	Mall	Other	Eliminations	Total
Marketplace revenue	5,237,602	—	59,084	44,360	(230)	5,340,815
Advertising revenue	555,372	57,844	4,898	—	(5,849)	612,265
Price comparison revenue	—	239,147	—	—	(45,297)	193,850
Retail revenue	483,943	—	2,214,412	—	(3,676)	2,694,679
Other revenue	89,060	2,617	87,373	280	(16,023)	163,307
Revenue	6,365,977	299,608	2,365,767	44,640	(71,075)	9,004,916

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

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.

01.01–31.12.2022 Timing of revenue recognition:	Allegro	Ceneo	Mall	Other	Eliminations	Total
At a point in time (incl. success fee)	5,470,560	240,194	2,301,159	44,640	(62,965)	7,993,588
Over time	895,417	59,414	64,607	—	(8,110)	1,011,328
Revenue	6,365,977	299,608	2,365,767	44,640	(71,075)	9,004,916

01.01–31.12.2021 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

The Group has a dispersed customer base – no single customer generates more than 10% of revenue.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

9.3. Contract assets and liabilities

The Group has recognised the following revenue-related contractual liabilities:

	Smart! program deferred income [1]	Listing and promotional deferred income [2]
As at 01.01.2022	**92,114**	**8,836**
Increased/(decreased)	1,165	370
As at 31.12.2022	**93,279**	**9,206**

	Smart! program deferred income [1]	Listing and promotional deferred income [2]
As at 01.01.2021	**56,976**	**7,976**
Increased/(decreased)	35,138	860
As at 31.12.2021	**92,114**	**8,836**

[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 significant contract assets in 2022 and 2021.

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 92,114 was recognised in the period from 1 January to 31 December 2022 from the Smart! program contract liability and PLN 8,836 from listing and promotional deferred income from that amounts that were included in the contract liability balance at the beginning of the comparative period.

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 comparative period.

TRANSACTION PRICE ALLOCATED TO UNSATISFIED PERFORMANCE OBLIGATIONS

All contracts are concluded for periods of the expected original duration of one year or less. As permitted under IFRS15, the entity does not disclose the transaction price allocated to these unsatisfied or partially unsatisfied contracts when it expects to recognise such amounts as revenue.

ASSETS RECOGNISED FROM COSTS TO OBTAIN AND FULFIL A CONTRACT

There were no assets to obtain or fulfil a contract in 2022 and 2021.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

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 01.01.2022	36,477	14,596	5,625
Increased/ (decreased)	(7,621)	19,347	(72)
As at 31.12.2022	28,856	33,943	5,553

	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

[1] **Allecoins customer loyalty program** – the Allegro coins program was introduced in January 2017. More information about the program provided in the note

[2] **Refunds** – this position includes refund commission, refunds for goods sold on marketplace (1P model) and other refunds. Every buyer has the right to return a purchased product to the seller, in which case the Group is obliged to refund the commission for a cancelled transaction or entire value of transaction in case of retail revenue. At the end of each reporting period the Group adjusts the transaction revenue for the expected returns and recognise a provision for returns of success fee and goods sold. Refund commission liability represent the amount of consideration that the Group expects to repay to sellers (marketplace revenue) or buyers (retail revenue) using the expected value method with corresponding adjustment to revenue.

[3] **Advertising retrospective bonuses** – the Group pays out retro-bonuses to media houses which promote ads on web pages. The estimated discounts are recognised as refund liability. Bonuses are paid after reaching agreed levels of annual spending by the media house.

The refund liabilities recognised as at opening balances of each reporting period were settled at amounts which are materially consistent with the amounts recognised.

Refund liabilities are presented in trade and other liabilities.

9.5
Significant judgment on the accounting of Smart! program

In developing its revenue accounting policies to reflect the requirements of IFRS 15 on revenue accounting, the Management considered whether the judgements used result in its accounting presentation best reflecting the economic substance of the sales transactions and incentive programs related to the marketplace. The Management identified two separate groups of contracts – contracts with sellers and contracts with buyers (Smart! contracts) that produce separate revenue streams and as a result the buyer and the seller should be considered as separate customers. The Smart! program leads to a distinct revenue stream where Allegro provides a service – arranging (and paying) for deliveries in exchange for a subscription fee from the Smart! subscriber. The transaction price under the Smart! contract is allocated only to the performance obligation resulting from the Smart! contract, and the transaction price under the contract with the seller is allocated only to the performance obligation resulting from the contract with the seller as these are separate contracts which do not meet the criteria for combination as they are entered into independently with different parties and at different times. Therefore there is no reallocation of the transaction price between these contracts irrespective of the fact that these contracts are economically linked. Most Smart! contracts with buyers result in a loss (a negative margin) as delivery costs will exceed the subscription fee on an individual Smart! contract level.

Management believes that presentation of the negative margin from Smart! contracts as "Net costs of delivery" in operating expenses is most appropriate as the business purpose of the Smart! program is to make its marketplace more attractive compared to competition, to attract buyers and to boost sales on its marketplace, so the excess costs of the Smart! Program are in substance a promotional activity and should be presented as an expense.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

10.
Financial income and financial costs

	01.01–31.12.2022	01.01–31.12.2021
Valuation of financial instruments	—	5,036
Net exchange gains on foreign currency transactions	6,113	509
Interest from deposits	25,137	3,096
Other financial income	2,007	315
Remeasurement of borrowings	—	105,928
Financial income	**33,257**	**114,884**
Interest paid and payable for financial liabilities	(528,063)	(156,711)
Result on interest rate hedging	140,348	(58,570)
Remeasurement of borrowings	(58,156)	—
Interest on leases	(23,314)	(4,982)
Revolving facility availability fee	(5,428)	(3,889)
Other financial costs	(15,972)	(5,556)
Financial costs	**(490,584)**	**(229,708)**
Net financial costs	**(457,327)**	**(114,824)**

The increase in the interest expenses is driven by the higher balance of Group's borrowings as well as the upward movement in the WIBOR reference rate visible in the second part of the 2021 and during 2022. This resulted in the higher costs of servicing the Group's floating rate indebtedness and increased receipts from settling fixed to floating interest rate swap contracts.

The remeasurement of borrowings reflects the increase (in 2021: decrease) of the leverage ratio of the Group, which by the effect of the terms of the binding contract, results in a higher (lower in 2021) margin and increase (decrease in comparative period) in the carrying value of the existing borrowings valued at amortised cost (more information in note 20).

The higher financial income generated on the interest from deposits results from the process of increasing the main reference rates by the National Bank of Poland that resulted in higher deposit rates offered by the commercial banks.

Other financial cost for the twelve months ended 31 December 2022 includes mostly the accrued interest related to the tax proceedings described in note 11.

11.
Income tax

Income tax for the year comprises current and deferred taxation. Income tax is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In such cases, tax is also recognised in other comprehensive income or directly in equity, respectively.

The management reviews from time to time the approach adopted in preparing tax returns where the applicable tax regulations are subject to interpretation. In justified cases, a provision is established for the expected tax payable to tax authorities.

The majority of the Group's taxable income is generated in Poland and is subject to taxation according to the Polish Corporate Income Tax Act (referred to as 'CIT') at the CIT rate of 19%. The CIT rates applicable in each of the countries where the Group has legal entities are set out below:

Country	01.01–31.12.2022	01.01–31.12.2021
Poland	19.00%	19.00%
Luxembourg	24.94%	24.94%
Czech Republic	19.00%	n/a
Slovenia	19.00%	n/a
Slovakia	21.00%	n/a
Hungary	9.00%	n/a
Croatia	18.00%	n/a

11.1.
Income tax expense

	01.01–31.12.2022	01.01–31.12.2021
Current income tax on profits	(292,755)	(292,964)
Adjustments for current tax of prior periods	(52,620)	(1,363)
(Increase)/Decrease in net deferred tax liability	68,033	25,825
Income tax expense	**(277,342)**	**(268,503)**

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

11.2. Significant estimates

In the light of the General Anti-Abuse Rule ("GAAR"), aimed at preventing the formation and use of artificial legal structures created to avoid paying taxes, the Group conducted an overall analysis of its tax situation in order to identify and evaluate transactions and operations that could be subject to GAAR, considering the effect on deferred tax, the tax value of assets and tax risk provisions.

In the opinion of the Management, the analysis confirmed that current and deferred tax amounts are properly stated. Nevertheless, the Group is of the opinion that an inherent feature of GAAR is uncertainty about the Group's interpretation of tax law regulations, which can affect the ability to realise deferred income tax assets in future periods and result in the payment of additional unaccrued tax for prior periods.

These rules are applicable to entities operating on territories of Poland, the Czech Republic, Slovenia and Slovakia.

Tax authorities may inspect accounting books and tax settlements within five to ten years (dependent on tax jurisdiction and relevant circumstances) of the end of the year in which tax returns are filed and they may levy additional tax, including fines and interest, on the Group. The Group conducts an overall analysis of its tax situation in order to identify and evaluate any transaction and operations that might represent risk from an Uncertain Tax Position, as defined in IFRIC 23. For more information please refer to note number 11.6.

11.3. Reconciliation of income tax expense to tax paid and payable

	01.01–31.12.2022	01.01–31.12.2021
Profit from continuing operations before income tax expense	(1,639,454)	1,358,121
Tax (payable)/recoverable at the Polish tax rate of 19%	**311,496**	**(258,043)**
Tax effect of amounts which are not deductible in calculating taxable income:		
Non-deductible expenses	(465,610)	(4,903)
Unrecognised deferred asset on tax losses	(68,444)	(4,146)
Recognition of deferred tax on tax losses from previous years	—	2,833
Effect of foreign tax rates and regulations	(2,164)	(2,881)
Adjustments for current tax of prior periods	(52,620)	(1,363)
Income tax expense	**(277,342)**	**(268,503)**

Non-deductible expenses for 2022 in the amount of PLN 465,610 includes the impact of impairment of goodwill that arose on acquisition of the Mall Group and WE|DO, in the amount of PLN 435,670.

"Effect of foreign tax rates and regulations" represents the effect of different tax rates used in Poland and in other Group countries.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

11.4. Amounts recognised directly in other comprehensive income

The deferred tax relating to other comprehensive income recognised directly in other comprehensive income amounted to PLN 29,717 income in 2022 and to PLN 51,517 cost in 2021.

11.5. Tax losses

In 2022 Mall incurred unrecognised deferred tax losses at PLN 65,181. As at 31 December 2022 the total cumulative unrecognised deferred tax asset on carryforward tax losses were PLN 1,059,587 (majority expiring gradually till 2027). The Group concluded that Mall is not likely to generate future taxable income during the period in which tax loses might have been utilised.

In 2022 and 2021 unrecognised deferred tax assets on tax losses of PLN 124,997 and PLN 113,826, respectively, were incurred by Allegro.eu. Those losses are not likely to be utilised as the Parent will not generate future taxable income due to the tax exempt nature of income from dividends from its subsidiaries.

In 2021 Allegro Pay recognised a deferred tax asset on a tax loss from previous years in the amount of PLN 2,834, in 2022 the company utilised most of the amount and as at 31 December 2022 the deferred tax assets recognised on tax losses to be utilised in the following years were PLN 458. Based on the performed analysis, the entity concluded that future taxable income will be sufficient to utilise this tax loss in full.

11.6. Other

No deferred tax liability is recognised on temporary differences of PLN 1,881,699 (2021: PLN 2,363,447) relating to the unremitted earnings of subsidiaries, as unremitted earnings are not taxable when paid.

On 28 June 2022 Allegro and Ceneo received official findings from tax audits carried out by the Head of Małopolski Tax and Customs Office (the "Tax Authority") that concerned corporate income tax ("CIT") settlements of the companies for the periods from 28 July 2016 to 31 December 2017 and for 2018. The Tax Authority challenged the tax-deductibility of an arrangement fee paid by the companies to their related entities as this fee was for equity received, as well as the interest rate being paid by the companies to their shareholder on intra-Group borrowings. In July 2022 the Tax Authority commenced withholding tax audits for the financial years 2017-2018 in Allegro and Ceneo and these audits were also closed with the issuance of the official findings in September 2022. The Tax Authority further challenged the lack of WHT on the non-arm's length interest paid by the companies to their shareholder on intra-Group borrowings. In September 2022 the Tax Authority commenced CIT audits for the financial years 2019-2020 in Allegro and Ceneo and these audits ended in January 2023 with no official findings (i.e. the Tax Authority has accepted the corrections prepared by the companies). In January 2023 the Tax Authority commenced withholding tax audits for the financial years 2019-2020 in Allegro and Ceneo and these audits ended in February 2023 with no official findings (i.e. the Tax Authority has accepted the corrections prepared by the companies).

The Group's Management after careful analysis of the official findings from tax audits received and supported by their tax advisor, decided to voluntarily correct their tax returns for the audited periods and accrue additional tax.

In 2022 the Group settled the following tax obligations towards the Tax Authority: (i) the CIT obligation for 2016 – 2018 via transferring PLN 22,526 in tax and interest of PLN 7,683; (ii) the WHT obligation towards the Tax Authority for 2016 – 2018 via transferring PLN 3,277 in tax and interest of PLN 1,339; (iii) the CIT obligation towards the Tax Authority for 2019 – 2020 via transferring PLN 8,508 in tax and interest of PLN 1,622. Moreover in 2023 (before the approval of these Consolidated Financial Statements) the Group settled the outstanding WHT obligation for 2019-2020 via transferring PLN 3,615 in tax and interest of PLN 1,125.

Charges related to the current tax of prior periods and withholding tax are presented in the statement of comprehensive income as part of the income tax line, whilst the interest arising on those penalties is included in the financial cost. The outstanding liability for uncertain tax treatments in accordance with IFRIC 23 was estimated using the expected value, as it provides the better prediction of the resolution of the uncertainty. As of 31 December 2022 this provision amounts to PLN 22,852 comprising PLN 3,066 for current tax of prior periods, PLN 15,145 of withholding tax and PLN 4,641 of interest presented in financial costs. This provision is presented within income tax liabilities.

The Group did not identify any other transactions and operations that might represent risk from an Uncertain Tax Position, which might require recognition of tax liability of adjusting deferred tax balances. 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.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

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 2022 and 31 December 2021 were:

	01.01–31.12.2022	01.01–31.12.2021
Net profit attributable to equity holders of the Parent Company	(1,916,795,640)	1,089,618,366
Profit/ (Loss) for ordinary shareholders	**(1,916,795,640)**	**1,089,618,366**
Average number of ordinary shares	1,051,061,575	1,023,593,977
Profit/ (Loss) per ordinary share (basic)	**(1.82)**	**1.06**
Effect of diluting the number of ordinary shares [1]	—	221,093
Number of ordinary shares shown for the purpose of calculating diluted earnings per share [1]	—	1,023,815,070
Profit/ (Loss) per ordinary share (diluted)	**(1.82)**	**1.06**

[1] in 2022 the potentially dilutive instruments would be 1,344,858 nevertheless in 2022 they do not have dilutive impact due to the fact that the Group has generated loss thus those instrument would decrease loss per share

Basic earnings per share are calculated by dividing the net profit for the period attributable to ordinary equity holders of the Parent Company, by the weighted average number of ordinary shares.

In the prior year period, the ordinary shares issued by the Parent stood at 1,023,255,814 and for the purpose of calculating the Earnings per Share was increased by 589,956 fully vested shares granted to employees on the occasion of the Group's IPO.

The average number of ordinary shares used for the purpose of calculating basic Earnings per Share was 1,023,593,977.

From 30 September 2021, Adinan Super Topco Employee Benefit Trust ('EBT') has been consolidated in the Group Consolidated Financial Statements. 1,399,853 of ordinary shares, initially possessed by the entity, were classified as Treasury Shares and deducted from the average number of ordinary shares 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 as at 31 December 2021.

During 2022, another 336,913 of Treasury Shares were distributed to the employees, upon the first vesting date of RSU units granted under Allegro Incentive Program.

The number of ordinary shares used for the purpose of calculating the basic Earnings per share also includes 33,649,039 of ordinary shares issued on 1 April 2022, constituting the share component allotted to selling shareholders of the Mall Group, as described in note 5.

Reflecting the above transactions, on 31 December 2022 ordinary shares of the Parent in issue stood at 1,056,391,739. The average number of ordinary shares used for the purpose of calculating basic Earnings per Share was 1,051,061,575.

The dilutive item presented in the table above refers to the RSU units granted as part of the AIP program. RSU are treated as a non-performance share based payment award and are included in computing diluted EPS if the effect is dilutive (i.e. the shares will be issued for no consideration). RSU has a dilutive impact on the EPS calculation in so far as they are expected to result in the issuance of ordinary shares for less than the average market price of ordinary shares during their vesting period.

PSU are performance-related share based payments and therefore are treated as contingently issuable shares. The diluted EPS computation includes those shares that would be issued under the terms of the contingency, based on the current status of conditions, as if the end of the reporting period was the end of the contingency period. The PSU variant of the AIP program could have had a contingent dilutive effect on the EPS calculation for the period ended 31 December 2022 if it hadn't decrease net loss per share. It was concluded to be dilutive, as one of the performance conditions required for delivery of shares to the program participants have been met.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

13. Intangible assets

GOODWILL

Goodwill arises on the acquisition of business undertakings. Goodwill is not amortised but tested for impairment annually or more frequently, if there is objective evidence of impairment. For the purposes of impairment testing, goodwill is allocated to cash-generating units which are expected to benefit from the synergies of business combination. Impairment loss is recognised when the carrying amount of a cash-generating unit to which goodwill is allocated is higher than its recoverable amount. Recoverable amount is the higher of fair value less costs of disposal and the value in use (more information in note 29.1).

LICENSES, SOFTWARE AND COPYRIGHTS

Separately purchased licenses are initially recognised at cost. Licenses acquired as a result of the business combination are recognised at fair value at acquisition. Licenses have limited useful life, i.e. 2 to 5 years.

As a result of the business combinations, the Group acquired various Internet domains and software. As at 31 December 2022 the Group owned the following intangibles with the corresponding useful lives (calculated from the acquisition date):

Domain	Date of acquisition	Estimated useful economic life
allegro.pl	18 January 2017	15 years
ceneo.pl	18 January 2017	15 years
eBilet	19 April 2019	15 years
Mall	1 April 2022	3 years
Mimovrste	1 April 2022	3 years
WE|DO	1 April 2022	3 years
CZC.CZ	1 April 2022	10 years

Software	Date of acquisition	Estimated useful economic life
Allegro Platform	18 January 2017	10 years
Ceneo Platform	18 January 2017	10 years
eBilet	19 April 2019	15 years
Opennet	27 October 2020	15 years
XPC	8 October 2021	2 years
Mall	1 April 2022	5 years
CZC.CZ	1 April 2022	5 years

These intangible assets are measured at historical cost (or initially at fair value) less amortisation and impairment losses. Amortisation 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 initially at fair value) less amortisation and impairment losses. Trademarks are amortised on a straight line basis for their estimated useful economic life. As at 31 December 2022 the Group owned the following intangibles with the corresponding useful lives:

Trademark	Date of acquisition	Estimated useful economic life
Allegro	18 January 2017	10 years
Ceneo	18 January 2017	10 years
eBilet	19 April 2019	15 years
Opennet	27 October 2020	15 years
Mall	1 April 2022	3 years
Mimovrste	1 April 2022	3 years
WE|DO	1 April 2022	3 years
CZC.CZ	1 April 2022	10 years

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

CUSTOMER RELATIONSHIPS

Customer relationships arising from business combinations are measured initially at fair value with the Multi-Period Excess Earnings method ("MPEE") and their carrying value is subsequently decreased by amortisation. Customer relationships are amortised on a straight line basis. As at 31 December 2022 the Group owned the following intangibles with the corresponding useful lives:

Customer relationships	Date of acquisition	Estimated useful economic life
Allegro	18 January 2017	20 years
Ceneo	18 January 2017	20 years
eBilet	19 April 2019	15 years
Opennet	27 October 2020	15 years
Mall	1 April 2022	20 years
Mimovrste	1 April 2022	20 years

RESEARCH AND DEVELOPMENT COSTS

Although the Group does not have any department dedicated to research and development, such activities are performed throughout the organisation. The Group develops its platform and introduces new projects in order to satisfy the needs of its buyers and sellers. Development expenditure that meets the capitalization criteria is recognised as intangible assets. Research and development expenditure that does not meet the capitalization criteria is recognised as an expense as incurred in staff costs. 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 capitalised in the Group's intangible assets and amortised on a straight line basis for 4-7 years. Unsuccessful developments are expensed on a one-off basis at the time a decision is made to terminate the project.

Software under development is tested annually for impairment. In the twelve months ended 31 December 2022 PLN 8,808 of impairment charge was recognised (2021: nil).

IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets with an undefined useful life and goodwill are not subject to amortisation but tested annually for impairment. Amortised assets are tested for impairment whenever there is any evidence that their carrying amount may not be recoverable. Impairment charges are made at the excess of the carrying amount of a given asset over its recoverable amount. Recoverable amount is the higher of fair value less costs of disposal and value in use. For the purposes of impairment assessment, assets are grouped at the lowest level for which there are separately identifiable cash inflows (cash generating units).

Non-financial assets, other than goodwill, for which impairment charges were identified, are reviewed for indication of a possible reversal of the impairment charge at each reporting period end date.

On 30 September 2022 the Group recognised impairment loss in the amount of 2,293,000 that was fully attributable to Goodwill that arose on the acquisition transaction of Mall Group and WE|DO (further details in note 29).

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

As at 01.01.2022	Goodwill	Customer relationships	Trademarks and other rights	Computer software and licences	Software development costs	Software under development	Other	Total
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**

Year ended 31.12.2022	Goodwill	Customer relationships	Trademarks and other rights	Computer software and licences	Software development costs	Software under development	Other	Total
Opening net book amount	8,669,569	2,200,045	1,024,762	532,848	310,373	142,317	19,684	12,899,598
Additions	—	—	4,228	38,951	—	322,984	21,126	387,289
Additions due to business combinations	2,286,138	1,207,128	284,802	260,923	—	9,579	453	4,049,023
Disposals	—	—	—	(38)	—	—	(19)	(57)
Transfer from development	—	—	—	5,823	288,408	(292,444)	(1,788)	—
Reclassification – gross amount	—	—	1,006	—	—	—	(1,006)	—
Exchange differences – Gross Amount	87,491	22,800	5,379	5,326	—	168	12	121,176
Other movements	—	—	—	(5,474)	14,117	2,447	2,514	13,604
Impairment loss	(2,293,000)	—	—	—	—	(8,808)	—	(2,301,808)
Amortisation charge	—	(191,610)	(155,799)	(132,761)	(119,721)	—	(32,108)	(631,999)
Exchange differences – Accumulated amortisation	—	(546)	(650)	(318)	—	—	(204)	(1,718)
Reclassification – amortisation	—	—	(17)	—	—	—	17	—
Other movements	—	(1,657)	(702)	(2,641)	(7,515)	—	(153)	(12,668)
Closing net book amount	**8,750,198**	**3,236,160**	**1,163,010**	**702,640**	**485,661**	**176,244**	**8,528**	**14,522,441**

As at 31.12.2022	Goodwill	Customer relationships	Trademarks and other rights	Computer software and licences	Software development costs	Software under development	Other	Total
Cost	11,043,198	4,142,440	1,808,978	1,359,335	753,732	185,052	73,019	19,365,754
Accumulated amortisation and impairment	(2,293,000)	(906,280)	(645,967)	(656,695)	(268,071)	(8,808)	(64,492)	(4,843,313)
Net book amount	**8,750,198**	**3,236,160**	**1,163,010**	**702,640**	**485,661**	**176,244**	**8,528**	**14,522,441**

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

As at 01.01.2021	Goodwill	Customer relationships	Trademarks and other rights	Computer software and licences	Software development costs	Software under development	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 capitalise any interest expense or exchange rate differences during the periods presented.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

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
- Warehouse Equipment 2-10 years
- Automated Parcel Machines 10 years
- Land 5 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 amortised over the estimated length of the lease contract. The detailed information regarding the presentation of right-of-use assets is described in note 21.

As at 31.12.2022	Buildings	Computers and office equipment	Warehouse Equipment	Automated Parcel Machines	Land	Other fixed assets	Assets under construction	Total
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**
Year ended 31.12.2022								
Opening net book amount	185,843	116,834	—	68,416	—	882	71,836	443,809
Additions	357,055	85,784	47,333	94,663	48,109	4,461	42,083	679,490
Additions due to business combinations	155,876	57,949	—	—	—	82,544	21,856	318,225
Disposals – gross book value	(57,106)	(17,137)	(434)	(566)	(230)	(197)	—	(75,670)
Transfer from assets under construction	24,089	27,190	6,175	37,804	—	1,415	(96,672)	—
Modification of lease contract	(5,314)	—	—	—	592	381	—	(4,342)
Lease Incentives	(17,022)	—	—	—	—	—	—	(17,022)
Exchange differences – Gross Amount	3,027	59	—	—	—	1,247	196	4,530
Impairment loss	(3,153)	(3,727)	—	—	—	(1,983)	—	(8,863)
Depreciation charge	(131,144)	(68,757)	(3,579)	(10,259)	(10,944)	(15,291)	(19)	(239,993)
Depreciation of disposals	54,377	16,078	9	10	30	182	—	70,686
Exchange differences – Depreciation and impairment	(465)	(1,130)	—	—	—	(381)	2	(1,974)
Reclassification – gross amount	—	(11,397)	11,397	(28,260)	28,260	—	—	—
Reclassification – depreciation	—	3,729	(3,729)	1,509	(1,509)	—	—	—
Closing net book amount	**566,063**	**205,475**	**57,172**	**163,317**	**64,308**	**73,260**	**39,283**	**1,168,877**
As at 31.12.2022								
Cost	782,786	385,509	64,471	173,706	76,732	89,507	39,646	1,612,356
Accumulated depreciation and impairment	(216,722)	(180,034)	(7,299)	(10,389)	(12,423)	(16,246)	(365)	(443,479)
Net book amount	**566,063**	**205,475**	**57,172**	**163,317**	**64,308**	**73,260**	**39,281**	**1,168,877**

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

As at 31.12.2021	Buildings	Computers and office equipment	Warehouse Equipment	Automated Parcel Machines	Land	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 or fair value	325,334	246,788	—	70,065	—	1,638	72,182	716,007
Accumulated depreciation and impairment	(139,491)	(129,954)	—	(1,649)	—	(756)	(348)	(272,198)
Net book amount	**185,843**	**116,834**	**—**	**68,416**	**—**	**882**	**71,834**	**443,809**

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").

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

15. Inventory

The value of the Group's inventory was as follows:

	31.12.2022	31.12.2021
Goods	513,698	49,495
Materials	4,162	157
Allowance for slow-moving goods	(21,240)	(5,657)
Total	**496,620**	**43,995**

The significant increase in inventory balance is driven by the acquisition of the Mall Group as described in note number 5. Mall Group is a leading e-commerce platform working mainly in the retail ("1P") model, hence, goods for resale are an essential component of Mall's business.

15.1 Assigning costs to inventories

The goods are purchased for resale by Group's own proprietary stores via marketplace on the platforms (see revenue recognition policy in note 9.1).

Goods and materials are stated at the lower of cost and net realisable value. Inventories are determined using the first in, first out (FIFO) method. Cost of purchased inventory is determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

15.2 Amounts recognised in profit or loss

In the current reporting period the Group has recognised an inventory write-off in the amount of PLN 15,583 (2021: PLN 870).

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:

	31.12.2022	31.12.2021
Trade receivables, gross	1,216,591	847,924
Impairment of trade receivables	(116,942)	(95,461)
Trade receivables, net	**1,099,649**	**752,463**
Other receivables	127,703	52,561
VAT receivables	12,601	13,804
Tax receivables	88,321	—
Total	**1,328,274**	**818,828**

The Group's receivables comprise amounts due from companies and individuals and their concentration level is low. More than 80% of the Group trade and other receivables balance is due in Polish Zloty with the remainder mainly denominated in Czech Crowns or Euros.

16.1 Classification as trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of the Group's business. They are generally due for settlement within 14 days. Trade receivables are recognised initially at the amount of consideration that is unconditional. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest rate method. Details about the Group's impairment policies and the calculation of the loss allowance are provided in note 30.2 Credit risk.

16.2 Classification as other receivables

These amounts generally arise from transactions outside the usual operating activities of the Group (relate mainly to receivables due from payment operators). Interest may be charged at commercial rates where terms of repayment exceed six months.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

16.3 Classification as tax receivables

Tax receivables are amounts based on the pay and refund mechanism that entered into full force as of 1 January 2022. Allegro and Ceneo are grossing up for withholding tax on their interest payments and remitting this tax to the tax authorities. The Group has recognised a receivable of PLN 88,321 as it intends to apply for a refund of this tax and holds the position that all statutory conditions allowing for the withholding tax exemption are met.

16.4 Fair value of trade and other receivables

Due to the short-term nature of current receivables, their fair value is considered to be the same as their carrying amount.

16.5 Impairment and risk exposure

Information about impairment and the exposure to credit risk and interest rate risk is disclosed in note 30. Receivables outstanding as at the balance sheet date were subject to impairment provisions, in accordance with the Group's accounting policy. The receivables impairment allowance was recognised as part of the bad debt provision expense in the statement of comprehensive income. In comparison to the previous year, the impairment provision increased by PLN 21,481 for the year ended 31 December 2022 and by PLN 95,461 for the year ended 31 December 2021.

17. Prepayments

The value of the Group's prepayments was as follows:

	31.12.2022	31.12.2021
Property, plant and equipment	—	11,258
Long term prepayments	**—**	**11,258**
Licenses	27,823	19,540
Insurance	12,245	14,158
Technical support	5,368	6,104
Delivery Services	12,985	6,713
Lease deposits	1,291	—
Other	10,017	7,553
Short term prepayments	**69,729**	**54,068**
Total prepayments	**69,729**	**65,326**

Prepayments are made when the entity incurs costs before the period to which they relate or before it obtains the control over the asset. Prepayments are determined at the amount of costs attributable to subsequent reporting periods or at the amount of advance payment for the asset.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

18. Consumer loans

Consumer loans represent loans granted to buyers on the Allegro platform. Loans are granted for 30 days without interest and instalment loans for between 5 and 20 months with an annualised interest rate that increased from 10.5% as of 31 December 2021 to 20.5% as of 31 December 2022. Furthermore, Smart! users may take 3-month zero interest instalment loans.

All loans are granted on the territory of Poland in Polish zloty (PLN).

CLASSIFICATION AS CONSUMER LOANS

The loans are initially recognised at fair value.

The Group classifies financial assets into the following categories:

- **measured at amortised cost for "held to collect" cash flows model,** in which financial assets originated or acquired are held to maturity in order to collect contractual cash flows where those cash flows represent solely payments of principal and interest ("SPPI");
- **measured at fair value through other comprehensive income for "held to collect and sell" cash flows model,** in which financial assets originated or acquired are held to maturity in order to collect contractual cash flows, where those cash flows represent solely payments of principal and interest ("SPPI"), but they may also be sold;
- **measured at fair value through profit or loss** for other than the "held to collect" or the "held to collect and sell" cash flows model.

The Group has loans classified as "measured at amoritsed cost" and the loans classified as "measured at fair value through profit or loss".

Consumer loans are stated at amortised cost, net of allowances and calculated in accordance with the Group's accounting policies. Expected credit losses are determined 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.

CHANGE OF BUSINESS MODEL

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 2021. In the effect the risk, rewards and control were transferred to the financing partner with the relevant consumer loans being derecognised.

As business objectives for part of the loans have changed in the fourth quarter of 2021 the Group concluded that the change of the business model is resulting in the reclassification of a part of the consumer loans from 'held to collect' measured in amortised cost to 'other' measured in fair value through profit and loss ("FVTPL"). Under IFRS 9, the reclassification date is defined as the "first day of the first reporting period following the change in the business model" which was 1 January 2022.

As a consequence of this business model change, the difference between fair value and closing amortised cost was recognised in profit or loss as part of the other revenue as at the reclassification date.

Following the change in business model, all the instalment loans with intention to sell are reclassified from amortised cost to FVTPL category. As at 31 December 2022 the only loans remaining to be measured at amortised cost are 'Pay later' loans – 30 days without interest.

In December 2022 the Group reassessed the business objectives of 30-days 'Pay later' consumer loans and concluded a sale transaction with Aion Bank S.A. ('Aion', 'Aion Bank'). In the effect those instruments will be reclassified from 'held to collect' model, measured at amortised cost to 'other' model measured at fair value through profit and loss ("FVTPL"), on the first day of the first reporting period following the change in the business model, falling on 1 January 2023.

IMPAIRMENT AND RISK EXPOSURE

Consumer loans measured at amortised cost outstanding as at the balance sheet date were subject to impairment allowances. The impairment policy is described in note 30. The expected credit loss allowance was recognised 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. For the loans measured at amortised cost, 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 30.

The carrying value of Consumer loans as at 31 December 2022 and 31 December 2021 by maturity was as follows:

	31.12.2022	31.12.2021
Consumer loans – long term	—	15,622
Consumer loans – short term	366,875	343,163
Total	**366,875**	**358,785**

The duration of consumer loans measured at amortised cost is 30-days, whilst the remaining instruments measured at fair value are expected to be sold to the financing partner in the ordinary course of business.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

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 26.

The table below shows the gross carrying amount (equal to maximum exposure to credit risk) and expected credit losses in each stage at 31 December 2022 and 31 December 2021.

As at 01.01.2022	Stage 1	Stage 2	Stage 3	TOTAL
Consumer loans, gross	360,816	1,939	2,345	365,101
Expected credit losses	(2,935)	(1,105)	(2,275)	(6,316)
Consumer loans at amortised cost as at 01.01.2022	**357,881**	**834**	**70**	**358,785**

As at 31.12.2022	Stage 1	Stage 2	Stage 3	TOTAL
Consumer loans, gross as at 31.12.2021	360,816	1,939	2,345	365,101
Reclassification to FVTPL (change in a business model)	(240,881)	(1,111)	(1,369)	(243,361)
Opening balance, gross after the reclassification	**119,935**	**828**	**976**	**121,739**
New consumer loans originated	3,310,545	—	—	3,310,545
Transfer to stage 2	(13,715)	13,715	—	—
Transfer to stage 3	(3)	(6,130)	6,133	—
Consumer loans derecognised (partially repaid & other changes)	(30,114)	182	501	(29,431)
Consumer loans derecognised (fully repaid)	(3,060,626)	(6,422)	(1,638)	(3,068,686)
Consumer loans derecognised (sale)	(168,018)	—	—	(168,018)
Consumer loans, gross	**158,005**	**2,173**	**5,972**	**166,150**
Expected credit losses as at 31.12.2021	(2,935)	(1,105)	(2,275)	(6,316)
Reclassification to FVTPL (change in a business model)	2,160	613	1,326	4,099
Opening balance of ECL after reclassification	**(775)**	**(493)**	**(949)**	**(2,216)**
New consumer loans originated	(7,434)	—	—	(7,434)
Changes due to changes in credit risk	(5,200)	(8,028)	(1,719)	(14,946)
Transfer to stage 2	1,303	(1,303)	—	—
Transfer to stage 3	—	4,774	(4,774)	—
Consumer loans derecognised (repaid)	10,465	3,616	1,584	15,665
Consumer loans derecognised (sale)	321	—	—	321
Expected credit loss as at 31.12.2022	**(1,319)**	**(1,434)**	**(5,857)**	**(8,609)**
Consumer loans at amortised cost as at 31.12.2022	**156,686**	**739**	**115**	**157,540**

As at 31.12.2022	Stage 1	Stage 2	Stage 3	TOTAL
Consumer loans, gross	158,005	2,173	5,972	166,151
Expected credit losses	(1,319)	(1,434)	(5,857)	(8,610)
Consumer loans at amortised cost as at 31.12.2022	**156,687**	**739**	**115**	**157,540**

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

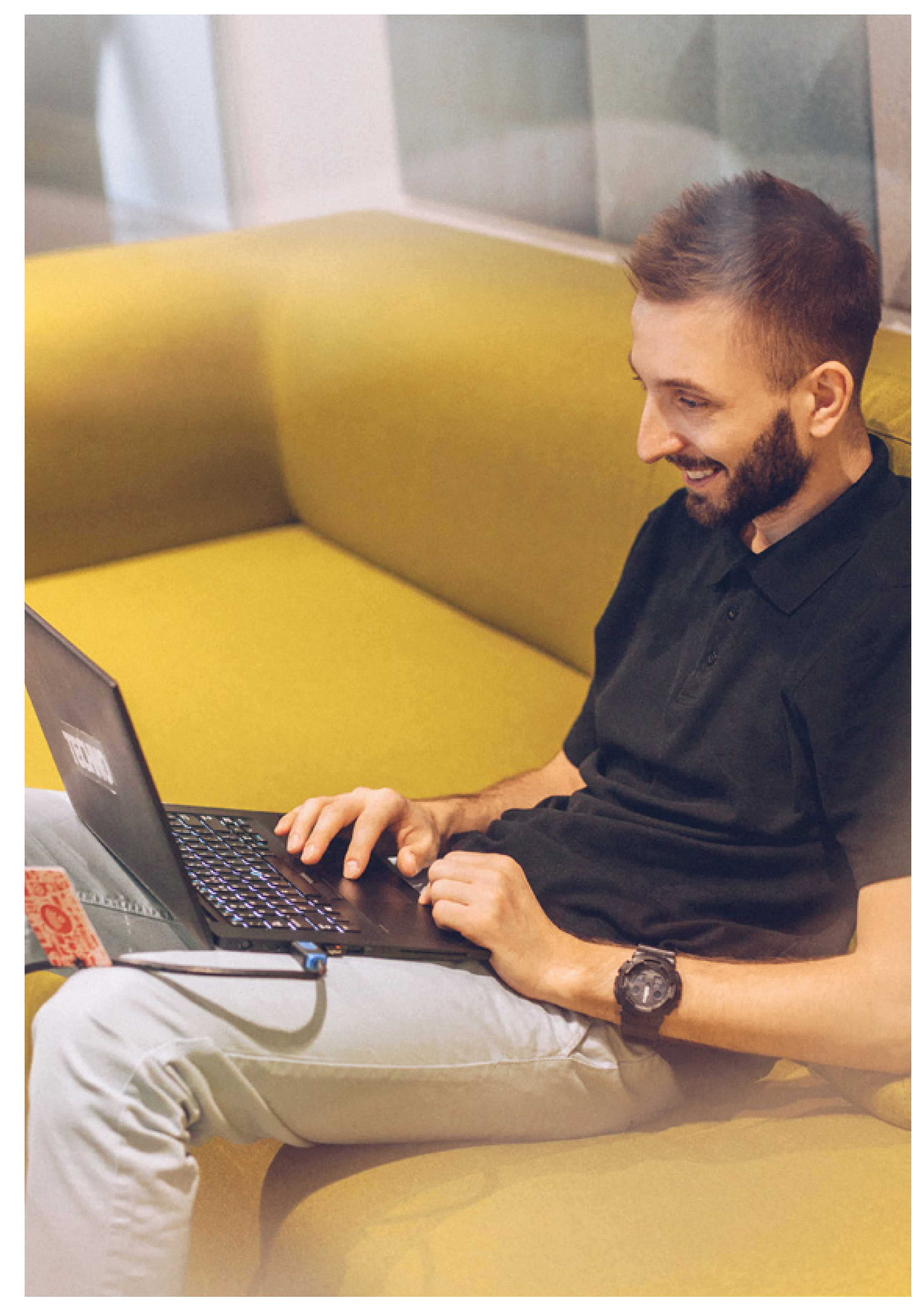
As at 01.01.2021	Stage 1	Stage 2	Stage 3	TOTAL
Consumer loans, gross	53,073	28	1	53,102
Expected credit losses	(1,126)	(3)	(1)	(1,130)
Consumer loans at amortised cost as at 01.01.2021	**51,947**	**25**	**—**	**51,972**

As at 01.01.2021	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 derecognised (partially repaid & other changes)	(338,050)	(318)	18	(338,350)
Consumer loans derecognised (fully repaid)	(1,159,521)	(1,463)	(204)	(1,161,188)
Consumer loans derecognised (sold)	(181,541)	—	—	(181,541)
Consumer loans, gross	**360,816**	**1,939**	**2,345**	**365,101**
Opening balance of ECL	(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 derecognised (repaid)	6,375	723	197	7,295
Consumer loans derecognised (sold)	904	—	—	904
Expected credit losses	**(2,935)**	**(1,105)**	**(2,275)**	**(6,316)**
Consumer loans at amortised cost as at 31.12.2021	**357,881**	**834**	**70**	**358,785**

As at 01.01.2021	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 at amortised cost as at 31.12.2021	**357,881**	**834**	**70**	**358,785**

The changes in the credit risk can result in the relevant stage reclassification. The movement of loss allowance driven by such events is presented in the "Changes due to changes in credit risk" line.

As a consequence of the business model change described above, in December 2022, the Group concluded a sale transaction of 30-days 'Pay later' consumer loans receiving PLN 168,015 of cash.



This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

18.2
Consumer loans at fair value through profit and loss

The fair value measurement of the loans is classified at level 3 of the fair value hierarchy. Fair value measurement is based on contractual cash flows adjusted by a credit risk element. They are discounted with a discount rate which comprises the risk-free rate and the effective margin. Assignment of the effective margin for the purpose of calculating the discount factor is based on the exposure's characteristics at measurement date.

A business model in which the Group manages those loans is realising cash flows solely through the sale of these loans. Even though the Group collects the contractual cash flows while it holds these loans (before sales to Aion Bank), the objective of such a business model is not achieved by both collecting contractual cash flows and selling financial asset as the collection of contractual cash flows is not integral to achieving the business model's objective; instead, it is incidental to it.

The majority of consumer loans are sold to the financing partner in the ordinary course of business, usually within 1-2 months from the origination date. The gain/loss generated on those transactions is minimal, as the pricing method agreed on the contractual basis does not materially differ from the fair value of the financial assets being subject to the sale transaction. At each reporting period, the Group compares the fair value of consumer loans against the expected price that would have been received from the financing partner if the sale transactions had occurred at the end of the reporting period. The outcome of this analysis proves this discrepancy not to be material.

Reclassified from amortised cost (change in business model)	239,262
Consumer loans at FVTPL as at 01.01.2022	**239,262**
New consumer loans originated	2,148,467
Fair value measurement	(9,153)
Consumer loans derecognised (repaid)	(779,851)
Consumer loans derecognised (sold)	(1,389,390)
Consumer loans at FVTPL as at 31.12.2022	**209,335**

The majority of the consumer loans held by the Group as of 31 December 2022 have been sold to the financing partner, subsequently to year-end, with no material result recognised on that transaction.

In 2022, the Group executed several consumer loan sale transactions under the agreement signed with Aion Bank in 2021. In effect the risk, rewards and control were transferred to the financing partner with the relevant consumer loans being derecognised. Through these transactions the Group received in 2022 PLN 1,393,923 of cash (2021: PLN 182,271).

There was no transfer into or out of Level 3 of the fair value hierarchy in the year ended 31 December 2022 and comparatives.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

19. Cash and cash equivalents

At the balance sheet date Cash and cash equivalents comprised:

	31.12.2022	31.12.2021
Cash at bank	361,096	364,441
Bank deposits	393,056	1,528,506
Cash equivalents	123,407	64,294
Total	**877,559**	**1,957,241**

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. Borrowings

At the balance sheet date borrowings comprised:

	31.12.2022	31.12.2021
Loans	6,451,821	5,362,982
Long term borrowings	**6,451,821**	**5,362,982**
Loans	1,706	3,316
Short term borrowings	**1,706**	**3,316**
Total borrowings	**6,453,527**	**5,366,298**

On 29 September 2020 the Group entered into the Senior Facilities Agreement ("SFA") under which the Group borrowed PLN 5,500,000 ("Facility B", "Term Loan B") and gained access to a PLN 500,000 multi-currency revolving credit facility (the "RCF"), which remains fully undrawn. On 9 December 2021 the Group signed an annex to the SFA and established a new facility ("Additional Facility") in the amount of PLN 1,000,000 which was fully drawn upon the completion of the acquisition transaction of Mall Group and WE|DO. The Additional Facility was further fully refinanced with a new facility ("New Additional Facility") on 9 November 2022.

On 14 October 2020 the Group completed its refinancing transaction by drawing the full amount of borrowings under the Senior Facilities Agreement, receiving a net amount of PLN 5,440,000 after deduction of PLN 60,000. The maturity date for the Facility B is October 2025 with no repayments due before the maturity date. The borrowing 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 revolving credit facility (in each case subject to a zero floor) and an initial margin of 2.25% per annum.

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 amortised cost decreased by PLN 105,928. The remeasurement gain of PLN 105,928 was recognised in finance income in 2021 (Note 10).

In 2022 the Group recognised the financial cost in the amount of PLN 46,896 arising on the remeasurement of the amortised cost of Facility B. This movement reflects the increase in the Group's leverage, following the completion of the Mall and WE|DO acquisition Transaction, which by effect of the terms of the binding borrowing agreement, result in a higher interest rate margin and increase in the carrying value of the existing borrowings valued at amortised cost.

On 9 December 2021 the Group signed the Additional Facility in amount of PLN 1,000,000 that was fully drawn upon the completion of the acquisition transaction of Mall Group and WE|DO. The facility had an initial maturity date of September 2022 that was subsequently extended to September 2023 on 31 May 2022, resulting in the higher margin of outstanding borrowings.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

The conclusion of that annex to the Additional Facility translated into recognition of PLN 11,260 in financial costs, due to the higher expected cash flows arising on existing borrowings valued at amortised cost.

The above-mentioned transaction were accounted for as modification of financial liability, as the underlying criteria for derecognition were not met.

On 3 February 2022 the Group signed an annex to the Senior Facility Agreement, under which an additional multi-currency revolving credit facility of PLN 500.000 million equivalent over and above the existing currently undrawn RCF was established (the "Additional RCF").

The Group utilised PLN 500,000 Additional RCF in Czech Crowns, and together with Additional Facility was used to finance the acquisition of Mall Group and WE|DO. This nominal value of the Additional RCF together with outstanding interest was fully repaid in December 2022.

On 26 October 2022 the Group signed an annex to the Senior Facility Agreement, under which PLN 1,000,000 Additional Facility was refinanced with a new facility ("New Additional Facility") on 9 November 2022.

This resulted in the alignment of the final maturity date of New Additional Facility with the remaining PLN 5,500,000 of outstanding Group borrowings, becoming due on 14 October 2025. Other terms and conditions including margin, guarantors, and transaction security are applicable to the refinanced facility, with no additional covenants imposed. As the underlying criteria for derecognition were not met, the Group accounted for this annex to the SFA as a modification of existing borrowing, leading to recognition of PLN 2,273 in financial costs due to the higher expected cash flows arising on existing borrowings valued at amortised cost.

The borrowings are measured at amortised cost using the effective interest rate. Borrowing origination fees incurred in relation to the loans are included in the calculation of the effective interest rate. The periodic re-estimations of the cash flows arising from the changes in the floating interest rates (WIBOR) are accounted 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 recognised in profit or loss as financial income or financial cost. As at 31 December 2022 the average effective interest rate is 6.78%, and as at 31 December 2021 was 2.26%.

The repayment term for the Group's borrowings is 2025 and the schedule of loan amortisation is as follows:

Less than 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	Total
1,706	—	6,451,821	—	6,453,527

As at 31 December 2022 and 31 December 2021 there were six swap agreements concluded. The instruments are designated as cash flow hedge aiming to limit the Group's exposure to interest rate fluctuations (see note 30.1).

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).

20.1 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.

20.2 Compliance with loan covenants

In accordance with the terms of the outstanding facilities, the Group is obliged to maintain certain financial ratios at levels no higher than indicated in the agreements. 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 31).

Allegro.eu Group complied with the financial covenants of its borrowing facilities during the 2022 and 2021 reporting periods and after the balance sheet date until the date of authorisation of these Consolidated Financial Statements for the issue. See note 31 for details.

20.3 Risk exposure

Details of the Group's exposure to risks arising from current and non-current borrowings are set out in note 30.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

21. Leases

21.1. Amounts recognised in the statement of comprehensive income

The carrying amount of right-of-use assets is amortised using the straight-line method. The Group depreciates the right to use the assets from the commencement of the lease agreement to the earlier of end of the lease term or the end of the useful life. The estimated useful lives of right-of-use asset are as follow:

- Leased Buildings 1–10 years
- Leased Computers and office equipment 3–4 years
- Leased Motor vehicles 1–3 years
- Leased Land 5 years

Expenses incurred on leases recognised in the statement of income comprised:

	31.12.2022	31.12.2021
Depreciation and amortisation	(137,721)	(39,570)
Interest expenses	(23,314)	(4,982)
Short-term leases expenses	(336)	(168)
Total	**(161,371)**	**(44,720)**

21.2. Amounts recognised in the statement of financial position

Changes in right-of-use assets during the financial year:

As at 01.01.2022	Leased Buildings	Leased Computers and office equipment	Leased Motor vehicles	Leased Lands	Total
Cost	302,400	19,829	304	28,260	350,793
Accumulated depreciation and impairment	(134,847)	(4,270)	(250)	(1,509)	(140,876)
Net book amount	**167,553**	**15,559**	**54**	**26,751**	**209,917**
As at 31.12.2022					
Opening net book amount	167,553	15,559	54	26,751	209,917
Additions – new leases	292,363	28,367	207	48,109	369,047
Lease Incentives	(17,022)	—	—	—	(17,022)
Additions due to business combinations	147,184	—	3,765	—	150,949
Exchange differences – gross value	2,873	—	75	—	2,948
Disposals – gross amount	(49,779)	(1,243)	(67)	(230)	(51,319)
Modification of lease contract	(5,314)	—	381	592	(4,342)
Depreciation charge	(117,522)	(8,535)	(719)	(10,944)	(137,721)
Disposal – depreciation	47,234	771	—	30	48,035
Exchange differences – depreciation	(336)	—	(8)	—	(344)
Impairment losses	(3,060)	—	—	—	(3,060)
Closing net book amount	**464,174**	**34,918**	**3,687**	**64,308**	**567,087**
As at 31.12.2022					
Cost	672,705	46,953	4,665	76,732	801,054
Accumulated depreciation and impairment	(208,531)	(12,035)	(978)	(12,423)	(233,967)
Net book amount	**464,174**	**34,918**	**3,687**	**64,308**	**567,087**

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

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 and impairment	(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 and impairment	(134,847)	(4,270)	(250)	(1,509)	(140,876)
Net book amount	**167,553**	**15,559**	**54**	**26,751**	**209,917**

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 31.12.2022	
Opening lease value	251,142
Modification	(4,342)
Lease payments	(82,130)
Additions – new leases	369,047
Additions due to business combination	150,949
Disposals	(3,284)
Interest expense	23,314
Interest payment	(23,314)
Currency valuation	9,060
Other	(260)
Lease liabilities	**690,181**

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**

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

21.3. Amounts recognised in the statement of cash flow related to leases

The total cash payments for the principal and interests were PLN 105,444 in 2022, and PLN 36,044 in 2021.

21.4. The Group's leasing activities and their accounting treatment

The Group leases various properties and equipment. Rental contracts are typically made for fixed periods of 1 to 10 years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as right-of-use assets together with a corresponding liability at the date at which the leased asset is available for use by the Group. 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.

21.5. Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The extension options for the right-of-use assets have not been included in the lease liability, because the Group could replace the assets without significant cost or business disruption and because it is not reasonably certain that the leases will be extended.

The lease term is reassessed if an option is actually exercised or the Group becomes obliged to exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

21.6. Lease contracts concluded for indefinite period

The vast majority of the Group lease contracts are concluded for a definite period of time. However, the portion of the contracts for the lease of the land designated for deployment of APM was concluded for the indefinite period of time, with the right to terminate the agreement (in most cases with 3 months' notice period) without the significant financial penalty granted to both parties.

The Group considered the broader economic context of the lease contracts in determining the enforceable period of such leases. Those leased assets are important from the Group's perspective as they are an inherent part of the logistics operations. Moreover, it is expected that number of leased land locations will increase significantly in the upcoming periods, due to the further expansion of the Group's logistics network, which creates the economic incentive not to terminate the existing lease agreements.

The Group considered all relevant facts and circumstances that create an economic incentive for both the lessee and lessor not to exercise an option to terminate early. All of these lease contracts are concluded with the same business strategy and subject to the same management analysis. The Group has considered a broad range of economic factors as incentives to extend or not terminate leases, in the context of its business plan for APMs. As a result, the Group has concluded that all the lease contract should have a 5 year lease period.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

22. 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 recognised also for unused tax losses and are recognised 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.

22.1. Deferred tax assets

The deferred tax assets at the balance sheet date comprised temporary differences attributable to:

	31.12.2022	31.12.2021
Accrued expenses	111,548	87,826
Liabilities to employees	30,277	24,216
Cash flow hedges	—	2,396
Impairment of trade receivables	16,842	14,539
Other items	45,525	20,941
Total deferred tax assets	**204,192**	**149,918**
Deferred tax assets pursuant to set-off rules	(187,897)	(145,339)
Net deferred tax assets	**16,295**	**4,579**

	Accrued expenses	Liabilities to employees	Other	Offsetting	Total
As at 01.01.2022	**87,826**	**24,215**	**37,876**	**(145,339)**	**4,579**
Recognised on a business combination	—	—	1,536	(1,190)	346
(Charged)/credited to profit or loss	23,722	3,651	25,315	(41,338)	11,349
(Charged)/credited to other reserves	—	2,890	—	—	2,890
(Charged)/credited to OCI	—	(479)	(2,396)	—	(2,875)
Exchange differences	—	—	36	(30)	6
As at 31.12.2022	**111,548**	**30,277**	**62,367**	**(187,897)**	**16,295**

	Accrued expenses	Liabilities to employees	Other	Offsetting	Total
As at 01.01.2021	**54,959**	**32,468**	**22,507**	**(109,652)**	**281**
Recognised 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**

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

22.2.
Deferred tax liabilities

The deferred tax liabilities at the balance sheet date comprised temporary differences attributable to:

	31.12.2022	31.12.2021
Intangible assets (business combination fair value adjustment)	962,559	652,923
Cash flow hedge	80,962	54,119
Loan valuation	14,357	18,407
Property, plant and equipment	12,049	9,075
Other items	30,003	19,613
Total deferred tax liabilities	**1,099,930**	**754,137**
Deferred tax liabilities pursuant to set-off of rules	(187,897)	(145,340)
Net deferred tax liabilities	**912,033**	**608,797**

	Intangible assets (business combination fair value adjustment)	Cash flow hedge	Loan valuation, Property, plant and equipment and other items	Offsetting	Total
As at 01.01.2022	**652,923**	**54,119**	**47,095**	**(145,340)**	**608,797**
Recognised on a business combination	328,399	—	—	(1,190)	327,209
Charge/(credited) to profit or loss	(24,671)	—	9,314	(41,338)	(56,694)
Charge/(credited) to OCI	—	26,843	—	—	26,843
Exchange differences	5,908	—	—	(29)	5,880
As at 31.12.2022	**962,559**	**80,962**	**56,409**	**(187,897)**	**912,033**
As at 01.01.2021	**665,658**	**—**	**23,072**	**(109,652)**	**579,078**
Recognised on a business combination	19	—	—	—	19
Charge/(credited) to profit or loss	(12,754)	—	24,023	(35,688)	(24,420)
Charge/(credited) to OCI	—	54,119	—	—	54,119
As at 31.12.2021	**652,923**	**54,119**	**47,095**	**(145,340)**	**608,797**

22.3.
Deferred income tax

The deferred income tax calculation is based on the Group's best estimates. The Group intends to continue to analyse the Group's deferred income tax positions at each future balance sheet date.

The schedule of deferred income tax assets and liabilities is presented as follows:

	31.12.2022	31.12.2021
Deferred tax assets	204,192	149,919
– long-term	*29,022*	*14,403*
– short-term	*175,170*	*135,516*
Offsetting	(187,897)	(145,340)
Total	**16,295**	**4,579**

	31.12.2022	31.12.2021
Deferred tax liability	1,099,930	754,137
– long-term	*939,374*	*666,586*
– short-term	*160,556*	*87,551*
Offsetting	(187,897)	(145,340)
Total	**912,033**	**608,797**

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

23. Liabilities to employees

The Group makes the following payments to employees that may result in liabilities to employees at the balance sheet date:

- short-term liabilities to employees;
  - payroll and social security contributions (except retirement and disability pension insurance);
  - paid absences;
  - incentive bonuses, cash rewards;
  - fringe benefits;
- post-employment benefits:
  - retirement and disability pension contributions;
  - retirement severance pays.

SHORT-TERM LIABILITIES TO EMPLOYEES

Accounting for short-term liabilities to employees does not require making actuarial assumptions to determine the obligation or the cost and there is no possibility of any actuarial gain or loss. Moreover, short-term liabilities to employees are measured on an undiscounted basis.

When an employee has rendered service to the Group during the accounting period, the Group recognises the estimated undiscounted amount of short-term benefits to be paid in exchange for that service as a liability, after deducting any amounts already paid, and expenses.

Short-term liabilities to employees in the form of bonus payments are recognised when the following requirements are satisfied:

- the Group has a legal or constructive obligation to make such payments as a result of past events; and
- a reliable estimate of the obligation can be made.

For benefits in the form of compensated absences, liabilities to employees are recognised for accumulating compensated absences (e.g. unused holiday leaves) when service is rendered that increases the entitlement to future compensated absences. In the case of non-accumulating compensated absences (e.g. sick leaves), benefits are recognised when the absences occur.

Liabilities to employees in the form of compensated absences or bonus payments fall outside the definition of provisions under the IFRS and are presented as current liabilities in the statement of financial position under the trade and other liabilities item.

DEFINED CONTRIBUTION PLAN – SOCIAL INSURANCE INSTITUTION (RETIREMENT AND DISABILITY PENSION CONTRIBUTIONS)

In compliance with the applicable laws in effect, the Group pays retirement and disability pension contributions determined by the gross salary for each employed employee to the Social Insurance Institution ("State plan"). The Group is required to pay contributions as they fall due only for the period of the employee's employment. The Group has no legal or constructive obligation to pay future benefits. If the Group ceases to employ members of the State plan, it has no obligation to pay the benefits earned by its own employees in previous years. For this reason, the State plan is a defined contribution plan.

The Group's obligation under those plans for each period is determined by the amounts to be contributed for the year. Under IAS 19, no actuarial assumptions are required to measure the obligation or the cost and there is no possibility of any actuarial gain or loss. Moreover, the obligations are measured on an undiscounted basis, except where they do not fall due wholly within a year after the end of the period in which employees render the related service.

When an employee has rendered service to the Group during the period, the Group recognises the contribution payable to the defined contribution plan in exchange for that service as a liability, after deducting any amounts already paid, and an expense.

DEFINED BENEFIT PLAN – RETIREMENT AND DISABILITY SEVERANCE PAYMENTS

The Group's employees or their designated beneficiaries are entitled to retirement and disability severance payments. Retirement and disability severance payments are one-off payments made upon retirement or early retirement due to disability. In accordance with IAS 19 such severance payments are a defined benefit plan.

The present value of the aforesaid obligations is calculated by an independent actuary at each reporting period end date. The resulting obligation is equal to discounted payments to be made in the future taking into account the staff turnover and refers to the period remaining until the reporting period end date. The Group does not fund this plan therefore there are no existing plan assets.

The Group recognises actuarial gains/losses through other comprehensive income.

EMPLOYEE CAPITAL PLANS

Employee Capital Plans ("Pracownicze Plany Kapitałowe", "PPK") were introduced in Poland by new legislation from 1 January 2019, pursuant to which employers are under the obligation to introduce Employee capital plans in their organisation. 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 2022 was PLN 989, as at 31 December 2021 was PLN 1,238 and is included in trade and other liabilities.

SHARE BASED 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 can be found in note 27.2.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

23.1.
Movements in liabilities to employees

The movements in liabilities to employees is presented below:

	01.01.2021	Charged	Reversed	Utilised	31.12.2021	Acquired in a business combination	Charged	Reversed	Utilised	31.12.2022
Employee Incentive program	—	2,073	—	—	2,073	—	—	—	(2,073)	—
Provision for pensions and disability pensions	5,370	2,326	—	—	7,696	—	71	(645)	—	7,122
Long-term liabilities to employees	**5,370**	**4,399**	**—**	**—**	**9,769**	**—**	**71**	**(645)**	**(2,073)**	**7,122**
Bonus provision	103,499	97,232	—	(122,648)	78,083	14,260	72,365	(7,490)	(66,051)	91,168
Retention provision	—	—	—	—	—	6,579	4,979	—	(6,562)	5,120
Employee Incentive program	24,863	—	—	(24,863)	—	—	571	(44)	—	526
Unused holiday provision	18,960	19,448	—	(13,804)	24,605	5,964	26,701	—	(24,131)	33,138
Provision for pensions and disability pensions	48	25	—	—	73	48	150	—	—	271
Salaries provision	—	—	—	—	—	16,109	29,780	(0)	(28,559)	17,633
Other	1,559	—	(712)	—	847	—	—	(467)	—	380
Short-term liabilities to employees	**148,928**	**116,705**	**(712)**	**(161,315)**	**103,608**	**42,960**	**134,546**	**(8,001)**	**(125,303)**	**148,237**
Total	**154,298**	**121,104**	**(712)**	**(161,315)**	**113,377**	**42,960**	**134,617**	**(8,646)**	**(127,376)**	**155,359**

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

24.
Trade and other liabilities

Trade and Other Liabilities at the balance sheet date comprised:

	Note	31.12.2022	31.12.2021
Trade payables		1,488,129	581,469
Contract and refund liabilities	9.3/9.4	218,818	157,649
VAT payables		136,456	81,454
Purchase of non-financial assets		13,502	39,116
Social insurance and other tax liabilities		36,224	19,966
Witholding tax liabilities		28,638	10
Other liabilities		59,517	24,091
Total		**1,981,283**	**903,755**

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.

The significant increase in trade payables is driven mostly by the acquisition of Mall Group as described in note number 5.

24.1.
Classification as trade liabilities

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually payable within 30 days of recognition. Trade and other liabilities are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

25.
Derivative financial instruments

CLASSIFICATION AND MEASUREMENT

Derivative financial instruments designated as hedging instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their current fair value. Derivatives are only used by the Group for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classified as 'held for trading' for accounting purposes and are accounted for at fair value through profit or loss.

The effectiveness of all outstanding cash flow hedges were tested and found to be 100% effective. Therefore, all changes were recognised in Other Comprehensive Income.

When the hedged item affects profit or loss, the gain or loss relating to the effective portion of the interest rate swaps is reclassified from OCI and recognised in profit or loss, within finance cost at the same time as the interest expense on the hedged borrowings.

For cash flow hedges of a forecast transaction, which subsequently results in the recognition of a non-financial item, the carrying value of that item is adjusted for the accumulated gains or losses by direct transfer from equity ('basis adjustment in a cash flow hedge').

CASH FLOW HEDGES

The Group adopted a cash flow hedge strategy to mitigate potential adverse impacts on the Group's financial performance of changes in interest rates (swap) and changes in the exchange rates (foreign exchange derivatives). The 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 recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised in the income statement.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in equity and is recognised in the income statement when the planned transaction occurs. When a planned transaction is no longer expected to occur, the cumulative gain or loss that was recognised in other comprehensive income is transferred to the income statement.

The fair values of interest rate swaps used for cash flow hedge are disclosed in this note. Movements of the reserve capital are disclosed in the 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.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

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.

HEDGE INEFFECTIVENESS

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

The Group enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount., therefore there is a clear economic relationship between the hedged item (floating rate borrowings) and hedging instruments (IRS). The Group does not hedge 100% of its loans, therefore the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps. For each IRS separate hedging relationship is designated, with the hedge level of 100%. Sources of ineffectiveness may include changes in credit risk of the counterparty or changes in timings of cash flows. 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 the 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 2022 equals 324,402 and is presented as derivative financial asset, cash flow hedging reserve relating to interest rate cash flow hedges amounts to 242,596 and is presented net of deferred tax liability recognised in the amount of 80,961. Hedging result recognised in OCI in 2022 amounted to 249,146 and equal the change in fair value of IRS so no hedge ineffectiveness was recognised.

INTEREST RATE SWAPS

The Group has entered into several Interest Rate Swap contracts to reduce the portion of interest rate risk exposure, as all outstanding borrowings bear a floating interest rate. The contracts being open as at 31 December 2022 and at 31 December 2021 are presented in the table below.

As at 31.12.2022

Origination date	Start Date	End Date	Notional	Swap Rate
16.12.2020	30.06.2022	28.06.2024	750,000	WIBOR 3M fixed rate – 0.7075%
22.12.2020	30.06.2022	28.06.2024	1,200,000	WIBOR 3M fixed rate – 0.6225%
22.12.2020	30.06.2022	28.06.2024	800,000	WIBOR 3M fixed rate – 0.6150%
02.11.2021	31.12.2021	30.06.2024	1,375,000	WIBOR 3M fixed rate – 2.6720%
23.08.2022	28.06.2024	31.10.2025	500,000	WIBOR 3M fixed rate – 5.7720%
12.09.2022	28.06.2024	31.10.2025	500,000	WIBOR 3M fixed rate – 5.2290%

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%

In measuring the fair value of interest rate swaps, the Group uses the present value of future cash flow based on interest rate curves.

The increase of derivative financial assets balance and decrease of financial liabilities in the net amount of PLN 120,017 is driven by the upward movement in the WIBOR reference rate visible in the second part of 2021 and in 2022 that resulted in the favourable revaluation of the Group's floating to fixed interest rate swap contracts. These instruments are designated as the hedge of the future cash flow, thus the revaluation of existing contracts is recognised as a component of Other Comprehensive Income.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

CONTINGENT FX FORWARD

On 4 November 2021, Allegro 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. The acquisitions was expected to be made for a combined of EUR 881,000 being a combination of cash and shares. As Allegro.eu Group generates 100% of revenue streams in PLN, the cash component was 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 was equal to the cash component of the consideration.

On 31 March 2022 the Group settled its obligation under a Foreign Exchange Deal Contingent Forward via transferring PLN 2,221,259 in exchange for EUR 474,000. This derivative instrument was designated as a hedge of future cash flow, related to a highly probable business combination transaction. Accordingly the loss in the amount of PLN 16,827, which was recognised in OCI, was transferred, on the date of acquisition of Mall Group and WE|DO, directly from equity to goodwill, and forms a component of the purchase price paid on the acquisition of Mall Group and WE|DO completed on 1 April 2022. More information regarding the Transaction is presented in note 5.

The following table presents the balances of derivative financial instruments split between Interest Rate Swap and Contingent Forward:

	31.12.2022		31.12.2021	
Balance Sheet position	Interest Rate Swap	Contingent Forward	Interest Rate Swap	Contingent Forward
Derivative financial assets – long term	324,626	—	203,027	—
Derivative financial assets – short term	—	—	13,968	—
Derivative financial liabilities – long term	224	—	—	—
Derivative financial liabilities – short term	—	—	—	12,610
Total	**324,850**	**—**	**216,995**	**12,610**

26. Financial assets and financial liabilities

CLASSIFICATION AND MEASUREMENT

In accordance with IFRS 9 the Group classifies financial assets as: measured at fair value and measured at amortised cost. The classification is made at the moment of initial recognition and depends on the business model for managing financial assets adopted by the Group and the characteristics of contractual cash flows from these instruments.

In 2022 and 2021 all financial assets and liabilities except for derivative instruments and customers loans held at fair value, were initially recognised at fair value including transaction costs and subsequently measured at amortised cost.

The Group applies hedge accounting and classifies those financial derivatives as cash flow hedges under IFRS 9.

The Group holds the following financial instruments:

	Note	31.12.2022	31.12.2021
Financial assets at amortised cost		**2,299,876**	**3,142,360**
Consumer loans at amortised cost	18	157,540	358,785
Trade receivables and other receivables [1]	16	1,227,352	805,024
Cash and cash equivalents	19	877,559	1,957,241
Restricted cash		34,257	14,240
Investments		360	360
Other financial assets		2,808	6,710
Financial assets at fair value through profit or loss		**209,335**	**—**
Consumer loans at fair value through profit or loss	18	209,335	—
Derivative financial instruments at FVOCI		**324,626**	**216,995**
Derivative financial instruments (cash flow hedge)	25	324,626	216,995

[1] excluding tax-related settlements

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

	Note	31.12.2022	31.12.2021
Liabilities at amortised cost		**8,821,188**	**6,323,707**
Trade and other liabilities [2]	24	1,677,480	701,374
Borrowings	20	6,453,527	5,366,298
Lease liabilities (outside IFRS9 scope)	21	690,181	251,142
Liabilities related to business combination		—	4,893
Derivative financial instruments at FVOCI		**224**	**12,610**
Derivative financial instruments (cash flow hedge)	25	224	12,610

[2] 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 derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flow of modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position only if the Group has a legally enforceable title to offset the recognised amounts and intends to settle on a net basis, or realise the asset and settle the liability simultaneously.

IMPAIRMENT OF FINANCIAL ASSETS

The 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 30.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

NOTE TO THE CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

27. Equity

27.1 Share capital

The amounts in this note are provided in PLN and not in thousand PLN.

As at 31 December 2021 the Group's share capital comprised 1,023,255,814 ordinary shares with a nominal value of PLN 0.01 each and a total value of PLN 10,232,558.

On 1 April 2022 the Group issued 33,649,039 of ordinary shares upon the completion of the acquisition of Mall Group and WE|DO. That resulted in the increase of the share capital by PLN 336,490 and with the premium over the par value in the amount of PLN 1,180,744,779 allocated to share premium. See note 5 'Business combination'.

The shareholding structure as at 31 December 2022 and 31 December 2021 is presented in table below:

Name	Ultimate owner	31.12.2022 Number of Shares	31.12.2022 % of share capital	31.12.2021 Number of Shares	31.12.2021 % of share capital
Cidinan S.à r.l.	Cinven	286,778,572	27.13%	286,778,572	28.03%
Permira VI Investment Platform Limited	Permira	286,778,572	27.13%	286,778,572	28.03%
Mepinan S.à r.l.	Mid Europa Partners	63,728,574	6.03%	63,728,574	6.23%
Other Shareholders	n/a	419,619,135	39.70%	385,970,096	37.72%
Total		**1,056,904,853**	**100%**	**1,023,255,814**	**100%**

The largest individual shareholders of the Group since the Parent's inception in 2020 have been ultimately owned by the private equity funds: Cinven, Permira and Mid Europa Partners (together the "Ultimate Founding Shareholders").

As at 31 December 2022 and 31 December 2021 the Allegro.eu S.A. had no distributable earnings.

27.2 Share based payments

Number of shares granted and share price at the grant date are provided in PLN, not in thousand PLN.

ALLEGRO INCENTIVE PLAN ("AIP")

The Group adopted the Allegro Incentive Plan in 2020. The AIP is a discretionary plan under which awards in the form of performance share units ('PSUs') and restricted stock units ('RSUs') may be granted to employees of the Group at the discretion of the Remuneration and Nomination Committee of its Board of Directors.

Awards under the AIP may be granted in the form of PSUs or RSUs which give the participants a right to receive Shares without payment on completion of a service vesting period and, in the case of PSUs, subject to the satisfaction of performance conditions. The AIP rules also include flexibility for the Remuneration and Nomination Committee to grant other forms of awards. The Awards are normally granted within the six-week period after the Group announces its annual results. However, the Remuneration and Nomination Committee may grant awards outside this period at its discretion.

The service vesting condition (for RSU and PSU) and non-market performance conditions (for PSU) are reflected in the calculation of the number of awards that will vest. The Group performs the periodic reassessment of the number of awards that are expected to vest resulting in an impact on the total cost of the AIP program recognised over the vesting period. Those adjustments are mostly driven by fluctuation of the number of units granted under the AIP program, due to changes in employment.

The Group has made a judgement that the service commencement date or the grant date has not yet occurred for the subsequent awards to be granted until 2030 as the programme is discretionary and can be terminated by the Remuneration Committee.

Performance Share Units

Performance Share Units are designed for the Key Directors of the Group. The program started in April 2021 and may last until September 2030. Each year participants gain the conditional right to receive a predefined number of shares following a 3 year performance period, depending on the extent to which pre-defined cumulated GMV and Adjusted EBITDA targets are met. The final number of shares received depends on the target achievement of those KPIs and ranges from 0 % to 200 % of the conditionally granted shares. The gain for the participant depends both on the final number of shares granted and the development of the share price over the 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, in the case of leavers, each unit is capped to a maximum of one share per unit, even if the Group has over performed its PSU performance criteria.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

Restricted Stock Units

Restricted Stock Units are designed for employees other than Key Directors of the Group. The program started in April 2021 and may last until September 2030.

Restricted Stock Units are not subject to any performance conditions related to target achievement. If a holder of RSU leaves before the end of the vesting period, all shares due to vest at future vesting dates shall lapse. Recognition of the estimated cost of the program reflects the RSU Plan's vesting profile of 25%, 25%, and 50% respectively on the first, second, and third anniversaries of the grant date.

The Remuneration Committee of the Board of Directors of Allegro.eu granted Restricted Stock Units and Performance Share Units as described below:

				PSU		RSU	
Grant date	Allegro.eu share price at the grant date [not in thousand]	End of the last vesting period	vesting profile	number of shares granted	value at the grant date	number of shares granted	value at the grant date
01.04.2021	56.06	01.04.2024	25/25/50	320,870	18,474	717,027	34,870
01.10.2021	58.09	01.04.2024	25/25/50	9,835	626	21,460	1,109
01.12.2021	38.48	01.04.2024	25/25/50	—	—	13,858	690
Total 2021				**330,705**	**19,100**	**752,345**	**36,669**
11.04.2022	28.36	01.04.2025	25/25/50	742,135	15,939	2,499,820	56,273
04.03.2022	26.31	01.04.2025	monthly	—	—	427,419	10,106
05.07.2022	22.82	01.04.2024	0/100	365,562	6,326	—	—
05.07.2022	22.82	01.04.2024	25/25/50	—	—	355,336	7,339
30.09.2022	21.55	01.04.2025	25/25/50	—	—	330,525	5,875
01.10.2022	21.55	01.04.2025	25/25/50	—	—	132,041	2,365
Total 2022				**1,107,697**	**22,265**	**3,745,141**	**81,958**

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

The grant date fair value of the awards is determined based on the closing price of Allegro.eu shares listed on Warsaw Stock Exchange on the grant date.

Total PSU share based compensation to be recognised in the future periods prior to vesting, based on the outstanding 1,243,735 PSUs has been estimated at PLN 20,147 as of 31 December 2022 (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.

In the year ended 31 December 2022, PLN 13,554 of costs was recognised in relation to the PSU Plan against Other Reserves, and PLN 7,112 in 31 December 2021.

Total RSU share based compensation to be recognised in the future periods prior to vesting, based on the outstanding 3,790,445 RSUs has been estimated at PLN 49,040 as of 31 December 2022 (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 2022, PLN 44,376 was recognised under the RSU Plan against Other Reserves, and PLN 12,594 in 31 December 2021. Employees entitled to receive the share-based compensation under the RSU plan, were informed of the key terms of the RSU Plan on the date of the grants, hence the service commencement dates are the same as the actual grant dates.

In the year ended 31 December 2022, PLN 8,342 PSUs and 4,275 of RSUs were transferred from other reserves to share premium, upon the completion of the first vesting period of AIP.

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 01.01.2021	**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**
New Grants	1,107,697	3,745,141	—
Forfeited	(150,331)	(265,089)	—
Exercised	—	(336,913)	(932)
As at 31.12.2022	**1,243,735**	**3,790,445**	**—**

As of 31 December 2022 the Group was in possession of 36,392 of vested PSU units (2021: nill), which based on AIP rules, will be transferred to employees upon end of the last vesting period of specific grant.

As the Group's 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 and treated them as already granted in 2020. Taking into consideration that the number of grants is being calculated by dividing individual target values 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. The resulting adjustment to the number of grants issued was reflected in grants made for 2021. Costs of the first grant were therefore accrued from the assumed service commencement date in December 2020.

As of 31 December 2022 the total number of units awarded and still outstanding under the PSU and RSU plans was 1,243,735 and 3,790,445 respectively (2021: 286,369 and 647,306) and the total amount of the program costs recognised against Other Reserve was 67,910 (2021: 19,707).

FREE SHARES AWARDS ("FSA")

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 2022 the Group has no obligations resulting from the outstanding shares under the FSA, except for retaining 932 vested shares that the Group distributed in 2022.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

27.3 Treasury shares

Treasury shares are Group's own shares that are held by Employee Benefit Trust ('EBT') for the purpose of distributing shares to the Group's employees under the Allegro Incentive Plan (see note 27.2 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 recognised at cost on a first-in-first-out basis.

Employee Benefit Trust 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 also included in consolidation. 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 granted awards. 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 as at 31 December 2021.

In April 2022 the Group delivered 336,913 of RSUs to its employees. As a result as at 31 December 2022 the Group was in possession of 486,062 shares valued at PLN 1,200.

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.

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

28. Cash flow information

28.1. Non-cash investing and financing activities

Investing and financing transactions that do not require the use of cash or cash equivalents are as follows:

	31.12.2022	31.12.2021
Lease liabilities / Right-of-use assets	(369,047)	(199,255)
Total	**(369,047)**	**(199,255)**

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

28.2. Borrowings and leases reconciliation

This section sets out an analysis of and the movements in liabilities for borrowings, leases and derivatives for each of the periods presented.

Liabilities from financing activities	Leases	Loans	Derivative financial liabilities [1]	Total
As at 01.01.2022	(251,142)	(5,366,298)	(12,610)	(5,630,050)
Principal repaid	82,130	888,892	—	971,022
Interest paid	23,314	483,251	—	506,565
Borrowings received	—	(1,500,000)	—	(1,500,000)
Revolving facility availability fee paid	—	3,777	—	3,777
Arrangement fee paid	—	14,000	—	14,000
Settlement of hedging instruments [1]	—	—	16,827	16,827
Realised foreign exchange	—	(7,926)	—	(7,926)
Cash movements	**105,444**	**(118,006)**	**16,827**	**4,265**
Interest accrued	(23,314)	(484,957)	—	(508,271)
Revolving facility availability fee accrued	—	(4,234)	—	(4,234)
Gain/(Loss) on cash flow hedging	—	—	(4,441)	(4,441)
Additions (new leases)	(369,047)	—	—	(369,047)
Disposals	3,284	—	—	3,284
Business combination	(150,949)	(380,966)	—	(531,915)
Foreign exchange adjustment	(9,060)	—	—	(9,060)
Modification on lease contract	4,342	—	—	4,342
Remeasurement of borrowings	—	(58,156)	—	(58,156)
Valuation of borrowings	—	(43,106)	—	(43,106)
Reclassified from other financial assets	—	2,149	—	2,149
Other	260	48	—	308
Non-cash movements	**(544,483)**	**(969,223)**	**(4,441)**	**(1,518,147)**
As at 31.12.2022	(690,181)	(6,453,527)	(224)	(7,143,932)

[1] the remaining amount in the Consolidated Statement of Cash Flow represents the settlements of the hedging derivative assets

Liabilities from financing activities	Leases	Loans	Derivative financial liabilities [1]	Total
As at 01.01.2021	(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
Settlement of hedging instruments	—	—	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
Accrued arrangement fee	—	(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)
Remeasurement of borrowings	—	105,927	—	105,927
Valuation of borrowings	—	(32,145)	—	(32,145)
Other	1,313	—	8,268	9,581
Non-cash movements	**(213,921)**	**(56,036)**	**22,887**	**(247,070)**
As at 31.12.2021	(251,142)	(5,366,298)	(12,610)	(5,630,050)

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

28.3. Changes in net working capital

Changes in net working capital are set out below:

Changes in trade and other receivables and prepayments	31.12.2022	31.12.2021
Receivables and prepayments – current period balance	1,441,493	914,830
Receivables and prepayments – previous period balance	(914,830)	(682,907)
Balances acquired in business combination – XPC, SCB	—	(4,628)
Balances acquired in business combination – Mall & WE|DO	(177,651)	—
Interest rate swap receivable	(15,420)	—
Other	(13,113)	(458)
Exchange differences	(3,352)	—
Total change	**317,127**	**226,837**

Changes in inventories	31.12.2022	31.12.2021
Inventories – current period balance	496,620	43,995
Inventories – previous period balance	(43,995)	(24,619)
Balances acquired in business combination – Mall & WE|DO	(410,173)	—
Balances acquired in business combination – XPC, SCB	—	(24)
Exchange differences	(7,746)	—
Total change	**34,707**	**19,352**

Changes in consumer loans	31.12.2022	31.12.2021
Consumer loans – current period balance	366,876	358,785
Consumer loans – previous period balance	(358,785)	(51,972)
Total change	**8,091**	**306,813**

Changes in trade and other liabilities	31.12.2022	31.12.2021
Liabilities – current period balance	1,981,283	903,755
Liabilities – previous period balance	(903,755)	(557,629)
Balances acquired in business combination – Mall	(523,948)	—
Balances acquired in business combination – XPC, SCB	—	(10,087)
Change in capital expenditure liabilities	30,986	(42,929)
Other	2,288	561
Exchange differences	(9,896)	—
Total change	**576,958**	**293,671**

Changes in liabilities to employees	31.12.2022	31.12.2021
Liabilities to employees – current period balance	155,359	113,377
Liabilities to employees – previous period balance	(113,377)	(154,298)
Actuarial gain/(loss) – current period balance	322	(1,728)
Actuarial gain/(loss) – previous period balance	1,728	938
Actuarial gain/(loss) – deferred tax	—	(205)
Balances acquired in business combination – Mall	(42,960)	—
Balances acquired in business combination – XPC, SCB	—	(89)
Exchange differences	(812)	—
Total change	**259**	**(42,005)**

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

RISKS

29. Critical estimates and judgments

Preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Estimations and judgements are being constantly verified and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Based on assumptions, the Group makes estimates concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The Group assessed the impact of Covid-19 and the geopolitical situation in Ukraine on the Group's operations and on the results presented in these Consolidated Financial Statements and concluded that the potential impact is not significant. 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.

29.1. 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 or group of cash generating units which are expected to benefit from synergies achieved as a result of business combination, the CGU (or group of CGUs) can not be larger than an operating segment.

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 2022 and 31 December 2021 and also as at 30 September 2022 in reference to all cash-generating unit identified upon the acquisition of Mall Group and WE|DO.

Goodwill recognised 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 sp. z o.o., Ceneo sp. z o.o by Ceneo.pl sp. z o.o., eBilet Polska sp. z o.o., Opennet sp. z o.o., X-press Couriers sp. z o.o., SkyNet Customs Brokers sp. z o.o and acquisition of Mall Group and WE|DO as described in the note number 5.

As at 31 December 2022 the total goodwill of PLN 8,750,198 is the effect of improved competitive position, savings in operational costs and/or access to new markets that produce expected future benefits in the form of estimated cash flows attributable to the acquired entities or the new market areas that it serves. No part of the recognised goodwill will be deductible for income tax purposes.

For the purposes of impairment tests of the non-current non-financial assets the Group has identified separate cash-generating units: Allegro, Ceneo and eBilet (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 2022 and 31 December 2021.

Upon completion of the acquisition transaction described in note 5, the Group allocated acquired net assets to four cash-generating-units: Mall North, Mall South, CZC and WE|DO. Impairment testing of goodwill arising on that acquisition is performed on the level of the Mall operating segment as a whole, and was completed on 30 September 2022, due to identification of impairment indicators. Impairment indicators identified in reference to the Mall operating segment are not applicable to other CGU's identified by the Group. The results of the performed test showed a significant excess of the recoverable amount over the carrying value of tested assets, as the operations gathered in these CGU's are conducted in different business models and geographical locations.

Cash-generating units ('CGU') 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.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

Cash-generating units to which goodwill was allocated for the purpose of impairment test are presented in the table below:

Level of impairment testing	Allegro	Ceneo	eBilet	Mall			
Goodwill at the acquisition	8,178,831	441,801	48,937	2,270,275			
Goodwill as at 31 December 2021	8,178,831	441,801	48,937	n/a			
Goodwill as at 31 December 2022	8,178,831	441,801	48,937	80,629			
CGU	Allegro	Ceneo	eBilet	Mall North	Mall South	CZC	WE|DO
Reportable Segment	Allegro	Ceneo	Other	Mall			
Entities	Allegro sp. z o.o. Allegro Pay sp. z o.o. Opennet.pl sp. z o.o. SkyNet Customs Brokers sp. z o.o. Allegro Finance sp. z o.o.	Ceneo.pl sp. z o.o.	eBilet Polska sp. z o.o.	Mall Group a.s. Internet Mall a.s. Internet Mall Hungary Kft. Internet Mall Slovakia s.r.o. m-HU Internet Kft. E-commerce Holding a.s. AMG Media a.s. Ulozenka s.r.o. Digital Engines s.r.o. v likvidaci Rozbaleno.cz s.r.o. v likvidaci	Mimovrste d.o.o. Internet Mall d.o.o.	CZC.cz s.r.o.	WE|DO CZ s.r.o. WE|DO SK s.r.o.

Value in use (Allegro, Ceneo, eBilet)

The recoverable amounts on the cash-generating units other than Mall North, Mall South, CZC and WE|DO, were determined by calculating the value in use.

The calculations used the discounted cash flows before tax based on past performance and Management's expectations of market development for the following five years and including residual value. The result of each of the three cash generating units' tests showed no impairment as at 31 December 2022 and 31 December 2021.

The cash flow projections used by the Group to calculate values in use are prepared based on the financial budgets and plans approved by the Group's 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. In prior year the Group has implemented plans to improve features and value added services including proprietary financial lending to drive acquisition and customer engagement.

The projected annual growth rate of revenues and EBITDA is based on the anticipated expansion of the Polish online retail market, Allegro's increased market share, effective advertising strategies, and continued development of logistics services. Cash flows beyond the forecast period are extrapolated using the estimated growth rates, which are consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

The pre-tax discount rate reflects specific risks relating to the relevant segment and the countries in which it operates.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

The critical assumptions made when calculating recoverable amount were as follows:

Allegro	31.12.2022	31.12.2021
The average annual rate of growth of revenues during the forecast period	20.14%	24.30%
Average annual rise/(fall) in EBITDA margin during the forecast period	(0.08) ppt	0.15 ppt
Growth rate outside the forecast period (including inflation)	2.50%	2.50%
Discount rate (pre-tax)	16.65%	10.80%

Ceneo	31.12.2022	31.12.2021
The average annual rate of growth of revenues during the forecast period	15.66%	20.63%
Average annual rise/(fall) in EBITDA margin during the forecast period	(1.49) ppt	(0.69) ppt
Growth rate outside the forecast period (including inflation)	2.50%	2.50%
Discount rate (pre-tax)	16.65%	10.80%

eBilet	31.12.2022	31.12.2021
The average annual rate of growth of revenues during the forecast period	13.86%	43.46%
Average annual rise/(fall) in EBITDA margin during the forecast period	1.32 ppt	4.84 ppt
Growth rate outside the forecast period (including inflation)	2.50%	2.50%
Discount rate (pre-tax)	16.10%	11.50%

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 recognise impairment if any of the key assumptions is changed as follows:

Allegro	31.12.2022	31.12.2021
Decrease of the revenue CAGR by:	2.40 ppt	3.00 ppt
Decline in annual EBITDA margin by:	8.39 ppt	17.27 ppt
Decrease of the marginal growth rate by:	16.63 ppt	20.62 ppt
Growth in the discount pre-tax rate by:	7.83 ppt	10.36 ppt

Ceneo	31.12.2022	31.12.2021
Decrease of the revenue CAGR by:	3.13 ppt	5.25 ppt
Decline in annual EBITDA margin by:	10.50 ppt	18.15 ppt
Decrease of the marginal growth rate by:	19.76 ppt	58.80 ppt
Growth in the discount pre-tax rate by:	6.70 ppt	17.73 ppt

eBilet	31.12.2022	31.12.2021
Decrease of the revenue CAGR by:	7.38 ppt	0.80 ppt
Decline in annual EBITDA margin by:	25.53 ppt	11.00 ppt
Decrease of the marginal growth rate by:	251.1 ppt	10.90 ppt
Growth in the discount pre-tax rate by:	18.57 ppt	6.79 ppt

Management is not aware of any reasonably likely assumptions that might result in business performance outcomes similar or worse than those shown in these sensitivities for the Allegro, Ceneo and eBilet as of 31 December 2022 and as at 31 December 2021 and therefore result in a material impairment.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

Fair Value less cost to sell (Mall)

On 1 April 2022 the Group completed the acquisition transaction of Mall Group and WE|DO, described in detail in note 5. This transaction resulted in allocation of net assets acquired to of four cash generating-units: Mall North, Mall South, CZC and WE|DO, representing the smallest identifiable group of assets able to generate largely independent cash inflows. The goodwill that arose on that transaction is monitored for internal management purposes on 'Mall' operating segment level (including all four CGUs), as disclosed in note 8, and thus is tested for impairment on such aggregation level.

As at 30 September 2022, the Group identified circumstances indicating that the carrying value of acquired assets in the Mall operating segment might be impaired. Key indications of impairment included a significant and sustained increase in the cost of equity and borrowing and a serious deterioration in the economic environment which is resulting in significantly worse than expected performance of the acquired businesses. Similar e-commerce listed peers have suffered a significant and sustained deterioration in their valuations.

The Group plans to restructure Mall's business by transitioning it from a 1P to a 3P model therefore the recoverable amount of acquired assets in 'Mall' operating segment was determined based on the 'fair value less cost to sell' with application of the discounted cash flow model. As the restructuring is still in progress, the recoverable amount calculated using the value-in-use method, without including projected changes in the business, results in a lower amount. The Group is not yet committed under IAS37 to the restructuring costs and benefits thus those could not be reflected in value in use calculation. The fair value measurement is classified as level 3 of the fair value hierarchy. The measurements use cash flow projections based on financial models approved by the Board of Directors covering a ten-year cash flow recovery period, aligned with the period necessary for the completion of the restructuring of the acquired business and stabilisation of future cash flows.

The total carrying value of non-current non-financial acquired assets (including goodwill) in 'Mall' operating segment amounted to PLN 4,072,068 as at the date of the impairment test – 30 September 2022, compared to the estimated recoverable amount of PLN 1,779,068, resulting in the impairment loss of PLN 2,293,000. This impairment loss was fully allocated to Goodwill (there was no impairment loss identified at the level of each of the four CGUs before the goodwill at the group of those CGUs was tested for impairment) and was presented in Consolidated Statement of Comprehensive Income in line 'Impairment losses of non-current non-financial assets'.

As at 31 December 2022 the Group did not identify additional circumstances indicating that the carrying value of acquired assets might be further impaired. Therefore the impairment testing in reference to the group of CGUs (Mall North, Mall South, CZC and WE|DO) to which goodwill was allocated was not re-performed and will be carried in the regular annual cycles, unless the impairment indicators are identified.

The key assumptions driving the discounted cash flow model are presented in the table below:

Mall	30.09.2022
The average annual rate of growth of revenues during the forecast period [1]	7.9%
Average EBITDA margin during the forecast period	2.9 ppt
Growth rate outside the forecast period (including inflation)	2.0%
Discount rate (post-tax)	12.3%

[1] reflects the average annual growth of total revenue and the expected transformation of underlying entities from a predominant 1P to 3P model.

Sensitivity analysis of the aforesaid assumptions shows that the impairment loss recognised by the Group would (decrease)/increase, if any of the key assumptions changes as follows:

30.09.2022	Reasonably possible change in key assumptions	(Decrease)/increase of the recognised impairment loss
Average growth of Revenue:	+/- 0.25 ppt	(507,590) / 499,541
Average EBITDA margin:	+/- 1 ppt	(357,731) / 358,293
Growth rate outside the forecast period (including inflation)	+/- 1 ppt	(228,390) / 187,930
Discount rate (post-tax)	+/- 1 ppt	357,780 / (447,770)

Increase of an impairment loss would result in writing down goodwill recognised on Mall acquisition to zero, with an excess allocated to non-current non-financial assets of the Mall Segment, pro-rata.

The average annual rate of growth of revenue and EBITDA margin during the forecasted period are estimated based on the Group expectations of future market development and industry benchmarks.

Cash flows beyond the forecast period are extrapolated using the estimated growth rates, which are consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

The post-tax discount rate reflects specific risks relating to the relevant segment and the countries in which it operates.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

29.2.
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.

29.3.
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 30.2 of the additional notes and explanations.

29.4.
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 with respect to expected credit losses concerning impairment of consumer loans were presented in Note 30.2.

29.5.
Estimates of fair value of intangible assets at the acquisition date

The Group made critical estimations with respect to the measurement of intangible assets acquired as part of a business combination on 1 April 2022, which comprised of trademarks, domains, computer software and customer relationships. The valuation of the acquired assets was made from the perspective of a strategic investor.

The fair value of the trademarks and domains was estimated using the Royalty Relief Method, with application of approximately 0.9% royalty rate for Mall Group and 1.5% for WE|DO based on comparable agreements. The Royalty Relief Method focuses on determining the hypothetical license fee with which the Group would be charged for using the trademark had the Group not become its owner. The Group used a 3-year horizon to value the Mall trademark and internet domains. In several industries, including telecom, insurance, banking, and energy, rebranding is often a crucial component of short-term strategy, as strategic buyers typically have their own established brands, thus the assumptions about the rebranding after 3 years was judged by the Management to be assumptions that market participants would use when pricing this type asset.

The fair value of internally developed software was estimated using replacement cost adjusted for depreciation. The replacement cost was calculated as the theoretical cost of current labour and materials necessary for constructing or acquiring a new asset of similar utility to the subject asset.

The fair value of the customer relationships was estimated using the multi-period excess earnings (MPEE) method. The MPEE valuation was performed based on the revenue and costs expected to be generated in the future by the acquired business in a 20 years horizon. The valuation period was determined based on historical information and industry benchmarks. Future cash flows were estimated on the basis of the number of active buyers who make regular purchases on websites operated by Mall Group. It was adjusted by expected attrition of active buyers, calculated based on the historical information of each acquired business. Churn rate amounting to 1.5% (from year 2 onwards), was used in the valuation of main acquired business.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

The table below summarise the impact of the increase/decrease of all key assumptions used in the valuation process of acquired business:

	Change in attrition rate by:			
Customer relationship	-0.75 pp	-0.25 pp	0.25pp	0.75pp
Increase/(decrease) of fair value	371,424	92,856	(139,284)	(324,996)

	Change in discount rate rate by:			
Customer relationship	-2 pp	-1 pp	1 pp	2 pp
Increase/(decrease) of fair value	371,424	139,284	(185,712)	(278,568)

	Change in EBITDA by:			
Customer relationship	-6 pp	-3 pp	3 pp	6 pp
Increase/(decrease) of fair value	(185,712)	(46,428)	92,856	139,284

	Change in EBITDA margin by:			
Customer relationship	-2 pp	-1 pp	1 pp	2 pp
Increase/(decrease) of fair value	(324,996)	(185,712)	139,284	278,568

	Change in length of valuation horizon by:			
Trademark / Domains	-2 years	-1 year	1 year	2 years
Increase/(decrease) of fair value	(59,157)	(30,053)	30,402	58,379

	Change in discount rate by:			
Trademark / Domains	-1.5 pp	-0.5 pp	0.5 pp	1.5 pp
Increase/(decrease) of fair value	6,901	2,297	(2,140)	(6,275)

	Change in royalty rate by:			
Trademark / Domains	-1 pp	-0.5 pp	0.5 pp	1 pp
Increase/(decrease) of fair value	(76,530)	(38,243)	38,289	76,623

29.6. Amortisation of intangible assets

Amortisation and depreciation are determined based on the expected economic useful lives of intangible assets. Every year the Group verifies the adopted economic useful lives on the basis of current estimates. In the event of a change to the economic useful life of an asset, its effect is recognised as the effect of a change in accounting estimates.

Sensitivity analysis of amortisation of significant intangible assets is presented below:

Amortisation period sensitivity analysis of significant intangibles assets	**period change: shorter by 5 years**	**period change: longer by 5 years**
Customer relationships	(64,599)	38,759
Trademarks and domains	(153,202)	57,432
Software	(335,414)	81,292
(increase)/decrease in amortisation charge	**(553,215)**	**177,483**

In 2022 the Group reviewed its amortisation rates and concluded there are no changes to the previous estimates of the economic useful lives of its assets.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

29.7. Estimates related to UOKiK proceedings

In December 2022, the Group received an unfavourable decision from the UOKiK (Office of Competition and Consumer Protection) in relation to antitrust proceedings. The UOKiK alleged that the Group abused its dominant position by favouring its own sales activity on the platform and imposed a fine in the amount of PLN 206,169.

The Group has assessed that the UOKiK's decision should not be upheld in court, thus no provision is recognised in this respect.

Note 32 describes all pending UOKiK proceedings assessing the likelihood of the fine being imposed to be not probable.

29.8. Effects of climate-related matters on financial statements

The climate and environmental risks are subject to risk management and the Risk Management Policy. The role of the Board of Directors is to supervise corporate risk, define the scope of risk management, define directions for the development of the risk management system, and determine risk appetite levels.

The Group analysed potential impact of the climate-related matters, especially on accounting estimates such as calculating recoverable amounts of fixed assets, accounts receivables as well as calculating carrying amount of consumer loans on reporting, and concluded that the climate-related matters do not affect these Consolidated Financial Statements.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

30. Financial risk management

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance.

Risk	Exposure arising from	Measurement	Management
Market risk – interest rate	Long-term borrowings at floating rate Cash deposits – fixed rate Consumer loans – fixed rate	Sensitivity analysis	Interest rate swaps, offsetting cash deposits
Market risk – foreign exchange	Future commercial transactions Recognised financial assets liabilities not denominated in the functional currency of group entities	Cash flow forecasting Sensitivity analysis	Not hedged
Credit risk	Cash and cash equivalents Receivables Consumer loans	Credit ratings 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 Signed consumer loans repurchase agreement

30.1. Market risk

RISK OF CHANGES IN CASH FLOWS RESULTING FROM INTEREST RATE CHANGES

The Group has an exposure to interest rate risk arising on changes in interest rates in relation to borrowings, interest rate swaps and consumer loans.

Borrowings with floating interest rates expose the Group to the risk of changes in cash flows. The Group dynamically assesses its exposure to interest rate change risk. That risk is partially mitigated by short-term cash deposits and by interest rate swap contracts ("IRS").

The consumer loans with maturity more than 30 days are all at fixed rate thus exposing the Group to the fair value risk which is reflected in the impact on profit/loss as these loans are measured at fair value through profit or loss. The loans with maturity below 30 days are interest free and measured at amortised cost thus change in the market interest rates does not affect the measurement of those loan receivables.

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. The future interest payments of the borrowings in the carrying value of PLN 6,453,527 are exposed to the changes in the future loan margin as explained in Note 20. As at 31 December 2022 the Group had 63% of notional value of borrowings covered by the hedging instruments compared to 53% for the comparative period, with the whole amount of borrowings bearing variable interest rate.

Warsaw Interbank Offered Rate (WIBOR) is expected to be fully replaced in 2025. The details regarding the replacement of the old benchmark to the new WIRON rate will be published in 2023, in the form of the Regulation of the Minister of Finance.

The Regulation will define the adjustment spread and the date from which the replacement applies. As per the Roadmap, the publication of old WIBOR rates will cease in 2025. The Group has a number of contracts which reference WIBOR; these contracts are disclosed within the table below.

To account for replacement of WIBOR with the alternative benchmark rate, the Group has applied Phase 1 and will apply the Phase 2 of the amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest rate benchmark (IBOR) reform if the new basis for determining the contractual cash flows will be economically equivalent to the previous basis.

The following financial assets and financial liabilities may be impacted by the reform:

	Note	31.12.2022	31.12.2021
Carrying value of WIBOR-based liabilities		**6,453,751**	**5,366,298**
Borrowings – short term	20	1,706	3,316
Borrowings – long term	20	6,451,821	5,362,982
Derivative financial instruments (cash flow hedge)	25	224	—
Carrying value of WIBOR-based assets		**324,626**	**216,995**
Derivative financial instruments (cash flow hedge)	25	324,626	216,995

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

Sensitivity

The Group assesses its exposure to floating interest rate risk and estimates that if the interest rate changes by 0.5 p.p., its financial costs in respect of interest will rise/(fall) by approx. PLN 32,808 annually and the settlement of the floating interest swap contracts, by PLN 20,682 annually. For sensitivity calculation prepared as of 31 December 2022, the Group assumed the change in the interest rate of 0,5 ppt (compared to 0,1 ppt) due to dynamic changes in the Group's macroeconomic environment visible across the entire reporting period.

	Interest rate change impact on profit/(loss) as at 31.12.2022					
change in interest rate (ppt)	-2	-1	-0.5	0.5	1	2
Interest cost	131,233	65,616	32,808	(32,808)	(65,616)	(131,233)
Interest rate swap result	(82,726)	(41,363)	(20,682)	20,682	41,363	82,726
increase/(decrease) in interest expense	**48,507**	**24,253**	**12,126**	**(12,126)**	**(24,253)**	**(48,507)**
Impact on other components of equity	(84,749)	(42,374)	(21,187)	21,187	42,374	84,749
increase/(decrease) on other components of equity	**(84,749)**	**(42,374)**	**(21,187)**	**21,187**	**42,374**	**84,749**

	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 result	(8,710)	(5,807)	(2,903)	2,903	5,807	8,710
increase/(decrease) in interest expense	**7,790**	**5,193**	**2,597**	**(2,597)**	**(5,193)**	**(7,790)**

Fixed rate borrowings 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 the functional currency of each of the Group's entities. The group's exposure to foreign currency risk at the end of the reporting period, expressed in Polish Zloty (translated from EUR), was as follows:

	31.12.2022	31.12.2021
Lease liabilities	565,210	200,284
Derivative financial liabilities (FX hedge)	—	12,610
Increase/(decrease) in interest expense	**565,210**	**212,894**

The aggregate net foreign exchange gains/losses recognised in profit or loss were:

	01.01-31.12.2022	01.01-31.12.2021
Exchange gains/(losses) on foreign currency included in net financial costs	6,113	509
Net foreign exchange gain/(loss) included in other comprehensive income	—	12,610
Total net foreign exchange/(losses) recognised in profit before income tax	**6,113**	**13,119**

The Group operates internationally and is exposed to foreign exchange risk, primarily EUR. The sensitivity of profit or loss to changes in the exchange rates arises mainly from EUR-denominated lease agreements. In 2022 the changes in foreign currencies did not have an impact on other components of equity as the FX hedge described in note 25 was settled in 2022 upon completion of the acquisition transaction described in note 5. The decrease/increase of EUR against the functional currencies of companies by 5% would result in recognition of PLN 28,268 gain or PLN 28,268 loss respectively.

Fair value risk

The Group is exposed to fair value risk related to interest rates associated with consumer loans measured at fair value through profit and loss ('FVTPL'). However, since consumer loans typically have a short-term nature, any fair value changes are likely to be limited and not have a significant impact on the overall financial position of the Group. The Group regularly monitors the fair value of its consumer loan portfolios and manages any potential risks that may arise.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

30.2. Credit risk

Risk management

Financial assets representing the highest exposure to credit risk are cash and cash equivalents, trade receivables, consumer loans and derivative financial assets. To mitigate that risk, the Group uses detailed seller (customer) verification and monitoring procedures. The Group uses professional debt collection companies or engages in debt collection procedures on its own account. The Group's receivables comprise amounts due from individuals and businesses. The receivables have low concentration. Surplus cash is deposited by the Group at banks as on-demand deposits or as fixed-term deposits.

Impairment of financial assets

The Group has four types of financial assets that are subject to the expected credit loss model:

- trade receivables
- consumer loans at amortised cost
- cash and cash equivalents
- derivative financial assets

	31.12.2022	31.12.2021
Impairment of receivables	60,262	60,721
Impairment of consumer loans	6,733	5,950
Net impairment losses on financial assets	**66,995**	**66,671**

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 2022 and 31 December 2021 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.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

On that basis, the loss allowance as at 31 December 2022 and 31 December 2021 was determined as follows for both trade receivables and contract assets:

Aging of receivables as at 31.12.2022		Current	Overdue less than 3 months	Overdue 3 to 12 months	Overdue 1 to 3 years	Total trade receivables, net
Polish operations	Business	838,514	74,357	4,311	1,460	**918,642**
	Individuals	8,604	2,885	702	300	**12,491**
International	Business	81,011	46,000	400	279	**127,692**
	Individuals	29,386	11,431	10	—	**40,826**

Aging of receivables as at 31.12.2021		Current	Overdue less than 3 months	Overdue 3 to 12 months	Overdue 1 to 3 years	Total trade receivables, net
Polish operations	Business	679,351	52,535	5,470	1,510	**738,866**
	Individuals	9,113	3,187	929	368	**13,597**

Aging of receivables as at 31.12.2022			Current	Overdue less than 3 months	Overdue 3 to 12 months	Overdue 1 to 3 years	Total trade receivables, net
Trade receivables, gross	Polish operations	Business	847,133	77,606	34,293	59,783	**1,018,815**
		Individuals	8,862	3,103	3,530	6,090	**21,585**
	International	Business	81,011	46,575	1,373	5,408	**134,367**
		Individuals	29,387	12,214	200	23	**41,824**
Impairment of trade receivables	Polish operations	Business	(8,619)	(3,248)	(29,982)	(58,323)	**(100,172)**
		Individuals	(258)	(218)	(2,828)	(5,790)	**(9,094)**
	International	Business	—	(575)	(973)	(5,129)	**(6,677)**
		Individuals	(1)	(784)	(191)	(23)	**(999)**
Probability of default ratio	Polish operations	Business	1%	4%	87%	98%	
		Individuals	3%	7%	80%	95%	
	International	Business	0%	1%	71%	95%	
		Individuals	0%	6%	95%	100%	
Trade receivables, net	Polish operations	Business	838,514	74,357	4,311	1,460	**918,642**
		Individuals	8,604	2,885	702	300	**12,491**
	International	Business	81,011	46,000	400	279	**127,690**
		Individuals	29,386	11,431	10	—	**40,827**

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

Aging of receivables as at 31.12.2021			Current	Overdue less than 3 months	Overdue 3 to 12 months	Overdue 1 to 3 years	Total trade receivables, net
Trade receivables, gross	Polish operations	Business	687,605	56,632	43,777	32,633	**820,647**
		Individuals	9,526	3,805	5,307	8,639	**27,277**
Impairment of trade receivables	Polish operations	Business	(8,254)	(4,097)	(38,307)	(31,123)	**(81,782)**
		Individuals	(413)	(618)	(4,378)	(8,271)	**(13,680)**
Probability of default ratio	Polish operations	Business	1%	7%	88%	95%	
		Individuals	4%	16%	82%	96%	
Trade receivables, net	Polish operations	Business	679,351	52,535	5,470	1,510	**738,866**
		Individuals	9,113	3,187	929	368	**13,597**

Carrying amount of the trade and other receivables balance represents the maximum exposure to the credit risk.

There are no significant concentrations of credit risk through exposure to individual customers, or specific industry sectors. After the acquisition of Mall Group and WE|DO more than 80% of the Group trade and other receivables balance is generated on the territory of Poland and due in Polish zloty with the remainder including receivables mainly generated in Czech Republic and Slovenia denominated in Czech Crowns or Euros.

Cash and cash equivalents

Cash and cash equivalents are subject to the impairment requirements of IFRS 9. The identified impairment loss was immaterial.

A loss allowance in relation to cash and cash equivalents is determined individually for each balance with a given financial institution. In order to assess credit risk, external credit ratings and publicly available information on default rates for a given rating of S&P Global Ratings rating agency 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 2022, the Group held its funds in individual banks with the following ratings:

	31.12.2022	31.12.2021
A+	9%	—
A	2%	37%
A-	1%	8%
BBB+	18%	2%
BBB	63%	53%
BBB-	2%	—
without quoted rating	5%	—
	100%	100%

There is a concentration of credit risk, five major banks in which the Group holds its cash and cash equivalents represent 51%, 18%, 10%, 6% and 4% of total balance as at 31 December 2022 respectively (as at 31 December 2021: 53%,22%,15%) .

All derivative contracts were concluded with the banks in which the Group holds no material cash and cash equivalent balance. The Group used ratings of S&P Global Ratings agency.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

Consumer loans at amortised cost

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 recognition of 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.

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).

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. Characterised by the absence of collateral, consumer loans are considered unsecured.

There is no concentration of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

Quality of the portfolio covered by the rating model:

Exposure credit risk by ratings as at 31.12.2022	Consumer loans, gross	Impairment of consumer loans	Consumer loans, net
A	15,530	(15)	15,514
B	32,374	(57)	32,317
C	30,833	(110)	30,723
D	26,914	(142)	26,771
E	19,686	(184)	19,502
F	13,560	(212)	13,348
G	8,607	(227)	8,381
H	18,647	(7,664)	10,983
Consumer loans at amortised cost as at 31.12.2022	166,151	(8,611)	157,540

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 at amortised cost as at 31.12.2021	365,101	(6,316)	358,785

The vast majority of the consumer loans as at 31 December 2022 and 31 December 2021 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.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

Derivative financial assets

The loss allowances for derivative financial assets are based on the potential default of the counterparty providing derivative financial instrument. The Group verifies the ratings of counterparties and as at 31 December 2022, the Group held 54.6%, 25.3% and 20.1% of all its derivatives in banks with the ratings of A, A+, A+ respectively (as at 31 December 2021: 56.6%, 23.8%, 19.6% in banks with ratings A, A+, A+ respectively and derivative financial liabilities in bank with rating BBB –). All derivative contracts were concluded with the banks in which the Group holds no material cash and cash equivalent balance.

30.3. Liquidity risk

Operations are financed from the Group's own resources. The cash retained on bank accounts make it possible for the Group to settle its obligations as they arise in a timely manner.

As at 31 December 2022, the Group's outstanding bank borrowings amounted to PLN 6,500,000 (in nominal amounts) and increased during the year by PLN 1,000,000 (in nominal amounts), due to the completions of acquisition transaction of Mall Group and WE|DO (note 5). Considering:

- the generation of positive cash flows from operating activities,
- the long-term nature of borrowings,
- the balance of cash held, together with secured access to revolving credit facilities,
- the current and long-term cash flow analysis.

the Management believes liquidity risk to be minimal for the Group during the next 12 months.

Moreover, as at 31 December 2022, the Group had an access to an undrawn revolving borrowing facility of PLN 500,000.

Liabilities by maturity, based on undiscounted contractual payments

31.12.2022	Trade and refund liabilities	Loans	Interest on loans	Lease liability	Derivative financial liabilities	Total
Less than 3 months	1,530,932	—	154,438	38,178	—	1,723,549
3 to 12 months	—	—	453,616	121,119	—	574,735
1 to 5 years	—	6,500,000	1,021,718	574,500	224	8,096,443
More than 5 years	—	—	—	85,114	—	85,114
Total	**1,530,932**	**6,500,000**	**1,629,772**	**818,911**	**224**	**10,479,840**

31.12.2021	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**

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

31.
Capital management

The Group defines its capital as the equity from the consolidated statement of financial position.

The main purpose of capital management is to ensure the Group's ability to continue as a going concern and to maintain safe capital ratios that would optimally support the operations of the Group and increase its shareholder value, bringing shareholders return on their investment, 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 current borrowings agreements signed, the Group shall ensure total net leverage in respect of any relevant period ending on test date on or after the first test date, shall not exceed a ratio indicated in the agreement. Leverage is defined as net debt divided by Adjusted EBITDA for the preceding twelve months ('LTM'). As at 31 December 2022 and 31 December 2021 the Group did not violate any of the covenants indicated in the agreement.

In 2022 leverage has increased significantly due to the completion of the acquisition transaction of Mall Group and WE|DO that required the Group to obtain the additional debt funding (further information in note 5).

Moreover as at 30 September 2022 the Group recognised a non-cash impairment loss in the amount of PLN 2,293,000 that lower the equity and further increased net debt ratio.

The Group is expecting gradual deleveraging in the upcoming periods that should in turn translate into lowering the leverage and debt to equity ratio.

As at 31 December 2022 and 31 December 2021 the Group met its capital management objectives. The net leverage and gearing ratios at 31 December 2022 and 31 December 2021 were as follows:

	Note	31.12.2022	31.12.2021
LTM Adjusted EBITDA Polish Operations		2,309,439	2,068,482
LTM Adjusted EBITDA Mall Segment		(156,782)	N/A
Adjusted EBITDA LTM	**8.2**	**2,152,657**	**2,068,482**
Borrowings	20	(6,453,527)	(5,366,298)
Lease liabilities	14.1	(690,181)	(251,142)
Cash and cash equivalents	19	877,559	1,957,241
Net debt		**(6,266,149)**	**(3,660,199)**
Net leverage		2,91 x	1,77 x
Equity		8,981,259	9,454,065
Net debt to Equity		69.8%	38.7%

UNRECOGNISED ITEMS

32.
CONTINGENT LIABILITIES

32.1
Guarantees granted to non-Group entities

The Group had guarantees in the total amount of PLN 70,868 at the end of 31 December 2022 and PLN 3,738 at the end of 31 December 2021. These guarantees secure lease agreements and timely payment for goods or services.

32.2
Legal proceedings

The President of the Office of Competition and Consumer Protection (the 'UOKiK President') is conducting several separate proceeding concerning Allegro as at the date of these financial statements as described below:

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

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

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

According to the UOKiK President, the practice has been in place since May 2015 and may still be on at the time of issuing the decision The decision ends the antitrust proceedings regarding the potential abuse of a dominant position initiated in December 2019.

Allegro does not agree with the decision and appealed it to the court of first instance. Allegro remains of the opinion that the UOKiK President defined the market too narrowly, Allegro does not hold a dominant position and it did not favour 1P in any anticompetitive way. The judgement of the court of first instance may be appealed to the Court of Appeal ultimately to the Supreme Court. Courts may uphold or annul the decision or significantly decrease the fine. The fine, if sustained, becomes due and payable only upon ruling of the Court of Appeal.

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

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

On 29 December 2022 the UOKiK issued a decision stating that modification clauses used in (i) Allegro terms and conditions until 22 December 2022 and in (ii) Smart! terms and conditions until 21 November 2022 constitute unfair contract terms and can no longer be used towards consumers. The fine imposed on Allegro amounted to PLN 1,221 for the clause in Allegro terms and conditions and PLN 2,748 for the clause included in Smart! terms and conditions. Also, the UOKiK obliged Allegro to inform consumers about the decision on Allegro's website and its Facebook profile.

Allegro did not agree with the decision and appealed it to the court of first instance. Allegro remains of the opinion that its modification clauses were not unfair and the fine imposed by the UOKiK President was too high (it did not take into account important mitigating circumstances). The judgement of the court of first instance may be appealed to the Court of Appeal and ultimately to the Supreme Court. Courts may uphold or annul the decision or significantly decrease the fine. The fine, if sustained, becomes due and payable only upon ruling of the Court of Appeal.

According to the Company's Management view supported by external counsel opinion, having the fines decreased by almost half is more probable than having the fines annulled in full. A provision reflecting the more probable scenario has therefore been created in December 2022.

LEGAL DISPUTES RELATING TO THE MINORITY STAKE OF SHARES IN EBILET

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

The Claimant has filed against Bola, individuals associated with Bola and Allegro two lawsuits, i.e. one with the Regional Court in Poznań and one with the Regional Court in Warsaw demanding annulment of agreements concerning the purchase of shares in eBilet Polska concluded between Bola, individuals associated with Bola and Allegro. The lawsuit filed in Poznań court has been rejected and the decision is now final and binding. The case in Warsaw is pending. In the course of these proceedings the court issued an interim injunction under which it prohibited Allegro to transfer shares in eBilet Polska until the conclusion of the dispute. This decision is not final yet. Based on information available to the Group and based on the assessment of the Group's legal advisor as of the date of this Consolidated Financial Statements, the Group has no reason to believe that the outcome of the case in question would have a material impact on the Group.

EXPLANATORY PROCEEDINGS RELATED TO THE COOPERATION BETWEEN ALLEGRO AND SELLERS

On 3 September 2020, the UOKiK President stated in a press release that he initiated explanatory proceedings into Allegro's rules of cooperation with sellers in order to determine whether Allegro gains unjustified advantages at the expense of its clients. According to this press release, the UOKiK President will analyse 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 analyse 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's rules of cooperation with sellers. In October 2020 Allegro received questions related to the above mentioned matter. Allegro 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. If the UOKiK President decides to pursue the matters covered by these explanatory proceedings, he must open antitrust proceedings against Allegro. If the UOKiK President decides that Allegro's behaviour 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's turnover in the financial year preceding the infringement decision, for each infringement. If during the course of the investigation Allegro 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.

CONSUMERS' PROTECTION PROCEEDINGS AGAINST EBILET RELATED TO PROCEDURE OF TICKETS RETURNS DURING COVID-19 PANDEMIC

This proceeding is a continuation of a previously conducted explanatory proceedings regarding eBilet's procedure of money refund for events cancelled due to the COVID-19 pandemic launched on 22 February 2021. eBilet answered questions asked by the UOKiK President and provided legal arguments that Covid-19 legislation should apply also in this case to the UOKiK President. If the UOKiK President is satisfied with eBilet's responses, the proceedings will end without further actions. If not, the UOKiK 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 eBilet's turnover in the financial year preceding the decision. The UOKiK President may also order the effects of the infringement to be remedied (e.g. obligation to compensate affected consumers). It is probable that the fine might be imposed on eBilet, however at this stage it is a difficult to assess its potential amount. For these reasons no provision has been created.

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 received a request to provide information on the above-mentioned matters.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

These explanatory proceedings are a preliminary step that does not have to lead to the initiation of formal proceedings against Allegro. 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 (the scope of the explanatory proceedings does not indicate a precise charge).

If the UOKiK President decides that Allegro's behaviour 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's turnover in the financial year preceding the infringement decision, for each infringement. If, during the course of the investigation, Allegro 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.

EXPLANATORY PROCEEDINGS RELATED TO THE RULES OF LEASE OF PROPERTY FOR THE INSTALLATION OF PARCEL LOCKERS

On 6 July 2022 Allegro received questions from the UOKiK President in the explanatory proceedings related to unfair non-competition clauses included in the lease agreement concluded for the purpose of installation of parcel lockers. The UOKiK President is analysing whether the rules being in place may infringe competition law. These explanatory proceedings are a preliminary step that does not have to lead to the initiation of formal proceedings against any company. If the UOKiK President decides to pursue the matters covered by the explanatory proceedings, the antimonopoly proceedings against specific company or companies must be opened (the scope of the explanatory proceedings does not indicate a precise charge).

EXPLANATORY PROCEEDINGS RELATED TO ALLEGRO ONE MARKETING

On 28 October 2022 Allegro received a decision to launch an explanatory proceedings and questions from the UOKiK regarding the marketing claims of Allegro's logistic service Allegro One. The UOKiK is trying to establish whether a violation of collective consumers' interest may have taken place. Since the year end, on 7 February 2023, the UOKiK asked Allegro several questions on the same matter in an informal request to provide information on how ecological aspects are being used by Allegro to promote its parcel locker services. The UOKiK did not regard Allegro's explanations as sufficiently backing the claims within the marketing strategy and is now investigating further. These explanatory proceedings are a preliminary step that does not have to lead to the initiation of formal proceedings against Allegro. If the UOKiK President decides to pursue the matters covered by the explanatory proceedings, he must open proceedings regarding the violation of collective consumer interests against Allegro (the scope of the explanatory proceedings does not indicate a precise charge).

EXPLANATORY PROCEEDINGS RELATED TO PLANNED INTRODUCTION OF THE INDEXATION CLAUSE TO SMART! TERMS & CONDITIONS

On 22th November 2022 Allegro received a decision to launch explanatory proceedings and questions from the UOKiK President regarding the planned introduction of the indexation clause to Smart! Terms & Conditions. The UOKiK President is analyzing whether a violation of collective consumers' interest or use of abusive clauses in contracts with consumers may have taken place. Although Allegro planned to introduce the indexation clause to Smart! Terms & Conditions on 21st November 2022, it resigned from it on 17th of November 2022, which was widely communicated via e-mails to Smart! subscribers and on allegro.pl website. Accordingly, the indexation clause was not introduced to any contract with a consumer. These explanatory proceedings are a preliminary step that does not have to lead to the initiation of formal proceedings against Allegro.

If the UOKiK President decides to pursue the matter covered by the explanatory proceedings, he must open proceedings regarding the violation of collective consumer interests and/ or usage of abusive clauses against Allegro (the scope of the explanatory proceedings does not indicate a precise charge). As of the date of the Report, Allegro did not receive further communication from the UOKiK in this case.

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.

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

Proceedings that occurred subsequent to 31 December 2022, but before the publication date of these Consolidated Financial Statements are described in note 35 'Events occurring after the reporting period'.

32.3 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.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

33. Assets pledged as security

After the Group concluded a Senior Facilities Agreement on 29 September 2020, pledges and security interest were determined as the following:

- share pledge on the shares of Allegro and Ceneo.pl represented in the consolidated financial statements as net assets in the amount of PLN 9,527,412;
- registered pledge granted by Allego and Ceneo.pl over key trademarks owned by Allegro and Ceneo.pl, together with a Polish law power of attorney in respect of the Allegro.pl and Ceneo.pl key web domain in amount of PLN 914,720 (included in the net assets above);
- a Polish law submission to enforcement by each of Allegro and Ceneo.pl and Allegro.eu.

34. Commitments

34.1 Capital commitments

INTANGIBLE ASSETS

As at 31 December 2022, the Group's future contractual commitments for expenditure on intangible assets not recognised in the statement of financial position amounted to PLN 95,901 and were mainly related to software development. Contractual commitments as at 31 December 2021 amounted to PLN 141,377.

RIGHT-OF-USE ASSETS

In 2022 the Group entered into various lease agreements for warehouse and land which have not been recognised yet as lease liabilities as the relevant properties are either still under construction or undergoing fit-out. The expected total commitment for future lease payments related to these future right-of-use assets is at PLN 22,750 (31 December 2021: 266,283).

35. Events occurring after the reporting year

NEW INTEREST RATE SWAP CONTRACT ("IRS")

On 10 January 2023 the Group entered into floating to fixed interest rate swap contract in respect of PLN 500,000 of the Group's borrowings, hedging the fixed interest rate of 4.715%. The hedge is effective from 30 June 2024 and terminates on 31 October 2025.

Moreover, on 14 March 2023 the Group entered into floating to fixed interest rate swap contract in respect of PLN 500,000 of the Group's borrowings, hedging the fixed interest rate of 4.767%. The hedge is effective from 30 June 2024 and terminates on 31 October 2025.

EXPLANATORY PROCEEDINGS RELATED TO ALLEGRO PAY

On 27 January 2023 Allegro Pay received a decision to launch explanatory proceedings along with questions from the UOKiK President regarding the conditions for granting consumer loans as well as the testing which pertained to the removal of card payment from Allegro Pay repayment methods. The proceedings are aimed at investigating whether Allegro Pay's actions or terms and conditions might have infringed collective consumers' interest or contain unfair contract terms. These explanatory proceedings are a preliminary step that does not have to lead to the initiation of formal proceedings against Allegro Pay. If the UOKiK President decides to pursue the matter covered by the explanatory proceedings, he must open proceedings regarding the violation of collective consumer interests and/or usage of abusive clauses (the scope of the explanatory proceedings does not indicate a precise charge). As of the date of the Report, Allegro Pay did not receive further communication from the UOKiK in this case.

EXPLANATORY PROCEEDINGS RELATED TO EBILET

On 9 March 2023 eBilet received a decision of the President of the UOKiK instigating the proceedings for the breach of collective consumers interests against eBilet followed by the request for information.

The charges of the President of the UOKIK relate to providing misleading information to consumers about the lowest price of a ticket on eBilet website that does not include additional (and according to the UOKIK – obligatory) fees. The decision to instigate the proceedings was preceded by informal requests for information from the President of the UOKIK in 2022 to which eBilet replied and, as a result of which, an additional note next to the ticket price informing that additional fee may apply was added. eBilet is analysing the decision and preparing answers to the questions asked by the UOKIK.

If the UOKIK President is satisfied with eBilet's responses, the proceedings will end without further actions. If not, the UOKIK will issue an infringement decision, with or without a fine. If a fine was 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 decision. The UOKIK President may also order the effects of the infringement to be remedied (e.g. obligation to compensate affected consumers). As of the date of the Report it is difficult to assess the potential outcome of the proceedings.

Based on information available to the Group and based on the assessment of the Group's legal advisor as of the date of this Report, the Group has no reason to believe that the outcome of the case in question would have a material impact on the Group.

ALLEGRO SHARE BUYBACK PROGRAM

On 21 February 2023 the Group made an announcement that it would be launching a share buyback program in order to satisfy the awards granted under the Allegro Incentive Program. On 27 February 2023, the Group completed the share buyback program, resulting in the purchase of 725,000 shares valued at PLN 20,056. These shares will be held as Treasury Shares until delivered to employees participating in the Allegro Incentive Program.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

OTHER INFORMATION

36. 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.

The Group made the following related party transactions in the period ended 31 December 2022 and 31 December 2021:

	01.01 – 31.12.2022				As at 31.12.2022		
Related party	Revenues	Expenses	Financial income	Financial costs	Receivables	Payables	Loans granted
Associates:							
Polskie Badania Internetu sp. z o.o.	—	273	—	—	—	—	—
Fundacja Allegro All For Planet	109	1,600	—	—	—	—	—
Other:							
Business Office Services.	—	576	—	—	—	—	—
Alter Domus Luxembourg S.à r.l.	—	957	—	—	—	168	—
Culture Amp LTD	—	182	—	—	—	—	—
Total	**109**	**3,588**	**—**	**—**	**—**	**168**	**—**

	01.01 – 31.12.2021				As at 31.12.2021		
Related party	Revenues	Expenses	Financial income	Financial costs	Receivables	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**	**—**

37. Employment

The table below shows the number of employees as at the reporting date ended 31 December 2022 and 31 December 2021:

	31.12.2022	31.12.2021
Contract of employment	5,930	3,613
Contractors (B2B), work agencies & outsourced service	1,910	1,235
Total	**7,840**	**4,848**

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.

38. Emoluments of the management

Emoluments of the key management of the Group entities comprised:

	31.12.2022	31.12.2021
Short-term employee benefits	24,574	17,341
Share-based payment	13,752	5,699
Total	**38,326**	**23,040**

Total emoluments of the Group's Key Management include remuneration, benefits, severance costs, signing bonuses and the cost of the Allegro Incentive Program. Key Management of the Group comprises Board Members of the Parent and Board Members of the main operating company, Allegro.

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 27.2.

39. Audit fee

The table below presents the net fees audit due for the reporting period ended on 31 December 2022 and on 31 December 2021 by type of service provided towards the Group by PricewaterhouseCoopers, Société coopérative Luxembourg and entities from PwC Network.

	31.12.2022	31.12.2021
Statutory annual audit	4,251	1,559
Quarterly reviews	552	546
Other	40	—
Total	**4,843**	**2,105**

The above services are considered permissible under relevant EU, Luxembourg, Polish, Czech Republic and Slovenia independence regulations. PwC confirmed independence to the Audit Committee during the 2022 audit and at the closing meeting on 28 March 2023. The non-audit services in 2022 and 2021 relate to the reviews of the Interim Condensed Consolidated Financial Statements and for the support in vendor screening. These matters were a subject to the approval of the Audit Committee.

This pdf document is not the binding version of the annual financial reporting of the Allegro.eu Group. The official version of the Annual Report of Allegro.eu Group, containing the audited Consolidated Financial Statements and the auditor's report thereto are included in the report package which can be found on the Allegro.eu website. In any case of discrepancies between the following version and the report package, the report package prevails.