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# HALF-YEAR REPORT OF ALLEGRO.EU GROUP

for the three and six month periods ended 30 June 2021

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I.

# GENERAL INFORMATION

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# 1.
# Definitions

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

| | |
|---|---|
| "1P" | First-party. |
| "3P" | Third-party. |
| "AIP" | Allegro Incentive Plan. |
| "Allegro.pl" | Allegro.pl sp. z o.o. |
| "APMs" or "Lockers" | Automated Parcel Machines. |
| "Ceneo.pl" | Ceneo.pl sp. z o.o. |
| "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 (formerly Adinan Super Topco S.à r.l.), a public limited liability company (société anonyme), incorporated and existing under the laws of Luxembourg, with its registered office currently at 1, rue Hildegard von Bingen, L-1282 Luxembourg, Grand Duchy of Luxembourg, registered with the Luxembourg Trade and Companies' Register (Registre de Commerce et des Sociétés, Luxembourg) under number B214830. |
| "EC" | European Commission. |
| "EU" | European Union. |
| "FY" | A financial year of the Company ending on 31 December of the relevant civil year. |
| "GMV" | Gross merchandise value. |
| "Group" | Allegro.eu and its consolidated subsidiaries. |
| "IAS" | International Accounting Standards as adopted by the EU. |
| "IFRS" | International Financial Reporting Standards, as adopted by the EU. |
| "IFRS 15" | International Financial Reporting Standard 15 'Revenue from contracts with customers'. |
| "IPO" | The initial public offering of the shares of the Company on the WSE. |
| "IT" | Information Technology. |
| "Key Managers" | Individuals, in addition to the Board of Directors, considered relevant to establishing that the Group has the appropriate expertise and experience for the management of the business. |
| "Lockers" or "APMs" | Automated Parcel Machines. |
| "LTM" | Last twelve months. Represents twelve months preceding the end of a period. |
| "Luxembourg" | The Grand Duchy of Luxembourg. |
| "MOV" | Minimum order value necessary to receive a service or a discount. |
| "Permira" | Depending on the context, any of, or collectively, Permira Holdings Limited, Permira Debt Managers Limited, Permira Advisers (London) Limited, Permira Advisers LLP and each of Permira Holdings Limited's subsidiary undertakings from time to time, including the various entities that individually act as advisers or consultants in relation to the funds advised and/or managed by Permira. |
| "PLN" or "złoty" | Polish złoty, the lawful currency of Poland. |
| "Poland" | The Republic of Poland. |
| "PSU" | Performance Share Unit plan which represents part of AIP. |
| "QoQ" | Quarter over quarter, i.e. sequential quarterly change. |
| "Report" | This report of the Company on three and six months ended 30 June 2021. |
| "RSU" | Restricted Stock Unit plan which represents part of AIP. |
| "sp. z o.o." | Limited liability company (spółka z ograniczoną odpowiedzialnością). |
| "UOKiK or OCCP" | Polish Office for Competition and Consumer Protection (Urząd Ochrony Konkurencji i Konsumentów). |
| "UOKiK or OCCP President" | The President of the Office for Competition and Consumer Protection. |
| "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. |

# 2. Introduction

This is the report relating to the second quarter of the financial year 2021 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 summarizes consolidated financial and operating data of Allegro.eu and its subsidiaries.

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

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

At the date of the Report, (i) 28.03% of the issued shares of the Company are 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) 28.03% by Permira VI Investment Platform Limited, representing the interests of Permira & Co-Investors, and (iii) 6.23% by Mepinan S.à r.l., a private limited liability company (société à responsabilité limitée) incorporated and existing under the laws of the Grand Duchy of Luxembourg, having its registered office at 163, rue du Kiem, L-8030 Strassen, Grand Duchy of Luxembourg and registered with the Luxembourg Trade and Companies' Register (Registre de Commerce et des Sociétés, Luxembourg) under number B246319 ("Mepinan S.à r.l."), representing the interests of Mid Europa Partners Funds. The remaining 37.72% is owned by other shareholders amongst which the management of the Allegro Group. The number of shares held by each investor is equal to the number of votes, as there are no privileged shares issued by the Company in accordance with the articles of association of the Company.



# 3. Forward-looking statements

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

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

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

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

# 4. Presentation of financial information

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

## Historical Financial Information

This Report includes the consolidated financial information of the Group as of 30 June 2021 and for the six-month periods ended 30 June 2021 and 30 June 2020, which have been derived from the unaudited interim condensed consolidated financial statements of the Group as of and for the six-month periods ended 30 June 2021 and 30 June 2020, prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting," the standard of IFRS applicable to the preparation of interim financial statements (the "Interim Financial Statements," together with the Annual Financial Statements, the "Financial Statements"), and included elsewhere in this Report. PricewaterhouseCoopers, Société coopérativecooperative, 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 reviewed the Interim Financial Statements in its capacity as independent statutory auditors (réviseur d'entreprises agréé) of the Company.

## Alternative Performance Measures

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





### THE GROUP HAS DEFINED THE ALTERNATIVE PERFORMANCE MEASURES AS FOLLOWS:

**"Active Buyers"** represents, as of the end of a period, each unique email address connected with a buyer that has made a purchase on Allegro.pl or Allegrolokalnie.pl (excluding eBilet.pl) in the preceding twelve months;

**"Adjusted EBITDA"** means operating profit before depreciation and amortization further adjusted to exclude transaction costs, monitoring costs, market strategy preparation costs, employee restructuring costs, regulatory proceeding costs, group restructuring costs, donations to various public benefit organizations, certain bonuses for employees, the Management Investment Plan, funds spent on protective equipment against COVID-19, and expenses related to share based payments in connection with the Allegro Incentive Plan;

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

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

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

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

**"GMV"** means gross merchandise value, which represents the total gross value of goods and tickets sold on the platforms: Allegro.pl, Allegrolokalnie.pl, and eBilet.pl (including value added taxes);

**"GMV per Active Buyer"** represents LTM GMV (excluding eBilet's tickets sales) divided by the number of Active Buyers at the end of such period;

**"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;

**"net leverage"** means net debt divided by Adjusted EBITDA for the preceding twelve months;

**"other capital expenditure"** means the costs related to building the relevant capacity of data centers, equipping employees with appropriate equipment (i.e. workstations), office equipment (e.g. fit-out and IT devices) and copyrights;

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

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

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

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

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

In evaluating the alternative performance measures, investors should carefully consider the Financial Statements included in this Report.

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

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

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



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# II.

# MANAGEMENT REPORT

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# 1. Selected consolidated financial and operational highlights

| Income Statement, PLN m (unaudited) | H1 2021 | H1 2020 | Change % | Q2 2021 | Q2 2020 | Change % |
|---|---|---|---|---|---|---|
| Revenue | 2,518.3 | 1,770.1 | 42.3% | 1,308.1 | 1,019.0 | 28.4% |
| EBITDA | 1,075.0 | 788.6 | 36.3% | 547.6 | 438.4 | 24.9% |
| Adjusted EBITDA | 1,095.6 | 808.0 | 35.6% | 559.9 | 452.4 | 23.8% |
| EBIT | 828.0 | 560.4 | 47.8% | 421.8 | 324.4 | 30.0% |
| Profit / (Loss) before Income tax | 725.8 | 376.7 | 92.7% | 370.7 | 238.6 | 55.3% |
| Net Profit / (Loss) | 565.5 | 289.7 | 95.2% | 295.9 | 185.0 | 59.9% |
| Adjusted Net Profit | 582.1 | 306.7 | 89.8% | 305.9 | 197.1 | 55.2% |

| KPIs (unaudited) | H1 2021 | H1 2020 | Change % | Q2 2021 | Q2 2020 | Change % |
|---|---|---|---|---|---|---|
| Active Buyers (millions) | 13.2 | 12.3 | 7.2% | 13.2 | 12.3 | 7.2% |
| GMV per Active Buyer (PLN) | 2,968.9 | 2,294.8 | 29.4% | 2,968.9 | 2,294.8 | 29.4% |
| GMV (PLN in millions) | 20,036.1 | 16,006.5 | 25.2% | 10,439.7 | 9,437.0 | 10.6% |
| LTM GMV (PLN in millions) | 39,140.5 | 28,445.9 | 37.6% | 39,140.5 | 28,445.9 | 37.6% |
| Take Rate (%) | 10.45% | 9.09% | 1.36 pp | 10.46% | 8.93% | 1.53 pp |



| Cash Flow, PLN m (unaudited) | H1 2021 | H1 2020 | Q2 2021 | Q2 2020 |
|---|---|---|---|---|
| Net cash inflow/(outflow) from operating activities | 656.3 | 667.6 | 232.2 | 374.7 |
| Net cash inflow/(outflow) from investing activities | (153.3) | (124.4) | (93.4) | (76.4) |
| Net cash inflow/(outflow) from financing activities | (117.3) | (372.3) | (57.6) | (96.6) |
| Net increase/(decrease) in cash and cash equivalents | 385.7 | 170.9 | 81.2 | 201.7 |

| | 30.06.2021 (unaudited) | 31.12.2020 (audited) | Change % |
|---|---|---|---|
| **Assets** | **15,756.0** | **15,147.9** | **4.0%** |
| **Equity** | **8,737.9** | **8,089.6** | **8.0%** |
| **Net Debt** | **4,037.5** | **4,326.0** | **(6.7%)** |

# 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) | H1 2021 | H1 2020 | Change % | Q2 2021 | Q2 2020 | Change % |
|---|---|---|---|---|---|---|
| Active Buyers (millions) | 13.2 | 12.3 | 7.2% | 13.2 | 12.3 | 7.2% |
| GMV per Active Buyer (PLN) | 2,968.9 | 2,294.8 | 29.4% | 2,968.9 | 2,294.8 | 29.4% |
| GMV (PLN in millions) | 20,036.1 | 16,006.5 | 25.2% | 10,439.7 | 9,437.0 | 10.6% |
| LTM GMV (PLN in millions) | 39,140.5 | 28,445.9 | 37.6% | 39,140.5 | 28,445.9 | 37.6% |
| Take Rate (%) | 10.45% | 9.09% | 1.36 pp | 10.46% | 8.93% | 1.53 pp |
| Adjusted EBITDA (PLN in millions) | 1,095.6 | 808.0 | 35.6% | 559.9 | 452.4 | 23.8% |
| Adjusted EBITDA/revenue (%) | 43.5% | 45.6% | (2.14 pp) | 42.8% | 44.4% | (1.60 pp) |
| Adjusted EBITDA/GMV (%) | 5.47% | 5.05% | 0.42 pp | 5.36% | 4.79% | 0.57 pp |



## GMV and Active Buyers

During the six months ended 30 June 2021 GMV increased by PLN 4,029.5 million, or 25.2% YoY, from PLN 16,006.5 million for the six months ended 30 June 2020 to PLN 20,036.1 million for the six months ended 30 June 2021, whereas in Q2 2021 GMV amounted to PLN 10,439.7 million, which represented a PLN 1,002.7 million, or a 10.6% YoY increase.

GMV per Active Buyer continued to grow strongly in H1 2021 at 29.4% YoY, to reach PLN 2,968.9. During Q1 2021 buyers maintained their shift in purchasing activity to on-line, observed since the beginning of the COVID-19 pandemic that began in mid-March 2020. Following two lockdowns during the first half of 2021, the economy has gradually reopened from May with Poland's vaccination programme accelerating strongly in Q2. Against this backdrop, Active Buyers grew by 7.2% YoY in the first half, though broadly stabilizing on a QoQ basis in Q2. The Group expects this slow down in Active Buyer growth to be temporary as unusual subscriber acquisition patterns driven by the pandemic work their way through the Active Buyer metric. The severe lockdown of March-May 2020 produced a surge in new Active Buyer account openings with an initial purchase. As Active Buyers accounts are those which make at least one purchase on the Allegro marketplace in a twelve month period, those Active Buyers who did not make a subsequent purchase churned in Q2 of 2021. Of the Q2 2020 new Active Buyer cohort, 64% have been retained, which is a metric that has been on an improving trend over many quarters. However, the 36% of new Active Buyers from Q2 2020 who did churn in the past quarter were sufficient to offset the normalized level of new Active Buyers acquired in Q2 2021 and caused the Active Buyer number to be flat sequentially at 13.2 million. As new Buyers in Q3 2020 were much closer to typical levels, Active Buyer growth is expected to resume later this year.

Despite the re-opening of the Polish economy in Q2, GMV per Active Buyer continued its uninterrupted trend of sequential improvement, increasing by 3.1% QoQ in Q2 2021, and for H1 2021 growing by 29.4% versus the prior year position at 30 June 2020. Growth in Active Buyers of 7.2% and GMV per Active Buyer growth of 29.4% (excluding the GMV attributed to eBilet) combined to lift LTM GMV to PLN 39,140.5 million, up by 37.6% YoY, and by 2.6% during Q2.

GMV per Active Buyer performance was positively impacted by the continued expansion of the SMART! user base during H1, further boosted by the launch of the "SMART! na Start" program in March, an attractive offer for less engaged buyers to try SMART! via a subscription free package of five free SMART! deliveries to be used within twelve months, that visibly contributed to the growth of SMART! users. A very strong performance on price defect rate reduction during H1 2021 and sequential improvement in the share of next day and two day delivery have both positively impacted GMV growth. Moreover, loosening restrictions on events and entertainment contributed to a promising rebound in eBilet GMV from May 2021, with the ticketing platform contributing 0.2 pp to YoY GMV growth in Q2 2021.

The above factors, along with other business input growth drivers such as increased marketing spending and user experience improvements, have combined to enable the Group to register 10.6% GMV growth in Q2 versus the most challenging comparative period of 2020. The second quarter of 2020 saw demand surge due to exceptional circumstances with the COVID-19 lockdown being at its most severe and the Group reacting by making SMART! available for free to support society in a crisis situation, resulting in a Q2 2020 GMV growth rate of 71.5%. A significant part of that additional demand has been retained once offline retail has reopened and this, combined with progress on the business input growth drivers has delivered the 10.6% GMV growth in Q2 and a 37.7% CAGR growth in GMV for 2019-2021 period. The Group believes that the two year CAGR measure is an effective way to cancel out variations in the respective lockdown situations in the specific months and quarters of 2020 and 2021. On this basis, the Group's GMV grew by a 40.5% CAGR in Q1, dropping to 37.7% CAGR for Q2 and 39.1% for H1 overall.

## Adjusted EBITDA

The Group's Adjusted EBITDA increased by PLN 287.6 million, or 35.6% YoY, from PLN 808.0 million for the six months ended 30 June 2020 to PLN 1,095.6 million for six months ended 30 June 2021. In Q2 2021 Adjusted EBITDA increased by PLN 107.5 million, or 23.8% YoY, from PLN 452.4 million for Q2 2020 to PLN 559.9 million for Q2 2021. These results were mainly achieved due to Group GMV growing by 25.2% YoY in H1 2021 and 10.6% YoY for Q2 2021, combined with a Take Rate increase of 1.36 pp in H1 2021 and 1.53 pp in Q2 2021.

This improved monetization performance mainly reflected the June 2020 introduction of success fees on delivery charges paid by buyers (a market standard practice aimed to fight artificially high delivery prices), the April 2020 launch of merchant co-financing of SMART! deliveries by courier and the January 2021 launch of similar co-financing charges for lockers. Furthermore, a positive impact from targeted success fee increases in specific categories and for promoted offers introduced in January 2021, also contributed to the higher Take Rate performance. As the YoY impact of some of these measures began to ease in line with expectations during Q2 2021, a higher than planned share of promotional listings has strongly contributed to the Take Rate performance in the quarter, reflecting a broader trend of increased promotional intensity in the Polish e-commerce segment during the period. Advertising revenues, which deliver higher than average margins, grew by 52.0% YoY in H1. The Q2 YoY growth in Take Rate of 1.53 pp was further supported by the presence of introductory success fee discounts during Q2 2020, introduced at the time of the first lockdown and discontinued later in the year.

Operating expenses grew by 47.0% YoY in H1 2021, reflecting investment in the business to drive rapid GMV growth. Strategic investments in growing the SMART! subscriber base drove a 118.8% YoY rise in net delivery costs in H1, and when adjusting for the free SMART! program costs included in marketing expenses in the base period, the YoY increase reached 64.5%. An increase in employment by 29.1% YoY further contributed to the increase of operating expenses. 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.

In H1 2021 the operating leverage effect of higher revenues has had a positive impact on most SG&A costs lines as a percentage of revenue, with a combined fall of 4.3 pp (after EBITDA adjustments) compared to the prior year while total SG&A spending on developing the business grew by 23.1% YoY. Adjusting SG&A costs in the base period by PLN 81.2 million of free SMART! costs charged in H1 2020 in marketing costs line, would result in broadly unchanged adjusted SG&A costs as a percentage of revenue on a combined operating expense growth of 44.0% YoY in H1 2021. Higher Take Rate and increased share of advertising revenue combined to offset higher net costs of delivery from a larger base and higher engagement of SMART! customers to improve Adjusted EBITDA/GMV by 42 basis points YoY from 5.05% to 5.47%.

In H1 2021 the Group recognized PLN 8.7 million on new Allegro Incentive Plan costs, PLN 8.3 million in group restructuring and development costs, and PLN 3.4 million of other one-off costs in adjustments to EBITDA.



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

| Reconciliation of Adjusted EBITDA, PLN m (unaudited) | H1 2021 | H1 2020 | Change % | Q2 2021 | Q2 2020 | Change % |
|---|---|---|---|---|---|---|
| **EBITDA** | **1,075.0** | **788.6** | **36.3%** | **547.6** | **438.4** | **24.9%** |
| Monitoring costs [1] | — | 1.7 | (100.0%) | — | 1.0 | (100.0%) |
| Regulatory proceeding costs [2] | 0.5 | 2.0 | (72.2%) | 0.2 | 0.8 | (76.8%) |
| Group restructuring and development costs [3] | 8.3 | 2.7 | 208.0% | 6.3 | 2.7 | 134.5% |
| Donations to various public benefit organisations [4] | 2.3 | 3.7 | (36.6%) | (0.1) | 3.7 | (104.1%) |
| Bonus for employees and funds spent on protective equipment against COVID-19 [5] | 0.6 | 2.5 | (76.4%) | 0.3 | 2.5 | (86.6%) |
| Allegro Incentive Plan [6] | 8.7 | — | n/a | 5.7 | — | n/a |
| Management Investment Plan [7] | — | 6.9 | (100.0%) | — | 3.4 | (100.0%) |
| **Adjusted EBITDA** | **1,095.6** | **808.0** | **35.6%** | **559.9** | **452.4** | **23.8%** |

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

[2] Represents legal costs mainly related to regulatory proceedings, legal and expert fees, and settlement costs.

[3] Represents legal, financial due diligence and transactional expenses with respect to not concluded acquisitions of target companies along with related legal expenses.

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

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

[6] Represents the costs of the Allegro Incentive Plan, under which awards in the form of Performance Share Units ("PSU") and Restricted Stock Units ("RSU") are granted to Executive Directors, Key Managers, and other employees. Costs recognized in the 6 months period ended 30 June 2021 represent the accrued cost of share based compensation in relation to the PSU and RSU Plans.

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

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

## 2.2.1.
## REVIEW OF Q2 2021 RESULTS

### RESULTS OF OPERATIONS

The following table presents the Group's summary consolidated statements of comprehensive income data for Q2 2021.

| Consolidated statement of comprehensive income, PLN m (unaudited) | Q2 2021 | Q2 2020 | Change % |
|---|---|---|---|
| **Revenue** | **1,308.1** | **1,019.0** | **28.4%** |
| Marketplace revenue | 1,084.1 | 837.9 | 29.4% |
| Advertising revenue | 113.3 | 81.2 | 39.5% |
| Price comparison revenue | 40.4 | 45.3 | (10.9%) |
| Retail revenue | 64.6 | 49.9 | 29.3% |
| Other revenue | 5.8 | 4.7 | 23.6% |
| **Operating expenses** | **(760.6)** | **(580.6)** | **31.0%** |
| Payment charges | (38.3) | (40.3) | (5.0%) |
| Cost of goods sold | (63.2) | (49.5) | 27.7% |
| Net costs of delivery | (284.5) | (143.4) | 98.3% |
| Marketing service expenses | (152.2) | (180.2) | (15.5%) |
| Staff costs | (137.9) | (113.5) | 21.5% |
| IT service expenses | (23.5) | (14.3) | 63.9% |
| Other expenses | (48.2) | (27.3) | 76.4% |
| Net impairment losses on financial and contract assets | (12.8) | (12.0) | 6.3% |
| **Operating profit before amortisation and depreciation (EBITDA)** | **547.6** | **438.4** | **24.9%** |
| **Amortisation and Depreciation** | **(125.8)** | **(114.0)** | **10.4%** |
| Amortisation | (105.6) | (97.7) | 8.1% |
| Depreciation | (20.2) | (16.3) | 23.9% |
| **Operating profit** | **421.8** | **324.4** | **30.0%** |
| **Net Financial costs** | **(51.1)** | **(85.8)** | **(40.4%)** |
| Financial income | 2.8 | 1.2 | 137.8% |
| Financial costs | (55.2) | (88.7) | (37.8%) |
| Foreign exchange (profits)/losses | 1.2 | 1.7 | (27.5%) |
| **Profit/(Loss) before Income tax** | **370.7** | **238.6** | **55.3%** |
| **Income tax expenses** | **(74.8)** | **(53.6)** | **39.6%** |
| **Net profit/(loss)** | **295.9** | **185.0** | **59.9%** |
| **Other comprehensive income/(loss)** | **28.9** | **(9.6)** | **(401.1%)** |
| **Total comprehensive income/(loss) for the period** | **324.8** | **175.4** | **85.1%** |

### REVENUE

Revenue increased by PLN 289.1 million, or 28.4%, from PLN 1,019.0 million for Q2 2020 to PLN 1,308.1 million for Q2 2021. This increase resulted primarily from the growth of marketplace, advertising, and retail revenue streams.

#### MARKETPLACE REVENUE

Marketplace revenue increased by PLN 246.2 million, or 29.4%, from PLN 837.9 million for Q2 2020 to PLN 1,084.1 million for Q2 2021.

This increase resulted primarily from 10.6% YoY GMV growth and a 153 basis points increase in Take Rate. GMV growth comprised 10.4% from the Allegro Marketplace with a 0.2 pp positive contribution to YoY growth coming from eBilet.

The Group's second quarter results have been significantly impacted by the COVID-19 pandemic and the relative situation prevailing in 2021 versus that in the prior year quarter.

The second quarter of 2021 saw rapid progress with the public vaccination program and parallel lockdown measures brought the third wave of COVID-19 under control. The Polish government reopened shopping malls on 5 May, with only mask and shopper density requirements remaining for the remainder of Q2. The reopening of hospitality and public mass events was announced from mid-May and infections and hospitalisations remain low, with 46% of the population fully vaccinated as at 2 August 2021. In the corresponding quarter of 2020, COVID-19 restrictions were much more severe, with all non-essential offline retail closed until 15 May and a full reopening of offline retail (with mask and density restrictions) for the second half of the quarter. Mass events were banned throughout the prior year quarter. Furthermore, Allegro had responded to the crisis situation with a CSR initiative to provide free SMART! subscriptions, which include free delivery of purchases, to all buyers who wished to use them from 15 March to 15 June, with the offer running down to zero free SMART! subscriptions between 16 June and 15 July.

The Group had also moved to support its seller base with concessions on Take Rate for new sellers and extended payment terms for small and medium sized merchants. As a result of these factors, Q2 2020 saw 71.5% GMV growth for the Group with a peak of 84.5% in April 2020. All this growth came on the core Allegro marketplace while eBilet ticket sales GMV was brought to a standstill by the total lockdown on mass events.

The above described circumstances relating to the pandemic combined to produce a significant headwind to GMV growth for Q2 2021 that reduced the GMV growth rate to 10.6% versus 71.5% for the prior year quarter. Growth rates fell to high single digits in April and recovered to a mid-teens growth rate by June. Taking a two year perspective of CAGR growth rates for the 2019-2021 period to cancel out the volatility caused by the timing of lockdown measures since March 2020, growth for Q2 2021 was 37.7%, which was only slightly down on the 40.5% registered for Q1 2021. This sustained CAGR growth reflects buyers' increased purchasing frequency following a positive shopping experience and the learning of new online shopping habits during the lockdowns. Increased demand has been further supported by the Group focusing on the retail basics of increasing selection, ensuring competitive prices and a satisfying delivery experience, together with increased uptake of SMART! subscriptions further boosting purchasing frequency. As a result the GMV per Active Buyer LTM metric advanced by 3.1% QoQ to 2,969 PLN from 2,878 PLN in the prior quarter as average spend was 29.4% above the levels noted during Q2 2020. In contrast, the Active Buyer LTM metric was flat at 13.2 million buyers versus Q1 2021 as the part of occasional online shoppers who came to Allegro in large numbers during Q2 2020 at the peak of the lockdown, but didn't make purchases in subsequent quarters, rolled out of the LTM Active Buyer base. However, the proportion of Q2 2020 new Active Buyers who have not continued to shop on the marketplace, at 36%, has been lower than recent previous cohorts of new Active Buyers acquired under pre-pandemic normal trading conditions.

The Group's eBilet ticket sales business began to generate positive GMV again during the second quarter as mass events recommenced from mid-May, contributing 0.2 pp of the total 10.6% GMV growth recorded by the Group as its prior year quarter comparative was essentially zero sales.

The primary factors producing the YoY increase in Take Rate of 1.53 pp in Q2 2021 was high demand for promotional listings, the April 2020 launch of merchant co-financing of SMART! deliveries by courier combined with a growing share of courier deliveries in Q2 2021 and the January 2021 launch of similar co-financing for locker deliveries, the presence and subsequent discontinuation of a 3 month success fee waiver for new merchants during the Q2 2020 lockdown, the introduction of success fees on delivery charges paid by buyers in June 2020 (a market standard practice aimed to fight artificially inflated delivery prices) and targeted success fee increases mainly in Q4 2020 and Q1 2021. There were minimal changes to the Group's pricing policies during Q2 2021, with continued strong demand for discretionary promotional features from sellers, increased co-financing revenue from growth in SMART! free delivery share in total transactions, partly offset by increased discounts to support competitive pricing, combining to leave Take Rates a net 3 bp higher than in Q1 2021 at 10.46%. Co-financing from sellers contributed a minority portion of the total cost of funding free deliveries for the SMART! program that continues to support sales performance of merchants present on Allegro marketplace.

### ADVERTISING REVENUE

Advertising revenue increased by PLN 32.1 million, or 39.5%, from PLN 81.2 million for Q2 2020 to PLN 113.3 million for Q2 2021.

This increase resulted primarily from the strong performance of sponsored offer ads, which was the key revenue contributor. Although overall traffic fell moderately compared to Q1 2021, with conversion rates increasing, this revenue stream held up well due to continued optimization of ad placements and strong gains in the number of merchants purchasing sponsored ads. The high demand reflected a broader trend of increased promotional intensity in the Polish e-commerce segment during the period as offline retailers, omni channel players and e-commerce players competed for share as offline reopened fully during the quarter, resulting in improved cost per click fees. The increase was also supported by the ramp-up of the new advertising network service, enabling merchants to use Google Adwords in order to drive traffic to their own Allegro offers to support their sales results.



### PRICE COMPARISON REVENUE

Price comparison revenue decreased by PLN 4.9 million, or 10.9%, from PLN 45.3 million for Q2 2020 to PLN 40.4 million for Q2 2021.

This decrease reflects lower click volume from third party customers relative to the tough prior year comparative caused by the more severe lockdown conditions in Q2 of 2020, together with Allegro increasing its share of Ceneo's click volume through increasing its intra group paid traffic acquisition. As such intra-group trading is eliminated on consolidation, third party sales of price comparison services showed a decline. Fixed Pricing for click-through services increased and bidding prices for listing positions also moved up, reflecting strong demand across the e-commerce sector for traffic acquisition, offer promotion and advertising services from sellers.

### RETAIL REVENUE

Retail revenue increased by PLN 14.6 million, or 29.3%, from PLN 49.9 million for Q2 2020 to PLN 64.6 million for Q2 2021. Retail revenue growth above the rate of GMV growth was largely driven by its intensified role to enhance the overall value proposition to the buyers, helping to provide competitive pricing or missing selection of key products when the sellers present on the marketplace are unable to provide the market's lowest prices or source missing products. Retail sales equated to 0.62% of Q2 2021 GMV, versus 0.53% in the prior year quarter.

## OPERATING EXPENSES

Operating expenses increased by PLN 180.0 million, or 31.0%, from PLN 580.6 million for Q2 2020 to PLN 760.6 million for Q2 2021. This increase resulted primarily from increased net costs of delivery.

### PAYMENT CHARGES

Payment charges decreased by PLN 2.0 million, or 5.0%, from PLN 40.3 million for Q2 2020 to PLN 38.3 million for Q2 2021. This decrease resulted from lower rates from third-party providers due to discounts negotiated in the second quarter of 2019 that increased after reaching agreed volume thresholds, partially offset by higher sales on the Group's e-commerce marketplace.

### COST OF GOODS SOLD

Cost of goods sold increased by PLN 13.7 million, or 27.7%, from PLN 49.5 million for Q2 2020 to PLN 63.2 million for Q2 2021. This increase resulted primarily from increased sales through the Group's 1P retail business operations, while gross sales margin moved up by 1.3 pp versus the prior year quarter to 2.2%.

### NET COSTS OF DELIVERY

Net costs of delivery increased by PLN 141.1 million, or 98.3%, from PLN 143.4 million for Q2 2020 to PLN 284.5 million for Q2 2021.

This increase resulted primarily from a significant increase in both the number and share of buyers on the Group's e-commerce marketplace who were subscribers to the SMART! program and to the typically significant increase in spending that comes with the availability of offers with free delivery. The growth in SMART! subscriptions partly reflects the prior-year conversion of buyers who had benefited from free SMART! subscriptions offered by the Group during the first 2020 lockdown deciding to purchase a subscription during subsequent quarters.

As those free SMART! trialists from Q2 2020 converted to paid subscribers, the costs of their deliveries started appearing in the net cost of delivery line, whilst their PLN 71.7 million of delivery costs when they were free SMART! trialists in Q2 2020 were booked in the marketing expense line. Successive improvements to the SMART! product, including the "SMART! Student" loyalty program, the "SMART! na Start" zero subscription five free deliveries for occasional shoppers, introduction of a cash on delivery payment method and reducing MOV on courier deliveries from PLN 100 to PLN 80 all contributed to subscription uptake by addressing specific concerns of various pockets of non-SMART! buyers. In addition to SMART! user growth, other drivers of net costs of delivery growth included a higher number of packages shipped per SMART! user and increased average cost per package due to the increased share of courier service in the delivery mix. Net costs of delivery mainly represent the excess of SMART! free delivery costs over the revenues earned from SMART! subscriptions, while co-financing contributions from sellers are recorded as marketplace revenue and thus included in the Take Rate.

### MARKETING SERVICE EXPENSES

Marketing service expenses decreased by PLN 28.0 million, or 15.5%, from PLN 180.2 million for Q2 2020 to PLN 152.2 million for Q2 2021. This expense item has decreased largely on account of PLN 71.7 million of delivery costs associated with free SMART! trialists that were booked in this line in the base period. Excluding that amount, marketing expenses increased by 40.3% versus Q2 2020, with an increasing share of the expenditure being directed towards internet traffic acquisition. Increased competition for buyers as offline fully reopened in Q2 2021, drove costs per acquired click higher in a change similar to the higher advertising and promotion revenues noted by the Group on its own Allegro marketplace. Nevertheless, improving conversion of purchased traffic and higher Take Rates ensured that ROIs on this main component of marketing spending remained very strong.

### STAFF COSTS

Staff costs increased by PLN 24.4 million, or 21.5%, from PLN 113.5 million for Q2 2020 to PLN 137.9 million for Q2 2021. In Q2 2020 the Group set higher bonus accruals due to the very strong financial performance. Q2 2021 staff costs, excluding this additional bonus from the prior year comparative, would have increased by 36.8% and results from recruitment of new employees as headcount at 31 June 2021 was 29.1% higher than at 31 June 2020, as well as an increase in base salaries and the over-indexing of tech and middle-level business management recruitment. The total expenditure in Q2 2021 included PLN 5.7 million of share-based payment costs related to the new Allegro Incentive Plan and PLN 0.3 million funds spent on protective equipment against COVID-19 vs PLN 3.4 million of Management Incentive Plan and PLN 2.5 million funds spent on protective equipment against COVID-19 in Q2 2020, in both cases included in the Adjusted EBITDA reconciliation.

### IT SERVICE EXPENSES

IT service expenses increased by PLN 9.2 million, or 63.9%, from PLN 14.3 million for Q2 2020 to PLN 23.5 million for Q2 2021. This increase resulted primarily from new licenses related to the introduction of new software solutions and increased IT costs due to growing technical platform capacity, including external cloud utilisation driven by both growing storage requirements for active offers on the Group's e-commerce marketplace, and capacity requirements for the increasing number of machine learning based solutions embedded in the Group's operations



### OTHER EXPENSES

Other expenses increased by PLN 20.9 million, or 76.4%, from PLN 27.3 million for Q2 2020 to PLN 48.2 million for Q2 2021. This increase resulted primarily from higher consultancy and contractor outsourcing costs in connection with the development of new products and services including IT consulting services related to delivery experience development agenda, projects related to customer experience improvements and ongoing work on product catalogue development. Q2 2021 also included a PLN 1.7 million write down of input VAT in the Luxembourg entities after being assessed as irrecoverable. The other expense line in Q2 2021 included PLN 6.3 million of business development costs and PLN 0.2 million of regulatory proceedings costs vs PLN 2.7 million of business development costs, PLN 1.0 million monitoring costs and PLN 0.8 million of regulatory proceeding costs in Q2 2020, in both cases included as one-off costs in the Adjusted EBITDA reconciliation.

### NET IMPAIRMENT LOSSES ON FINANCIAL AND CONTRACT ASSETS

Net impairment losses on financial and contract assets increased by PLN 0.8 million, or 6.3% from PLN 12.0 million for Q2 2020 to PLN 12.8 million for Q2 2021. This increase resulted primarily from the growth of sales on the Group's e-commerce marketplace partially offset by better debt collection. Included within the total is PLN 2.7 million of provisions for expected losses of 2.1% on consumer credits advanced by Allegro Pay during the quarter, up 44.6% QoQ while the gross loans balance increased by 74.3% QoQ. Allegro Pay had not yet started its operations in the prior year quarter.

## OPERATING PROFIT BEFORE AMORTIZATION AND DEPRECIATION

Operating profit before amortization and depreciation increased by PLN 109.2 million, or 24.9%, from PLN 438.4 million for Q2 2020 to PLN 547.6 million for Q2 2021 as a result of the factors described above.

### AMORTIZATION

Amortization increased by PLN 7.9 million, or 8.1%, from PLN 97.7 million for Q2 2020 to PLN 105.6 million for Q2 2021. This increase resulted primarily from an increase in intangibles associated with capitalized development costs of projects that were completed and put into use since the end of the prior reporting period.

### DEPRECIATION

Depreciation increased by PLN 3.9 million, or 23.9%, from PLN 16.3 million for Q2 2020 to PLN 20.2 million for Q2 2021. This increase resulted primarily from the depreciation of computers and office equipment related to growth of the organization and scaling of the server parks required to support the marketplace platform.

### OPERATING PROFIT

Operating profit increased by PLN 97.4 million, or 30.0%, from PLN 324.4 million for Q2 2020 to PLN 421.8 million for Q2 2021 as a result of depreciation and amortization growing more slowly than operating profit before amortization and depreciation (EBITDA).

## NET FINANCIAL COSTS

Net financial costs decreased by PLN 34.7 million, or 40.4%, from a cost of PLN 85.8 million for Q2 2020 to a cost of PLN 51.1 million for Q2 2021. This decrease is driven by the interest expense on the Group's indebtedness falling by PLN 43.1 million or 53.9% YoY for Q2 2021, due to the refinancing transaction completed in Q4 2020 that resulted in the decrease of the nominal value of borrowings as well as the related margin.

These savings were partially offset by the higher costs related to floating to fixed interest rate swap contracts, which were PLN 6.7 million or up 85.1% YoY for Q2 2021, reflecting the significant decrease of market interest rates due to the economic recession caused by the COVID-19 pandemic.

The table below presents the breakdown of net financial cost for Q2 2021 and the corresponding period.

| PLN m (unaudited) | Q2 2021 | Q2 2020 | Change % |
|---|---|---|---|
| Valuation of financial instruments | 2.5 | — | n/a |
| Interest from deposits | 0.2 | 0.9 | (74.7%) |
| Other financial income | 0.1 | 0.3 | (77.2%) |
| Net exchange gains on foreign currency transactions | 1.2 | 1.7 | (27.5%) |
| **Financial income** | **4.0** | **2.9** | **40.3%** |
| Interest paid and payable for financial liabilities | (36.9) | (80.0) | (53.9%) |
| Interest rate hedging instrument | (14.7) | (8.0) | 85.1% |
| Interest on leases | (1.2) | (0.8) | 48.0% |
| Revolving facility availability fee | (0.9) | (0.8) | 12.8% |
| Valuation of financial instruments | — | — | n/a |
| Other financial costs | (1.5) | 0.9 | (269.2%) |
| **Financial costs** | **(55.2)** | **(88.7)** | **(37.8%)** |
| **Net financial costs** | **(51.1)** | **(85.8)** | **(40.4%)** |



## PROFIT BEFORE INCOME TAX

Profit before income tax increased by PLN 132.0 million, or 55.3%, from PLN 238.6 million for Q2 2020 to 370.7 million for Q2 2021as a result of the factors described above.

## INCOME TAX EXPENSES

Income tax expenses increased by PLN 21.2 million, or 39.6%, from PLN 53.6 for Q2 2020 to PLN 74.8 million for Q2 2020. The Group's effective tax rate was 22.5% and 20.2% for Q2 2020 and Q2 2021 respectively, compared to the Polish standard corporate income tax rate of 19% for each period.

| PLN m (unaudited) | Q2 2021 | Q2 2020 | Change % |
|---|---|---|---|
| Current income tax on profits | (70.2) | (69.8) | 0.6% |
| (Increase)/Decrease in net deferred tax liability | (4.6) | 16.2 | (128.3%) |
| **Income tax expense** | **(74.8)** | **(53.6)** | **39.6%** |

## NET PROFIT

Net profit increased by PLN 110.8 million, or 59.9%, from PLN 185.0 million for the Q2 2020 to PLN 295.9 million for Q2 2021 as a result of the same factors driving Adjusted EBITDA growth discussed above, in addition supported by a significant decline in financial costs.

## ADJUSTED NET PROFIT

Adjusted net profit increased by PLN 108.8 million, or 55.2% YoY, from PLN 197.1 million for Q2 2020 to PLN 305.9 million for Q2 2021 when PLN 12.4 million of EBITDA adjustments and PLN 2.3 million of tax effect on the above adjustments are excluded.

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

| Reconciliation of Adjusted net profit, PLN m (unaudited) | Q2 2021 | Q2 2020 | Change % |
|---|---|---|---|
| **Net Profit** | **295.9** | **185.0** | **59.9%** |
| EBITDA adjustments | 12.4 | 14.0 | (11.9%) |
| Tax impact of adjustments | (2.3) | (2.0) | 16.6% |
| **Adjusted net profit** | **305.9** | **197.1** | **55.2%** |

## OTHER COMPREHENSIVE INCOME

Other comprehensive income increased by PLN 38.5 million, from negative PLN 9.6 million for Q2 2020 to PLN 28.9 million for Q2 2021. This increase resulted primarily from the falls in the valuation of financial liabilities relating to the floating to fixed interest rate swap contract. This is the result of the up-ward trend in mid-term market interest rate expectations, driven by the increased prospect of the nearing end of the economic crisis triggered by the COVID-19 pandemic.

## TOTAL COMPREHENSIVE INCOME

Total comprehensive income increased by PLN 149.3 million, or 85.1%, from PLN 175.4 million for the Q2 2020 to PLN 324.8 million for the Q2 2021 as a result of the factors discussed above.



## 2.2.2. REVIEW OF THE SIX MONTHS ENDED 30 JUNE 2021 RESULTS

## RESULTS OF OPERATIONS

The following table presents the Group's summary consolidated statements of comprehensive income data for the six months ended 30 June 2021 and six months ended 30 June 2020.

| Income Statement, PLN m (unaudited) | H1 2021 | H1 2020 | Change % |
|---|---|---|---|
| **Revenue** | **2,518.3** | **1,770.1** | **42.3%** |
| Marketplace revenue | 2,078.4 | 1,446.6 | 43.7% |
| Advertising revenue | 214.8 | 141.3 | 52.0% |
| Price comparison revenue | 90.6 | 89.4 | 1.3% |
| Retail revenue | 123.6 | 82.6 | 49.6% |
| Other revenue | 11.0 | 10.3 | 6.1% |
| **Operating expenses** | **(1,443.3)** | **(981.6)** | **47.0%** |
| Payment charges | (74.3) | (74.2) | 0.2% |
| Cost of goods sold | (121.0) | (82.3) | 46.9% |
| Net costs of delivery | (538.7) | (246.2) | 118.8% |
| Marketing service expenses | (274.6) | (273.3) | 0.5% |
| Staff costs | (267.7) | (202.9) | 31.9% |
| IT service expenses | (44.4) | (27.2) | 63.2% |
| Other expenses | (93.5) | (49.7) | 88.1% |
| Net impairment losses on financial and contract assets | (29.1) | (25.8) | 12.9% |
| **Operating profit before amortisation and depreciation (EBITDA)** | **1,075.0** | **788.6** | **36.3%** |

| Income Statement, PLN m (unaudited) | H1 2021 | H1 2020 | Change % |
|---|---|---|---|
| **Amortisation and Depreciation** | **(247.1)** | **(228.2)** | **8.3%** |
| Amortisation | (210.1) | (197.4) | 6.5% |
| Depreciation | (36.9) | (30.8) | 19.8% |
| **Operating profit** | **828.0** | **560.4** | **47.8%** |
| **Net Financial costs** | **(102.1)** | **(183.7)** | **(44.4%)** |
| Financial income | 8.7 | 12.8 | (32.4%) |
| Financial costs | (111.7) | (193.1) | (42.2%) |
| Foreign exchange (profits)/losses | 0.9 | (3.4) | (125.1%) |
| **Profit/(Loss) before Income tax** | **725.8** | **376.7** | **92.7%** |
| **Income tax expenses** | **(160.3)** | **(87.0)** | **84.2%** |
| **Net profit/(loss)** | **565.5** | **289.7** | **95.2%** |
| **Other comprehensive income/(loss)** | **72.9** | **(65.7)** | **(210.9%)** |
| **Total comprehensive income/(loss) for the period** | **638.4** | **224.0** | **185.0%** |

## REVENUE

Revenue increased by PLN 748.2 million, or 42.3%, from PLN 1,770.1 million for the six months ended 30 June 2020 to PLN 2,518.3 million for the six months ended 30 June 2021. This increase resulted primarily from the growth of marketplace, advertising, and retail revenue streams.

### MARKETPLACE REVENUE

Marketplace revenue increased by PLN 631.8 million, or 43.7%, from PLN 1,446.6 million for the six months ended 30 June 2020 to PLN 2,078.4 million for the six months ended 30 June 2021.

This increase resulted from 25.2% YoY GMV growth and a 136 basis point increase in Take Rate. GMV growth comprised 25.5% from the Allegro marketplace with a drag of 0.3 pp coming from eBilet as the continued severe lockdown restrictions negatively impacted public events and eBilet's ticket sales during all of Q1 2021, with restrictions being gradually eased from May 2021.

The COVID-19 pandemic has had a material impact on demand for e-commerce services in both H1 2020 and H1 2021. In 2020, the first COVID-19 lockdown was imposed by the Polish government in mid-March 2020 and was very severe, including closing all non-essential offline retail until 15 May and a full reopening of offline retail (with mask and density restrictions) for the second half of the quarter. Furthermore, Allegro responded to the crisis situation with a CSR initiative to provide free SMART! subscriptions, which include free delivery of purchases, to all buyers who wished to use them from 15 March to 15 June 2020, with the offer running down to zero free SMART! subscriptions between 16 June and 15 July 2020. The Group had also moved to support its seller base with concessions on Take Rate for new sellers and extended payment terms for small and medium sized merchants.



As a result of these factors, H1 2020 saw a significant boost to demand from the Group's buyers as they brought more of their purchasing online, resulting in growth increasing from a pre-pandemic growth trend in the mid-twenties to 54.5% GMV growth for H1 for the Group with a peak of 84.5% in April 2020. All this growth came on the core Allegro marketplace while eBilet ticket sales GMV was brought to a standstill by the total lockdown on mass events from mid-March 2020.

In 2021 the demand for the Group's marketplace services was supported by lockdowns in January and again between 27 March and 5 May, although both were limited to the closing of non-essential retail in shopping malls rather than all such offline retail in comparison to the 2020 situation. Overall, this combination of circumstances has translated into a strong tailwind in Q1 and an even more significant headwind in Q2, resulting in slower growth overall in H1 2021 in comparison to H1 2020 with 25.2% versus 54.5% in the first half of 2020. Taking a two year perspective of CAGR growth rates for the 2019-2021 period to cancel out the volatility caused by the timing of lockdown measures since March 2020, growth for H1 2021 was 39.1%, which is considerably above the accelerated growth rates being achieved by the Group in the 2018 and 2019 timeframe following the introduction of the SMART! programme. This accelerated growth reflects buyers' increased purchasing frequency following a positive shopping experience and the learning of new online shopping habits during the lockdowns. The Group believes that a significant proportion of this extra purchasing frequency will remain with the e-commerce segment once the disruption caused by the pandemic has fully passed.

Increased demand has been further supported by the Group focusing on the retail basics of increasing selection, ensuring competitive prices and a satisfying delivery experience, together with increased uptake of SMART! subscriptions further boosting purchasing frequency. As a result the GMV per Active Buyer LTM metric advanced by 29.4% versus the prior year H1 to 2,969 PLN from 2,295 PLN and the Active Buyer LTM metric grew by 7.2% to 13.2 mln buyers at 30 June 2021 versus 12.3 mln buyers a year earlier. As a result of these factors, GMV on a LTM basis to 30 June 2021 has moved up by 37.6% to PLN 39,140.5 million versus 30 June 2020.

The primary factors responsible for the 136 basis points YoY increase in Take Rate are the June 2020 introduction of success fee on delivery charges paid by buyers (a market standard practice aimed at fighting artificially inflated delivery prices), the April 2020 launch of merchant co-financing of SMART! deliveries by courier and the January 2021 launch of similar co-financing for locker deliveries, as well as high demand for promotional listings in Q2 2021. Furthermore, targeted success fee increases mainly in Q4 2020 and Q1 2021 in specific categories and for promoted offers had a positive impact on the Take Rate, while the presence and subsequent discontinuation of a 3 month success fee waiver for new merchants during the Q2 2020 lockdown further increased the YoY growth in Take Rate. Co-financing from sellers contributed a minor portion of the total cost of funding free deliveries for the SMART! program that was strongly driving sales increases for merchants.

### ADVERTISING REVENUE

Advertising revenue increased by PLN 73.5 million, or 52.0%, from PLN 141.3 million for the six months ended 30 June 2020 to PLN 214.8 million for the six months ended 30 June 2021.

This increase resulted primarily from the strong performance of sponsored offer ads due to an acceleration in traffic growth on the Group's websites, a higher number of merchants purchasing sponsored ads offers which was driven initially by a continued shift of Polish consumers to e-commerce as a result of the COVID-19 pandemic in Q1 and later by increased promotional intensity from advertisers in Q2, aimed at retaining existing and winning new online buyers following the reopening of offline retail and the general reopening of the economy. The H1 increase was also the result of improved performance of display advertising due to self-service scalability and higher sales to strategic clients, together with the ramp-up of the new advertising network service, enabling merchants to use Google Adwords in order to drive traffic to their own Allegro offers to support their sales results.

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### PRICE COMPARISON REVENUE

Price comparison revenue increased by PLN 1.2 million, or 1.3%, from PLN 89.4 million for the six months ended 30 June 2020 to PLN 90.6 million for the six months ended 30 June 2021.

This YoY stabilization resulted primarily from a growing share of price comparison services acquired by the Allegro marketplace platform, driving a higher share of intra-Group revenue that is eliminated on consolidation. In addition, in Q2 2021 revenue from cost-per-click fees decelerated due to a lower volume of clicks as some buyers moved back to offline in comparison to the situation during the severe prior year lockdown, together with increased competition for traffic between market participants as offline fully reopened in Q2 2021.

### RETAIL REVENUE

Retail revenue increased by PLN 41.0 million, or 49.6%, from PLN 82.6 million for the six months ended 30 June 2020 to PLN 123.6 million for the six months ended 30 June 2021.

1P retail sales represented 0.52% of total GMV in H1 2020 and 0.62% of total GMV in H1 2021. This increase results from a stronger focus on using 1P retail in order to enhance the overall value proposition to buyers, helping to provide competitive pricing or missing selection of key products when the sellers present on the marketplace are unable to provide lowest prices or source products.

## OPERATING EXPENSES

Operating expenses increased by PLN 461.7 million, or 47.0%, from PLN 981.6 million for the six months ended 30 June 2020 to PLN 1,443.3 million for the six months ended 30 June 2021. This increase resulted primarily from increased net costs of delivery, staff costs and other expenses.

### PAYMENT CHARGES

Payment charges increased by PLN 0.1 million, or 0.2%, from PLN 74.2 million for the six months ended 30 June 2020 to PLN 74.3 million for the six months ended 30 June 2021. This increase resulted from higher sales on the Group's e-commerce marketplace, substantially offset by lower rates from third-party providers due to discounts that increase after reaching pre-agreed volume thresholds.

### COST OF GOODS SOLD

Cost of goods sold generated from retail revenues increased by PLN 38.7 million, or 46.9%, from PLN 82.3 million for the six months ended 30 June 2020 to PLN 121.0 million for the six months ended 30 June 2021. This increase resulted primarily from increased sales through the Group's 1P retail business operations, while gross sales margin moved up by 1.8 pp versus the prior year H1 to 2.1%.

### NET COSTS OF DELIVERY

Net costs of delivery increased by PLN 292.5 million, or 118.8%, from PLN 246.2 million for the six months ended 30 June 2020 to PLN 538.7 million for the six months ended 30 June 2021. This increase resulted primarily from a significant increase in both the number and share of buyers on the Group's e-commerce marketplace who were subscribers to the SMART! program and to the typically significant increase in spending that comes with the availability of offers with free delivery.



The growth in SMART! subscriptions partly reflects the prior-year conversion of buyers who had benefited from a free SMART! subscriptions offered by the Group during the first 2020 lockdown deciding to purchase a subscription after H1 2020. As those free SMART! trialists from H1 2020 converted to paid subscribers, the costs of their deliveries started appearing in the net cost of delivery line, whilst their PLN 81.2 million of delivery costs when they were free SMART! trialists in H1 2020 were booked in the marketing expense line. Successive improvements to the SMART! product, including the "SMART! Student" loyalty program, the "SMART! na Start" zero subscription five free deliveries for occasional shoppers, introduction of a cash on delivery payment method and reducing MOV on courier deliveries from PLN 100 to PLN 80 all contributed to subscription uptake by addressing specific concerns of various pockets of non-SMART! buyers. In addition to SMART! user growth, other drivers of net costs of delivery growth included a higher number of packages shipped per SMART! user and increased average cost per package due to the increased share of courier service in the delivery mix. Net costs of delivery mainly represent the excess of SMART! free delivery costs over the revenues earned from SMART! subscriptions while co-financing contributions from sellers are recorded as marketplace revenue and thus included in the Take Rate.

### MARKETING SERVICE EXPENSES

Marketing service expenses increased by PLN 1.3 million, or 0.5%, from PLN 273.3 million for the six months ended 30 June 2020 to PLN 274.6 million for the six months ended 30 June 2021. In the prior year this expense item included PLN 81.2 million of delivery costs associated with free SMART! trialists who received the service as part of a CSR response to the severe first COVID-19 lockdown. Excluding that amount, marketing expenses increased by 43.0% versus H1 2020. PPC expenses grew 48.6%. Increased competition for buyers as offline fully reopened in Q2 2021, drove costs per acquired click higher in a change similar to the higher advertising and promotion revenues noted by the Group on its own Allegro marketplace. Nevertheless, improving conversion of purchased traffic and higher Take Rates ensured that ROIs on this main component of marketing spending remained very strong.

The marketing services expense line includes PLN 2.3 million costs of donations to the health sector and charitable organisations and NGOs related to COVID-19 included as one-off costs in the Adjusted EBITDA reconciliation.

### STAFF COSTS

Staff costs increased by PLN 64.8 million, or 31.9%, from PLN 202.9 million for the six months ended 30 June 2020 to PLN 267.7 million for the six months ended 30 June 2021.

This increase resulted from the recruitment of new employees as headcount at 30 June 2021 was 29.1% higher than at 30 June 2020, as well as an increases in base salaries, the over-indexing of tech and middle-level business management recruitment and higher holiday provision caused by COVID-19 restrictions limiting the possibilities for employees to take vacation days. The total expenditure in H1 2021 included PLN 8.7 million cost related to the new Allegro Incentive Plan and PLN 0.6 million funds spent on protective equipment against COVID-19 vs PLN 6.9 million of Management Incentive Plan and PLN 2.5 million funds spent on protective equipment against COVID-19 in H1 2020, in both cases included as one-off costs in the Adjusted EBITDA reconciliation.

### IT SERVICE EXPENSES

IT service expenses increased by PLN 17.2 million, or 63.2%, from PLN 27.2 million for the six months ended 30 June 2020 to PLN 44.4 million for the six months ended 30 June 2021.

This increase resulted primarily from new licenses related to the introduction of new software solutions and increased IT costs due to growing technical platform capacity, including external cloud utilisation driven by both growing storage requirements for active offers on the Group's e-commerce marketplace, and capacity requirements for the increasing number of machine learning based solutions embedded in the Group's operations.

## OTHER EXPENSES

Other expenses increased by PLN 43.8 million, or 88.1%, from PLN 49.7 million for the six months ended 30 June 2020 to PLN 93.5 million for the six months ended 30 June 2021.

This increase resulted primarily from higher consultancy and contractor outsourcing costs in connection with the development of new products and services, including IT consulting services, related to the delivery experience development agenda, projects related to customer experience improvements and ongoing work on product catalogue development. H1 2021 also included a PLN 9.2 million write down of input VAT in the Luxembourg entities after being assessed as irrecoverable. The other expense line in H1 2021 included PLN 8.3 million of business development costs and PLN 0.5 million of regulatory proceedings costs vs PLN 2.7 million of business development costs, PLN 1.7 million monitoring costs and PLN 2.0 million of regulatory proceeding costs in Q2 2020, in both cases included as one-off costs in the Adjusted EBITDA reconciliation.

## NET IMPAIRMENT LOSSES ON FINANCIAL AND CONTRACT ASSETS

Net impairment losses on financial and contract assets increased by PLN 3.3 million, or 12.9% from PLN 25.8 million for the six months ended 30 June 2020 to PLN 29.1 million for the six months ended 30 June 2021. This increase resulted primarily from the growth of sales on the Group's e-commerce marketplace and included provisions of PLN 4.5 million for expected losses of 2.1% on consumer credits advanced by Allegro Pay, partially offset by better debt collection and the non-recurrence of a specific provision for extension of payment terms for SME sellers (COVID-19 policy response) on Allegro from 14 to 60 days booked in the previous year in the amount of PLN 2.5 million.

## OPERATING PROFIT BEFORE AMORTIZATION AND DEPRECIATION

Operating profit before amortization and depreciation increased by PLN 286.5 million, or 36.3%, from PLN 788.6 million for the six months ended 30 June 2020 to PLN 1,075.0 million for the six months ended 30 June 2021 as a result of the factors described above. This result includes PLN 20.5 million of one-off EBITDA adjustments reported in the period, compared to PLN 19.4 million one-offs reported in the prior year period.

## AMORTIZATION

Amortization increased by PLN 12.7 million, or 6.5%, from PLN 197.4 million for the six months ended 30 June 2020 to PLN 210.1 million for the six months ended 30 June 2021. This increase resulted primarily from an increase in intangibles associated with capitalized development costs of projects that were completed and put into use since the end of the prior reporting period.

## DEPRECIATION

Depreciation increased by PLN 6.1 million, or 19.8%, from PLN 30.8 million for the six months ended 30 June 2020 to PLN 36.9 million for the six months ended 30 June 2021. This increase resulted primarily from the depreciation of computers and office equipment related to growth of the organization and scaling of the server parks required to support the marketplace platform.



## OPERATING PROFIT

Operating profit increase by PLN 267.6 million, or 47.8%, from PLN 560.4 million for the six months ended 30 June 2020 to PLN 828.0 million for the six months ended 30 June 2021 as a result of depreciation and amortization growing more slowly than operating profit before amortization and depreciation (EBITDA).

## NET FINANCIAL COSTS

Net financial costs decreased by PLN 81.5 million, or 44.4%, from PLN 183.7 million for the six months ended 30 June 2020 to PLN 102.1 million for the six months ended 30 June 2021. This decrease resulted primarily from lower costs of Group indebtedness, due to refinancing transactions completed in 2020 that reduced both the nominal value of borrowings and the related facility margins, cutting interest costs by PLN 102.3 million from PLN 177.9 million for the six months ended 30 June 2020 to PLN 75.6 million for the six months ended 30 June 2021.

That decrease was partially offset by higher costs of interest rate hedging instruments by PLN 18.1 million or 157.4%, due to a significant fall in WIBOR reference rates triggered by the COVID-19 pandemic.

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

| PLN m (unaudited) | H1 2021 | H1 2020 | Change % |
|---|---|---|---|
| Valuation of financial instruments | 8.1 | 9.5 | (14.8%) |
| Interest from deposits | 0.4 | 2.1 | (80.1%) |
| Other financial income | 0.1 | 1.2 | (88.0%) |
| Net exchange gains on foreign currency transactions | 0.9 | — | n/a |
| **Financial income** | **9.5** | **12.8** | **(25.7%)** |
| Interest paid and payable for financial liabilities | (75.6) | (177.9) | (57.5%) |
| Interest rate hedging instrument | (29.6) | (11.5) | 157.7% |
| Interest on leases | (1.8) | (1.6) | 13.2% |
| Revolving facility availability fee | (1.8) | (1.6) | 11.2% |
| Net exchange losses on foreign currency transactions | — | (3.4) | (100.0%) |
| Other financial costs | (2.9) | (0.5) | 525.7% |
| **Financial costs** | **(111.7)** | **(196.5)** | **(43.2%)** |
| **Net financial costs** | **(102.1)** | **(183.7)** | **(44.4%)** |

## PROFIT BEFORE INCOME TAX

Profit before income tax increased by PLN 349.1 million, or 92.7%, from PLN 376.7 million for the six months ended 30 June 2020 to PLN 725.8 million the six months ended 30 June 2021 as a result of the factors described above.

## INCOME TAX EXPENSES

Income tax expenses increased by PLN 73.3 million, or 84.2%, from PLN 87.0 million for the six months ended 30 June 2020 to PLN 160.3 million for the six months ended 30 June 2021. The Group's effective tax rate was 22.1% and 23.1% for the six months ended 30 June 2020 and 2021, respectively, compared to the Polish standard corporate income tax rate of 19% for each period.

| PLN m (unaudited) | H1 2021 | H1 2020 | Change % |
|---|---|---|---|
| Current income tax on profits | (140.8) | (102.6) | 37.3% |
| (Increase)/Decrease in net deferred tax liability | (19.5) | 15.5 | (225.5%) |
| **Income tax expense** | **(160.3)** | **(87.0)** | **84.2%** |

## NET PROFIT

Net profit increased by PLN 275.9 million, or 95.2%, from PLN 289.7 million for the six months ended 30 June 2020 to PLN 565.5 million for the six months ended 30 June 2021 as a result of the same factors driving Adjusted EBITDA growth discussed above, in addition supported by a significant decline in financial costs.

## ADJUSTED NET PROFIT

Adjusted net profit increased by PLN 275.4 million, or 89.8%, from PLN 306.7 million for the six months ended 30 June 2020 to PLN 582.1 million the six months ended 30 June 2021.

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

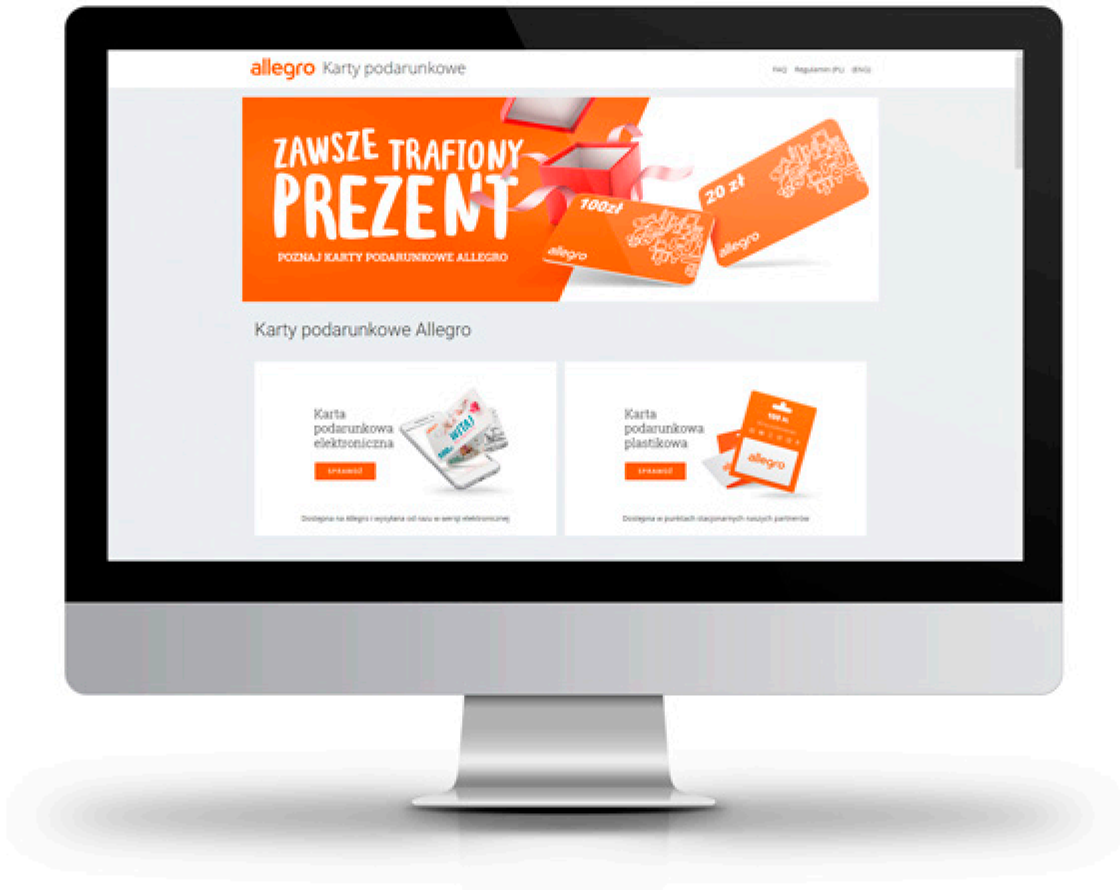
| Reconciliation of Adjusted net profit, PLN m (unaudited) | H1 2021 | H1 2020 | Change % |
|---|---|---|---|
| **Net Profit** | **565.5** | **289.7** | **95.2%** |
| EBITDA adjustments | 20.5 | 19.4 | 5.5% |
| Tax impact of adjustments | (3.9) | (2.4) | 63.2% |
| **Adjusted net profit** | **582.1** | **306.7** | **89.8%** |

## OTHER COMPREHENSIVE INCOME

Other comprehensive income increased by PLN 138.5 million, from a loss of PLN 65.7 million for the six months ended 30 June 2020 to a gain of PLN 72.9 million for the six months ended 30 June 2021. This increase resulted primarily from favourable changes in the valuation of the floating to fixed interest rate swap contracts as market yield curves slowly increase on prospect of the end of COVID-19 pandemic.

## TOTAL COMPREHENSIVE INCOME

Total comprehensive income increased by PLN 414.4 million, or 185.0%, from PLN 224.0 million for six months ended 30 June 2020 to PLN 638.4 million for the six months ended 30 June 2021 as a result of the factors discussed above.



## 2.2.3.
## REVIEW OF CASH FLOW PERFORMANCE

The following table summarizes net cash flows from operating, investing and financing activities for the three and six month periods ended 30 June 2021, together with comparative amounts for the corresponding period of 2020:

| Cash Flow, PLN m (unaudited) | H1 2021 | H1 2020 | Q2 2021 | Q2 2020 |
|---|---|---|---|---|
| **Net cash inflow/(outflow) from operating activities** | **656.3** | **667.6** | **232.2** | **374.7** |
| Profit before income tax | 725.8 | 376.7 | 370.7 | 238.6 |
| Income tax paid | (225.1) | (62.4) | (188.0) | (27.2) |
| Amortisation and depreciation | 247.1 | 228.2 | 125.8 | 114.0 |
| Net interest expense | 104.7 | 188.9 | 51.1 | 87.5 |
| Changes in net working capital | (198.9) | (62.7) | (130.8) | (37.7) |
| Other operating cash flow items | 2.7 | (1.1) | 3.4 | (0.5) |
| **Net cash inflow/(outflow) from investing activities** | **(153.3)** | **(124.4)** | **(93.4)** | **(76.4)** |
| Capitalized development costs | (104.0) | (75.1) | (55.3) | (44.6) |
| Other capital expenditure | (49.5) | (43.9) | (38.2) | (30.8) |
| Acquisition of subsidiaries | — | (4.4) | — | — |
| Other investing cash flow | 0.2 | (1.0) | 0.1 | (1.0) |
| **Net cash inflow/(outflow) from financing activities** | **(117.3)** | **(372.3)** | **(57.6)** | **(96.6)** |
| Borrowings repaid | — | (172.5) | — | — |
| Interest rate hedging instrument settlements | (32.8) | (11.5) | (14.7) | (8.0) |
| Lease payments | (16.1) | (14.6) | (8.5) | (7.3) |
| Interest paid | (67.1) | (172.1) | (33.7) | (80.6) |
| Other financing cash flow | (1.3) | (1.6) | (0.7) | (0.8) |
| **Net increase/(decrease) in cash and cash equivalents** | **385.7** | **170.9** | **81.2** | **201.7** |



### NET CASH FROM OPERATING ACTIVITIES

Net cash generated from operating activities decreased by PLN 11.3 million or 1.7% YoY for the six months ended 30 June 2021 and PLN 142.5 million or 38.0% YoY for Q2 2021. This decrease is mainly attributed to the higher outflow of net working capital, PLN 162.3 million or 217% YoY resulting from the launch of Allegro Pay consumer finance lending operations in second half of 2020, which translated to PLN 173.7 million of investment in the loan book in the 6 months period ended 30 June 2021.

During H1 the Group originated PLN 526 million of new consumer loans from its new Allegro Pay product and is progressing well towards its target of at least PLN 1,000 million of loan origination during FY 2021. The gross loans balance reached PLN 231 million at the end of H1 2021, having increased by 74% QoQ, and is also on target to reach at least PLN 500 million of gross loans outstanding as at FY 2021 year end. The observed growth in loan sales and period end balance is driven by a growing proportion of the marketplace Active Buyers who are eligible to use Allegro Pay services and a growing number of users who activative the service and draw down on their individually approved credit lines.

The increasing volumes of originated consumers loans have been supported by several new features and upgrades introduced by Allegro Pay during H1 2021, including card repayment, one-click buy directly from the product page and upgraded credit-scoring models with improved risk parameters and a high approval rate. Good underwriting discipline is so far confirmed by the expected credit losses ratio remaining low at 2.1% of the outstanding gross loans at H1 2021 period end. Demand for Buy Now, Pay Later (BNPL) credits relative to instalment loans has been higher than originally expected, resulting in relatively slower growth in gross loans outstanding as BNPL credits turn over much more quickly than instalment loans.

The decrease of the cash generated from operating activities was further impacted by the settlement of corporate income tax, due for 2020, in the amount of PLN 142.7 million. This large payment resulted from a switch to the prepayment method of corporate tax settlement for 2020, whereby the prepayments are based on the much lower tax paid from two years earlier, i.e. 2018. Furthermore, this final settlement for 2020 corporate income tax was delayed into Q2 2021 as a result of special relief measures introduced by the polish government to address the global economic disruption caused by the COVID-19 pandemic. This delay accounts for most of a PLN 160.8 million increase in tax paid in Q2 2021 versus the prior year quarter. The negative impact on the Group's operating cash flow of the above factors was largely offset by a significant increase of profit before income tax of PLN 349.1 million, or 92.7% YoY for H1 2021 and by PLN 132.1 million, or 55.4% YoY for Q2 2021, in both cases driven mostly by a combined impact of both the decrease in interest paid and the factors impacting the growth of the respective periods' EBITDA.

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### NET CASH USED IN INVESTING ACTIVITIES

Net cash used in investing activities was PLN 153.3 million for the six months ended 30 June 2021 which represents a YoY increase of net outflow in the amount of PLN 28.9 million, or 23.2% and PLN 36.4 million YoY for Q2 2021. This increase is resulting from higher development costs qualified for capitalization, related to ongoing development of the e-commerce platform with capacity for new projects expanded by the increasing headcount among the Group's technology teams.

The other factors impacting the cash from investing activities remained fairly stable, whereas the Group is expecting to see a significant uptick of capital expenditures in the next quarters as preparation of the Group's new fulfilment center and roll-out of its first proprietary lockers gains traction. Fulfillment center fit-out investment necessary for full-scale operations was lagged into Q3 as the ongoing integration and adaptation of a Warehouse Management System is continuing and is now on the critical path to launch the fulfilment services. Investments necessary for the first pilot phase of the fulfilment project were completed in H1 with first shipments expected during the Autumn as part of the pilot. With regards to the Last Mile project, the Group expects APM deliveries at scale and continuous site acquisition and installation ramp-up in H2 2021 to result in significantly increased capital investment. In addition, fit-out expenditures for new offices in Warsaw and Poznan, taken over later than originally expected, will produce significantly higher capital investment in H2.

In the six months period ended 30 June 2021, the Group did not initiate any one-off investments, compared to PLN 4.4 million cash outflow recorded in Q1 2020, resulting from the acquisition of the business assets of FinAi S.A. (currently Allegro Pay sp. z o.o.).

### NET CASH USED IN FINANCING ACTIVITIES

Net cash used in financing activities was PLN 117.3 million for the six months ended 30 June 2021, which represents a decrease in cash outflow amounting to PLN 255.0, or 68.5% YoY and PLN 39.0 million, or 40.4% YoY for Q2 2021. This decrease is mainly related to the Group's refinancing process that was completed in Q4 2020 and resulted in shifting the amortizing repayment schedule to a bullet repayment in 2024, reducing the nominal amount of indebtedness and the corresponding WIBOR reference margin. Moreover, the Group made a scheduled loan repayment in Q1 2020, which resulted in recording a net cash outflow in the amount of PLN 172.5 million.

The positive impact of the refinancing process on the Group's cash flow from financing activities was partly offset by higher costs related to settlement of fixed interest rate hedging instruments, PLN 21.3 million or 185% YoY for the 6 months period ended 30 June 2021 and PLN 6.7 million or 84% YoY for Q2 2021. This is the result of lowering the interest rates by the National Bank of Poland in Q2 2020, as a response for the global economic disruption caused by the COVID-19 pandemic, and aiming to support economic growth despite the increasing inflationary pressure. Those actions translated to a significant adverse swing in the valuation of the existing floating to fixed interest rate swap contracts as market interest rates fell, increasing quarterly cash outflows on the contracts while the Group's underlying interest payments have fallen. The Group hedges approximately 50% of its floating interest rate risk. Market interest rates have begun to rise again in anticipation of post pandemic recovery, resulting in a gradual fall in the valuation of the swap contract liabilities over the first half of 2021. Most of these gains have been recorded in Other Comprehensive Income in accordance with hedge accounting rules and are non-cash items.



## 2.2.4. INDEBTEDNESS

As of 30 June 2021, the Group's total borrowings (principal adjusted by amortised cost) were PLN 5,445.8 million. In addition, the Group had PLN 500.0 million committed under a revolving facility, which was undrawn as of 30 June 2021.

The Group's net leverage reduced from 2.47x as of 31 December 2020 to 1.98x as of 30 June 2021. This decrease is mostly driven by the upward trend of the adjusted LTM EBITDA, increasing from PLN 1,750.0 million for the twelve months ended 31 December 2020 to PLN 2,037.6 million for twelve months ended 30 June 2021, and a significant increase of cash by PLN 385.6 million or 32.5%, driven by the factors described in the previous section.

The decrease of the net debt to equity ratio from 53.5% to 46.2% is impacted by both a decrease of the Group's leverage and an increase of equity due to current year results and the favorable change in valuation of fixed interest rate hedging instruments, revalued mostly through other comprehensive income.

| PLN m (unaudited) | 30.06.2021 | 31.12.2020 |
|---|---|---|
| **Adjusted EBITDA LTM** | **2,037.6** | **1,750.0** |
| Borrowings at amortized cost | 5,445.8 | 5,437,8 |
| Lease liabilities | 162.4 | 73.3 |
| less Cash | (1,570.7) | (1,185.1) |
| **= Net Debt** | **4,037.5** | **4,326.0** |
| Leverage | 1.98 x | 2.47 x |
| Equity | 8,737.9 | 8,090.6 |
| Net debt to Equity | 46.2% | 53.5% |

As a result of leverage falling below 2.0x Adjusted EBITDA, the Group is expecting to record a further PLN 11.2 million in interest savings during H2 2021 as the applicable margin is expected to fall by 50 bp. This decrease is expected to be accompanied by a non-cash reduction in debt, valued at amortized cost, by approximately PLN 100 million, due to the resulting fall of the future cash interest outflows related to the loan.

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# 3.

# Expectations for the Group in FY 2021

The Group reiterates the current expectations discussed in the "Expectations For The Group in FY 2021" section of the Company's Q1 2021 Quarterly Report, which has been published on the website of the Company; with the exception of its capital expenditure plans for FY 2021, which are reduced to an expected range of PLN 475 million to PLN 525 million, down from the earlier PLN 560 million to PLN 600 million. This change results from some cash capex savings on certain IT equipment that was leased instead of purchased and a delay of some office fit out work for future periods resulting from later handover of new offices.

The Group's expectations take into account the expected intensification of competition in 2021, but do not include downside risks from any of several digital tax proposals, should such be voted into law by the Polish parliament.

| | FY 2020 Actual | FY 2021 Q1 2021 report | FY 2021 Updated | Comments |
|---|---|---|---|---|
| GMV | 54% | High teens-Low 20s% | Unchanged | Growth accelerating from Q2 low point in H2 |
| | YoY growth | YoY growth | YoY growth | |
| Revenue | 54% | Low 30s% | Unchanged | Take Rate seasonally lower in H2 |
| | YoY growth | YoY growth | YoY growth | |
| Adj. EBITDA [1] | 31% | High teens-Low 20s% | Unchanged | Increased SMART! penetration and SG&A ramp-up to support innovation roadmap in H2 and beyond |
| | YoY growth | YoY growth | YoY growth | |
| Capex [2] | PLN 230m | PLN 560-600m | PLN 475-525m | IT cash capex savings from leases<br>Office fit-out delay |

[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)



# 4.

# Recent trading

During July 2021, management has noted GMV growth that is consistent with the Group's current expectations for FY 2021. As there were no COVID-19 lockdowns in July 2020 and throughout the third quarter of 2020, the base period comparative eased considerably in July relative to the Q2 comparatives. Accordingly, the Group noted an acceleration of GMV growth in July 2021 towards a mid-teens percentage growth rate.

# 5.
# Principal risks and uncertainties

The following factors are particularly significant to the realisation or otherwise of the expected financial results for 2021 detailed above in Section 2.3:

- The pace of vaccination against COVID-19 and the resulting speed with which restrictions on offline retail are removed and an expected general reduction of perceived threat from COVID-19 among the Polish population when shopping offline are both events that are likely to have a significant impact on our GMV growth during the second half of 2021, however the timing and scale of these impacts is difficult to estimate. Moreover, it remains difficult to project the degree to which buyers will continue to rely on e-commerce and maintain purchasing habits developed during the pandemic once the COVID-19 crisis is in the past.

- Following the launch of an Amazon.pl website by Amazon and the announcement of proprietary locker investments by Alibaba in recent months, the Group has factored in some intensification of competition from multinational e-commerce companies into its expectations for the remaining quarters of 2021. In the event that the pace of development of the Group's competitors differs from the Group's assumptions, this may lead to a need to adjust operational plans and commercial positioning and may lead to significant deviations in financial performance for 2021 from our expectations.

- Operating margins may differ significantly from those implied in our expected financial results should the Group need to change monetization approach due to competitive pressures or if SMART! subscription growth or SMART! na Start uptake is materially different from our current expectations.

- Should we suffer delays in ramping up our staffing and development projects, including both planned improvements to the Group's marketplace and price comparison platforms and in new infrastructure projects related to Allegro Fulfilment services and a proprietary locker network, then the Group's revenue growth in 2021 may be adversely affected.

Due to the uncertainty about the future evolution of the key factors described above and the future developments of the Polish and global economies, in the management's assessment actual results for 2021 could differ materially from those discussed in any expectations, projections or other forward-looking statements included throughout this Report.

In addition to, the risk factors discussed above, the risk factors that have been described in detail in section 2.2 "Risk Factors" of the Group's Annual Report for the financial year ended 31 December 2020 ("2020 Annual Report"), which was approved by the Board of Directors on 2 March 2021 and which has been subsequently published on the Company's website. These risk factors are also relevant for the financial performance of the Group in 2021 and for the medium and long term financial performance and business prospects of the Group.



As of the date of this Report, in Management's opinion, there were no substantial new risk factors or changes in the Group's assessment of the risk factors included and described in the 2020 Annual Report to be presented in this Report, with the following exceptions:

- **Amazon Inc. has recently intensified its activity directly competitive to Allegro in the Polish e-commerce segment and this may lead to a material change in our financial performance in terms of growth, margins and cash flows in the future**

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

  Since 2016 Amazon has served the Polish e-commerce segment in competition to Allegro via a Polish language translation of its German website, Amazon.de, Polish consumers have had access to the European selection available on Amazon.de. They may browse these offers in Polish, pay using Polish zloty payment solutions and contact customer services provided in Polish. Moreover, the network of fulfilment centers operated by Amazon in Poland chiefly to serve the German e-commerce segment make it possible to deliver a significant part of Amazon.de selection with next day or two day service. This baseline level of competition from Amazon is part of the highly competitive e-commerce segment environment in which the Group has successfully grown its GMV, profits and cash flows during the past several years. In this context, the Group sees Amazon's recent introduction of the dedicated Amazon.pl website, procuring of local merchants and securing of an additional delivery partner as a clear indicator that the competitive environment will intensify in the coming months and years.

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

  The Group believes that the development strategy that it has pursued over the past several years has prepared it well to meet intensified competition from Amazon. In preparing its budgets and expectations for financial performance of the Group for 2021 and beyond, the Group has used its judgement to make reasonable assumptions about the level of increased competition from Amazon and the resulting impact on its results and operations. However, the Group may be incorrect in its planning assumptions and the impact of intensified competition from Amazon may have a materially more adverse effect on the Group's business, financial condition, and results of operations than currently assumed.

- **System interruptions at any of the third party integrators whose business is to enable merchants to interface their e-stores with multiple e-commerce sales channels such as the Allegro.pl marketplace platform, can lead to serious disruption to the Group's transaction volumes or harm to the Group's reputation.** Some of the merchants who list their offers on the Group's marketplace platform chose to do so via an e-commerce integration service that enables them to interface their own e-store with one or more e-commerce sales channels simultaneously rather than connecting their e-store directly with each of their chosen e-commerce sales channels. Such merchants' ability to manage their offers on the Group's marketplace, including adding new offers, changing prices and processing orders and returns, depends critically on the continuity of service provided by their service provider. An example of such interruption occurred in March 2021 when an accidental fire broke out in one of Europe's largest data centers and web hosting providers based in Strasbourg which was the main provider of such services to Allegro's largest third party service integrator. Most Allegro merchants affected by the outage recovered full functionality within 24 hours of the disruption onset while full recovery took up to seven days for some merchants. As a result, a number of Allegro orders were not dispatched on time, leading to increased interactions between buyers 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.

- **Works on legislative proposals described in the 2020 Annual Report and Q1 2021 Quarterly Report are in progress.** The regulatory debate at the EU and national level focuses largely on online platforms and online marketplaces (Digital Services Act) and may result in additional obligations and costs (digital taxation). Moreover, EU legislators are reflecting on regulating other business relevant issues, such as third countries subsidies', business to business and business to government data sharing, digital levy, platforms' work, sustainability of products and many others.

As of Q1 Quarterly Report a number of legislative proposals were published at the Polish and EU level. Once/if adopted, they will have an impact on the Group activities. This includes, but is not limited to:

- proposal for a EU regulation on general product safety, published on June 30 [1]. It aims to update the product safety legal framework by increasing consumer protection. It introduces new obligations for marketplaces, fulfilment service providers and traders, including traders from third countries;
- review of EU Consumer Credit Directive [2], published on 30 June. 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);
- proposal for a revision of the EU Vertical Block Exemption Regulation (VBER) and vertical guidelines published on 9 of July [3]. Article 101 TFEU prohibits vertical agreements between companies that restrict competition. The VBER provides safe harbour for vertical agreements if they meet specific requirements. These agreements are deemed to be pro-competitive and are exempted from Article 101 TFEU. Proposal of the new VBER revises these exceptions and specifically refers to online intermediation services, stating that the exemption shall not apply where a provider of online intermediation services also competes with its clients;

[1] Proposal for a regulation 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; Brussels, 30.6.2021 COM(2021) 346 final.

[2] Proposal for a DIRECTIVE OF of the European Parliament and of the Council on consumer credits; Brussels, 30.6.2021 COM(2021) 347 final.

[3] Draft of the Commission Regulation on the application of Article 101(3) of the Treaty on the Functioning of the European Union to categories of vertical agreements and concerted practices.



- draft bill on taxation of certain digital services which introduces an additional tax for companies reporting more than EUR 750 million of total revenues on the consolidated level and more than EUR 4 million of digital services revenues in Poland. This tax will amount to 7% and will be imposed on the following revenue streams obtained in Poland by the aforementioned companies – i.e. (i) running campaigns with the usage of profiled advertisements, (ii) making it possible to use multilateral digital interfaces and (iii) handing over data collected on users during their activity on digital interfaces. The sale of goods or services through the intermediary of a digital interface belonging to the seller shall not be subject to this new tax. The bill is based on the MP's bill on the taxation of certain digital services that was submitted in 2020 by the Left and only now it was directed to the first reading in the Parliament. It shall be noted that the works on digital taxation are conducted simultaneously on the OECD and EU levels and Poland also takes part in those works. Moreover, the Government consulted with the public in Q1 2021 a bill introducing the special advertising (both digital and traditional) levy and those works were suspended (i.e. no bill was formally directed to the Parliament);
- package of tax bills within the New Deal Governmental initiative – this package was released for public consultation on 26 July 2021 and comprises PIT, CIT, VAT and Tax Ordinance changes. In particular this package introduces a new WHT pay & refund mechanism which will be limited to intercompany passive charges over PLN 2 million. At the time of this Report the Company is still reviewing and evaluating the potential impact of the package on the Group operations.

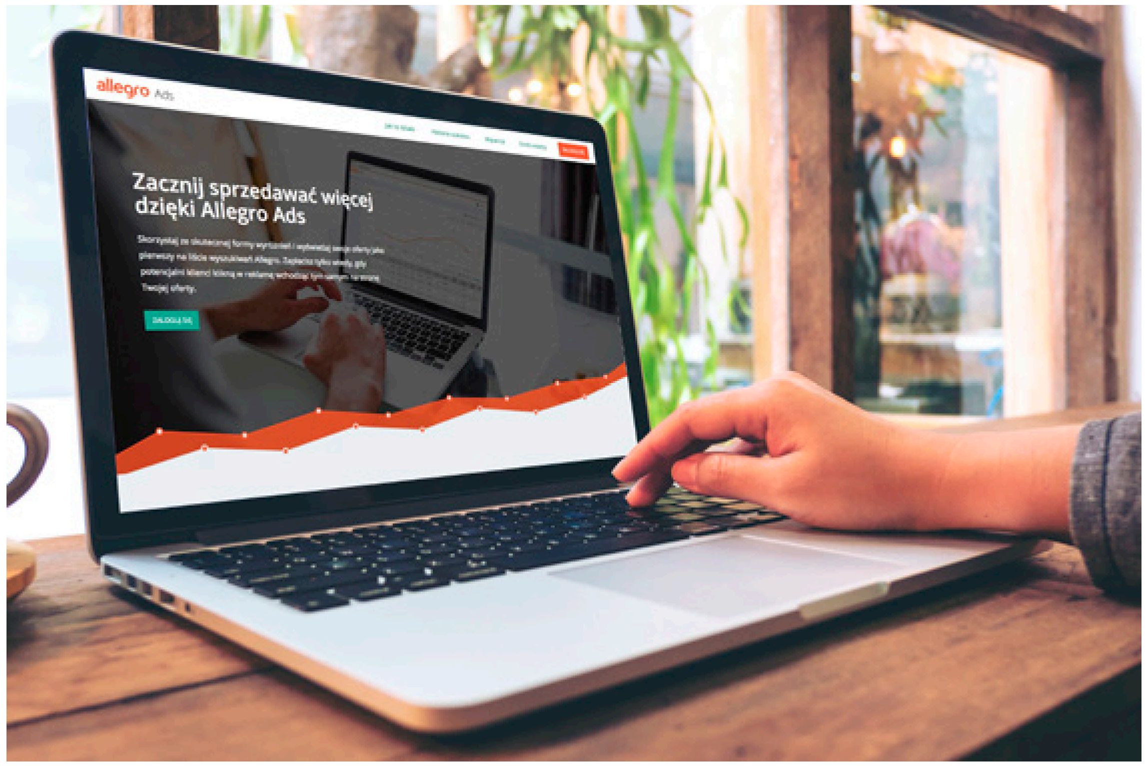
- Moreover, a number of legal acts relevant for the Group entered into force. This includes but is not limited to:
  - so called EU VAT ecommerce package [4] which imposes additional tax obligations on marketplaces but should help eliminate tax avoidance in the ecommerce sector in the UE, in particular in the field of deliveries of goods from non-EU countries (application date: 1.07.2021);
  - regulation 2019/1020 on market surveillance and compliance of products [5] and amending Directive 2004/42/EC and Regulations (EC) No 765/2008 and (EU) No 305/2011(application date: 16.07.2021). It establishes new rules regarding import of goods to the European Union, including new categories of undertakings (fulfilment service provider) in the products supply chain and new obligations thereof. It specifically addresses obligations related to products coming from outside of the EU.

[4] VAT package is composed of a number of EU acts listed below and Polish implementing acts. Council Directive (EU) 2017/2455 of 5 December 2017 amending Directive 2006/112/EC and Directive 2009/132/EC as regards certain value added tax obligations for supplies of services and distance sales; Council Regulation (EU) 2017/2454 of 5 December 2017 amending Regulation (EU) No 904/2010 on administrative cooperation and combating fraud in the field of value added tax of goods Council Implementing Regulation (EU) 2017/2459 of 5 December 2017 amending Implementing Regulation (EU) No 282/2011 laying down implementing measures for Directive 2006/112/EC on the common system of value added tax; Council Directive (EU) 2019/1995 of 21 November 2019 amending Directive 2006/112/EC as regards provisions relating to distance sales of goods and certain domestic supplies of goods; Council Implementing Regulation (EU) 2019/2026 of 21 November 2019 amending Implementing Regulation (EU) No 282/2011 as regards supplies of goods or services facilitated by electronic interfaces and the special schemes for taxable persons supplying services to non-taxable persons, making distance sales of goods and certain domestic supplies of goods; Polish implementing act: Act of 20 May 2021 amending the Act on Value Added Tax and certain other acts.

[5] Regulation 2019/1020 on market surveillance and compliance of products and amending Directive 2004/42/EC and Regulations (EC) No 765/2008 and (EU) No 305/2011.

- The Group is aware of certain pending legal disputes between individuals associated with Bola Investment Limited ("Bola") and a third party individual ("Claimant") relating to the ownership of a minority stake of shares in eBilet sp. z o.o. that was the former owner of eBilet Polska sp. z o.o. ("eBilet Polska"). eBilet Polska has been part of the Group since April 2019. eBilet sp. z o.o. is not, and has never been, part of the Group. Based on information available to the Group and based on the assessment of the Group's legal advisor as of the date of this Report, the Group has no reason to believe that the outcome of the pending disputes known to the Group would have a material impact on the Group.

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






# 6. Shareholders of Allegro.eu

Based on the most recent available information, to the best of Management's knowledge, as of the date of this Report, the Company's shares are held by the following entities.

| Name | Number of shares | % of shares in the share capital | Number of votes at the General Meeting | % of votes at the General Meeting |
|---|---|---|---|---|
| Cidinan S.à r.l. | 286 778 572 | 28.03% | 286 778 572 | 28.03% |
| Permira VI Investment Platform Limited | 286 778 572 | 28.03% | 286 778 572 | 28.03% |
| Mepinan S.à r.l. | 63 728 574 | 6.23% | 63 728 574 | 6.23% |
| Other shareholders | 385 970 096 | 37.72% | 385 970 096 | 37.72% |
| **Total:** | **1 023 255 814** | **100.00%** | **1 023 255 814** | **100.00%** |

Allegro Group management's shareholdings (included in Free Float) received at IPO as settlement of investments made in the Management Investment Plan are subject to a 360 day lockup period expiring on 7 October 2021.

# 7. Related parties transactions

We are engaged in certain commercial and financial transactions with related parties. Please refer to Note 19 to the Condensed Consolidated Financial Statements of Allegro.eu Group for the six months ended 30 June 2021, and to Note 37 to the Consolidated Financial Statements of Allegro.eu Group for the year ended 31 December 2020, for further details.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III.

# FINANCIAL STATEMENTS

# Responsibility statement

Allegro.eu
Société anonyme
1, rue Hildegard von Bingen, L – 1282 Luxembourg,
Grand Duchy of Luxembourg
R.C.S. Luxembourg: B214830
(the Company)

**RESPONSIBILITY STATEMENT**

The Board of Directors confirms that, to the best of its knowledge:

These H1 2021 Interim Condensed Consolidated Financial Statements which have been prepared in accordance with the Accounting Standard IAS 34 Interim Financial Reporting as adopted by the European Union, 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 interim 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 and signed on its behalf by:

| | |
|---|---|
| Darren Huston | François Nuyts |
| Director | Director |

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# Report on Review of Interim Condensed Consolidated Financial Statements

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**Report on Review of Interim Condensed Consolidated Financial Statements**

To the Board of Directors of
**Allegro.eu S.A.**

We have reviewed the accompanying interim condensed consolidated financial statements of Allegro.eu S.A. (the “Company”) and its subsidiaries (the “Group”) as at 30 June 2021, which comprise the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of financial position, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six - month period then ended, and a summary of significant accounting policies and other explanatory information.

**Board of Directors’ responsibility for the interim condensed consolidated financial statements**

The Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34, “Interim Financial Reporting” as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of interim condensed consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**Responsibility of the “Réviseur d’entreprises agréé”**

Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. We conducted our review in accordance with International Standard on Review Engagements (ISRE 2410 “Review of interim financial information performed by the independent auditor of the entity”) as adopted for Luxembourg by the “Institut des Réviseurs d’Entreprises”. This standard requires us to comply with relevant ethical requirements and conclude whether anything has come to our attention that causes us to believe that the interim condensed consolidated financial statements, taken as a whole, are not prepared in all material respects in accordance with the applicable financial reporting framework.

A review of interim condensed consolidated financial statements in accordance with ISRE 2410 is a limited assurance engagement. The “Réviseur d’entreprises agréé” performs procedures, primarily consisting of making inquiries of management and others within the Company, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these interim condensed consolidated financial statements.

*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*

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 4 August 2021

Electronically signed by:
Véronique Lefebvre

Véronique Lefebvre



# INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

all amounts expressed in PLN'000 unless indicated otherwise

# Interim Condensed Consolidated Statement of comprehensive income

| | Note | 6 months ended 30.06.2021 | 6 months ended 30.06.2020 | 3 months ended 30.06.2021 | 3 months ended 30.06.2020 |
|---|---|---|---|---|---|
| **Revenue** | 8 | **2,518,324** | **1,770,148** | **1,308,122** | **1,018,985** |
| **Operating expenses** | | **(1,443,276)** | **(981,574)** | **(760,554)** | **(580,598)** |
| Payment charges | | (74,286) | (74,165) | (38,287) | (40,313) |
| Cost of goods sold | | (120,984) | (82,331) | (63,166) | (49,474) |
| Net costs of delivery | | (538,738) | (246,194) | (284,488) | (143,438) |
| Marketing service expenses | | (274,569) | (273,279) | (152,198) | (180,175) |
| Staff costs net | | (267,734) | (202,937) | (137,916) | (113,494) |
| *Staff costs gross* | | *(342,790)* | *(264,576)* | *(176,500)* | *(150,802)* |
| *Capitalisation of development costs* | | *75,056* | *61,639* | *38,584* | *37,308* |
| IT service expenses | | (44,427) | (27,229) | (23,483) | (14,325) |
| Other expenses net | | (93,458) | (49,688) | (48,219) | (27,339) |
| *Other expenses gross* | | *(122,352)* | *(63,144)* | *(64,935)* | *(34,626)* |
| *Capitalisation of development costs* | | *28,894* | *13,456* | *16,716* | *7,287* |
| Net impairment losses on financial and contract assets | | (29,080) | (25,751) | (12,797) | (12,040) |
| **Operating profit before amortisation and depreciation** | | **1,075,048** | **788,574** | **547,568** | **438,387** |
| **Amortisation and Depreciation** | | **(247,062)** | **(228,205)** | **(125,777)** | **(113,975)** |
| Amortisation | | (210,122) | (197,382) | (105,564) | (97,666) |
| Depreciation | | (36,940) | (30,823) | (20,213) | (16,309) |
| **Operating profit** | | **827,986** | **560,369** | **421,791** | **324,412** |
| **Net Financial costs** | 9 | **(102,146)** | **(183,674)** | **(51,137)** | **(85,794)** |
| Financial income | | 9,540 | 12,839 | 4,040 | 2,879 |
| Financial costs | | (111,686) | (196,513) | (55,177) | (88,673) |

The above interim condensed consolidated statement of comperhensive income should be read in conjunction with the accompanying notes.



| | Note | 6 months ended 30.06.2021 | 6 months ended 30.06.2020 | 3 months ended 30.06.2021 | 3 months ended 30.06.2020 |
|---|---|---|---|---|---|
| **Profit before Income tax** | | **725,840** | **376,695** | **370,654** | **238,618** |
| **Income tax expenses** | 10 | **(160,324)** | **(87,041)** | **(74,785)** | **(53,578)** |
| **Net profit** | | **565,516** | **289,654** | **295,869** | **185,040** |
| **Other comprehensive income/(loss) – Items that may be reclassified to profit or loss** | | **72,850** | **(65,688)** | **28,907** | **(9,599)** |
| Gain/(Loss) on cash flow hedging | | 40,046 | (100,381) | 14,189 | (21,871) |
| Cash flow hedge – Reclassification from OCI to profit or loss | | 32,804 | 11,465 | 14,718 | 7,952 |
| Deferred tax relating to these items | | — | 22,379 | — | 3,471 |
| Exchange differences on translation of foreign operations | | — | 849 | — | 849 |
| **Total comprehensive income for the period** | | **638,366** | **223,966** | **324,776** | **175,441** |

| | Note | 6 months ended 30.06.2021 | 6 months ended 30.06.2020 | 3 months ended 30.06.2021 | 3 months ended 30.06.2020 |
|---|---|---|---|---|---|
| **Net profit/(Loss) for the period is attributable to:** | | **565,516** | **289,654** | **295,869** | **185,040** |
| Shareholders of the Parent Company | | 565,516 | 289,945 | 295,869 | 185,610 |
| Non-controlling interests | | — | (291) | — | (570) |

| | Note | 6 months ended 30.06.2021 | 6 months ended 30.06.2020 | 3 months ended 30.06.2021 | 3 months ended 30.06.2020 |
|---|---|---|---|---|---|
| **Total comprehensive income/(Loss) for the period is attributable to:** | | **638,366** | **223,966** | **324,776** | **175,441** |
| Shareholders of the Parent Company | | 638,366 | 224,257 | 324,776 | 176,011 |
| Non-controlling interests | | — | (291) | — | (570) |

| | Note | 6 months ended 30.06.2021 | 6 months ended 30.06.2020 | 3 months ended 30.06.2021 | 3 months ended 30.06.2020 |
|---|---|---|---|---|---|
| **Earnings per share for profit attributable to the ordinary equity holders of the company (in PLN)** | 11 | | | | |
| Basic | | 0.55 | (0.29) | 0.29 | (0.08) |
| Diluted | | 0.55 | (0.29) | 0.29 | (0.08) |

all amounts expressed in PLN'000 unless indicated otherwise

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# Interim Condensed Consolidated Statement of financial position

## ASSETS

| Non-current assets | Note | 30.06.2021 | 31.12.2020 |
|---|---|---|---|
| Goodwill | | 8,639,249 | 8,639,249 |
| Other intangible assets | | 4,313,109 | 4,407,024 |
| Property, plant and equipment | 5 | 247,042 | 150,820 |
| Other financial assets | 5 | 38,168 | — |
| Other receivables | | 13,018 | — |
| Consumer Loans | 13 | 14,080 | 4,728 |
| Deferred tax assets | 15 | 281 | 281 |
| Investments | | 360 | 360 |
| **Total non-current assets** | | **13,265,307** | **13,202,462** |

| Current assets | Note | 30.06.2021 | 31.12.2020 |
|---|---|---|---|
| Inventory | | 36,814 | 24,619 |
| Trade and other receivables | 12 | 605,130 | 646,409 |
| Prepayments | 5 | 60,727 | 36,496 |
| Consumer Loans | 13 | 211,604 | 47,244 |
| Other financial assets | | 4,297 | 4,788 |
| Income tax receivables | | 1,408 | 802 |
| Cash and cash equivalents | 14 | 1,570,714 | 1,185,060 |
| **Total current assets** | | **2,490,694** | **1,945,418** |
| **Total assets** | | **15,756,001** | **15,147,880** |

The above interim condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

## EQUITY AND LIABILITIES

| Equity | Note | 30.06.2021 | 31.12.2020 |
|---|---|---|---|
| Share capital | | 10,233 | 10,233 |
| Capital reserve | | 7,073,667 | 7,073,667 |
| Cash flow hedge reserve | | (22,634) | (95,484) |
| Actuarial gain/(loss) | | (938) | (938) |
| Other reserves | 18 | 9,986 | — |
| Retained earnings | | 1,102,118 | 682,958 |
| Net result | | 565,516 | 419,160 |
| **Equity allocated to shareholders of the Parent** | | **8,737,948** | **8,089,596** |
| **TOTAL EQUITY** | | **8,737,948** | **8,089,596** |

| Non-current liabilities | Note | 30.06.2021 | 31.12.2020 |
|---|---|---|---|
| Borrowings | | 5,445,240 | 5,437,223 |
| Lease liabilities | 5 | 131,774 | 45,359 |
| Other financial liabilities | 5 | — | 97,298 |
| Deferred tax liability | 15 | 598,594 | 579,078 |
| Liabilities to employees | 5 | 6,555 | 5,370 |
| Liabilities related to business combinations | | 3,893 | 3,893 |
| **Total non-current liabilities** | | **6,186,056** | **6,168,221** |

| Current liabilities | Note | 30.06.2021 | 31.12.2020 |
|---|---|---|---|
| Borrowings | | 569 | 577 |
| Lease liabilities | 5 | 30,639 | 27,907 |
| Other financial liabilities | 5 | 51,276 | — |
| Income tax liability | 5 | 69,794 | 155,022 |
| Trade and other liabilities | 16 | 597,753 | 557,629 |
| Liabilities to employees | 5 | 81,966 | 148,928 |
| **Total current liabilities** | | **831,997** | **890,063** |
| **TOTAL EQUITY AND LIABILITIES** | | **15,756,001** | **15,147,880** |

all amounts expressed in PLN'000 unless indicated otherwise

# Interim Condensed Consolidated Statement of changes in equity

| | Share Capital | Capital reserve | Exchange differences on translating foreign operations | Cash flow hedge reserve | Actuarial gain/(loss) | Other reserves | Retained earnings | Net result | Equity allocated to shareholders of the Parent | Non-controlling interests | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **As at 01.01.2020** | **434,246** | **5,141,141** | **568** | **(22,278)** | **—** | **(33,633)** | **758,784** | **391,392** | **6,670,220** | **13,422** | **6,683,642** |
| Profit for the period | — | — | — | — | — | — | — | 289,945 | 289,945 | (291) | 289,654 |
| Other comprehensive income | — | — | 849 | (66,537) | — | — | — | — | (65,688) | — | (65,688) |
| **Total comprehensive income for the period** | **—** | **—** | **849** | **(66,537)** | **—** | **—** | **—** | **289,945** | **224,257** | **(291)** | **223,966** |
| Transfer of profit from previous years | — | — | — | — | — | — | 391,392 | (391,392) | — | — | — |
| Share based compensation | — | — | — | — | — | 6,865 | — | — | 6,865 | — | 6,865 |
| Non-recourse loans | (62) | (4,826) | — | — | — | — | — | — | (4,888) | — | (4,888) |
| Written put option liability valuation | — | — | — | — | — | 14,345 | — | — | 14,345 | — | 14,345 |
| **Transactions with owners in their capacity as owners** | **(62)** | **(4,826)** | **—** | **—** | **—** | **21,210** | **391,392** | **(391,392)** | **16,322** | **—** | **16,322** |
| **As at 30.06.2020** | **434,184** | **5,136,315** | **1,417** | **(88,815)** | **—** | **(12,423)** | **1,150,176** | **289,945** | **6,910,799** | **13,131** | **6,923,930** |
| **As at 01.01.2021** | **10,233** | **7,073,667** | **—** | **(95,484)** | **(938)** | **—** | **682,958** | **419,160** | **8,089,596** | **—** | **8,089,596** |
| Profit for the period | — | — | — | — | — | — | — | 565,516 | 565,516 | — | 565,516 |
| Other comprehensive income | — | — | — | 72,850 | — | — | — | — | 72,850 | — | 72,850 |
| **Total comprehensive income for the period** | **—** | **—** | **—** | **72,850** | **—** | **—** | **—** | **565,516** | **638,366** | **—** | **638,366** |
| Transfer of profit from previous years | — | — | — | — | — | — | 419,160 | (419,160) | — | — | — |
| Allegro Incentive Plan (see note 18) | — | — | — | — | — | 9,986 | — | — | 9,986 | — | 9,986 |
| **Transactions with owners in their capacity as owners** | **—** | **—** | **—** | **—** | **—** | **9,986** | **419,160** | **(419,160)** | **9,986** | **—** | **9,986** |
| **As at 30.06.2021** | **10,233** | **7,073,667** | **—** | **(22,634)** | **(938)** | **9,986** | **1,102,118** | **565,516** | **8,737,948** | **—** | **8,737,948** |

The above interim condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

all amounts expressed in PLN'000 unless indicated otherwise

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# Interim Condensed Consolidated Statement of cash flows

| | Note | 6 months ended 30.06.2021 | 6 months ended 30.06.2020 |
|---|---|---|---|
| **Profit before income tax** | | **725,840** | **376,695** |
| Amortisation and depreciation | | 247,062 | 228,205 |
| Net interest expense | 9 | 104,684 | 188,902 |
| Non-cash employee benefits expense – share based payments | | 9,986 | 1,978 |
| Revolving facility availability fee | 9 | 1,830 | 1,646 |
| Net (gain)/loss exchange differences | | (2,680) | 3,400 |
| Interest on leases | 9 | 1,843 | 1,627 |
| Valuation of financial instruments | 9 | (8,109) | (9,515) |
| Net (gain)/loss on sale of non-current assets | | (153) | (265) |
| (Increase)/Decrease in trade and other receivables and prepayments | | 20,930 | (110,788) |
| (Increase)/Decrease in inventories | | (12,195) | 4,980 |
| Increase/(Decrease) in trade and other liabilities | | 31,849 | 26,822 |
| (Increase)/Decrease in consumer loans | | (173,712) | — |
| Increase/(Decrease) in liabilities to employees | | (65,777) | 16,276 |
| **Cash flows from operating activities** | | **881,398** | **729,963** |
| Income tax paid | | (225,112) | (62,410) |
| **Net cash inflow/(outflow) from operating activities** | | **656,286** | **667,553** |

The above interim condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.



| | Note | 6 months ended 30.06.2021 | 6 months ended 30.06.2020 |
|---|---|---|---|
| **Cash flows from investing activities** | | | |
| Payments for property, plant & equipment and intangibles | | (153,476) | (118,958) |
| Loans granted | | — | (1,722) |
| Repayment of loans granted | | — | 852 |
| Acquisition of subsidiary (net of cash acquired) | | — | (4,425) |
| Other | | 186 | (105) |
| **Net cash inflow/(outflow) from investing activities** | | **(153,290)** | **(124,358)** |

| | Note | 6 months ended 30.06.2021 | 6 months ended 30.06.2020 |
|---|---|---|---|
| **Cash flows from financing activities** | | | |
| Borrowings repaid | | — | (172,483) |
| Interest paid | | (67,094) | (172,149) |
| Interest rate hedging instrument settlements | | (32,804) | (11,465) |
| Lease payments | | (16,098) | (14,566) |
| Revolving facility availability fee payments | | (1,346) | (1,646) |
| **Net cash inflow/(outflow) from financing activities** | | **(117,342)** | **(372,309)** |

| | Note | 6 months ended 30.06.2021 | 6 months ended 30.06.2020 |
|---|---|---|---|
| **Net increase/(decrease) in cash and cash equivalents** | | **385,654** | **170,886** |
| Cash and cash equivalents at the beginning of the financial period | | 1,185,060 | 403,877 |
| Cash and cash equivalents at the end of the financial period | | 1,570,714 | 574,763 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

# 1. General information

Allegro.eu S.A. Group ('Group') consists of Allegro.eu Société anonyme ('Allegro.eu' or 'Parent') and its subsidiaries. Allegro.eu and the other members of the Group were established for an unspecified period. The Parent was established as a limited liability company (société à résponsabilité limitée) in Luxembourg on 5 May 2017. The Parent was transformed into a joint-stock company (société anonyme) on 27 August 2020. The name was changed from Adinan Super Topco S.à r.l. to Allegro.eu on 27 August 2020.

The Group is registered in Luxembourg, and its registered office is located at 1, rue Hildegard von Bingen, Luxembourg. The Parent's shares have been listed on the Warsaw Stock Exchange ('WSE') since 12 October 2020.

The Group operates in Poland mostly through Allegro.pl Sp. z o.o. ('Allegro.pl'), Ceneo.pl Sp. z o.o. ('Ceneo.pl'), eBilet Polska Sp. z o.o. ('eBilet'), Allegro Pay Sp. z o.o. ('Allegro Pay') and OpenNet Sp. z o.o. ('Opennet').

The Group's core activities comprise:

- online marketplace;
- advertising;
- online price comparison services;
- retail sale via mail order houses or via the Internet;
- online tickets distribution;
- web portal operations;
- consumer lending to marketplace buyers;
- software and solutions for delivery logistics;
- data processing, hosting and related activities;
- other information technology and computer service activities;
- computer facilities management activities;
- software-related activities;
- computer consultancy activities.

These Interim Condensed Consolidated Financial Statements were prepared for the three and six month periods ended 30 June 2021, together with comparative amounts for the corresponding period of 2020.

These Interim Condensed Consolidated Financial Statements, excluding the information prepared for the three month period ended 30 June 2020, were subject to the auditor's review.

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# 2. Basis of preparation

These Interim Condensed Consolidated Financial Statements for the three and six month periods ended 30 June 2021 have been prepared in accordance with Accounting Standard IAS 34 Interim Financial Reporting (as adopted by the European Union). The Interim Condensed Consolidated Financial Statements were prepared on the assumption that the Group would continue as a going concern for at least 12 months subsequent to 30 June 2021. In making this going concern assumption Management took into consideration the impact of the COVID-19 crisis on the Group's business. The operations have continued with minimal disruption since most staff continue home working mode since 12 March 2020. The Group has noted increased sales on its e-commerce marketplace whenever the Polish government has restricted offline retail activity as part of its lock-down measures to reduce the spread of COVID-19. Furthermore, the demand for the Group's marketplace services has remained above the historical trend in periods when these lock-down measures have been removed.

These Interim Condensed Consolidated Financial Statements were prepared on the historical cost basis except for certain financial assets and liabilities (including derivative instruments) measured at fair value.

These Interim Condensed Consolidated Financial Statements do not include all the information and disclosures required in the annual financial statements, and thus should be read in conjunction with the Consolidated Financial Statements of Allegro.eu S.A. Group for the year ended 31 December 2020. The accounting policies adopted are consistent with these Interim Condensed Consolidated Financial Statements, except for the estimation of income tax prepared under IAS 34 (see note 10) and the adoption of new and amended standards effective after 1 January 2021 as set out in note 3.

There were no other changes in accounting policies in the period covered by the Interim Condensed Consolidated Financial Statements of Allegro.eu S.A. Group ended 30 June 2021 in comparison to the Consolidated Financial Statements of Allegro.eu S.A. Group for the year ended 31 December 2020.



# 3. Summary of changes in significant accounting policies

## NEW AND AMENDED STANDARDS AND INTERPRETATIONS ADOPTED BY THE GROUP

In these Interim Condensed Consolidated Financial Statements amendments to the following standards that came into effect as of 1 January 2021 were applied. The amendments do not have a significant impact on these financial statements.

**Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16** – issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021. The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one.

**Amendments to IFRS 4** – issued on 25 June 2020 and effective for annual periods beginning 1 January 2021. The amendment extends the temporary exemption of applying IFRS 9 Financial Instruments until 1 January 2023, when IFRS 17 Insurance Contracts becomes effective.

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# 4. Information on material accounting estimates

The preparation of the Interim Condensed Consolidated Financial Statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Estimates 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. No significant changes in accounting estimates and financial risk management have been identified.

## CONTINGENT LIABILITIES

On 22 February 2021, the Group received a formal notification that the OCCP President ('Office of Competition and Consumer Protection') has commenced explanatory proceedings in order to establish if eBilet, the event ticket sales site in Poland, facilitating sales of a broad range of entertainment, cultural, family, and sports events, has infringed collective consumers' interests. In the same document the OCCP President included questions to eBilet related to its policy on ticket returns during the COVID-19 pandemic and, in particular its practice of proposing vouchers instead of cash refunds. In June 2021 eBilet received follow up questions from the OCCP regarding delays in cash refunds.

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

Management does not consider that the practices under investigation were abusive and intends to fully cooperate with OCCP's investigation. As no specific infringements have been alleged, it is not possible to estimate the likelihood of successfully defending proceedings or to estimate the size of a likely financial penalty if such defence is unsuccessful.



## OCCP PRESIDENT RULING

On 9 February 2016, the OCCP President issued decision No. DDK 1/2016, stating that Allegro.pl infringed collective consumer interests by failing to provide in its terms and conditions a detailed description of the rules applicable to the blocking of a buyer's account(s) when the seller applies for a refund of the commission due to the buyer's fault. This decision became final and binding as a result of ruling of the Court of Appeal issued 2 June 2021. The OCCP President, however, has not imposed any fine on Allegro.pl for this infringement.

The Group believes that the likelihood and the potential financial consequences that might arise due to that ruling are deemed to be remote.

The Group is considering to fill the cassation appeal to the Polish Supreme Court regarding that case.

There were no other significant changes in ongoing antitrust proceedings with the Office of Competition and Consumer Protection in comparison to the situation described in the Consolidated Financial Statements of Allegro.eu S.A. Group for the year ended 31 December 2020.

## ESTIMATED IMPAIRMENT OF GOODWILL

The Group did not identify any circumstances, which might indicate that an impairment loss may have occurred and therefore no specific goodwill impairment tests were performed on the carrying values of the Group's assets as at 30 June 2021.

all amounts expressed in PLN'000 unless indicated otherwise

# 5.

# Significant changes in the current reporting period

The financial position and performance of the Group was particularly affected by the following events and transactions during the reporting period:

I. The Group adopted the Allegro Incentive Plan (the 'AIP') in late 2020. In April 2021, the first awards under the AIP were granted to Executive Directors, Key Managers and employees of the Group. The program rules and its impact on these Interim Condensed Consolidated Financial Statements are described in detail in note 18.

II. On 16 March 2021 the shareholders of the Group, i.e. Cidinan S.À R.L, Permira VI Investment Platform Limited, and Mepinan S.À R.L sold 76,595,000 of the Company's ordinary shares representing 7.5% of votes at the General Meeting of the Parent Company. At the balance sheet date the immediate owners of the Parent's shares were:

| | | 30.06.2021 | | 31.12.2020 | |
|---|---|---|---|---|---|
| **Name** | **Ultimate owner** | **Number of Shares** | **% of share capital** | **Number of Shares** | **% of share capital** |
| Cidinan S.a r.l. | Cinven | 286,778,572 | 28.0% | 321,246,322 | 31.4% |
| Permira VI Investment Platform Limited | Permira | 286,778,572 | 28.0% | 321,246,322 | 31.4% |
| Mepinan S.à r.l. | Mid Europa Partners | 63,728,574 | 6.3% | 71,388,074 | 7.0% |
| Other Shareholders | n/a | 385,970,096 | 37.7% | 309,375,096 | 30.2% |
| **Total** | | **1,023,255,814** | **100%** | **1,023,255,814** | **100%** |

III. Decrease in liabilities to employees results mainly from the annual bonus paid to employees for the year ended 2020 in the amount of PLN 59,540 and the settlement of a long-term cash bonus scheme in the amount of PLN 23,567.

IV. The movement in other financial assets and liabilities results from the settlement of the interest rate hedging instruments falling due in the first half in the amount of PLN 32,804 and a net decrease in the value of the remaining instruments of PLN 51,386 as at the balance sheet date. At the same time the non-current portion of other financial liabilities decreased due to the reclassification of fixed interest rate swap contracts with the maturity date falling in the upcoming year that drove the increase of both: non-current assets as well as current-liabilities.

V. The Group does not have any department dedicated to research and development, however, such activities are performed throughout the organization. Research and development expenditure that meet the capitalization criteria are deducted from expenses and recognized as intangible assets. The amount of development costs, capitalized during the six month periods ended 30 June 2021 and 30 June 2020 amounted to PLN 103,950 and PLN 75,094, respectively.

VI. On 13 April 2021, upon the commencement of the lease of its new fulfillment center, the Group has recognized the right of use asset at PLN 47,718. The asset will be depreciated over a period of 10 years. On 30 April 2021, the Group recognized corresponding right-of-use assets and lease liabilities related to leased computer servers at PLN 14,311. Additionally, on 1 June 2021 the lease of new office space in Poznań was recognized at PLN 16,140. Right-of-use assets are amortized over the lease contract, servers over a period of 4 years and the office over 9 year period.

VII. The significant increase in the prepayments balance is driven mostly by: advance payments for the development of the fulfillment center, deliveries and acquisition of parcel machines, which amounted to PLN 17,895 as of 30 June 2021. The increase also reflects the higher value of prepaid software licenses and subscription expenses, 28,780 PLN as of 30 June 2021, due to significant number of new employees joining the organization.

VIII. The increase in the consumer loans balance is driven by the significant growth of Allegro Pay consumer finance lending operations that was launched in the second half of 2020. The detailed information regarding the gross carrying amount and expected credit loss of consumer loans classified to each stage is presented in note 13.

# 6.
# Group structure

As at 30 June 2021, the Allegro.eu Group comprised Allegro.eu S.A. ('Parent') as well as intermediate holding company Adinan Midco with their registered office in Luxembourg and companies conducting operating activities in the territory of Poland – Allegro.pl, Ceneo.pl, Trade Analytics Instytut Badań Ecommerce, eBilet Polska, Allegro Finance, Allegro Pay and OpenNet together with their non-operating subsidiary company Allegro Logistyka. Each of the Polish Operating Companies and their subsidiaries have their registered offices located in Poland.

Key information regarding the members of the Group, shares held by the Group as at 30 June 2021 and 30 June 2020 and the periods subject to consolidation is presented below.


**PERIOD COVERED BY CONSOLIDATION**
**01.01.2021 – 30.06.2021**

- **Allegro.eu S.A.** Luxembourg
  - **Adinan Midco S.à r.l.** Luxembourg, **100%**
    - **Allegro.pl Sp. z o.o.** Poland, **100%**
      - **Allegro Logistyka Sp. z o.o.** Poland, **100%**
        - **OpenNet Sp. z o.o.** Poland, **100%**
      - **eBilet Polska Sp. z o.o.** Poland, **100%**
      - **Allegro Finance Sp. z o.o.** Poland, **100%**
      - **Trade Analytics Instytut Badań Ecommerce Sp. z o.o. in liquidation** Poland, **100%**
    - **Allegro Pay Sp. z o.o.** Poland, **100%**
    - **Ceneo.pl Sp. z o.o.** Poland, **100%**

**PERIOD COVERED BY CONSOLIDATION**
**01.01.2020 – 30.06.2020**

- **Allegro.eu S.A.** Luxembourg
  - **Adinan Topco S.à r.l.** Luxembourg, **100%**
    - **Adinan Holdco S.à r.l.** Luxembourg, **100%**
      - **Adinan Bondco S.à r.l.** Luxembourg, **100%**
        - **Adinan Seniorco S.à r.l.** Luxembourg, **100%**
          - **Adinan Midco S.à r.l.** Luxembourg, **100%**
            - **Allegro.pl Sp. z o.o.** Poland, **100%**
              - **Allegro Logistyka Sp. z o.o.** Poland, **100%**
              - **eBilet Polska Sp. z o.o.** Poland, **80%**
              - **Allegro Finance Sp. z o.o.** Poland, **100%**
              - **Trade Analytics Instytut Badań Ecommerce Sp. z o.o.** Poland, **50%**
            - **Allegro Pay Sp. z o.o. *** Poland, **100%**
            - **Ceneo.pl Sp. z o.o.** Poland, **100%**
              - **Trade Analytics Instytut Badań Ecommerce Sp. z o.o.** Poland, **50%**

* Period covered by consolidation 27.01.2020 – 30.06.2020

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

# 7.

# Segment information

## 7.1 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 two reportable operating segments as follows:

- Allegro activity – segment which operates as the B2C, C2C and B2B e-commerce platform Allegro.pl providing marketplace services via internet in Poland and Allegro Pay financial services, and
- Ceneo.pl activity – segment which is a price comparison platform in Poland allowing users to compare consumer products from various Polish e-stores.

Other segment consists mainly the results of eBilet and OpenNet (consolidated from October 2020) as well as costs of the holding companies.

The reportable operating segments are identified at the Group level. The Parent, as a holding company is included in Other segment. Segment performance is assessed on the basis of revenue, operating profit before amortisation and depreciation ('EBITDA'), as defined in the note 7.2. The accounting policies adopted are uniform for all segments and consistent with those applied for the Group. Inter-segment transactions are eliminated upon consolidation.

Interest income and finance cost are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Group. Both operating segments have a dispersed customer base – no single customer generates more than 10% of segment revenue. The Group's operations are conducted in one geographical area, on the territory of the Republic of Poland.

all amounts expressed in PLN'000 unless indicated otherwise

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| 6 months ended 30.06.2021 | TOTAL | Allegro | Ceneo | Other | Eliminations |
|---|---|---|---|---|---|
| External revenue | 2,518,324 | 2,394,473 | 115,276 | 8,575 | — |
| Inter-segment revenue | — | 19,800 | 32,247 | 1,032 | (53,079) |
| **Revenue** | **2,518,324** | **2,414,273** | **147,523** | **9,607** | **(53,079)** |
| Operating expenses | (1,443,276) | (1,371,206) | (84,668) | (40,481) | 53,079 |
| **EBITDA** | **1,075,048** | **1,043,067** | **62,855** | **(30,874)** | **—** |
| Amortisation and Depreciation | (247,062) | | | | |
| Net financial costs | (102,146) | | | | |
| **Profit before income tax** | **725,840** | | | | |
| Tax expense | (160,324) | | | | |
| **Net profit** | **565,516** | | | | |

| 6 months ended 30.06.2020 | TOTAL | Allegro | Ceneo | Other | Eliminations |
|---|---|---|---|---|---|
| External revenue | 1,770,148 | 1,656,351 | 107,696 | 6,101 | — |
| Inter-segment revenue | — | 3,209 | 15,819 | 735 | (19,763) |
| **Revenue** | **1,770,148** | **1,659,560** | **123,515** | **6,836** | **(19,763)** |
| Operating expenses | (981,574) | (920,164) | (62,770) | (18,403) | 19,763 |
| **EBITDA** | **788,574** | **739,396** | **60,745** | **(11,567)** | **—** |
| Amortisation and Depreciation | (228,205) | | | | |
| Net financial costs | (183,674) | | | | |
| **Profit before income tax** | **376,695** | | | | |
| Tax expense | (87,041) | | | | |
| **Net profit** | **289,654** | | | | |



| 3 months ended 30.06.2021 | TOTAL | Allegro | Ceneo | Other | Eliminations |
|---|---|---|---|---|---|
| External revenue | 1,308,122 | 1,250,354 | 54,074 | 3,694 | — |
| Inter-segment revenue | — | 10,065 | 15,845 | 846 | (26,756) |
| **Revenue** | **1,308,122** | **1,260,419** | **69,919** | **4,540** | **(26,756)** |
| Operating expenses | (760,554) | (729,851) | (40,602) | (16,857) | 26,756 |
| **EBITDA** | **547,568** | **530,568** | **29,317** | **(12,317)** | **—** |
| Amortisation and Depreciation | (125,777) | | | | |
| Net financial result | (51,137) | | | | |
| **Profit before income tax** | **370,654** | | | | |
| Tax expense | (74,785) | | | | |
| **Net profit** | **295,869** | | | | |

| 3 months ended 30.06.2020 | TOTAL | Allegro | Ceneo | Other | Eliminations |
|---|---|---|---|---|---|
| External revenue | 1,018,985 | 963,974 | 54,886 | 125 | — |
| Inter-segment revenue | — | 1,465 | 7,624 | 125 | (9,214) |
| **Revenue** | **1,018,985** | **965,439** | **62,510** | **250** | **(9,214)** |
| Operating expenses | (580,598) | (550,301) | (31,046) | (8,465) | 9,214 |
| **EBITDA** | **438,387** | **415,138** | **31,464** | **(8,215)** | **—** |
| Amortisation and Depreciation | (113,975) | | | | |
| Net financial result | (85,794) | | | | |
| **Profit/(Loss) before income tax** | **238,618** | | | | |
| Tax expense | (53,578) | | | | |
| **Net profit/(loss)** | **185,040** | | | | |

The Board of Directors does not analyse the operating segments in relation to their asset values and liabilities values. 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.

all amounts expressed in PLN'000 unless indicated otherwise

## 7.2 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) and the depreciation/amortization.

In the opinion of the Management of the Group, Adjusted EBITDA is the most relevant measure of profit of the Group. Adjusted EBITDA excludes the effects of significant items of income and expenditure that may have an impact on the quality of earnings. The Group defines Adjusted EBITDA as EBITDA excluding monitoring costs, regulatory proceeding costs, Group restructuring costs, donations to various public benefit organizations, certain employee incentives and bonuses, as well as transaction costs, because these expenses are mostly of non-recurring nature and are not directly related to core operations of the Group.

Adjusted EBITDA also excludes costs of recognition of incentive programs (Allegro Incentive Plan and Management Investment Plan). Adjusted EBITDA is verified and analyzed only at the Group level.

EBITDA and Adjusted EBITDA are not IFRS measures and should not be considered as an alternative to IFRS measures of profit/(loss) for the period, as an indicator of operating performance, as a measure of cash flow from operations under IFRS, or as an indicator of liquidity. EBITDA and Adjusted EBITDA are not a uniform or standardized measure and the calculation of EBITDA and Adjusted EBITDA, accordingly, may vary significantly from company to company.

| | 6 months ended 30.06.2021 | 6 months ended 30.06.2020 | 3 months ended 30.06.2021 | 3 months ended 30.06.2020 |
|---|---|---|---|---|
| **EBITDA** | **1,075,048** | **788,574** | **547,568** | **438,387** |
| Monitoring costs [1] | — | 1,741 | — | 955 |
| Regulatory proceeding costs [2] | 545 | 1,958 | 192 | 827 |
| Group restructuring and development costs [3] | 8,325 | 2,702 | 6,335 | 2,702 |
| Donations to various public benefit organizations [4] | 2,315 | 3,650 | (148) | 3,650 |
| Bonus for employees and funds spent on protective equipment against COVID-19 [5] | 595 | 2,523 | 333 | 2,474 |
| Allegro Incentive Plan [6] | 8,737 | — | 5,655 | — |
| Management Investment Plan [7] | — | 6,866 | — | 3,433 |
| **Adjusted EBITDA** | **1,095,565** | **808,014** | **559,935** | **452,428** |



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

[2] Represents legal costs mainly related to regulatory proceedings, legal and expert fees and settlement costs.

[3] Represents legal, financial due diligence and transactional expenses with respect to not concluded acquisitions of target companies along with related legal expenses.

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

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

[6] Represents the costs of the Allegro Incentive Plan, under which awards in the form of Performance Share Units ("PSU") and Restricted Stock Units ("RSU") are granted to Executive Directors, Key Managers and other employees. Costs recognized in the 6 months period ended 30 June 2021 represent the accrued cost of share based compensation in relation to the PSU and RSU Plans.

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

all amounts expressed in PLN'000 unless indicated otherwise

# 8. Revenues from contracts with customers

## DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

| 6 months ended 30.06.2021 | Allegro | Ceneo | Other | Eliminations | Total |
|---|---|---|---|---|---|
| Marketplace revenue | 2,075,224 | — | 3,161 | — | 2,078,385 |
| Advertising revenue | 190,299 | 26,381 | — | (1,905) | 214,775 |
| Price comparison revenue | — | 119,256 | — | (28,696) | 90,560 |
| Retail revenue | 123,642 | — | — | — | 123,642 |
| Other revenue | 25,108 | 1,886 | 6,446 | (22,478) | 10,962 |
| **Revenue** | **2,414,273** | **147,523** | **9,607** | **(53,079)** | **2,518,324** |

| 6 months ended 30.06.2020 | Allegro | Ceneo | Other | Eliminations | Total |
|---|---|---|---|---|---|
| Marketplace revenue | 1,440,791 | — | 6,101 | (330) | 1,446,562 |
| Advertising revenue | 122,859 | 19,771 | — | (1,372) | 141,258 |
| Price comparison revenue | — | 101,971 | — | (12,594) | 89,377 |
| Retail revenue | 82,623 | — | — | — | 82,623 |
| Other revenue | 13,287 | 1,773 | 735 | (5,467) | 10,328 |
| **Revenue** | **1,659,560** | **123,515** | **6,836** | **(19,763)** | **1,770,148** |

| 3 months ended 30.06.2021 | Allegro | Ceneo | Other | Eliminations | Total |
|---|---|---|---|---|---|
| Marketplace revenue | 1,081,845 | — | 2,261 | — | 1,084,106 |
| Advertising revenue | 99,722 | 14,663 | — | (1,070) | 113,315 |
| Price comparison revenue | — | 54,477 | — | (14,114) | 40,363 |
| Retail revenue | 64,578 | — | — | — | 64,578 |
| Other revenue | 14,273 | 779 | 2,280 | (11,573) | 5,759 |
| **Revenue** | **1,260,418** | **69,919** | **4,541** | **(26,756)** | **1,308,122** |

| 3 months ended 30.06.2020 | Allegro | Ceneo | Other | Eliminations | Total |
|---|---|---|---|---|---|
| Marketplace revenue | 838,000 | — | (113) | — | 837,887 |
| Advertising revenue | 71,469 | 10,471 | — | (739) | 81,201 |
| Price comparison revenue | 0 | 51,258 | — | (5,951) | 45,307 |
| Retail revenue | 49,928 | — | — | — | 49,928 |
| Other revenue | 6,042 | 782 | 362 | (2,524) | 4,662 |
| **Revenue** | **965,439** | **62,511** | **249** | **(9,214)** | **1,018,985** |

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.

all amounts expressed in PLN'000 unless indicated otherwise

| 6 months ended 30.06.2021 | Allegro | Ceneo | Other | Eliminations | Total |
|---|---|---|---|---|---|
| **Timing of revenue recognition:** | | | | | |
| At a point in time | 1,590,908 | 119,793 | 9,607 | (49,824) | 1,670,484 |
| Over time | 823,365 | 27,730 | — | (3,255) | 847,840 |
| **Revenue** | **2,414,273** | **147,523** | **9,607** | **(53,079)** | **2,518,324** |

| 6 months ended 30.06.2020 | Allegro | Ceneo | Other | Eliminations | Total |
|---|---|---|---|---|---|
| **Timing of revenue recognition:** | | | | | |
| At a point in time | 1,084,743 | 102,532 | 6,836 | (16,969) | 1,177,142 |
| Over time | 574,817 | 20,983 | — | (2,794) | 593,006 |
| **Revenue** | **1,659,560** | **123,515** | **6,836** | **(19,763)** | **1,770,148** |

| 3 months ended 30.06.2021 | Allegro | Ceneo | Other | Eliminations | Total |
|---|---|---|---|---|---|
| **Timing of revenue recognition:** | | | | | |
| At a point in time | 826,959 | 54,623 | 4,541 | (25,069) | 861,054 |
| Over time | 433,459 | 15,296 | — | (1,687) | 447,068 |
| **Revenue** | **1,260,418** | **69,919** | **4,541** | **(26,756)** | **1,308,122** |

| 3 months ended 30.06.2020 | Allegro | Ceneo | Other | Eliminations | Total |
|---|---|---|---|---|---|
| **Timing of revenue recognition:** | | | | | |
| At a point in time | 648,026 | 51,298 | 249 | (7,760) | 691,813 |
| Over time | 317,413 | 11,213 | — | (1,454) | 327,172 |
| **Revenue** | **965,439** | **62,511** | **249** | **(9,214)** | **1,018,985** |

# 9. Financial income and financial costs

| | 6 months ended 30.06.2021 | 6 months ended 30.06.2020 | 3 months ended 30.06.2021 | 3 months ended 30.06.2020 |
|---|---|---|---|---|
| Valuation of financial instruments | 8,109 | 9,515 | 2,519 | — |
| Interest from deposits | 427 | 2,149 | 217 | 859 |
| Other financial income | 141 | 1,175 | 73 | 322 |
| Net exchange gains on foreign currency transactions | 863 | — | 1,231 | 1,698 |
| **Financial income** | **9,540** | **12,839** | **4,040** | **2,879** |

| | 3 months ended 31.03.2021 | 3 months ended 31.03.2020 | 3 months ended 30.06.2021 | 3 months ended 30.06.2020 |
|---|---|---|---|---|
| Interest paid and payable for financial liabilities | (75,571) | (177,870) | (36,875) | (80,018) |
| Interest rate hedging instrument | (29,572) | (11,477) | (14,718) | (7,952) |
| Interest on leases | (1,843) | (1,627) | (1,153) | (779) |
| Revolving facility availability fee | (1,830) | (1,646) | (920) | (816) |
| Net exchange losses on foreign currency transactions | — | (3,434) | — | — |
| Other financial costs | (2,870) | (459) | (1,511) | 892 |
| **Financial costs** | **(111,686)** | **(196,513)** | **(55,177)** | **(88,673)** |
| **NET FINANCIAL COSTS** | **(102,146)** | **(183,674)** | **(51,137)** | **(85,794)** |

The decrease in interest expenses is driven by lower costs of the Group's indebtedness resulting from the refinancing transaction completed on 14 October 2020.

The savings were partially offset by higher costs to settle fixed interest rate swap contracts, reflecting the rapid decrease of WIBOR (Warsaw Interbank Offer Rate) reference rates following the outbreak of the COVID-19 pandemic in 2020.

# 10. Income tax expense

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the period ended 30 June 2021 is 22.1%, compared to 23.1% for the six months ended 30 June 2020.

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 in Poland is 19%. Luxembourg companies are subject to taxation at a 24.94% rate.

The management reviews from time to time the approach adopted in preparing tax returns where the applicable tax regulations are subject to interpretation. In justified cases, a provision is established for the expected tax payable to tax authorities.

As of the period ended 30 June 2021 and 30 June 2020 the income tax expense was as follows:

| | 6 months ended 30.06.2021 | 6 months ended 30.06.2020 | 3 months ended 30.06.2021 | 3 months ended 30.06.2020 |
|---|---|---|---|---|
| Current income tax on profits | (140,808) | (102,587) | (70,200) | (69,761) |
| (Increase)/Decrease in net deferred tax liability | (19,516) | 15,546 | (4,585) | 16,183 |
| **Income tax expense** | **(160,324)** | **(87,041)** | **(74,785)** | **(53,578)** |

On 16 December 2020, the Group received formal notifications of tax audits of two of the Group's entities, initiated by the Małopolski Customs and Tax Office in Cracow, with respect to taxation of income declared in the period from 28 July 2016 to 31 December 2017 and for 2018. The tax audits continued throughout the first half of 2021 and are continuing as of the date of these financial statements.

The auditing tax office has not informed the Group of any findings as of the date of these financial statements. The deadline for completing the auditing activities is set for 31 August 2021 but it may be prolonged by the tax office.



# 11. 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 three and six month periods ended 30 June 2021 and 30 June 2020 were:

| | 6 months ended 30.06.2021 | 6 months ended 30.06.2020 |
|---|---|---|
| Net profit attributable to equity holders of the Parent Company | 565,516,309 | 289,944,669 |
| Preference annual interest | — | (494,341,921) |
| **Profit/ (Loss) for ordinary shareholders** | **565,516,309** | **(204,397,252)** |
| Average number of ordinary shares | 1,023,845,770 | 711,253,184 |
| **Profit/ (Loss) per ordinary share (basic)** | **0.55** | **(0.29)** |
| Effect of diluting the number of ordinary shares | 100,021 | — |
| Number of ordinary shares shown for the purpose of calculating diluted earnings per share | 1,023,945,791 | — |
| **Profit/ (Loss) per ordinary share (diluted)** | **0.55** | **(0.29)** |

| | 3 months ended 30.06.2021 | 3 months ended 30.06.2020 |
|---|---|---|
| Net profit attributable to equity holders of the Parent Company | 295,868,517 | 185,610,417 |
| Preference annual interest | — | (244,268,689) |
| **Profit/ (Loss) for ordinary shareholders** | **295,868,517** | **(58,658,272)** |
| Average number of ordinary shares | 1,023,845,770 | 711,253,184 |
| **Profit/ (Loss) per ordinary share (basic)** | **0.29** | **(0.08)** |
| Effect of diluting the number of ordinary shares | 100,021 | — |
| Number of ordinary shares shown for the purpose of calculating diluted earnings per share | 1,023,945,791 | — |
| **Profit/ (Loss) per ordinary share (diluted)** | **0.29** | **(0.08)** |

Basic earnings per share are calculated by dividing the net profit for the period attributable to ordinary equity holders of the Parent Company, decreased by any preferential cumulative dividend interest, by the weighted average number of ordinary shares.

In connection with the Group's IPO, which took place in October 2020, the Group's share capital was restructured to replace all classes of share capital, including cumulative preference shares, with a class of new ordinary shares ("the IPO Conversion").

Cumulative preference shares accrued interest at a compound annual rate of 12% and this accrued interest was settled at the IPO Conversion with an allocation of new ordinary shares as the equity was restructured on the basis of an IPO market capitalisation of 43 billion PLN, implied by the Company setting the IPO price of its 1 billion new ordinary shares at 43 zloty per share. Preference annual interest therefore ceased to accrue from the date of the IPO Conversion on 29 September 2020.

The Company issued a further 23,255,814 ordinary shares at IPO to raise an additional PLN 1 billion of equity in a primary capital raising.

In addition, the average number of ordinary shares for the six months ended 30 June 2021 also includes 589,956 fully vested but not delivered shares, granted to employees at the moment of the Group's IPO. Those shares will be released to the recipient employees following the expiration of a one year lock up period on the anniversary of the IPO date.

In the prior year period and until the IPO Conversion, ordinary shares for the purposes of calculating earnings per share comprised A1 and A2 shares. Between 2017 and the IPO, B and C shares were granted to the Group's Key Management and other managers with a determined vesting period, and were excluded from the earnings per share calculation. The Management participated indirectly through various classes of shares of Adiman SCSp and directly via type C and D shares issued by Allegro.eu.

B and C series shares were assessed for any potential dilutive effect on the EPS calculation. The Group concluded that they were not dilutive.

The dilutive item presented in the table above refers to the RSU program described in note number 18. This variant of the AIP program has a dilutive impact on the EPS calculation as it results in the issue of ordinary shares for less than the average market price of ordinary shares during the period.

The PSU program described in note number 18 has a contingent dilutive effect on the EPS calculation for the six months ended 30 June 2021, however it was not concluded to be dilutive, as the performance conditions have not yet been met.



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# NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

all amounts expressed in PLN'000 unless indicated otherwise

# 12.
# Trade and other receivables

The value of the Group's trade and other receivables was as follows:

| | 30.06.2021 | 31.12.2020 |
|---|---|---|
| Trade receivables, gross | 645,409 | 658,197 |
| Impairment of trade receivables | (73,658) | (60,114) |
| **Trade receivables, net** | **571,751** | **598,083** |
| Other receivables | 20,551 | 42,249 |
| VAT receivables | 12,828 | 6,077 |
| **Total** | **605,130** | **646,409** |

The Group's receivables comprise amounts due from companies and individuals and their concentration level is low. The Group does not have significant trade receivables in foreign currencies.

Due to the short-term nature of current receivables, their fair value is considered to be the same as their carrying amount.



# 13.
# Consumer loans

Consumer loans represent loans granted to buyers on the Allegro.pl platform. Loans are granted for 30 days without interest and instalment loans for between 5 and 20 months with an interest rate 7.20%. Furthermore, SMART! users may take 3-month zero interest instalment loans.

All loans are granted on the territory of Poland in Polish zloty (PLN).

The table below shows the gross carrying amount (equal to maximum exposure to credit risk) and expected credit losses in each stage as at 30 June 2021 and 31 December 2020.

| **As at 31.12.2020** | Stage 1 | Stage 2 | Stage 3 | TOTAL |
|---|---|---|---|---|
| Consumer loans, gross | 53,073 | 28 | 1 | 53,102 |
| Expected credit losses | (1,126) | (3) | (1) | (1,130) |
| **Consumer loans as at 31.12.2020** | **51,947** | **25** | **—** | **51,972** |

all amounts expressed in PLN'000 unless indicated otherwise

| As at 30.06.2021 | Stage 1 | Stage 2 | Stage 3 | TOTAL |
|---|---|---|---|---|
| Opening balance | 53,073 | 28 | 1 | 53,102 |
| New consumer loans originated | 525,952 | — | — | 525,952 |
| Transfer to stage 1 | 145 | (143) | (2) | — |
| Transfer to stage 2 | (2,001) | 2,007 | (6) | — |
| Transfer to stage 3 | (6) | (503) | 509 | — |
| Consumer loans derecognized (repaid) | (347,508) | (352) | (27) | (347,887) |
| **Consumer loans, gross** | **229,655** | **1,037** | **475** | **231,167** |
| Opening balance | (1,126) | (3) | (1) | (1,130) |
| New consumer loans originated | (8,522) | — | — | (8,522) |
| Changes due to changes in credit risk | 39 | (143) | (501) | (605) |
| Consumer loans derecognized (repaid) | 4,712 | 35 | 27 | 4,774 |
| **Expected credit losses** | **(4,897)** | **(111)** | **(475)** | **(5,483)** |
| **Consumer loans as at 30.06.2021** | **224,758** | **926** | **—** | **225,684** |

| As at 30.06.2021 | Stage 1 | Stage 2 | Stage 3 | TOTAL |
|---|---|---|---|---|
| Consumer loans, gross | 229,655 | 1,037 | 475 | 231,167 |
| Expected credit losses | (4,897) | (111) | (475) | (5,483) |
| **Consumer loans as at 30.06.2021** | **224,758** | **926** | **—** | **225,684** |

Due to the short-term nature of consumer loans, their fair value is considered to be the same as their carrying amount.



# 14. Cash and cash equivalents

At the balance sheet date cash and cash equivalents comprised:

| | 30.06.2021 | 31.12.2020 |
|---|---|---|
| Cash at bank | 635,994 | 643,238 |
| Bank deposits | 854,390 | 502,535 |
| Cash equivalents | 80,330 | 39,287 |
| **Total** | **1,570,714** | **1,185,060** |

Cash equivalents comprise payments in transit made by the Group's customers via electronic payment channels.

As at 30 June 2021 and 31 December 2020 the Group had no restricted cash.

all amounts expressed in PLN'000 unless indicated otherwise

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# 15. Deferred tax

## 15.1 DEFERRED TAX ASSETS

The deferred tax assets at the balance sheet date comprised temporary differences attributable to:

| | 30.06.2021 | 31.12.2020 |
|---|---|---|
| Accrued expenses | 50,589 | 54,959 |
| Liabilities to employees | 19,841 | 32,469 |
| Impairment of trade receivables | 11,379 | 9,285 |
| Other items | 14,182 | 13,220 |
| **Total deferred tax assets** | **95,991** | **109,933** |
| | | |
| Deferred tax assets pursuant to set-off rules | (95,710) | (109,652) |
| **Net deferred tax assets** | **281** | **281** |

| | Accrued expenses | Liabilities to employees | Other | Offsetting | Total |
|---|---|---|---|---|---|
| **As at 31.12.2020** | **54,959** | **32,469** | **22,505** | **(109,652)** | **281** |
| (Charged)/credited to profit or loss | (4,370) | (12,628) | 3,056 | 13,942 | — |
| (Charged)/credited to OCI | — | — | — | — | — |
| **As at 30.06.2021** | **50,589** | **19,841** | **25,561** | **(95,710)** | **281** |

## 15.2 DEFERRED TAX LIABILITIES

The deferred tax liabilities at the balance sheet date comprised temporary differences attributable to:

| | 30.06.2021 | 31.12.2020 |
|---|---|---|
| Intangible assets | 656,645 | 665,658 |
| Loan valuation | 15,282 | 6,080 |
| Property, plant and equipment | 6,667 | 5,237 |
| Other items | 15,710 | 11,755 |
| **Total deferred tax liabilities** | **694,304** | **688,730** |
| | | |
| Deferred tax liabilities pursuant to set-off rules | (95,710) | (109,652) |
| **Net deferred tax liabilities** | **598,594** | **579,078** |

| | Recognition of intangible assets | Other | Offsetting | Total |
|---|---|---|---|---|
| **As at 31.12.2020** | **665,658** | **23,072** | **(109,652)** | **579,078** |
| Charged/(credited) to profit or loss | (9,013) | 14,587 | 13,942 | 19,516 |
| **As at 30.06.2021** | **656,645** | **37,659** | **(95,710)** | **598,594** |

all amounts expressed in PLN'000 unless indicated otherwise

# 16. Trade and other liabilities

Trade and Other Liabilities at the balance sheet date comprised:

| | 30.06.2021 | 31.12.2020 |
|---|---|---|
| Trade liabilities | 364,762 | 342,861 |
| Contract and refund liabilities | 120,793 | 115,399 |
| VAT liabilities | 64,839 | 73,448 |
| Social insurance and other tax liabilities | 27,898 | 13,695 |
| Other liabilities | 19,461 | 12,226 |
| **Total** | **597,753** | **557,629** |

Trade liabilities are usually paid within 30 days from 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.



# 17. Financial assets and financial liabilities

## CLASSIFICATION AND MEASUREMENT

In accordance with IFRS 9 the Group classifies financial assets and financial liabilities as: measured at fair value and measured at amortized cost. The classification is made at the moment of initial recognition and depends on business model for managing financial assets adopted by the Group and the characteristics of contractual cash flows from these instruments.

In 2020 and 2021 all financial assets and liabilities except for derivative instruments, were initially recognized at fair value including transaction costs and after the initial recognition at amortised cost. The Group applies hedge accounting, and derivatives are classified as cash flow hedges.

The Group holds the following financial instruments:

| | Note | 30.06.2021 | 31.12.2020 |
|---|---|---|---|
| **Financial assets at amortised cost** | | **2,393,357** | **1,882,513** |
| Consumer loans | 13 | 225,684 | 51,972 |
| Trade receivables and other receivables* | 12 | 592,302 | 640,333 |
| Cash and cash equivalents | 14 | 1,570,714 | 1,185,060 |
| Investments | | 360 | 360 |
| Other financial assets | | 4,297 | 4,788 |
| **Hedging derivatives** | | **38,168** | **—** |
| Derivative financial instruments (cash flow hedge) | 5 | 38,168 | — |

* excluding tax-related settlements

all amounts expressed in PLN'000 unless indicated otherwise

| | Note | 30.06.2021 | 31.12.2020 |
|---|---|---|---|
| **Liabilities at amortised cost** | | **6,045,982** | **5,920,493** |
| Trade and other liabilities* | 16 | 433,867 | 405,534 |
| Borrowings | | 5,445,809 | 5,437,800 |
| Lease liabilities (outside IFRS9 scope) | 5 | 162,413 | 73,266 |
| Liabilities related to business combination | | 3,893 | 3,893 |
| **Hedging derivatives** | | **51,276** | **97,298** |
| Derivative financial instruments (cash flow hedge) | 5 | 51,276 | 97,298 |

* excluding deferred income and tax-related settlements

The amortised cost of a financial asset or financial liability is defined as the amount at which the financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

"The fair value of assets and liabilities is considered to be the same as their carrying amount due to their short-term nature or the fact that interest rates payable in relation to certain liabilities are close to the current market rates.

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset and the transfer qualifies for derecognition. Financial asset transfer occurs when rights to cash flows are transferred or rights to cash flows are retained but the entity enters into so-called "pass-through arrangement" which meets the criteria as set out in IFRS 9. Therefore, derecognition is not limited to the cases of transfer of rights to cash flows, but to the broader term of "financial asset transfer".

The Group transfers a financial asset if it transfers the contractual rights to receive the cash flows of the financial asset, or if it retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flow of modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Derivative financial instruments designated as hedging instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their current fair value. Derivatives are only used 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.

Effectiveness of cash flow hedge was tested and is 100%. Therefore, all changes were recognized in Other Comprehensive Income.



# 18. Other reserves

## AWARDS MADE UNDER THE ALLEGRO INCENTIVE PLAN ("AIP")

The Group has adopted the Allegro Incentive Plan (the 'AIP') 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.

On 18 December 2020 Group Key Management (Board of Directors and Senior Key Managers) was informed about the detailed principles of the PSU program ('Performance Shares Units'). Under IFRS, this date is considered as a service commencement date, as from this date the Group Key Management may reasonably expect to benefit from the future award. The formal grant date occurred on 2 April 2021.

On 2 April 2021 ("Grant Date") the Remuneration Committee of the Board of Directors of Allegro.eu granted 320,870 units awarded under the Performance Share Unit (PSU) plan with an estimated total value at the grant date of PLN 18,474 and 717,027 shares awarded under Restricted Stock Unit (RSU) plan with an estimated total value at the grant date of PLN 34,870.

These awards have been granted to Executive Directors, Key Managers and other employees. The fair value per share to be used in recognizing the costs of share based compensation is PLN 56.06, being the closing price of Allegro.eu shares listed on Warsaw Stock Exchange on the Grant Date. The total estimated value of the program, at the grant date, was PLN 53,344.

The Group performs the periodic revaluation of the total cost of the AIP program to account for any changes in the assumptions made in the initial estimation. Those adjustment are mostly driven by fluctuation of the number of units granted under the AIP program, due to changes in employment. As of 30 June 2021 the total number of units awarded and still outstanding under the PSU plan was 300,521 and 701,664 under the RSU plan.

## PERFORMANCE SHARE UNITS

Total share based compensation to be recognized in the future periods prior to vesting, based on the outstanding 300,521 PSUs has been estimated at PLN 12,703 as of 30 June 2021. This estimate is based on the fair value of the Group's shares at closing on the Grant Date of PLN 56.06 per share, an estimate of attrition rates 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.

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 vesting conditions and service period performed on the third anniversary of the Grant Date and each unit is limited to a maximum of one share per unit or less if performance conditions have not been fully achieved.

In the first half of 2021, PLN 5,172 of costs was recognized in relation to PSU Plan. Group Key Management was informed of the key terms of the PSU Plan on 18 December 2020, thereby setting the Service Commencement Date for purposes of share based compensation cost recognition under IFRS2 at a date earlier than the Grant Date as these managers were substantively aware of the value of benefits they might receive in future awards.

## RESTRICTED STOCK UNITS

Total share based compensation to be recognized in the future periods prior to vesting, based on the outstanding 701,664 RSUs has been estimated at PLN 29,702 as of 30 June 2021. This estimate is based on the fair value of the Group's shares at closing on the Grant Date of PLN 56.06 per share, with one RSU unit being equivalent to one ordinary share, and an estimate of attrition rates.

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.

Restricted Stock Units are not subject to performance conditions related to target achievement. If a holder of RSU leaves before the end of the vesting period, all shares due to vest at future vesting dates shall lapse.

In the first half of 2021, PLN 4,814 was recognized under the RSU Plan. Employees entitled to receive the share-based compensation under RSU plan, were informed of the key terms of the RSU Plan on 2 April 2020, hence the Service Commencement Date is the same as actual grant date.



all amounts expressed in PLN'000 unless indicated otherwise

# 19. Related party transactions

Transactions with related parties referred to settlements of consulting and management services and loans granted. All transactions were entered into on an arm's length basis. Transactions with BlackPines Capital Partners relate to consultancy services provided by a Key Group Manager.

The following transactions were concluded with related entities.

| | 6 months ended 30.06.2021 | | | | 3 months ended 30.06.2021 | | | | As at 30.06.2021 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Related party** | Revenues | Expenses | Financial income | Financial costs | Revenues | Expenses | Financial income | Financial costs | Receivables | Payables | Loans granted |
| **Shareholder:** | | | | | | | | | | | |
| Mepinan S.a r.l. | — | — | — | — | — | — | — | — | — | — | — |
| Adiman SCSp | — | — | — | — | — | — | — | — | — | — | — |
| Cinven Partners LLP | — | — | — | — | — | — | — | — | — | — | — |
| Permira Advisers (London) Ltd | — | — | — | — | — | — | — | — | — | — | — |
| **Management:** | | | | | | | | | | | |
| Loans granted | — | — | — | — | — | — | — | — | — | — | — |
| BlackPines Capital Partners Ltd | — | — | — | — | — | — | — | — | — | — | — |
| **Associates:** | | | | | | | | | | | |
| Polskie Badania Internetu sp. z o.o. | — | 138 | — | — | — | 69 | — | — | — | — | — |
| Fundacja Allegro All For Planet | 25 | 650 | — | — | 15 | 650 | — | — | — | — | — |
| **Other:** | | | | | | | | | | | |
| Alter Domus Luxembourg S.à r.l | — | — | — | — | — | — | — | — | — | 1,094 | — |
| **Total** | **25** | **788** | **—** | **—** | **15** | **719** | **—** | **—** | **—** | **1,094** | **—** |

all amounts expressed in PLN'000 unless indicated otherwise

# Related party transactions

| | 6 months ended 30.06.2020 | | | | 3 months ended 30.06.2020 | | | | As at 31.12.2020 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Related party** | Revenues | Expenses | Financial income | Financial costs | Revenues | Expenses | Financial income | Financial costs | Receivables | Payables | Loans granted |
| **Shareholder:** | | | | | | | | | | | |
| Mepinan S.a r.l. | — | 68 | — | — | — | 68 | — | — | — | — | — |
| Cinven Partners LLP | — | 413 | — | — | — | 309 | — | — | — | — | — |
| Permira Advisers (London) Ltd | — | 777 | — | — | — | 29 | — | — | — | — | — |
| **Management:** | | | | | | | | | | | |
| Loans granted | — | — | 168 | — | — | — | 151 | — | — | — | |
| BlackPines Capital Partners Ltd | — | 1,776 | — | — | — | — | — | — | — | | — |
| **Associates:** | | | | | | | | | | | |
| Polskie Badania Internetu sp. z o.o. | — | 138 | — | — | — | 69 | — | — | — | 23 | — |
| Fundacja Allegro All For Planet | 12 | — | — | — | — | — | — | — | 7 | — | — |
| **Other:** | | | | | | | | | | | |
| Alter Domus Luxembourg S.à r.l | — | — | — | — | — | — | — | — | — | 1,094 | — |
| **Total** | **12** | **3,172** | **168** | **—** | **—** | **475** | **151** | **—** | **7** | **1,117** | **—** |

# 20. Events occurring after the reporting period

No reportable events occurred between the balance sheet date and the date of these interim condensed consolidated financial statements.

## APPROVED BY THE BOARD AND SIGNED ON ITS BEHALF BY:

| | |
|---|---|
| Darren Huston | François Nuyts |
| Director | Director |