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ANNUAL REPORT OF ALLEGRO.EU S.A. GROUP

for the year ended 31 December 2020

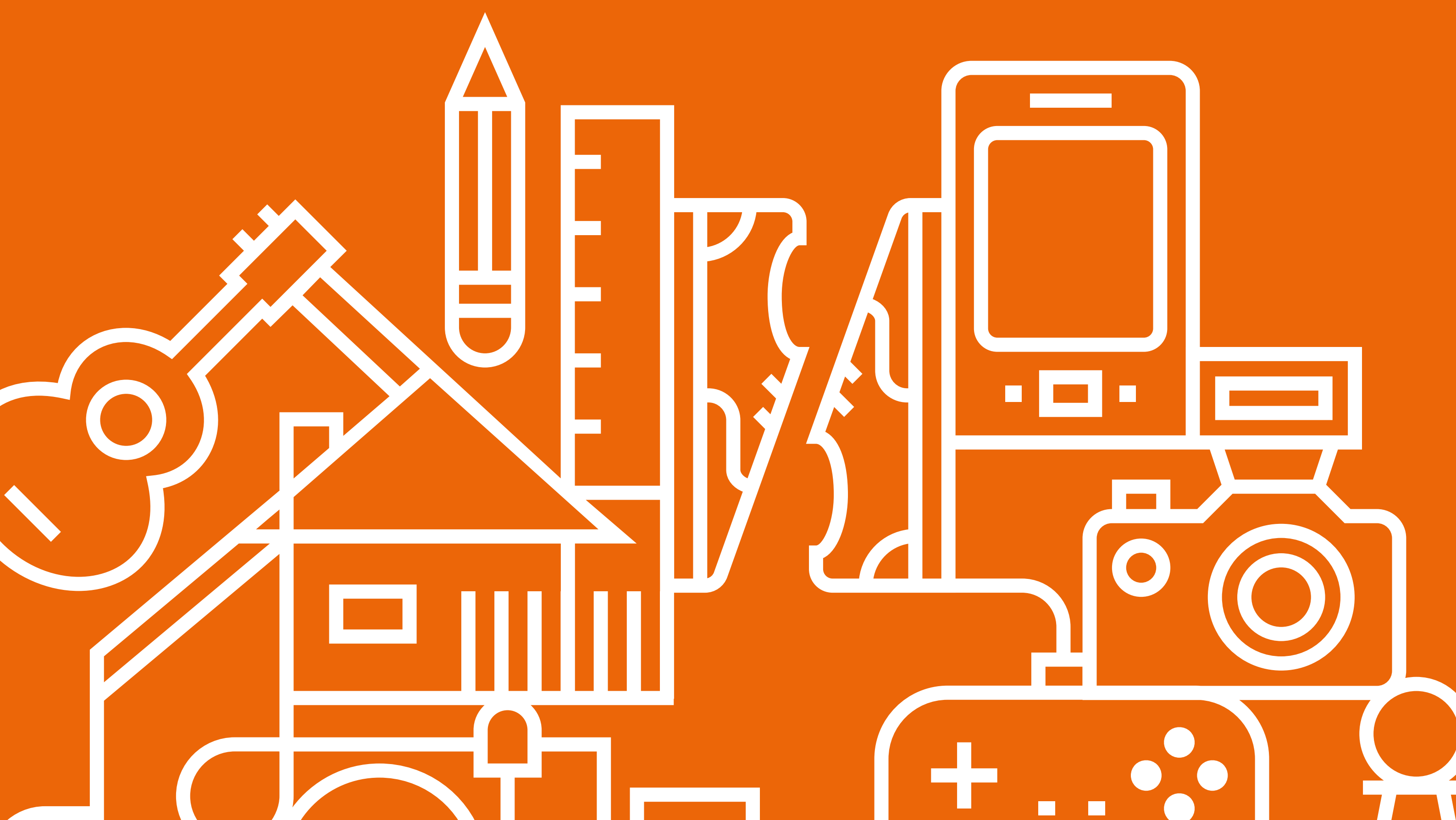

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TABLE OF CONTENTS

MANAGEMENT REPORT 6

I. GENERAL INFORMATION 7

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

II. BUSINESS REPORT 17

1. Selected consolidated financial and operational highlights 18
2. Management's discussion and analysis of financial condition and result of operations 20
3. Summary of key developments 41
4. Remuneration Report 45
5. Expectations For The Group in FY 2021 and the Medium Term 59
6. Recent Trading 61

III. NON-FINANCIAL REPORT 63

1. Business Model, Operations, and Corporate Governance 64
2. Risk Management System, Risk Factors, and Regulatory Matters 88
3. Approach to Corporate, Environment, and Social Responsibility 143

FINANCIAL REPORT 188

IV. FINANCIAL STATEMENTS 189

1. Responsibility Statement 190
2. Audit Report 192
3. Consolidated Financial Statements of Allegro.eu S.A. Group 198

Consolidated statement of comprehensive income 198
Consolidated statement of financial position 200
Consolidated statement of changes in equity 202
Consolidated statement of cash flows 204

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 206

1. General information 206
2. Basis of preparation 207
3. Summary of significant accounting policies 208
4. Composition of the board of directors 216
5. Business combinations 218
6. Group structure 222
7. Approval of the consolidated financial statements 223

NOTES TO THE CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME 224

8. Segment information 224
9. Revenues from contracts with customers 228
10. Financial income and financial costs 238
11. Income tax 239
12. Earnings per share 242

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION 244

13. Intangible assets 244
14. Property, plant and equipment 248
15. Loans granted 250
16. Inventory 251
17. Trade and other receivables 252
18. Prepayments 253
19. Consumer loans 255
20. Cash and cash equivalents 258
21. Borrowings 259
22. Leases 262
23. Deferred tax 266
24. Liabilities to employees 270
25. Trade and other liabilities 274
26. Written put option liability 275
27. Financial assets and financial liabilities 277

NOTE TO THE CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 280

28. Note to the consolidated statements of changes in equity 280

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS 286

29. Cash flow information 286

RISKS 290

30. Critical estimates and judgments 290
31. Financial risk management 295
32. Capital management 305

UNRECOGNISED ITEMS 306

33. Contingent liabilities 306
34. Assets pledged as security 308
35. Commitments 308
36. Events occurring after the reporting year 309

OTHER INFORMATION 310

37. Related party transactions 310
38. Employment 311
39. Emoluments of the management 312
40. Audit fee 315

Dear Shareholders,

It is with great pleasure that I write this first letter as the CEO of Allegro as a listed company.

2020 presented unprecedented challenges for all of us, with the most acute global crisis in many decades disrupting our lives and business operations from top to bottom. When the pandemic first hit, our first priority was of course the safety of our employees and their families, as well as the safety of our customers and merchants. I'm extremely proud of our team for adapting so quickly to the new reality and modifying our working practices to continue our – now even more – important job of delivering everyday essentials and (much needed) entertainment to customers. With offline stores suddenly closed in the spring, our customers relied on Allegro more than ever to supply them with these goods, delivered in the safest possible way. Given the many challenges in our society and in recognition of the relatively fortunate position in which we found ourselves, we launched numerous initiatives to give something back, including considerable donations to the local healthcare system, countless hours of volunteering, free SMART! subscriptions for all customers during the first lock-down, and support packages for our merchants when they were most needed. Aside from the many hours committed, the total monetary value of Allegro's contribution so far to fight COVID-19 amounts to PLN 490m – all of these significant and valuable contributions would not have been possible without the hard work and passion of the employees of Allegro, of whom I'm immensely proud.

From a business perspective, the development of e-commerce accelerated significantly during 2020, which acted as a material tailwind to our growth. Every month, more new customers shop with us and the value of their shopping on a per-customer basis continues to grow: the number of active buyers grew by 14% YoY to 13 million today. On average, they spent nearly PLN 2,700 in 2020, up by 36% compared to 2019. Customers can now choose from over 200m offers at low prices from over 120k sellers – often delivered the next day and, in the majority of cases, for free, mainly thanks to the benefits of the SMART! program, the popularity of which continues to grow and outperform our expectations. Customers clearly enjoy shopping with us, as evidenced by our market-leading NPS score of over 70, which ranks us among the most popular consumer brands globally.

Importantly, continually delighting our customers with constant improvements and innovations across our business has allowed us to outperform our financial expectations. In 2020, GMV – the value of products sold on our platform, which is the key figure for any retail company – grew by 54% YoY and reached a total of PLN 35.1bn.

ACCELERATING THE RETAIL FLYWHEEL

While we look back at our financial results in 2020 with some satisfaction, we are not resting on our laurels. We are maintaining a continued focus on driving resilient growth over the long term, supported by significant investments in our platform. E-commerce in Poland, and in the region, is still less than 12% of total retail sales. This is materially below many countries in Western Europe and across the world. We are still early in our growth curve, and this presents a fantastic opportunity for us to continue to deliver strong performance for our investors. We want to be at the forefront of closing this gap by focusing on attracting even more consumers and offering them an ever improving experience at each step along the shopping path. And we can only do this with an equally relentless focus on attracting more sellers to offer even more choice to these consumers at the most attractive prices. All the while, technology remains the backbone of all our efforts, and we continue to leverage R&D investments to scale our operations, notably through AI and machine learning.

On top of our core marketplace, 2021 will see us scale up new products like Allegro Pay and Allegro Biznes. Increasingly, physical infrastructure will form a second backbone to our operations, and we will make the necessary investments to scale up new logistics and fulfilment services for our sellers, which will in turn improve the delivery experience for our customers. We will also explore international opportunities where we think we can add value as we have done in Poland. Against the backdrop of intensifying competition, we are highly confident that the return on these investments will make our business sustainably stronger.

On top of serving customers, merchants, employees and shareholders, we also want our long-term growth to be sustainable and responsible to the wider society. We have updated our CSR & Sustainability Strategy for 2020-2023, targeting reductions in energy consumption and carbon dioxide emissions related to the delivery of our orders. As an industry leader, Allegro joined the UN Global Compact, the world's largest corporate sustainability initiative and actively engages in the regulatory debates in Poland and in the EU to help create a legal framework that supports consumers, SMEs and European tech. Allegro holds the Chairperson's position in the European Tech Alliance, which represents the interests of European companies in Brussels.

To deliver on our plans, we will continue to invest in our team across Poland, attracting top talent from within the country and beyond. We seek to remain among the most attractive employers in Poland, offering development opportunities in the most innovative area of the economy, as well as a diverse workplace and a dynamic meritocracy where the best and brightest can fulfil their potential and have a meaningful impact.

Last but not least, last October we debuted on the Warsaw Stock Exchange and made our mark as the largest ever IPO in Poland and last year's largest Tech IPO in Europe. This allowed for all our amazing employees at the time of the IPO to become shareholders and gave them the opportunity to share in our future success. Thank you for your confidence and for joining us on this journey!

We truly value the trust you have placed in us, and on behalf of the entire Allegro team I would like to wish you a healthy and fulfilling year.

François Nuyts

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I. General information

1. Definitions

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

"1P"	First-party.
"3P"	Third-party.
"AI"	Artificial intelligence.
"AIP"	Allegro Incentive Plan.
"Allegro.pl"	Allegro.pl sp. z o.o.
"Board of Directors" or "Board"	Board of directors of the Company.
"CAGR"	Compound Annual Growth Rate.
"Ceneo.pl"	Ceneo.pl sp. z o.o.
"Cinven"	Depending on the context, any of, or collectively, Cinven Partnership LLP, Cinven Holdings Guernsey Limited, Cinven (Luxco 1) S.A. and their respective "associates" (as defined in the UK Companies Act 2006) and/or funds managed or advised by any of the foregoing.
"Company" or "Allegro.eu"	Allegro.eu (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.
"Competition Act"	The Polish Act on the Protection of Competition and Consumers of 16 February 2007 (unified text: Journal of Laws of 2020 item 1076, as amended).
"EC"	European Commission.
"EU"	European Union.
"Euro" or "EUR"	Euro, the single currency of the participating member states in the Third Stage of the European Economic and Monetary Union of the Treaty Establishing the European Community, as amended from time to time.
"FinTech"	Financial technology.
"full-stack"	Refers to both front-end (user facing) and back-end (internal databases and systems architecture) technology development.
"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.
"GUS"	Statistics Poland (Główny Urząd Statystyczny).
"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 for the management of the business
"Locker"	Automated Parcel Machine.
"Luxembourg"	The Grand Duchy of Luxembourg.
"MBM"	Management Board Member of a major operating company: Allegro.pl or Ceneo.pl
"NPS"	Net promoter score.
"OC&C"	OC&C Strategy Consultants SP.
"OSA"	Official Allegro Store (Oficjalny Sklep Allegro), Allegro.pl 1P activity
"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.
"QoQ"	Quarter over quarter
"Report"	This annual report of the Company.
"SKU"	Stock keeping unit.
"SME"	Small and medium-sized enterprise.
"sp. z o.o."	Limited liability company (spółka z ograniczoną odpowiedzialnością).
"UOKiK"	Polish Office for Competition and Consumer Protection (Urząd Ochrony Konkurencji i Konsumentów).
"UOKiK 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.
"WSE Best Practices"	Code of Best Practice for WSE-listed companies (attachment to Resolution No. 17/1249/2015 of the Exchange Board dated 19 May 2015 and adopted in accordance with §29.1 of the Exchange Rules), being a set of rules and recommendations concerning corporate governance prevailing on the WSE.
"YoY"	Year over year.

2.
Introduction

This is the annual report 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) 31.39% 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) 31.39% by Permira VI Investment Platform Limited, representing the interests of Permira & Co-Investors, and (iii) 6.98% 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 30.24% is owned by other shareholders. 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.

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.

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4. Presentation of Financial Information

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

HISTORICAL FINANCIAL INFORMATION

This Report includes the consolidated financial information of the Group as of 31 December 2020 and for the twelve-month periods ended 31 December 2020 and 31 December 2019, which have been derived from the annual consolidated financial statements of the Group as of 31 December 2020 and for the twelve-month periods ended 31 December 2020 and 31 December 2019 ("Financial Statements"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and included elsewhere in this Report. PricewaterhouseCoopers, Société coopérative has audited the Financial Statements.

ALTERNATIVE PERFORMANCE MEASURES

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

THE GROUP HAS DEFINED THE APMS 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 sanitary protection of employees, and the incentive programs for employees;

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

"Adjusted EBITDA/net revenue" means Adjusted EBITDA divided by net 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 GMV for the twelve months preceding the end of a period (excluding eBilet's tickets sales) divided by the number of Active Buyers at the end of such period;

"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, trade and other liabilities and the liabilities to employees during the period.

The Group presents the APMs 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 APMs 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 APMs may not be comparable to similarly titled measures of other companies. Neither the assumptions underlying the APMs have been audited in accordance with IFRS or any generally accepted accounting standards. In evaluating the APMs, investors should carefully consider the Financial Statements included in this Report.

The APMs 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 APMs presented should not be considered in isolation or as a substitute for performance measures calculated in accordance with IFRS.

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II. Business report

1.

Selected consolidated financial and operational highlights

	FY 2020	FY 2019	Change %	Q4 2020 (unaudited)	Q4 2019 (unaudited)	Change %
Income Statement, PLN m						
Net revenue	3,997.8	2,592.3	54.2%	1,299.0	805.6	61.2%
EBITDA	1,586.8	1,325.4	19.7%	513.5	380.6	34.9%
Adjusted EBITDA	1,750.0	1,338.1	30.8%	533.5	384.3	38.8%
EBIT	1,123.0	886.1	26.7%	394.9	267.3	47.7%
Profit / (Loss) before Income tax	616.7	513.0	20.2%	324.7	166.3	95.2%
Net Profit / (Loss)	418.6	393.1	6.5%	260.6	123.9	110.2%
Adjusted Net Profit	731.8	403.7	81.3%	287.6	127.0	126.5%
KPIs						
Active Buyers (millions)	13.0	11.4	14.2%	13.0	11.4	14.2%
GMV per Active Buyer (PLN)	2,698.6	1,984.9	36.0%	2,698.6	1,984.9	36.0%
GMV (PLN in millions)	35,110.9	22,801.0	54.0%	10,851.2	6,888.0	57.5%
Take Rate (%)	9.27%	9.26%	0.01 pp	9.44%	9.14%	0.30 pp

	FY 2020	FY 2019	Change %	Q4 2020 (unaudited)	Q4 2019 (unaudited)	Change %
Cash Flow, PLN m						
Net cash inflow/(outflow) from operating activities	1,509.9	1,246.5	21.1%	344.9	344.5	0.1%
Net cash inflow/(outflow) from investing activities	(218.2)	(202.9)	7.5%	48.6	(36.0)	33.0%
Net cash inflow/(outflow) from financing activities	(510.5)	(1,433.8)	(64.4%)	163.1	(112.5)	(245.1%)
Net increase/(decrease) in cash and cash equivalents	781.2	(390.2)	(300.2%)	460.1	196.0	134.7%

	31.12.2020	31.12.2019	Change %
Assets	15,147.9	14,278.0	6.1%
Equity	8,089.6	6,683.6	21.0%
Net Debt	4,326.0	6,018.6	(28.1%)

2.

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

2.1.
Key performance indicators

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

KPIs (unaudited)	FY 2020	FY 2019	Change %	Q4 2020	Q4 2019	Change %
Active Buyers (millions)	13.0	11.4	14.2%	13.0	11.4	14.2%
GMV per Active Buyer (PLN)	2,698.6	1,984.9	36.0%	2,698.6	1,984.9	36.0%
GMV (PLN in millions)	35,110.9	22,801.0	54.0%	10,851.2	6,888.0	57.5%
Take Rate (%)	9.27%	9.26%	0.01pp	9.44%	9.14%	0.30pp
Adjusted EBITDA (PLN in millions)	1,750.0	1,338.1	30.8%	533.5	384.3	38.8%
Adjusted EBITDA/net revenue (%)	43.8%	51.6%	(7.84pp)	41.1%	47.7%	(6.63pp)
Adjusted EBITDA/GMV (%)	4.98%	5.87%	(0.88pp)	4.92%	5.58%	(0.66pp)

GMV and Active buyers

In FY 2020, GMV reached PLN 35,110.9 million, +54.0% YoY, whereas in Q4 2020 GMV reached PLN 10,851.2 million, which represented a +57.5% YoY increase. During FY 2020 the Group's GMV growth was positively impacted by a considerable shift to online shopping by Polish consumers in response to the COVID-19 pandemic. YoY GMV growth remained broadly consistent between 22% and 33% between June 2019 and February 2020 before increasing to 47% in March, 85% in April and 73% in May. In response to the COVID-19 pandemic, the Group implemented an offer providing all buyers on its marketplace free deliveries and returns using the Group's SMART! program for free for three months between mid-March and mid-June 2020. Following the end of the 1st Polish lockdown restrictions related to the COVID-19 pandemic in May 2020, the Group continued to see increased demand from buyers for its marketplace services. The Group believes that this may be indicative of an accelerated shift towards online shopping being sustainable in the longer term once the pandemic crisis has passed. Since mid-October the Group saw a renewed acceleration in GMV growth as an increasing number of COVID-19 infections led the Polish Government to reintroduce some of the lockdown measures, including shutting down Polish shopping centres during 7-27 November 2020. Unlike the Q2 lockdown, "non-essential" stores having outside entrances were permitted to stay open, reducing the overall disruption to offline retail.

Following the reopening of shopping malls, GMV growth remained elevated compared to the pre-pandemic levels as increased demand from buyers for its marketplace services continued. Further factors supporting GMV growth during FY 2020 period were outperformance of Group plans in relation to SMART! new subscribers intake as well as strong SMART! Week and Black Week campaigns. The YoY GMV performance was held back by 1.3 ppts of growth for FY 2020 and 2.8 ppts of growth for Q4 2020 due to a decrease in ticket sales at eBilet due to lockdown restrictions on events attendance during the year reducing the demand for tickets.

SMART! subscribers growth reflected a substantial conversion of buyers who had benefited from free SMART! subscriptions offered by the Group during the Q2 lockdown deciding to purchase a subscription during H2 2020, as well as additional marketing efforts in the form of a "Annual for PLN 39" promotion launched during Black Week and into the Christmas period, launch of SMART! Student loyalty program in October and SMART! cash on delivery payment method in November. Buyers holding SMART! subscriptions tend to spend more than non-subscribers due to the benefit of free delivery.

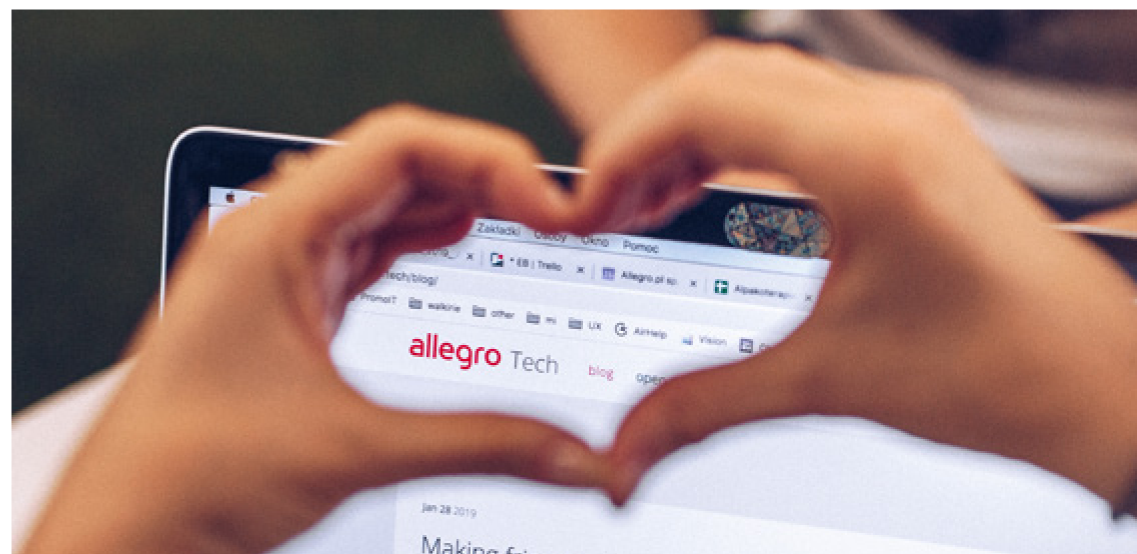
Growth in Active Buyers was strong both during and post lockdowns with 1.6 million buyers added during the year, of which 0.4 million added in Q4 2020, to reach 13.0 million LTM Active Buyers at 31 December 2020 for a total YoY increase of 14.2%. GMV per Active Buyer grew by 36% in FY 2020, having increased by 9.5% QoQ in Q4 2020, and reached PLN 2,699. The combination of growth in Active Buyers and GMV per Active Buyer produced a 55.3% increase in LTM GMV to PLN 35,055 million (excluding eBilet).

Adjusted EBITDA

The Group's Adjusted EBITDA increased by PLN 411.9 million, or 30.8% YoY, during FY 2020, from PLN 1,338.1 million for FY 2019 to PLN 1,750.0 million for FY 2020. In Q4 2020 Adjusted EBITDA increased by PLN 149.2 million, or 38.8% YoY, from PLN 384.3 million for Q4 2019 to PLN 533.5 million for Q4 2020. This was achieved due to Group GMV growing by 54% YoY in FY 2020 and 57.5% YoY in Q4 2020 that drove revenue growth of 54.2% YoY in FY 2020 and 61.2% in Q4 2020. The take-rate was broadly stable during FY 2020 as a whole. During the year take-rates were initially held down by the Group's initiatives supporting merchants during Q2 2020 Covid-19 first lockdown, with a visible quarterly progression that started in Q3 2020 and accelerated during Q4 2020; following the introduction of price changes that had been delayed during the Q2 lockdown. Operating expenses grew by 90.3% YoY in FY 2020, including 157.9% YoY growth in net costs of delivery. The growth in operating expenses reflected investment in the business to facilitate fast GMV growth and strategic investments in incremental SMART! subscribers that drove higher net delivery costs, as well as contributing to a significant increase in marketing expenditure during the Free SMART! campaign in Q2 2020. In Q4 2020 the operating leverage effect has had a positive impact on all SG&A costs lines as a percentage of revenue which moderated somewhat the margin drag from rising expenditure on SMART! deliveries.

The management believes that whilst these investments in the SMART! subscriber base drove Adjusted EBITDA/GMV margin decline in FY 2020 by 88 basis points from 5.87% in FY 2019 to 4.98% in FY 2020, they contributed to achieving sequential EBITDA growth in the period under review, and will continue to support sustainably higher profitability in the future.

In Q4 2020 the Group recognized an additional PLN10.9m charge in respect of a grant of the Company's shares for employees, with the majority of Allegro.eu's IPO and refinancing costs having been recognised in Q3 and included in EBITDA adjustments. The following table presents a reconciliation between Reported and Adjusted EBITDA for the periods under review:



Reconciliation of Adjusted EBITDA PLN m (unaudited)	FY 2020	FY 2019	Change %	Q4 2020	Q4 2019	Change %
EBITDA	**1,586.8**	**1,325.4**	**19.7%**	**513.5**	**380.6**	**34.9%**
Monitoring costs [1]	1.8	3.3	(44.8%)	(1.0)	0.4	(335.4%)
Regulatory proceeding costs [2]	4.9	2.9	66.8%	2.3	2.0	14.7%
Group restructuring costs [3]	7.2	0.9	714.3%	4.4	0.2	1,650.0%
Donations to various public benefit organisations [4]	6.9	–	n/a	2.4	–	n/a
Bonus for employees and funds spent on sanitary protection of employees [5]	3.3	–	n/a	0.4	–	n/a
Allegro Incentive Plan [6]	25.4	–	n/a	10.9	–	n/a
Management Investment Plan [7]	52.2	4.3	1,108.0%	–	1.1	(100.0%)
Transaction costs [8]	61.6	1.4	4,403.9%	0.7	–	n/a
Adjusted EBITDA	**1,750.0**	**1,338.1**	**30.8%**	**533.5**	**384.3**	**38.8%**

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.
2. Represents legal costs mainly related to regulatory proceeding, legal fees and settlement costs – the Polish competition authority, the OCCP, conducted an inspection at Allegro's offices in June 2017 related to antitrust proceedings against Allegro.pl concerning the alleged abuse of a dominant position by Allegro.pl on the Polish market for online B2C intermediary sales services and other proceedings.
3. Represents legal and financial due diligence expenses with respect to not concluded acquisitions of target companies along with other legal expenses.
4. Represents donations made by the Group to support several public organizations during the COVID-19 pandemic..
5. Represents expenses incurred by the Group to buy employees' sanitary protections and to pay employees' bonuses for the purchase of equipment necessary to enable them to work remotely during the COVID-19 pandemic.
6. Represents a one-off grant to employees of shares awarded at the Group's IPO.
7. Cost of share based compensation related to incentive elements of The Management Investment Plan ("Investment Opportunities") 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. This Management Investment Plan ("MIP") ceased to exist at its full settlement at the moment at the Group's IPO. The increase in share based compensation expense recognized in FY 2020 is the result of new investments in the MIP being made with the assistance of non-recourse loans.
8. Represents costs of advisory and consultancy incurred during the IPO process in 2020 (PLN 61,139 thousand) and the acquisition of a 20% minority interest in eBilet (PLN 430 thousand). In 2019 the Group incurred only costs related to the original acquisition of eBilet in April 2019 (PLN 1,367 thousand).

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

2.2.1. Review of Q4 2020 results

Results of Operations

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

Consolidated statement of comprehensive income, PLN m (unaudited)	Q4 2020	Q4 2019	Change %
Net revenue	1,299.0	805.6	61.2%
Marketplace revenue	1,012.9	623.5	62.4%
Advertising revenue	118.3	71.4	65.7%
Price comparison revenue	63.2	47.7	32.3%
Retail revenue	98.4	57.0	72.6%
Other revenue	6.2	6.0	3.8%
Operating expenses	**(785.4)**	**(425.1)**	**84.8%**
Payment charges	(42.5)	(34.7)	22.6%
Cost of goods sold	(102.4)	(61.3)	67.0%
Net costs of delivery	(272.2)	(97.4)	179.5%
Marketing service expenses	(168.9)	(104.8)	61.1%
Staff costs net	(133.2)	(81.5)	63.4%
IT service expenses net	(19.2)	(12.5)	53.7%
Other expenses net	(42.3)	(27.4)	54.5%
Net impairment losses on financial and contract assets	(4.1)	(5.5)	(26.5%)
Transaction costs	(0.7)	–	n/a
Operating profit before amortisation and depreciation (EBITDA)	513.5	380.6	34.9%

Consolidated statement of comprehensive income, PLN m (unaudited)	Q4 2020	Q4 2019	Change %
Amortisation and Depreciation	**(118.6)**	**(113.3)**	**4.7%**
Amortisation	(102.2)	(98.9)	3.3%
Depreciation	(16.5)	(14.4)	14.4%
Operating profit	394.9	267.3	47.7%
Net Financial result	**(70.2)**	**(100.9)**	**(30.4%)**
Financial income	3.7	1.2	193.9%
Financial costs	(73.7)	(104.5)	(29.5%)
Foreign exchange (profits)/losses	(0.2)	2.4	(106.4%)
Profit before Income tax	324.7	166.3	95.2%
Income tax expenses	(64.1)	(42.4)	51.3%
Net Profit	260.6	123.9	110.2%
Other comprehensive income/(loss)	11.1	(8.7)	(227.9%)
Total comprehensive income for the period	271.6	115.3	135.7%

Net Revenue

Net revenue increased by PLN 493.3 million, or 61.2%, from PLN 805.6 million for Q4 2019 to PLN 1,299.0 million for Q4 2020. This increase resulted primarily from increases in marketplace revenue, advertising revenue and retail revenue.

MARKETPLACE REVENUE

Marketplace revenue increased by PLN 389.4 million, or 62.4%, from PLN 623.5 million for Q4 2019 to PLN 1,012.9 million for Q4 2020. This increase resulted primarily from a 57.5% year-on-year GMV growth that was supported by a 30 basis point increase in the Group's Take Rate. Q4 2020 saw a continuation of gradual Take Rate increases that was already visible in Q3 2020 as the previously delayed changes in success fees and introduction of courier co-financing earlier in the year contributed positively to Take Rate growth, offsetting the negative impact from the mostly fixed-fee non-transactional Take Rate components that grew below the GMV growth and hence declined as percentage of GMV.

The significant drop in ticket sales at the eBilet unit resulting from continuous COVID-19 restrictions on mass events subtracted 14 basis points from the YoY Take Tate evolution in the period under review.

GMV growth trends and their drivers have been discussed in the Key Performance Indicators section above.

ADVERTISING REVENUE

Advertising revenue increased by PLN 46.9 million, or 65.7%, from PLN 71.4 million for Q4 2019 to PLN 118.3 million for Q4 2020. This increase resulted primarily from the strong performance of sponsored offer ads due to an acceleration in traffic growth on the Group's websites as well as a higher number of merchants purchasing sponsored Ads offers as Polish consumers shifted significantly to e-commerce as a result of the COVID-19. The increase was also the result of improved performance of digital advertising due to self-service scalability and higher sales to strategic clients.

PRICE COMPARISON REVENUE

Price comparison revenue increased by PLN 15.4 million, or 32.3%, from PLN 47.7 million for Q4 2019 to PLN 63.2 million for Q4 2020. This increase resulted primarily from higher revenue from cost-per-click fees, which was largely driven by a higher average cost per click as well as a higher number of site visits resulting in increased clicks.

RETAIL REVENUE

Retail revenue increased by PLN 41.4 million, or 72.6%, from PLN 57.0 million for Q4 2019 to PLN 98.4 million for Q4 2020. 1P retail sales represented 1.0% of total GMV in Q4 2019 and 1.1% of total GMV in Q4 2020 with the increase in share mainly due to the increasing impact of the Smart! Week and Black Week campaigns from year to year for which 1P provides an important share of the attractive offers made available to drive demand.

Operating Expenses

Operating expenses increased by PLN 360.3 million, or 84.8%, from PLN 425.1 million for Q4 2019 to PLN 785.4 million for Q4 2020. This increase resulted primarily from increased net costs of delivery, marketing service expenses, and staff costs.

PAYMENT CHARGES

Payment charges increased by PLN 7.8 million, or 22.6%, from PLN 34.7 million for Q4 2019 to PLN 42.5 million for Q4 2020. 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 negotiated in the second quarter of 2019 that increase once agreed volume thresholds are reached.

COST OF GOODS SOLD

Cost of goods sold increased by PLN 41.1 million, or 67.0%, from PLN 61.3 million for Q4 2019 to PLN 102.4 million for Q4 2020. This increase resulted primarily from increased sales through the Group's 1P retail business operations with margins improved slightly by 3.5 percentage points as a result of introducing an optimized algorithm helping to address correction of price defects more cost efficiently.

NET COSTS OF DELIVERY

Net costs of delivery increased by PLN 174.9 million, or 179.5%, from PLN 97.4 million for Q4 2019 to PLN 272.2 million for Q4 2020. This increase resulted primarily from an increased number of buyers on the Group's e-commerce marketplace who were members of the SMART! program. This was partly due to ongoing conversion of buyers who had benefited from a free SMART! subscriptions offered by the Group during the Q2 lockdown deciding to purchase a subscription during Q4, as well as additional marketing efforts in the form of "Annual for PLN 39" promotion launched during Black Week into the Christmas period, the launch of a SMART! Student loyalty program in October 2020, and a SMART! cash on delivery payment method in November. Lower unit costs per package resulting from scale benefits drove a 2.8% decline in gross delivery costs per shipped package compared to the prior year quarter.

MARKETING SERVICE EXPENSES

Marketing service expenses increased by PLN 64.0 million, or 61.1%, from PLN 104.8 million for Q4 2019 to PLN 168.9 million for Q4 2020. This expense item has risen broadly in line with GMV whilst improvements in efficiency of spending have led to higher share of GMV from acquired traffic and better return on marketing investment in pay per click (PPC) services compared to the prior year period.

STAFF COSTS

Staff costs increased by PLN 51.7 million, or 63.4%, from PLN 81.5 million for Q4 2019 to PLN 133.2 million for Q4 2020. This increase resulted partly from the recruitment of new employees as headcount at 31 December was 26% higher than at 30 December 2019, as well as an increase in base salaries and higher annual bonus provisions due to the Group's strong performance. The total expenditure increase included PLN 10.9 million remaining cost related to the value of shares granted to employees at the IPO.

IT SERVICE EXPENSES

IT service expenses increased by PLN 6.7 million, or 53.7%, from PLN 12.5 million for Q4 2019 to PLN 19.2 million for Q4 2020. This increase resulted primarily from new licenses related to the introduction of new software solutions and increased IT costs due to higher technical platform costs, including external cloud usage, due to the growing storage requirements for the increasing number of active offers on the Group's e-commerce marketplace.

OTHER EXPENSES

Other expenses increased by PLN 14.9 million, or 54.5%, from PLN 27.4 million for Q4 2019 to PLN 42.3 million for Q4 2020. This increase resulted primarily from higher consultancy and contractor costs in connection with the development of new products and projects and increased insurance costs related to D&O. The line includes a net PLN 5.6 million of costs included as one-off costs in the Adjusted EBITDA reconciliation, mainly restructuring costs and regulatory proceedings costs.

NET IMPAIRMENT LOSSES ON FINANCIAL AND CONTRACT ASSETS

Net impairment losses on financial and contract assets decreased by PLN – 1.5 million, or – 26.5% from PLN 5.5 million for Q4 2019 to PLN 4.1 million for Q4 2020. This decrease resulted primarily from better debt collection and reversal of provisions made for 3 month delayed payment granted to small and medium sized merchants as part of the Group's merchant support package during the Q2 lockdown.

TRANSACTION COSTS

Transaction costs were PLN 0.7 million versus nil for Q4 2019 due to some small remaining IPO-related one-off costs as reserves were reconciled with final invoices.

Operating Profit before Amortization and Depreciation

Operating profit before amortization and depreciation increased by PLN 133.0 million, or 34.9%, from PLN 380.6 million for Q4 2019 to PLN 513.5 million for Q4 2020 as a result of the factors described above. The number includes PLN 20.0 million of one-off EBITDA adjustments reported in the period, including PLN 10.9 million in value of share grants to employees in connection with the IPO, compared to PLN 3.8 million one-offs reported in the prior year period.

AMORTIZATION

Amortization increased by PLN 3.3 million, or 3.3%, from PLN 98.9 million for Q4 2019 to PLN 102.2 million for Q4 2020. This increase resulted primarily from an increase in intangibles associated with capitalized development costs of projects that were completed and put into use in the twelve months since the end of the prior period.

DEPRECIATION

Depreciation increased by PLN 2.1 million, or 14.4%, from PLN 14.4 million for Q4 2019 to PLN 16.5 million for Q4 2020. This increase resulted primarily from the depreciation of computers and office equipment related to growth of the organization and scale of the server park required to support the marketplace platform.

Operating Profit

Operating profit increased by PLN 127.6 million, or 47.7%, from PLN 267.3 million for Q4 2019 to PLN 394.9 million for Q4 2020 as a result of the factors discussed above.

Net Financial Result

Net financial result decreased by PLN 30.7 million, or 30.4%, from a cost of PLN 100.9 million for Q4 2019 to a cost of PLN 70.2 million for Q4 2020. This decrease resulted primarily from lower loan interest margin charged on the Group's new long term loan facilities following the refinancing completed in mid October 2020, and lower interest reference rates which together reduced borrowing costs.

Deferred borrowing costs on the Group's previous loan facilities were written off due to their early repayment as part of the refinancing and the PLN 10.7 million recognized in Q4 relates to the portion of the total attributed to the fourth quarter from the total of PLN 143.4 million. The following table presents a breakdown of the Group's financial income and financial costs for the periods indicated.

PLN m (unaudited)	Q4 2020	Q4 2019	Change %
Interest from deposits	0.4	0.8	(46.5%)
Other financial income	3.3	0.5	573.5%
Net exchange gains on foreign currency transactions	–	2.4	(100.0%)
Financial income	**3.7**	**3.6**	**1.4%**
Interest paid and payable for financial liabilities	(42.5)	(98.8)	(57.0%)
Deferred borrowings cost write off	(10.7)	–	n/a
Interest rate hedging instrument	(15.2)	(3.6)	322.7%
Second Lien facility early repayment cost	(0.1)	–	n/a
Interest on leases	(0.7)	(0.9)	(20.3%)
Revolving facility availability fee	(0.9)	(0.9)	(3.0%)
Net exchange losses on foreign currency transactions	(0.2)	–	n/a
Other financial costs	**(3.6)**	**(0.3)**	**1,049.1%**
Financial costs	**(73.9)**	**(104.5)**	**(29.5%)**
Net financial result	**(70.2)**	**(100.9)**	**(30.4%)**

Profit before Income Tax

Profit before income tax increased by PLN 158.4 million, or 95.2%, from PLN 166.3 million for Q4 2019 to PLN 324.7 million for Q4 2020 as a result of the factors discussed above.

Income Tax Expenses

Income tax expenses increased by PLN 21.7 million, or 51.3%, from PLN 42.4 million for Q4 2019 to PLN 64.1 million for Q4 2020. This increase resulted primarily from an increase in operating profit before one-off expenses which increased the taxable base.

The Group's effective tax rate was 25.5% and 19.8% for Q4 2019 and Q4 2020, respectively, compared to the Polish standard corporate income tax rate of 19% for each period.

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

PLN m (unaudited)	Q4 2020	Q4 2019	Change %
Current income tax on profits	(93.8)	(61.5)	52.5%
(Increase)/Decrease in net deferred tax liability	29.7	19.1	55.3%
Income tax expense	**(64.1)**	**(42.4)**	**51.3%**

Net Profit

Net profit increased by PLN 136.6 million, or 110.2%, from PLN 123.9 million for Q4 2019 to PLN 260.6 million for Q4 2020, as a result of the same factors driving Adjusted EBITDA growth discussed above, in addition supported by a significant decline in financial costs as well as lower effective tax rate compared to Q4 2019.

Adjusted net profit

The Group's Adjusted net profit increased by PLN 160.7 million, or 126.5% YoY, from PLN 127.0 million for Q4 2019 to PLN 287.6 million for Q4 2020 when PLN 20 million of EBITDA adjustments, PLN 10.8 million of remaining one-off financial expenses related to the Group's refinancing and PLN 3.7 million of tax effect on the above adjustments are excluded.

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

Reconciliation of Adjusted net profit PLN m (unaudited)	Q4 2020	Q4 2019	Change %
Net profit	**260.6**	**123.9**	**110.2%**
EBITDA adjustments	20.0	3.7	432.7%
Net financial result adjustment	**10.8**	**–**	**n/a**
Second Lien facility early repayment cost (1)	0.1	–	n/a
Deferred borrowings cost write off (2)	10.7	–	n/a
Tax impact of adjustments	**(3.7)**	**(0.7)**	**412.9%**
Adjusted net profit	**287.6**	**127.0**	**126.5%**

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

Other Comprehensive Income

Other comprehensive income increased by PLN 19.8 million, or 227.9%, from negative PLN 8.7 million for Q4 2019 to PLN 11.1 million for Q4 2020. This increase resulted primarily from falls in the valuation of financial liabilities relating to the Group's fixed interest rate swap contracts.

Total Comprehensive Income

Total comprehensive income increased by PLN 156.4 million, or 135.7%, from PLN 115.3 million for Q4 2019 to PLN 271.6 million for Q4 2020 as a result of the factors discussed above.

2.2.2. Review of FY 2020 results

Results of Operations

The following table presents the Group's summary consolidated statements of comprehensive income data for the twelve months ended 31 December 2020.

Consolidated statement of comprehensive income, PLN m	FY 2020	FY 2019	Change %
Net revenue	**3,997.8**	**2,592.3**	**54.2%**
Marketplace revenue	3,231.0	2,099.7	53.9%
Advertising revenue	337.8	207.1	63.1%
Price comparison revenue	190.0	145.8	30.3%
Retail revenue	216.6	115.2	88.0%
Other revenue	22.4	24.5	(8.6%)
Operating expenses	**(2,411.0)**	**(1,266.9)**	**90.3%**
Payment charges	(152.9)	(133.7)	14.3%
Cost of goods sold	(222.7)	(120.4)	85.0%
Net costs of delivery	(692.5)	(268.5)	157.9%
Marketing service expenses	(564.7)	(306.9)	84.0%
Staff costs net	(490.1)	(294.4)	66.5%
IT service expenses net	(61.4)	(39.9)	53.7%
Other expenses net	(125.8)	(79.3)	58.6%
Net impairment losses on financial and contract assets	(39.4)	(22.4)	76.2%
Transaction costs	(61.6)	(1.4)	4,404.0%
Operating profit before amortisation and depreciation (EBITDA)	**1,586.8**	**1,325.4**	**19.7%**
Amortisation and Depreciation	**(463.8)**	**(439.3)**	**5.6%**
Amortisation	(400.2)	(383.6)	4.3%
Depreciation	(63.6)	(55.7)	14.1%
Operating profit	**1,123.0**	**886.1**	**26.7%**
Net Financial result	**(506.3)**	**(373.0)**	**35.7%**
Financial income	17.0	9.6	76.1%
Financial costs	(519.1)	(384.0)	35.2%
Foreign exchange (profits)/losses	(4.2)	1.3	(417.9%)
Profit before Income tax	**616.7**	**513.0**	**20.2%**
Income tax expenses	(198.1)	(120.0)	65.2%
Net Profit	**418.6**	**393.1**	**6.5%**
Other comprehensive income/(loss)	(74.7)	(3.2)	2,210.2%
Total comprehensive income for the period	**343.8**	**389.8**	**(11.8%)**

Net Revenue

Net revenue increased by PLN 1,405.5 million, or 54.2%, from PLN 2,592.3 million for FY 2019 to PLN 3,997.8 million for FY 2020. This increase resulted primarily from organic growth in marketplace revenue, advertising revenue and retail revenue.

MARKETPLACE REVENUE

Marketplace revenue increased by PLN 1,131.2 million, or 53.9%, from PLN 2,099.7 million for FY 2019 to PLN 3,231.0 million for FY 2020. This increase resulted primarily from 54.0% GMV growth. Following a strong start to the year with growth in GMV in the mid-twenties similar to 2019, unusually high demand for e-commerce began in the middle of March as a result of the COVID-19 pandemic, which saw the Polish government introduce lockdown measures including closure of all non-essential physical retail stores from Mid-March to Mid-May. This demand was further supported by the Group providing its SMART! subscription services for free for three monthly cycles starting from mid-March, resulting in more buyers receiving free delivery and responding by increasing their purchases on the Group's e-commerce marketplace. Once the government relaxed the lockdown the Group discontinued the free SMART! assistance. Demand remained strong post this first lockdown with growth rates remaining at elevated levels throughout the June-October period as buyers continued to rely on e-commerce more than previously. From mid-October the Group saw a renewed acceleration in GMV growth as a second wave of COVID-19 infections led the Polish Government to reintroduce some of the lockdown measures, including shutting down all but essential stores in the Polish shopping centres during 7-27 November 2020. Despite the reopening of shopping malls for the December pre-Christmas shopping period, GMV growth dropped only marginally as increased demand from buyers for the Group's marketplace services continued.

In addition to the demand factors related to the COVID-19 pandemic described above, growth was also supported by the Group's strategy to focus on the Retail Basics of price, selection and delivery experience, its investment in expanding the SMART! subscriber base, many improvements to user experience and marketplace functionality and marketing investments to bring in more traffic and acquire more active buyers. As a result of these factors, the number of Active Buyers increased by 14.2% and GMV per Active Buyer increased by 36.0% compared to the twelve months ended 31 December 2019.

The Group's Take Rate increased marginally during the year by 1bp YoY from 9.26% in FY 2019 to 9.27% in FY 2020. This small increase was achieved thanks to ongoing monetization initiatives, including increases in success fee and the introduction of merchants co-financing of PLN 3.99 per courier delivery on eligible SMART! shipments. The growth in the Take Rate would have been higher, except that in H1 2020 we actively supported new merchants navigating COVID-19 with promotional take rates and delayed planned Take Rate increases for the period of the first wave lockdown. In addition, markedly higher GMV resulted in fixed and semi-fixed fees forming a smaller part of total marketplace revenue relative to variable revenue streams from success fees, thereby reducing the average Take Rate per unit of GMV. Furthermore, the significant drop in ticket sales at the eBilet unit, resulting from continuous COVID-19 restrictions on mass events, subtracted an additional 7bp from the Take Rate evolution for the full financial year.

ADVERTISING REVENUE

Advertising revenue increased by PLN 130.8 million, or 63.1%, from PLN 207.1 million for FY 2019 to PLN 337.8 million for FY 2020. This increase resulted primarily from the strong performance of sponsored offer ads supported by an acceleration in traffic growth on the Group's websites and deeper penetration of the merchant base. The resulting higher volumes were further supported by increasing average cost-per-click as merchant marketing spend followed Polish consumers online as they shifted significantly to e-commerce as a result of the COVID-19 pandemic.

Higher advertising revenue was also the result of improved performance of digital advertising due to self-service products and higher sales to strategic clients and brands.

PRICE COMPARISON REVENUE

Price comparison revenue increased by PLN 44.2 million, or 30.3%, from PLN 145.8 million for FY 2019 to PLN 190.0 million for FY 2020. This increase resulted primarily from higher revenue from pay-per-click fees, which were generated from a higher number of site visits resulting in a higher number of clicks and a higher average price per click. The COVID-19 pandemic was a significant factor in the acceleration of growth in visits during 2020.

RETAIL REVENUE

Retail revenue increased by PLN 101.4 million, or 88.0%, from PLN 115.2 million for FY 2019 to PLN 216.6 million for FY 2020. 1P retail sales represented 0.6% of total GMV in FY 2019 and 0.7% of total GMV in FY 2020. This increase in retail revenue resulted primarily from higher demand on selected categories, including supermarket, kids, health and beauty and electronics, all of which experienced additional demand associated with the COVID-19 pandemic and related lock-downs. Retail sales volumes were increasingly focused on the elimination of price defects and the participation of 1P in the key campaigns of "SMART! week promotion" at the turn of September and October, as well as the "Black Week promotion" at the end of November, both of which delivered significantly higher sales than in 2019.

Operating Expenses

Operating expenses increased by PLN 1,144.1 million, or 90.3%, from PLN 1,266.9 million for FY 2019 to PLN 2,411.0 million for FY 2020. This increase resulted primarily from increased net costs of delivery, marketing service expenses, staff costs and one off costs related to the Group's IPO and its Management Investment Plan.

PAYMENT CHARGES

Payment charges increased by PLN 19.2 million, or 14.3%, from PLN 133.7 million for FY 2019 to PLN 152.9 million for FY 2020. This increase resulted from higher sales on the Group's e-commerce marketplace, substantially offset by lower transaction rates paid to third-party providers due to discounts negotiated in the second quarter of 2019 that increase as agreed volume thresholds are met.

COST OF GOODS SOLD

Cost of goods sold generated from retail revenues increased by PLN 102.3 million, or 85.0%, from PLN 120.4 million for FY 2019 to PLN 222.7 million for FY 2020. This increase resulted primarily from increased sales through the Group's 1P retail business with margins improved slightly by 1.7 percentage points as a result of an optimized algorithm helping to address correction of price defects more cost efficiently and general improvements in purchasing processes.

NET COSTS OF DELIVERY

Net costs of delivery increased by PLN 424.0 million, or 157.9%, from PLN 268.5 million for FY 2019 to PLN 692.5 million for FY 2020. This increase resulted primarily from an increased number of buyers on the Group's e-commerce marketplace who enjoyed free shipping benefits as members of the SMART! program. Additional demand caused by the COVID-19 pandemic further boosted the number of purchases per SMART! subscriber and further contributed to the acceleration of growth in net costs of delivery.

Lower unit costs per package resulting from scale benefits drove a 11.2% YoY decrease in gross delivery costs per shipped package.

MARKETING SERVICE EXPENSES

Marketing service expenses increased by PLN 257.7 million, or 84.0%, from PLN 306.9 million for FY 2019 to PLN 564.7 million for FY 2020. This increase included a 66.8% increase in variable marketing spend of PLN140.6 million, and particularly pay-per-click advertising, plus PLN 82.8 million related to net costs of delivery for free SMART! subscriptions provided by the Group to any buyer who wished to utilize SMART! services, including free delivery, during a three-month period at the height of the COVID-19 pandemic. As the Group made no direct incremental fees from either buyers or merchants from providing the SMART! services to these buyers, the net costs of delivery were classified as marketing expenses. No similar material amounts were recorded in FY 2019. This expense line included 6.9 mPLN of one-off costs related to donations to various public benefit organizations.

STAFF COSTS

Staff costs increased by PLN 195.7 million, or 66.5%, from PLN 294.4 million for FY 2019 to PLN 490.1 million for FY 2020. This increase resulted partially from the recruitment of new employees as headcount as of the year end was 26% higher YoY, as well as an increase in base salaries and increased annual bonus provisions following the Group's strong performance. However, PLN 80.9 million of the higher staff costs were mainly related to share based compensation expenses from two programs; Certain managers received non-recourse loans from the Group to invest in the Management Investment Plan that was settled at the IPO (52.2 mPLN) and most employees of the Group received a grant of publicly traded shares in Allegro.eu to be delivered one year after the IPO (25.4 mPLN). Staff costs also included non-recurring expenditure of PLN 3.3 million related to COVID-19 support for employees.

IT SERVICE EXPENSES

IT service expenses increased by PLN 21.4 million, or 53.7%, from PLN 39.9 million for FY 2019 to PLN 61.4 million for FY 2020. This increase resulted primarily from new licenses related to the introduction of new software solutions and increased IT costs due to higher technical platform costs, including external cloud usage, due to the growing storage requirements for the increasing number of active offers on the Group's e-commerce marketplace.

OTHER EXPENSES

Other expenses increased by PLN 46.5 million, or 58.6%, from PLN 79.3 million for FY 2019 to PLN 125.8 million for FY 2020. This increase resulted primarily from higher consultancy and contractor costs in connection with the development of new products and projects and increased insurance costs related to a new public company Directors and Officers policy. This expense line includes a net PLN 13.9 million of costs included as one-off costs in the Adjusted EBITDA reconciliation bridge, mainly restructuring costs and regulatory proceedings costs.

NET IMPAIRMENT LOSSES ON FINANCIAL AND CONTRACT ASSETS

Net impairment losses on financial and contract assets increased by PLN 17.0 million, or 76.2% from PLN 22.4 million for FY 2019 to PLN 39.4 million for FY 2020. This increase resulted primarily from increased provisioning for bad debts related to increased sales on the Group's e-commerce marketplace as well as an additional provision arising from the extension of payment terms for SME merchants from 14 to 60 days in response to the COVID-19 pandemic. This payment extension lasted for four billing periods and ended in August 2020. The launch of a trial of Allegro Pay was not a significant contributor to the growth in Net impairment losses as only PLN 1.2 million of reserves were necessary against the year end loan book of PLN 52.0 million

TRANSACTION COSTS

Transaction costs increased by PLN 60.2 million, from PLN 1.4 million for FY 2019 to PLN 61.6 million for FY 2020 due to IPO-related one-off costs of advice and professional services amounting to PLN 61.2 million and costs of acquiring the remaining 20% minority interest in eBilet Polska sp. z o.o. of PLN 0.4 million.

Operating Profit before Amortization and Depreciation

Operating profit before amortization and depreciation increased by PLN 261.4 million, or 19.7%, from PLN 1,325.4 million for FY 2019 to PLN 1,586.8 million for FY 2020 as a result of the factors described above, including the negative impact of IPO-related one-off expenses.

AMORTIZATION

Amortization increased by PLN 16.6 million, or 4.3%, from PLN 383.6 million for FY 2019 to PLN 400.2 million for FY 2020. This increase resulted primarily from an increase in intangibles associated with capitalized development costs of projects that were completed and put into use in the twelve months since the end of the prior period, such as the first phases of projects aimed at improving delivery experience and productization.

DEPRECIATION

Depreciation increased by PLN 7.8 million, or 14.1%, from PLN 55.7 million for FY 2019 to PLN 63.6 million for FY 2020. This increase resulted primarily from the depreciation of computers and office equipment related to growth of the organization.

Operating Profit

Operating profit increased by PLN 236.9 million, or 26.7%, from PLN 886.1 million for FY 2019 to PLN 1,123.0 million for FY 2020 as a result of the factors discussed above, including the negative impact of IPO-related one-off expenses.

NET FINANCIAL RESULT

Net financial result increased by PLN 133.3 million, or 35.7%, from a cost of PLN 373.0 million for the twelve months ended 31 December 2020 to a cost of PLN 506.3 million for the twelve months ended 31 December 2020.

This increase resulted primarily from recognition of a non-cash charge to financial expenses in the amount of PLN 143.4 million due to the Group's decision to refinance its borrowings at IPO in October 2020, representing the unamortized value of origination costs and related expenses, incurred at inception of the Group's borrowings facilities in 2017 and as a result of their upsize in 2019, which could no longer be amortized over the full term of the original facilities. In addition, early repayment of the second lien facility triggered a liability to pay PLN 26.0 million in fees. These expenses were offset by lower interest expenses resulting from lower margins paid due to Group's continuous deleveraging as well as significantly lower interest cost in Q4 2020 as a result of refinancing at lower average interest rate margins.

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

PLN m	FY 2020	FY 2019	Change %
Interest from deposits	2.8	8.0	(65.7%)
Other financial income	3.3	1.6	104.0%
Valuation of financial assets	10.9	—	n/a
Net exchange gains on foreign currency transactions	—	1.3	n/a
Financial income	**17.0**	**10.9**	**55.0%**
Interest paid and payable for financial liabilities	(297.1)	(361.1)	(17.7%)
Deferred borrowings cost write off	(143.4)	—	n/a
Interest rate hedging instrument	(41.9)	(14.8)	183.3%
Second Lien facility early repayment cost	(26.0)	—	n/a
Interest on leases	(3.0)	(3.8)	(21.1%)
Revolving facility availability fee	(3.3)	(3.2)	3.6%
Net exchange losses on foreign currency transactions	(4.2)	—	n/a
Other financial costs	(4.4)	(1.1)	298.5%
Financial costs	**(523.3)**	**(384.0)**	**36.3%**
Net financial result	**(506.3)**	**(373.0)**	**35.7%**

Profit before Income Tax

Profit before income tax increased by PLN 103.7 million, or 20.2%, from PLN 513.0 million for the twelve months ended 31 December 2019 to PLN 616.7 million for the twelve months ended 31 December 2020 as a result of the factors described above.

Income Tax Expenses

Income tax expenses increased by PLN 78.2 million, or 65.2%, from PLN 120.0 million for the twelve months ended 31 December 2019 to PLN 198.1 million the twelve months ended 31 December 2020. This increase resulted primarily from an increase in operating profit excluding non-recurring items mainly related to the Group's IPO which increased the taxable base.

The Group's effective tax rate was 23.4% and 32.1% for the twelve months ended 31 December 2019 and 2020, respectively, compared to the Polish standard corporate income tax rate of 19% for each period. The effective tax rate increased in 2020 as a result of non tax deductible IPO expenses and other tax losses incurred by one of the Group's Luxembourg subsidiaries in the combined amount of PLN 266.0 million, for which no deferred tax asset is recognized as this entity is not likely to generate taxable income in the foreseeable future. This has resulted in PLN 50.5 million of additional tax expense in the period, calculated at the Polish standard corporate income tax rate of 19%, that would have otherwise been avoided if those tax losses were tax deductible.

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

PLN m	FY 2020	FY 2019	Change %
Current income tax on profits	(261.0)	(160.8)	62.3%
(Increase)/Decrease in net deferred tax liability	62.8	40.9	53.8%
Income tax expense	**(198.1)**	**(120.0)**	**65.2%**

Net Profit

Net profit increased by PLN 25.5 million, or 6.5%, from PLN 393.1 million for the twelve months ended 31 December 2019 to PLN 418.6 million for the twelve months ended 31 December 2020 as a result of the factors discussed above, including the impact of IPO-related one-off expenses and refinancing costs.

Adjusted net profit

Adjusted net profit increased by PLN 328.2 million, or 81.3%, from PLN 403.7 million for the twelve months ended 31 December 2019 to PLN 731.8 million the twelve months ended 31 December 2020 when PLN 163.2 million of EBITDA adjustments, PLN 169.4 million of one-off financial expenses related to the Group's refinancing and PLN 19.3 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.

PLN m	FY 2020	FY 2019	Change %
Net profit	**418.6**	**393.1**	**6.5%**
EBITDA adjustments	163.2	12.8	1180.0%
Net financial result adjustment	**169.4**	**–**	**n/a**
Second Lien facility early repayment cost (1)	26.0	–	n/a
Deferred borrowings cost write off (2)	143.4	–	n/a
Tax impact of adjustments	**(19.3)**	**(2.2)**	**792.9%**
Adjusted net profit	**731.8**	**403.7**	**81.3%**

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

Other Comprehensive Income

Other comprehensive income decreased by PLN 71.5 million, or 2210.2%, from negative PLN 3.2 million for the twelve months ended 31 December 2019 to negative PLN 74.7 million for the twelve months ended 31 December 2020. This decrease resulted primarily from adverse changes in the valuation of financial liabilities relating to the Group's fixed interest rate swap contracts. The COVID-19 pandemic resulted in a substantial fall in market interest rates and medium-term bond yields that increased the mark-to-market liability on the Group's hedged interest rate positions that were taken out to reduce exposure to interest rate volatility.

Total Comprehensive Income

Total comprehensive income decreased by PLN 46.0 million, or 11.8%, from PLN 389.8 million for the twelve months ended 31 December 2019 to PLN 343.8 million for the twelve months ended 31 December 2020 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 financial years and fourth quarter periods ended 31 December 2020 and 31 December 2019:

Cash Flow, PLN m	FY 2020	FY 2019	Change %	Q4 2020 (unaudited)	Q4 2019 (unaudited)	Change %
Net cash inflow/(outflow) from operating activities	**1,509.9**	**1,246.5**	**21.1%**	**344.9**	**344.5**	**0.1%**
Profit before tax	616.7	513.0	20.2%	324.7	166.3	95.2%
Income tax paid	(121.1)	(163.1)	(25.8%)	(27.9)	(57.0)	(51.1%)
Amortization and depreciation	463.8	439.3	5.6%	118.6	113.3	4.7%
Net interest expense	508.3	375.5	35.4%	68.6	100.2	(31.5%)
Changes in net working capital	(34.9)	72.3	(148.3%)	(152.3)	21.0	823.7%
Other operating cash flow items	77.1	9.6	703.1%	13.2	0.6	2,100.0%
Net cash inflow/(outflow) from investing activities	**(218.2)**	**(202.9)**	**7.5%**	**48.9**	**(36.0)**	**33.0%**
Capitalized development costs	(149.3)	(94.4)	58.2%	(43.2)	(24.7)	74.9%
Other capital expenditure	(81.2)	(48.6)	66.9%	(21.4)	(14.2)	50.8%
Acquisition of subsidiaries	(11.8)	(63.0)	(81.3%)	(7.4)	–	n/a
Other investing cash flow	24.1	3.1	677.4%	23.1	2.9	695.5%
Net cash inflow/(outflow) from financing activities	**(510.5)**	**(1,433.8)**	**(64.4%)**	**163.1**	**(112.5)**	**(245.1%)**
Proceeds from capital increase	972.3	–	n/a	972.3	–	n/a
Repayment of share premium	–	(2,736.0)	n/a	–	–	n/a
Borrowings received	–	1,959.5	n/a	–	–	n/a
Borrowings repaid	(1,056.7)	(215.8)	389.7%	(711.7)	–	n/a
Interest paid	(275.9)	(375.0)	(26.4%)	(38.6)	(94.2)	(59.0%)
Other financing cash flow	(150.2)	(66.5)	125.9%	(58.9)	(18.2)	222.8%
Net increase/(decrease) in cash and cash equivalents	**781.2**	**(390.2)**	**(300.2%)**	**460.1**	**196.0**	**134.7%**

Net cash from operating activities

Net cash from operating activities increased by PLN 263.4 million or 21.1% YoY during FY 2020 and increased by PLN 0.4 million or 0.1% YoY for Q4 2020. The Group's outflow into working capital of PLN 30.5 million in FY 2020 compared to a PLN 72.3 million cash inflow in FY 2019 results mainly from the increase in receivables from increased sales and outflows to fund consumer loans granted by Allegro Pay, partially offset by increases in trade liabilities. Net interest expense increased by PLN 132.8 million or 35.4% YoY during FY 2020 mainly due to deferred borrowings costs, connected with the refinancing, that was recognised as a non-cash financial expense. Other operating cash flow items increased by PLN 67.5 million or 703.1% YoY during FY 2020 reflected share based compensation for managers who had invested in the Management Investment Plan as well as shares granted to employees at the IPO.

Net cash used in investing activities

Net cash used in investing activities was PLN 218.2 million during FY 2020 which represents a YoY increase of 7.5%. The Group's total cash used in investing activities increased by PLN 12.9 million, or 33,0%, from PLN 36.0 million for the quarter ended 31 December 2019 to PLN 48.9 million for the quarter ended 31 December 2020. The increase has been primarily driven by increasing capitalized development costs relating to development of the Allegro platform as more software developers are added to the technology team to work on extending the functionality of the platform.

Net cash used in financing activities

Net cash used in financing activities was PLN 510.5 million for FY 2020. This was primarily connected with debt refinancing that decreased the nominal amount of loans, net of arrangement fees paid, by PLN 711.7 million in addition to recurring principal repayments of PLN 345.0 million made earlier this year. This was offset by the proceeds of a primary share offering pursuant to the Group's IPO in the amount of PLN 972.3 million that the Group received. The Group paid the interest amounted to PLN 275.9. The significant outflow in the year ended 31 December 2019 was primarily connected with a share premium repayment of PLN 2,736.0 million to the Group's shareholders which was partially offset by a PLN 1,959.5 million inflow of cash in connection with the upsizing of the Group's senior term loan facilities. The Group repaid the principal in the amount of PLN 215.8 million along with interest amounting to PLN 375.0.

2.2.4. Indebtedness

As of 31 December 2020, the Group's total borrowings (principal adjusted by amortised cost) were PLN 5,437.8 million. In addition, the Group had PLN 500.0 million committed under a revolving facility, which was undrawn as of 31 December 2020.

On 14 October 2020 the Group completed its refinancing transaction by drawing the full amount of borrowings under the PLN 5,500.0 million New Senior Facility, receiving a net amount of PLN 5,440.0 million, and, together with the Company utilising its net proceeds from the initial public offering of the Company's shares of PLN 972.3 million, applied the available funds to the repayment and discharge in full of all indebtedness outstanding under Original Facilities in the amount of PLN 6,151.7 million.

As a result of the Group completing the refinancing transaction, the gross balance of outstanding bank borrowings fell by PLN 651.7 million from PLN 6,151.7 million to PLN 5,500 million.

The refinancing enabled the Group to reduce net leverage to 2.5x for the year ending 31 December 2020, a reduction from net leverage of 3.4x as of 30 September 2020, thereby enabling the Group to increase its operational flexibility and to substantially reduce the interest rate that it pays on its debt.

PLN m (unaudited)	June 2020	September 2020	December 2020
Adjusted EBITDA LTM	**1,514.7**	**1,600.8**	**1,750.0**
Borrowings at amortized cost	6,169.5	6,163.1	5,437.8
Lease liabilities	78.5	77.4	73.3
Cash	(574.8)	(725.2)	(1,185.1)
Net Debt	**5,673.2**	**5,515.3**	**4,326.0**
Leverage	**3.7x**	**3.4x**	**2.5x**
Equity	6,923.9	6,806.9	8,089.6
Net debt to Equity	81.9%	81.0%	53.5%

3. Summary of key developments

3.1. Initial Public Offering

Allegro.eu completed the initial public offering of its shares on the WSE and its ordinary shares began trading on the WSE on 12 October 2020. The listing was Poland's largest ever IPO, with an implied initial market capitalization of PLN 44 billion at the subscription price of PLN 43.00 per share. Allegro.eu ended the year as the largest listed company in Poland by market capitalization.

On the day of listing, all employees who were employed by the Group as at the listing date, and who did not hold any shares pursuant to historic investment arrangements, were granted a one-off share award of 233 shares with a value equivalent to PLN 10,019 at the subscription price, vesting 360 days after the listing date.

As part of the initial public offering the Group raised PLN 972.3 million net proceeds which helped to reduce the balance sheet leverage and enabled the completion of the Group's refinancing at more attractive financial terms.

3.2. Refinancing

On 29 September 2020 an agreement was signed between Adinan Midco 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 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 B209013 (the "Credit Facility Borrower") and the consortium of lenders, resulting in commitments for (i) a PLN 5,500.0 million senior secured term loan facility (the "New Senior Facility") and (ii) a PLN 500.0 million (equivalent) multi-currency revolving credit facility ("New RCF" and together with the New Senior Facility, the "New Facilities").

On 14 October 2020 the Company completed the refinancing of its earlier borrowings. The full amount of borrowings under the New Senior Facility was drawn, receiving a net amount of PLN 5,440.0 million after deduction of PLN 60.0 million arrangement fees and expenses, and, together with the Company utilising its net proceeds from the initial public offering of the Company's shares of PLN 972.3 million PLN, applied the available funds to the repayment and discharge in full of all indebtedness outstanding under original borrowing facilities in the amount of PLN 6,151.7 million. As a result of the Group completing the refinancing transaction, the balance of outstanding bank borrowings fell by PLN 651.7 million from PLN 6,151.7 million to PLN 5,500 million.

The final maturity date for the New Senior Facility is October 2025 and the final maturity date for the New RCF is October 2025 (subject to two 12 month extensions at the request of the Company or Credit Facility Borrower and with the consent of the relevant New RCF Lender(s)). There are no repayments due on the New Senior Facility prior to the final due date on 14 October 2025.

The New Facilities will initially bear interest at a rate per annum equal to WIBOR (or EURIBOR or LIBOR, as applicable at the Credit Facility Borrower's option) (in each case subject to a zero floor) and an initial margin of: (i) in relation to New Senior Facility, of 2.25% per annum and (ii) in relation to the New RCF, of 1.80% per annum.

As a result of the refinancing, the Group recognized a non-cash charge to financial expenses in its financial statements for FY 2020 in the amount of PLN 143.4 million. This amount reflects the unamortized value of origination costs and related expenses, incurred at origination of the refinanced facilities in 2017 and as a result of their upsize in 2019, which will no longer be amortized over the full term of the refinanced facilities. In addition, the early repayment of the portion of the refinanced facilities triggered a liability to pay PLN 26.0 million in early payment fees which was also recognized as financial expense in FY 2020 accounts.

The refinancing enabled the Group to reduce net leverage to 2.5x for the year ending 31 December 2020, a reduction from net leverage of 3.4x as of 30 September 2020, thereby enabling the Group to increase its operational flexibility and to substantially reduce the interest rate that it pays on its debt.

3.3. COVID-19 Impact

During FY 2020 the Group's financial results were positively impacted by an accelerated shift to online shopping by Polish consumers in response to the COVID-19 pandemic. Year-over-year GMV growth for the twelve months ended 31 December 2020 was 54.0%, as compared to GMV growth of 25.4% for the twelve months ended 31 December 2019. The impact of the COVID-19 pandemic on consumer behavior led to significant increases in GMV per buyer growth during FY 2020, which impacts the comparability to the Group's results of operations between FY 2020 and FY 2019. The end to lockdowns and a gradual return to normal once the national vaccination program has been rolled is likely to reduce GMV growth rates in the future relative to those seen in 2020 although much of the increased buyer engagement may be sustained going forward.

In response to the COVID-19 pandemic, the Group invested heavily in supporting consumers with provision of goods whilst staying safe at home by providing all buyers on its marketplace free deliveries and returns using the Group's SMART! program for free for three months between mid-March and mid-June 2020. This resulted in PLN 82.8 million costs of delivery for free SMART! subscriptions provided by the Group during FY 2020, that was classified as marketing expense. Including this amount, the Group spent a total of PLN 775.3 million in FY 2020, net of SMART! subscription revenues, facilitating online shopping with free deliveries to Polish households.

At the onset of the pandemic in Poland in March 2020, in order to support its merchant base through the economic disruption, the Group initiated a scheme to support merchants on the Group's platform by extending payment terms for Polish SMEs for up to 60 days, postponed the implementation of a new method for calculating fees for Allegro sellers and added a 3% cashback credit for merchants and offering 90 days of 0% fees for newly onboarded merchants. This final measure was continued throughout the remainder of 2020.

The spread of COVID-19 has led the Group to modify its operational practices, in full compliance with actions required by authorities or those that it determines are in the best interests of its employees, buyers, merchants and other stakeholders. The Group has implemented a work-from-home policy which has been followed by nearly all of the Group's employees. For the Group's employees who work in the Group's warehouse and/or cannot work remotely, the Group has implemented additional protective procedures, including equipping employees with personal protective equipment (e.g. masks, gloves, disinfectants, hand sanitizers and face shields), implementing social distancing, staggering employees working hours across three shifts throughout the day, increasing the frequency of cleaning in the Group's facilities, and installing thermal imaging cameras.

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

In addition, the Group made PLN 6.9 million donations to support several public organizations during the COVID-19 pandemic. Please refer to section Approach to Corporate, Environment, and Social Responsibility of this Report for further details.

3.4. Growth in SMART!

The SMART! loyalty program has been a major commercial success throughout FY 2020, with dynamic growth in the number of subscribers during the year that significantly exceeded the Group plans. This has been partly achieved thanks to the measures implemented by the Group at the onset of the COVID-19 pandemic in Poland during the second quarter, providing all buyers on its marketplace free deliveries and returns using the Group's SMART! program for free for three months between mid-March and mid-June 2020. A substantial part of those free SMART! trialists have subsequently been converted to paid subscription after the first lockdown in Poland ended, with membership growing strongly. In order to drive higher conversion, the Group launched additional promotional measures, with an „Annual for PLN 39" SMART! promotion launched during the summer and again during Black Week that lasted until Christmas. The annual SMART! week promotion" at the turn of September and October has been a particular success in 2020 during which the GMV transacted on the platform tripled vs. a similar campaign in 2019. In addition, the Group launched a new SMART! Student program in October 2020.

The dynamic growth in SMART! subscribers and orders led to a corresponding increase in GMV generated by the program subscribers. The extra GMV driven by growth in SMART! subscribers and their increasing engagement has been a major contributor to the acceleration of the marketplace flywheel since the program launched, with acceleration in the numbers of merchants and active offers and improvement in quality as more merchants strive to join SMART! and increase sales. Moreover, the Group has established through rigorous testing that relatively less engaged buyer segments increase their spending even more quickly when they sign up to SMART! than the more engaged segments who were generally first to sign up to SMART!. Accordingly, the Group expects the GMV uplift from SMART! memberships to continue to grow, relative to the corresponding increase in delivery expenses, as penetration of the Active Buyer base increases over time. The program brought significant GMV uplift for Allegro merchants, who started contributing to the cost of courier deliveries with the co-financing fees for courier deliveries introduced in April 2020.

3.5. Allegro Pay

During the first half of 2020 the Group developed its own proprietary consumer finance lending solutions for buyers to use when making purchases on the Group's e-commerce marketplace. The FinTech experts and developer teams acquired with the acquisition of the FinAi business by the Group in January 2020, together with the Group's existing technology resources, have developed integrated solutions that are expected to provide an excellent user experience. Using the sub-brand Allegro Pay, the new proprietary lending solutions moved into user testing during the third quarter of 2020 and the Group completed commercial tests during the fourth quarter of 2020 with PLN 77 million loan sales and PLN 53 million outstanding consumer loan balance at end Q4 2020. During the beta testing phase the product received an outstanding NPS score of 85 for the overall product experience. Expected credit losses were 2.1% of the outstanding gross loans at FY 2020 year-end.

The Group believes that the Allegro Pay proprietary lending solutions will greatly improve the user experience with consumer credit solutions available for the Group's e-commerce marketplace buyers, leading to potentially better lending decision making and a wider take up of consumer credit solutions by buyers. The near term plans for 2021 include scaling the eligibility for the product to most Allegro buyers, further improving and shortening the activation procedures, and implementing a 1-click purchase and payment process. Furthermore, the Group intends to seek dedicated external financing for Allegro Pay to be available by the end of 2021.

3.6. Acquisitions

On 27 January 2020 Allegro.pl sp. z o.o. finalized the purchase of 100% of FinAi shares for PLN 7 million in cash. This transaction brought a team of experts with core FinTech capabilities, including market, machine-learning, artificial intelligence and credit scoring expertise, as well as risk management, regulatory and legal knowledge. The Group expects such competencies and capabilities to be important enablers for further growth of its financial services offering, including Allegro Pay launched in 2020. In the future, the Group may seek to leverage the expertise it has acquired with FinAi to develop additional financial services products for either buyers or merchants or, potentially, to be utilized in transactions conducted outside of the Group's e-commerce marketplace.

On 27 October 2020 Allegro Logistyka sp. z o.o. purchased 100% shares in Opennet sp. z o.o. for a cash consideration of PLN 12.3 million. The payment was divided into two tranches – PLN 8.4 million was settled at the date of the transaction, the remaining PLN 3.9 million is being payable until December 2022. Opennet is a leading provider of technology solutions for logistics, including automated parcel machines in Poland. Together with Opennet, Allegro Logistyka acquired this know-how and the team of qualified developers that will support the development of the Group's planned last mile solutions.

4. Remuneration Report

The section of the Report constitutes the remuneration report of Allegro.eu in relation to the financial year ending on 31 December 2020, which has been prepared by the Remuneration and Nomination Committee of the Company and adopted by the Board of Directors in accordance with the Luxembourg law of 24 May 2011 on the exercise of certain rights of shareholders and implementing the directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending directive 2007/36/EC as regards the encouragement of long-term shareholder engagement, as amended (the "Law"), and in particular article 7ter of the Law.

4.1. Adoption of the Remuneration Policy

The Remuneration Policy of the Company (the "Remuneration Policy") was adopted by the Board of Directors on 28 September 2020 upon proposal from the Remuneration and Nomination Committee and approved by the general meeting on 29 September 2020 in accordance with the Luxembourg law of 1 August 2019, amending the law.

4.2. Purpose and scope of the Remuneration Policy

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

4.3. Remuneration of Executive Directors and Key Managers

The Remuneration Policy is intended to attract, motivate, and retain Directors and Key Managers who have the highest level of competence and experience. Remuneration for Directors and Key Managers is determined considering market pay rates for persons performing functions of board members, including entities with a similar profile of activity and scope of conducted activity, taking into account the needs and capabilities of the Company and its subsidiaries, individual qualifications, and the level of experience of individual Directors, as well as their scope of competence.

The Remuneration and Nomination Committee consider the opinion of an independent advisor in the field of remuneration of Executive Directors and Key Managers. The appointed advisor in 2020 was hkp Group. The advice and recommendations of the external advisers were used as a guide, but do not serve as a substitute for thorough consideration of the issues by each Committee member. Advisers attended Committee meetings occasionally, as and when required by the Committee.

The Group has its operations in Poland and is listed on the Warsaw Stock Exchange, but it competes with top international market players in the highly demanding tech and e-commerce industry. Hence, to maintain the firm's current competitive advantage and build future business success we need to be in a position to recruit top talent in Poland and beyond (e.g. European market). In order to compete for the best talent, the Group provides competitive pay levels and structures based on objective market data.

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

- Peer Group 1 consists of the constituent companies of the WIG 20 Index, which Allegro is a part of and in which Allegro currently has the highest market capitalization. The choice of this peer group reflects the location of the Group's operations and takes into account local market practice for Director and Key Manager roles.
- Peer Group 2 consists of European listed companies in the e-commerce and technology sectors selected by the Remuneration and Nomination Committee. The choice of this peer group is essential in order to assure Allegro's attractiveness as an employer to highly qualified individuals from Poland and throughout Europe.

The Executive Directors and the Key Managers did not receive any remuneration (fixed or variable) from any other entity of the Group other than listed in this Remuneration Report.

The total Remuneration Package for Executive Directors and Key Managers consist of the following components:

4.3.1. Fixed remuneration

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

Executive Directors and Key Managers are entitled additional benefits including the right to use a selected healthcare package and life and disability insurance financed by the employer (fringe benefits). The Company provides to the Executive Directors and Key Managers, at its own expense, insurance against any damage resulting from claims arising from the liability of members of the bodies of a capital company (D&O liability insurance). The Company does not provide any retirement schemes beyond what is required by local labour law requirements.

4.3.2. Short-term variable remuneration

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

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

The amount of the annual bonus depends on:

- the amount of the annual base salary,
- the target size of the bonus as a percentage of annual base salary that ranges from 60% to 100% depending on the performed function.
- results against agreed corporate performance criteria that determines the size of the relevant Corporate Bonus Pool expressed as a percentage of the target bonus of 100% and accrued for each participant in the pool (see below for detailed rules)
- a modifier based on individual performance that can boost or reduce the bonus based on corporate performance within a range of +25% and – 100%, considering the following criteria:
  - realization of goals and tasks,
  - attitude and way of performing work,
  - skills development and knowledge sharing
- any other objectives as may be determined by the Committee from time to time

Executive Directors and Key Managers may receive an annual bonus from the Corporate Bonus Pool of the entity in which they performed their function, which is calculated according to the criteria set out below. For the avoidance of doubt, the Executive Directors who are employed both at Allegro.pl and Allegro.eu are entitled to an annual bonus from the Allegro.pl pool for the 2020 financial year in addition to their Director fees received from Allegro.eu.

Corporate Bonus Pool	
Performance criteria	Operating Company's bonus pool is based on the company's performance criteria realisation. Annual targets for a given year as agreed with the Board of Directors and the Committee. Company Performance Index is a base for determining a company's bonus pool. It is driven by target achievement of two KPIs: Allegro.pl and Allegro Pay: • GMV – weight 50% where 100% performance = annual budget • EBITDA – weight 50% where 100% performance = annual budget Ceneo.pl: • Revenue – weight 50% where 100% performance = annual budget • EBITDA – weight 50% where 100% performance = annual budget eBilet: No bonus pool for 2020. Starting from 2021 bonus pool will be based on eBilet and Allegro.pl figures: • 60% eBilet CPI (EBITDA / GMV) • 40% Allegro.pl CPI (EBITDA / GMV)
Min/Max payout (Cap) as of Base Salary	Min = 0%; 100% = annual budget Max = no limit for GMV and 150% Cap for EBITDA
Bonus threshold	87.5% of company performance criteria realisation, separately for each KPI.
Bonus pool acceleration	Linear (8% of bonus for 1% of target realization)
Payout frequency	Annually after annual results confirmation

4.3.3. Long–term variable remuneration

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

The first grant under AIP is planned for April 2021.

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

Allegro Incentive Plan

Eligibility	Awards may be granted to Directors and certain selected employees of the Group at the discretion of the Remuneration and Nomination Committee
Forms of Awards	Awards under the AIP may be granted in the form of PSU or RSU which give the participants a right to receive Shares without payment on completion of a vesting period and, in the case of PSUs, subject to the satisfaction of performance conditions. The AIP rules also include flexibility for the Remuneration and Nomination Committee to grant other forms of awards, such as share options.
Overall Plan Limits	In any ten-year period, not more than 10% of the issued share capital of the Issuer may be issued or transferred out of treasury for the purposes of awards granted under the AIP and any other discretionary employees' share plans adopted by the Company. This limit does not include management investment into the Company or awards that have been made or granted on or prior to Admission (including conditional upon Admission) or have lapsed.
Individual Limits	The aggregate total market value of Shares over which an award is granted may not exceed 200% of annual base salary or 300% in exceptional circumstances (as measured at the date of grant). The Remuneration and Nomination Committee will determine the value of awards to be granted to each Participant in any financial year.
Source of Shares	Awards under the AIP may be granted over newly issued Shares, Shares held in treasury, or Shares purchased in the market (including Shares held in an employee benefit trust).
Timing of Awards	The first awards under the AIP are expected to be granted in April 2021. Thereafter, awards will normally be granted within the six-week period after the Issuer announces its annual results. However, the Remuneration and Nomination Remuneration and Nomination Committee may grant awards outside this period at its discretion. No awards may be granted more than ten years after the AIP was adopted, unless by further decision of the Shareholders' Meeting.
Performance Conditions	Awards in the form of PSUs will be subject to performance conditions which will be determined by the Remuneration and Nomination Committee at the time of grant. Awards will vest between 0% (if the performance conditions are not met) to 200% (at maximum level) based on the extent to which the performance conditions are met. Any performance condition may be amended or substituted if one or more events occur which cause the Remuneration and Nomination Committee to consider that an amended or substituted performance condition would be more appropriate. Any such amended or substituted performance condition will, in the reasonable opinion of the Remuneration and Nomination Committee, not be materially more or less difficult to satisfy.

Allegro Incentive Plan

Vesting and Release of Awards	RSUs will vest and Shares be released in the ordinary course in three annual tranches – 25%, 25%, and 50% respectively on the first, second, and third anniversaries of the date of grant, subject to continued employment. PSUs will notionally vest in the ordinary course in three annual tranches – 25%, 25%, and 50% respectively on the first, second, and third anniversaries of the date of grant, but will only be released on the third anniversary of grant, subject to continued employment and satisfaction of the relevant performance conditions applicable to such PSU. The Remuneration and Nomination Committee may grant awards subject to a different vesting period and release schedule, at its discretion. Any part of an AIP award which is not released in accordance with its terms will immediately lapse.
Malus and Clawback	The Remuneration and Nomination Committee, may reduce the number of Shares under a PSU or within the period of two years after a PSU has been released, require the repayment of some or all of the Shares so released (net of any tax), if certain events occur, including (i) the Participant's gross misconduct, fraud or dishonesty or that of someone else at their direction, in each case, resulting in material losses to the Group or causing the Group's material reputational damage and (ii) a material error in the assessment of the performance (including material misstatement of accounts in the case of clawback) upon which the value of the award was granted or number of Shares were released.

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

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

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

The PSU Performance 2021-2023 targets:

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

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

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

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

Management Investment Plan

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

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

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

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

i) where certain managers were given non-recourse loans to purchase part of their shares, the non-recourse loans together with the shares issued are considered to create an option under IFRS 2. It gives the party receiving the loan the right upon an exit event to choose not to repay the loan, but instead to relinquish their rights to the shares.

ii) most managers were also entitled to participate in a 'ratchet feature' where, if upon an exit event the ultimate shareholder return amount was at least 3 times their initial investment amount, then Management's B shares were entitled to share in a further amount of 1% of the shareholder receipts.

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

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

Non-cash equity settled share based compensation recognized under IFRS2 from fair value investments made under the MIP (in kPLN)

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

4.3.4. Remuneration statement for Executive Directors and Key Managers

Remuneration statement for Executive Directors and Key Managers for 2020 (in kPLN)

			Fixed Remuneration			Variable Remuneration					Proportion of fixed and variable remuneration	
Name of Director	Company	Position	Base Salary	Fees	Other Benefits	One year variable*	Multi year variable	Extraordinary item	Pension Expenses	Total Remune-ration	Fixed	Variable
Francois Nuyts	Allegro.eu	Executive Director (01.09.2020 –)	—	74.1	—	—	—	—	—	74.1	100%	0%
	Allegro.pl	Group CEO, MBM (01.08.2018 –)	3,349.0	—	39.3	7,304.2	—	—	—	10,692.6	32%	68%
Jon Eastick	Allegro.eu	Executive Director (01.09.2020 –)	—	74.1	—	—	—	—	—	74.1	100%	0%
	Allegro.pl	Group CFO, MBM (01.09.2020 –)	1,065.6	—	41.3	1,336.3	—	—	—	2,443.3	45%	55%
Piotr Szybiak	Allegro.pl	CTO, MBM (01.12.2015 –)	996.9	—	65.8	1,251.4	—	—	—	2,314.1	46%	54%
Damian Zapłata	Allegro.pl	CCO, MBM (01.12.2017 –)	1,065.6	—	64.2	1,633.2	—	—	—	2,763.0	41%	59%
Wojciech Bogdan	Allegro.pl	CDO, MBM (01.05.2020 –)	680.0	—	4.1	1,112.3	—		—	1,796.5	38%	62%
Marcin Łachajczyk	Ceneo.pl	Managing Director, MBM (01.01.2013 –)	579.8	—	60.3	573.1	—	—	—	1,213.1	53%	47%

*Bonus amounts based on accrued values as final awards based on the rules of short-term variable compensation for 2020 are yet to be determined and paid out at the date of this Report.

4.4.
Remuneration of Non-Executive Directors

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

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

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

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

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

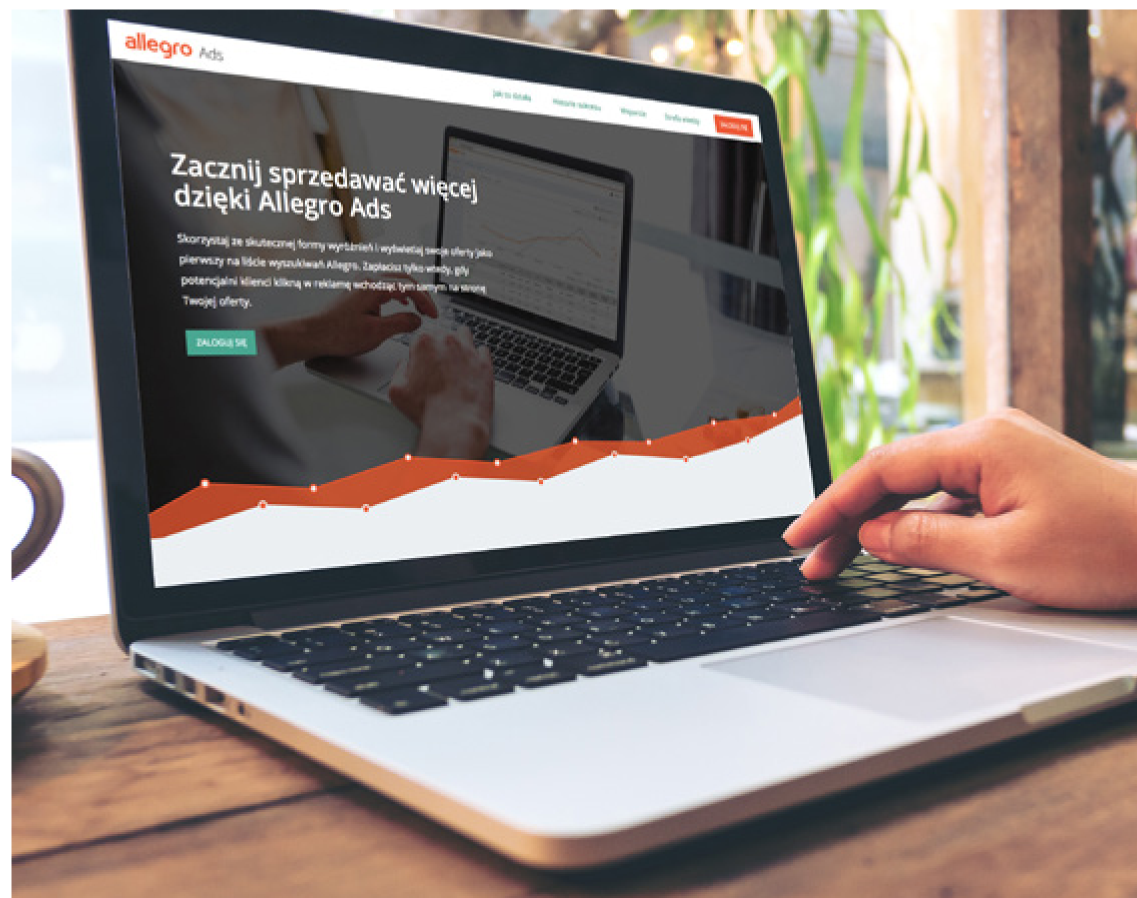
Remuneration statement for Non-Executive Directors for 2020 (in kPLN)

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

Other related party transactions with Non-Executive Directors of the Group prior to the IPO

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

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



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

The table below illustrates the annual remuneration of Directors and Key Managers, of the performance of the Company and of the average total annual remuneration of employees of the Company and the Group other than Directors and Key Managers in 2020.

As this is the first year of reporting obligations for the Company post IPO, so the Group will provide comparative data going forward.

Annual Change		Information Regarding the 2020 (in kPLN)
Director's total remuneration (from all legal entities)		
Francois Nuyts	CEO, Executive Director	10,766.6
Jon Eastick	CFO, Executive Director	2,517.4
Darren Huston	Chairman, Non-Executive Director	479.5
Carla Smits-Nusteling	Independent Non-Executive Director	182.2
David Barker	Non-Executive Director	0.0
Nancy Cruickshank	Independent Non-Executive Director	160.0
Paweł Padusiński	Non-Executive Director	0.0
Richard Sanders	Non-Executive Director	0.0
Daniele Arendt	Non-Executive Director	0.0
Gautier Laurent	Non-Executive Director	160.0
Séverine Michel	Non-Executive Director	0.0
Cédric Pedoni	Non-Executive Director	0.0
Gilles Willy Duroy	Non-Executive Director	0.0
Piotr Szybiak	Key Manager, MBM	2,314.1
Damian Zapłata	Key Manager, MBM	2,763.0
Marcin Łachajczyk	Key Manager, MBM	1,213.1
Wojciech Bogdan	Key Manager, MBM	1,796.5
Company's Performance		**Information Regarding the 2020**
GMV (mPLN)		35,110.9
EBITDA – Allegro segment (kPLN)		1,530,326.0
EBITDA – Ceneo segment (kPLN)		134,552.0
Revenue – Ceneo segment (kPLN)		280,528.0
Average annual remuneration of employees other than Directors and Key Managers		**Information Regarding the 2020 (in kPLN)**
Total Remuneration		124.5

4.6. Diversity and Inclusion

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

The main measures to ensure diversity are:

- The adoption of a policy to counteract discrimination and harassment,
- The adoption of a Stay Fair Code of Conduct,
- The adoption of a whistleblowing policy,
- The provision of training programs that promote diversity,
- Seeking to treat all of its employees equally, regardless of sex, gender identity, age, race, employment form, political views, sexual orientation, disability, health, nationality, ethnic origin, religion, denomination, non-denominational status, belief, union membership, family status or lifestyle, including when evaluating performance and making hiring and promotion decisions.
- Supporting women choosing careers in the technology industry,
- Supporting diversity when selecting members of the Board,
- Supporting diversity and integration initiatives,
- Increasing the possibility of changing positions within the company,
- Monitoring activities and reporting on their effects.

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

4.7. Application of the Remuneration Policy

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

The remuneration of Directors is:

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

5. Expectations For The Group in FY 2021 and the Medium Term

The Group provides the following update with regards to the targets and expectations discussed in the "Management's Discussion and Analysis of Financial Condition and Result of Operations" section of the Company's Prospectus dated 22 September 2020. This update takes account of potentially intensified competition in 2021. It doesn't include downside risks from proposed Polish digital advertising tax if voted into law.

			FY 2021		Medium Term	
	2019 Actual	2020 Actual	Prospectus	Update	Prospectus	Update
GMV	**25%**	**54%**	**High 20s% Low 30s%**	**Low–to–mid 30s%**	**Low–to–mid 20s%**	**Mid 20s%**
	YoY growth	YoY growth	2019-21 CAGR	2019-21 CAGR	YoY growth	YoY growth
				= High teens%		
				YoY growth		
Revenue	**31%**	**54%**	**Mid 30s%**	**High 30s%**	**Marginally > GMV Growth**	**Marginally > GMV Growth**
	YoY growth	YoY growth	2019-21 CAGR	2019-21 CAGR	YoY growth	YoY growth
				= High 20s%		
				YoY growth		

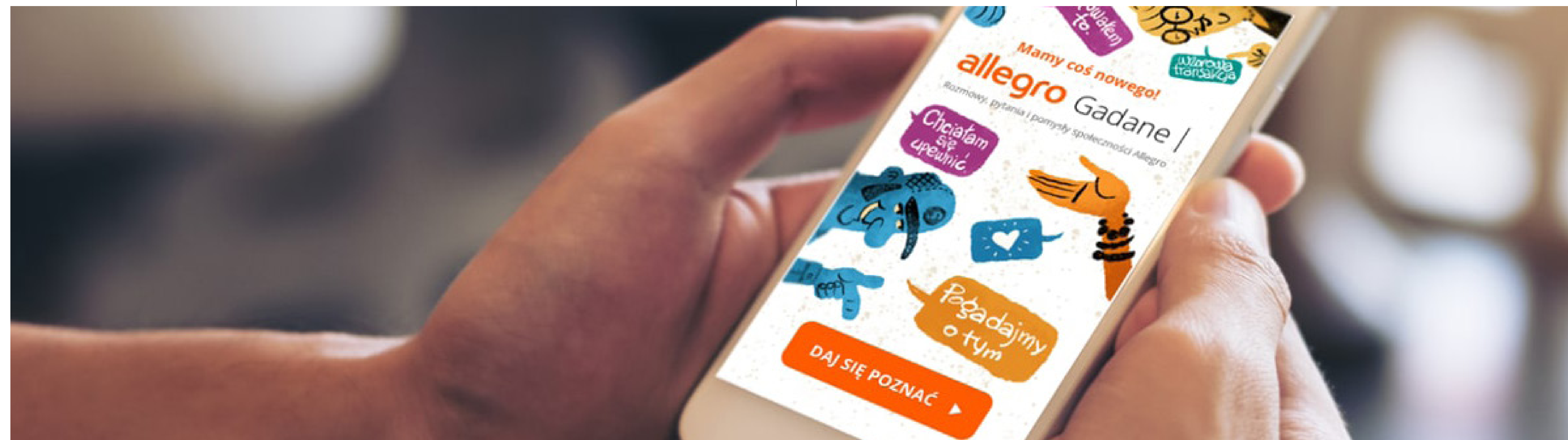
			FY 2021		Medium Term	
	2019 Actual	2020 Actual	Prospectus	Update	Prospectus	Update
Adjusted EBITDA [1]	**20%**	**31%**	**More in–line**	**Mid Teens%**	**Broadly = GMV Growth**	**Broadly = GMV Growth**
	YoY growth	YoY growth	With 2019 growth	YoY growth	YoY growth	YoY growth
Capex [2]	**5.5% of revenue**	**5.8% of revenue**	**PLN 425–475m**	**PLN 560–600m**	**PLN 550–650m (in 2022E); mid–term ~5% of revenue**	**PLN 700–950m in 2022–23E; then ~5–6% of revenue** [3]

1. Adjusted EBITDA defined as EBITDA pre transaction costs, management fees (monitoring fees), stock-based compensation, restructuring costs and other one-off items
2. Represents cash capex and does not include leased assets (which are presented in balance sheet)
3. After Delivery Experience roll-out

6. Recent Trading

During the two months ended 28 February 2021, GMV performance has been satisfactory to meet the expectations for 2021 set out by the Group in section 5 above. For these two months, absolute GMV is below the levels recorded in Q4 2020, reflecting normal seasonality, while year on year GMV growth continues at the unusually high levels experienced since the start of the COVID-19 pandemic in Poland in March 2020.

The Group accordingly expects to see lower year on year growth rates from March 2021 onwards as prior year GMV begins to reflect the impact of COVID-19.



allegro

III. Non-financial report

1. Business Model, Operations, and Corporate Governance

1.1. Business Model

Scope of business activity

Allegro is the go-to commerce platform for Polish consumers and has delivered strong revenue growth, profitability and cash flow at scale. The Group operates a leading online marketplace in Poland, Allegro.pl, and the price comparison platform in Poland, Ceneo.pl (Source: OC&C).

Allegro.pl is the most recognized e-commerce brand in Poland (Source: Gemius). As of 31 December 2020, the Group's e-commerce marketplace had approximately 13 million Active Buyers who connected with over 128,000 merchants. Allegro.pl attracts visits from an average of 21 million internet users per month, which is equivalent to 66% of Polish residents ages 16 and above, and 78% of all internet users in Poland. Allegro.pl is among the top 100 websites in the world by visits per month (Source: SimilarWeb). Merchants on the Group's e-commerce marketplace sell across a variety of categories including automotive, home and garden, books, media, collectibles and art, fashion and shoes, electronics, kids, health and beauty, sports and leisure, and supermarket. Merchants primarily sell new products to buyers on the Group's e-commerce marketplace in the business-to-consumer business model ("B2C"). Consumer-to-consumer trade ("C2C") represented less than 4% of the Group's net revenue for the twelve months ended 31 December 2020.

The Group's e-commerce marketplace generates revenue primarily through facilitating 3P transactions between buyers and merchants and charging merchants commissions and other related fees. The Group provides a range of supporting services to merchants to grow their sales using the platform, such as tools to monitor sales performance and manage offer competitiveness, integration with a range of payment providers, standardized delivery solutions and free-delivery programs, sales incentives for quality performance, marketing campaign support, and merchant finance solutions. In addition, the Group earns advertising revenue by providing various types of advertising opportunities to brands and merchants on the platform. The Group also has its own limited-scale, 1P retail operations that generate revenue by selling products directly to buyers on the e-commerce marketplace. The Group's 1P retail business is intended to be a supplement to the 3P business, representing 0.7% of the Group's gross merchandise value ("GMV") for the year ended 31 December 2020, used mainly to remedy uncompetitive price points and important missing selection among the offers available from the 3P business.

Ceneo.pl is the multi-category price comparison site in Poland. Ceneo.pl is an established brand that attracted an average of 26 million monthly users in 2020 (Source: Google Analytics). As of December 2020, 20,000 online retail stores were registered on Ceneo.pl and information on 24 million product offers was available to consumers using the price comparison service.

The Group also operates eBilet, which is the event ticket sales site in Poland, facilitating sales of a broad range of entertainment, cultural, family, and sports events, with approximately 2.3 million tickets sold in the year ended 31 December 2019. In 2020, eBilet's ticket sales business was severely disrupted by the shutdown of the live entertainment events industry in response to the COVID-19 pandemic.

The Group also generates revenue from data processing, hosting and related activities; other information technology and computer service activities; computer facilities management activities; software-related activities and computer consultancy activities.

Key features of the Group's business platform and growth strategy

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

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

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

On the supply side, the Group is a leading online gateway for merchants in Poland and a popular route for merchants to approximately 13 million Active Buyers (as of 31 December 2020). The Group serves a large proportion of the total merchant base in Poland thanks to its unique value proposition that includes: access to a large buyer base; the SMART! loyalty program; ease-of-use; compelling economics; a comprehensive range of merchant tools and value-added services (including marketing tools and support, free classroom and webinar trainings, courses through Allegro Academy (a digital entrepreneurship education program launched in 2020) and trade analytics tools to monitor sales performance and manage offer competitiveness); access to a range of payment providers; unique delivery solutions; incentives for quality performance; and merchant finance. The Group's merchant base ranges from large brands, such as P&G and Reckitt Benckiser, to retailers, such as MediaMarkt and Carrefour, to in particular Polish SMEs. The Group believes that this wide variety of merchants allows it to offer the broadest assortment of products at attractive prices, without dependence on any individual merchants. The Group has significantly professionalized its merchant approach over the past three years, developing a dedicated account management team of 50 product category specialists for the largest 3,000 merchants and focusing on the improvement and automation of key merchant processes.

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

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

The SMART! loyalty program launched in August 2018 aims to offer a great value for money proposition. It is a PLN 49 per year (or PLN 8.99 per month in 2020, rising to PLN 10.99 in January 2021) subscription program that includes free delivery and free returns as the program foundation, and is enhanced with commercial add-ons like daily SMART! deals, dedicated SMART! Week shopping events, exclusive pre-sales of top entertainment events, access to exclusive product premiers, and other benefits. SMART! has proven successful at addressing a crucial historic impediment for e-commerce growth, namely the impact of the cost of delivery on the price competitiveness of goods purchased online as compared to products purchased offline. In addition, because SMART! is a subscription program, it naturally addresses the more highly engaged proportion of the Group's buyer base, impacting further the way they choose to engage in online shopping and solidifying the Group's position as the place where these buyers start their shopping journey.

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

The Group's delivery experience is differentiated from other Polish offerings for both buyers and merchants. To manage the 3P fulfillment and delivery network, the Group has developed "HUB," which is a unique, machine-learning powered, proprietary software platform that integrates the Allegro platform, a range of logistics providers and over 128,000 merchants on the Group's e-commerce marketplace as of 31 December 2020. "HUB" allows a simple and intuitive delivery promise and full package tracking to be provided to buyers, while for the Group, its merchants and carriers, "HUB" provides a tool to manage end-to-end delivery performance, status communication and settlements. Merchants are able to take advantage of the smart logistic network that is simple to use and provides a range of delivery options, while benefiting from more competitive delivery costs through the Group's framework agreements with key logistics players, including, among others, InPost, DPD, UPS, and the Polish state postal service (Poczta Polska). As of 31 December 2020, a significant majority of delivery volumes were processed through the Group's contracts and tools.

The Group's 3P delivery network proved resilient to the distortions in the e-commerce value chain that resulted from the COVID-19 pandemic lockdowns, which produced significant peaks in growth of transactions in the second quarter, when all non-essential offline retail was closed for a two month period, and again in Q4 when covered shopping centers were closed for most of November. During these periods, and also during the traditional December pre-Christmas peak in demand, the distribution network worked with only minor delivery time extensions in select categories.

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

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

The Group's management team has built a creative workplace for its employees, fostering a diverse, collegial, and entrepreneurial culture underpinned by teamwork, commitment, continuous professional development, and the maximization of value for all stakeholders. As a result of the continuous innovation, testing, checking, improving, and raising the bar in recruiting, Allegro is a demanding organization with a high level of caring, and the Group believes that this results in high employee engagement and top talent acquisition. In a survey conducted in April 2020, approximately 93% of the Group's employees said they would recommend Allegro as a great place to work, approximately 91% said they consider it an inclusive workplace and approximately 90% said they believe it has open communications. Most importantly, the Group has achieved a 78% engagement index in 2020, which is higher than the 73% average in the new technology industry for companies with over 1,000 employees globally (Source: CAMP). The Group has access to a rich market for technology talent in Poland and it has assembled the largest tech development team in Poland, with more than 3,150 staff working from five tech hubs across the country, of which more than 1000 are engineers .

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

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

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

- further automating and optimizing key merchant processes, as well as developing and enhancing merchant tools and value-added services;
- advancing the Group's search, discovery and sales conversion;
- improving engagement with the Group's mobile web and app users;
- expanding product assortment breadth with a focus on bringing more Polish and international merchants onto the platform;
- improving price competitiveness by reducing the number of products where the Allegro platform does not offer the lowest price either offline or online; and
- enhancing SMART! and improving delivery experience for buyers.

FURTHER EXPANSION OF SMART! AND DELIVERY SERVICES

The SMART! loyalty program has achieved significant success with 2.1 million active paying subscribers as of 30 June 2020, a number which has continued to grow very strongly during the second half of 2020. However, Management believes that there is significant room for further growth in the number of SMART! subscribers and in the share of GMV covered by SMART! benefits such as free delivery.

The Group intends to continue to develop and enhance the SMART! offering by further improving delivery speed and experience parameters, supplementing SMART! with a consumer finance FinTech offering and adding off-platform services to increase SMART! user engagement.

The Group aims to continue to build on its successes in delivery experience, by increasing the proportion of one/two-day delivery share with a particular focus on next day delivery, further growing the network of out-of-home lockers and pick-up/drop-off points, expanding into innovative delivery services including scaling up of same day deliveries and the introduction of "ultra-fast" or "instant" deliveries. These initiatives are being undertaken with the Group's continued focus on its 3P merchant-fulfilled model that has proven to be an effective, asset-light approach. However, where software and integration driven 3P solutions will not deliver sufficient progress in the delivery experience of the buyers, the Group will also make capital investments to improve its capabilities. Two main capital investment initiatives to support delivery experience have been identified to be scaled up in 2021:

- The commercial launch of Allegro Fulfillment services. Allegro Fulfillment will be used as a supplementary tool in select cases, such as for international sellers and other select merchants, in an effort to improve delivery time and ensure delivery promise accuracy. Dedicated logistics locations known as Fulfilment Centers will be established to hold Merchants' inventory on a 3P basis and Allegro Fulfillment staff will receive, store, pick, and ship that inventory on behalf of the Merchants in exchange for processing fees. By running fulfillment centers at scale and with late cutoff times, Allegro Fulfillment aims to drive a significant increase in GMV with more next day delivery options, more domestic sellers included and faster deliveries, and to grow net revenue as a result of revenue generated from fees charged to merchants for fulfillment services as well as delivery cost savings due to transport optimization and increased package consolidation. The Group expects that Allegro Fulfillment will lead to a significantly increased direct contribution to net revenue by the fifth year after its launch with capital investment peaking in 2022 and 2023. A dedicated logistics center for Fulfillment services is planned to open in 2021.
- Investing in the roll-out of a proprietary parcel locker network. In order to provide the Group with a capability to deliver to popular locker last mile solutions that are fully integrated end-to-end with the Group's marketplace platform and App, the Group intends to begin rolling out its own proprietary locker network in 2021. This investment will initially enable the Group to develop the full scope of competencies necessary to build, manage, and integrate such a network. The final scale of the investment and number of lockers to be built is yet to be determined and will depend on the delivery experience improvements and returns on investment delivered by the initial pilot phase roll-out. The Group is in final negotiations to purchase 3,000 locker machines from an established manufacturer and plans to install up to 1,500 units in 2021 and the balance in 2022.

FURTHER EXPANSION OF ADVERTISING AND PRICE COMPARISON

Advertising and price comparison are highly profitable, complementary, and fast-growing parts of the Group's business. The Group has significant reach due to the high level of user engagement with, and visits to, the marketplace platform and this has underpinned strong growth in the Group's advertising revenue. The Group believes that there is significant potential to increase advertising revenue through further monetization of that broad reach, improvements in ad technology and favorable online advertising market trends. Unlike traditional display advertisers, the Group believes that it is well positioned to capture a large share in digital advertising via scalable, automated and AI-driven advertising solutions leveraging the Group's traffic and data. Some of the Group's key Allegro Ads initiatives include sponsored offers (to increase penetration of the service among merchants on the Group's e-commerce marketplace); internal digital display (to drive GMV on the platform); data-driven campaigns or "DMP" (development of data-driven tool enabling highly targeted CPM campaigns); external network ads (further scalability of the Group's integration with Google and Facebook Ads to drive traffic to the Group's e-commerce marketplace) and other content-based solutions (to create branded content as a self-service).

Ceneo is a leading price comparison platform in Poland and among the most successful comparison sites in Europe in terms of site visits, with 30.0% revenue growth in 2020 versus 2019. The Group benefits from Ceneo as a result not only of the increased traffic that is directed to the Group's e-commerce marketplace, but also from insights that can be used to improve retail basics and an expanded advertising reach.

RAISING AMBITION IN FINTECH

Over the years, the Group has built a successful financial services business using a third-party model offering a range of buyer and merchant products through partnerships and other forms of collaboration with leading financial players, including BNP Paribas, mBank, PayPo, PayU, Przelewy24, and PZU. The Group has achieved moderate penetration with minimal investment to date. The Group believes that there is significant upside potential in integrating the Group's financial services with its e-commerce marketplace, which is expected to drive both buyer and merchant engagement, improve conversion rates and further accelerate the flywheel. The Group believes there is significant potential in integrating its financial services with its core platform to better address the market opportunity in Poland, which is estimated to be approximately PLN 300 billion of advances across consumer credit and corporate operating credit (Source: OC&C).

Based on its analysis of the market opportunity, the Group acquired the FinTech company FinAi in January 2020, which brought a team of experts with core FinTech capabilities, including market, machine-learning, artificial intelligence, and credit scoring expertise, as well as risk management, regulatory and legal knowledge. The Group expects such competencies and capabilities to be important enablers for further growth of its financial services offering.

In August 2020, the Group launched Allegro Pay, Allegro's own FinTech offering, with beta-testing of a pilot launch offer concluded at the end of 2020. Allegro Pay provides a simple user experience for buyers (less than one minute to sign-up, one click to pay and less than 15 seconds to buy) driving conversion, data-driven credit decisions, and has been built on top of the existing Allegro platform. Buyer reaction to Allegro Pay has been very positive with NPS scores of 85 being recorded, while cost of risk on the subset of buyers targeted for the beta testing was at a comparatively low level of 2.1%. Allegro Pay will be scaled up and further improved in 2021 and is expected to become the leading financial services product, in terms of the value of loans written, during the course of the next year. The Group expects loans provided by Allegro Pay to reach at least PLN 1 billion, and for the loan book to reach at least PLN 500 million, by the end of 2021. In addition to Allegro Pay, the Group has a clear product roadmap ahead with a focus on consumer products in the near term with the potential for the offering to be expanded to include merchant financing, B2B payments and financing, and insurance offerings over time.

BROADENING PLATFORM AND GEOGRAPHIC EXPANSION

The Group believes that there are various opportunities to strengthen its current business footprint into certain related opportunities which include B2B as well as adjacent verticals in which Allegro is not currently active or runs subscale operations, or through expanding value chain solutions such as logistics or financial services supporting buyers and merchants. The Group will also continue to consider, and may complement its organic initiatives with, opportunistic acquisitions. The Group has an execution track record in bolt-on M&A, including recent acquisitions of eBilet, FinAi, and OpenNet.

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

Technology Platform

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

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

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

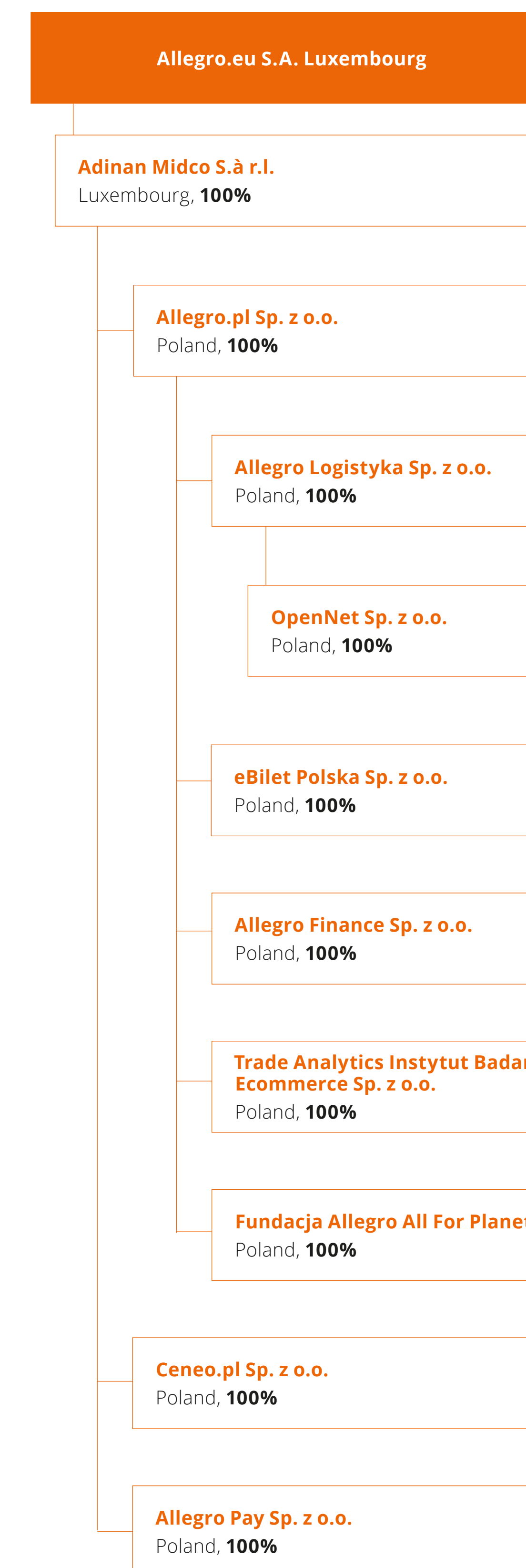
Sales and Marketing

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

1.2. Group Structure

As of 31 December 2020, the Group comprised of Allegro.eu, previously Adinan Super Topco (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, AllegroPay, 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. In addition, Allegro.pl owns the Allegro All For Planet Foundation, which is not consolidated due to its immateriality.

The chart below presents the structure of the Group as of 31 December 2020.



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

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

1.3. Management

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

Name	Age	Year appointed for the current term to the Board of Directors	Year term expires	Resigned on	Representing
Darren Huston	55	2020	2026	—	Non—Executive Chairman
François Nuyts	48	2020	2026	—	Executive Director
Jonathan Eastick	54	2020	2026	—	Executive Director
David Barker	53	2020	2026	—	Cinven
Richard Sanders	49	2020	2026	—	Permira
Paweł Padusiński	43	2020	2026	—	Mid Europa Partners
Nancy Cruickshank	50	2020	2026	—	Independent Non—Executive Director
Carla Smits-Nusteling	54	2020	2026	—	Independent Non—Executive Director
Danielle Arendt-Michels	60	2020	—	12 October 2020	Cinven
Gautier Laurent	37	2020	—	12 October 2020	Cinven
Séverine Michel	43	2020	—	12 October 2020	Permira
Cédric Pedoni	45	2020	—	12 October 2020	Permira
Gilles Willy Duroy	37	2020	—	12 October 2020	Mid Europa Partners

Darren Huston

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

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

Jonathan Eastick

Jon Eastick is the CFO of the Group. Mr. Eastick joined the Group as CFO in February 2018 and was appointed as a member of the Board of Directors on 1 September 2020. Mr. Eastick is also a member of the management board of Allegro.pl and a member of the management board of Ceneo.pl. Previously, he was a director at Ernst & Young. Mr. Eastick has over 25 years of experience in finance and management, including over 16 years of experience in CFO roles at Netia, Polska Telefonia Cyfrowa, and Lucent Technologies Poland.

Mr. Eastick holds a Bachelor of Science in International Trade and Development Economics from London School of Economics and Political Science and is a British Chartered Accountant.

François Nuyts

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

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

David Barker

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

Mr. Barker holds a BA degree from Cambridge University.

Richard Sanders

Richard Sanders led Permira's investment in Allegro and has been a member of the supervisory boards of the Allegro.pl and Ceneo.pl operating companies since 2017. He was appointed a member of the Board of Directors on 1 September 2020. Mr. Sanders joined Permira in 1999 and is a partner and a member of the Investment Committee. At Permira, Mr. Sanders is the Co-Head of Technology and has extensive experience in the sector.

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

Nancy Cruickshank

Nancy Cruickshank was appointed a member of the Board of Directors on 1 September 2020. Ms. Cruickshank is currently SVP Chief Digital Officer at Carlsberg, having held a NED position with the company for 18 months prior to joining the executive team. Ms. Cruickshank is also on the board of Bango Plc and Flutter Entertainment Plc. Previously, she was CEO and Founder of MyShowcase, a fresh and contemporary beauty retailer enabled by smart technology. Ms. Cruickshank has worked in the digital industry for almost 20 years, including launching Conde Nast online in 1996, overseeing Telegraph Media Group's digital business and developing the fashion and beauty market leader, Handbag.com between 2001 and 2006, leading to a successful sale to Hearst Corporation in 2006.

Ms. Cruickshank holds a Bachelor of History from the University of Leeds.

Paweł Padusiński

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

Mr. Padusiński holds an M.Sc. in Finance & Banking and Strategic Management from the Warsaw School of Economics.

Carla Smits-Nusteling

Carla Smits-Nusteling was appointed a member of the Board of Directors on 1 September 2020. Ms. Smits-Nusteling is currently Chairwoman of the Board of Tele2 AB, Non-Executive Director and Audit Chair of Nokia Corporation, Non-Executive Director and Audit Chair of ASML, lay judge of the Enterprise Court of the Amsterdam Court of Appeal, and a Board Member of Stichting Continuiteit Ahold Delhaize, a foundation organized under the laws of the Netherlands to safeguard the interests of Koninklijke Ahold Delhaize N.V. Ms. Smits-Nusteling will step down from the ASML board on 29 April 2021 when her second term expires. Previously, Ms. Smits-Nusteling was CFO and member of the Board of Management of Royal KPN N.V. and she held several finance and business related positions at Royal KPN N.V. and PostNL.

Ms. Smits-Nusteling holds a Master's degree in Business Economics from the Erasmus University of Rotterdam and an Executive Master of Finance and Control degree from the VU University of Amsterdam.

Danielle Arendt-Michels

Danielle Arendt-Michels was appointed a member of the board of managers of the Company on 5 May 2017 as a class A manager and her mandate was converted into a class A directorship mandate on 27 August 2020 following the conversion of Allegro.eu into a public limited liability company (société anonyme). Ms. Arendt-Michels resigned as a Director on 12 October 2020.

Cédric Pedoni

Cédric Pedoni was appointed a member of the board of managers of the Company on 5 May 2017 as a class B manager and his mandate was converted into a class B directorship mandate on 27 August 2020 following the conversion of Allegro.eu into a public limited liability company (société anonyme). Mr. Pedoni resigned as a Director on 12 October 2020.

Gautier Laurent

Gautier Laurent was appointed a member of the board of managers of the Company on 5 May 2017 as a class A manager and his mandate was converted into a class A directorship mandate on 27 August 2020 following the conversion of Allegro.eu into a public limited liability company (société anonyme). Mr. Laurent resigned as a Director on 12 October 2020.

Gilles Willy Duroy

Gilles Willy Duroy was appointed a member of the board of managers of the Company on 17 October 2019 as a class B manager and his mandate was converted into a class B directorship mandate on 27 August 2020 following the conversion of Allegro.eu into a public limited liability company (société anonyme). Mr. Duroy resigned as a Director on 12 October 2020.

Séverine Michel

Séverine Michel was appointed a member of the board of managers of the Company on 5 May 2017 as a class B manager and her mandate was converted into a class B directorship mandate on 27 August 2020 following the conversion of Allegro.eu into a public limited liability company (société anonyme). Ms. Michel resigned as a Director on 12 October 2020.

Key Managers

In addition to the executive management on the Board of Directors of Allegro.eu, the following Key Managers are considered relevant to establishing that the Group has the appropriate expertise for the management of the business.

Marcin Łachajczyk

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

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

Piotr Szybiak

Piotr Szybiak is the Chief Technology Officer of Allegro. Mr. Szybiak joined Allegro in 2001 and was appointed as Chief Technology Officer in 2015. Mr. Szybiak is also a member of the management board of Allegro.pl operating company. Mr. Szybiak has over 20 years of experience in IT management and software development.

Mr. Szybiak holds a Master's degree in Computer Science from Poznan University of Technology and an MBA from Poznań University of Economics and Business.

Damian Zapłata

Damian Zapłata is the Chief Commercial Officer of Allegro. Mr. Zapłata joined Allegro as Chief Commercial Officer in December 2017 and is also a member of the management board of Allegro.pl operating company. Previously, Mr. Zapłata has been a Partner at McKinsey & Company, a Managing Director in Loyalty Partners Polska (part of American Express Inc.) and General Manager and President of the Board of First Data Poland S.A.

Mr. Zapłata holds a Master's degree in Economics from European University Viadrina and an MBA from INSEAD.

Wojciech Bogdan

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

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

1.4. Board Committees

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

Audit Committee

The tasks of the Audit Committee include financial controls (supervision of internal and external auditing, monitoring of financial reporting) as well as supervision of persons entrusted with the management of the Group (internal control system). In particular, its duties and responsibilities include: (i) the determination of the audit plan for a period of several years as well as the scope of the internal and external audits, (ii) discussion of the audit reports with the internal and external auditors as well as with the management, and the monitoring of their implementation, (iii) the assessment of the performance of the internal and external auditors as well as their cooperation with one another and support of the Company's Board in the nomination of the external auditors to be proposed to the shareholders' meeting for election, (iv) checking the independence of the internal audit department from the Group and the units to be audited as well as the approval of the guidelines for the work of the internal audit department, (v) the assessment of the consolidated financial statements, the statutory financial statements and the management report of the Company as well as the decision whether they can be recommended to the Company's Board for submission to the shareholders' meeting and (vi) the assessment and further development of the internal control system.

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

Remuneration and Nomination Committee

The tasks of the Remuneration and Nomination Committee consist of (i) the preparation and periodical review of the Group's compensation policy and principles and the performance criteria related to compensation and the periodical review of their implementation as well as the submission of proposals and recommendations to the Company's Board and (ii) the preparation of all relevant decisions of the Company's Board in relation to the nomination of the members of the Company's Board as well as submission of proposals and recommendations to the Company's Board. The Company's Board may delegate further powers and duties to the Remuneration and Nomination Committee. The chief executive officer and/or the chief financial officer of the Company or any member of the Company's Board may be invited as an observer from time to time to meetings of the Remuneration and Nomination Committee.

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

1.5. Shareholders of the Company

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

Name	Number of shares	% of shares in the share capital	Number of votes at the General Meeting	% of votes at the General Meeting
Cidinan S.à r.l.	321,246,322	31.39%	321,246,322	31.39%
Permira VI Investment Platform Limited	321 246 322	31.39%	321 246 322	31.39%
Mepinan S.à r.l.	71 388 074	6.98%	71 388 074	6.98%
Free Float	309 375 096	30.24%	309 375 096	30.24%
Total	**1 023 255 814**	**100.00%**	**1 023 255 814**	**100.00%**

Under the terms of their underwriting agreement, Cidinan S.à r.l., Permira VI Investment Platform Limited, and Mepinan S.à r.l. are subject to a 180 day lock-up period expiring on 11 April 2021 and 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.

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

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

In accordance with the WSE Rules, the Company as a public entity listed on the Warsaw Stock Exchange should observe the principles of corporate governance set out in the WSE Best Practices. The WSE Best Practices is a set of recommendations and rules of procedure for governing bodies of publicly listed companies and their shareholders. The WSE Rules and resolutions of the WSE management board and its council set forth the manner in which publicly listed companies disclose information on their compliance with corporate governance rules and the scope of information to be provided. If a certain rule is not complied with by a publicly listed company on a permanent basis or has been breached incidentally, such publicly listed company is required to disclose this fact in the form of a current report.

The practices where the Group is not in compliance with the WSE Best Practices are discussed below.

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

The principle is not applied.

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

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

The principle is not applied.

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

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

The principle is not applicable.

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

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

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

The principle is applied.

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

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

The principle is not applicable.

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

1.7. Certain relationships and related party transactions

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

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

Material transactions and legal relationships which existed between the Group and the above-mentioned related persons and entities in the financial years 2017 to 2019, as well as in the current financial year 2020, that are required to be reported in connection with IAS 24 "Related Party Disclosures" are set forth in Note 35 (Related Party Transactions) to the Annual Financial Statements.

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

Fees for Advisory Services Provided by Shareholders and Other Fees

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

Alter Domus Master Services Agreements

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

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

RTB House Cooperation Agreements

Allegro.pl sources retargeting services from RTB House S.A., a Cinven funds portfolio company (since January 2019), under the Framework Cooperation Agreement dated 31 October 2017, as amended.

Genesys Software Licenses

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

Other Arrangements with Related Parties

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

Distributions to Shareholders

Following a refinancing transaction in May 2019, the Group distributed available share premium in an amount of PLN 2.7 billion to its shareholders. The outflow from the decrease in capital was funded by the net proceeds from the Existing Senior Term Facilities and by available cash balances held by the Group.

Investment Opportunities

The Group has historically operated certain investment opportunities for the Company's Board and key employees of the Group.

1.8. Legal proceedings

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

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

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

Proceedings Before the UOKiK President

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

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

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

On 31 January 2020, in response to the initiation of the antitrust proceedings, Allegro.pl provided the UOKiK President with evidence and arguments indicating that it does not hold a dominant position and that it did not favor 1P retail sales for a number of reasons, in particular: (i) it did not favor OSA in search results; (ii) new functionalities on the platform (which were sometimes only available to OSA) were tested by OSA before either being made available to others (if the test results were positive) or being abandoned (if the results were not positive); and (iii) Allegro.pl promoted OSA to a limited extent, necessary to generate interest among buyers and/or to fill in the gaps on the platform.

On 16 April 2020, Allegro.pl submitted additional economic analyses to the UOKiK President, including an economic report prepared by external antitrust economists that supports the above arguments. The economic report also points out that OSA has brought benefits for 3P Sellers and improved the platform's attractiveness and as a result has pro-competitive effects. The Group believes that Allegro.pl had ceased most of the actions criticized by the UOKiK President by the end of 2017, and all such actions had ceased by the end of 2019.

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

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

In precedent cases establishing new theories of harm (into which Allegro.pl believes the "self-preferencing" alleged in these antitrust proceedings would fall), it is generally expected that the antitrust authority will not impose fines. If a fine is to be imposed, then in accordance with the Competition Act, it could be as high as 10% of the turnover of Allegro.pl in the financial year preceding the decision.

Fines in the past cases involving abuse of a dominant position by major Polish companies with the highest turnover levels have generally ranged from 0.01% to 1.1% of the annual turnover of the company concerned.

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

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

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

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

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

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

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

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

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

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

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

INFORMAL INFORMATION REQUESTS FROM THE UOKIK PRESIDENT

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

Recent UOKiK President's requests to Allegro.pl related to (i) the reasons for changes in Allegro.pl's terms and conditions, as well as the provision of information to customers about, and the automatic acceptance of, such changes; (ii) Allegro.pl's commission refund policy; and (iii) automatic renewals of featured offers in search results.

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

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

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

Allegro.pl appealed against the decision of the UOKiK President to the Competition Court and subsequently to the Court of Appeal. The appeal is pending. Allegro.pl no longer blocks a buyer's account(s) when the seller applies for the return of the commission due to the buyer's fault.

2.

Risk Management System, Risk Factors, and Regulatory Matters

2.1. Risk Management System

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

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

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

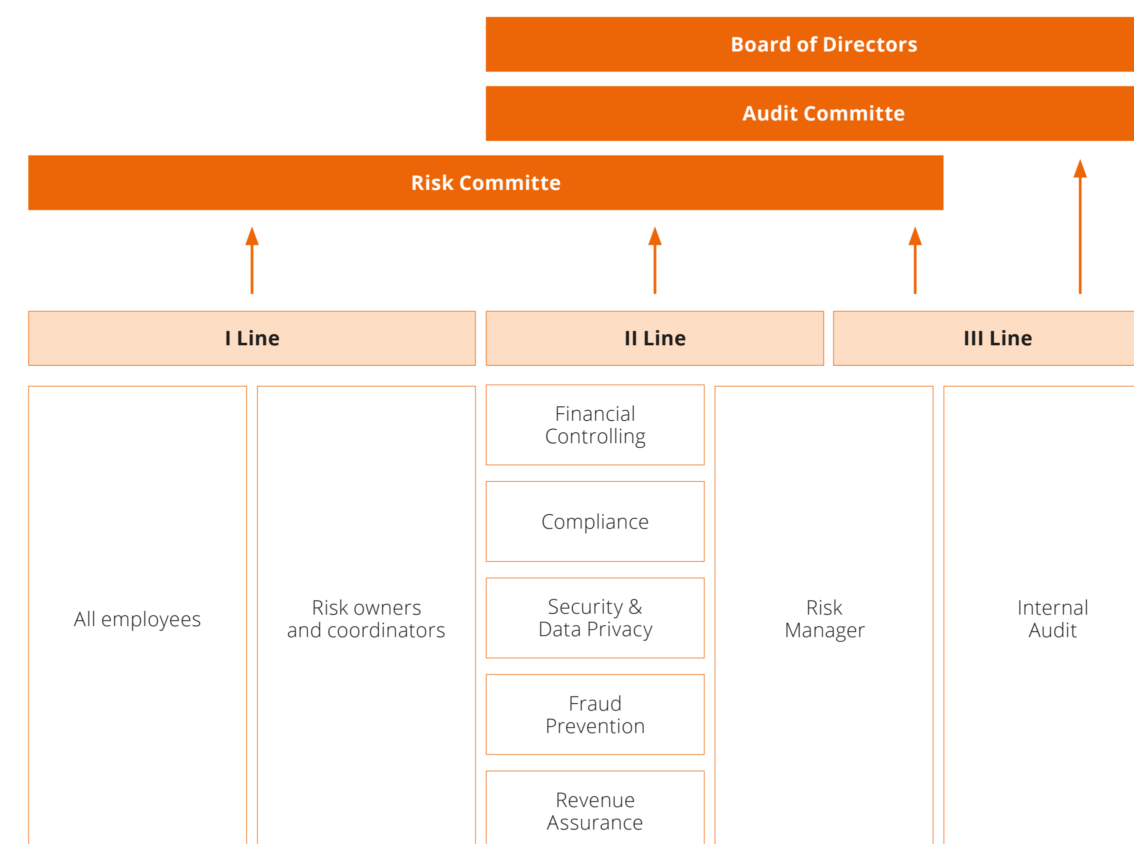
- minimising the risks affecting the achievement of goals and implementation of tasks;
- taking full advantage of the business opportunities and mitigating the risk of lost opportunities;
- improving the effectiveness of internal processes by relying on and constantly improving the existing corporate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

Risk management policy

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

Roles and responsibilities

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



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

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

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

Risk management process

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

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

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

Risk assessment approach

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

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

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

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

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

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

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

2.2. Risk Factors

Risks Related to the Group's Business and Industry

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

The Polish retail industry, including the e-commerce segment, is fragmented and characterized by intense competition. The Group competes with a diverse group of offline and multichannel retail companies such as RTV Euro AGD, Biedronka, Empik, SMYK, and LPP, e-commerce companies such as Alibaba, Amazon, and eBay that sell products from a large number of categories, and specialist e-commerce companies such as Zalando, eobuwie.pl and Oponeo. Competition continues to intensify, including the development of new business models and the entry of new and well-funded competitors. The Group's competitors may enter into business combinations or alliances and large and well-established companies in other geographies or market segments may seek to expand their presence and investment in Poland. Some of the Group's current and potential competitors have greater resources, global presences, longer histories, more users, and/or greater brand recognition than the Group, and they may secure better terms from vendors, adopt more aggressive pricing, and devote more resources to technology, infrastructure, fulfillment, and marketing than the Group. Multinational e-commerce competitors that so far have not deployed the asset heavy business models in Poland that they feature in other countries may choose to do so in the future, utilizing their delivery and logistics infrastructure that already exists in Poland or elsewhere in Europe to shorten delivery times. These multinational competitors may also decide to deploy loyalty and free shipping programs similar to those currently offered by the Group and may step up efforts to attract the Group's merchant base to list products on their platforms. The Group's reputation, its brand and its business may be adversely affected by aggressive marketing and the communications strategies of its competitors. New market entrants may appear and some of the Group's current smaller competitors may be acquired by, receive investment from, or enter into strategic relationships with well-established and well-financed companies or investors who would enhance their competitive positions.

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

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

- the Group's reputation and brand and its local scale, relative to those of the Group's competitors;
- the size and composition of the Group's buyer base and whether the Group is able to increase repeat purchases from buyers;
- the composition of the Group's merchant base, and the merchant base's subsequent impact on the selection and price of products the Group features on its sites;
- whether the Group is able to offer a convenient, efficient, and reliable e-commerce experience for the Group's buyers and merchants, and to adapt to evolving consumer preferences;
- whether the Group's platform is perceived as an attractive distribution channel for the Group's merchants, including the perceived competitiveness by merchants of the Group's current or future commission rates;
- whether the Group has efficient and cost-effective advertising and marketing efforts to acquire new buyers and merchants;
- the development and management of new and existing technologies in a timely manner;
- whether the Group's fulfillment operations, including distribution, payment, and customer service are efficient, reliable, and offer a satisfying service quality;
- the legal framework on e-commerce and related legislation governing liability, obligations, and supervisory oversight of the Group; and
- whether the Group is able to offer convenient payment methods for every buyer and merchant.

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

AMAZON INC. HAS RECENTLY ANNOUNCED ITS INTENTION TO INTENSIFY 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 26 January 2021, Amazon Inc. (“Amazon”) announced that it is to launch an Amazon.pl website and invited merchants to register on its dedicated seller central platform. Also during January 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 this Report was finalised, Amazon Inc. launched its Amazon.pl website on the evening of 1 March 2021.

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 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 announcements 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.

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

The Group believes that the Allegro brand under which it operates has significantly contributed to the growth of its business. The Group believes that the strong awareness of the Allegro brand in Poland contributes to higher unpaid traffic on its websites and lower marketing costs as approximately 72% of the traffic on its websites during the first six months of 2020 was generated by consumers directly typing in Allegro websites or was related to customer relationship management, social media, or search engine optimization channels. Therefore, the Group believes that maintaining and enhancing the Allegro brand is critical to the Group's ability to expand and retain its base of buyers, merchants, and brands.

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

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

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

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

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

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

The Group depends on the continued development and growth of the Polish retail market, including online retail and the e-commerce segment in which it currently operates as well as corresponding markets and segments in other geographies it may seek to enter in the future. Based on projections from OC&C made during the second quarter of 2020, the Polish retail market is projected to grow at a CAGR of 3% from an estimated PLN 621 billion in 2019 to PLN 724 billion in 2024 and online retail in Poland, which remains underpenetrated relative to other countries, is projected to grow at a CAGR of 18% from PLN 52 billion in 2019 to PLN 118 billion in 2024. The Group's short – and medium-term outlook is based on its belief that it can facilitate actual growth that exceeds these projections. There is no guarantee, however, that the Polish retail market and online retail in Poland will grow at rates projected by OC&C, the growth rates that the Group believes may occur, or at all. Slowing growth, stagnation, or contraction in the market and segment in which the Group operates in Poland, or in geographies where it may operate in the future, could have a material adverse effect on its business, financial condition, and results of operations.

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

The Group conducts its operations in Poland and therefore the macroeconomic situation in Poland has a material impact on the business, financial condition and results of operations of the Group. The economic situation in Poland depends on a number of factors, including Polish government attempts to influence the economy, such as setting levels of taxation, formulating government budgets and regulating the currency supply, interest rates and the labor market.

The Polish demographic situation, macroeconomic conditions in Europe and globally and inflow of funds from the European Union also affect the economic situation in Poland.

Whilst the lockdown measures that have been introduced by the Polish Government in response to the COVID-19 pandemic have created a tailwind of demand for the e-commerce segment, a prolonged economic slowdown in Poland resulting from the ongoing COVID-19 pandemic or other causes would damage the Group's operations. Due to uncertainties as to the speed of the vaccine roll-out across the EU and in Poland and to certain doubts as to whether vaccines will be effective against all the emerging variants of the virus, it is not possible either to predict when lock-downs affecting the retail sector will finally cease or to estimate how deep the cumulative economic damage to the economy will be before the recovery begins.

The degree and the pace of economic recovery following the COVID-19 pandemic are not fully known. Higher unemployment, reduced disposable income and lower consumption, as well as fluctuations in the financial markets (including the currency market), should these occur, may significantly adversely affect the financial conditions of the Group's merchants and buyers. Negative economic developments may have an adverse impact on consumer confidence and discretionary consumer spending, including on sales on the Group's e-commerce marketplace, from which the Group generates the majority of its revenue. There is also a risk of tax or social security payment increases or new para-taxes (tax like instruments) being imposed in order to address public debt levels that have recently increased significantly as a result of the COVID-19 pandemic. Tax or social security increases or the introduction or new para-taxes may lead to increases in the prices of products sold on the Group's e-commerce marketplace or the prices of services the Group purchases or may reduce buyers' income available for discretionary spending, which could also weaken demand for the products offered on the Group's platform.

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

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

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

The Group believes that its success as a company active in the retail market depends upon providing consumers with a wide selection of products from a variety of merchants at competitive prices. If the Group does not attract merchants to offer the products and brands in demand by the Group's buyers, if the Group is unable to present such products on its website in an effective way and at competitive prices or if buyers and merchants regard the Group's delivery, returns and/or payment processes as inconvenient, the Group may be unable to attract new buyers and merchants, may lose existing buyers and merchants or may be faced with reduced volumes of purchases on its websites. If the Group or any third-party users fail to provide accurate information on its platforms, such as, product information on the Group's e-commerce marketplace or price comparison information on Ceneo.pl, it may lose consumer confidence and may receive a higher number of complaints and its business and operations may be materially adversely affected. Any of the foregoing would have a material adverse effect on the Group's business, financial condition and results of operations.

SYSTEM INTERRUPTIONS THAT MAKE THE GROUP'S PLATFORM UNAVAILABLE, WHETHER CAUSED BY TECHNOLOGY FAILURES, THIRD-PARTY PROVIDER FAILURES, DELIBERATE ATTACKS OR UNINTENTIONAL EVENTS MAY CAUSE A DECREASE IN TRANSACTION VOLUMES, RESULT IN THE LOSS OF PERSONAL INFORMATION OR OTHERWISE HARM THE GROUP'S REPUTATION.

The Group has made and expects to continue to make substantial investments in data centers and equipment and related network infrastructure to handle the traffic on the Group's websites and implemented systems, in order to assure the quality and availability of all IT-supported processes. Additionally, the Group invests, and expects to continue to invest, in its platform and back-office security. However, the ability of the Group's IT systems to handle the demand of an unexpected spike in traffic to the Group's websites cannot be assured. In addition, the operation of these systems is both expensive and complex, and any interruptions of such systems could result in operational failures. If the Group's user base or the amount of traffic on the Group's websites grows more quickly than anticipated, the Group may be required to incur material additional costs to enhance the underlying network infrastructure to avoid operational failures. Inadequate performance of the Group's IT systems, whether due to system failures, unavailability of data centers, distributed denial-of-service attacks, computer viruses, physical or electronic break-ins, undetected errors, design faults, sabotage, human error or other unexpected events or causes, could affect the security or availability of the Group's websites, prevent users from accessing the Group's websites and result in limited capacity, reduced demand, processing delays and loss of revenue from transactions.

The Group operates websites, networks and other data systems through which it collects, maintains, transmits and stores information about its buyers, merchants and others, including credit card information and personal information, as well as other confidential and proprietary information.

The Group also employs third-party service providers that store, process and transmit proprietary, personal and confidential information on its behalf. Furthermore, the Group relies on encryption and authentication technology licensed from third parties in order to securely transmit confidential and sensitive information, including credit card details and personal data. Although the Group takes steps to protect the security, integrity and confidentiality of the information it collects, stores or transmits, it regularly records attempts to break into its systems and the Group and its service providers might not have the resources or technical sophistication to anticipate or continue to prevent all types of attacks and techniques used to obtain unauthorized access to its systems. Therefore, the Group cannot guarantee that inadvertent or unauthorized use or disclosure will not occur, or that third parties will not gain unauthorized access to this information despite the Group's efforts. Advances in computer capabilities, new technological discoveries or other developments could increase the frequency or likelihood of security breaches. In addition, security breaches can also occur as a result of non-technical issues, including intentional or inadvertent breaches by employees or by persons with whom the Group has commercial relationships. Any compromise or breach of the Group's security measures, or those of the Group's third-party service providers, could violate applicable privacy, data security and other laws, and cause significant legal and financial risks, adverse publicity and a loss of confidence in the Group's security measures. Although the Group maintains a certain level of privacy, data breach and network security liability insurance, the Group cannot be certain that its coverage will be adequate for liabilities that actually might incur or that insurance will continue to be available to the Group on economically reasonable terms, or at all. The Group also may need to devote significant resources to protect against security breaches or to address problems caused by breaches, diverting resources from the growth and expansion of its business.

The occurrence of any of the foregoing risks could have a material adverse effect on the Group's business, financial condition, and results of operations.

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

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

SMART!

Following its launch in 2018, the SMART! loyalty program has achieved rapid buyer uptake and financial success as the Group has invested heavily in its development. SMART! had 2.1 million active and paying subscribers as of 30 June 2020 and this base has continued to grow dynamically over the second half of 2020. The SMART! program offers buyers certain perks and therefore carries the risk of subscriber abuse (e.g. sharing of accounts, excessive ordering and returns). The Group's outlook has been prepared with the expectation of continued managed growth in the SMART! program and could therefore be impacted by lower or higher than expected adoption of the program by buyers. In addition, as SMART! has proven to be a popular program for Polish consumers, there is a risk that a competitor could introduce a similar offering, thereby eroding the attractiveness of the SMART! program. In particular, Amazon may decide to offer its similar Prime loyalty program to Polish consumers at some point in the future.

If the Group is unable to successfully manage the anticipated growth and the related costs of the SMART! program, or if the benefits of the SMART! program are abused by a significant number of buyers, it could result in a material adverse effect on the Group's business, financial condition, and results of operations.

Consumer Finance Product

During the second half of 2020, the Group launched a trial phase of Allegro Pay, a new consumer finance product offering lines of credit of up to PLN 4,000 with payment options ranging from 30 days up to 20 monthly installments to eligible buyers at checkout for purchases that they make through the Group's e-commerce marketplace. The trial phase was completed at the end of 2020 and a more extensive roll-out to a much wider group of buyers in 2021, together with implementation of a road-map of further improvements to the Allegro Pay product, is expected to lead to significant acceleration of consumer lending by the Group in 2021 and beyond.

The financial and operational impact of Allegro Pay on the Group depends on a series of important factors, including the effective management of the related credit risk. To assess the credit risk of a consumer seeking a loan under the Group's consumer finance offering, the Group uses, among other indicators, credit reports from external suppliers and an internally developed risk model in order to help predict the consumer's ability to repay the principal balance and interest related to the credit. However, this risk model may not accurately predict the creditworthiness of the consumer due to, among other things, inaccurate assumptions about the particular consumer or the economic environment. The accuracy of the risk model and the Group's ability to manage credit risk related to the Group's consumer finance offering may also be affected by legal or regulatory changes (e.g. bankruptcy laws and minimum payment regulations), competitors' actions, changes in consumer behavior, availability of funding resources, changes in the economic environment and other factors. If the Group is unable to satisfactorily monitor and manage the credit risk inherent in its loans, it could result in a material adverse effect on the Group's business, financial condition and results of operations.

In addition, the launch of Allegro Pay may not result in the anticipated incremental increase in purchasing of merchandise by consumers and the Group may therefore fail to realize the expected additional commission income from merchants. The Group may also be unable to obtain funding for its consumer loans at rates that are competitive enough to allow the Group to profit on its consumer finance product. The Group may be unable to securitize its loan book in the future or may not be able to securitize the loan book on terms that eliminate any recourse to the Group, which may lead to increased indebtedness to fund the loan book that may lead to the Group discontinuing consumer finance services or seeking to operate at higher leverage levels than it currently expects. The Group's operations in financial services may also expose it to additional regulatory review, including by the UOKiK President, the Polish Financial Supervision Authority (Komisja Nadzoru Finansowego), the General Inspector of Financial Information (Generalny Inspektor Informacji Finansowej) and the Personal Data Protection Office (Urząd Ochrony Danych Osobowych), may be adversely impacted by changes to the Act of 12 May 2011 on Consumer Credit, the Act of 21 July 2006 on Supervision Over Financial Market and the Act of 29 August 1997 – The Banking Law, and such activity may be subject to additional risks including risk relating to money laundering, bribery and corruption and terrorist financing.

International Expansion

The Group's growth strategy includes possible expansion of its operations into new geographies. Such expansion may involve risks related to the Group's lack of experience in operating in such geographies and differing commercial and social norms and customs. Expansion of the Group's operations in such geographies could also involve significant additional business, regulatory and legal risks. These risks include, but are not limited to: changes in economic, political or regulatory conditions; difficulties in managing geographically diverse operations; changes in business regulation; effects of foreign currency movements; difficulties in enforcing contracts; ensuring adherence to the Group's compliance and ethical standards; and cultural and language barriers.

Moreover, there is no assurance that the Group will be able to accurately anticipate the level of demand for its products and services in new geographies where the Group may seek to expand operations and the Group may need to develop a new brand or repurpose its existing brand for use in new geographies. Expansion into new geographies is also likely to involve significant investment in infrastructure, which may not deliver the anticipated returns for the Group. If the Group launches an international expansion initiative that fails to generate satisfactory returns, it could have a material adverse effect on the Group's business, financial condition and results of operations.

Allegro Fulfillment

In order to further improve the consumer experience and to support international sellers and select merchants, the Group is likely to introduce its own fulfillment services ("Allegro Fulfillment") as a supplement to its third-party merchant-fulfillment model. The first Fulfillment Center aimed at supporting 3P sellers will go live in 2021, which in time, and depending on the initial performance of Allegro Fulfillment, will be extended by additional investments in following Fulfillment Centers near most populated areas. If the Group fails to properly execute its fulfillment services strategy, including overinvesting or underinvesting in the infrastructure necessary to stock the merchant's co-located inventory in the delivery centers, failing to expand in timely manner or otherwise failing to meet buyer and merchant demand, it could have a material adverse effect on the Group's business, financial condition and results of operations.

Roll-out of a proprietary last-mile locker network

The Group has been studying the potential positive impacts of investing in the roll-out of its own network of lockers as part of its strategy to improve delivery experience for consumers. By fully integrating the locker software into its marketplace platform and fully aligning first-mile, Allegro Fulfillment and last-mile operations with deliveries to this proprietary locker network, the Group believes that considerable gains can be achieved in terms of next day delivery capability and improved user experience.

The Group has begun investing in a team dedicated to managing the site acquisition and locker installation and operation and is securing supply of high quality lockers. The roll-out is expected to take several years and the target size of the locker network is yet to be established and will depend on the project's delivery of consumer facing operational objectives as alternative methods of delivery, including delivery to third party locker networks remain viable alternatives of high quality but with less next day delivery potential. If the Group fails to properly execute the locker roll-out or fails to effectively integrate an end-to-end consumer experience that materially improves next day delivery capabilities, returns from this investment may not be satisfactory and this could result in a material adverse effect on the Group's business, financial condition and results of operations.

Acquisitions

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

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

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

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

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

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

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

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

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

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

The e-commerce segment is characterized by rapid technological development, and new advances in technology can increase competitive pressure. The Group's success depends on its ability to continually improve its technological platform in order to remain competitive. For example, 5G cellular network technology is rapidly being rolled out in countries around the world, including Poland, enhancing the need for the Group's websites to be optimized for mobile use and faster, more reliable load times. In addition, machine learning and other forms of artificial intelligence are transforming aspects of e-commerce ranging from optimizing search results and pricing to providing customer support and coordinating delivery logistics. The Group may be unable to continue to innovate at its historical pace or at the level of its competitors. Any failure to adopt and apply new technological advances in a timely manner could decrease the attractiveness of the Group's websites to buyers and merchants and therefore limit the Group's growth. Any such failure could have a material adverse effect on the Group's business, financial condition and results of operations.

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

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

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

If any of the foregoing were to occur, the Group's business, results of operations and financial conditions could be materially adversely affected.

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

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

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

The Group has previously offered the Company's Board and key employees of the Group investment opportunities in the Group in order to attract and retain highly qualified individuals. These investments crystallized at the Group’s IPO in October 2020, though conversion into ordinary shares of the Group, tradable on the Warsaw Stock Exchange. Each participating manager had the opportunity to sell a minority of their ordinary shares at the IPO and the remaining shareholdings are subject to a lock-up period that expires twelve months after the IPO in October 2021. The Group can provide no assurance that, following the crystallization of these investments, continued employment will be consistent with the expectations, personal goals or career goals of all of those individuals who were invested in the Group and the Group may therefore see an increase in attrition of highly skilled individuals in the future. Management intends to implement incentive schemes, including share-based incentive schemes, starting from 2021, to ensure that total compensation remains competitive.

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

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

For distribution of the merchandise that the Group's buyers purchase online, the Group's e-commerce marketplace depends on the services of a number of third-party logistics providers. Changes in shipping terms and costs, for example due to higher fuel costs, or the inability or refusal of third-party service providers to deliver the products sold through the Group's e-commerce marketplace in a safe and timely manner could potentially harm the reputation of the Group's e-commerce marketplace and have an adverse effect on the Group's business. The Group has long-term agreements with a number of third-party logistics providers. These service level agreements have the aim of securing package volumes needed for the Group's operations at predictable costs and at required service quality; however, certain of these agreements are scheduled to expire in 2021 and there can be no assurance that they will be renewed on acceptable terms. Although the Group provides large volumes and is therefore attractive to third-party service providers, there are a limited number of third-party service providers who can provide services to the Group at the necessary scale. Any deterioration in the financial condition of any third-party service provider, or any deterioration in the Group's relationships with third-party service providers, could have an adverse impact on the quality of the Group's logistics processes and distribution costs and could have a material adverse effect on the Group's business, financial condition and results of operations.

Moreover, in addition to traditional delivery services, many of the Group's buyers choose out-of-home delivery options such as InPost 24/7 parcel lockers or other pick-up/drop-off locations across Poland, including Żabka stores, Orlen gas stations and Ruch kiosks. Parcel lockers, as a specific out-of-home delivery solution, are a system of postal deposit boxes that online shoppers can use to collect packages 24 hours a day, seven days a week and are a popular delivery option for Polish consumers. InPost is the largest supplier of parcel lockers in Poland. The Group has entered into a long-term framework agreement with InPost for the delivery of parcels to lockers, however, any potential future decreases in cooperation or service charge increases could affect the attractiveness of this delivery option. This could affect buyers' willingness to make a purchase on the Group's e-commerce marketplace, which in turn could lead to an adverse effect on the Group's sales as well as the quality of the Group's logistics processes and distribution costs and could have a material adverse effect on the Group's business, financial condition and results of operations.

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

A novel strain of coronavirus causing COVID-19 disease ("COVID-19"), first identified in China in late 2019, has spread throughout the world. On 11 March 2020, the World Health Organization confirmed that its spread and severity had escalated to the point of pandemic. COVID-19 infections reached Poland in March 2020 and the Polish authorities have implemented numerous measures to try to contain the virus, such as travel bans and restrictions, lockdowns, quarantines and shutdowns of business and workplaces, social distancing, limiting or banning social gatherings and mass events. The measures have so far been intensified and eased three times as the infection rates have increased and eased again.

Since late December 2020 a vaccination program started to roll-out across Poland and the EU but material impact on the scale of preventative measures imposed by the authorities is yet to be visible.

As a result of these restrictions, GDP growth in Poland fell from 3.6% in 2019 to – 2.8% in 2020 [1], the first economic recession in Poland since the early 1990s. This slow down has weakened retail sales growth and severely weakened businesses is the sectors most impacted by the restrictions, while stretching the resources of the Polish Government to provide financial support. Whilst the fall in general demand is a clear drag on the e-commerce segment, periodic restrictions on non-essential offline retail, ranging from customer density limits to shut down of covered shopping centers and even all non-essential offline retail, together with buyers reluctance to risk social contact and infection while shopping, has overall created a net increase in demand for e-commerce since the pandemic first arrived in Poland.

As of the date of this Management Report, it remains unclear how soon the vaccination program will produce sufficient falls in infection rates to allow the permanent removal of the restrictions described above. Moreover, new strains of the COVID-19 virus have appeared and it remains unclear to what extent the efficacy of the available vaccines is reduced against these new strains, if at all, and whether this issue may extend the length of the pandemic crisis. As the period affected by lock-down restrictions is extended, economic damage to affected businesses and consumers increases and may start to visibly reduce activity of both Merchants and Consumers on the Group's marketplace. Moreover, it is not possible to accurately predict to what extent the additional demand initially seen by the e-commerce segment due to the pandemic and the related restrictions will remain once the pandemic and the restrictions have passed. The post pandemic demand trajectory for e-commerce accordingly depends on the speed of economic recovery after restrictions are finally eased and the degree to which consumers' preferences have permanently shifted towards online shopping.

[1] Source: https://tradingeconomics.com/poland/gdp-growth-annual

It is not possible for the Group to predict the interaction of these factors with any certainty and therefore our plans and expectations may prove to be materially different from actual outcomes and result in materially different growth rates, financial and operating performance.

The spread of COVID-19 has led the Group to modify its operational practices, and it may take further actions required by authorities or that it determines are in the best interests of its employees, buyers, merchants and other stakeholders. The Group has implemented a work-from-home policy which has been used by nearly all of the Group's employees. For the Group's employees who work in the Group's warehouse and/or cannot work remotely, the Group has implemented additional protective procedures, including equipping employees with personal protective equipment (e.g. masks, gloves, disinfectants, hand sanitizers, and face shields), implementing social distancing, staggering employees working hours across three shifts throughout the day, increasing the frequency of cleaning in the Group's facilities, and installing thermal imaging cameras. There is no certainty that such measures will be sufficient to mitigate the risks posed by COVID-19, and the implementation of such measures (or their insufficiency) could result in increased employee absences due to illness and harm the Group's ability to perform some of its critical functions and serve its users.

As the length of the pandemic crisis extends into 2021 and possibly longer, the impact of extended working from home on the majority of the Group's workforce may start to have a visible negative impact on productivity. The Group's business requires the creation of diverse teams to solve complex business and engineering problems to improve the user experience available on the marketplace and consistent progress over time is an important growth driver for the Group. Home working and close-collaboration over video conferencing links is clearly suboptimal compared to teaming at the office using purpose designed facilities and this may lead to a slower rate of progress in the development of the marketplace platform over time and slow the Group's growth.

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

While the COVID-19 pandemic has led to growing GMV to date, the Group's eBilet ticket sales business, which represented 1.0% and 0.2% of the Group's GMV for the years ended 31 December 2019 and 2020 respectively, has been disrupted by the shutdown of the live entertainment events industry in response to the COVID-19 pandemic. If the live entertainment events industry does not return sufficiently for the eBilet business to return to its pre-COVID-19 pandemic levels of profitability in the medium term, the Group may be required to impair the carrying value of its investment and write off certain amounts of net assets. If the impact of the COVID-19 pandemic on the eBilet business persists, the Group may need to revisit its plans regarding eBilet to address such a situation.

The degree to which COVID-19 impacts the Group's business, results of operations, and financial position will depend on future developments of the issues described above and, which, as of the date of this Report, are highly uncertain and cannot be predicted.

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

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

The Group cannot rule out the possibility that any of the foregoing may occur and cause harm to the Group's business or reputation in the future. If any of the foregoing were to occur, the Group's business, results of operations and financial condition could be materially adversely affected.

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

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

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

The Group's ability to make principal or interest payments when due on the Group's indebtedness, including the Group's obligations under the New Facilities Agreement, to the extent required to be paid in cash, and to fund the Group's ongoing operations or planned capital expenditures, will depend on the Group's future performance and ability to generate cash, which, to a certain extent, is subject to general economic, financial, competitive, legislative, legal, regulatory and other factors, as well as other factors discussed in these "Risk Factors", many of which are beyond the Group's control. If at the maturity of the Group's credit facilities or any other debt that the Group may incur, the Group does not have sufficient cash flows from operations and other capital resources to pay the Group's debt obligations, or to fund the Group's other liquidity needs, the Group may be required to refinance or restructure the Group's indebtedness. Furthermore, the Group may need to refinance all or a portion of its indebtedness on or prior to their stated maturity. If the Group is unable to refinance or restructure all or a portion of the Group's indebtedness or obtain such refinancing or restructuring on acceptable terms, the Group may be forced to sell assets, or raise additional debt or equity financing in amounts that could be substantial or the holders of the Group's debt may accelerate the Group's debt and, to the extent such debt is secured, foreclose on the Group's assets. The type, timing and terms of any future financing, restructuring, asset sales or other capital raising transactions will depend on the Group's cash needs and the prevailing conditions in the financial markets. The Group cannot provide assurance that it will be able to accomplish any of these measures in a timely manner or on commercially reasonable terms, if at all. In such an event, the Group may not have sufficient assets to repay all of the Group's debt. In addition, the terms of the New Facilities Agreement may limit the Group's ability to pursue any of these measures.

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

As a result of their ownership of shares of the Company and their representation on the Board of Directors, significant shareholders, have, and will continue to have, directly or indirectly, the ability to influence the Company's legal and capital structure, the outcome of matters requiring action by shareholders, and other major decisions regarding the Group's operations. Any conflicts between senior management and the Group's significant shareholders, could adversely affect the Group and its operations. Further, the significant shareholders may have other business interests and portfolio companies that may conflict with investors' interests as shareholders (or compete with the Group) and may conflict with potential transactions the Group may wish to undertake. In addition, any circumstances relating the significant shareholders' ownership or beneficial ownership in the Group or in their other portfolio companies may negatively affect the Group's business and operations, including its image, brand or its ability to refinance its indebtedness to the extent that financial institutions deem such ownership as materially adverse to their willingness to undertake any such refinancing or other capital raising. There can be no assurances that the interests of the Group's significant shareholders will be consistent with the interests of the other shareholders or the Group, or that the significant shareholders will exercise their rights for the benefit of all shareholders.

THE GROUP IS DEPENDENT ON THIRD-PARTY PROVIDERS FOR ITS MARKETING, CLOUD AND OFFICE INFRASTRUCTURE SOFTWARE AND ON SOCIAL NETWORKING AND MESSAGING SERVICES FOR COMMUNICATING WITH ITS USERS.

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

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

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

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

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

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

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

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

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

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

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

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

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

Risks Related to Regulation, Legal and Intellectual Property Matters

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

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

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

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

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

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

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

Claims and investigations by regulatory agencies such as the UOKiK President or the EC, even if without grounds, typically are very expensive to defend, require significant management time and involve negative publicity. If a UOKiK President or EC investigation were to conclude with a result adverse to the Group or if the Group were to enter into a settlement arrangement, the Group may be subject to significant fines, penalties and other sanctions, or could be forced to change its business practices substantially. Alternatively, if the Group were to enter into a commitment arrangement, the Group may be required to change its business practices substantially in order to implement the commitments. Both the UOKiK President and the EC have the power to impose fines of up to 10% of the turnover of the company concerned in the last financial year for breach of competition rules or, in the case of the UOKiK President, for breach of consumer protection rules. Fines imposed by the EC may also be calculated based on the turnover of the group to which the company concerned belongs, with fines of up to 10% of group turnover in the last financial year for breach of competition rules. Any adverse determinations could also result in significant adverse publicity or reputational harm, and could result in, or complicate, other inquiries, investigations or lawsuits in future antitrust or other investigations, consumer protection or other investigations. Furthermore, the Group can provide no assurance as to the timing of the above mentioned proceedings relating to Allegro.pl, or that the UOKiK President or the EC will not initiate further regulatory proceedings.

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

THE GROUP IS SUBJECT TO A VARIETY OF REGULATIONS, INCLUDING BUT NOT LIMITED TO DATA PROTECTIONS LAWS, CONSUMER PROTECTION LAWS, REGULATIONS GOVERNING E-COMMERCE AND COMPETITION LAWS, AND FUTURE REGULATIONS MIGHT IMPOSE ADDITIONAL REQUIREMENTS AND OTHER OBLIGATIONS ON THE GROUP'S BUSINESS.

Laws and regulations applicable to e-commerce, as well as laws and regulations of broader application that apply to the Group's business (in particular, competition law), and to public companies generally, are evolving at a rapid pace and can be subject to differing interpretation. Given the extensive scope and timing of the changes, the Group cannot guarantee that its practices have complied or will comply fully with all applicable laws and regulations and their interpretation. Any failure, or perceived failure, by the Group to comply with any of these laws or regulations could result in damage to the Group's reputation and a loss of revenue, and any legal or enforcement action brought against the Group as a result of actual or alleged noncompliance could further damage its reputation and result in substantially increased legal expenses and/or penalties. In addition, legislative and regulatory bodies or self-regulatory organizations may extend the scope of current laws or regulations, enact new laws or regulations or issue revised rules or guidance regarding privacy, data protection and consumer protection.

Adverse changes in laws or regulations applicable to the Group could cause the Group to incur substantial costs or require the Group to change its business practices and could compromise its ability to pursue its growth strategy effectively. For example, the European Union has adopted the General Data Protection Regulation (EU) 2016/679 ("GDPR"), which became effective on 15 May 2018. The GDPR imposes additional obligations on companies regarding the handling of personal data and provides certain individual privacy rights to persons whose data is stored.

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

A variety of local and international laws and regulations govern the collection, use, retention, sharing and security of consumer data, and these laws and regulations are changing especially rapidly. Data protection is a particularly sensitive and politically charged issue in Europe, and any actual or alleged failure by the Group to comply with applicable laws or regulations could have a significant adverse effect on the Group's reputation and popularity with existing and potential buyers and merchants. Local and international governmental authorities continue to evaluate the privacy implications inherent in the use of cookies and other methods of online tracking for behavioral advertising and other purposes. Certain governments have enacted or are considering measures that could significantly restrict the ability of companies to engage in these activities, such as by regulating the level of consumer notice and consent required before a company can employ cookies or other electronic tracking tools.

Additionally, some providers of consumer devices and web browsers have implemented, or have announced plans to implement, means to make it easier for internet users to prevent the placement of cookies or to block other tracking technologies, which, if widely adopted, could result in a significant reduction in the effectiveness of the use of cookies and other methods of online tracking. New laws, regulations, or developments in industry practice or consumer behavior might result in the loss of or a substantial reduction in the Group's ability to use such practices to effectively market products, or might adversely affect the Group's ability to attract new merchants or buyers on cost-effective terms.

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

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

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

In addition, use of certain open source software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide contractual protections with respect to the software. Also, the licensors are not obliged to maintain their software or provide any support. There is a certain risk that the authors of the open source software cease updating and attending to the software. Engineering the software updates by the Group could be expensive and time-consuming. The use of open source software can also present additional security risks because the source code for open source software is publicly available, which could make it easier for hackers and other third parties to determine how to breach the Group's sites and systems that rely on open source software.

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

THE CONTROL AND PREVENTION MECHANISMS OF THE GROUP'S COMPLIANCE STRUCTURE MIGHT NOT BE SUFFICIENT TO ADEQUATELY PROTECT THE GROUP FROM ALL LEGAL OR FINANCIAL RISKS.

A management system for governance, risk and compliance, which includes standards of conduct, corruption prevention, competition law compliance, prevention of conflicts of interest, information and data protection, prevention of unlawful discrimination and protection of company property and know-how has been established in the Group's main operating subsidiaries: Allegro.pl and Ceneo.pl. In addition, Allegro.pl and Ceneo.pl have introduced a binding code of conduct for compliance with the corporate social responsibility regulations for the suppliers of the group. The supplier's codes may also be accepted. Based on the recommendations of the Polish Ministry of Finance, Allegro.pl and Ceneo.pl have established a complex verification process in vendor creation. A review of financial documents, registration documents and the correctness of bank accounts should filter out unsuitable service providers.

Guidelines such as procurement policy, tender procedure, controlling procedure and legal procedure have also been introduced and are intended to minimize all unauthorized practices, violations of the law, corruption and fraud, especially with regard to purchasing practices, or other adverse consequences of non-compliance within the Group. In addition, all purchasing processes in Allegro.pl and Ceneo.pl are based on integrated IT systems that allow full transparency of liability creation. A breach of the regulations can certainly damage the Group's reputation and significantly impair the Group's business, financial and earnings position. This policy and the oversight of the Group's internal compliance and legal departments might not be sufficient to prevent all unauthorized practices, legal infringements, corruption and fraud, in particular in purchasing practices, or other adverse consequences of noncompliance within the Group's organization or by or on behalf of the Group's employees. Any failure in compliance could harm the Group's reputation and have a material adverse effect on the Group's business, financial condition and results of operations.

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

The Group may become involved from time to time in private actions, investigations and various other legal proceedings by employees, suppliers, competitors, government agencies or others. The results of any such litigation, investigations and other legal proceedings are inherently unpredictable. Any claims against the Group, whether meritorious or not, could be time-consuming, result in costly litigation, damage the Group's reputation, require significant amounts of management time and divert significant resources. If any of these legal proceedings were to be determined adversely to the Group, or if the Group were to enter into a settlement arrangement, the Group could be exposed to monetary damages or limits on the Group's ability to operate the Group's business, which could have a material adverse effect on the Group's business, financial condition and results of operations.

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

Although the Company is an entity formed under the laws of Luxembourg, the key operating companies of the Group have been established and operate under Polish law. The Polish legal system is based on statutory law enacted by the parliament of Poland. A significant number of regulations relating to the issue of and trading in securities, shareholders' rights, foreign investments, issues related to corporate operation and corporate governance, commerce, taxes and business activity have been introduced and changed in recent years and/or may be changed in the future. For example, in July 2020, new restrictions on FDI in certain Polish companies came into force. Certain Polish regulations have been subject to different interpretations and may in the future be interpreted in an inconsistent manner. Moreover, not all court decisions are published in official journals and, as a matter of general rule, they are not binding in other cases and are therefore of limited importance as legal precedent. In recent years, the Polish government has proposed or implemented a number of changes to the judicial system. Some of those changes have attracted the attention of EU institutions and have been questioned by members of the Polish legal community who perceive them as potential threats to both judicial independence and the rule of law. Ongoing tensions between the government and the judiciary may potentially indirectly result in some additional delays to the proceedings. If the stability of the Polish judicial system deteriorates, it may make the outcome of various legal proceedings in which the Group is or may be involved in relation to its business less predictable than it is presently. The Group cannot provide assurance that its interpretation of Polish laws and regulations will not be challenged and any successful challenge could result in fines or penalties or could require the Group to modify its practices, all of which could have a material adverse effect on the Group's business, financial condition and results of operations.

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

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

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

The Group maintains legal relationships with a large number of persons, including merchants, suppliers and manufacturers. In this context, the Group also uses standardized documents, standard-form contracts and standardized terms and conditions in the vast majority of cases where it is possible to do so. If such documents, contracts or terms and conditions are found to contain provisions that are disadvantageous to the Group, or if clauses in such documents or contracts are declared invalid and thus displaced by statutory provisions that are unfavorable to the Group, a large number of standardized documents, contracts or terms and conditions could be affected. Additionally, standardized terms under Polish law have to comply with the statutory law on general terms and conditions, which means they are subject to rigid fairness control by the courts regarding their content and the way they, or legal concepts described therein, are presented to the other contractual party by the person using them.

The standard is even stricter if they are used vis-à-vis consumers. As a general rule, standardized terms are invalid if they are not transparent, clearly worded, or if they are unbalanced or discriminate against the other party inappropriately. Due to frequent changes to the legal framework, particularly regarding court decisions relating to general terms and conditions, the Group may be unable to avoid risks from the use of such standardized contractual terms. The invalidity or unenforceability of the standardized documents, standard-form contracts and standardized terms and conditions that the Group uses could have material adverse effects on the Group's business, financial condition and results of operations.

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

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

The Group is the registrant of Polish trademarks for its operating businesses, including Allegro and Ceneo, and has also registered internet domain names containing "Allegro," "Ceneo" and other operating business names for the Group's websites. The Group has also registered the trademarks and respective domain names in certain international jurisdictions. With respect to several of these trademarks the Group has endeavored to enter into coexistence agreements for specific countries or situations. The Group has also registered selected internet domain names for some of its operating entities. Domain names are generally regulated by internet regulatory bodies and are also subject to trademark laws and other related laws of each country. If the Group does not have or cannot obtain or maintain on reasonable terms the ability to use its trademarks or a major private brand in a particular country, or to use or register its domain name, the Group could be forced either to incur significant additional expenses to market the Group's services within that country, including the development of a new brand and the creation of new promotional materials, or to elect not to offer its services in that country.

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

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

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

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

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

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

It is also possible that third parties could bring claims against the Group for defamation, libel, invasion of privacy, negligence or other claims based on the nature and content of the materials disseminated through the Group's platforms, particularly materials disseminated by the Group's merchants. While applicable regulations require hosting providers to have actual knowledge of any illegal content on their platforms in order to have any potential liability, certain regulations are vague and unclear with respect to the e-commerce platform provider's responsibility to actively monitor transactions or take action to prevent infringing activities.

If the Group or other online services providers are held liable or potentially liable for information carried on or disseminated through their platforms, the Group may have to implement measures to reduce its exposure to this liability. Any measures the Group may need to implement may involve spending substantial resources and/or discontinuing certain services. Any costs that the Group incurs as a result of liability or asserted liability could have a material adverse effect on its business, results of operations and financial condition.

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

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

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

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

In July 2016, the General Anti-Avoidance Rule ("GAAR") entered into force, which, to a certain extent, may be applied retroactively (as described below). Therefore, since July 2016 any reference to the Polish tax regulations, including for the purpose of this Report, includes the GAAR.

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

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

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

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

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

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

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

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

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

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

Tax authorities worldwide are currently reviewing the appropriate treatment of companies engaged in e-commerce and/or the digitalized economy. It is likely that in the future countries might attempt to impose new digital services taxes or sales taxes on the Group's business or levy additional income or other taxes relating to the Group's activities.

In particular, in 2018, the European Commission proposed new rules specifically targeted at digital business activities to tax them in a "fair and growth-friendly way" in the European Union. The Commission made two legislative proposals: (i) the first initiative aimed to reform corporate tax rules so that profits are registered and taxed in countries where businesses have significant interaction with users through digital channels (so-called long-term solution) and (ii) the second proposal responded to calls from several Member States for an interim tax that covers the main digital activities that currently are not subject to tax altogether in the European Union. In 2019, the European Union suspended its works till the end of 2020 and decided to wait for an international consensus expected to be reached by the OECD forum. Such a consensus is yet to be achieved and the OECD is still conducting advanced international negotiations to ensure large and highly profitable multinational enterprises, including digital companies, pay tax wherever they have significant consumer-facing activities and generate their profits. In view of the lack of international consensus and in view of the need to support the EU's borrowing and repayment capacity, the European Council tasked the Commission with putting forward proposals for additional measures to raise tax revenues. The digital levy is one such measure. In January 2021 the European Commission commenced the public consultation on a digital levy.

Moreover, certain countries already have introduced their own local legislation on taxing digital services (e.g. France and Italy) and others do not exclude drafting their own proposals shall the OECD negotiations fail. The Polish Ministry of Finance presented in February 2021 its own detailed proposal for legislation on taxing i.a. digital advertising services and the specific risks relating to this particular proposal are set out in a separate point below. The implemented and/or proposed digital services taxes differ significantly in their structure. Numerous local initiatives in this respect (instead of one internationally approved framework) may result in overlapping solutions and thus, may significantly increase the tax burden on businesses subject to these new taxes.

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

Moreover, it is worth noting that Governments are seeking or funding to cover costs related to COVID-19 related crisis. Digital companies, seen as winners of the economy's digitalisation, may be among targets of new taxes.

While the Group believes that imposing new taxes of this type on wholly domestically focused digital services businesses like the Group is unjustified, it can provide no assurance that it will be successful in its efforts to convince the relevant legislative authorities in the European Union or in Poland that the Group's objections are justified. Accordingly, any future developments leading to the imposition of digital services taxes in Poland could have a material adverse effect on the Group's effective tax burdens and in certain cases may lead to double taxation of the Group's revenue and put the Group at a significant competitive disadvantage to its competitors.

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

THE POLISH GOVERNMENT HAS PROPOSED LEGISLATION TO IMPOSE A LEVY ON REVENUES FROM ADVERTISING, INCLUDING DIGITAL ADVERTISING OVER THE INTERNET, WHICH, IF BROUGHT INTO LAW, MAY HAVE A MATERIAL NEGATIVE IMPACT ON THE GROUP'S PROFITS, CASH FLOWS AND RELATIVE COMPETITIVE POSITION

In February 2021 the Ministry of Finance published a draft bill imposing a levy on conventional advertising services (in press, TV, cinema, outdoor) and on internet advertising services. These levies are charged on sales of advertising services as defined in the bill and the rules for calculating the amounts due and definition of services subject to the levy differ between conventional and internet advertising. In respect to internet based digital advertising, the draft bill proposes that levy shall be imposed on larger businesses (with annual global sales over EUR 750 million and with Polish annual sales from internet advertising services over EUR 5 million). The levy shall amount to 5% of the internet digital advertising revenues to the extent it is attributable to advertising viewed by consumers based in Poland, regardless of the country of establishment of the legal entity invoicing those advertising revenues. The draft bill is proposed to enter into force as of 1 July 2021 and the formal legislative process for this bill has not started as at the date of this report.

Should this draft bill be brought into law as drafted, in the Group's assessment additional operating expenses associated with paying the levy may be at least PLN 27.3 million over the first twelve months and may be higher depending on the interpretation of the applicability of certain definitions to certain of our revenue streams by the tax authorities. To the extent that the Group tries to pass on these additional costs to its advertising customers, the presently rapid rate of growth seen in our advertising revenues may be adversely affected. Likewise, to the extent that the Group's own suppliers of internet marketing services try to pass these costs back to the Group, costs of marketing are likely to rise, returns on marketing investment are likely to fall and may lead to fewer visits, transactions and lower revenues from the marketplace platform.

The Group's price comparison business, Ceneo, would also be liable to pay this levy on the majority of its revenues and this may result in additional operating expenses of at least PLN 17.4 million over the first twelve months after introduction.

Many of the same objections raised in relation to the risks of Digital Services Tax also apply to the Polish advertising levy proposal. The levy as proposed is neither a tax deductible expense nor offsetable against corporate income tax, thereby leaving businesses that have to pay the levy discriminated against in terms of tax burden relative to businesses in other sectors. As a result, in the Group's assessment, it will be left at a significant disadvantage to the offline retail segment, which is not directly affected by the levy. Moreover, the levy as drafted does not propose any effective means for the Polish tax authorities to enforce collection and audit filings from non-Polish entities such as multinational e-commerce, search engine and social networking businesses who bill their advertising services from legal entities outside of Poland. As a result, in the Group's assessment, it will also be left at a significant disadvantage in terms of tax burden versus these multinational e-commerce competitors, many of whom already enjoy a much lower effective tax rate than the Group due to many years of effective cross-border tax planning not available to a single country focused business, and presently pay little tax in Poland.

The Group notes that there have been numerous negative position papers filed by various business associations within the public consultations of the bill. At this time it is not possible to assess whether the proposed Polish advertising levy bill is likely to pass into law as drafted, with significant amendments, or at all. However, it is clear that the current draft of the bill would have a material negative impact on the Group's profits, cash flows and relative competitive position.

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

When concluding and performing related-party transactions, the Group takes special care to ensure that such transactions comply with the applicable transfer pricing regulations. However, due to the specific nature of related-party transactions, the complexity and ambiguity of legal regulations governing the methods of examining the applied prices, as well as the difficulties in identifying comparable transactions for reference purposes, no assurance can be given that specific companies in the Group will not be subject to inspections or other investigative activities undertaken by the tax authorities. The tax authorities may have a different view of the Group's compliance with transfer pricing and may attempt to challenge the arm's-length nature of some of the Group's related party transactions. Should the methods of determining arm's-length terms for the purpose of the above transactions be challenged, resulting in, for example, the assessment of additional taxable income, this may have a material adverse effect on the Group's business, financial condition, results of operations and the price of the shares.

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

POLISH TAX RULINGS MAY BE SUBJECT TO REVIEW.

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

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

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

The Polish legal system, and specifically Polish tax law, is characterized by frequent changes, ambiguity and inconsistent application; therefore, judicial decisions relating to the application of Polish tax law regulations are frequently inconsistent. This applies in particular to issues relating to the taxation of income generated by investors in relation to their acquisition, holding and disposal of shares in a non-Polish company admitted to organized trading on the WSE. In particular, Polish regulations on the source of income may treat income from the Offer Shares as earned in Poland and subject to Polish income tax unless the respective double tax treaty to which Poland and the investor's residency state applies. Furthermore, no assurance may be given that amendments to tax laws that are unfavorable to investors will not be introduced or that the tax authorities will not establish a different interpretation of tax provisions that is unfavorable to investors, which could have an adverse effect on effective tax burdens and the actual profit of investors from their investment in the Shares.

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

TAX AUTHORITIES ARE CURRENTLY UNDERTAKING TAX AUDITS IN THE GROUP'S MAIN OPERATING COMPANIES WHICH MAY, ALONG WITH ANY FUTURE TAX AUDITS, RESULT IN ADDITIONAL COSTS FOR THE GROUP.

Based on publicly available information, the Group notes that tax audits in Poland in recent years have been carefully targeted and are increasingly effective. In particular, the audits have been targeted on large taxpayers or taxpayers from particular business sectors based on the information obtained by tax authorities from standard audit files, such as JPK (jednolity plik kontrolny) files, which are the Polish equivalent of the SAF-T international standard for electronic exchange of reliable accounting data from organizations to national tax authorities. Since 1 July 2018, all Polish taxpayers have been obliged to provide JPK files at the request of tax authorities during VAT proceedings, verification activities or tax and custom audits.

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

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

At present, the Group is undergoing four separate tax audits – two in Ceneo.pl (regarding CIT settlements for FY2016/2017 and FY2018) and two in Allegro.pl (regarding CIT settlements for FY2016/2017 and FY2018). The audits commenced in December 2020 and are still in the initial phase. In the current tax environment, the Group cannot exclude the risk that the tax authorities (e.g. during these tax audits) may take a different approach to tax treatments from the ones adopted by the Group.

Should the Group become aware of the tax authorities taking a different approach on one or more issues during the course of these audits, the Group will reassess its approach to the topic creating controversy and may conclude, depending on its assessment of the merits of the tax authorities' arguments, that provisions for additional tax liabilities, penalties and interest, should be created, having a negative impact on the Group's financial results.

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

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

IMPLEMENTATION OF THE 2021 EU VAT E-COMMERCE PACKAGE MAY RESULT IN ADDITIONAL TAX EXPOSURE FOR THE GROUP DUE TO A HIGH LEVEL OF UNCERTAINTY RESULTING FROM THE LACK OF VAT AND CUSTOMS DUTY GUIDELINES AS WELL AS THE LACK OF TIMELY LOCAL IMPLEMENTING REGULATIONS.

On 1 July 2021, the 27 member states of the European Union will implement new rules governing the VAT obligations for B2C e-commerce sellers and electronic interfaces, including marketplaces. The 2021 EU VAT e-commerce package implements significant changes based on which electronic interfaces, including marketplaces, that facilitate cross-border sales to consumers via third parties will be treated as "deemed suppliers" and VAT collectors in certain cases. This full liability regime will make electronic interfaces, including marketplaces, responsible for charging and collecting VAT on deemed supplier transactions.

The new deemed supplier regime will apply in cases when the electronic interface, including the relevant marketplace, is facilitating a B2C distance sale of goods imported from third territories or third countries in consignments of an intrinsic value not exceeding EUR 150 (PLN 692) or the supply of goods within the European Community by a taxable person not established within the European Community to a non-taxable person. There is scope for the electronic interface, including the relevant marketplace, to opt-out of this scheme in certain cases, and the VAT obligations to be transferred to the delivery company of the seller. However, all EU and non-EU platforms selling goods and services online to European consumers will be affected by the VAT reform, irrespective of the sales channel they use.

Following the introduction of the new legislation, in order to conduct VAT settlements of merchants' sales, the Group will have to rely on information provided by the merchants. This information may include mistakes or could turn out to be false. It may also result in additional exposure to tax risks, even if the Group follows safeguard provisions and conducts business checks.

In addition, the rules may not be fully clear in time for the Group to properly implement them or the Group may need to make assumptions about interpretation of the rules that may subsequently prove to be incorrect. The new regulations are general and unprecedented. Legal certainty and detailed guidelines are necessary for successful implementation of the new provisions by the platforms, including the Group. In addition, implementation of the 2021 EU VAT e-commerce package is requiring a significant and time-consuming IT development by the Group.

The 2021 EU VAT e-commerce package may have a negative impact on the Group's compliance practices and financial reporting obligations. The change may also have an adverse impact on the Group's cash-flows (e.g. in the case of pre-financing VAT paid by the Group to the tax authorities). If the Group fails to manage these risks adequately, or if one or more of these risks materializes, this could have a material adverse effect on the Group's reputation, business, financial condition and results of operations.

THE GROUP MAY HAVE EXPOSURE TO GREATER THAN ANTICIPATED TAX LIABILITIES.

As of the date of this Report, the Group has a limited presence in jurisdictions outside of Poland. Its presence abroad may result either from its own retail activity (within the 1P model) or from its merchants and/or buyers making cross-border transactions (within the 3P model). The Group may, however, be subject to different forms of taxation or reporting obligations in other jurisdictions, including, but not limited to, income tax, value added tax or sales tax. Tax law and administration is complex and often requires the Group to make subjective determinations. Changes in tax laws or their interpretation or application or changes in the amount of taxes imposed on companies could increase the Group's future tax burden. If the Group fails to manage these risks adequately, or if one or more of these risks materializes, this could have a material adverse effect on the Group's reputation, business, financial condition and results of operations.

THE GROUP FACES THE RISK THAT ITS ACTIVITY AND/OR TRANSACTIONS IN SELECTED AREAS COULD BE REVIEWED UNDER THE GENERAL ANTI-AVOIDANCE RULE.

The GAAR regulations apply to all tax benefits gained following the date the GAAR entered into force as a general anti-tax abuse law, in addition to existing anti-abuse regulations related to mergers, spinoffs, qualified exchanges of shares and exempt dividend distributions. Under certain conditions the tax authorities may also review past transactions under the GAAR. The GAAR allows the tax authorities to disregard a legally valid transaction (relationship) for tax purposes if the primary aim or one of the primary aims of the transaction was tax avoidance, where "tax avoidance" is interpreted as "an act (or series of acts) applied primarily in order to receive a tax benefit, which in certain circumstances defeats the object and purpose of the tax act, provided the manner of conduct in a particular case was artificial." Conduct will be considered artificial if, under the existing circumstances, it would not be applied by a reasonable entity who is guided by goals being in line with the laws and it is connected with lawful purposes other than tax benefits contradictory to the object and purpose of a taxable act. In order to assess if a particular act was artificial, attention should be paid especially to: (i) unjustified division of an operation, (ii) the involvement of intermediary entities without business substance, (iii) elements directed to achieve a result identical or similar to the initial state of facts, (iv) elements that cancel or exclude each other, (v) economic risk exceeding the planned benefits other than tax benefits to the degree that it must be decided that a rational entity would not have chosen to act that way, (vi) situations where the tax benefit obtained is not reflected in an economic risks borne by the entity or in its cash flow, (vii) profit before tax which is insignificant in comparison to the tax benefit which does not result directly from the actually incurred economic loss and (viii) engaging the entity which does not conduct a real business activity or does not play significant economic function or which has its seat or place of residence in a territory applying harmful tax competition.

A tax benefit refers to a situation in which: (i) a tax liability has not arisen, the date when a tax liability arises has been deferred or the tax liability has been reduced, or a tax loss has been incurred or overstated; or (ii) a tax loss has arisen or its amount is overstated; or (iii) a tax overpayment or a right to claim a tax refund has arisen, or the amount of a tax overpayment or tax to be refunded has been increased; or (iv) there is no obligation to collect the tax by a tax remitter if this obligation results from the circumstances indicated in point (i) above.

The Group faces the risk that its activity and/or transactions in selected areas could be reviewed under the GAAR, including transactions performed before the GAAR regulations entered into force. Any potential decisions regarding GAAR could be unfavorable to the Group and may have a material adverse effect on the Group's business, financial condition and operational results.

ALLEGRO.PL FACES RISKS RELATED TO ITS STATUS AS A POSTAL OPERATOR.

Allegro.pl has recently been classified as a postal operator and in that capacity its operations are subject to various industry regulations and ongoing oversight from the Polish authority charged with regulating postal operators, the Office of Electronic Communications (Urząd Komunikacji Elektronicznej, "UKE").

Continued growth in this segment of the Group's operations as a result of initiatives to improve the Group's logistics and other services could entail additional regulatory requirements. Any failure by the Group to comply with applicable laws and regulations could result in penalties, which could have a material adverse effect on the Group's business, financial condition and results of operations.

The regulatory environment for postal and courier services within the European Union is currently undergoing changes and certain proposed new EU-wide legislation relating to, among other things, cross-border, universal postal services and cybersecurity requirements is anticipated. Any such regulatory changes may have a direct impact on the Group's operations or an indirect impact through the Group's suppliers. Moreover, the Group cannot rule out the possibility that in the future new taxes or similar payments may be imposed on postal operators such as Allegro.pl, in order to support the financial performance of the Polish public postal operator's universal postal service. Under the existing postal regulations, if Allegro.pl generates revenue from universal postal service or equivalent postal services (other than courier services) it may be required to participate in such support. Failure by the Group to manage these risks adequately or the occurrence of one or more of these risks could have a material adverse effect on the Group's reputation, business, financial condition and results of operations.

Risks Related to the Offering and Shares

THE FREE FLOAT OF THE SHARES IS EXPECTED TO REMAIN LIMITED FOR AT LEAST A PERIOD OF 180 DAYS AFTER THE LISTING DATE DUE TO APPLICABLE LOCK-UP ARRANGEMENTS, WHICH MAY HAVE A NEGATIVE IMPACT ON THE LIQUIDITY OF AND MARKET PRICE FOR THE SHARES.

It is expected that, immediately after the completion of the offering of the Company's shares on the WSE during the IPO, a minimum of 18.26% of the issued shares of the Company will be publicly held by investors who are not subject to any lock-up arrangements (assuming no exercise of the Over-Allotment Option). The majority shareholders, such as Cidinan or Permira, have entered into lock-up arrangements pursuant to which they have agreed not to dispose of their shares in the Company for a period of 180 days following the first listing date of the shares without the written consent of the Global Coordinators (as defined in the listing prospectus of the Company) (such consent not to the unreasonably withheld or delayed) and subject to certain customary exceptions. Further lock-up arrangements apply to shares held by the Directors, the Senior Managers, and other members of management and the recipients of shares awarded pursuant to the Allegro Incentive Plan following the offering of the Company's shares on the WSE during the IPO.

Therefore, the free float of the Company's shares is expected to remain limited during the periods where such lock-up agreements are applicable. This may have a negative impact on the liquidity of the shares and may result in a low trading volume, which could adversely affect the then-prevailing market prices for the shares.

FUTURE SALES OR THE POSSIBILITY OF FUTURE SALES OF A SUBSTANTIAL NUMBER OF THE SHARES BY THE SHAREHOLDERS AFTER THE EXPIRATION OF THE LOCK-UP PERIOD MAY MATERIALLY ADVERSELY AFFECT THE MARKET PRICE OF THE SHARES.

After the expiration of the lock-up period of 180 days following the listing date of the Company's shares on the WSE (the "Listing Date") for the majority shareholders of the Company and 360 days following the Listing Date for the Individual Selling Shareholders, the majority shareholders of the Company and the Individual Selling Shareholders may sell substantial numbers of their shares on the public market. There could also be a perception on the market that such sales could occur due to the expiry of the applicable lock-up period or the waiver thereof. In addition, such sales could make it more difficult for the Company to raise capital through the issuance of equity securities in the future.

DIVIDENDS AND GAINS FROM DISPOSITIONS OF THE SHARES MAY, IN CERTAIN CIRCUMSTANCES, BE SUBJECT TO POLISH TAX WHEN RECEIVED OR EARNED BY NON-POLISH TAX RESIDENTS.

Investors who do not reside within the territory of Poland are required to pay tax exclusively on income obtained within the territory of Poland (i.e. on Polish source income). Income earned in the territory of Poland includes, among other items, income from securities and financial derivatives that are admitted to public trading in the territory of Poland on the regulated exchange market, including income generated from the disposal of such securities or financial derivatives, and the exercise of the rights arising from any of the above. On account of the fact that the shares are traded on the WSE, dividends and gains from dispositions of the shares may, in certain circumstances, be subject to Polish tax when received or earned by non-Polish tax residents. This is primarily the case where an exemption or a double taxation treaty does not apply between Poland and the country where the investor is a tax resident.

2.3. Regulatory Matters

Introduction

The Group's operations are subject to numerous laws, rules and regulations resulting from both EU and domestic laws in Poland.

The regulatory requirements applicable to the Group's business activities are subject to change, as they are continuously adapted at the national, European, and international level. If the Group fails to comply with any of these laws and regulations, the Group may be subject to civil liability, administrative orders, fines, or even criminal sanctions. Such failure may also have an adverse impact on the Group's reputation.

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

Revisions of the E-Commerce Directive and the Upcoming Digital Services Act Package

In December 2020 the European Commission has published two regulatory proposals relevant for digital services and e-commerce platforms: Digital Services Act (DSA) and Digital Markets Act (DMA), formerly referred to as ex ante rules . Both draft regulations introduce heavy financial penalties for a failure to comply.

Digital Services Act redefines platform's obligations regarding fighting illegal content (notice and action mechanism, trusted flaggers), increases platforms' obligations regarding transparency vs. users (incl. on recommendations and advertising, content moderation, automated decision making), introduces sellers' verification (traceability) obligations, and introduces reporting obligations vs national competent authorities and the European Commission.

Digital Market Act – introduces obligations and limitations to certain business' practices for "gatekeeper platforms" such as prohibition to combine data between gatekeeper's services; with third party data, data from users on consent, prohibition of self-preferencing practices, prohibition from limiting business users' access to users and business users' right to sell outside (lower prices), limits in bundling of services, data sharing obligations, and limits to use of data.

Although currently Allegro does not fall under the gatekeeper definition, this act may apply for Allegro in the future, especially in case of further M&A or if the gatekeeper criteria are lowered during the legislation process.

The legislative process is expected to take approximately 1.5 years, but may prolong if consensus is not achieved. The legal acts will be applicable not earlier than in 2023.

Possible New EU Legal Framework for AI

The European Commission perceives artificial intelligence AI as an area of strategic importance and a key driver of economic development. There are ongoing discussions on the European approach to AI which may result in new EU-wide regulations being proposed and adopted which is tentatively expected in the first quarter of 2021. These regulations may increase compliance requirements with respect to the algorithmic decision-making and the development of machine learning-based solutions.

Data Privacy

GENERAL REGULATIONS

As part of its regular operations, the Group processes significant quantities of personal data. Therefore, the Group has implemented robust privacy policies and IT solutions to ensure compliant processing of personal data.

The General Data Protection Regulation that entered into force in May 2018 sets out the general framework for the European data privacy regime. Under the GDPR, the definition of personal data includes information such as name, identification number, email address, location data, online identifiers such as Internet protocol addresses and cookie identifiers, or any other type of information that can identify a living individual.

The GDPR sets out, among others, the following key principles and obligations that apply to the Group and its operations:

- Lawfulness: any use/processing of personal data requires a specific legal basis. Use of personal data is permissible, for example: to the extent this is required to perform a contract; if the individual has given its consent; or if the organization has a legitimate interest.
- Fairness and proportionality: processing of personal data must be fair, proportionate and compatible with the purpose for which the data were collected.
- Transparency: individuals must be informed about the processing of their personal data.
- Security: adequate technical and organizational measures need to be implemented to ensure the security of personal data.
- Storage limitation: personal data may not be retained for longer than necessary and should be deleted after such period.
- Data subject rights: individuals have several rights under the GDPR such as a:
  - right to access (obtain a copy of their personal data);
  - right to rectify any incorrect personal data;
  - right to request erasure of any personal data when no longer needed;
  - right to data portability (receive the personal data in a structured format so it can be used by another service provider); and
  - right to object to the use of personal data on in particular situations.
- Use of third-party service providers: in the event the personal data is processed by a service provider (data processor) on behalf of a data controller, this processing needs to be governed by a contract between the data controller and the data processor. Such contracts must include certain mandatory clauses, such as for example on the subject-matter and duration of the processing; the right to audit, not engaging other third-party providers without consent, etc.
- Personal data breaches: depending on the breach, the competent supervisory authority and/or the data subject may need to be informed of a personal data breach within 72 hours after becoming aware of such breach.
- Record keeping: organizations must maintain a record containing a description of all their data processing activities.
- The transfer of personal data to entities outside the EEA is subject to specific requirements.

Fines for breach of the GDPR may be significant, depending on circumstances of an individual breach. In the worst case scenario they can go as high as 4% of the turnover of the Group. Moreover, the supervisory authority may restrict further use of data in question, which could potentially impact the Group's operations. At the local level the GDPR is supplemented by the Polish Data Privacy Act of 10 May 2018 and various other pieces of local legislation.

The following items illustrate selected areas of data privacy protection which are of particular relevance in the e-commerce sector:

- **Email advertising:** Subject to certain exceptions, email advertisements (e.g. newsletters, product recommendations or sales announcements) may only be sent to addressees who have given their explicit prior consent. The EU rules governing email marketing are set forth in the GDPR and, operating as a lex specialis in relation to the GDPR, in the so-called e-Privacy Directive (Directive 2002/58/EC as amended). The general rule under the e-Privacy Directive, is that the use of email for direct marketing purposes is only permitted in respect of subscribers or users (of the public electronic communications services concerned) who have given their prior consent (opt-in).
- **Web analysis:** Web analysis technologies such as cookies or tracking tools (e.g. Google Analytics) enable the operator of a website to personalize its offers and marketing to better match the users' interests. Even though most web analysis tools anonymize or pseudomize collected data and do not allow for a subsequent allocation of data to individual data subjects, the use of such tools may still be subject to data privacy laws. For example, the use of cookies is regulated by the Directive on Privacy and Electronic Communications which provides for an opt-in regime pursuant to which the use of cookies requires an informed consent of the website user.

Cybersecurity

In the EU, the cybersecurity regime has been harmonized under the EU Directive 2016/1148/EU of the European Parliament and of the Council of 6 July 2016 concerning measures for a high common level of security of network and information systems across the Union (the "NIS Directive") which entered into force on 8 August 2016. The NIS Directive requires "essential service operators" within critical infrastructure sectors, such as the energy, transport or banking sector, as well as "digital service providers" (e.g. online marketplaces), to carefully review existing network security mechanisms, to implement "state-of-the-art" security measures which shall ensure a level of security for their infrastructure appropriate to the risk of the respective entity as well as to establish proper notification measures to promptly notify the competent authority of any incident which has a substantial impact on the services offered in the European Union.

The NIS Directive is further supplemented by the Commission Implementing Regulation (EU) 2018/151 of 30 January 2018 laying down rules for its application as regards further specification of the elements to be taken into account by digital service providers for managing the risks posed to the security of network and information systems and of the parameters for determining whether an incident has a substantial impact.

The NIS Directive has been implemented in Poland by the Act of 5 July 2018 on the National Cybersecurity System, which sets out detailed obligations within the framework of the NIS Directive and provides for penalties for breaches that may be imposed by the Polish Minister of Digitalization.

While fines for individual breaches that may be imposed would normally not exceed PLN 20,000 per breach, in the unlikely event the Group is found in notorious breach, that could result in:

- direct and serious cybersecurity threat to defense, state security, public order and safety, or human life or health; or
- threat of causing serious proprietary damage or substantial disturbance in performance of essential services,

fines may be up to PLN 1.0 million.

In December 2020 the European Commission published a proposal for a directive of the European Parliament and of the Council on measures for a high common level of cybersecurity across the Union, repealing the NIS Directive. At this stage, the proposal does not include major changes in the Groups cybersecurity related obligations. Worth noting that postal operators are included in the scope of the NIS Directive as important entities, which may imply additional obligations related to ensuring services security.

Protection of Competition and Consumers

Due to the nature of the Group's business, the Group is subject to various regulations on competition and consumer protection.

PROTECTION OF COMPETITION

Competition restricting practices (anti-competitive agreements and abuse of dominance) are prohibited under the Competition Act and the TFEU. The protection of competition is monitored at the European level by the European Commission and at the domestic level by the UOKiK President. The UOKiK President also has the right to apply EU competition law directly (Article 101 and 102 TFEU) if the infringement affects trade between EU member states.

Article 6 of the Competition Act prohibits agreements/concerted practices between undertakings (or associations of undertakings) that have as their object or effect the elimination, restriction, or other infringement of competition. An exemplary statutory list of dominant position abuses includes, in particular:

- directly or indirectly fix purchase or selling prices or any other trading conditions;
- limit or control production, sale, as well as technical development or investments;
- share markets for the sale of goods or sources of supply;
- apply dissimilar or onerous contract terms to similar transactions with third parties, thereby placing them at a competitive disadvantage;
- make the conclusion of contracts subject to the acceptance or fulfillment by the other party of other obligations that by their nature or according to the customary usage have no connection with the subject of such contracts;
- restrict access to the market to undertakings not covered by the agreement, or eliminate them from the market; and
- fix the terms and conditions of bids by undertakings entering a tender, or by those undertakings and a tender organizer, including, in particular, the scope of works, or price (bid rigging).

Article 9 of the Competition Act prohibits abuse of a dominant position within a relevant market. A dominant position is held by an undertaking if it enables it to prevent effective competition in the relevant market and to act independently of competitors, contracting parties and consumers to a significant degree. In Poland there is a presumption of a dominant position if an undertaking has a market share exceeding 40% (the party can rebut this presumption). An exemplary statutory list of such infringements includes, in particular:

- directly or indirectly imposing unfair prices, including unreasonably high or abnormally low prices, long payment terms, or other unfair trading conditions for the purchase or sale of goods;
- limiting production, market sale, or technical development to the prejudice of customers or consumers;
- applying dissimilar or onerous contract terms to similar transactions with third parties, thereby placing them at a competitive disadvantage;
- making the conclusion of contracts subject to the acceptance or fulfillment by the other party of other obligations that, by their nature or according to the customary usage, have no connection with the subject of such contracts;
- preventing the development of the conditions necessary for the competition to emerge or develop;
- imposing onerous contract terms that result in unjustified benefits gained by the undertaking; and
- sharing of markets according to the criteria of territory, product range, or entity.

PROTECTION OF CONSUMERS

Under the Competition Act, the UOKiK President, acting in public interest, is responsible for implementing the consumer protection policy. The UOKiK President conducts proceedings concerning (i) practices infringing collective consumer interests and (ii) abusive clauses in standard agreements with consumers. The Group must also comply with various consumer protection laws regulated at the EU level.

Article 24 of Competition Act prohibits practices infringing collective consumer interests (i.e., practices that are unlawful activities (in violation of the law or good practice) of an entrepreneur resulting in harm to the interests of an unspecified number of consumers). An exemplary statutory list of such infringements includes, in particular:

- a breach of the obligation to provide reliable, correct, and complete information to consumers;
- unfair market practices or acts of unfair competition; and
- proposing financial services to consumers where such services do not correspond to the needs established with regard to those consumers' characteristics or proposing such services in a manner inconsistent with the nature of the services in question (the so-called misspelling).

The UOKiK President also conducts proceedings intended to determine whether standard form contracts with consumers contain any abusive clauses and whether a prohibition on the use of such clauses should be imposed (Article 23a of the Competition Act).

POTENTIAL SANCTIONS FOR BREACH OF COMPETITION OR CONSUMER LAWS

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

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

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

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

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

Additionally, the EC has the power to impose fines of up to 10% of the turnover of the company concerned in the last financial year for breach of EU competition rules. This 10% limit may be also based on the turnover of the group to which the company concerned belongs.

The Group may be subject to civil claims for damages in relation to the alleged or actual infringement of competition or consumer law. A damages action can be triggered by a stand-alone action or by an action that follows a public enforcement decision such as a decision of the UOKiK President or the EC. To ensure effective enforcement of such claims, a private enforcement legal framework has been under development in recent years throughout the European Union to, among other things, introduce a directive harmonizing rules on numerous issues arising in competition damages claims and introduce collective redress mechanisms. This framework seeks to strengthen the position of private claimants seeking damages by removing substantive and procedural obstacles for claimants to prove an infringement and establish damages.

POTENTIAL UPCOMING CHANGES TO THE POLISH COMPETITION AND CONSUMER LAW

In January 2021 the UOKiK President proposed amendments to the Polish Competition and Consumer Law aiming to implement Directive (EU) 2019/1 of the European Parliament and of the Council of 11 December 2018 to empower the competition authorities of the Member States to be more effective enforcers and to ensure the proper functioning of the internal market. The amendments include among others:

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

General EU Consumer Protection Rules

Online retailers who offer their goods and services to consumers must comply with various consumer protection laws. Throughout the European Union, consumer protection is extensively regulated on the basis of, among other legislation, the following EU directives:

- Council Directive 93/13/EEC of 5 April 1993 on unfair terms in consumer contracts;
- Directive 1999/44/EC of the European Parliament and of the Council of 25 May 1999 on certain aspects of the sale of consumer goods and associated guarantees;
- E-Commerce Directive 2000/31/EC;
- Directive 2002/58/EC of the European Parliament and of the Council of 12 July 2002 concerning the processing of personal data and the protection of privacy in the electronic communications sector (Directive on Privacy and Electronic Communications);
- Directive 2005/29/EC of the European Parliament and of the Council of 11 May 2005 concerning unfair business-to-consumer commercial practices in the internal market (Unfair Commercial Practices Directive);
- Directive 2011/83/EU of the European Parliament and of the Council of 25 October 2011 on consumer rights (the “Directive on Consumer Rights”) which replaced the Directive 97/7/EC of the European Parliament and of the Council of 20 May 1997 on the protection of consumers in respect of distance contracts with effect as of 13 June 2014; and
- Directive (EU) 2019/2161 of the European Parliament and the Council of 27 November 2019 amending Council Directive 93/13/EEC and Directives 98/6/EC, 2005/29/EC and 2011/83/EU of the European Parliament and of the Council as regards the better enforcement and modernization of Union consumer protection rules. Local legislation implementing that directive shall be adopted and published by 28 November 2021 and enter into force from 28 May 2022.

The aforementioned EU directives on consumer protection and the national laws which implement or complement these directives impose extensive duties and responsibilities on online retailers, including the following:

- Online purchases constitute "distance contracts" that are subject to specific consumer protection. Pursuant to the Directive on Consumer Rights, with effect from 13 June 2014, consumers have the statutory right to withdraw from a distance contract within 14 days after receipt of goods (or within a period of twelve months and 14 days after receipt of goods if the consumer has not been properly informed about its statutory right of withdrawal). Withdrawal must be exercised by distinct declaration towards the seller (e.g. in writing, by email or phone). The return of the goods without further comment does not constitute a valid declaration of withdrawal any longer. If the statutory right of withdrawal is exercised, within 14 days, the purchaser must return the goods and the seller must reimburse the purchase price including shipping costs (if any) except that the seller must not reimburse the supplementary costs, if the consumer has expressly opted for a type of delivery other than the least expensive type of standard delivery offered by the seller (e.g. express delivery). The purchaser, on the other hand, has to bear the costs for the return of goods unless the seller has failed to inform the purchaser accordingly or the seller has expressly agreed to assume these costs. The purchaser also has to compensate the seller for any loss in value of the returned goods, if such loss is due to the purchaser handling the goods in a way that was not required to examine the condition, features and functionalities of the goods and the seller has informed the purchaser about its statutory right of withdrawal.
- Online retailers must comply with extensive and formalized information requirements. They have to provide their (potential) customers with detailed and accurate information, inter alia, on the offered goods, on the way a binding contract can be concluded, on price and payment details, on their return policy, on the statutory right to withdraw from a contract (irrespective of any more beneficial return policy that may be afforded by the online retailers, on their general terms of sale and on statutory warranties). EU directives and national laws set out detailed criteria on when, where and by which means this information has to be provided. Online retailers have to implement these requirements in the design and structure of their online shops, in their ordering and payment processes and in their delivery systems. Due to changes in legislation, online retailers have to adapt their shop design on an ongoing basis. For example, as a result of the Directive on Consumer Rights, they had to implement a "button solution" pursuant to which a binding purchase can only be completed by clicking on a button that is explicitly labeled "buy now" (or similar) and which can be found in the immediate proximity of a summary of certain key information relating to the purchase. Failure to comply with these information requirements may give rise to civil liability, administrative orders (including injunctive relief) or fines and may in some cases result in an extension of warranty periods or even in the invalidity of the affected customer contracts.
- Advertising, including promotional games, newsletters and personalized product recommendations, is heavily regulated, in particular if distributed through email. An advertisement must not be misleading, constitute an unreasonable nuisance or make use of harassment, coercion or undue influence. These criteria leave wide room for interpretation and the assessment of courts and other competent bodies is often hard to foresee.

The abovementioned directives have been implemented pursuant to the Polish Civil Code of 23 April 1964, the Polish Act on Consumer Rights of 30 May 2014 and other legislation. Consumer-related legislation has historically been subject to frequent amendment and these regulations may be revised in the coming years.

Product Safety

Retailers who place products on the market in the European Union have to ensure that the products are safe. This is also the purpose of the Directive 2001/95/EC of the European Parliament and of the Council of 3 December 2001 on general product safety (the "Directive on Product Safety") according to which manufacturers must put on the market products which comply with the general safety requirement. In addition, they must provide consumers with the necessary information in order to assess a product's inherent threat, particularly when this is not directly obvious and they must take the necessary measures to avoid such threats (e.g. withdraw products from the market, inform customers, recall products which have already been supplied to customers, etc.). In this context it is important to know that under the Directive on Product Safety – just like under most other European and/or national legislation on product safety – an importer (i.e. in most cases also a retailer) of a product that was produced in a country outside of the European Union qualifies as the manufacturer of the product.

According to the Directive on Product Safety distributors are obliged to supply products that comply with the general safety requirement, to monitor the safety of products on the market and to provide the necessary documents ensuring that the products can be traced. If the manufacturers or the distributors discover that a product is dangerous, they must notify the competent authority and, if necessary, cooperate with them.

In Poland, the Directive on Product Safety has been implemented through Act of 12 December 2003 on general products safety and amendments of the Polish Civil Code of 23 April 1964. Further details are determined in various acts and governmental regulations on the safety of specific products/ product groups.

It is worth noting that the European Commission announced the revision of the Directive on Product Safety is planned for the second quarter of 2021. Given the important role that online marketplaces play in the distribution of goods additional obligations and possibly liability can be introduced.

Postal Services

As part of development of the Group's services, on 16 April 2020, Allegro.pl was registered in the register maintained by the UKE as a postal operator.

Provision of postal services is governed by:

- Directive 97/67/EC of the European Parliament and of the Council of 15 December 1997 on common rules for the development of the internal market of Community postal services and the improvement of quality of service, which has been implemented in Poland under the Postal Act of 23 November 2012; and
- the Regulation (EU) 2018/644 of the European Parliament and of the Council of 18 April 2018 on cross-border parcel delivery services.

In the Group's capacity as postal operator, the Group will be subject to various ongoing regulatory and reporting duties and will be subject to ongoing supervision by the President of the UKE. The Group may also be subject to certain specific duties related to state security, national defense, and public order and safety matters (including crime prevention) and will need to cooperate on that with various Polish state security agencies.

Whenever the Polish public postal operator (Poczta Polska) incurs losses on its universal postal service, it may request that the President of the UKE orders that such losses shall be compensated by those of the remaining postal operators whose revenue from universal postal service or equivalent services (excluding courier services) in a given financial year exceeds PLN 1.0 million. Such operators would then participate in such losses on a pro rata basis in accordance with a formula set out in the Postal Act and each operator's share cannot exceed 2% of the amount by which its revenue generated by such services exceeds PLN 1.0 million.

If the Group is found in breach of its various regulatory duties, the Group may be exposed to a fine of up to 2% of part of Allegro.pl's turnover generated from postal activities (or EUR 500,000 (PLN 2.3 million) if the Group's breach occurs within first twelve months of rendering postal services).

Furthermore, breach of certain reporting duties under the Regulation (EU) 2018/644 may result in fines up to 2% of Allegro.pl's total turnover.

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

Marketing and Use of Explosives Precursors

Under the new Regulation (EU) 2019/1148 of 20 June 2019 on the marketing and use of explosives precursors, amending Regulation (EC) No 1907/2006 and repealing Regulation (EU) No 98/2013, which entered into force in February 2021, online marketplaces such as us will need to:

- ensure that users selling regulated explosive precursors know their obligations (Art 7.3);
- take measures to help users comply with verification obligations (Art 8.4); and
- have in place measures to detect suspicious transactions and report attempted or suspicious transactions within 24 hours (Art 9.2 & 9.4).

The Group has introduced processes and necessary T&C changes to ensure compliance with this Regulation and Polish implementing laws.

Payment Services and AML Requirements

As is the case for many other e-commerce businesses, the Group's operations are heavily dependent on the provision of payment services. While payment services have historically been provided by third-party payment services providers, the Group launched its own payment services in the second half of 2020, making applicable payment services regulations directly applicable to the Group. Allegro Finance sp. z o.o. is registered as a "small payment institution" ("SPI") and a subsequent application for a "national payment institution" ("NPI") license in Poland may also be considered. The SPI and NPI licenses are described below.

Payment services in Poland are regulated and in general, companies undertaking such activities require authorization from the PFSA, in which the PFSA specifies the payment services that the payment institution is authorized to provide.

At the national level, the payment services are primarily regulated by the Act on Payment Services of 19 August 2011 (Journal of Laws of. 2020 item. 794, as amended) (the "APS"). APS contains provisions which are national implementation of the Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market, amending Directives 2002/65/EC, 2009/110/EC and 2013/36/EU and Regulation (EU) No 1093/2010, and repealing Directive 2007/64/EC (PSD2).

The payments services and issuance of electronic money is supervised by the PFSA to the extent and subject to the conditions stipulated in the Act on financial market supervision of 21 July 2006 (Journal of Laws 2020, item. 2059, as amended). In the same time, the President of the NBP supervises the payment systems within the meaning of Article 1.1 of the Act of 24 August 2001 on settlement finality in payment and securities settlement systems and the rules of oversight of these systems (Journal of Laws of 2019, item 212, as amended), the payment schemes within the meaning of the APS, as well as participates in the PFSA's supervision of: (i) national payment institutions which provide the acquiring service; (ii) entities which operate securities settlement systems; and (iii) entities which operate securities clearing systems.

Under the APS, the provision of payment services is a licensable activity (unless one of the exemptions provided for in the APS applies). Only entities listed in Article 4.2 of the APS, in the specific conditions set out in the APS, may become payment services providers. Payment services may be provided by a payment institution. The term "payment institution" covers NPIs in Poland and institutions licensed in other EU Member States to provide payment services ("EU payment institutions"). In order to begin providing payment services in Poland as an NPI, an authorization from the PFSA is required. In case of acquiring services, the President of the National Bank of Poland must issue an opinion before the relevant authorization is granted (opinion is issued upon the PFSA's request). The authorization (and the opinion) can be obtained based on an application filed with the PFSA by the legal entity with a registered office in Poland that intends to provide payment services in Poland. In the authorization, the scope of payment services that may be provided by an NPI is specified. The PFSA may withdraw the authorization at any time in the circumstances described in the APS (however, other supervisory measures are also available to the PFSA, including power to: request to dismiss or to suspend the managing person responsible for irregularities, limit the scope of NPI's activity, impose a fine on the managing person or on the NPI itself). The authorization expires if an NPI has not started payment services activity within twelve months from the day authorization has been granted, as well as in case an NPI does not provide payment services over a period of six consecutive months or more. Expiry must be expressly stated in the PFSA's decision.

Certain requirements laid down in the APS must be satisfied by an entity that intends to provide payment services in Poland. If an NPI wants to provide most of the payment services (listed in Articles 3.1–3.5 of the APS), it must have share capital of at least EUR 125,000 or its equivalent in złoty. Contributions to cover the share capital may not originate from a credit facility or loan or be in any way encumbered or originate from illegal or undisclosed sources. The NPI must also hold the required amount of own funds (the minimum requirement for own funds specified in the APS). Depending on the scope of services, the NPI is obliged to have relevant instruments for the purpose of securing claims arising from the activities conducted by the NPI (e.g. bank guarantee, third-party liability insurance, insurance guarantee).

The NPI is supervised by the PFSA, which results in reporting and other obligations under the APS for the NPI. Among other things, the NPI is obliged to submit its audited annual financial statements (and if consolidated – also the consolidated annual financial statements) and interim financial statements to the PFSA in the time limit laid down in the APS.

Direct or indirect disposals of shares in an NPI is subject to the limitations set out in the APS. PFSA has to be notified of the intention to acquire or take up, directly or indirectly, shares of an NPI in a number sufficient to reach or exceed 20%, 30%, or 50%, respectively, of the total number of votes at the decision-making body or a share in the share capital, or if, by virtue of the acquisition, such an NPI would become a subsidiary or co-subsidiary of that entity. Similar obligation is imposed on a potential seller, in case it intends to dispose, directly or indirectly, of a qualifying holding in the NPI.

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

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

The NPI, the SPI, the payment services offices and branches of the EU payment institutions are among other entities considered "obliged entities" (institutions) within the meaning of the Act of 1 March 2018 on Counteracting Money Laundering and Terrorist Financing (consolidated text – Journal of Laws 2020, item. 971, as amended) and therefore obligations related to AML/CFT are directly applicable to them (e.g. obligation to conduct financial security measures, including customer due diligence; appointing senior management responsible for the fulfillment of the obligations set out in the Act; and designating AML Compliance officer).

It is also worth mentioning that the PFSA may issue the recommendations on good practices for the prudent and stable management of NPIs in order to protect the interests of users or holders of electronic money.

Breach of various duties under the APS may result in significant fines, including criminal liability.

In the context of Financial Services it is worth noting that on 24 September 2020 the European Commission published the Digital Operational Resilience Act (DORA) [3]. The proposal aims to bring the requirements relating to ICT risk management in the financial services sector and guidelines issued separately by the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA), and the European Securities and Market Authority (ESMA), under one roof. As a payments institution regulated under PSD2, Allegro is compliant with the PSD2 and the EBA Guidelines on operational risk and major incident reporting. This framework is already quite robust and includes many of the requirements laid out in DORA. Additionally, certain cybersecurity related obligations may be introduced.

OUTSOURCING SERVICES

In order to facilitate cooperation between banks and payment services providers and users of the Group's e-commerce marketplace, the Group is providing certain services to banks and payment services, which constitutes qualified outsourcing regulated under, respectively, the Polish Banking Act of 29 August 1997 (consolidated text – Journal of Laws 2019, item 1357, as amended) and the APS.

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

PACKAGING WASTE

In relation to the Group's activities, in particular retail activities, the Group is subject to various reporting, recycling and other obligations under Polish Act on Waste of 14 December 2012 (consolidated text – Journal of Laws 2020, item 797, as amended) and the Polish Act of 13 June 2013 on dealing with packaging and packaging waste (consolidated text – Journal of Laws 2020, item 1114, as amended). These acts implement, among others, the European Parliament and Council Directive 94/62/EC of 20 December 1994 on packaging and packaging waste.

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

[4] Proposal for a regulation of the European Parliament and of the Council on digital operational resilience for the financial sector and amending Regulations (EC) No 1060/2009, (EU) No 648/2012, (EU) No 600/2014 and (EU) No 909/2014

INTERIM FDI REGIME

General

The below amendments to the Polish the Act on the Control of Certain Investments of 24 July 2015 entered into force on 24 July 2020 and will remain binding for two years from that date.

The revised interim foreign investment regime (the "FDI Regime") was introduced in response to the negative effects that COVID-19 pandemic may have on valuations of Polish businesses. Any transaction that falls within the scope of the FDI Regime will have to be notified to the UOKiK President, who has the right to object to the contemplated transaction.

The FDI Regime will apply to all WSE-listed companies that have their registered offices in the territory of Poland and whose revenue from the sale of goods or services in Poland in any two financial years preceding the notification was at least EUR 10.0 million (PLN 46.1 million). As the Company is incorporated in Luxembourg, therefore, a number of restrictions under the FDI Regime will not apply to trading in the Company's shares.

However, the FDI Regime may apply to some of the Group's Polish operating companies due to their software-related activities. In such case, indirect acquisition of a dominant position over such Polish operating companies (including by way of acquiring a dominant position over the Group) by a Foreign Investor (as defined below) will be a transaction that has to be notified under the FDI Regime.

Foreign Investor

The FDI Regime will recognize as a "Foreign Investor":

- in the case of natural persons, those who are not citizens of an EU/EEA/OECD country; and
- in the case of other entities, those that do not have their registered seat in an EU/EEA/OECD country or have not had their registered seat in EU/EEA/OECD country for two years or more.

In the case of indirect investments (e.g. through subsidiaries or special purpose vehicles), the entity (or person) at the top of the Foreign Investors group structure is considered pursuant to the above criteria. Similarly, if the investment is made by portfolio managers or other agents, the client is taken into account.

Notification

The notification should be filed before the signing of a preliminary agreement obliging an investor to make the acquisition or, in the case of the acquisition of a WSE-listed company by way of a public tender offer, before the tender offer is announced.

Once the notification has been filed, the Foreign Investor may sign the preliminary agreement or announce the tender offer, which will be conditional on receipt of clearance from the President of UOKiK.

Timetable

After the notification, the UOKiK President has 30 business days to either (i) approve the transaction or (ii) initiate control proceedings. The control proceedings may last up to 120 calendar days (the clock stops whenever UOKiK requests additional information, so in practice the actual timing may be even significantly longer).

Reasons for Objections

The President of UOKiK may object to a transaction if:

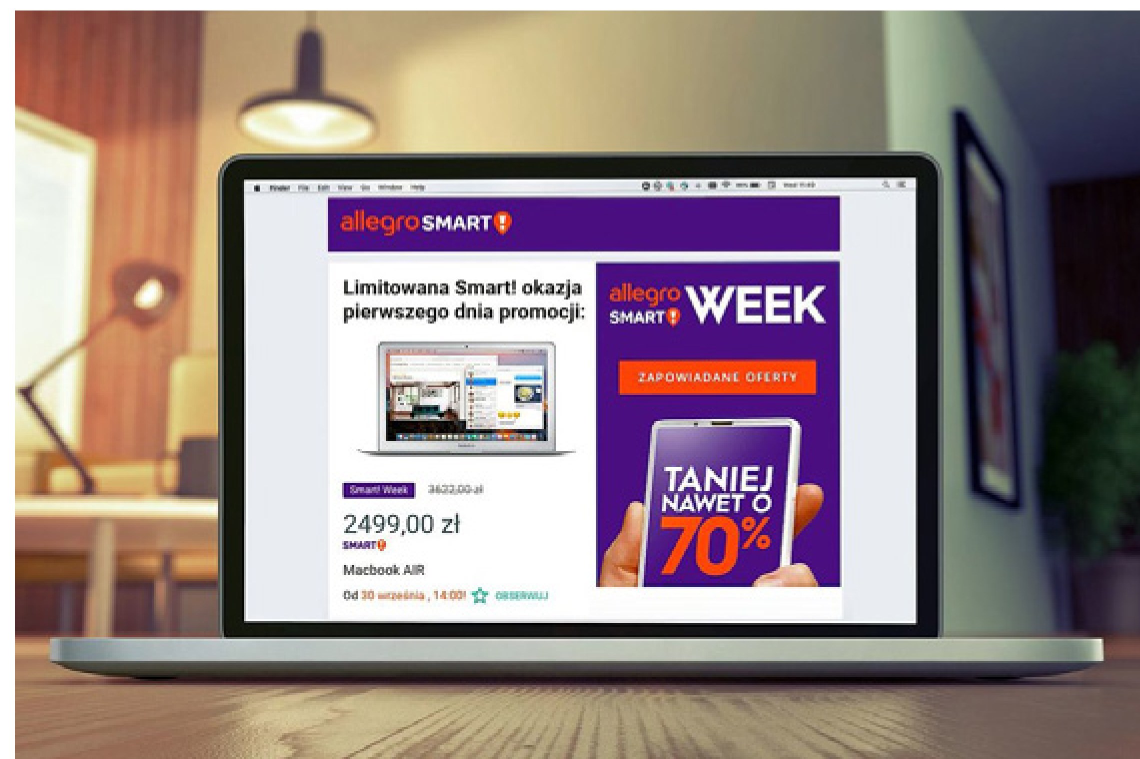
- the investor does not complete the notification fully or fails to provide the additional information/documents/explanations requested by the President of UOKiK; or
- the transaction leads to at least a potential threat to public order, public safety, or public health;
- it is not possible to determine whether the investor has its registered seat (or citizenship) in an EU/EEA/OECD member state; or
- the transaction could have a negative impact on projects or programs which are of EU interest.

Consequences of Non-Compliance

Any transaction made in breach of the FDI Regime (without notification or without approval) will be null and void and the investor will be unable to exercise its rights (including any voting rights) under the shares acquired. In case of taking control over a parent company of a Polish protected entity; only the latter sanction will apply.

Investment made without approval is a criminal offence subject to a penalty of imprisonment from six months to five years and a fine of up to PLN 50.0 million.

Moreover, anyone managing the subsidiary or exercising voting rights on behalf of a Foreign Investor, who fails to notify the President of UOKiK of the foreign investment of a certain kind (such as a cross-border merger outside of Poland) is liable to a fine of up to PLN 5.0 million, a term of imprisonment of six months to five years or both of these sanctions jointly.



3. Approach to Corporate, Environment, and Social Responsibility

3.1. Corporate, Environmental, and Social Responsibility

Allegro's sustainability strategy for 2020-2023

The Group's CSR & Sustainability Strategy continues our important social and educational programs with an added strong emphasis on environmental issues. The motto of our strategy is #SustainableTogether, because by cooperating with customers, merchants, business partners, employees, and other stakeholders we actively strive to reach the Sustainable Development Goals. Allegro, as a marketplace, has a significant impact on the Polish economy and society. Through R&D and technology investments, we create a flywheel effect that scales up much beyond our own direct contribution.

Our innovations and initiatives develop the resilience and growth of our customers and merchants, as well as business partners.

Our approach focuses on the environmental aspects of e-commerce operations, while constantly increasing our ambitions and identifying further goals to be achieved. The strategy was approved and adopted by the Board of Directors. The results of implementation are monitored on the continuous basis and are presented to the management as well as published in the annual CSR report.

The Group's CSR & Sustainability Strategy comprises of 4 pillars:

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

The strategy comprises 86 initiatives helping the operationalization of efforts. Goals and key KPIs have been defined in each pillar and are monitored regularly.

Principal non-financial risks

Measuring and disclosing ESG performance, risks, and controls is essential to gain the trust of stakeholders and generate maximum value from the market. We recognise the below risks as the primary area of ESG activities.

Principal risks	Map of risks	More about management in section
Environmental Risk	Although e-commerce is more green than the alternatives, we are aware the Group's operations pose a negative environmental impact (e.g. CO2 emission, packaging waste). The growth of our business, without implementing carbon emission and energy reduction programs, as well as sustainability initiatives, could result in a negative environmental impact. New regulatory framework related to the EU Green Deal and environmental transition may imply further obligations on retailers and possibly on other entities. The ongoing climate changes have the potential to generate substantive changes in operations, revenue, or expenditure. Carbon-neutral initiatives and sustainable technology solutions, e.g. eco-packaging, may increase the costs of our operations.	Environmental Responsibility
Social Risk	The Group's brand may be adversely affected if its public image or reputation is tarnished by negative publicity. Product recalls, product liability claims, breaches of corporate social responsibility, the presence of counterfeit goods that violate the Group's terms and conditions or other fraudulent activity in the Group's e-commerce marketplace that is not detected by its anti-fraud technology could significantly harm the Group's reputation and business. User complaints or negative publicity about its websites, products, delivery times, returns processes, the working conditions of its employees (or those of the employees of any of its subcontractors or suppliers), user data handling and security practices, or customer support, including on internet-based platforms such as blogs, online ratings, review services and social media websites, could have a significant negative impact on the Group's reputation and on the popularity of the Group's websites.	Responsibility Towards Customers and Merchants
Risk Related To Human Rights	The control and prevention mechanisms of the Group's compliance structure might not be sufficient to adequately protect the Group from all human rights violations such as unequal employee treatment (hiring, remuneration, training and promotion, etc.) or other violations in case third-party partners and suppliers.	Respecting Human Rights
Labour Practices	The loss of qualified personnel, high employee turnover, or persistent difficulties in filling job vacancies with suitable applicants could have a material adverse effect on the Group's ability to compete effectively in its business and considerable expertise could be lost by the Group or access thereto gained by the Group's competitors. In addition, to attract or retain qualified personnel, the Group might have to offer increased compensation packages and other benefits which could lead to higher personnel costs. Any failure to attract, train, motivate or retain skilled personnel at reasonable costs could result in a material adverse effect on the Group's business, financial condition and results of operations. The work-related hazards and hazardous situations and the risk of a work-related injury or ill health, including accidents and occupational diseases could also materially adversely affect the Group's business. The COVID-19 pandemic has profound implications for employees who are required to continue operating in the workplace (especially at the warehouse). Employees remote working could have not ergonomic and appropriate workspaces at home.	Responsibility for the workplace
Risk Of Corruption And Other Violation	The incidents of corruption or bribery (kickback, facilitation payment, payment extortion, cyber extortion), conflicts of interests or other inappropriate behaviour could affect the Group as well as failure to provide proper protection of customers' personal data	Business ethics
Risk Of cybersecurity and private data breaches	The Group relies on third-party data center providers, whose facilities could suffer as a result of a cyberattack. Cybersecurity, management of private data and ensuring a sufficient level of security for our infrastructure are important parts of our operations.	Business ethics

Non-financial indicators

Our main achievements in 2020:

+72	NPS in customer satisfaction survey
+128k	professional ("B2C") merchants on Allegro
200 million	active offers on Allegro
962,087	unique users who visited in 2020 Allegro Academy e-learning platform and attended at least one from 50 available educational courses
PLN 6.9 million	donations made by the Allegro.eu Group to support several public organizations during the COVID-19 pandemic
PLN 19.4 million	raised through charity initiatives Charytatywni.Allegro.pl
91%	of employees perceive Allegro as a workplace where everyone is respected regardless of gender, age, or any other dimension of diversity
200	employees got involved in two editions of our voluntary charity projects #pomagamyboumiemy (77 initiatives)

Long-term sustainability goals

The Group's long-term sustainability goals are to help our customers to make responsible choices, through exposure and promotion of sustainable products by optimizing Allegro.pl product search based on fair and transparent criteria. We are working on a dedicated space for those looking for eco-products because we want to make it easier for buyers to find certified offers and to promote sellers in this market segment.

We aim to raise awareness of the best practices in sustainable packaging and logistics giving both sellers and the buyers knowledge and tools to promote circular use of resources in our value chains. We intend to encourage more merchants to use eco-packaging.

We stress education for our merchants and customers on developing e-learning platform Allegro Academy.

The Group introduces annual GHG (greenhouse gas) emissions monitoring and agenda to achieve reducing average GHG emissions per GMV.

3.2. Responsibility for the workplace

3.2.1. Workplace

HR Policy

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

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

The table below presents our employment structure.

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

Form of Employment – Gender	2020	2019
Permanent employment contracts – Women	32.1%	32.0%
Fixed-term employment contracts – Women	9.7%	9.6%
Permanent employment contracts – Men	47.2%	47.2%
Fixed-term employment contracts – Men	10.9%	11.2%

Employees and other workers	2020	2019
Employment contract	2,721	2,194
Contractors (B2B)	240	17
Workers who are not employees (work agencies & outsourced service)	198	268

Place of Employment	2020	2019
Poznań	51.3%	57.0%
Warsaw	30.7%	25.5%
Wrocław	7.2%	8.2%
Kraków	3.7%	2.3%
Toruń	3.5%	3.8%
Błonie	2.6%	2.6%
Other	1.0%	0.5%

Annual engagement survey

We conduct an annual satisfaction survey among all of our employees. We treat it as a fundamental source of information about our workplace. By analysing the survey results, we are able to better understand what drives employee engagement, as well as the gaps to be covered.

The survey is confidential and we benchmark ourselves against the best tech companies in the world.

In 2020, we have reached the highest engagement score in Allegro's history.

Annual engagement survey [1]	2020	New Tech 1000+ 2020 [2]	2019
Engagement score	78%	73%	73%
Company Confidence	91%	78%	78%
Performance	89%	80%	—
Teamwork & Ownership	88%	71%	88%
Learning & Development	85%	76%	83%
Collaboration & Communication	85%	n/a	83%
Culture	85%	n/a	76%
Enablement	84%	73%	80%
Management	83%	n/a	83%
Alignment & Involvement	79%	77%	71%
Leadership	79%	67%	71%
Feedback & Recognition	75%	64%	76%
BaZa Action	64%	49%	65%
Participation in the survey	94%	75–90% [3]	94%

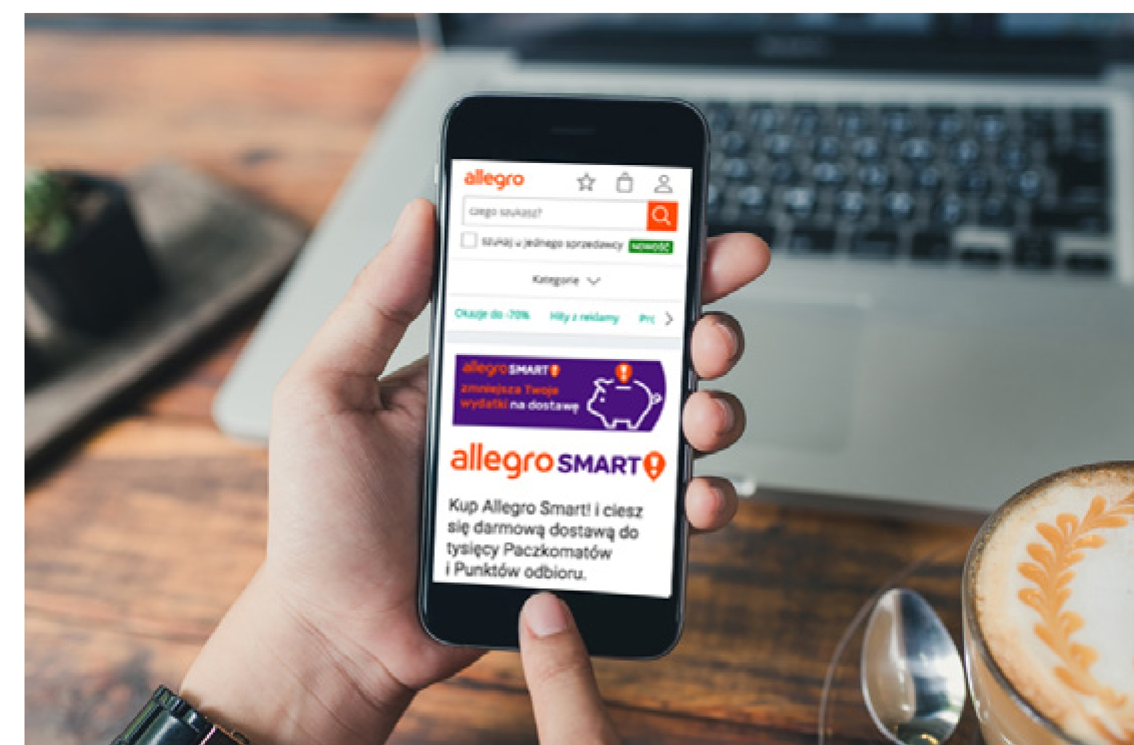
[1] Data for Allegro.pl
[2] Culture Amp reports
[3] Participation rate: 70% of Culture Amp customers (our supplier of BaZa) have response rates between 75% and 90%

Anti-discrimination and Anti-mobbing Policy

The Group has created an inclusive work environment, working towards bias and prejudice mitigation, where people with different views and experiences can grow. We introduced Anti-discrimination and Anti-mobbing Policy and Irregularity Reporting Procedure in 2016. The policy requires all employees, in particular those in managerial positions, to treat their colleagues with dignity and behave ethically. All employees are familiarized with the above policies during onboarding and refresher training is provided for all employees and contractors.

A diversity policy was introduced at Allegro in 2020, outlining good practices and processes that foster a diverse and creative workplace. We also organise anti-mobbing and anti-discrimination training to facilitate recognising and preventing undesired behaviours and build positive relations between employees.

Anti-discrimination and anti-mobbing policy	2020	2019
% of participants of anti-discrimination and anti-mobbing training – annual reminder	88.8%	92.8%
% of participants of anti-discrimination and anti-mobbing training – onboarding (all new employees)	100%	100%
Reported cases of discrimination and mobbing	5	2



Remuneration

In Allegro, we aim to attract and retain high performing and talented individuals from the local market and beyond. We are targeting top people with great potential to grow. Our employee value proposition is based on the high scale and complexity of the projects we face, wide development opportunities we provide, and competitive compensation package we offer to the candidates and employees.

The remuneration policy is intended to attract, motivate and retain employees who have the highest level of competence and experience. The basis of it is an equal treatment of employees and the policy provides a framework to pay equal compensation to everyone performing the same roles.

Ratio of average remuneration of women to men [1]	2020	2019
Women's remuneration against average remuneration	95.2%	95.7%
Men's remuneration against average remuneration	102.7%	101.5%
Women's remuneration against men (Men=100%)	91.9%	92.9%

[1] Weighted average by the size of the group per each Corporate Level in functional areas

The key factor impacting differences in pay between genders can be attributed to underrepresentation of female employees in technology roles and in senior roles. The Group has developed a thorough intervention plan focusing on:

- stimulating more gender balanced pipeline of external candidates to technology roles and for senior positions in general (both external and internal recruitment processes);
- ensuring we operate an objective, fact and evidence based performance evaluation and promotion process and as a consequence a reward review process;
- focusing on increasing representation in important external organizations promoting diversity and inclusion supporting a social dialogue as a an important technology employer in Poland;
- ongoing education and engagement of Allegro employees on this topic, raising awareness and ensuring strong support throughout the organization.

All of the above are designed to systematically address the identified challenges and aiming to close the pay gap.

Training

Allegro's learning and development objective is to set up an effective framework for embedding a culture of long-term career planning, self-development, identifying and deploying talent in roles with mutual benefit for both individuals and Allegro. The Group operates a training platform for employees and contractors, which is used for administration, tracking, and automation of training session delivery.

Employees have access to a variety of soft skills and technical training modules, as well as managerial training sessions and programs. The learning curriculum is constantly updated to address identified development gaps in line with Allegro's strategic direction as well as to meet employees' expectations.

Another important aspect of the development provision is financial support by Allegro for studies and professional qualifications at top universities, attendance at conferences and individual coaching.

In 2020, 64% of employees took part in at least one training, and 289 internal training sessions were organised with a total of 5,342 participants.

Training	2020	2019
Number of training participants	**5,342**	**4,416**
% of training participants – women	45%	32%
% of training participants – men	55%	68%
Number of unique participants	**1,500**	**1,386**
% of employees took part in at least one training	64%	74%
Number of employees women took part in at least one training	675	443
Number of employees men took part in at least one training	825	943

Internal training	2020	2019
Number of internal training sessions	501	443
Average rating of the training – 4.5 (on a scale of 1 to 5)	4.5	4.5
Number of internal trainers	171	191

In 2020 women took part in more training sessions than in the previous year and in general women participated in training more often than men. 41.8% of Allegro's workforce are female and as many as 45% of all training participants are female.

Performance Review Process at Allegro

The Performance Management process provides the framework for consistent evaluation of individual performance based on objective, factual, and evidence based feedback in relation to achievement of business goals and demonstrated behaviours. Employee performance review employees' happens twice a year.

The promotion process is closely aligned with the performance review and is based on objective assessment of level of competency and skills outlined in Allegro Factors for promoted employees (Impact, Managing Complexity, Leading People, Communicating with Clarity, and Knowledge and Professional Mastery).

Performance review [1]	2020	2019
% of employees evaluated	93.9%	92.5%
% of employees evaluated – women	86.4%	85.2%
% of employees evaluated – men	99.3%	97.5%

[1] Excluding eBilet and employees on trial period

Career path	2020	2019
% of women promoted to managerial positions	1.7%	1.4%
% of women promoted to director positions	0.26%	0.00%
% of women promoted to C-level positions	0.00%	0.00%

Career path	2020	2019
% of men promoted to managerial positions	2.79%	2.89%
% of men promoted to director positions	0.13%	0.00%
% of men promoted to C-level positions	0.00%	0.00%

Everyone meeting the criteria of minimum 3 months of service is included in the performance evaluation process, including the employees returning from the leave of absence (i.e. long term sickness leave, parental leave, maternity leave). Such employees usually are not working long enough to receive a performance rating. This is the main reason for the difference to 100%, in particular amongst female employees.

Safe Workplace

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

- prevention of accidents and occupational diseases,
- ongoing monitoring of the working environment and close cooperation in this regard with the administration team,
- systematic updating of occupational risk,
- engaging employees in activities for health and safety, and
- raising awareness of health and ergonomics.

The Group has monitored the effects of the Occupational Safety and Health Policy and number of occupational accidents. In 2020 only one minor accident was recorded.

Number of accidents	2020	2019
Minor accidents	1	5
Serious accidents	0	1
Fatal accidents	0	0

The Health Action (Akcja Zdrowie)

The Group cares about its employees health and wellbeing. In order to foster a healthy lifestyle, leading to reduced absenteeism and increased productivity and quality of work the Group introduced an annual campaign in the form of a series of workshops, consultations, and webinars. In 2020, the initiative was organised on the training platform and focused on remote work as part of the #zdaninazdalną program. It involved consultations with psychologists, physiotherapists, nutritionists, workouts for a good start of a day, yoga training, and 13 webinars.

Recordings and materials continue to be available to employees. The webinars concerned health, hygiene, and ergonomics of remote work, diet and nutrition, body immunity, yoga, relaxation and mental resilience, as well as coping with pandemics and beyond.

Safety at the offices and warehouse during the pandemic

The spread of COVID-19 has led the Group to modify its operational practices, and it may take further actions required by authorities or that it determines are in the best interests of its employees, buyers, merchants and other stakeholders. The Group has implemented a work-from-home policy which has been applied to nearly all of the Group's employees. For the Group's employees who work in the Group's warehouse and cannot work remotely, the Group has implemented additional protective procedures, including equipping employees with personal protective equipment (e.g., masks, gloves, disinfectants, hand sanitizers and face shields), implementing social distancing, staggering employees working hours across three shifts throughout the day, increasing the frequency of cleaning in the Group's facilities, and installing thermal imaging cameras.

We equipped all offices with personal protective equipment, we recommend Home Office for those employees whose office presence is not essential (over 95% of office staff). Our employees received PLN 1000 Allegro platform vouchers to purchase home office equipment of their choosing (e.g. office chairs, screens, headphones) in order to improve their working from home experience. We have migrated all training from offline to online and added special classes for managers on managing and organizing people working from home, as well as group-wide training on time organization while working from home. We facilitate events and internal competitions to help employees socialize and adjust processes to the situation. We test all our kindergarten and nursery teachers before we open kindergarten and nursery after each government mandated lockdown. We provided tests to our employees in case they have contact with ill people and have contact with other employees. We made surveys to check employees' well-being and their needs and the actions taken above address many of them.

We conducted an audit of the security of offices and warehouses in terms of safety and compliance with recommendations against coronavirus and implemented the recommendations resulting from it.

Benefits Provided to Employees

The Group understands the contemporary labour market and the needs of employees to balance work and private life. That is why we are constantly developing the catalogue of benefits that we offer to our team in the My Benefit System. Employees can choose benefits to be paid monthly with credit points they were granted. The employer paid benefits are: medical care for the employee and their relatives, the sports card for an employee and possibly accompanying person, the childcare benefit is dedicated for monthly co-financing of a kindergarten, a nursery or a nanny (as well WOW nursery and kindergarten for employees in Poznan), the transport benefit or a company parking, a bus pass or petrol, the restaurant card and Transfer of points to the Bank of Points to purchase one-time benefits for their collected points, e.g. in such categories as Culture, Tourism, Sport and recreation, Children. Employees can also choose life insurance. The other benefits offered by the Group include Company Social Fund (i.a. kindergarten allowance, holiday allowance, Christmas bonus, but also one-off grants in difficult life/financial situations, repayable home loans. Employees receive Allegro Coupons for St. Nicholas' Day, educational gifts for Children's Day and have access to fruit and vegetables in offices. Allegro organises Special Children's Day Events every year for parents who work at Allegro and their children in all locations. In 2020, due to the coronavirus pandemic, we were unable to organize Children's Day, so all employees were given an additional day off.

WOW KINDERGARTEN AND NURSERY IN POZNAŃ FOR CHILDREN OF ALLEGRO.PL EMPLOYEES

The company WOW kindergarten and nursery for children, located in the Group's Poznan office can accommodate 57 children in three kindergarten groups and 20 in the nursery. The educational program focuses on comprehensive development of children who take part in numerous music and motor activities (eurhythmics classes, dancing, taekwondo, music therapy), language classes (English and Spanish), and art activities. The program is made even more attractive thanks to shows and creative workshops devoted to, among others, a healthy lifestyle, ecology and sustainable development. In 2020, as part of supporting parents who stayed alone at home with their children, the kindergarten and nursery staff prepared interesting ideas for spending time together during the quarantine.

Sharing Knowledge

Allegro offers many opportunities to share knowledge, both inside and outside the organisation. An internal technology conference for the IT department is held once a year. In 2020, 700 people from the Allegro team took part in the online conference, 37 of them as speakers. As part of Allegro Tech initiative, employees attend as speakers a number of open events (i.a. Allegro Tech Talks, Allegro UX Talks, and Mission: change your industry). During 2020, 135 Allegro experts delivered over 75 presentations in Poland and abroad.

MENTORING PROGRAM

The Group runs a mentoring program as well as a 'cross-team tourism' program. Every person who joins the program is supervised by a mentor. 'Tourism' consists in a temporary change of the employee's placement for between 2 weeks and 3 months. Its main purposes are:

1. Supporting sharing knowledge between teams so that the visitor can get to know a different business area and apply this knowledge to their current project upon their return.

2. Retaining talent. If an employee is considering changing their job, they can first check how they would fit into another project and eventually change the team permanently.

3. Helping switch industries. The program is open to every employee, provided that both the current and the target superior consent and that benefits for all parties are demonstrated.

Recruitment and Onboarding

The Group utilises a behavioral and standardized competency interview throughout its recruitment process, allowing for an objective evaluation of applicants. Additionally, to support recruiters in selecting candidates in a neutral and unbiased manner, we have created the Hiring Squad (HS). It is a group of experts in various fields (Developer, UX, Product Manager, HR) and at various career levels (mid-level, senior, manager). Their task is to make the final selection of the person who will be employed in the recruitment process. The work samples used in the selection process further increase its objectivity.

Feedback is also our unique practice. Each of the recruiters, independently, prepares their own feedback about the candidates at each stage of the recruitment process. It informs the Hiring Squad's decisions about employment. Feedback is also provided to the candidates once the recruitment process is completed, regardless of the result. We put special emphasis on feedback communicated to people whom we have not decided to employ. We point to gaps in competencies and suggest educational materials that may help to bridge them, should the given person decide to apply again in the future.

New joiners	2020	2019
% of new joiners – women	42.2%	43.7%
% of new joiners – men	57.8%	56.3%

New joiners	2020	2019
% of new joiners aged under 30	58.2%	62.6%
% of new joiners aged 31–40	33.5%	34.6%
% of new joiners aged 41-50	7.5%	2.3%
% of new joiners aged 51–60	0.8%	0.4%
% of new joiners aged 60+	0.0%	0.0%

Employee turnover rate [1]	2020	2019
Employee turnover rate [1]	8.9%	10.5%
Employee turnover rate – women	9.3%	12.1%
Employee turnover rate – men	8.5%	9.4%

[1] Employee turnover rate (%) = employees who leave the organization /average number of employees over the analyzed period. The average staff turnover rate in 2019 in Poland is from 16% to 18% according to external reports Mercer and Korn Ferry published in 2020.

Onboarding

Allegro's onboarding program allows you to get to know the company and prepare new employees and contractors for work. For several years, however, the onboarding program has also been available to people returning to work after a long absence. This includes, among others, parents whose parental leaves exceeded one year. The topics of the workshops and presentations concern the functioning of the company: caring for customers and merchants, products, technologies and HR. Employees also learn about the company's policies and rules, and receive theoretical and practical training in using the company's internal systems. In 2020, 694 people took part in the three-day onboarding process, including 42 people returning after a long absence.

e-Xperience Internship Program at Allegro

Each year, Allegro opens its doors to people who are starting their careers, allowing them to learn more about how an e-commerce platform works and build experience. The duration of the program is 3 months, and it is organised during the summer holidays. It is paid, and the best people have a chance to stay at the company for longer. In 2020, 53 people took part in the Allegro e-Xperience internship program, of which as many as 70% were employed after the program ended. All participants are assigned a mentor who supports them throughout the program. They can take part in the training we offer, and also try their hand at working independently on real projects and tackling problems of one of the largest technology companies in Poland. The Summer e-Xperience program is recommended by 100% of the people who took part in it.

3.2.2.
Diversity in the workplace

Diversity & Inclusion Policy at Allegro.eu

In 2020 Allegro.eu implemented The Diversity Policy. Allegro.eu' entities are strongly committed to be an equal opportunities employer, where every employee is equally valued, respected and supported to fulfil their potential. Allegro fosters an environment where people can speak up to remove barriers to success and collaborate to put the best ideas into practice. The company follows the principle of gender equality in our HR processes such as recruitment, promotion, access to training programs, promotion opportunities, remuneration, reconciliation of professional and family obligations, protection from mobbing and unjustified dismissal.

DIVERSITY POLICY APPLIES TO ALL EMPLOYEES. AT ALLEGRO:

- We care greatly about ensuring that every Allegro employee has the right to a safe working environment free from discrimination, harassment, bullying or other forms of intimidation and violence. Fostering such an environment increases employee engagement improves well-being and creates a strong performance culture. To ensure Allegro culture embraces these values we introduced a policy against discrimination and mobbing that applies to all employees. We also have the Stay Fair Code of Conduct and Whistleblowing and ensure ways to report irregularities.
- We actively support diversity and inclusion initiatives. Between 2018 and 2020 we organised or took part in around 30 events dedicated to the topic, including the Poznań Mentoring Walk, Women in Tech, Hackathon Accessibility, Mission – switch the industry, and the Allegro mentoring program.
- We want to make sure our employees understand the importance of inclusion and diversity in the Allegro working environment. In 2019/2020 we organised 42 training sessions dedicated to inclusion and diversity and trained 391 people. Our original lecture on hidden biases and how they affect diversity was shown at GeeCon, the biggest IT conference.
- Our recruitment process is based on objective and substantive assessment criteria and its main part is behavioural interview. Its individual stages are organised according to established framework and rules to ensure a consistent experience for all candidates, regardless of their gender, ethnicity, beliefs, etc.

Diversity indicators	2020	2019
Allegro.eu		
% of employees – women	41.8%	41.6%
% of employees – men	58.2%	58.4%
% of new joiners – women	42.2%	43.7%
% of new joiners – men	57.8%	56.3%
% of employees with disabilities	0.7%	0.9%
% of employees with disabilities – women	0.5%	0.5%
% of employees with disabilities – men	0.3%	0.4%
% of employees aged under 30	38.4%	37.4%
% of employees aged 31–40	49.7%	51.6%
% of employees aged 41-50	11.1%	10.4%
% of employees aged 51–60	0.6%	0.4%
% of employees aged 60+	0.1%	0.1%
% of women aged under 30	40.7%	38.9%
% of women aged 31–40	49.8%	51.8%
% of women aged 41-50	9.4%	9.1%
% of women aged 51–60	0.2%	0.2%
% of women aged 60+	0.0%	0.0%
% of men aged under 30	36.8%	36.3%
% of men aged 31–40	49.7%	51.6%
% of men aged 41-50	12.4%	11.3%
% of men aged 51–60	1.0%	0.5%
% of men aged 60+	0.2%	0.2%
% of foreign employees	1.1%	0.8%
% of foreign employees – women	0.3%	0.2%
% of foreign employees – men	0.8%	0.6%
Women's remuneration against average remuneration	95.2%	95.7%
Men's remuneration against average remuneration	102.7%	101.5%
Women's remuneration against men (Men=100%) [7]	91.9%	92.9%

[7] Weighted average by the size of the group per each Corporate Level in functional areas

Diversity indicators	2020	2019
Managers		
% of managers – women	28.0%	29.0%
% of managers – men	72.0%	71.0%
% of managers aged under 30	8.7%	10.1%
% of managers aged 31–40	61.0%	62.6%
% of managers aged 41–50	28.3%	26.1%
% of managers aged 51–60	2.0%	1.1%
% of managers aged 60+	0.0%	0.0%
% of managers aged under 30 – women	8.8%	10.9%
% of managers aged 31–40 – women	56.8%	52.5%
% of managers aged 41–50 – women	34.4%	36.6%
% of managers aged 51–60 – women	0.0%	0.0%
% of managers aged 60+ – women	0.0%	0.0%
% of managers aged under 30 – men	8.7%	9.7%
% of managers aged 31–40 – men	62.6%	66.8%
% of managers aged 41–50 – men	25.9%	21.9%
% of managers aged 51–60 – men	2.8%	1.6%
% of managers aged 60+ – men	0.0%	0.0%
Women managers' remuneration against average managers' remuneration [8]	93.3%	92.0%
Men managers' remuneration against average managers' remuneration [8]	102.1%	101.3%
Women managers' remuneration against men managers' remuneration (Men = 100%) [8]	90.8%	88.9%

[8] Weighted average by the size of the group per each Corporate Level in functional areas

Diversity indicators	2020	2019
Experts & Professionals		
% of experts & professionals – women	37.5%	34.5%
% of experts & professionals – men	62.5%	65.5%
% of experts & professionals aged under 30	37.5%	35.8%
% of experts & professionals aged 31–40	53.2%	54.8%
% of experts & professionals aged 41-50	9.1%	9.2%
% of experts & professionals aged 51–60	0.2%	0.2%
% of experts & professionals aged 60+	0.0%	0.0%
% of experts & professionals aged under 30 – women	33.6%	32.7%
% of experts & professionals aged 31–40 – women	58.2%	59.2%
% of experts & professionals aged 41-50 – women	8.2%	8.1%
% of experts & professionals aged 51–60 – women	0.0%	0.0%
% of experts & professionals aged 60+ – women	0.0%	0.0%
% of experts & professionals aged under 30 – men	39.8%	37.5%
% of experts & professionals aged 31–40 – men	50.2%	52.5%
% of experts & professionals aged 41-50 – men	9.6%	9.8%
% of experts & professionals aged 51–60 – men	0.3%	0.2%
% of experts & professionals aged 60+ – men	0.0%	0.0%
Women experts & professionals remuneration against average experts & professionals remuneration [9]	93.1%	94.3%
Men experts & professionals remuneration against average experts & professionals remuneration [9]	102.9%	101.7%
Women experts & professionals remuneration against men experts & professionals remuneration (Men =100%) [9]	90.1%	92.5%

[9] Weighted average by the size of the group per each Corporate Level in functional areas

Diversity indicators	2020	2019
Board members		
Board members – women	2	n/a
Board members – men	6	n/a
Board members aged under 30	0	n/a
Board members aged 31–40	0	n/a
Board members aged 41–50	4	n/a
Board members aged 51–60	4	n/a
Board members aged 60+	0	n/a

Diversity indicators	2020	2019
Share of returns after parental leave		
Employees who went on parental leave	92	74
Employees who returned to work after parental leave	68	71
Employees who returned to work after parental leave in the previous year and remained in employment for 12 months after the return	66	59
Employees who went on parental leave – women	78	59
Employees who returned to work after parental leave – women	54	54
Employees who returned to work after parental leave in the previous year and remained in employment for 12 months after the return – women	52	49
Employees who went on parental leave – men	14	15
Employees who returned to work after parental leave – men	14	17
Employees who returned to work after parental leave in the previous year and remained in employment for 12 months after the return – men (%)	14	10

In 2020, 93% of employees who returned to work after parental leave in the previous year remained in employment for 12 months after the return, in case of women it was 96%, in case of men – 82%.

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

3.3.1. Anti-corruption and bribery policy

A management system for governance, risk and compliance

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

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

In addition to matters describes in section "Risk management system", we note that a management system for governance, risk and compliance, which includes standards of conduct, corruption prevention, competition law compliance, prevention of conflicts of interest, information and data protection, prevention of unlawful discrimination and protection of company property and know-how has been established in both the Group's main operating subsidiaries: Allegro.pl and Ceneo.pl.

In addition, Allegro.pl and Ceneo.pl have introduced a binding code of conduct for compliance with the corporate social responsibility ("CSR") regulations for the suppliers of the group. The suppliers code should be accepted by each Key Vendor, being a vendor whose annual sales to Allegro exceed PLN 100,000. Based on the recommendations of the Polish Ministry of Finance, Allegro.pl and Ceneo.pl have established a complex verification process in vendor creation. A review of financial documents, registration documents and the correctness of bank accounts should filter out unsuitable service providers.

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

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

The Allegro Code of Ethics consists of:

- Transparency policy
- Policy against discrimination and mobbing
- Whistleblowing procedures
- Antitrust Compliance Policy
- Anti-money laundering and countering terrorism financing policies
- Security policy

Allegro has introduced the following regulations and processes:

- Anti-corruption rules
- Regulations for accepting and offering gifts and benefits
- Diversity policy
- Procedure in the event of an inspection
- Procedure for concluding agreements
- Tax governance policy
- Vendor verification procedure
- Sponsorship activity regulations
- Training policy

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

Composition of the Ethics Committee

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

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

The Allegro irregularity reporting system is dedicated to the company's employees and contractors. It relies on the guidelines for handling complaints and grievances related to non-compliance with the Code of Ethics. The whistleblowing system uses a dedicated internet platform, a form on the company's website and a designated email address. The whistleblowing system includes protecting whistleblowers.

All employees are obligatorily trained on all policies during the onboarding session. All of the employees are obligated to sign that they will adhere to policies. Additionally we are providing obligatory training from policies to every employee, including contractors every year.

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

Reported cases were checked and they were not any violation.

Employee Training on Ethical Standards

The company has introduced mandatory training in compliance and ethics. An ethics and compliance training and communication plan has also been developed and is being implemented.

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

The channels used to train employees in ethics include e-learnings, email, a dedicated internal platform (Intranet), meetings, posters and other forms of communication.

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3.3.2. Respecting Human Rights

Vendor relations

Allegro runs its business ethically and expects the same from its vendors and business partners. In case the total value of contracts with the given vendor exceeds PLN 100,000, our business partners are obliged to sign the Allegro Code of Ethics and Allegro asks them whether they have an adequate code of ethics or internal regulations of their own.

The Code of Conduct presents a set of guidelines that set out the minimum level of ethical and behavioral standards that should be abided by our suppliers and business partners. The guidelines should not be deemed contractual obligations as such, but they may be regarded as such if there exists a legally binding contractual relationship between the parties in a related scope.

In 2020, we worked with over 2,000 reliable vendors offering products and services. We want to make sure that they share similar values and principles in their daily business.

If the total value of contracts with the given vendor exceeds PLN 100,000, they are enrolled in an on-going monitoring and evaluation program and are required to accept and sign the Code of Conduct and the Vendor and Business Partner Questionnaire, as well as submit a written declaration of compliance with the principles of UN's Global Compact initiative. This enables us to verify their conduct in its ethical, social and environmental aspects. Allegro had over 430 such vendors in 2020.

Responsibilities of vendors and business partners based on ten United Nations Global Compact principles:

- Compliance
- Respecting human rights
- Ensuring the highest standards and work conditions for employees
- Protecting the natural environment

EMPLOYEE REPRESENTATION

Allegro employees are not covered by collective bargaining agreements and are represented by the Employee Representation.

3.4. Responsibility Towards Customers and Merchants

Agreements and Regulations in force

Allegro.pl documents concerning customers and merchants that are currently in force:

- Allegro User Agreement with appendices
- Forbidden and restricted items;
- Rules on creating Transaction description;
- Policy on technical breaks and compensation for technical failures;
- Fees and commissions;
- Privacy protection policy;
- Junior account principles;
- Terms and conditions of PayU service;
- Terms and conditions of Przelewy 24 service;
- Notes of guidance on agreement renouncement and draft renouncement statement;
- Buyer Protection Program.
- Adding Products
- Use of databases of Allegro.pl and available in Allegro
- Terms and conditions of the “Allegro SMART!” service for the Sellers
- Allegro Lokalnie
- General Terms and Conditions of the Cooperation Related to the Mail Order Sales of Medicinal Products
- Allegro Community
- General Terms and Conditions of Delivery Service
- General Terms and Conditions of the Delivery Service for Allegro Lokalnie
- Charity Listings
- General Terms and Conditions of the Cooperation Related to the Sales of Vouchers Exchangeable for Medical Services
- Data processing Agreement

Customer Safety

The safety and convenience of customers and merchants are of key importance to Allegro. Allegro customers' safety is ensured by:

- Buyer Protection Program
- Rights Protection Cooperation Program
- Limiting the sale of counterfeit items on the platform
- Reporting rights infringements and quick reaction to such reports
- Cooperation with government agencies to withdraw products that do not meet certain standards or are not allowed on the market:
  - Memorandum of Understanding on the sale of counterfeit goods via the internet signed under the auspices of the European Commission
  - Cooperation with the Office of Competition and Consumer Protection as well as municipal and district Consumer Ombudsmen, including joint consultations, opinions and analyses
  - Anti-Smog Coalition together with the Polish Smog Alert and the Office of Competition and Consumer Protection
- Rules on Forbidden and Restricted Items
- Program The Safe Online Shopping (Bezpieczne z@kupy w sieci)
- My Sales Quality – transparent ratings from buyers

BUYER PROTECTION PROGRAM (BPP)

Thanks to the guaranteed seamless shopping experience at every stage of the process, as many as 90% of our customers consider shopping on the Allegro platform safe. They can rely on the recommendations and comments submitted by other customers. To make sure its customers can enjoy even better protection, Allegro introduced the Buyer Protection Program, which guarantees they will recover their money in the event of any problems with their purchase.

Protection extends to all Allegro transactions and listings on Allegro Lokalnie, where payment was made by bank transfer or via the platform. Customers who experienced issues with a transaction on Allegro (eg, did not receive the purchased products or a refund after withdrawing from the contract, or the received product does not fit the description or has arrived damaged) are eligible for a refund of up to PLN 10,000. In 2020, the reporting procedure was simplified to the bare minimum. It suffices to complete an online form, which becomes even simpler if the issue was reported in a discussion started on the platform. The program is more convenient to customers, thanks to the fact that there is no need to attach identity documents (in cases of no doubt, i.e. in 85% of cases).

In 2020, in an NPS (Net Promoter Score) survey carried out among customers using the BPP, Allegro achieved a result of +71.32 (the highest possible score being 100). This means that most customers recommend Allegro as a safe place to shop, and the BPP program is well received.

Buyer Protection Program at Allegro	2020	2019
% of customers who consider shopping on Allegro safer or just as safe as on other platforms	93.03%	92.0%
NPS among Allegro customers using the BPP	+71.32	+66.73
Average number of transactions on Allegro.pl per one BPP refund	7,440	12,030
Average time it takes to receive a refund	5 days	5 days
Average time it takes to receive a refund – SMART! services users	12h	12h

THE RIGHTS PROTECTION COOPERATION PROGRAM

The Rights Protection Cooperation Program was created to eliminate illegal items and service offers from Allegro.

We verify reports regarding violations of:

- industrial property rights (for example, selling counterfeit items)
- copyright (for example, the use of images without the copyright owner's permission).

We protect:

- brand owners' rights
- sellers – often unaware of violations – from legal consequences
- buyers from purchasing goods which violate the law

In addition, we want to raise awareness of intellectual property rights, their protection, and violations.

To protect buyers, Allegro cooperates with owners of exclusive rights under the Rights Protection Cooperation Program, with over 1,700 brands currently on board. We also partner with the leading brands by enforcing the Memorandum of Understanding on the sale of counterfeit goods via the Internet.

ANTI-SMOG COALITION

One of the main environmental issues in Poland is the quality of the air we breathe with many Polish cities appearing high on the rankings of most polluted cities in Europe. Allegro has a long-standing commitment to environmental initiatives. With its Rights Protection Cooperation Program, Allegro has decided to take action to improve air quality by eliminating non-conforming home boilers from the market.

The so-called 'fumers' do not meet the standards provided for in the new environmental regulations and are the main source of the so-called low-height emissions, i.e., air pollution from single-family and terraced houses. To expand its proactive engagement, Allegro signed a cooperation agreement with the Ministry of Development, the Polish Smog Alert, and the UOKIK President in March 2020. Allegro supports eliminating products from the market that do not meet the parameters required by law.

Additionally, in order to assure a higher level of security Allegro implemented new provision to its Terms & Conditions stating that offering furnaces is possible only when accompanied by required documentation (certificates).

Results of anti-Smog Coalition	2020
Number of removed offers concerning boilers not meeting the legal requirements and violating the Allegro User Agreement	300

As wildlife protection is extremely important for Allegro, we have been cooperating for years with PTOP Salamandra – Polish Nature Conservation Society. Our main goal is to eliminate offers of endangered species (CITES) and help combating illegal wildlife trafficking. Thanks to the cooperation in 2020 there were only 196 offers identified by our partners and subsequently removed from the platform.

THE BEZPIECZNE Z@KUPY W SIECI PROGRAM

The Bezpieczne Z@kupy w Sieci program is addressed to schoolchildren aged 13–18 and students, one of the most active age groups shopping online. Participants learn about the most common threats in online shopping, how to verify sellers, how to safely pay for purchases in cyberspace and how to protect against identity theft. In 2020 we organised 25 workshops, most of them online for over 2,600 participants.

ADVERTISING AND MARKETING RESPONSIBILITY

Selling and displaying advertisements is regulated by:

- Terms and conditions of selling and displaying ads on Allegro.pl
- Terms and conditions of ADs

The company ensures the message stays clear and unambiguous across all channels of communication with the customer, including marketing materials, and the company's business model has been built around acting in the best interest of the customer.

Customer Experience

The Customer Experience team stays available to the customers at all times, quickly and efficiently answering questions and providing support. They communicate in various channels: the Allegro Help tab, email, the traditional contact form, Allegro chat, via the callback service (requesting a call from a consultant), Whatsapp, and Messenger. Seniors who would like to create an account or find out more about shopping on Allegro can call a dedicated Hotline for Seniors.

In 2020, we launched the Allegro Gadane community, a new platform where buyers and sellers are offered access to insights and feedback submitted by other users. In its first year of operation, Allegro Gadane recorded over 2 million visits, and thanks to the content posted by the community, as many as 200,000 issues were resolved. Thanks to gamification (e.g. ranks, rankings, etc.) and friendly interactions with others, several hundred committed users answering questions have formed into a group that devotes time to helping others.

At Allegro, we regularly survey customer satisfaction. Every customer who interacts with us may complete an online survey, in which they can share their opinion about the quality of service and about how their specific issue was resolved.

The high satisfaction of buyers has earned us the best-in-class Net Promoter Score (NPS) of 72, which puts us on par with the most popular consumer brands like Starbucks (77), YouTube (59), and Spotify (46) .

The platform's rules and regulations are paramount for Allegro, which is why we constantly monitor merchants and offers, and examine all issues as they are reported. For example: The Buyer Protection Program, feedback or starting a Discussion with the merchant (using a communication platform where the buyer and the merchant can solve a problem directly with each other or, at the customer's request, also with the assistance of an Allegro employee).

Discussions	2020	2019
Number of opened discussions	3.9 million	1.4 million
% of discussions resolved successfully	97%	96%

OUT-OF-COURT PROCEDURES FOR CONSUMERS

A User being a consumer may initiate out-of-court proceedings to solve a Complaint and enforce claims before the Permanent Arbitration Consumer Court at the Provincial Inspector of Trade Inspection in Poznań. Information on how to initiate such proceedings and on the procedures applicable to dispute settlement can be found at http://www.uokik.gov.pl in the "Consumer dispute settlement" tab (Polish: "Rozstrzyganie sporów konsumenckich"). The consumer User may also use the EU ODR platform available at: http://ec.europa.eu/consumers/odr/. Detailed information on how to file a complaint can be found here.

Supporting Customers During the COVID-19 Pandemic

Buying products on-line is the easiest and most convenient way to shop in the current situation. To support everyone who is socially distancing themselves during the pandemic, and to ensure access to a variety of products and make shopping safer, Allegro prepared a special aid package for its customers. From 17 March to the middle of June 2020, Poles were able to conveniently shop, and save money, thanks to a monthly Allegro SMART! subscription offered free of charge, involving free delivery to a pickup point or by courier. Customers really appreciated the option of contactless and safe shopping. Allegro SMART! was available for free to those who had not yet subscribed, and its current users were offered free of charge extensions.

A total of over 2.5 million buyers used the free SMART! package, saving around PLN 325 million on delivery costs.

HOTLINE FOR SENIORS

Allegro launched a dedicated hotline to help seniors shop online from April to the end of June 2020. As restrictions were again imposed in December, the hotline was reactivated. To better respond to the needs of seniors, Allegro partnered with the National Institute of Silver Economy (KIGS).

The dedicated hotline for current and future customers (616 271 777) is a practical real-time guide around the world of shopping on Allegro. The hotline is open daily from 8:00 to 20:00 (except on holidays). The questions most frequently asked by seniors were about setting up an account on Allegro, searching for products, buying, paying, choosing a delivery method, etc. To use Allegro.pl, seniors need a device connected to the internet (e.g. a computer or a smartphone) and an email address.

Responsibility Towards Merchants

Over 128,000 professional merchants are doing business on Allegro, most of which are small and medium-sized enterprises – a very important pillar of the Polish economy. They create jobs and are a source of income for families all around Poland. Allegro has been investing in educating merchants and customers.

Subscription offers access to a number of tools supporting sales on Allegro, which make it easier to manage merchants' business and make it more effective.

ALLEGRO'S PROGRAMS AND TOOLS FOR MERCHANTS

Allegro's ambition is to build a convenient space for merchants with a wide set of features, which will allow them to manage sales on the platform effectively. We implement a variety of programs for existing as well as new Sellers, so that they can discover the available tools, learn how to manage their offers and boost their business with programs designed for their segment, life cycle, activities on the platform, etc.

The Welcome program – dedicated to new merchants who want to start selling on Allegro. The main goal of this program is to eliminate the entry barriers and encourage merchants to start selling faster. New sellers receive professional support and access to various tools, as well as discounts and commission refunds.

The Super Seller program – dedicated to all Sellers, who run a business on Allegro. Sellers who perform well based on objective measures such as sales volume, speed of delivery, buyer quality ratings, and efficiency of complaints handling, receive an indexed quality rating that qualifies them as Super Sellers. The program allows us to assure the best quality of services provided by our Sellers. The key benefit for the merchants is the Super Seller tag attached to the listed offers allowing for Buyer recognition. In addition, Super Sellers receive a package of Allecoins automatically added to their offers.

Merchant Development program – targeted at mature accounts from the VIP and TOP Brand Sellers group. The main goal of the project is to accelerate the development dynamics of the largest and highly specialized partners.

The Activation programs – aimed at supporting Seller development with awarding selected activities on the platform.

Allegro's tools and services for merchants are e.g.: Allegro Ads, Allegro Finance, Promote your offers, Streamline your sales, Post listings, Loans and leasing for businesses, My sales quality and Free on-line training.

Send with Allegro is a new order fulfilment tool. Allegro has introduced a new deferred payment service for transactions between businesses. It enables sellers to sell and buy with an extended invoice payment due date. Trade Analytics is an analytical tool that allows merchants to find answers to the most frequently asked questions about selling on Allegro. Sellers can also use dedicated programs.

SALES QUALITY: SELLERS WITH SUCCESS AND SELLER QUALITY ADMIN

A tool for managing sales and monitoring sales trends. We precisely calculate all metrics and display information about merchants sales quality. At a glance they will recognize strengths as well as weaknesses they need to work on. The available information makes it easier to control the sales quality and helps merchants to grow their business on Allegro.

Sales rating is an opinion about a transaction submitted by the buyer. They can include a descriptive comment to the rating. Thanks to the sales statement, merchants can check which areas of their business are buyers' opinion and which are worth improving.

Most Allegro processes are automated, which makes it possible to achieve economies of scale, and to personalise the educational or advertising offer to meet and exceed the merchants' expectations.

Educational Program

In addition to training and webinars, the Allegro Academy activates merchants and helps them grow their businesses.

ALLEGRO ACADEMY

Allegro Academy is a free online education program. In 2020, an educational platform offering free online courses was created, which is currently available in two languages – Polish and English. The platform is free for all Allegro.pl users, who can take on-line courses, sign up for webinars or listen to podcasts. The course content includes videos by experts and animations, manuals, articles, mind maps, and additional materials. At akademia.allegro.pl, Allegro employees and external experts cover many topics, from selling on Allegro, through advertising and promotion, to personal development and shopping safely online.

The Allegro Academy was created to share knowledge, help the businesses selling on Allegro grow, and support buyers. In our numerous courses, webinars and podcasts, over 128,000 professional merchants on Allegro will find practical information about sales, advertising and promotion, as well as personal development. Thanks to the great variety of topics, input of internal and external experts, and an attractive format, businesses from all around Poland, mainly small and medium-sized companies, will find out how to grow their business.

This is a unique tool on the market, thanks to its range and selection of topics, as well as popularity with the target audience. It is free for everyone.

Here are a few examples of courses that are offered: Shopping safely online – 8 rules, Start selling on Allegro and many other courses on how to increase sales on the platform, including Visual design for the Allegro platform, Zero waste packaging, Online analytics, Professional communication in business, and Crises in communication with customers. The courses added in 2020 include: My own business and how to go about it?, Starting a business – step by step, How to learn English?, Your rights as a shopper, How to find a job that meets your expectations?, Living in harmony with nature, and Understanding GDPR.

The courses contain over 400 videos from experts and animations, manuals, articles, mind maps, and additional materials.

TRAINING AND WEBINARS

The main objective is to create a space for Merchants, where we not only share the knowledge, but also enable interaction. A space where Merchants can share their opinions or doubts and discuss them with an expert. The meetings organised by Allegro should encourage a sense of Partnership, help us build new solutions and give Merchants confidence that their voice is being heard.

Allegro Academy	2020
Number of Allegro Academy courses	50 (incl. 7 in English)
Number of tutorials for merchants and buyers	60
Number of webinars	177
Number of webinar participants	18,791
Number of unique users who visited the Allegro Academy	962,087
YouTube channel views	876,700
Hours of videos watched on the YouTube channel	8,800
Number of experts in the Allegro Academy	51 (5 external)
Average rating (out of 10)	8.34

Support For Merchants During the COVID-19 Pandemic

Allegro has launched a series of projects supporting Poles in the fight against the coronavirus pandemic. Entrepreneurs, both current Allegro merchants as well as new businesses, were offered access to the Merchant Support Package, helping them weather the difficult time or start selling on the platform.

The Merchant Support Package included, among all, postponing payments, or lifting fees altogether for new businesses on the platform for the initial 3 months. This helps many stores that were closed overnight due to the lockdown to quickly resume operations and start selling online. The three-month free aid package allowed many companies to improve their financial standing and stability of their operations.

For new stores, selling on the Allegro platform was a much faster and easier solution to continue operating than launching their own on-line store. Allegro has also offered a similar solution to small and often local businesses, which could sell their "basic necessities" with zero commission in the Local Marketplace category on Allegro Lokalnie. The value of the offered package was PLN 46 million in the first half of 2020.

There was no slowing down in the second half of the year, as 34,000 new businesses appeared on the platform, which we supported financially and through educational initiatives. Allegro even formed a dedicated team to support the merchants at the beginning of their journey with Allegro. The value of this aid package amounted to PLN 109 million in the second half of 2020.

INTERNAL COMPLAINT-HANDLING SYSTEM

Allegro.pl shall ensure the operation of an internal complaint-handling system within the meaning of Article 11.1. of Regulation (EU) 2019/1150 of the European Parliament and of the Council of 20 June 2019 on promoting fairness and transparency for business users of online intermediation services. Complaints of the Users which relate to the issues listed in this regulation can be made through https://na.allegro.pl/skarga. In 2020, we received 1,282 complaints out of almost 2,000,000 total requests to customer service.

OUT-OF-COURT PROCEDURES FOR MERCHANTS

Allegro.pl may attempt to amicably settle the dispute with User pursuing business activity, using Allegro to offer items to consumers, through an independent mediator, upon prior consent of Allegro.pl for mediation. Should the User, referred to in the previous sentence, propose mediation to Allegro.pl and after Allegro.pl has accepted this proposal, mediation will be conducted by a mediator from the European mediation institute, in accordance with the mediation rules applied by the institute. Allegro.pl shall bear a reasonable part of the total costs of mediation which will be each time determined by the parties. The list of mediators and mediation rules are available at contact address: eiminstytut@gmail.com

Customer & Data Privacy, Cybersecurity and Data Protection

The Group's rules and policies includes, i.a.:

- Security policy (including cybersecurity)
- Incidents Management Process
- NDA circulation procedure
- Rules on storing personal data at Allegro.pl sp. z o.o.
- Procedure for exercising the right of Allegro.pl users' data
- Procedure for notification of personal data breaches to the Personal Data Protection Office
- Business Continuity Policy

Security and cybersecurity are on high-level priority management. We conduct a bi-annual Cybersecurity Maturity Assessment to verify the actual security level and to find a way to improve. When last conducted in 2019, Allegro was assessed above market average. Allegro has private and public Bug Bounty programs, and performs many pentests using external companies and internal resources. Allegro invests in cybersecurity organisation and technical improvements. Allegro has its own Computer Security Incident Response Team (CSIRT) which is cooperating within organisations and outside to handle security incidents.

We are fully compliant with GDPR. We respect all rights of the data subject due to GDPR. We automate some of them and are available via self-service like obtaining a copy of data, correction of data, etc. We closely monitor PUODO and EROD decisions, guidelines and then verify and adjust our approach if necessary.

Additionally Allegro performs audits to verify compliance with GDPR. The last audit was conducted between September and December 2020 and has not identified any material issues.

During 2020 there were no serious incidents or data breaches. The most serious incident in 2020 which was reported to PUODO regarded a lost registered letter containing the employment contract. The unpacked envelope and documents were found in the waste paper box, in the addressee's residential block, which indicates that someone might have gained access to his personal data including salary. In light of ENISA guidelines followed by the Group in case of Data Protection Incidents, we were obliged to report it.

All employees including contractors are trained during onboarding sessions and then on yearly basis about Security policy and GDPR rules (general info and inside policies and procedures). Additionally we increase security awareness using many occasions, by dedicated info or come competition, like Safe Internet Day, Personal Data Protection Day, GDPR anniversary.

Customer and transaction security is one of the most important aspects so we have implemented dedicated tools and teams working with frauds on a Platform on a daily basis.

Cybersecurity and Data Privacy Breaches	2020	2019
Cyber security breaches	0	0
Data Privacy breaches (reported to authorities)	1	0

3.5. Environmental Responsibility

Environmental approach

Allegro's CSR & Sustainability Strategy sets environmental goals to help customers to make responsible choices, through exposure and promotion of sustainable products as well as the lower footprint of products' delivery process. We green our operations and make our value chain resilient, responsible and green. Our ambition is to continuously reduce our negative impact on the environment, primarily by reducing emissions. We aim for it to be lower and lower each year.

Carbon and energy reduction programs regarding targets: lead the effort to reduce emissions related to deliveries of Allegro orders, introduction of fulfilment centres – handling shipments and returns, etc. for small businesses, introduction of reusable packaging, reducing environmental impact of single use packaging materials, measure emissions of deliveries and Renewable Energy program – investment in RE generation in new and existing logistic facilities.

Environmental management

Q22 office building (current offices in Warsaw) obtained a BREEAM "Excellent" certificate with very high results in this category in Poland [11]. Pixel (headquarters in Poznan) obtained a BREEAM "Very Good" certificate level. BREEAM is an international scheme that provides independent third party certification of the assessment of the sustainability performance of individual buildings, communities and infrastructure projects.

There are many ecological solutions in Pixel in Poznan, e.g.: rainwater tank to watering greenery; recuperator in the air handling system; an extensive BMS system allowing for ongoing control of parameters from the entire building (temperature or media consumption); dry-coolers for chillers, reusable filters that collect pollen and pollutants from the air, installation of comfort ventilation; chilled water installation, a meadow on the roof etc.

Electric vehicle charging stations will be installed at our new warehouse. The warehouse is also in the process of receiving a BREEAM Certificate at the Good Level and this procedure should be completed by March 2021.

Our data center is implementing a project with the aim to improve energy efficiency together with building a photovoltaic installation and using off-heat at the data processing center. All the undertaken actions aim at the increase in savings of electrical energy and reduction of air pollution emission. An intelligent energy management system helps to reduce CO_2 emission by an estimated 1,017 [tonnes / year].

[11]The BREEAM ratings range from Acceptable (In-Use scheme only) to Pass, Good, Very Good, Excellent to Outstanding.

Environmental indicators

Compared to 2019, GHG (market-based) emissions increased by 10.91% in 2020. Scope 1 direct emissions decreased by 29.51% as a result of lower fuel consumption. Scope 2 emissions increased by 13.58% due to higher consumption of purchased electricity. Scope 3 emissions increased 8.42%, mainly driven by more shipments and more packaging being launched.

Compared to 2019, total GHG (market-based) emissions per GMV (mPLN) decreased by 27.98% in 2020. This decrease resulted primarily from strong operation growth and increased electricity consumption at the data center.

GHG emission [t CO_2e] [1]	2020	2019
Scope 1	226.10	320.75
Scope 2 (location-based)	8,286.30	7,509.56
Scope 2 (market-based)	8,464.35	7,452.01
Scope 3	3,046.33	2,809.84
Scope 1+2+3 (location-based)	**11,558.73**	**10,640.15**
Scope 1+2+3 (market-based)	**11,736.78**	**10,582.60**

[1] The greenhouse gases identified and included in the calculation are CO_2, CH_4 and N_2O, which have been expressed as CO_2 equivalent. No biogenic CO_2 emissions have been identified. The emissions in 2019 were selected as the base year. The sources of emission factors were KOBIZE publications (The National Centre for Emissions Management) for gasoline, diesel oil, natural gas, electricity and heat. For other emission sources the DEFRA database (Department of Environment, Food and Rural Affairs in the British Government) and the Ecoinvent 3.6 database were used. GWP factors were adopted based on the Fourth Assessment Report (AR4). Calculations were made for each subsidiary and the results were consolidated according to operational control. 100% of emissions from individual locations of the Allegro Group were taken into account. The amount of emissions from the production of consumed electricity was calculated according to two methods: location-based (electricity-related emissions calculated using country average emission factor) and market-based (electricity-related emissions calculated using the energy seller specific emission factor). In the case of the location-based method, the average emission factor for Poland was used. In the market-based method, indicators for energy suppliers were used.

Source of GHG emissions [t CO_2e]	2020	2019
Scope 1		
Natural gas	190.92	226,84
Diesel	14.18	4.20
Petrol	21.00	48.71
Scope 2		
Electricity	7,882.21	7,042.43
Heat	582.15	409.58
Scope 3		
Purchased Goods and Services	340.99	188.20
End-of-Life Treatment of Sold Products	6.41	3.29
Downstream Leased Assets	87.04	79.32
Fuel – and Energy-Related Activities Not Included in Scope 1 or Scope 2	1,248.02	1,249.88
Waste Generated in Operations	4.93	0.23
Business Travel	73.55	649.21
Downstream Transportation and Distribution	1,285.38	639.70
Total emission	**11,736.78**	**10,582.60**
Total emissions (t CO_2e) in relation to GMV (m PLN)	**0.33**	**0.46**

Calculations of the GHG emissions were prepared in accordance with the standards: The Greenhouse Gas Protocol A Corporate Accounting and Reporting Standard Revised Edition, GHG Protocol Scope 2 Guidance, and Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

The table below presents our consumption indicators of energy, materials, water, waste and travels.

Energy consumption	2020	2019
Electricity [GJ]	38,301.20	35,297.50
Heating [GJ]	6,032.60	4,244.37
Natural gas [GJ] – warehouse	3,445.61	4,092.44
Petrol [GJ]	303.24	703.42
Diesel [GJ]	191.34	609.99
Total energy consumption [GJ]	**48,273.99**	**44,947.72**

Utilities consumption	2020	2019
Electricity (in MWh)	10,639.22	9,763.99
Heating (in GJ)	6,032.60	4,244.37
Natural gas (m^3) – warehouse	94,296.82	111,754.36
Petrol (l)	9,066.31	21,031.32
Diesel (l)	5,297.29	16,887.84
Water consumption (m^3)	4,627.03	9,771.57

Materials purchased in the offices	2020	2019
Paper (reams)	2,438.00	3,080.00
Envelopes [pcs]	70,000	190,000
Ticket paper [kg]	1,671.90	2,531.20

Packaging used in a warehouse [ton]	2020	2019
Cardboard packaging – 70% of recycled paper	234.85	117.05
Original stretch film – unrecycled	48.80	22.40
Half-pallet wood	9.97	10.98
100% recycled foil fillers are 100% recyclable, HDPE foil	7.30	3.50

Waste	2020	2019
Waste [t]	183.76	10.59

Datum from 2019 does not include warehouse waste.

Business travel	2020	2019
Flight [km]	292,295.00	3,047,158.00
Train [km]	552,543.00	2,389,917.00

No refrigerants were released in 2019 and 2020.

3.6. Social impact

Allegro's social impact spans technological education, including youth education, charity work and employee involvement in social activities.

Allegro All For Planet Foundation operates as part of the Group. Through the activity of Allegro All For Planet, since 2008 we have been trying to increase the ecological awareness of Poles and promote environmentally friendly behaviour.

We combine ecology and sustainable transport with technology. We promote bicycles as the most eco-friendly means of transport, develop bicycle infrastructure, promote a healthy lifestyle, and spark discussions on these topics. We engage our engineers, bicycle activists and local governments in the foundation's activities.

The social impact activities have been outlined in the 2020–2023 Allegro CSR & Sustainability strategy. The main goals are:

Invest In Skills Of The Youth	• Long-term educational programs for the youth (open-ended or selected groups) to foster entrepreneurial and tech skills • Educational and mentoring initiatives for the youth • Cooperation with universities to increase the applicability of university courses and development of skills that increase students' employability
Support Communities We Operate In	• Continuation and scaling of Allegro Charytatywni • Continuation and scaling of existing initiatives • Cooperation with selected charities • Local fundraising on Allegro Lokalnie • More extensive employee volunteering programs • Participation in Hackathons that address issues affecting Allegro's stakeholders (e.g. senior users, disabled people) and support sustainable development (e.g. climate change, smart cities)
Social, Charity And Sponsorship Activities Policy	• Creating and introducing the social, charity and sponsorship activities policy, which will identify the scope of activities and outline how Allegro.eu operates in this area.

Tech education

Education, especially technological education, is one of the priorities in our activities. Allegro Tech is a community of over 1,000 technology experts who share their knowledge and experience with others. Allegro Tech Talks is one of the main initiatives of Allegro Tech, now a permanent event in the IT industry calendar. It is a series of meetings during which Allegro experts talk about projects implemented in our organisation, problems that we sometimes face and original solutions that we implement.

The Hackathon events organised by Allegro are intended primarily for students and prospective employees. The company supports the development of their competences and helps them gain experience in programming under the supervision of mentors. In 2020, we were a partner of the HackYeah Online hackathon, focused on the fight against COVID-19. In November 2020, the Strong Women = Strong Tech – how to build a career in the technology sector meeting took place at the Gov.Tech Festival, where Allegro developers and project managers used their knowledge and experience to talk about how to start a career in technology, and how to form diverse teams also in IT.

LONG-TERM EDUCATIONAL PROGRAMS FOR YOUTH

As part of partnership and knowledge sharing activities, since 2018 Allegro has been a strategic partner of the Polish Development Fund's (PFR) School of Pioneers (Szkoła Pionierów) initiative, an intensive educational and mentoring program for young and beginning entrepreneurs in the new tech industry. The aim of the program is to help people starting their careers create innovative projects that, in the long term, may be commercialised and launched on the Polish market, and then globally. Since August 2019, Allegro has also been the partner of the Central House of Technology, supporting the education of the youth and sharing practical knowledge. Allegro is the partner of the "Technology" educational path, and the company experts are happy to share their knowledge at meetings and workshops organised for the young, based on the STEAM method (Science, Technology, Engineering, the Arts, Mathematics). Since 2018, 150 Pioneers have completed the educational program. In 2020, there were 50 such persons formed into 12 founding teams, who took part in workshops across 28 different topics.

Charity Actions

CHARYTATYWNI.ALLEGRO.PL – ALLEGRO CHARITY PLATFORM

Allegro Charity (Charytatywni.Allegro.pl) is a virtual platform where any public benefit organisation can raise funds for social initiatives that it considers important. There are no fees or commissions. We provide the necessary technological solutions and get involved in selected initiatives as a partner. Allegro customers who want to support a person or initiative can auction their own items for a fund-raising goal of their choice, and buy unique items at charity auctions. During selected charity events, customers can also make a direct donation, usually into a Virtual Collection Box or in the form of a PayU fast transfer.

In 2020, we managed to raise almost PLN 19.4 million in 838,500 offers for 2,400 fundraising goals of 401 NGOs.

ALLEGRO'S HELP TO FIGHT THE CONSEQUENCES OF THE PANDEMIC

Allegro actively facilitates the organisation of charity activities by making available the tools for internet auctions free of charge. In response to the pandemic, Allegro has created a comprehensive support program for Polish healthcare, leveraging its vast experience in this field primarily through cooperation with the Great Orchestra of Christmas Charity Foundation, a partner of Allegro for over twenty years.

Allegro organised a fundraiser for the purchase of necessary equipment to protect the lives and health of Poles. We raised PLN 213,865 for the Intervention Fund of the Great Orchestra of Christmas Charity Foundation. With the raised funds, the Foundation purchased the most necessary equipment for the healthcare sector. A PLN 2 million donation allowed the Great Orchestra of Christmas Charity Foundation to acquire 24 ventilators for Polish hospitals.

During the first wave of the epidemic, Allegro funded 2 fully-equipped testing laboratories in Warsaw and Poznań, purchased and delivered 365,000 masks and 8,000 litres of disinfectants to over 40 hospitals and healthcare facilities throughout Poland. The Group also donated 10 3D printers for junior high school students in Sopot, which allow for producing 400 face shields for doctors and nurses each day. Allegro also delivered fresh fruit and vegetables to hospitals in five cities. 22 tons of fruit were donated.

The donation of PLN 1 million made to the Lekarze Lekarzom Foundation allowed to stock 31 hospitals with personal protective equipment: 78,800 FFP3 and FFP2 masks and 4,000 pairs of gloves.

ALLEGRO FOR WOŚP

For years, Allegro has been helping the Great Orchestra of Christmas Charity. Allegro auctions supporting the Great Orchestra of Christmas Charity are record-breaking in terms of popularity. In its activity associated with the 29th WOŚP Finale, Allegro focuses on 6 main areas: Allegro auctions for WOŚP, Rzeczy od serca – a video social platform encouraging stars, celebrities, athletes, writers, politicians and all Allegro customers to auction items in the WOŚP fundraiser and record videos with their description, a virtual collection box, streaming, participation in the finale at the Studio and assisting the Allegro Staff, joined by volunteers from Allegro. Allegro got involved in 2020 for the 20th time. We managed to raise PLN 14.9 million, thanks to 195,000 items auctioned by sellers, PLN 752,000 PLN in the virtual collection box and 386 videos posted on Rzeczyodserca.pl.

ANY GIFT CAN BE NOBLE (KAŻDA PACZKA MOŻE BYĆ SZLACHETNA)

The Any Gift Can Be Noble (Każda paczka może być szlachetna) project has been launched to support the Wiosna NGO, the owner of the Noble Gift (Szlachetna Paczka) social initiative. This year, the Noble Gift and Allegro launched the Any Gift Can Be Noble Christmas social campaign and a charity fundraiser on Allegro (from 1 to 27 December) to support Noble Gift's mission. In the campaign volunteers purchase items, which are donated to support families in a difficult financial situation. Donors and volunteers received materials from the Noble Gift team encouraging them to shop for families in need directly on Allegro. PLN 535,331 was raised during the fundraiser on Allegro.pl.

DREAM DINNER (KOLACJA MARZEŃ)

In 2020 was the 7th edition of the countrywide campaign organised by the Mam Marzenie Foundation and Allegro. Anyone can help by bidding in an auction of a dinner with a celebrity or by making a donation. All of the money raised in the campaign is used to finance the dreams of those the Mam Marzenie Foundation takes care of.

HELPING THE HEROES WITH SIEPOMAGA (SIEPOMAGA BOHATEROM)

A fundraiser organised by the Warsaw Uprising Museum to support the Warsaw Insurgents financially.

GIFT A TEDDY BEAR/PODARUJ MISIA (PODARUJMISIA.ALLEGRO.PL)

The 15th edition of the Gift a Teddy Bear initiative! By buying teddy bears, donors support those under the care of the TVN's You are not alone (Nie jesteś sam) Foundation. The funds raised during the campaign finance the treatment and rehabilitation of sick children. This year, once again, teddy bear outfits were designed by designers and celebrities.

LOCAL CHARITY AND SOCIAL COLLECTIONS ON ALLEGRO LOKALNIE

Allegro Lokalnie allows to create fundraisers since 2020. Every Allegro Lokalnie customer can support local charities and social initiatives while shopping on the platform. Organisations operating on a smaller scale can also receive support. Allegro customers can put an item on auction in a specific fundraiser. It suffices to search for the given initiative and specify what percentage of the proceeds (10% to 100%) will be contributed to the chosen fundraising goal. They can also purchase an item that supports a specific initiative, and after paying for it, the money will be donated to the fundraiser. Customers can choose from over 150 initiatives supporting, for example, orphanages, shelters, local schools, and municipalities.

5 months after introducing fundraisers, the organisations raised over PLN 170,000 in 178 fundraisers. In as many as 65% of all completed fundraisers the entire amount needed to finance the goal was reached.

The auctioned item will be visible both on Allegro Lokalnie and Allegro.pl, enabling the offers to reach over 18 million customers.

Comparing the amounts raised by other crowdfunding platforms in the initial months of their operation, the fundraising campaigns on Allegro Lokalnie are highly effective.

MAM SWOJE ALLE PROGRAM

The Mam swoje Alle program was also launched in 2020. It's an educational project created by Allegro in partnership with the Zwolnieni z Teorii Foundation, the aim of which is to develop and promote entrepreneurial competencies among students (over the age of 12) who, through the Allegro Lokalnie fundraisers, can raise funds for a goal of their choice.

Employee Engagement Program

#POMAGAMY_BO_UMIEMY – ALLEGRO EMPLOYEE ENGAGEMENT PROGRAM

Employees have been involved in volunteering for years. They support not only well-known national initiatives such as WOŚP or Noble Gift (Szlachetna Paczka), but also engage in numerous local charitable and educational efforts. In response to the current social and internal needs, Allegro created a special charity fund in 2020 worth PLN 1,6 million (2 editions), which serves to support employees' initiatives in the fight against the coronavirus. As part of the #pomagamy_bo_umiemy campaign, Allegro employees could select organisations and institutions and propose specific actions to help those in greatest need, especially people affected by the pandemic. Help was provided to seniors, children and adolescents, people with disabilities, the homelessness or socially excluded, and also to local communities, patients, hospices and social welfare homes, as well as healthcare workers.

77 projects were executed during the two editions of the #pomagamy_bo_umiemy campaign, thanks to the engagement of 200 Allegro employees. They channelled real help to people and institutions most affected by the COVID-19 pandemic.

Indicators – Social and Charity Activities	2020	2019
Donations made by the Allegro.eu to support several public organizations during the COVID-19 pandemic	PLN 6.9 million	—
Charytatywni.Allegro.pl platform– raised amount:	PLN 19.4 million	PLN 14,1 million
including Wielka Orkiestra Świątecznej Pomocy	PLN 14.9 million	PLN 12.0 million
Charytatywni.Allegro.pl platform – number of offers	838,500	884,025
Charytatywni.Allegro.pl platform – number of organisations	401	455
Number of people enrolled in the School of Pioneers PFR	50	50
Allegro Lokalnie Collections – amount raised (since July 2020)	PLN 170,000	—
Allegro Lokalnie Collections –– number of collections (since July 2020)	178	—
#pomagamyboumiemy employee engagement campaign – two editions	77 projects 200 employees	—

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IV. Financial statements

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1. Responsibility Statement

Allegro.eu
Société anonyme
1, rue Hildegard von Bingen, L – 1282 Luxembourg,
Grand Duchy of Luxembourg
R.C.S. Luxembourg: B214.830

RESPONSIBILITY STATEMENT

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

These annual 2020 Consolidated Financial Statements which have been prepared in accordance with the International Financial Reporting Standards 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 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

Director

François Nuyts

Director

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Audit report

To the Shareholders of
Allegro.eu S.A.

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of Allegro.eu S.A. and its subsidiaries (the "Group") as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Our opinion is consistent with our additional report to the Audit Committee.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF). Our responsibilities under the EU Regulation No 537/2014, the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the consolidated financial statements" section of our report.

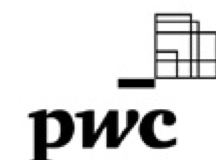
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements. We have fulfilled our other ethical responsibilities under those ethical requirements.

To the best of our knowledge and belief, we declare that we have not provided non-audit services that are prohibited under Article 5(1) of the EU Regulation No 537/2014.

PricewaterhouseCoopers, Société coopérative, 2 rue Gerhard Mercator, B.P. 1443, L-1014 Luxembourg
T : +352 494848 1, F : +352 494848 2900, www.pwc.lu

Cabinet de révision agréé. Expert-comptable (autorisation gouvernementale n°10028256)
R.C.S. Luxembourg B 65 477 - TVA LU25482518



The non-audit services that we have provided to the Company and its controlled undertakings, if applicable, for the year then ended, are disclosed in Note 40 to the consolidated financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
Marketplace revenue recognition and accounting for Smart! Program The Group's consolidated revenue amounted to PLN 3,997.8 million in 2020. There are multiple revenue streams as described in the Note 9.2. Marketplace revenue amounted to 3,231 million and accounted for 80.8% of revenue of the Group for the year ended 31 December 2020. As part of the revenue generating activity the impact of the Smart! deliveries (loyalty program) shows a cost of PLN 692.5 million presented as an expense in "Net cost of delivery" in operating expenses as it exceed the subscription fee earned. Disclosure regarding Smart! program and key judgement applied were included in the Note 9.1 and 9.5 in the consolidated financial statements. Application of revenue recognition policies to marketplace revenue and Smart! Program is complex and involves estimates as well as management judgment related to the definition of a customer or agent vs. principal considerations.	Our audit procedures over revenue recognition included, among others: • We understood and assessed the overall IT control environment and the controls in place; • We tested the operating effectiveness of controls around system development, program changes and IT dependent business controls to establish that changes to the system were appropriately authorized and also developed and implemented properly; • We tested selected internal controls in the marketplace revenue process in the areas like offers listing registering, processing of transactions, fees calculation, client payments registration, selling blockade; • We used automated revenue testing for detailed tests of marketplace sales transactions which includes automatic matching of billing records with payments; • We reconciled billing records to trial balance; • We analysed journal entries impacting marketplace revenue to identify any entries that might not be justified; • We tested contract liabilities and refund liabilities to determine whether appropriate amounts have been recognised during the period; • We assessed the adequacy of the assumptions used by the Management in the process of determination of significant judgement relating to application of IFRS 15; • We evaluated the management judgments related to Smart! accounting policies; we have also considered whether there were any changes in facts and circumstances as compared to the prior period when the accounting policy was developed; • We assessed adequacy and completeness of disclosures.

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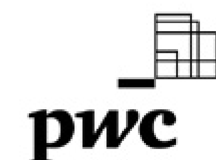
Key audit matter	How our audit addressed the Key audit matter
In addition, the large number of transactions, high automation of revenue recognition and sophistication of systems and processes used by the Group increase the overall complexity. We identified marketplace revenue recognition and accounting for Smart! program as key audit matter as the application of revenue recognition standard is complex and involves significant judgement and estimates.	
Initial Public Offering and related transactions In October 2020 the Group became listed on the Warsaw Stock Exchange which was preceded by a series of Allegro.eu capital restructuring steps including changing of the functional currency from euro to Polish zloty and conversion of all shares into one new class of shares. The conversion of shares and change of functional currency are disclosed in the Note 28 to the consolidated financial statements. The transactions were recorded in equity resulting in reduction of share capital by PLN 425.7 million, increase of capital reserve by 865.7 million and reduction of retained earnings by PLN 440.0 million. The conversion of shares impacted the calculation of earnings per share ("EPS") disclosed in the Note 12. The number of ordinary shares decreased after the share conversion, which in substance was treated as reverse stock split and was reflected retrospectively in the EPS calculation.	Our audit procedures included, among others: • We obtained and reviewed Board of Directors resolutions related to capital restructuring; • We analysed triggers for the change of functional currency of the Company, assessed the Management's judgment on the PLN being a new functional currency, and analysed the accounting for the change of the functional currency; • We analysed IPO related costs and the allocation between the amount recognised in equity and profit or loss; • We reperformed the calculation of EPS and compared it with the management's calculation; • We analysed the contractual features of the management investment plan, reviewed the underlying valuation models used and the respective accounting treatment; • We assessed adequacy and completeness of disclosures.



Key audit matter	How our audit addressed the Key audit matter
The Initial Public Offering (IPO) led also to the termination of the previous management investment plan generating a charge of PLN 52.2 million. Details of the capital restructuring were described in Note 28 to the consolidated financial statements. The transactions were identified as a key audit matter for our audit as they had a significant impact on the overall financial position of the Group and required management judgments.	

Other information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the annual report including the management report but does not include the consolidated financial statements and our audit report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and those charged with governance for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the consolidated financial statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

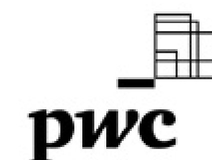
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;

- conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our audit report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

The Business report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

The corporate governance statement is included in the management report. The information required by Article 68ter Paragraph (1) Letters c) and d) of the Law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

We have been appointed as "Réviseur d'Entreprises Agréé" by the General Meeting of the Shareholders on 27 August 2020 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 4 years.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 3 March 2021

Véronique Lefebvre

3. Consolidated Financial Statements of Allegro.eu S.A. Group

For the year ended 31 December 2020

Consolidated statement of comprehensive income

	Note	01.01–31.12.2020	01.01–31.12.2019
Revenue	9	**3,997,811**	**2,592,306**
Operating expenses		**(2,410,979)**	**(1,266,916)**
Payment charges		(152,889)	(133,730)
Cost of goods sold		(222,675)	(120,364)
Net costs of delivery		(692,509)	(268,530)
Marketing service expenses		(564,670)	(306,921)
Staff costs net		(490,109)	(294,415)
Staff costs gross		*(608,854)*	*(373,070)*
Capitalisation of development costs		*118,745*	*78,653*
IT service expenses net		(61,398)	(39,949)
IT service expenses gross		*(61,398)*	*(40,027)*
Capitalisation of development costs		*—*	*78*
Other expenses net		(125,782)	(79,290)
Other expenses gross		*(156,336)*	*(94,930)*
Capitalisation of development costs		*30,554*	*15,640*
Net impairment losses on financial and contract assets	30	(39,378)	(22,350)
Transaction costs	8	(61,569)	(1,367)
Operating profit before amortisation and depreciation		**1,586,832**	**1,325,390**
Amortisation and Depreciation		**(463,789)**	**(439,303)**
Amortisation		(400,215)	(383,575)
Depreciation		(63,574)	(55,728)
Operating profit		**1,123,043**	**886,087**
Net Financial result	10	**(506,336)**	**(373,038)**
Financial income		16,965	10,983
Financial costs		(523,301)	(384,021)
Profit before Income tax		**616,707**	**513,049**
Income tax expenses	11	**(198,147)**	**(119,974)**
Net Profit		**418,560**	**393,075**
Other comprehensive income		**(74,712)**	**(3,234)**
– Items that may be reclassified to profit or loss		**(73,774)**	**(3,234)**
Gain/(Loss) on cash flow hedging		(104,980)	(20,203)
Cash flow hedge – Reclassification from OCI to profit or loss		38,926	17,580
Deferred tax relating to these items		(7,152)	(801)
Exchange differences on translation of foreign operations		(568)	190
– Items that will not be reclassified to profit or loss		**(938)**	**—**
Remeasurements of post-employment benefit obligations		(1,137)	—
Deferred tax relating to these items		199	—
Total comprehensive income for the period		**343,848**	**389,841**

	Note	01.01–31.12.2020	01.01–31.12.2019
Net profit for the period is attributable to:		**418,560**	**393,075**
Shareholders of the Parent Company		419,160	391,392
Non-controlling interests		(600)	1,683

	Note	01.01–31.12.2020	01.01–31.12.2019
Total comprehensive income for the period is attributable to:		**343,848**	**389,841**
Shareholders of the Parent Company		344,448	388,158
Non-controlling interests		(600)	1,683

	Note	01.01–31.12.2020	01.01–31.12.2019
Earnings per share for profit attributable to the ordinary equity holders of the company (in PLN)	12		
Basic		(0.43)	(0.85)
Diluted		(0.43)	(0.85)

Consolidated statement of financial position

ASSETS

Non-current assets	Note	31.12.2020	31.12.2019
Goodwill	13	8,639,249	8,631,342
Other intangible assets	13	4,407,024	4,627,122
Property, plant and equipment	14	150,820	147,709
Loans granted	15	—	9,324
Consumer loans	19	4,728	—
Deferred tax assets	23	281	9,712
Investments		360	360
Total non-current assets		**13,202,462**	**13,425,569**

Current assets	Note	31.12.2020	31.12.2019
Inventory	16	24,619	20,051
Trade and other receivables	17	646,409	396,801
Prepayments	18	36,496	26,911
Consumer loans	19	47,244	—
Other financial assets		4,788	4,804
Income tax receivables		802	—
Cash and cash equivalents	20	1,185,060	403,877
Total current assets		**1,945,418**	**852,444**
TOTAL ASSETS		**15,147,880**	**14,278,013**

EQUITY AND LIABILITIES

Equity	Note	31.12.2020	31.12.2019
Share capital	28	10,233	434,246
Capital reserve		7,073,667	5,141,141
Exchange differences on translating foreign operations		—	568
Cash flow hedge reserve		(95,484)	(22,278)
Actuarial gain/(loss)		(938)	—
Other reserves		—	(33,633)
Retained earnings		682,958	758,784
Net result		419,160	391,392
Equity allocated to shareholders of the Parent		**8,089,596**	**6,670,220**
Non-controlling interests		**—**	**13,422**
Total equity		**8,089,596**	**6,683,642**

Non-current liabilities	Note	31.12.2020	31.12.2019
Borrowings	21	5,437,223	6,001,174
Lease liabilities	22	45,359	59,764
Written put option liability	26	—	21,002
Other financial liabilities	31	97,298	36,893
Deferred tax liability	23	579,078	643,508
Liabilities to employees	24	5,370	22,562
Liabilities related to business combinations	5	3,893	—
Total non-current liabilities		**6,168,221**	**6,784,903**

Current liabilities	Note	31.12.2020	31.12.2019
Borrowings	21	577	335,741
Lease liabilities	22	27,907	25,774
Written put option liability	26	—	22,208
Other financial liabilities	31	—	2,032
Income tax liability		155,022	14,938
Trade and other liabilities	25	557,629	349,161
Liabilities to employees	24	148,928	59,614
Total current liabilities		**890,063**	**809,468**
TOTAL EQUITY AND LIABILITIES		**15,147,880**	**14,278,013**

Consolidated statement of changes in equity

	Share Capital	Capital reserve	Exchange differences on translating foreign operations	Cash flow hedge reserve	Actuarial gain/ (losses)	Other reserves	Retained earnings	Net result	Equity allocated to shareholders of the Parent	Non-controlling interests	Total
As at 01.01.2019	**830,015**	**7,421,901**	**378**	**(18,854)**	**—**	**5,256**	**546,093**	**271,904**	**9,056,693**	**—**	**9,056,693**
Profit/(loss) for the period	—	—	—	—	—	—	—	391,392	391,392	1,683	393,075
Other comprehensive income	—	—	190	(3,424)	—	—	—	—	(3,234)	—	(3,234)
Total comprehensive income for the period	**—**	**—**	**190**	**(3,424)**	**—**	**—**	**—**	**391,392**	**388,158**	**1,683**	**389,841**
Transfer of profit/(loss) from previous years	—	—	—	—	—	—	271,904	(271,904)	—	—	—
Redemption of share capital and share premium	(395,820)	(2,280,918)	—	—	—	—	(59,213)	—	(2,735,951)	—	(2,735,951)
Share base payment	—	—	—	—	—	4,321	—	—	4,321	—	4,321
Non-recourse loans	51	158	—	—	—	—	—	—	209	—	209
Issue of written put option over non-controlling interest	—	—	—	—	—	(43,210)	—	—	(43,210)	—	(43,210)
Transactions with owners in their capacity as owners	**(395,769)**	**(2,280,760)**	**—**	**—**	**—**	**(38,889)**	**212,691**	**(271,904)**	**(2,774,631)**	**—**	**(2,774,631)**
Business combination	—	—	—	—	—	—	—	—	—	11,739	11,739
Transactions with minority owners in their capacity	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**11,739**	**11,739**
As at 31.12.2019	**434,246**	**5,141,141**	**568**	**(22,278)**	**—**	**(33,633)**	**758,784**	**391,392**	**6,670,220**	**13,422**	**6,683,642**
As at 01.01.2020	**434,246**	**5,141,141**	**568**	**(22,278)**	**—**	**(33,633)**	**758,784**	**391,392**	**6,670,220**	**13,422**	**6,683,642**
Profit/(loss) for the period	—	—	—	—	—	—	—	419,160	419,160	(600)	418,560
Other comprehensive income	—	—	(568)	(73,206)	(938)	—	—	—	(74,712)	—	(74,712)
Total comprehensive income for the period	**—**	**—**	**(568)**	**(73,206)**	**(938)**	**—**	**—**	**419,160**	**344,448**	**(600)**	**343,848**
Transfer of profit/(loss) from previous years	—	—	—	—	—	—	391,392	(391,392)	—	—	—
Change of the functional currency (see note 28)	34,297	405,743		—	—	—	(440,040)	—	—	—	—
Increase of capital (see note 28)	232	972,094	—	—	—	—	—	—	972,326	—	972,326
Conversion and decrease of the share capital (see note 28)	(459,997)	459,997	—	—	—	—	—	—	—	—	—
Non-recourse loans (see note 28)	1,455	13,385	—		—	—	—	—	14,840	—	14,840
Shares based compensation (see note 8)	—	—	—	—	—	52,191	—	—	52,191	—	52,191
Shares granted to employees (see note 8)	—	—	—	—	—	25,428	—	—	25,428	—	25,428
Exercise of the awards by the employees		87,196				(87,196)			—		—
IPO costs in equity	—	(5,889)	—	—	—	—	—	—	(5,889)	—	(5,889)
Written put option liability valuation (see note 26)	—	—	—	—	—	3,210	—	—	3,210	—	3,210
Purchase of non-controlling interest – exercise of the put option on NCI (see note 5)	—	—	—	—	—	40,000	(27,178)	—	12,822	(12,822)	—
Transactions with owners in their capacity as owners	**(424,013)**	**1,932,526**	**—**	**—**	**—**	**33,633**	**(75,826)**	**(391,392)**	**1,074,928**	**(12,822)**	**1,062,106**
As at 31.12.2020	**10,233**	**7,073,667**	**—**	**(95,484)**	**(938)**	**—**	**682,958**	**419,160**	**8,089,596**	**—**	**8,089,596**

Consolidated statement of cash flows

	Note	01.01–31.12.2020	01.01–31.12.2019
Profit before income tax		**616,707**	**513,049**
Amortisation and depreciation		463,789	439,303
Net interest expense		508,351	375,503
Revolving facility availability fee	10	3,311	3,195
Net (gain)/loss from exchange differences	29.2	4,075	(1,536)
Interest on lease liability	29.2	3,028	3,835
Net (gain)/loss on measurement of financial instrument	10	(10,933)	—
Non-cash employee benefits expense – share based payments	38	77,619	4,321
Net (gain)/loss on sale of non-current assets		—	(263)
(Increase)/Decrease in trade and other receivables and prepayments	29.3	(260,544)	(81,608)
(Increase)/Decrease in inventories	29.3	(4,568)	(11,789)
(Increase)/Decrease in consumer loans	29.3	(51,972)	—
Increase/(Decrease) in trade and other liabilities	29.3	210,956	120,955
Increase/(Decrease) in liabilities to employees	29.3	71,183	44,704
Cash provided by operating activities		**1,631,002**	**1,409,669**
Income tax paid		(121,112)	(163,130)
Net cash inflow/(outflow) from operating activities		**1,509,890**	**1,246,539**

	Note	01.01–31.12.2020	01.01–31.12.2019
Cash flows from investing activities			
Payments for property, plant & equipment and intangible assets		(230,541)	(143,026)
Loans granted	15	(18,771)	(442)
Repayment of loans granted	15	42,934	3,242
Inflows from sale of non-financial assets		—	317
Acquisition of subsidiary (net of cash acquired)	5	(11,827)	(62,978)
Net cash inflow/(outflow) from investing activities		**(218,205)**	**(202,887)**

	Note	01.01–31.12.2020	01.01–31.12.2019
Cash flows from financing activities			
Proceeds from capital increase	28	972,326	—
Repayment of share premium	28	—	(2,735,951)
Borrowings received	29.2	—	1,959,516
Borrowings repaid	29.2	(1,056,693)	(215,803)
Interest paid	29.2	(275,853)	(375,017)
Early repayment fee	10	(26,000)	—
Lease payments	29.2	(29,129)	(28,680)
Revolving facility availability fee payments		(2,523)	(3,767)
Interest rate hedging instrument settlements		(38,926)	(17,580)
Payments for acquisition of non-controlling interest	5	(40,000)	—
Payments from other financial activities		(7,815)	(16,520)
Payments related to issuance of new shares		(5,889)	—
Net cash inflow/(outflow) from financing activities		**(510,502)**	**(1,433,802)**

	Note	01.01–31.12.2020	01.01–31.12.2019
Net increase/(decrease) in cash and cash equivalents		**781,183**	**(390,150)**
Cash and cash equivalents at the beginning of the financial year		403,877	794,027
Cash and cash equivalents at the end of the financial year		1,185,060	403,877

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

Allegro.eu S.A. Group ('Group') consists of Allegro.eu Société anonyme ('Allegro.eu' or 'Parent'), previously Adinan Super Topco S.à r.l., 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 through Allegro.pl sp. z o.o., Ceneo.pl sp. z o.o., eBilet Polska sp. z o.o., Allegro Pay Sp. z o.o. and OpenNet Sp. z o.o. 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 Consolidated Financial Statements were prepared for the year ended 31 December 2020 with comparative amounts for the year ended 31 December 2019.

2. Basis of preparation

The Consolidated Financial Statements of Allegro.eu S.A. Group for the year ended 31 December 2020 were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, binding as at 31 December 2020.

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

The Consolidated Financial Statements were prepared on the assumption that the Group would continue as a going concern for at least 12 months subsequent to the date of the authorization of these Consolidated Financial Statements. In making this going concern assumption Management took into consideration the impact of the COVID-19 crisis on the Group's business, noting that operations have continued with minimal disruption since most staff moved to home working mode on 12 March 2020 and that the Group's sales increased in the context of the imposition of COVID-19 related lock-down measures by the Polish government.

The summary of the main accounting policies applied in the preparation of these Consolidated Financial Statements is presented in the note 3. These accounting policies were applied by the Group consistently in all periods presented, unless indicated otherwise.

There were no changes in accounting policies in the period covered by the Consolidated Financial Statements of Allegro.eu S.A. ended 31 December 2020.

The Group has changed presentation of prepayments in the consolidated statement of financial positions comparing to the previously published Consolidated Financial Statements for the year ended 31 December 2019. Prepayments were previously included in "Trade and other receivables" and in these Consolidated Financial Statements are presented in separate line item due to the fact that the item became more material. The comparatives were appropriately amended to ensure presentation consistent with current year.

The Group has changed presentation of net impairment losses on financial and contract assets in the consolidated statement of comprehensive income comparing to the previously published Consolidated Financial Statements for the year ended 31 December 2019. Net impairment losses on financial and contract assets were previously included in "Other expenses net" and in these Consolidated Financial Statements are presented in separate line item due to the fact that the item became more material. The comparatives were appropriately amended to ensure presentation consistent with current year.

3. Summary of significant accounting policies

3.1 Basis of preparation

Compliance with IFRS

The Consolidated Financial Statements of the Group were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union, binding as at 31 December 2020. These Consolidated Financial Statements were prepared on the historical cost basis, except certain financial assets and liabilities (including derivative instruments) measured at fair value.

	31.12.2020	31.12.2019
EUR/PLN	4.6148	4.2585
USD/PLN	3.7584	3.7977
GBP/PLN	5.1327	4.9971
CHF/PLN	4.2641	3.9213
CZK/PLN	0.1753	0.1676

Measurement of items denominated in foreign currencies

Foreign currency transactions are translated into the functional currency using the National Bank of Poland's ('NBP') exchange rates prevailing at the dates of the transactions or on valuation dates (when items are re-measured). Foreign exchange gains and losses arising from settlement of those transactions and from translation at the exchange rate prevailing as at the reporting period end date are recognised on a net basis in the profit or loss. Measurement as at the balance sheet date, used the NBP exchange rate prevailing as at the reporting period end date.

Average exchange rates are presented in the table below:

	31.12.2020	31.12.2019
EUR/PLN	4.4742	4.3018
USD/PLN	3.9045	3.8440
GBP/PLN	5.0240	4.9106
CHF/PLN	4.1772	3.8731
CZK/PLN	0.1687	0.1676

The presentation and functional currency

The presentation currency of the Consolidated Financial Statements is the Polish zloty ('PLN').

The results and financial position of Group companies that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet,
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

As at 31 December 2019 the Group included entities whose functional currency was Euro ('EUR'), therefore the financial statements of Allegro.eu (previously: Adinan Super Topco), Adinan Topco and Adinan Holdco required translating into the Group presentation currency. The share capital and share premium of the Parent company were translated from the functional currency to the presentation currency using the historical exchange with the resulting forex exchange gains/loss being recognized in other comprehensive income.

In 2020 the Parent changed the functional currency from EUR to PLN. The decision was supported by the resolution of the extraordinary shareholders meeting concluded on 29 September 2020. The Group operates mainly in Poland and Polish złoty is the currency in which the Group usually generates and spends cash. Furthermore, on 12 October 2020 the Group debuted on the Warsaw Stock Exchange in Poland.

As at 31 December 2020 the functional currency for all the Group's entities and the presentation currency of these Consolidated Financial Statements is PLN.

Consolidation

The Consolidated Financial Statements were prepared on the basis of the financial statements of the Parent, Allegro.eu, and the financial statements of entities controlled by the Parent, prepared as at and for the period ended 31 December 2020.

On 21 December 2020 Adinan Topco S.à r.l., Adinan Holdco S.à r.l., Adinan Bondco S.à r.l. and Adinan Seniorco S.à r.l. ceased to exist as a result of intra-group mergers and liquidations, more information in the note 6.

Except for share and per share amounts and unless otherwise stated, these Consolidated Financial Statements have been prepared in PLN thousands, and all amounts are stated in PLN thousands. All material balances and transactions between related entities, including material unrealised profits resulting from such transactions, have been fully eliminated.

Subsidiaries are consolidated under the acquisition accounting method from the moment that the Group has assumed control over them, and will cease to be consolidated when the Group loses control. According to IFRS 10 "Consolidated Financial Statements", the Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The Group accounts for business combinations under the acquisition method. The consideration for the acquired subsidiary constitutes the fair value of the assets transferred, liabilities incurred in respect of former owners of the target company and equity instruments issued by the Group. The consideration includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets, liabilities and contingent liabilities acquired as a result of a business combination are initially measured at fair value as at the acquisition date.

The Group recognises non-controlling interests either at fair value or at the proportional share of identifiable net assets in the fair value; the method of recognition is selected for each business combination individually.

The excess of the sum of the consideration, value of all non-controlling interests in the acquired entity, and fair value of shares previously held in the acquired entity as at the acquisition date over the fair value of identifiable net assets acquired is recognised as goodwill. If the sum of the consideration, non-controlling interests recognised and interest previously held is lower than the fair value of net assets of the subsidiary acquired as a result of a bargain purchase, the difference is recognised directly in the profit or loss.

Transaction costs from acquisitions are recognized in profit or loss when incurred.

3.2. Changes in accounting policies

3.2.1. New and amended standards and interpretations adopted by the Group

In these Consolidated Financial Statements amendments to the following standards were applied:

Amendments to the Conceptual Framework for Financial Reporting – issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020. The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance – in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

The amendments to Conceptual Framework do not have a significant impact on these Consolidated Financial Statements.

Amendments to IFRS 3 "Business Combination" – issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020. The amendments revise definition of a business. A business must have inputs and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present, including for early stage companies that have not generated outputs. An organised workforce should be present as a condition for classification as a business if are no outputs. The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits.

It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets. An entity can apply a 'concentration test'. The assets acquired would not represent a business if substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets).

The amendment to this standard had impact on the conclusion regarding the acquisition of FinAi S.A. (currently: Allegro Pay Sp. z o.o.) which occurred in 2020. The Group concluded the purchase does not meet the definition of the business. More information see note 5.

Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies", Changes in Accounting Estimates and Errors" – issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020. The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments to these standards do not have a significant impact on these Consolidated Financial Statements.

Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures" – issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020. The amendments were triggered by replacement of benchmark interest rates such as LIBOR and other inter-bank offered rates ('IBORs'). The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by the IBOR reform. Cash flow hedge accounting under both IFRS 9 and IAS 39 requires the future hedged cash flows to be 'highly probable'. Where these cash flows depend on an IBOR, the relief provided by the amendments requires an entity to assume that the interest rate on which the hedged cash flows are based does not change as a result of the reform. Both IAS 39 and IFRS 9 require a forward-looking prospective assessment in order to apply hedge accounting. While cash flows under IBOR and IBOR replacement rates are currently expected to be broadly equivalent, which minimises any ineffectiveness, this might no longer be the case as the date of the reform gets closer. Under the amendments, an entity may assume that the interest rate benchmark on which the cash flows of the hedged item, hedging instrument or hedged risk are based, is not altered by IBOR reform. IBOR reform might also cause a hedge to fall outside the 80–125% range required by retrospective test under IAS 39. IAS 39 has therefore been amended to provide an exception to the retrospective effectiveness test such that a hedge is not discontinued during the period of IBOR-related uncertainty solely because the retrospective effectiveness falls outside this range. However, the other requirements for hedge accounting, including the prospective assessment, would still need to be met. In some hedges, the hedged item or hedged risk is a non-contractually specified IBOR risk component. In order for hedge accounting to be applied, both IFRS 9 and IAS 39 require the designated risk component to be separately identifiable and reliably measurable. Under the amendments, the risk component only needs to be separately identifiable at initial hedge designation and not on an ongoing basis. In the context of a macro hedge, where an entity frequently resets a hedging relationship, the relief applies from when a hedged item was initially designated within that hedging relationship.

Any hedge ineffectiveness will continue to be recorded in profit or loss under both IAS 39 and IFRS 9. The amendments set out triggers for when the reliefs will end, which include the uncertainty arising from interest rate benchmark reform no longer being present. The amendments require entities to provide additional information to investors about their hedging relationships that are directly affected by these uncertainties, including the nominal amount of hedging instruments to which the reliefs are applied, any significant assumptions or judgements made in applying the reliefs, and qualitative disclosures about how the entity is impacted by IBOR reform and is managing the transition process.

The Group has interest rate hedging instruments that hedge 3,075,866 PLN of 5,500,000 PLN of Group's borrowings by changing the floating rate for a fixed rate. The Group did not take into account the uncertainty according to the IBOR reform in testing the hedge effectiveness.

The Group does not have any other assets or liabilities affected by floating interest rates and therefore the amendments have no impact on the Group.

Amendments to IFRS 16 "Leases" – issued on 28 May 2020 and effective for annual periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not authorised for issue at 28 May 2020 and the Group has decided to early adopt this amendment. The amendments provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment.

The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; any reduction in lease payments affects only payments due on or before 30 June 2021; and there is no substantive change to other terms and conditions of the lease. If a lessee chooses to apply the practical expedient to a lease, it would apply the practical expedient consistently to all lease contracts with similar characteristics and in similar circumstances. The amendment is to be applied retrospectively in accordance with IAS 8, but lessees are not required to restate prior period figures or to provide the disclosure under paragraph 28(f) of IAS 8.

The amendments to this standard do not have a significant impact on these Consolidated Financial Statements.

3.2.2.
Standards and interpretations published but not yet applicable, which early had not been early applied by the Group

IFRS 14 "Regulatory Deferral Accounts" – issued on 30 January 2014 and effective for annual periods beginning on or after 1 January 2016. IFRS 14 permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the standard.

The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard. The standard will not have any impact on the Group's Consolidated Financial Statements.

Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" – issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB. These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary.

As at the date of preparation of these Consolidated Financial Statements, the approval of this amendment is deferred by the European Union.

The Group is in the process of assessing the impact of the amendments on its Consolidated Financial Statements but so far the Group has not entered into the type of the transactions covered by this amendment. The effective date is deferred indefinitely until the research project on the equity method will be concluded.

IFRS 17 "Insurance Contracts" – issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023. IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds.

As at the date of preparing these Consolidated Financial Statements, the new standard has not yet been approved by the European Union.

The Group is in the process of assessing the impact of the amendments on its Consolidated Financial Statements. IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023.

Amendments to IAS 1 "Presentation of Financial Statements" – issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2023. These narrow scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period.

As at the date of preparing these Consolidated Financial Statements, the change has not yet been approved by the European Union. The Group is in the process of assessing the impact of the amendments on its Consolidated Financial Statements.

Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022. The amendments relate to 'Proceeds before intended use' and 'Onerous contracts'.

As at the date of preparing these Consolidated Financial Statements, the change has not yet been approved by the European Union.

The Group is currently assessing the impact of the amendments on its Consolidated Financial Statements.

Amendments to IFRS 17 "Insurance Contracts" and an amendment to IFRS 4 "Insurance Contracts" (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023. The amendments include a number of clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard.

As at the date of preparing these Consolidated Financial Statements, the change has not yet been approved by the European Union.

The Group is currently assessing the impact of the amendments on its Consolidated Financial Statements.

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.

As at the date of preparing these Consolidated Financial Statements, the change has not yet been approved by the European Union.

The Group is currently assessing the impact of the amendments on its Consolidated Financial Statements.

4. Composition of the board of directors

At at 31 December 2019 the Board of Managers comprised:

- Danielle Arendt-Michels
- Gilles Willy Duroy
- Darren Huston
- Gautier Laurent
- Severine Michel
- Cedric Pedoni

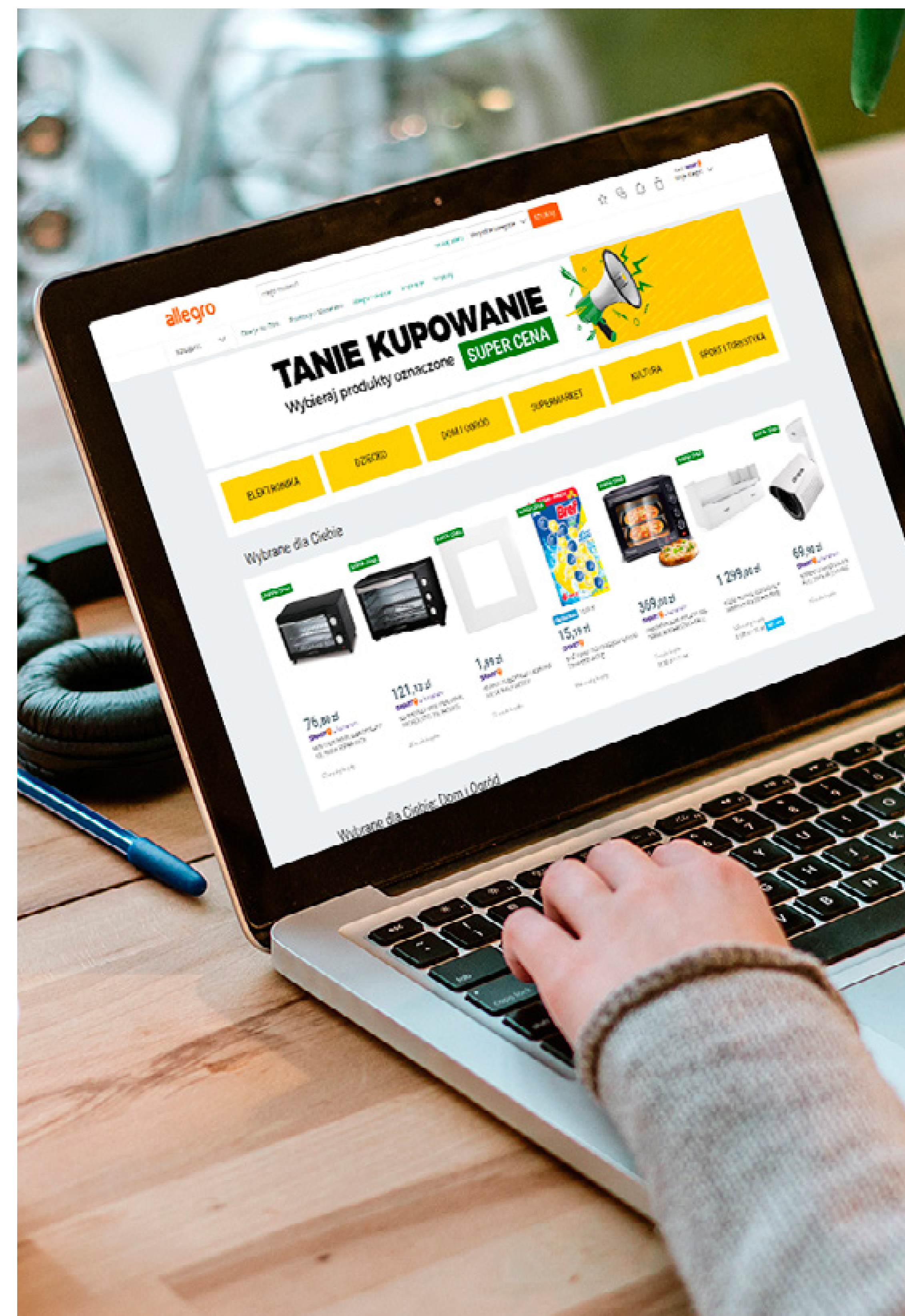
On 1 September 2020 the shareholders meeting of the Parent appointed each of the following persons as Board Members: Francois Nuyts, Jonathan Eastick, David Barker, Paweł Padusiński, Richard Sanders, Carla Smits-Nusteling and Nancy Cruickshank, with immediate effect.

As of 12 October 2020, the following persons resigned from the Group Board of Directors: Danielle Arendt-Michels, Gautier Laurent, Severine Michel, Cedric Pedoni and Gilles Willy Duroy.

The composition of the Board of Directors at the date of these Consolidated Financial Statements, was as follows:

- David Barker
- Nancy Cruickshank
- Jonathan Eastick (Group Chief Financial Officer)
- Darren Huston (Chairman of the Board)
- Francois Nuyts (Group Chief Executive Officer)
- Paweł Padusiński
- Richard Sanders
- Carla Smits-Nusteling

The composition of the Board of Directors remained unchanged until the date of these Consolidated Financial Statements.



5. Business combinations

The amounts in this note are provided in PLN and not in thousand PLN.

In the year ended 31 December 2020 and in the comparative period ended 31 December 2019, the Group entered into business combinations as described below:

Acquisition of eBilet Polska sp. z o.o.

On 19 April 2019 Allego.pl sp. z o.o. purchased 135,520 shares in eBilet Polska sp. z o.o. ('eBilet') composing 80% of the shares outstanding from an unrelated party – Bola Investments Limited for a cash consideration of PLN 95,894 thousand. On 25 September 2020 Allegro.pl purchased 33,880 shares in eBilet composing the remaining 20% of shares for cash consideration of PLN 40,000 thousand and as at 31 December 2020, Allegro.pl owns 100% of eBilet's shares. Both transactions were financed from the Group's own funds and as at 31 December 2020 there were no outstanding balances. Please refer to note 26 for further details.

eBilet is one of the largest Polish online ticket distributors. Its activity includes sales of tickets for cultural, sport and other entertainment events, mostly through its online channel. The purchase opens a new market for the Allegro.eu Group, previously not available on Allegro and Ceneo platforms.

The transaction was accounted for as a business combination applying the acquisition method. Based on the Group's purchase price allocation, Goodwill on the acquisition of PLN 48,937 thousand, is attributable mostly to synergies from cooperation with Allegro. All synergies are expected to occur in eBilet.

Costs related to the purchase transaction in the amount of PLN 1,367 thousand, were recognized in the consolidated statement of comprehensive income as Transaction Costs for the year ended 31 December 2019. For the year ended 31 December 2020 the Group recognized PLN 430 thousand such costs.

Foundation of Allegro Finance Sp. z o.o.

On 16 September 2019 Allegro.pl and Trade Analytics (both Allegro.eu Group companies) founded a new entity – Allegro Finance Sp. z o.o. ("Allegro Finance") with its share capital of PLN 600 thousand divided into 6,000 shares with the value of PLN 100 each. At the beginning of 2020 all shares were sold to Allegro.pl.

The core activity of the Company is financial intermediation offered at Allegro website in cooperation with partners. This transaction does not have an impact on these Consolidated Financial Statements.

Acquisition of Allegro Pay sp. z o. o. (previously: FinAi S.A.).

On 27 January 2020 Allegro.pl Sp. z o.o. acquired 100% of shares in FinAi S.A. (currently: Allegro Pay Sp. z o.o.). The price amounted to PLN 7,000 thousand for 100% of the company's shares and the cash payment was divided into two tranches – PLN 2,000 thousand was settled in 2019 and the remaining PLN 5,000 thousand in January 2020. Together with legal entity, the Group acquired the following assets: cash balance in the amount of PLN 798 thousand intangible assets of PLN 6,481 thousand, trade and other receivables amounted to PLN 804 thousand, property plant and equipment amounted to PLN 23 thousand and deferred tax asset amounted to PLN 31 thousand as well as trade liabilities in the amount of PLN 740 thousand and liabilities to employees of PLN 397 thousand.

The company was a financial intermediary start-up which ceased to trade in September 2019. Together with Allegro Pay, Allegro.pl acquired existing software applicable to credit analysis of the Allegro platform Buyers and performance of AML (Anti Money Laundering), KYC (Know Your Client) checks and a team of FinTech experts. Allegro.pl expects such competencies and capabilities to be important enablers to further development of financial services penetration on the marketplace platform in the future.

In order to conclude on the type of the transaction, the Group preformed concentration test as permitted in IFRS 3 para B7A. The concentration test was met and the set of acquired activities and assets was determined not to be a business but the purchase of assets. As Allegro.pl acquired means of production as opposed to a functioning business, the transaction is treated as a purchase of assets and the purchase consideration is allocated to net assets acquired (i.e. financial assets/liabilities are recognized at their fair value and the residual amount is allocated pro-rata to acquired non-financial assets). No goodwill or gain on a bargain purchase were recognized. Asset acquisition is recorded at cost which is allocated over the group of assets based on relative fair value.

The acquired company was renamed as Allegro Pay on 31 July 2020, to reflect the brand of the consumer finance product launched by the company in cooperation with the Allegro marketplace.

Acquisition of OpenNet Sp. z o.o.

On 27 October 2020 Allegro Logistyka sp. z o.o. purchased 100% of shares in OpenNet sp. z o.o. for a cash consideration of PLN 12,286 thousand. The payment was divided into two tranches – PLN 8,393 thousand was settled at the date of the transaction and the remaining PLN 3,893 thousand is payable in December 2022. The transaction was financed from the Group's own funds. OpenNet is a leading provider of technology solutions for the logistics industry in Poland and beyond, including a range of copyrights for software for automated parcel machines, last mile courier and pick-up points solutions, and for fulfillment. OpenNet provides professional software development and maintenance services to a range of leading logistic and postal carriers. Together with OpenNet, Allegro Logistyka acquired a team of qualified developers. The acquisition opens new opportunities for the Group in terms of logistics innovations. The transaction was accounted for as a business combination applying the acquisition method.

Based on the Group's purchase price allocation, Goodwill recognized on the acquisition of PLN 7,907 thousand, is attributable mostly to synergies from cooperation with Allegro Logistyka. The synergies are expected to occur mostly in Allegro.pl.

Costs related to the purchase transaction in the amount of PLN 123 thousand, were recognized in the consolidated statement of profit or loss and other comprehensive income as transaction costs for the period ended 31 December 2020.

The effect of accounting for the acquisitions is presented below:

As at the acquisition date	OpenNet 27.10.2020	eBilet 19.04.2019
Purchase consideration paid – cash	8,393	95,894
Deferred purchase consideration	3,894	—
Non-controlling interest – measured at proportional share in the net assets	—	11,739
Fair value of net assets	(4,380)	(58,696)
Goodwill	**7,907**	**48,937**

Net assets acquired	OpenNet 27.10.2020	eBilet 19.04.2019
Trademarks	157	5,234
Customer Relationships	2,015	22,497
Domains	—	5,092
Software	1,517	18,687
Other intangibles	—	4,688
Property, plant and equipment	—	672
Inventory	—	37
Accounts receivable and other receivables	650	2,146
Cash acquired	991	32,916
Lease liabilities	—	(388)
Accounts payable and other liabilities	(263)	(22,766)
Income tax provision	—	(11)
Other assets/(liabilities)	—	(823)
Provision for deferred tax	(687)	(9,285)
Fair value of net assets	**4,380**	**58,696**

	OpenNet 27.10.2020	eBilet 19.04.2019
Purchase consideration paid	8,393	95,894
Cash and cash equivalents acquired	(991)	(32,916)
Cash flow used in acquisition	**7,402**	**62,978**

Goodwill is tested for impairment annually or more frequently, if there is objective evidence of impairment (see note 30.1). Customer relationships, trademarks, domains and software are amortized over their estimated useful economic life (see note 13).

The revenue and net profit of eBilet since the acquisition date included in the consolidated statement of comprehensive income for the 2019 reporting period amounted to PLN 19,799 thousand, and PLN 10,226 thousand respectively. The revenue and net profit of the Group for the 2019 financial year would have been PLN 2,598,394 thousand, and PLN 394,856 thousand, respectively if the acquisition of eBilet had been at the beginning of the financial year.

The revenue and net profit of OpenNet since the acquisition date included in the consolidated statement of comprehensive income for the 2020 financial year amounted to PLN 610 thousand and PLN (266) thousand respectively. The revenue and net profit of the Group for the 2020 financial year would have been PLN 4,001,257 thousand and PLN 419,713 thousand, respectively if the acquisition of OpenNet had been as of the beginning of the financial year.

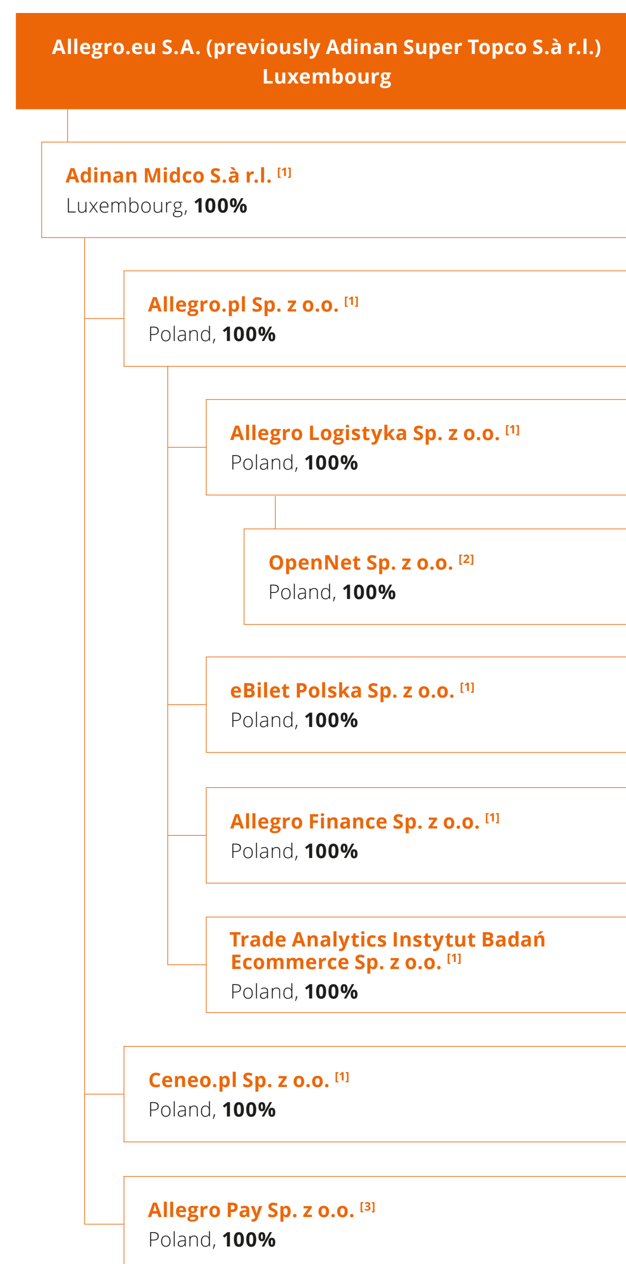
eBilet and OpenNet have both been assigned to segment "Other" as they are not material under IFRS 8.

6.
Group structure

As at 31 December 2020, the Allegro.eu Group comprised Allegro.eu, previously Adinan Super Topco ('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. In addition, Allegro.pl owns the Allegro All For Planet Foundation, which is not consolidated due to its immateriality.

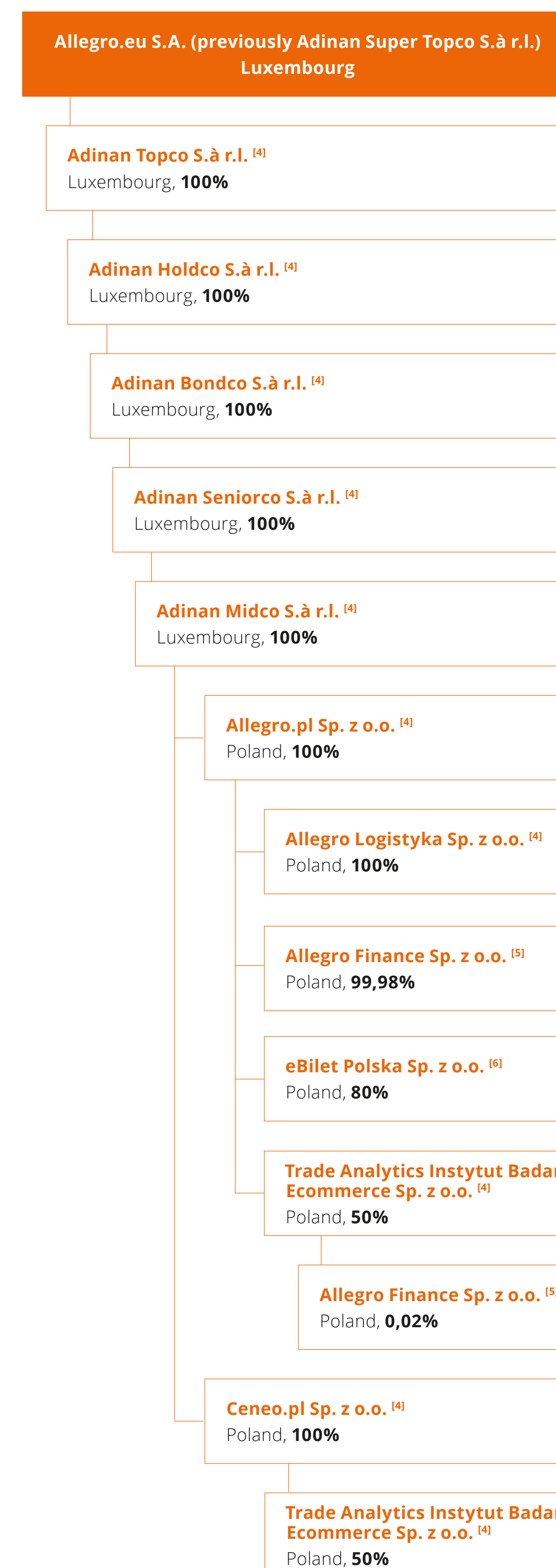
Key information regarding the members of the Group, shares held by the Group as at 31 December 2020 and 31 December 2019 and the periods subject to consolidation is presented below.

31.12.2020



[1] Period covered by consolidation 01.01.2020 – 31.12.2020
[2] Period covered by consolidation 27.10.2020 – 31.12.2020
[3] Period covered by consolidation 27.01.2020 – 31.12.2020

31.12.2019



[4] Period covered by consolidation 01.01.2019 – 31.12.2019
[5] Period covered by consolidation 30.09.2019 – 31.12.2019
[6] Period covered by consolidation 01.05.2019 – 31.12.2019

As a result of the merger and liquidations performed within the Group on 21 December 2020, holding companies – Adinan Topco, Adinan Holdco, Adinan Bondco and Adinan Seniorco ceased to exist. This transaction had no impact on these Consolidated Financial Statements as those were fully owned subsidiaries consolidated by the Group and its liquidation was only a simplification of the Group structure.

7.
Approval of the consolidated financial statements

The Consolidated Financial Statements for the year ended 31 December 2020 were approved by the Board of Directors for publication on 3 March 2021.

NOTES TO THE CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

8. Segment information

8.1 Description of segments and principal activities

Allegro.eu Group has implemented an internal functional reporting system. For management purposes, the Group is organised into business units based on their products, and has two reportable operating segments as follows:

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

Other segment consists mainly the results of eBilet, consolidated from May 2019, 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 8.2. The accounting policies adopted are uniform for all segments and consistent with those applied for the Group. Inter-segment transactions are eliminated upon consolidation.

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

01.01–31.12.2020	TOTAL	Allegro	Ceneo	Other	Eliminations
External revenue	3,997,811	3,756,433	235,422	5,956	—
Inter-segment revenue	—	12,671	45,106	168	(57,945)
Net revenue	**3,997,811**	**3,769,104**	**280,528**	**6,124**	**(57,945)**
Operating expenses	(2,410,979)	(2,238,778)	(145,977)	(84,169)	57,945
EBITDA	**1,586,832**	**1,530,326**	**134,551**	**(78,045)**	**—**
Amortisation and Depreciation	(463,789)				
Net financial result	(506,336)				
Profit before income tax	**616,707**				
Tax expense	(198,147)				
Net profit	**418,560**				

01.01–31.12.2019	TOTAL	Allegro	Ceneo	Other	Eliminations
External revenue	2,592,306	2,387,049	185,458	19,799	—
Inter-segment revenue	—	4,213	30,329	1,194	(35,736)
Net revenue	**2,592,306**	**2,391,262**	**215,787**	**20,993**	**(35,736)**
Operating expenses	(1,266,916)	(1,179,229)	(106,273)	(17,150)	35,736
EBITDA	**1,325,390**	**1,212,033**	**109,514**	**3,843**	**—**
Amortisation and Depreciation	(439,303)				
Net financial result	(373,038)				
Profit before income tax	**513,049**				
Tax expense	(119,974)				
Net profit	**393,075**				

The Management Board 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 Management Board, which is the main body responsible for making strategic decisions. The operating decisions are taken on the level of the operating entities.

8.2. Adjusted EBITDA (non gaap measure)

EBITDA, which is a measure of the operating segments' profit, is defined as the net profit increased by the income tax charge, net financial results (i.e. the finance income and finance costs) and the depreciation/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 including mostly IPO costs, because these expenses are mostly of non-recurring nature and are not directly related to core operations of the Group. 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.

	01.01–31.12.2020	01.01–31.12.2019
EBITDA	**1,586,832**	**1,325,390**
Monitoring costs [1]	1,794	3,252
Regulatory proceeding costs, legal fees and settlement costs [2]	4,890	2,931
Group restructuring costs [3]	7,172	881
Donations to various public benefit organizations [4]	6,892	—
Bonus for employees and funds spent on sanitary protection of employees [5]	3,276	—
Allegro Incentive Plan [6]	25,428	—
Management Investment Plan [7]	52,191	4,320
Transaction costs [8]	61,569	1,367
Adjusted EBITDA	**1,750,044**	**1,338,141**

[1] Represents expenses incurred in relation to performance of advisory services by the shareholders of the Group (further information is disclosed in the note number 37), including travel expenses and expenses for services provided for projects outside the scope of supervisory responsibilities.

[2] Represents legal costs mainly related to regulatory proceeding, legal fees and settlement costs. The regulatory proceedings are described in the note number 33.2.

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

[4] Represents donations made by the Group to support several public organizations during the COVID-19 pandemic.

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

[6] Represents one-off grant to employees of shares awarded at the Group's IPO.

[7] Cost of share based compensation related to incentive elements of The Management Investment Plan ('MIP', 'Investment Opportunities') 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 increase in share based compensation expense recognized in 2020 is the result of new investments in the MIP being made with the assistance of non-recourse loans and acceleration of the plan's previously assumed exit date to the date of the Group's IPO. The Management Investment Plan ceased to exist at its full settlement at the Group's IPO. For more information please refer to note number 39.

[8] Represents costs of advisory and consultancy incurred during the IPO process in 2020 (PLN 61,139) and the acquisition of a 20% minority interest in eBilet (PLN 430). In 2019 the Group only incurred costs related to the original acquisition of eBilet in April 2019 (PLN 1,367).

9. Revenues from contracts with customers

9.1. Accounting policies

Recognition of revenue

Under IFRS 15, revenue is recognised when a customer obtains control of a good or service. Where multiple goods or services are sold in a single arrangement, the consideration is allocated to each of the performance obligations based on the relative stand-alone prices. The consideration includes an estimate of the variable consideration if it is highly probable that the amount will not result in a significant reversal of revenue should the estimates change. The transaction price is adjusted for the time value of money if a contract includes a significant deferred payment component (the Group did not have such contracts in 2020 and 2019).

Marketplace revenue

The Group earns two main type of fees: success fees and listing. The listing fee is payable up-front and is non-refundable. The success fee is payable when a listed good gets sold.

There is only one performance obligation in a contract with the seller being the selling service. There does not appear to be any advertising benefit for the seller that could be separated from the selling service. It is because there is no indication that the seller can benefit from the advertising on its own or with other resources that are readily available as the restricted and monitored contact between the seller and the buyer prevents any interaction between them outside the Group website, which is different from any typical advertising arrangement.

Success fees

Based on its judgment, the Management is of the view that the contract between the Group and the seller should be seen as a contract under which the Group promises to find purchasers for the seller's goods (i.e., the Group's performance consists only of finding a purchaser for the products). As a result, the Group earns revenue from sellers on the platform and recognises success fees when listed goods get sold. Transaction revenue at the end of each reporting period is reduced by a provision for commission refund for sellers and discounts and incentives. Policy enables sellers to claim refunds for transactions that were terminated by the clients during 45 days from the initial transaction.

Marketplace revenues are invoiced monthly and fall due after 14 days.

Listing fees

Based on its judgment, the Management is of the view that the contract between the Group and the seller should be seen as a contract under which the Group promises to make the seller's products available for purchase (i.e., the Group's performance includes both listing the products and finding a purchaser for them). As a result, the Group earns revenue from sellers on the platform and recognises listing fees straight line over the duration of the listing period.

Price comparison revenue

Revenues are recognized when shoppers click on a seller's offer listed along with competing offers for the same product. The shopper is directed to the seller's own website and the merchant pays a click-through fee for this marketing lead.

Revenues are invoiced monthly in arrears and in general fall due after 14 days.

Advertising revenue

Revenue from advertising services provided is recognised in the reporting period in which the service is performed. If provision of a service comprises an unquantifiable number of activities performed over a specific time period, revenue is recognised at the end of each month based on the number of views registered during the period priced at agreed rates. Revenue from advertising services is recorded net of any estimated discounts, including volume-based discounts.

Advertising revenues are invoiced monthly in arrears and fall due after 14 days.

Retail revenue

Revenue from retail sales is recognized when Allegro.pl sells goods purchased for resale by its own proprietary store via marketplace on the Platform. The revenue is recognised when control of the goods has transferred to the customer, being at the point the goods are delivered to the customer. Delivery occurs when the goods have been shipped to the customer's specific location. When the customer initially purchases the goods online the transaction price received by the Group is recognised as a contract liability until the goods have been delivered to the customer.

Other revenue

Other revenues relate mainly to hosting services that are recognized over time. Customers of hosting services are companies owned or previously owned by Naspers Group, the previous owner of the Group.

Customer incentives programs

The attractiveness of the marketplace to sellers (also referred to as merchants), and therefore revenue potential for the Group, depends crucially on the number of active buyers and their engagement with the marketplace (e.g. site visits, transactions, and value of purchases made). To increase buyer activity on the marketplace, the Group has introduced certain programs to incentivize buyers to shop on the marketplace. Allegro seeks to increase numbers of buyers and their engagement metrics by incurring costs, at its own risk, that attract traffic and new buyers such as operating a free of charge loyalty scheme.

Smart!

Allegro partially covers expenditure for functionalities on the marketplace that buyers may otherwise see as a barrier to making e-commerce transactions, such as the costs of delivery. To reduce the delivery cost barrier to purchase, the Smart! loyalty program was introduced in 2018. For an annual or monthly subscription, the user buys unlimited free of charge package deliveries for the duration of the subscription, subject to a minimum order value. Inflows from subscriptions are presented as deferred income and included in comprehensive income on the time-based model over the duration of the subscription agreement as the number of packages the subscriber may order using the Smart! Free delivery service is unlimited. Allegro arranges delivery for packages made by Smart! subscribers. Allegro acts as an agent in case of free deliveries therefore cost of free delivery is deducted from subscription fees paid by Smart! subscribers. Costs of delivery in excess of the subscription fee earned are presented in "Net costs of delivery" in operating expenses in the statement of comprehensive income. Although a portion of individual transactions relating to Smart! Program concluded on the Group's online marketplace may result in a loss due to delivery provided to buyers costing more than the transaction fees earned from sellers, the Group concluded that these losses are acceptable from the business perspective to drive overall buyer engagement and transaction volumes that generate positive net revenues earned as a whole.

Allecoins

The Allecoins loyalty program, was implemented to encourage buyers to exhibit specific behaviors (e.g. purchase via the mobile application, purchases in defined categories). Buyers accumulate coins for purchases made which entitle them to discounts on future purchases. A contractual liability for the award points is recognised at the time of the sale. The value of discounts earned and redeemed during the period are classified as discounts and incentives. Those earned on purchases from Merchants are presented as adjustment to revenue while a coins earned as a result of various buyers' activities on the Platform (for example downloading mobile app) are presented as Marketing expenses.

9.2. Disaggregation of revenue from contracts with customers

	01.01–31.12.2020	01.01–31.12.2019
Marketplace revenue	3,230,983	2,099,744
Advertising revenue	337,834	207,071
Price comparison revenue	189,964	145,765
Retail revenue	216,626	115,211
Other revenue	22,404	24,515
Net revenue	**3,997,811**	**2,592,306**

The element of the revenue generating activity which is a negative amount being an excess of the Costs of Smart!' deliveries over the subscription fee earned is presented as an expense in "Net costs of delivery" in operating expenses in the statement of comprehensive income.

The division of revenues into segments is presented below:

01.01–31.12.2020	Allegro	Ceneo	Other	Eliminations	Total
Marketplace revenue	3,226,006	—	5,389	(412)	3,230,983
Advertising revenue	292,187	48,856	—	(3,209)	337,834
Price comparison revenue	—	226,792	—	(36,828)	189,964
Retail revenue	216,626	—	—	—	216,626
Other revenue	34,286	4,880	734	(17,496)	22,404
Net revenue	**3,769,105**	**280,528**	**6,123**	**(57,945)**	**3,997,811**

01.01–31.12.2019	Allegro	Ceneo	Other	Eliminations	Total
Marketplace revenue	2,079,945	—	19,799	—	2,099,744
Advertising revenue	165,688	45,499	—	(4,116)	207,071
Price comparison revenue	—	166,832	—	(21,067)	145,765
Retail revenue	115,211	—	—	—	115,211
Other revenue	30,418	3,456	1,194	(10,553)	24,515
Net revenue	**2,391,262**	**215,787**	**20,993**	**(35,736)**	**2,592,306**

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major operating segments.

01.01–31.12.2020 Timing of revenue recognition:	Allegro	Ceneo	Other	Eliminations	Total
At a point in time (incl. success fee)	2,469,109	228,728	6,123	(51,976)	2,651,984
Over time	1,299,996	51,800	—	(5,969)	1,345,827
Net revenue	**3,769,105**	**280,528**	**6,123**	**(57,945)**	**3,997,811**

01.01–31.12.2019 Timing of revenue recognition:	Allegro	Ceneo	Other	Eliminations	Total
At a point in time (incl. success fee)	1,458,914	167,739	20,993	(29,106)	1,618,540
Over time	932,348	48,048	—	(6,630)	973,766
Net revenue	**2,391,262**	**215,787**	**20,993**	**(35,736)**	**2,592,306**

The Group's operations are conducted in one geographical area, on the territory of the Republic of Poland. The Group has a dispersed customer base – no single customer generates more than 10% of revenue.

9.3. Contract assets and liabilities

The Group has recognised the following revenue-related contractual liabilities:

	Smart! program deferred income [1]	Listing and promotional deferred income [2]	Other deferred income
As at 01.01.2020	**28,579**	**8,538**	**2,146**
Charge/(credited)	28,397	(562)	(2,146)
As at 31.12.2020	**56,976**	**7,976**	**—**

	Smart! program deferred income [1]	Listing and promotional deferred income [2]	Other deferred income
As at 01.01.2019	**17,190**	**6,431**	**2,088**
Charge/(credited)	11,389	2,107	58
As at 31.12.2019	**28,579**	**8,538**	**2,146**

[1] **Smart! program** – the loyalty program for buyers Smart! was introduced in 2018. Monthly or annual subscription fees are paid at the beginning of the subscription period, with the part relating to future periods being recognised pro rata in deferred income at the balance sheet date.

[2] **Listing and promotional** – the sellers can list their products on the platforms in a form of an announcement. Fees are recorded as revenue during the listing period.

Contract liabilities are presented in Trade and other liabilities.

There were no contract assets in 2020 and 2019.

Significant changes in contract assets and liabilities

There were no significant changes in contract liabilities in the current period resulting from other transaction than the recognition of the subscription fees from buyers and recognition of revenue when the services is provided.

Revenue recognised in relation to contract liabilities

Revenue of PLN 28,579 was recognised in the period from 1 January to 31 December 2020 from the Smart! program contract liability and PLN 8,538 in the period from 1 January to 31 December 2020 from listing and promotional deferred income from that amounts that were included in the contract liability balance at the beginning of the period 1 January 2020.

Revenue of PLN 17,190 was recognised in the period from 1 January to 31 December 2019 from the Smart! program contract liability and PLN 6,431 in the period from 1 January to 31 December 2019 from listing and promotional deferred income from that amounts that were included in the contract liability balance at the beginning of the period 1 January 2019.

Transaction price allocated to unsatisfied performance obligations

All contracts are for periods of the expected original duration of one year or less. As permitted under IFRS15, the entity does not disclose the transaction price allocated to these unsatisfied or partially unsatisfied contracts is not disclosed and when it expects to recognise as revenue such amounts.

Assets recognized from costs to obtain and fulfil a contract

There were no assets to obtain or fulfil a contract in 2020 and 2019.

9.4
Refund liabilities

The value of refund liabilities at the balance sheet date was:

	Allecoins customer loyalty program contract liability [1]	Refunds contract liability [2]	Advertising revenue retrospective bonuses [3]
As at 01.01.2020	**21,620**	**5,398**	**4,141**
Charge/(credited)	11,227	7,491	569
As at 31.12.2020	**32,847**	**12,889**	**4,710**

	Allecoins customer loyalty program contract liability [1]	Refunds contract liability [2]	Advertising revenue retrospective bonuses [3]
As at 01.01.2019	**17,190**	**6,431**	**2,088**
Charge/(credited)	4,430	(1,033)	2,053
As at 31.12.2019	**21,620**	**5,398**	**4,141**

[1] **Allecoins customer loyalty program** – the Allegro coins program was introduced in January 2017. Increase in the contract liability balance is caused by higher sale in 2020.

[2] **Refunds** – this position includes refund commission and other refunds. Every buyer has the right to return a purchased product to the seller, in which case the Group is obliged to refund the commission for cancelled transaction. At the end of each reporting period the Group adjust the transaction revenue for the expected returns and recognize a provision for returns of success fee. Refund commission liability represent the amount of consideration that the Group expects to repay to sellers using the expected value method with corresponding adjustment to revenue.

[3] **Advertising retrospective bonuses** – Allegro pays out retro-bonuses to media houses which promote ads on Allegro's web page. The estimated discounts are recognized as refund liability. Bonuses are paid after reaching agreed levels of annual spending by the media house.

The refund liabilities recognised as at opening balances of each reporting period were settled at amounts which are materially consistent with the amounts recognized.

Refund liabilities are presented in trade and other liabilities.

9.5
Significant judgment

In developing its revenue accounting policies to reflect the requirements of IFRS 15 on revenue accounting, the Management considered whether the judgements used result in its accounting presentation best reflecting the economic substance of the sales transactions and incentive programs related to the marketplace. The Management identified two separate groups of contracts – contracts with sellers and contracts with buyers (Smart! contracts) that produce separate revenue streams and as a result the buyer and the seller should be considered as separate customers. The Smart! program leads to a distinct revenue stream where Allegro provides a service – arranging (and paying) for deliveries in exchange for a subscription fee from the Smart! subscriber. The transaction price under the Smart! contract is allocated only to the performance obligation resulting from the Smart! contract, and the transaction price under the contract with the seller is allocated only to the performance obligation resulting from the contract with the seller as these are separate contracts which do not meet the criteria for combination as they are entered into independently with different parties and at different times. Therefore there is no reallocation of the transaction price between these contracts irrespective of the fact that these contracts are economically linked. Most Smart! contracts with buyers result in a loss (a negative margin) as delivery costs will exceed the subscription fee on an individual Smart! contract level.

Management believes that presentation of the negative margin from Smart! contracts as "Net costs of delivery" in operating expenses is most appropriate as the business purpose of the Smart! program is to make its marketplace more attractive compared to competition, to attract buyers and to boost sales on its marketplace, so the excess costs of the Smart! Program are in substance a promotional activity and should be presented as an expense.

10. Financial income and financial costs

	01.01–31.12.2020	01.01–31.12.2019
Interest from deposits	2,761	8,046
Other financial income	3,271	1,604
Valuation of financial assets	10,933	—
Net exchange gains on foreign currency transactions	—	1,333
Financial income	**16,965**	**10,983**
Interest paid and payable for financial liabilities	(297,099)	(361,113)
Deferred borrowing cost write off	(143,378)	—
Interest rate hedging instrument	(41,874)	(14,781)
Second Lien facility early repayment cost	(26,000)	—
Interest on leases	(3,028)	(3,835)
Revolving facility availability fee	(3,311)	(3,195)
Net exchange losses on foreign currency transactions	(4,236)	—
Other financial costs	(4,375)	(1,097)
Financial costs	**(523,301)**	**(384,021)**
NET FINANCIAL COSTS	**(506,336)**	**(373,038)**

On 28 September 2020, the Board of Director's decided to refinance the Group's existing borrowing facilities with a smaller new borrowing facility and the proceeds of a primary share offering pursuant to the Group's IPO. This decision resulted in the expected repayment date of existing borrowing facilities being advanced to 14 October 2020 from 2023 and 2024.

As a result the carrying value of the existing borrowing facilities at amortized cost increased by PLN 143,378 mainly due to deferred borrowings costs write off which was recognized as a non-cash financial expense.

The repayment of the Second Lien Facility before the termination due date triggered an additional PLN 26,000 of early repayment charges.

11. Income tax

Income tax for the year comprises current and deferred taxation. Income tax is recognized in profit or loss except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In such cases, tax is also recognized in other comprehensive income or directly in equity, respectively.

The majority of the Group's taxable income is generated in Poland and is subject to taxation according to the Corporate Income Tax Act ("CIT"). The CIT rate in Poland is 19%. In 2020 and 2019 Luxembourg companies were subject to a 24.94% taxation rate.

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

11.1. Income tax expense

	01.01–31.12.2020	01.01–31.12.2019
Current income tax on profits	(260,984)	(160,828)
(Increase)/Decrease in net deferred tax liability	62,837	40,854
Income tax expense	**(198,147)**	**(119,974)**

11.2. Significant estimates

In the light of the General Anti-Abuse Rule ("GAAR"), effective since 15 July 2016, aimed at preventing the formation and use of artificial legal structures created to avoid paying taxes in Poland, the Group conducted an overall analysis of its tax situation in order to identify and evaluate transactions and operations that could be subject to GAAR, considering the effect on deferred tax, the tax value of assets and tax risk provisions.

In the opinion of the Management, the analysis confirmed that current and deferred tax amounts are properly stated. Nevertheless, the Group is of the opinion that an inherent feature of GAAR is uncertainty about the Group's interpretation of tax law regulations, which can affect the ability to realize deferred income tax assets in future periods and result in the payment of additional unaccrued tax for prior periods.

Tax authorities may inspect accounting books and tax settlements within five years of the end of the year in which tax returns are filed and they may levy additional tax, including fines and interest, on the Group. In the opinion of the Group, there are no circumstances indicating that significant liabilities may arise in this respect.

11.3. Reconciliation of income tax expense to tax paid and payable

	01.01–31.12.2020	01.01–31.12.2019
Profit from continuing operations before income tax expense	616,707	513,049
Tax (payable)/recoverable at the Polish tax rate of 19%	**(117,174)**	**(97,479)**
Tax effect of amounts which are not deductible in calculating taxable income:		
Non-deductible expenses	(20,976)	(10,536)
Unrecognized deferred asset on tax losses	(24,242)	(15,045)
The effect of LuxCos liquidations	(52,234)	—
The effect of foreign tax rates and regulations	16,479	3,086
Income tax expense	**(198,147)**	**(119,974)**

The line "The effect of LuxCos liquidation" represents tax impact of liquidation of several entities in Lux which is consider non-deductible.

The line "The effect of foreign tax rates and regulations" is the effect of different tax rates used in Luxembourg and Poland.

11.4. Amounts recognised directly in other comprehensive income

The deferred tax relating to other comprehensive income recognized directly in other comprehensive income amounted to PLN (6,953) in 2020 and to PLN (801) in 2019.

11.5. Tax losses

The unrecognized deferred tax asset on tax losses of PLN 60,149 (expiring in 2024) were incurred by Adinan Seniorco in 2019. The subsidiary was not likely to generate taxable income in the foreseen future.

In 2020 unrecognized deferred tax asset on tax losses of PLN 97,200 (expiring in 2025) were incurred by Allegro.eu. Those losses are not likely to be utilized as the Parent will not generate future taxable income due to the tax exempt nature of income from dividends from its subsidiaries.

11.6. Other

No deferred tax liability is recognised on temporary differences of PLN 1,357,712 (2019: PLN 1,156,035) relating to the unremitted earnings of subsidiaries, as unremitted earnings are not taxable when paid.

On 16 December 2020, the Group received formal notifications of tax audits against two of the Group's entities initiated by the Head of Małopolski Customs and Tax Office in Cracow of the scope of compliance with the provisions of the Act of February 15, 1992 on corporate income tax with respect to taxation of income declared in the period from 28 July 2016 to 31 December 2017 and for 2018. The expected duration of the audits is 3 months.

12. Earnings per share

The amounts in this note are provided in PLN and not in thousand PLN.

The Group issued various classes of both ordinary and preference shares. Subscriber Ordinary Shares gave a right to return at the level of 11% of the nominal value of the Subscriber Ordinary Shares issued by the Company which amount shall be paid once only. Distributions on A1, A2, B and C series of Ordinary Shares could only be made once the Preference Shares and the cumulative preference dividends had been settled in full. B and C series shares were granted to the Group's Key Management (Board of Directors and Senior Key Managers) and selected other managers with a determined vesting period. The holders of the D1, D2, D3, and D4 Preference Shares were entitled to an annual cumulative dividend equal to an overall interest rate of 12.0% of the preference share amount being nominal value and share premium of preference shares, respectively.

On 29 September 2020 an extraordinary shareholders meeting of the Parent resolved to create a single new class of shares ('New Ordinary Shares') and to convert all the existing shares into the New Ordinary Shares.

The holders of Preference Shares were entitled to receive a preferential cumulative dividend and therefore the net profit attributable to the owners of the Group was reduced by the dividend interest due to Preference Shares. The accrued value of the preference shares was fully settled with New Ordinary Shares as a result of the share conversion, described in detail in note 28, made in connection with the completion of the Group's IPO. As a result of this conversion, preference shares were replaced with New Ordinary Shares and preference cumulative dividend interest ceased to accrue. As at 31 December 2020 the Group had no preference shares.

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 preferential cumulative dividend interest, by the weighted average number of ordinary shares. Ordinary shares before the conversion corresponded to A1 and A2 shares, and to the New Ordinary Shares after the conversion. B and C shares were granted to the Group's Key Management and selected other managers, with a determined vesting period and were excluded from the earnings per share calculation.

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

	31.12.2020	31.12.2019
Net profit attributable to equity holders of the Parent Company	419,160,122	391,391,852
Preference dividend interest	(754,495,305)	(993,728,453)
Loss for ordinary shareholders	**(335,335,183)**	**(602,336,601)**
Average number of ordinary shares	787,946,396	711,253,184
Loss per ordinary share (basic)	**(0.43)**	**(0.85)**
Loss per ordinary share (diluted)	**(0.43)**	**(0.85)**

The change in weighted average number of shares for the period ended 31 December 2019 in relation to the weighted average number of shares disclosed in the Consolidated Financial Statements for the years ended 31 December 2019, 31 December 2018 and 31 December 2017 was caused by the conversion performed on 29 September 2020.

The PSU program described in details in note number 39 have a potential dilutive effect on the EPS calculation, however was not concluded to be dilutive in 2020.

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

13. Intangible assets

Goodwill

Goodwill arises on the acquisition of business undertakings. Goodwill is not amortized but tested for impairment annually or more frequently, if there is objective evidence of impairment. For the purposes of impairment testing, goodwill is allocated to cash-generating units which are expected to profit from the synergies of business combination. Impairment is recognized when the carrying amount of an asset or cash-generating unit is higher than its recoverable amount. Recoverable amount is the higher of fair value less costs to sell and the value in use.

Licenses, software and copyrights

Separately purchased licenses are carried at historical cost. Licenses acquired as a result of the business combination are recognized at fair value at acquisition. Licenses have limited useful life, i.e. 2 to 5 years. The domains "allegro.pl" and "ceneo.pl" acquired on 18 January 2017 are amortized over their estimated useful life of 15 years. The Allegro and Ceneo Platform software acquired on 18 January 2017 is amortized over its estimated useful economic life for 10 years. The eBilet software acquired in April 2019 and Opennet software acquired in October 2020 are amortized over its estimated useful economic life for 15 years. These intangible assets are measured at historical cost (or initial fair value) less amortization and impairment losses. Amortization is calculated on a straight line basis in order to spread the license cost over the estimated useful life.

Trademarks

Trademarks arising from business combinations are initially measured at fair value using the Royalty Relief Method. Trademarks are measured at historical cost (or initial fair value) less amortization and impairment losses. Brands are amortized on a straight line basis for their estimated useful life of 15 years.

Customer relationships

Customer relationships arising from business combinations are measured initially at fair value with the Multi-Period Excess Earnings method ("MPEE") and subsequently at cost less amortization. Relationships acquired in the transaction of 18 January 2017 are amortized on a straight line basis for their estimated useful life of 20 years.

Relationships with event organizers acquired in the acquisition of eBilet Polska Sp. z o.o. and Opennet Sp. z o.o. are amortized on a straight line basis for their estimated useful life of 15 years.

Research and development costs

Although the Group does not have any department dedicated to research and development, such activities are performed throughout the organization. The Group develops its platform and introduces new projects in order to satisfy the needs of its Buyers and Sellers. Development expenditure that meets the capitalization criteria is recognized as intangible assets. Research and development expenditure that does not meet the capitalization criteria is recognised as an expense as incurred in staff costs. In the reported periods the Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. The Group is not able to estimate the value of research and development expenditures recognised through profit or loss because tracking of costs starts after formal acceptance of project.

Development work is the practical application of research findings or other knowledge to plan or design the production of new or substantially improved materials, devices, products, technological processes, systems or services. The Group's development costs relate to production of software containing new or significantly improved functionalities by the technology department and incurred before the software is launched commercially or the technology is applied on a serial basis.

The value of development work is measured based on expenditures incurred, in particular staff costs and related charges for the employees involved in a project, costs of contractors, costs of third party services and other costs of the project.

The completion of each project is confirmed with an acceptance report, is capitalized in the Group's intangible assets and amortized on a straight line basis for 4-7 years. Unsuccessful developments are expensed on a one-off basis at the time a decision is made to terminate the project.

Software under development is tested annually for impairment. As at the end of 2020 as well as the end of 2019 there was no impairment.

Impairment of non-financial assets

Assets with an undefined useful life and goodwill are not subject to amortization but tested annually for impairment. Amortized assets are tested for impairment wherever there is any evidence that their carrying amount may not be recoverable. Impairment charges are made at the excess of the carrying amount of a given asset over its recoverable amount. Recoverable amount is the higher of fair value less costs of effecting sale and value in use. For the purposes of impairment assessment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash generating units).

Non-financial assets, other than goodwill, for which impairment charges were identified, are reviewed for indication of a possible reversal of the impairment charge at each reporting period end date.

As at 31.12.2020	Goodwill	Customer relationships	Trademarks and other rights	Computer software and licences	Software development costs	Intangible assets under developments	Other	Total
Cost	8,639,249	2,912,512	1,513,562	1,041,990	255,482	108,985	34,190	14,505,970
Accumulated amortisation and impairment	—	(568,067)	(388,096)	(411,181)	(69,639)	—	(22,714)	(1,459,697)
Net book amount	**8,639,249**	**2,344,445**	**1,125,466**	**630,809**	**185,843**	**108,985**	**11,476**	**(13,046,273)**
Year ended 31.12.2020								
Opening net book amount	8,631,342	2,488,330	1,226,702	723,169	99,244	83,175	6,502	13,258,465
Additions	—	—	—	15,056	—	149,299	12,074	176,429
Additions due to business combinations	7,907	2,015	157	1,517	—	—	—	11,596
Transfer from development	—	—	—	607	124,209	(123,489)	(1,327)	—
Amortisation charge	—	(145,900)	(101,393)	(109,540)	(37,610)	—	(5,774)	(400,217)
Closing net book amount	**8,639,249**	**2,344,445**	**1,125,466**	**630,809**	**185,843**	**108,985**	**11,476**	**13,046,273**
As at 01.01.2019								
Cost	8,582,405	2,888,000	1,503,079	992,606	79,862	40,214	17,508	14,103,674
Accumulated amortisation and impairment	—	(276,767)	(185,540)	(194,761)	(6,748)	—	(12,736)	(676,552)
Net book amount	**8,582,405**	**2,611,233**	**1,317,539**	**797,845**	**73,114**	**40,214**	**4,772**	**13,427,122**
Year ended 31.12.2019								
Opening net book amount	8,582,405	2,611,233	1,317,539	797,845	73,114	40,214	4,772	13,427,122
Additions	—	—	—	8,987	—	94,372	6,424	109,783
Additions due to business combinations	48,937	22,497	10,326	23,374	—	—	—	105,134
Disposals	—	—	—	(360)	—	—	(286)	(646)
Transfer from development	—	—	—	203	51,411	(51,411)	(203)	—
Amortisation charge	—	(145,400)	(101,163)	(107,240)	(25,281)	—	(4,491)	(383,576)
Amortisation decrease	—	—	—	360	—	—	286	646
Closing net book amount	**8,631,342**	**2,488,330**	**1,226,702**	**723,169**	**99,244**	**83,175**	**6,502**	**13,258,464**
Year ended 31.12.2019								
Cost	8,631,342	2,910,497	1,513,405	1,024,810	131,273	83,175	23,443	14,317,945
Accumulated amortisation and impairment	—	(422,167)	(286,703)	(301,641)	(32,029)	—	(16,941)	(1,059,481)
Net book amount	**8,631,342**	**2,488,330**	**1,226,702**	**723,169**	**99,244**	**83,175**	**6,502**	**13,258,464**

The Group did not capitalize any interest expense or exchange rate differences during the periods presented.

14. Property, plant and equipment

Property, plant and equipment are carried at historical cost less depreciation and impairment losses. The historical cost includes expenses directly associated with the acquisition of assets. Depreciation of property, plant and equipment is calculated on a straight line basis in order to spread initial value less expected residual value over the period of useful life, which for individual classes of property, plant and equipment are as follows:

- Buildings and structures 10 years
- Systems and network hardware 4–10 years
- Motor vehicles 5–7 years
- Other 5 years

The residual value and useful life periods of property, plant and equipment are reviewed and adjusted if necessary at the end of each reporting period. Gains or losses arising from disposal of property, plant and equipment are determined by comparing the proceeds and the carrying amounts and are recognised in other operating income or expenses. In the current year there were no significant changes.

Right-of-use assets are amortized over the lease contract. The separate presentation of right-of-use assets is in the note 22.

As at 31.12.2020	Buildings	Computers and office equipment	Other fixed assets	Assets under construction	Total
Cost	167,717	172,569	788	5,414	346,488
Accumulated depreciation	(101,486)	(93,675)	(507)	—	(195,668)
Net book amount	**66,231**	**78,894**	**281**	**5,414**	**150,820**

Year ended 31.12.2020	Buildings	Computers and office equipment	Other fixed assets	Assets under construction	Total
Opening net book amount	85,253	61,719	349	388	147,709
Additions	9,101	52,690	115	5,101	67,007
Disposals – gross book value	(137)	(7,162)	—	—	(7,299)
Transfer from assets under construction	—	75	—	(75)	—
Impairment loss	82	20	—	—	102
Depreciation charge	(27,927)	(35,464)	(183)	—	(63,574)
Depreciation of disposals	41	6,834	—	—	6,875
Reclassification – gross amount	(370)	370	—	—	—
Reclassification – depreciation	188	(188)	—	—	—
Closing net book amount	**66,231**	**78,894**	**281**	**5,414**	**150,820**

As at 31.12.2019					
Cost	157,798	96,199	596	331	254,924
Accumulated depreciation	(51,382)	(39,274)	(181)	—	(90,837)
Net book amount	**106,416**	**56,925**	**415**	**331**	**164,087**

Year ended 31.12.2019					
Opening net book amount	106,416	56,925	415	331	164,087
Additions	12,667	33,787	77	388	46,919
Additions due to business combinations	372	299	—	—	671
Transfer from assets under construction	—	331	—	(331)	—
Disposals – gross book value	(3,978)	(3,669)	—	—	(7,647)
Modification of lease contract	(8,188)	—	—	—	(8,188)
Depreciation charge	(26,014)	(29,571)	(143)	—	(55,728)
Depreciation of disposals	3,978	3,617	—	—	7,595
Closing net book amount	**85,253**	**61,719**	**349**	**388**	**147,709**

As at 31.12.2019					
Cost or fair value	158,671	126,947	673	388	286,679
Accumulated depreciation	(73,418)	(65,228)	(324)	—	(138,970)
Net book amount	**85,253**	**61,719**	**349**	**388**	**147,709**

15. Loans granted

at the balance sheet date loans granted comprised:

	31.12.2020	31.12.2019
Loans granted – capital	—	8,266
Loans granted – interest	—	94
Other loans granted	—	964
Total loans granted	**—**	**9,324**

Loans granted are measured at amortised cost.

Loans granted to key managers and selected other managers amounted to:

	Nominal		Interest rate	Interests	
	31.12.2020	31.12.2019		31.12.2020	31.12.2019
08.09.2017	—	15	4.00%	—	—
29.09.2017	—	6,750	4.00%	—	63
21.03.2018	—	1,421	4.00%	—	31
08.11.2019	—	80	4.00%	—	—
TOTAL	**—**	**8,266**		**—**	**94**

For more information regarding loans granted to the key management and selected other managers, please refer to note 39.

At 31 December 2020 all loans granted had been repaid.

16. Inventory

the value of Group inventory was as follows:

	31.12.2020	31.12.2019
Goods	31,146	24,860
Allowance for slow-moving goods	(6,527)	(4,809)
Total	**24,619**	**20,051**

16.1. Assigning costs to inventories

Goods and materials are stated at the lower of cost and net realisable value. Inventories are determined using the first in, first out (FIFO) method. Cost of purchased inventory is determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

16.2. Amounts recognised in profit or loss

Write-downs of inventories to net realisable value amounted to PLN 6,527 (PLN 4,809 in previous period). Write-downs are charged to costs of goods sold in the statement of comprehensive income.

17. Trade and other receivables

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

	31.12.2020	31.12.2019
Trade receivables, gross	658,197	424,460
Impairment of trade receivables	(60,114)	(40,486)
Trade receivables, net	**598,083**	**383,974**
Other receivables	42,249	12,827
VAT receivables	6,077	—
Total	**646,409**	**396,801**

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.

17.1. Classification as trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of the Group's business. They are generally due for settlement within 14 days and therefore are all classified as current assets. Trade receivables are recognised initially at the amount of consideration that is unconditional. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest rate method. Details about the Group's impairment policies and the calculation of the loss allowance are provided in note 31.2 Credit risk.

17.2. Classification as other receivables

These amounts generally arise from transactions outside the usual operating activities of the Group (relate mainly to receivables due from payment operators). Interest may be charged at commercial rates where terms of repayment exceed six months.

17.3. Fair value of trade and other receivables

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

17.4. Impairment and risk exposure

Information about impairment and the exposure to credit risk and interest rate risk is disclosed in note 31. Receivables outstanding as at the balance sheet date were subject to impairment provisions, in accordance with the Group's accounting policy. The receivables impairment allowance was recognized as part of the bad debt provision expense in the statement of comprehensive income. In comparison with to the previous year, the impairment provision increased by PLN 19,627 for the year ended 31 December 2020 and by PLN 40,486 for the year ended 31 December 2019.

18. Prepayments

the value of the Group's prepayments was as follows:

	31.12.2020	31.12.2019
Prepayments	36,496	26,911
Total	**36,496**	**26,911**

Prepayments are made when the entity incurs costs before the period to which they relate. Prepayments are determined at the amount of costs attributable to subsequent reporting periods.

As at the end of 2020 and 2019 the prepayments mainly consisted of:

	31.12.2020	31.12.2019
Licenses	12,460	6,816
Insurances	11,539	475
Technical support	5,903	9,210
Delivery	4,097	4,766
Other	2,497	5,644
Total	**36,496**	**26,911**

The significant increase in prepaid insurances was caused by the new Public Offering of Securities Insurance ('POSI') and an extended Directors and Officers ('D&O') insurance policy.

19. Consumer loans

During the first half of 2020 the Group developed its own proprietary consumer finance lending solutions for buyers to use when making purchases on the Group's e-commerce platform. The FinTech experts, developer teams and software acquired with the acquisition of the FinAi (currently: Allegro Pay) in February 2020, together with the Group's existing technology resources, have developed integrated solutions that are expected to provide an improved user experience. Using the sub-brand Allegro Pay, the new proprietary lending solutions moved into user testing during the third quarter of 2020 and this continued during the fourth quarter of 2020.

Consumer credit activities are subject to certain statutory requirements in Poland. Loan companies which are not banks or credit institutions are not required to be authorized in order to grant consumer credits.

However, it is a prerequisite for such loan companies and for loan intermediates to obtain an entry in the register of loan institutions or, respectively, the register of loan intermediaries maintained by the Polish Financial Supervision Authority ('KNF').

Consumer loans represent loans granted to polish 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 instalment loan, with zero interest.

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

The value of the Consumer loans granted as at 31 December 2020 by maturity were as follows:

	31.12.2020	31.12.2019
Consumer loans – long term	4,728	—
Consumer loans – short term	47,244	—
Total	**51,972**	**—**

The value of Consumer loans by term at the date of granting as at 31 December 2020 was as follows:

	31.12.2020	31.12.2019
30 days	8,956	—
3 months	17,278	—
5 months	4,326	—
10 months	9,535	—
20 months	11,877	—
Total	**51,972**	**—**

19.1.
Gross carrying amount and loss allowance

The Gross carrying amount is the amortised cost of a Consumer loans before adjusting for expected credit loss allowance. The provision for the loss allowance relates to the expected credit losses under IFRS 9.

Loans are categorised into three stages based on the associated risk, where stage 3 reflects the highest risk. A description of the stages is included in note 27.

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

As at 01.01.2020	Stage 1	Stage 2	Stage 3	TOTAL
Consumer loans, gross	—	—	—	—
Expected credit losses	—	—	—	—
Consumer loans as at 01.01.2020	**—**	**—**	**—**	**—**

As at 31.12.2020	Stage 1	Stage 2	Stage 3	TOTAL
Opening balance	—	—	—	—
New consumer loans originated	76,017	—	—	76,017
Transfer to stage 1	2	(2)	—	—
Transfer to stage 2	(33)	33	—	—
Transfer to stage 3	—	(1)	1	—
Consumer loans derecognized (repaid)	(22,913)	(2)	—	(22,915)
Consumer loans, gross	**53,073**	**28**	**1**	**53,102**
Opening balance	—	—	—	—
New consumer loans originated	(1,520)	—	—	(1,520)
Changes due to changes in credit risk	394	(3)	(1)	390
Expected credit losses	**(1,126)**	**(3)**	**(1)**	**(1,130)**
Consumer loans as at 31.12.2020	**51,947**	**25**	**—**	**51,972**

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

19.2.
Classification as consumer loans

The loans are initially recognized at fair value.

The Group classifies financial assets into the following categories:

- **measured at amortized cost for "held to collect" cash flows model,** in which financial assets originated or acquired are held to maturity in order to collect contractual cash flows where those cash flows represent solely payments of principal and interest ("SPPI");
- **measured at fair value through other comprehensive income for "held to collect and sell" cash flows model,** in which financial assets originated or acquired are held to maturity in order to collect contractual cash flows, where those cash flows represent solely payments of principal and interest ("SPPI"), but they may also be sold;
- **measured at fair value through profit or loss** for other than the "held to collect" or the "held to collect and sell" cash flows model.

Consumer loans are stated at amortised cost, net of allowances and calculated in accordance with the Group's accounting policies. Allowances are made based upon several factors including, but not limited to, historical experience and the current aging of loans.

The Group closely monitors credit quality for all consumer loans on a recurring basis. The Group implemented an internally developed risk model to help predict the Buyer's repayment ability.

19.3.
Impairment and risk exposure

Consumer loans outstanding as at the balance sheet date were subject to impairment provisions. The impairment policy is described in note 31. The expected credit loss allowance was recognized as part of the Impairment losses in the statement of comprehensive income.

All loans are denominated in Polish zloty, there is no exposure to foreign currency risk. There is also no exposure to price risk as the loans are expected to be held to maturity.

More information about impairment and the exposure to credit risk and interest rate risk is disclosed in note 31.

20. Cash and cash equivalents

At the balance sheet date Cash and cash equivalents comprised:

	31.12.2020	31.12.2019
Cash at bank	643,238	315,655
Bank deposits	502,535	64,004
Cash equivalents	39,287	24,209
Cash in hand	—	9
Total	**1,185,060**	**403,877**

20.1. Classification as bank deposits

Bank deposits are deposits paying interests at fixed negotiated rates with maturity of three months or less from the date of placing the deposit and are repayable within 24 hours' notice. The Group deposits its cash solely in financial institutions with the rating BBB and above.

20.2. Classification as cash equivalents

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

20.3. Classification as cash at bank

Cash at bank comprises cash on demand allocated in bank.

20.4. Restricted cash

As at 31 December 2020 and 2019 the Group had no restricted cash.

21. Borrowings

At the balance sheet date borrowings comprised:

	31.12.2020	31.12.2019
Loans	5,437,223	6,001,174
Long term borrowings	**5,437,223**	**6,001,174**
Loans	—	335,741
Other	577	—
Short term borrowings	**577**	**335,741**
Total borrowings	**5,437,800**	**6,336,915**

On 20 December 2016 the Group concluded a "Senior Term and Revolving Facilities Agreement" in the amount of PLN 3,500,000 drawn by Adinan Seniorco S.à r.l. and a "Second Lien Facility Agreement" in the amount of PLN 1,300,000 drawn by Adinan Bondco S.à r.l. The Senior Term Loan comprised the Amortizing Term Loan (the "TLA") of PLN 450,000 and the Senior Bullet Term Loan (the "TLB") of 1,550,000. Under the "Senior Term and Revolving Facilities Agreement" the Group was also granted a revolving facility of PLN 340,000 which remained unused.

On 22 May 2019 the Group increased its borrowings under the Senior Term and Revolving Facilities Agreement by PLN 2,000,000. The TLA nominal amount was increased by PLN 450,000 to PLN 1,363,500 and the TLB (and together with the TLA, the "Senior Term Loans") nominal amount was increased by PLN 1,550,000 to PLN 3,990,000.

The borrowings bore interest of 3M WIBOR and margins of 3.25% and 3.75% for particular tranches of the Senior Term facility and 7.00% for the Second Lien Agreement. The additional borrowing received of PLN 1,959,516 was net of PLN 40,484 of consent and arrangement fees, which have been added to the calculation of amortized costs of the loan liability. As at 31 December 2019 the enlarged Senior Term Loans amounted to PLN 5,353,500 and, together with the PLN 340,000 Senior Revolving Credit Facility and the PLN 1,300,000 Subordinated Second Lien Bullet Term Loan, amounted to PLN 6,993,500 of Total Credit Facilities (in nominal amounts) and 6,336,915 at amortised cost.

The Group repaid two tranches of TLB in March and September 2020 of PLN 172,483 each.

Refinancing Transaction

On 28 September the Board of Directors resolved to refinance the Group's existing Total Credit Facilities. On 29 September 2020 the Group entered into a new loan agreement ('New Facilities Agreement') providing commitments for a PLN 5,500,000 senior secured term loan facility (the 'New Senior Facility') and PLN 500,000 (equivalent) multi-currency revolving credit facility ('New RCF' and together with the New Senior Facility, the 'New Facilities').

On 14 October 2020 the Group completed its refinancing transaction by drawing the full amount of borrowings under the New Facilities Agreement, receiving a net amount of PLN 5,440,000 after deduction of PLN 60,000 arrangement fees and expenses and, together with Allegro.eu utilizing its net proceeds from the initial public offering of the Company's shares, applied the available funds to the repayment and discharge in full of all indebtedness outstanding under the existing Total Credit Facilities in the amount of PLN 6,151,732.

The transaction was accounted for as derecognition of the existing borrowings. The new debt was recognized at fair value. Immediately before the derecognition of the pre-existing borrowing, the carrying value of the existing borrowing facilities at amortized cost increased by PLN 143,378 and an equivalent amount of deferred borrowings cost was recognized as non-cash financial expense. The total loss on refinancing amounted to PLN 143,378.

The repayment of the Second Lien Facility before the termination due date triggered an additional PLN 26,000 of early repayment charges.

The maturity date for the New Facilities Agreement and for the New RCF is October 2025. There are no repayments due on the New Senior Facility before the final due date on 14 October 2025. As a result of the refinancing transaction, the balance of outstanding bank borrowings were reduced by PLN 651,732 from PLN 6,151,732 to PLN 5,500,000 (in nominal amounts).

The New Facilities Agreement initially bears interest at a rate per annum equal to WIBOR or EURIBOR or LIBOR, as applicable at the Credit Facility Borrower's option for the New RCF (in each case subject to a zero floor) and an initial margin of 2.25% per annum, in relation to New Senior Facility and of 1.80% per annum, in relation to the New RCF.

The loan is measured at amortized cost using the effective interest rate. Loan origination fees incurred in relation to the loan are included in the calculation of the effective interest rate. As at 31 December 2020 the average effective interest rate is 2.47%, and as at 31 December 2019 was 6.36%.

The repayment term for the New Facilities is 2025, and the schedule of loan amortization is as follows:

Less than 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	Total
577	-	-	5,437,223	5,437,800

As of the balance sheet date there were three swap agreements conducted. The purpose of interest rate hedging in the Group is to limit the part of interest cash flow exposed to interest rate fluctuations. (see note 31.1)

Following the refinancing, the Group changed settlement dates of the New RCF which do not fall at the end of each quarter anymore.

For the majority of the borrowings, the fair values are not materially different to their carrying amounts, since the interest payable on those borrowings is close to current market rates.

21.1. Accounting policies

Borrowings are initially recognised at fair value net of transaction costs incurred. After the initial recognition, borrowings are stated at amortised cost under the effective interest rate method. Any difference between the amount received (net of transaction costs) and the redemption value is recognised in profit and loss statement over the period of the respective agreements, using the effective interest rate method. Borrowings due within one year are classified as short-term. Otherwise, they are presented as long-term items.

21.2. Secured liabilities and assets pledged as security

Lease liabilities are effectively secured as the rights to the leased assets recognised in consolidated financial statements revert to the lessor in the event of default. Loans are secured by a pledge that imposes certain covenants on the Group. The pledge states that the Group will not provide any other security over its assets, and will ensure that the described in debt agreements financial ratios are met. Please refer to note 34 for further details.

21.3. Compliance with loan covenants

Under the Senior Term and Revolving Facilities Agreement, the Group was obliged to maintain certain financial ratios defined as Consolidated Senior Net Debt and Consolidated Senior Secured Net Debt at levels no higher than indicated in the agreements.

Due to the refinancing, Adinan Midco, a member of the Group signed the New Senior Facilities Agreement on 29 September 2020. Based on this agreement, the Group shall ensure Total Net Leverage in respect of any Relevant Period ending on a test date on or after the first test date, shall not exceed a ratio indicated in the Agreement. As the first test date for the covenants is on 30 June 2021, the Group was not obligated to test the covenants at 31.12.2020.

Allegro.eu Group complied with the financial covenants of its borrowing facilities during the 2020 and 2019 reporting periods and after the balance sheet date until the date of authorization of these consolidated financial statements for the issue. See note 32 for details.

21.4. Risk exposure

Details of the Group's exposure to risks arising from current and non-current borrowings are set out in note 31.

22. Leases

22.1. Amounts recognised in the statement of comprehensive income

The economic useful life of right-of-use assets is as follow:

- Leased Buildings 1–9 years
- Leased Computers and office equipment 3–4 years
- Leased Motor vehicles 1–3 years

	31.12.2020	31.12.2019
Depreciation and amortisation	(25,493)	(25,284)
Interest expenses	(3,028)	(3,835)
Short-term leases expenses	(152)	(332)
Total	**(28,673)**	**(29,451)**

22.2. Amounts recognised in the statement of financial position

Changes in right-of-use assets during the financial year:

As at 31.12.2020	Leased Buildings	Leased Computers and office equipment	Leased Motor vehicles	Total
Cost	161,883	1,501	304	163,689
Accumulated depreciation	(99,673)	(1,461)	(172)	(101,306)
Net book amount	**62,210**	**40**	**132**	**62,383**

As at 31.12.2020	Leased Buildings	Leased Computers and office equipment	Leased Motor vehicles	Total
Opening net book amount	77,903	248	116	78,267
Additions – new leases	8,452	99	115	8,666
Modification of lease contract	942	—	—	942
Depreciation charge	(25,087)	(307)	(99)	(25,493)
Closing net book amount	**62,210**	**40**	**132**	**62,383**
As at 31.12.2019				
Cost	152,489	1,402	189	154,080
Accumulated depreciation	(74,586)	(1,154)	(73)	(75,813)
Net book amount	**77,903**	**248**	**116**	**78,267**
As at 31.12.2019				
Opening net book amount	98,413	(287)	97	98,223
Additions – new leases	12,640	799	77	13,516
Modification of lease contract	(8,188)	—	—	(8,188)
Depreciation charge	(24,962)	(264)	(58)	(25,284)
Closing net book amount	**77,903**	**248**	**116**	**78,267**

The right-of-use assets are part of property, plant and equipment in the statement of financial position.

Changes in lease liabilities during the financial year:

As at 31.12.2020	
Opening lease value	85,538
Modification	942
Lease payments	(26,101)
Additions – new leases	8,666
Interest expense	3,028
Interest payment	(3,028)
Currency valuation	4,221
Lease liabilities	**73,266**

As at 31.12.2019	
Opening lease value	106,863
Modification	(8,188)
Lease payments	(24,843)
Additions – new leases	13,514
Interest expense	3,835
Interest payment	(3,835)
Currency valuation	(1,808)
Lease liabilities	**85,538**

22.3. Amounts recognised in the statement of cash flow

The total cash outflow was PLN 29,129 in 2020, and PLN 28,680 in 2019.

22.4. The Group's leasing activities and their accounting treatment

The Group leases various properties and equipment. Rental contracts are typically made for fixed periods of 1 to 7 years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as right-of-use assets together with a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and financial cost. The carrying amount of liability is remeasured to reflect any reassessment, lease modification or revised in-substance fixed payments.

The lease term is a non-cancellable period of a lease; periods covered by options to extend and terminate the lease are only included in the lease term if it is certain that the lease will be extended or will not be terminated. The financial cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments,
- variable lease payment that are based on an index or a rate,
- amounts expected to be payable by the lessee under residual value guarantees,
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

22.5. Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The extension options for the right-of-use assets have not been included in the lease liability, because the Group could replace the assets without significant cost or business disruption and because it is not reasonably certain that the leases will be extended.

The lease term is reassessed if an option is actually exercised or the Group becomes obliged to exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

23. Deferred tax

Deferred income tax is recognised in relation to temporary differences between the tax value of assets and liabilities and their carrying amount in the consolidated financial statements. However, no deferred tax is recognised if the tax arises as a result of initial recognition of goodwill or as a result of initial recognition of an asset or liability as part of a transaction other than a business combination, where initial recognition affects neither the accounting nor the taxable profit or loss at the time of the transaction. Deferred income tax is determined using the applicable legal or actual rates (and laws) as at the reporting period end date, which are expected to apply at the time of realisation of the relevant deferred tax assets or payment of deferred tax liabilities.

Deferred tax assets are recognized also for unused tax losses and are recognized only when it is probable that taxable income will be generated in the future, which will allow the temporary differences or tax credits to be utilised on the same type of tax.

Deferred income tax assets and liabilities are presented net when there is a legally enforceable right to offset current tax receivables against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same tax authority on the same taxable entity.

23.1. Deferred tax assets

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

	31.12.2020	31.12.2019
Accrued expenses	54,959	28,445
Liabilities to employees	32,469	14,818
Cash flow hedges	—	9,708
Impairment of trade receivables	9,285	6,500
Other items	13,220	9,242
Total deferred tax assets	**109,933**	**68,713**
Deferred tax assets pursuant to set-off rules	(109,652)	(59,001)
Net deferred tax assets	**281**	**9,712**

	Accrued expenses	Liabilities to employees	Other	Offsetting	Total
As at 01.01.2020	**28,445**	**14,817**	**25,451**	**(59,001)**	**9,712**
(Charged)/credited to profit or loss	26,514	17,651	4,207	(50,651)	(2,279)
(Charged)/credited to OCI	—	—	(7,152)	—	(7,152)
As at 31.12.2020	**54,959**	**32,468**	**22,506**	**(109,652)**	**281**

	Accrued expenses	Liabilities to employees	Other	Offsetting	Total
As at 01.01.2019	**17,746**	**6,598**	**31,167**	**(45,002)**	**10,509**
Recognized on a business combination	476	—	51	—	527
(Charged)/credited to profit or loss	10,223	8,219	(4,966)	(13,999)	(523)
(Charged)/credited to OCI	—	—	(801)	—	(801)
As at 31.12.2019	**28,445**	**14,817**	**25,451**	**(59,001)**	**9,712**

In 2020 no deferred tax asset has been recognized in respect of unrecognized losses on cash flow hedge contracts as the subsidiary where such contracts are recorded is considered unlikely to generate sufficient profit to recover these losses in the future.

23.2. Deferred tax liabilities

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

	31.12.2020	31.12.2019
Intangible assets (business combination fair value adjustment)	665,658	687,760
Loan valuation	6,080	4,767
Property, plant and equipment	5,237	3,736
Other items	11,755	6,246
Total deferred tax liabilities	**688,730**	**702,509**
Set-off of deferred tax liabilities pursuant	(109,652)	(59,001)
Net deferred tax liabilities	**579,078**	**643,508**

	Recognition of intangible assets in business combination	Other	Offsetting	Total
As at 01.01.2020	**687,760**	**14,749**	**(59,001)**	**643,508**
Recognized on a business combination	687	—	—	687
Charge/(credited) to profit or loss	(22,789)	8,323	(50,651)	(65,117)
As at 31.12.2020	**665,658**	**23,072**	**(109,652)**	**579,078**

	Recognition of intangible assets in business combination	Other	Offsetting	Total
As at 01.01.2019	**709,726**	**10,348**	**(45,002)**	**675,072**
Recognized on a business combination	9,786	27	—	9,813
Charge/(credited) to profit or loss	(31,752)	4,374	(13,999)	(41,377)
As at 31.12.2019	**687,760**	**14,749**	**(59,001)**	**643,508**

23.3. Deferred income tax

The deferred income tax calculation is based on the Group's best estimates. The Group intends to continue to analyse the Group's deferred income tax positions at each future balance sheet date.

The schedule of deferred income tax assets and liabilities is presented as follows:

	31.12.2020	31.12.2019
Deferred tax assets	109,933	68,713
– long-term	13,525	16,079
– short-term	96,408	52,634
Offsetting	(109,652)	(59,001)
Total	**281**	**9,712**

	31.12.2020	31.12.2019
Deferred tax liability	688,730	702,509
– long-term	610,240	640,096
– short-term	78,490	62,413
Offsetting	(109,652)	(59,001)
Total	**579,078**	**643,508**

24. Liabilities to employees

The Group makes the following payments to employees that may result in liabilities to employees at the balance sheet date:

- short-term liabilities to employees;
  - payroll and social security contributions (except retirement and disability pension insurance);
  - paid absences;
  - incentive bonuses, cash rewards;
  - fringe benefits;
- post-employment benefits:
  - retirement and disability pension contributions;
  - retirement severance pays.

Short-term liabilities to employees

Accounting for short-term liabilities to employees does not require making actuarial assumptions to determine the obligation or the cost and there is no possibility of any actuarial gain or loss. Moreover, short-term liabilities to employees are measured on an undiscounted basis.

When an employee has rendered service to the Group during the accounting period, the Group recognizes the estimated undiscounted amount of short-term benefits to be paid in exchange for that service as a liability, after deducting any amounts already paid, and expenses.

Short-term liabilities to employees in the form of bonus payments are recognized when the following requirements are satisfied:

- the Group has a legal or constructive obligation to make such payments as a result of past events; and
- a reliable estimate of the obligation can be made.

For benefits in the form of compensated absences, liabilities to employees are recognized for accumulating compensated absences (e.g. unused holiday leaves) when service is rendered that increases the entitlement to future compensated absences. In the case of non-accumulating compensated absences (e.g. sick leaves), benefits are recognized when the absences occur.

Liabilities to employees in the form of compensated absences or bonus payments fall outside the definition of provisions under the IFRS and are presented as current liabilities in the statement of financial position under the trade and other liabilities item.

Defined contribution plan – ZUS (retirement and disability pension contributions)

In compliance with the applicable laws in effect, the Group pays retirement and disability pension contributions determined by the gross salary for each employed employee to the Social Insurance Institution (ZUS) ("State plan"). The Group is required to pay contributions as they fall due only for the period of the employee's employment. The Group has no legal or constructive obligation to pay future benefits. If the Group ceases to employ members of the State plan, it has no obligation to pay the benefits earned by its own employees in previous years. For this reason, the State plan is a defined contribution plan.

The Group's obligation under those plans for each period is determined by the amounts to be contributed for the year. Under IAS 19, no actuarial assumptions are required to measure the obligation or the cost and there is no possibility of any actuarial gain or loss.

Moreover, the obligations are measured on an undiscounted basis, except where they do not fall due wholly within a year after the end of the period in which employees render the related service.

When an employee has rendered service to the Group during the period, the Group recognizes the contribution payable to the defined contribution plan in exchange for that service as a liability, after deducting any amounts already paid, and an expense.

Defined benefit plan – retirement and disability severance payments

The Group's employees or their designated beneficiaries are entitled to retirement and disability severance payments. Retirement and disability severance payments are one-off payments made upon retirement or early retirement due to disability. In accordance with IAS 19 such severance payments are a defined benefit plan.

The present value of the aforesaid obligations is calculated by an independent actuary at each reporting period end date. The resulting obligation is equal to discounted payments to be made in the future taking account of staff turnover and refers to the period remaining until the reporting period end date.

In 2020 the Group recognised actuarial gains/losses and included in other comprehensive income.

Employee capital plans

Employee Capital Plans ("Pracownicze Plany Kapitałowe", "PPK") were introduced by new legislation from 1 January 2019, pursuant to which employers are under the obligation to introduce Employee capital plans in their organization. Employee Capital Plans constitute a new form of saving under the pension system. The basic contribution financed by the employee amounts to 2 per cent of gross salary. In turn, the employer shall pay a contribution in the amount of 1.5 per cent of the employee's obligatory contribution, extendable by up to a 2.5% of the voluntary contribution calculated on the basis of the salary. Obligations only apply to those employees who did not opt out of PPK.

The liability related to employee capital plans as at 31 December 2020 equaled PLN 302 and is included in Trade and other liabilities.

Long-term Incentive Program

Long-term incentive program ("LTI") is a form of recognition bonus granted to key directors and managers within the Group. The bonus is paid once, based on both the Group's and the participant's personal performance, however not earlier than June 2021 or until the Group's Major Shareholders have exited their investment in the Group or the Group has been listed on a stock exchange. The provision is created proportionately to the passage of time and disclosed in the consolidated financial statements under liabilities to employees. Following the Group's IPO in October 2020, the LTI bonus is fully vested and shall be paid out to participants in June 2021.The LTI is now discontinued.

Share base payment

Share-based payment transactions are treated in accordance with IFRS 2. The standard encompasses all arrangements where an entity purchases goods and services in exchange for issue of an entity's equity instruments, or cash payments based on the fair value of the entity's equity instruments, unless the transaction is clearly for a purpose other than payment for goods and services supplied to the entity receiving them. In accordance with IFRS 2, the Allegro.eu Group distinguishes between equity settled and cash settled plans. The financial benefit from equity settled plans granted on grant date is allocated over the expected vesting period against equity starting from service commencement date which could be earlier than the grant date. For equity settled share based payments, the value of the awards is fixed at the grant date and is remeasured from the service commencement date until the grant date is reached. Expenses from cash-settled plans are also allocated over the expected vesting period, but against a liability. A description of the existing equity-settled Management Investment Plan and Allegro Incentive Plan can be found in note 39.

24.1. Movements in liabilities to employees

The movements in liabilities to employees is presented below:

	01.01.2019	Charged	Reversed	Utilised	31.12.2019	Charged	Reversed	Utilised	31.12.2020
Employee Incentive program (LTI)	9,165	9,946	—	—	19,111	5,752	(24,863)	—	—
Provision for pensions and disability pensions	1,889	1,562	—	—	3,451	1,919	—	—	5,370
Long-term liabilities to employees	**11,054**	**11,508**	**—**	**—**	**22,562**	**7,671**	**(24,863)**	**—**	**5,370**
Bonus provision	16,275	55,645	(3,665)	(20,628)	47,628	120,389	(4,809)	(59,708)	103,499
Employee Incentive program (LTI)	—	—	—	—	—	24,863	—	—	24,863
Unused holiday provision	9,291	11,428	—	(9,291)	11,428	12,515	—	(4,982)	18,960
Provision for pensions and disability pensions	25	6	—	—	31	17	—	—	48
Other	5	523	—	—	528	1,031	—	—	1,559
Short-term liabilities to employees	**25,596**	**67,602**	**(3,665)**	**(29,919)**	**59,615**	**158,814**	**(4,809)**	**(64,690)**	**148,928**
Total	**36,650**	**79,110**	**(3,665)**	**(29,919)**	**82,177**	**166,486**	**(29,672)**	**(64,690)**	**154,299**

25.
Trade and other liabilities

Trade and Other Liabilities at the balance sheet date comprised:

	Note	31.12.2020	31.12.2019
Trade payables		342,861	207,146
Contract and refund liabilities	9.3, 9.4	115,399	70,422
VAT payables		73,448	52,259
Social insurance and other tax liabilities		13,695	9,768
Other liabilities		12,226	9,566
Total		**557,629**	**349,161**

Trade liabilities are usually paid within 30 days of recognition. The fair value of trade and other liabilities are considered to be the same as their carrying amount due to their short-term nature.

25.1.
Classification as trade liabilities

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

26.
Written put option liability

the value of written put option liabilities at the balance sheet date was:

	31.12.2020	31.12.2019
Written put option liability long-term	—	21,002
Written put option liability short-term	—	22,208
Total	**—**	**43,210**

On 19 April 2019 Allego.pl sp. z o.o. purchased 135,520 shares in eBilet Polska sp. z o.o. composing 80% of the shares outstanding from an unrelated party – Bola Investments Limited. The parties further agreed to write a series of put and call options on the remaining 20% of shares belonging to Bola Investments Limited. On 25 September 2020 Allegro.pl purchased the remaining 20% of shares and as at 31 December 2020, Allegro.pl owns 100% of eBilet's shares. As a result of this transaction the Written put option liability, together with non-controlling interest was derecognized through Retained Earnings.

The written put option liabilities recognized as at 31 December 2019 arose from business combinations and represented put options for non-controlling interests in eBilet. The Group had the right to buy ("call options"), and the Seller had the right to sell ("put options") the remaining 20% of shares in eBilet.

Call options may have been exercised for a first tranche of 10% of shares in each of the years 2021-2023 and for the second 10% tranche in each of the year 2022-2026, while put options may have been exercised for a first tranche of 10% of shares in each of the years 2020-2023 and for the second 10% tranche in each of the year 2021-2026. The exercise price of each option based on EBITDA reported by eBilet for the year preceding the option exercise date, multiplied by an amount dependent on i.a. EBITDA growth rate and accomplishment of certain operating goals by eBilet.

The minimum exercise price of the call and put options for both tranches together were agreed at the level of PLN 22,000. It was reasonable to assume that the formula for the exercise price approximates the fair value of eBilet shares.

The put options were to be physically settled only. As a result, the options gave rise to a financial liability measured at an amount equal to the present value of the obligation. As at 31 December 2019 this was estimated at PLN 43,210. Because the ownership risks and rewards of the shares relating to the put options remained with the non-controlling interest, the financial liability reduced the Group's equity.

The criteria "fixed-for-fixed" was not met (the amount of shares is fixed, however the amount of cash is variable), therefore the options gave rise to a derivative financial asset. Because the options' exercise price approximated the fair value, the fair value of the derivative financial assets themselves was zero.

After negotiations with the minority owners were concluded in September 2020, a cash price for the remaining 20% was established at the level of PLN 40,000 and all call and put options were waived by both parties. As the result of the acquisition, the written put option liability was remeasured to the price agreed of PLN 40,000 with the gain of PLN 3,210 recognized in equity ('Other Reserves'). The put option liability previously recognized in Other Reserves together with the non-controlling interest was transferred within equity to Retained earnings.

26.1. Accounting policies

Written put options on NCI

The written put options, which gave minority shareholders the right to sell their shares to the Group constitute the Group's obligation to buy its own equity instruments. This obligation (a financial liability) is initially measured at the present value of the obligation i.e. at the buy-out amount.

The financial liability is initially recorded in Group equity (i.e. reduces Group equity) when the conditions for exercising the options do not transfer the ownership risks and rewards related to those shares to the Group. When the conditions for exercising the option transfer the ownership risks and rewards related to the shares to non-controlling interests, the financial liability is initially recorded in correspondence with non-controlling interest (i.e. reduces non-controlling interest) or in goodwill if the put option is issued in a business combination.

After initial recognition, in the case when the risks and rewards related to the shares covered by the put option were not transferred to the Group (i.e. the NCI continues to be recognized), the financial liability continues to be measured at the amortized cost i.e. at the present value of buy-out amount. The unwinding of the discount is recognised in financial costs. The financial liability is subject to remeasurement at least once a year, based on the best current knowledge with regards to the buy-out amount. Changes to the amount of the financial liability arising from changes in estimates of the buy-out amount are recorded in Group equity.

If the put option lapses unexercised, the financial liability is derecognized against Group equity.

Purchased call options on NCI

When a criteria "fixed-for-fixed" is met (the fixed amount of shares for the fixed amount of cash), the purchased call option is recognized as equity. If the criteria is not met, the purchased call option gives rise to a derivative financial instrument measured at fair value through profit or loss.

26.2. Judgements and estimations

Exercise price of call and put options

Exercise price of the options was set using a formula based on performance, which in the view of Management approximated the fair value of shares in eBilet.

Transfer of risk and rewards of ownership related to shares underlying the put options

Management concluded that risk and rewards of ownership did not transfer to the Group because call options and put option do not have symmetrical terms and their exercise price approximated the fair value.

Accounting for subsequent changes of the financial liability

Management sees conflicting guidance in IFRS 9 and IFRS 10. In the view of Management, it is more appropriate to follow guidance of paragraph 23 of IFRS 10 to recognize any adjustments related to changes in the parent's ownership interest that do not result in the parent losing control over a subsidiary as ownership transactions. Therefore, Management decided to record changes in the financial liability in equity, except for the unwinding of interest which is recognized in profit/loss.

27. Financial assets and financial liabilities

Classification and measurement

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

In 2019 and 2020 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	31.12.2020	31.12.2019
Financial assets at amortised cost		**1,882,513**	**815,166**
Loans granted		—	9,324
Consumer loans	19	51,972	—
Trade receivables and other receivables*	17	640,333	396,801
Cash and cash equivalents	20	1,185,060	403,877
Investments		360	360
Other financial assets		4,788	4,804

* excluding prepayments and tax-related settlements

	Note	31.12.2020	31.12.2019
Liabilities at amortised cost		**5,920,493**	**6,713,535**
Trade and other liabilities**	25	405,534	247,872
Borrowings	21	5,437,800	6,336,915
Lease liabilities (outside IFRS9 scope)	22	73,266	85,538
Written put option liability	26	—	43,210
Liabilities related to business combination		3,893	—
Hedging derivatives		**97,298**	**38,925**
Derivative financial instruments (cash flow hedge)	31	97,298	38,925

** excluding deferred income and tax-related settlements

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

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

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

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

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.

Cash flow hedges

In August 2018 the Group adopted a cash flow hedge accounting policy to mitigate potential adverse impacts on the Group's financial performance. The nominal amounts and the maturities of the hedging instruments are presented in note 31.1.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized in the income statement.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in equity and is recognized in the income statement when the planned transaction occurs. When a planned transaction is no longer expected to occur, the cumulative gain or loss that was recognized in other comprehensive income is transferred to the income statement.

The fair values of interest rate swaps used for cash flow hedge are disclosed in this note. Movements of the reserve capital are disclosed in Consolidated Statement of Changes in Equity.

The fair value of a hedging derivative is classified as non-current assets or non-current liabilities if the remaining maturity of the hedged item is more than twelve months and as current assets or current liabilities, if the maturity of the hedged items is less than twelve months.

The fair values of the interest rate swaps are calculated by discounting the future cash flows of both the fixed rate and variable rate interest payments. The inputs used in determining the fair value fall within Level 2 of the fair value hierarchy (inputs observable for an asset or liability, either directly or indirectly, other than quoted prices in active markets for identical assets or liabilities). These inputs include fixed interest rate, discount rate and the yield curve.

Hedge ineffectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. The Group enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. The Group does not hedge 100% of its loans, therefore the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps. As all critical terms matched during the year, the economic relationship was 100% effective.

Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position only if the Group has a legally enforceable title to offset the recognized amounts and intends to settle on a net basis, or realize the asset and settle the liability simultaneously.

Impairment of financial assets

The Company's policy regarding the impairment of financial assets is in line with the requirements of IFRS 9, which requires estimation of the expected loss, regardless of whether or not there were any impairment indicators. The standard provides the 3-stage classification of financial assets in terms of their impairment:

- the first stage, i.e. balances for which there has been no significant increase in credit risk since the initial recognition and for which the expected loss is determined based on the probability of default within 12 months;
- second stage – balances for which there has been a significant increase in credit risk since the initial recognition and for which an expected loss is determined based on the probability of default throughout the entire loan period;
- the third stage – the balance with the identified impairment.

For trade receivables the Group is using simplified model, details in note number 31.

NOTE TO THE CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

28. Note to the consolidated statements of changes in equity

The amounts in this note are provided in PLN and not in thousand PLN.

Allegro.eu was established pursuant to the notarial deed drawn up on 5 May 2017. All shares were fully paid up by a contribution in kind evaluated at PLN 8,313,297,585 from which PLN 831,519,555 was allocated to the share capital of the Parent and PLN 7,481,778,030 was allocated to the share premium of the Parent. The capital was originally issued in EUR which also was the functional currency of Parent company until end of September 2020.

The Group issued various classes of both, ordinary and preference shares. Subscriber Ordinary Shares gave a right to return at the level of 11% of the nominal value of the Subscriber Ordinary Shares issued by the Company which amount shall be paid once only. Distributions on A, B and C series of Ordinary Shares could only be made once, Preference Shares and cumulative Preference Dividends had been fully paid off. B and C series shares were granted to key Management and selected other managers with a determined vesting period. The holders of the D1, D2, D3, and D4 Preference Shares were entitled to an annual cumulative dividend equal to on overall interest rate of 12.0% of the preference share amount being the nominal value and share premium of preference shares, respectively.

On 15 December 2017 the Shareholders resolved to proceed to distribute an aggregate amount of PLN 46,332,907 out of the D1, D2, D3 and D4 Preference Share Premium Accounts.

On 23 May 2019, during an Extraordinary General Meeting, the shareholders decided to repurchase 4,692,359,731 D1 Preference Shares and 4,692,359,731 D2 Preference Shares and determined the total cancellation amount to be equal to PLN 1,967,015,789 in the case of the D1 Preference Shares and PLN 709,721,684 in the case of the D2 Preference Shares. The shareholders resolved the consequential reduction of the issued share capital of the Company by an amount of PLN 395,819,313 and the reduction of the share premium by an amount of PLN 2,280,918,160. The outflow from the decrease in capital was funded by the proceeds from the increased Senior Term Loans (see note 21) and by available cash balances held by the Group and had the effect of eliminating all D1 and D2 Preference Shares out of the company's share capital.

As at 31 December 2019, the Group's share capital was PLN 434,245,523 divided into 10,295,789,705 shares with a par value of PLN 0.0422 each (0.10 Euro each).

In 2020 the Parent changed the functional currency from EUR to PLN. The decision was supported by the resolution of the extraordinary shareholders meeting concluded on 29 September 2020. The Group operates mainly in Poland and Polish złoty is the currency in which the Group usually generates and spends cash. Furthermore, on 12 October 2020 the Group debuted on the Warsaw Stock Exchange in Poland and The Parent's ordinary shares were to be listed, so redenomination into polish złoty facilitated listing polish złoty redenominated ordinary shares.

After the redenomination the share capital was PLN 468,412 thousand. The meeting of shareholders resolved to create a single new class of shares ('New Ordinary Shares') and to convert all the existing shares into one billion New Ordinary Shares (1,000,000,000). The new nominal value per New Ordinary Share was established at the level of one polish grosz, PLN 0.01.

As the result of this conversion the issued capital was decreased to PLN 10,000,000 without cancellation of shares and without distribution of the reduction proceeds of PLN 459,997,000, which instead were transferred to Capital Reserve.

The multiplier used to convert each class of existing shares into equivalent New Ordinary Shares was calculated based on the IPO price per New Ordinary Share established at PLN 43 per share on 28 September 2020 following the close of book building.

The resulting market value of the 1,000,000,000 New Ordinary Shares of PLN 43,000,000,000 was first attributed to the existing D3 and D4 Preference Shares at original cost plus accrued cumulative preference dividends with the residual value allocated to the classes of the ordinary shares. The resulting attributed values of each class of share was then used to calculate the allocation of New Ordinary Shares to each class.

Type	Before conversion	Multiplier	After conversion ORDINARY SHARES
Subscriber Ordinary Shares	5,000,000	0.0001	605
A1 Shares	434,804,791	0.8179	355,624,294
A2 Shares	434,804,789	0.8179	355,628,890
B1 Shares	23,514,029	0.9922	23,330,750
B2 Shares	23,514,024	0.9922	23,330,996
C1 Shares	5	56,894	284,468
C2 Shares	23,923,440	0.8150	19,496,576
D3 Preference Shares	4,692,359,731	0.0310	145,647,454
D4 Preference Shares	4,692,359,729	0.0163	76,655,967
Total number of shares	**10,330,280,538**		**1,000,000,000**

Pursuant to the Group's IPO, on 2 October 2020 the General Meeting of Shareholders resolved to approve a share capital increase within the framework of the Authorized Share Capital, by issuing of 23,255,814 New Ordinary Shares with a nominal value of PLN 0.01 each to be sold at the IPO subscription price of PLN 43 per share for a total value of PLN 1,000,000,000 net of broker fees of PLN 27,674,193 related to issuing of the new shares.

The transaction costs related to the issuance of the New Ordinary Shares were deducted from Capital Reserve in amount PLN 5,889,272.

The share capital of the Group increased from PLN 10,000,000 to PLN 10,232,558 and PLN 972,093,251 was allocated to capital reserve, when the Parent received net proceeds, after the deduction of brokerage fees, following completion of the Group's IPO on 12 October 2020.

As a result of the transaction described above, at the balance sheet date the Group's share capital comprised 1,023,255,814 New Ordinary Shares with a nominal value of PLN 0.01 each and a total value of PLN 10,232,558.

As at 31 December 2020 Allegro.eu S.A. has no distributable earnings.

At the balance sheet date the immediate owners of the Parent's shares were:

		31.12.2020		31.12.2019	
Name	**Ultimate owner**	**Share value**	**% of share capital**	**Share value**	**% of share capital**
Cidinan S.à r.l.	Cinven	3,212,463	31.4%	193,675,912	44.6%
Permira VI Investment Platform Limited	Permira	3,212,463	31.4%	133,612,276	30.8%
Mepinan S.à r.l. (previously: Adinan (MEF IV) Limited)	Mid Europa Partners	713,881	7.0%	43,039,092	9.9%
Adagio Co-Invest L.P.	Permira	—	0.0%	60,063,636	13.8%
Adiman SCSp	n/a	—	0.0%	3,327,758	0.8%
Other	n/a	3,093,751	30.2%	526,849	0.1%
Total		**10,232,558**	**100%**	**434,245,523**	**100%**

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

Impact of redenomination on the equity

Change of the functional currency is accounted for prospectively. Prospective accounting means that the Group translates all items into the new functional currency using the exchange rate at the date of the change. The resulting translated amounts for non-monetary items are treated as their historical cost. Also the equity positions are translated to new functional currency using the exchange rate at the date of the change of functional currency – that is irrespective of the fact that the entity has previously used the historical exchange rate to translate the share capital and capital reserve from functional currency to presentation currency. No additional exchange differences should arise on the date of the change of functional currency; it means no additional exchange differences on translation should be recognized in other comprehensive income. The Group has translated the share capital and share premium of the Parent from EUR to PLN using the exchange rate at the date of the change of functional currency, resulting in an increase of the share capital and share premium as compared to the carrying amounts presented previously by translating from EUR functional currency into presentation currency (PLN) using historical exchange rate. Therefore the effect of the change of carrying amount of the share capital and share premium was recognized with corresponding entry directly in retained earnings.

Impact of IPO on the equity

On 12 October 2020 ('Listing Date'), the Parent's shares debuted on the Warsaw Stock Exchange. The Initial Public Ofering comprised 213,549,039 shares with the offer price PLN 43 per share. In addition, Cidinan S.à r.l., Permira VI Investment Platform Limited and Mepinan S.à r.l. (together, the 'Majority Selling Shareholders') granted to Morgan Stanley & Co. International plc as Stabilization Manager an over-allotment option to purchase up to 15% of the total number of Sale Shares. The over-allotment option was exercised in full, covering 32,032,356 shares of the Parent. As a result, the total number of shares sold in the IPO, including the Over-allotment Option, amounted to 245,581,395 shares, which represents approx. 24% of the Parent's issued share capital.

The Group recognised PLN 61,569 thousand of costs related to preparations of the IPO in the financial year ended 31 December 2020 (recognized in profit/loss in the line item "Transaction Cost") and a further PLN 24,571 thousand related to share based compensations granted to employees under the Allegro Incentive Plan at the IPO (recognized as an expense in profit/loss in the line item "Staff Cost Gross").

The amount for the shares granted to employees at the IPO was recognised as share based compensations in profit or loss with the corresponding entry in Other reserve. The brokerage fees of PLN 27,674 thousand incurred on the Primary Share issuance of 23,255,814 New Ordinary Shares were recorded to Capital Reserve. The Group recognized PLN 5,889 of IPO costs directly in equity as they relate to the issue of the new shares. Following the IPO, all loans granted to managers under the Management Investment Plan, both recourse and non-recourse, were repaid. The Management Investment Plan was settled in full by the allocation of New Ordinary Shares to Management and the plan ceased to operate from the date of the IPO.

Impact of IFRS 2 on equity

As described further in note 39, the Group's Managers were granted loans to purchase part of their shareholdings under the Management Investment Plan. Some of the loans were made on a non-recourse basis which gives rise to a benefit under IFRS 2 'Share-Based Payment'. In accordance with IFRS 2, the non-recourse loans are technically not recognized as loans from an accounting perspective, with their nominal value being offset against corresponding nominal value of shares and equivalent number of shares, thereby reducing the value of share capital.

The nominal value offset against share capital at 31 December 2019 was 1,454,720 equivalent to 34,490,836 shares of PLN 0.0422 nominal value (€0.0100). The non-recourse loans were fully paid in 2020 and as the result, as at 31 December 2020 there are no deductions from the equity.

The share capital as at 31 December 2020 and 31 December 2019 is presented below:

	31.12.2020	31.12.2019
Number of shares	1,023,255,814	10,295,789,702
total number of shares issued	*1,023,255,814*	*10,330,280,538*
shares corresponding to non-recourse loans	—	*(34,490,836)*
Nominal value	0.0100	0.0422
Share capital	**10,232,558**	**434,245,522**

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

29. Cash flow information

29.1. Non-cash investing and financing activities

Investing and financing transactions that do not require the use of cash or cash equivalents are as follows:

	31.12.2020	31.12.2019
Lease liabilites / Right-of-use assets	(8,666)	(13,514)
Non-cash borrowings received less paid commissions	5,440,000	—
Non-cash borrowings repaid	(5,440,000)	—
Total	**(8,666)**	**(13,514)**

The Group settled refinancing transaction by repaying in cash the difference between previous debt and the New Facilities less paid commission. Therefore the non-cash movement amounted to 5,440,000 PLN while cash movement amounted to 711,732 PLN.

29.2. Borrowings and leases reconciliation

This section sets out an analysis of and the movements in borrowings and leases for each of the periods presented.

Liabilities from financing activities	Leases	Loans	Written put option liability	Other financial liabilities	Total
As at 01.01.2020	**(85,538)**	**(6,336,915)**	**(43,210)**	**(38,923)**	**(6,504,585)**
Principal repaid	26,101	1,056,693	—	—	1,082,794
Interest paid	3,028	275,853	—	—	278,881
Early repayment fee paid	—	26,000	—	—	26,000
Revolving facility availability fee paid	—	2,523	—	—	2,523
Put option liability paid	—	—	40,000	—	40,000
Interest rate hedging instrument paid	—	—	—	38,926	38,926
Payments from other financial activities	—	7,815	—	—	7,815
Cash movements	**29,129**	**1,368,884**	**40,000**	**38,926**	**1,476,939**
Interest accrued	(3,028)	(297,099)	—	—	(300,127)
Revolving facility availability fee accrued	—	(3,311)	—	—	(3,311)
Gain/(Loss) on cash flow hedging	—	—	—	(104,980)	(104,980)
Early repayment fee accrued	—	(26,000)	—	—	(26,000)
Additions (new leases)	(8,666)	—	—	—	(8,666)
Foreign exchange adjustment	(4,221)	—	—	—	(4,221)
Modification on lease contract	(942)	—	—	—	(942)
Put option liability release	—	—	3,210	—	3,210
Deferred borrowing cost write off	—	(143,378)	—	—	(143,378)
Other	—	20	—	7,679	7,699
Non-cash movements	**(16,857)**	**(469,768)**	**3,210**	**(97,301)**	**(580,716)**
As at 31.12.2020	**(73,266)**	**(5,437,800)**	**—**	**(97,298)**	**(5,608,364)**

Liabilities from financing activities	Leases	Loans	Written put option liability	Other financial liabilities	Total
As at 01.01.2019	**(106,863)**	**(4,625,846)**	**—**	**(38,806)**	**(4,771,515)**
Principal repaid	24,844	215,803	—	—	240,647
Interest paid	3,835	375,018	—	—	378,853
Borrowings received	—	(1,959,516)	—	—	(1,959,516)
Revolving facility availability fee paid	—	3,767	—	—	3,767
Interest rate hedging instrument paid	—	—	—	17,580	17,580
Payments from other financial activities	—	16,520	—	—	16,520
Cash movements	**28,679**	**(1,348,408)**	**—**	**17,580**	**(1,302,149)**
Interest accrued	(3,835)	(361,113)	—	—	(364,948)
Revolving facility availability fee accrued	—	(3,195)	—	—	(3,195)
Gain/(Loss) on cash flow hedging	—	—	—	(20,203)	(20,203)
Additions	(13,514)	—	—	—	(13,514)
Foreign exchange adjustment	1,808	—	—	—	1,808
Modification on lease contract	8,188	—	—	—	8,188
Put option liability accrued	—	—	(43,210)	—	(43,210)
Other	—	1,647	—	2,506	4,153
Non-cash movements	**(7,353)**	**(362,661)**	**(43,210)**	**(17,697)**	**(430,921)**
As at 31.12.2019	**(85,538)**	**(6,336,915)**	**(43,210)**	**(38,923)**	**(6,504,585)**

29.3. Changes in net working capital

Changes in net working capital are set out below:

Changes in trade and other receivables and prepayments	31.12.2020	31.12.2019
Receivables and prepayments – current period balance	682,906	423,712
Receivables and prepayments – previous period balance	(423,712)	(339,959)
Balances acquired during business combination – eBilet	—	(2,145)
Balances acquired during business combination – Opennet	(650)	—
Other	2,000	—
Total change	**260,544**	**81,608**

Changes in inventories	31.12.2020	31.12.2019
Inventories – current period balance	24,619	20,051
Inventories – previous period balance	(20,051)	(8,225)
Balances acquired during business combination – eBilet	—	(37)
Total change	**4,568**	**11,789**

Changes in consumer loans	31.12.2020	31.12.2019
Consumer loans – current period balance	51,972	—
Consumer loans – previous period balance	—	—
Total change	**51,972**	**—**

Changes in trade and other payables	31.12.2020	31.12.2019
Liabilities – current period balance	557,629	349,161
Liabilities – previous period balance	(349,161)	(211,604)
Balances acquired during business combination – eBilet	—	(22,779)
Balances acquired during business combination – Opennet	(264)	—
Income tax settled with VAT	—	6,530
Unpaid purchase of fixed assets, intangible assets and other	2,852	(488)
Other	(100)	135
Total change	**210,956**	**120,955**

Changes in liabilities to employees	31.12.2020	31.12.2019
Liabilities to employees – current period balance	154,298	82,176
Liabilities to employees – previous period balance	(82,176)	(36,650)
Actuarial gain/(loss)	(938)	—
Balances acquired during business combination – eBilet	—	(822)
Total change	**71,184**	**44,704**

RISKS

30. Critical estimates and judgments

Preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Estimations and judgements are being constantly verified and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Based on assumptions, the Group makes estimates concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

In 2020 the Parent changed the functional currency from EUR to PLN. The decision was supported by the resolution of the extraordinary shareholders meeting concluded on 29 September 2020. The Group operates mainly in Poland and Polish złoty is the currency in which the Group usually generates and spends cash. Furthermore, on 12 October 2020 the Group debuted on the Warsaw Stock Exchange in Poland.

The existence of coronavirus (COVID-19) was confirmed in early 2020 and has spread across Poland and most of the world, causing disruptions to businesses and economic activity. The pandemic has had a positive impact on revenues generated by companies operating in the online marketplace industry and a negative impact on online ticket distribution. The Group introduced several assistance programs for its Sellers and Buyers. The Group assessed the impact of COVID-19 on the Group's operations and on the results presented in these Consolidated Financial Statements. The Group performed an analysis in terms of expected credit losses and Goodwill impairment.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

30.1. Estimated impairment of goodwill

Goodwill results from business combination and is not subject to amortisation, but is tested each year for potential impairment, or more often, if there is indication of impairment. For the purpose of impairment testing goodwill is allocated to cash generating units which are expected to benefit from synergies achieved as a result of business combination.

Impairment arises when the carrying amount of a given asset or cash generating unit exceeds its recoverable amount. The impairment testing was carried out as at 31 December 2020 and 31 December 2019. When determining the recoverable amount of a cash generating unit, the Group applied the value in use method assessed using the discounted cash flow method based on the five year plan and including residual value.

Goodwill recognized by the Group and disclosed in the statement of financial position arose from the acquisition of shares of Grupa Allegro sp. z o.o. by Allegro.pl sp. z o.o., Ceneo sp. z o.o by Ceneo.pl sp. z o.o., eBilet Polska sp. z o.o. and OpenNet sp. z o.o. As at 31 December 2020 it amounted to PLN 8,639,249. For more information about the Goodwill please refer to note 5.

Goodwill on acquisition of Grupa Allegro sp. z o.o. is PLN 8,140,604, Ceneo sp. z o.o. – PLN 441,801 and eBilet Polska sp. z o.o – PLN 48,937 and OpenNet sp. z o.o – PLN 7,907. The goodwill of PLN 8,639,249 is the effect of the high profitability of the acquired enterprises and expected future benefits in the form of estimated cash flows of the acquiree i.e. Grupa Allegro, Ceneo, eBilet and OpenNet. No part of the recognised goodwill will be deductible for income tax purposes.

The Group assessed that Allegro, Ceneo, eBilet and OpenNet are different and separate cash-generating units for the purposes of impairment tests (incl. impairment test of goodwill arising on acquisition of each of these entities) and analysed them for impairment of assets at the end of each of the years ending 31 December 2020 and 31 December 2019.

The recoverable amount on the cash-generating unit was determined by calculating the value in use. The calculations used the projected cash flows before tax based on past performance and Management's expectations of market development for the following five years. The result of each of the four cash generating units' tests showed no impairment.

The cash flow projections used by the Group to calculate values in use are prepared based on the financial budgets approved by the Group's directors. The projections are performed using several key assumptions. The Group intends to drive future growth by converting marketplace visitors to buyers and increase GMV ('Gross Merchandise Value') per buyer with a focus on retail basics of pricing, selection and delivery experience, improving findability and returns, The Group plans to improve features and value added services including proprietary financial lending to drive acquisition and customer engagement. The lower revenue growth assumptions and lower EBITDA margin assumptions used by the Group in 2020 in comparison to 2019 reflect a change of assumptions to rely less on low margin retail revenue to address pricing and selection than assumed in the prior year.

The Management noted that the recoverable amount on the cash-generating unit of eBilet could be affected by the business disruption caused by COVID-19, as the revenue dropped by 20,498 PLN in 2020 comparing to 2019. A goodwill impairment test was performed and the value in use was calculated using adjusted assumptions of severe disruptions to mass events throughout 2021, and a strong recovery thereafter.

The Management concluded there is no impairment risk unless severe COVID-19 disruptions of events continue into 2022 and the medium term.

The critical assumptions made when calculating recoverable amount were as follows:

Allegro	31.12.2020	31.12.2019
The average annual rate of growth of revenues during the forecast period	25.12%	33.65%
Average annual rise/(fall) in EBITDA growth during the forecast period	(0.73 ppt)	(4.55 ppt)
Growth rate outside the forecast period (including inflation)	2.50%	2.50%
Discount rate (pre-tax)	10.30%	10.30%

Ceneo	31.12.2020	31.12.2019
The average annual rate of growth of revenues during the forecast period	25.04%	21.48%
Average annual rise/(fall) in EBITDA growth during the forecast period	1.18 ppt	(0.67 ppt)
Growth rate outside the forecast period (including inflation)	2.50%	2.50%
Discount rate (pre-tax)	10.30%	10.30%

eBilet	31.12.2020	31.12.2019
The average annual rate of growth of revenues during the forecast period	54.69%	20.13%
Average annual rise/(fall) in EBITDA growth during the forecast period	23.46 ppt	(2.10 ppt)
Growth rate outside the forecast period (including inflation)	2.50%	2.50%
Discount rate (pre-tax)	11.00%	10.30%

OpenNet	31.12.2020	31.12.2019
The average annual rate of growth of revenues during the forecast period	50.29%	n/a
Average annual rise/(fall) in EBITDA growth during the forecast period	(0.38 ppt)	n/a
Growth rate outside the forecast period (including inflation)	2.50%	n/a
Discount rate (pre-tax)	10.30%	n/a

Future net cash flow of the cash-generating units is based on the critical assumptions presented above, each of which involve degree of uncertainty.

Sensitivity analysis of the aforesaid assumptions shows that the Group would recognize impairment if any of the key assumptions is changed as follows:

Allegro	31.12.2020	31.12.2019
Decrease of the revenue CAGR by:	3.80 ppt	2.50 ppt
Decline in annual EBITDA margin by:	13.78 ppt	6.21 ppt
Decrease of the marginal growth rate by:	14.73 ppt	7.90 ppt
Growth in the discount pre-tax rate by:	8.55 ppt	5.10 ppt

Ceneo	31.12.2020	31.12.2019
Decrease of the revenue CAGR by:	10.19 ppt	10.31 ppt
Decline in annual EBITDA margin by:	32.17 ppt	7.29 ppt
Decrease of the marginal growth rate by:	n/a*	128.00 ppt
Growth in the discount pre-tax rate by:	31.30 ppt	22.70 ppt

* each potential change of growth rate has no impact on the result of the impairment test

eBilet	31.12.2020	31.12.2019
Decrease of the revenue CAGR by:	3.60 ppt	8.30 ppt
Decline in annual EBITDA margin by:	19.77 ppt	7.62 ppt
Decrease of the marginal growth rate by:	10.63 ppt	36.50 ppt
Growth in the discount pre-tax rate by:	6.38 ppt	14.30 ppt

OpenNet	31.12.2020	31.12.2019
Decrease of the revenue CAGR by:	6.29 ppt	n/a
Decline in annual EBITDA margin by:	28.33 ppt	n/a
Decrease of the marginal growth rate by:	n/a*	n/a
Growth in the discount pre-tax rate by:	313.26 ppt	n/a

* each potential change of growth rate has no impact on the result of the impairment test

Management is not aware of any reasonably likely assumptions that might result in business performance outcomes similar or worse than those shown in these sensitivities for the CGUs as of 31 December 2020 and as at 31 December 2019 and therefore result in a material impairment.

30.2. Current and deferred income tax

Corporate income tax for a reporting period comprises current and deferred tax. Current income tax is calculated on the basis of taxable income (tax base) for a given financial year and the binding tax rate, based on the binding tax regulations.

The Group is obliged to assess the likeliness of realising the deferred tax asset. In this assessment process a series of assumptions is adopted in respect of determining the amount of the deferred tax asset. The above-mentioned estimations account for the tax forecasts, historical amounts of tax charged, current available strategies relating to planning the Group's operations and dates, as well as the likeliness of realising particular temporary differences.

30.3. Impairment of receivables

The impairment allowance is recorded based on the impairment loss model, according to the expected credit losses concept. Losses are recognised as at the moment of recognising receivables, according to the default rate assessed for each of the homogenous group of customers and aging of the receivable balance within the homogenous group.

The default rates are calculated for separate, homogenous group of customers based on historical data for the previous 48 months. Additionally the Group calculates individual allowances for receivables where there is indication of impairment.

Detailed information on the impairment losses on receivables is disclosed in note 31.2 of the additional notes and explanations.

30.4. Amortisation of intangible assets

Amortisation and depreciation are determined based on the expected economic useful lives of intangible assets. Every year the Group verifies the adopted economic useful lives on the basis of current estimates. In the event of a change to the economic useful life of an asset, its effect is recognized as the effect of a change in accounting estimates.

Sensitivity analysis of amortization of significant intangible assets is presented below:

Amortisation period sensitivity analysis of significant intangibles assets	period change: shorter by 5 years	period change: longer by 5 years
Customer relationships	(48,542)	29,125
Trademarks and domains	(50,452)	25,226
Software	(104,199)	34,733
Impact on profit/(loss)	**(203,193)**	**89,084**

In 2020 the Group revised its amortization rates and decided to change its estimates on amortization of development costs. Each project is analysed separately and the economic useful life for some projects was extended by 3 years so after the revision the useful lives are determined between 4 to 7 as compared to 4 years previously estimated. It resulted in decreasing in the amortisation charge in 2020 by PLN 10,428.

31. Financial risk management

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance.

Risk	Exposure arising from	Measurement	Management
Market risk – interest rate	Long-term borrowings at floating rate Cash deposits – fixed rate Consumer loans – fixed rate	Sensitivity analysis	Interest rate swaps, offsetting cash deposits
Market risk – foreign exchange	Future commercial transactions Recognised financial assets liabilities not denominated in PLN	Cash flow forecasting Sensitivity analysis	Not hedged
Credit risk	Cash and cash equivalents Receivables Consumer loans	Credit ratings Aging analysis	Diversification of bank deposits, credit limits and letters of credit
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities

31.1. Market risk

Risk of changes in cash flows resulting from interest rate changes

Borrowings with floating interest rates expose the Group to the risk of changes in cash flows. The Group dynamically assesses its exposure to interest rate change risk. That risk is partially mitigated by cash deposits bearing floating interest and by interest rate swap contracts ("IRS").

In January 2017 the Group concluded its first IRS contract hedging PLN 1,225,000 at Wibor 3M fixed rate – 2.305% with a maturity date of 30 April 2020.

In July 2018 the Group increased its hedged position to 50% of its floating interest rate gross debt to secure future cash flows. The second contract hedges PLN 1,131,250 at Wibor 3M fixed rate – 2.411% with a maturity date of 30 July 2022.

At this time the Group determined that it would apply hedge accounting to its IRS contracts and follow a policy of seeking to hedge approximately 50% of floating interest risk for at least 49 months into the future.

In August 2019 the Group entered into a further IRS contract to exchange floating IRS exposure into fixed interest rate obligations on between PLN 976,098 and PLN 1,005,357 of the Group's borrowings over the term of the IRS with a final maturity date of 30 June 2022 and a WIBOR 3M fixed.

On 26 and 29 June 2020 the Group entered into floating to fixed interest rate hedges on a nominal value of PLN 2,000,000 for interest payments due between 30 June 2022 and 30 June 2024. Those transactions had the effect of extending cash flow hedging coverage of floating rate interest risk on borrowings by two years to 30 June 2024.

In December 2020 the Group entered into an additional interest rate swap contract to exchange floating interest rate exposure into fixed interest rate obligations in respect to an average of PLN 750,000 of the Group's borrowings. The IRS obligation effective date is 30 June 2022 and terminates on 30 June 2024.

In light of the refinancing described in note 21, Management considered whether existing hedge accounting should be continued. As the new loans fall within the definition of the designated hedged item and share similar characteristics to the previous loans, the original hedge accounting continues in place after the refinancing transaction. All the hedges were repurposed to relate to the new debt. After the refinancing the hedge ratio increased to 56% and therefore the changes in the fair value of the hedging instruments representing the difference between the current hedge ratio and the hedge ratio determined in the hedge accounting policy (50%) is recognized prorata through profit and loss instead of other comprehensive income.

In measuring the fair value of interest rate swaps, the Group uses the present value of future cash flow based on observable income curves. At 31 December 2020, the Warsaw Interbank Offer Rate 3 Months (Wibor 3M) had decreased by 150 bps in comparison with 31 December 2019, resulting in interest rate swap liabilities increasing significantly.

Sensitivity

The Group assesses its exposure to floating interest rate risk and estimates that if the interest rate changes by 0.1 p.p., its financial costs in respect of interest will rise/(fall) by approx. PLN 2,752 annually.

	Interest rate change impact on profit/(loss) as at 31.12.2020					
change in interest rate (ppt)	-0.3	-0.2	-0.1	0.1	0.2	0.3
Interest cost	16,500	11,000	5,500	(5,500)	(11,000)	(16,500)
Interest rate swap cost	(9,227)	(6,151)	(3,076)	3,076	6,151	9,227
Impact on profit/(loss)	**7,273**	**4,849**	**2,424**	**(2,424)**	**(4,849)**	**(7,273)**

	Interest rate change impact on profit/(loss) as at 31.12.2019					
change in interest rate (ppt)	-0.3	-0.2	-0.1	0.1	0.2	0.3
Interest cost	17,550	11,700	5,850	(5,850)	(11,700)	(17,550)
Interest rate swap cost	(7,654)	(5,103)	(2,551)	2,551	5,103	7,654
Impact on profit/(loss)	**9,896**	**6,597**	**3,299**	**(3,299)**	**(6,597)**	**(9,896)**

Existence of swap contracts of floating to fixed rate exposes the Group to fair value risk but this does not have an impact on these Consolidated Financial Statements as these items are not measured at fair value.

Foreign exchange risk

Foreign exchange risk occurs as a result of sales or purchases made by the Group in currencies other than its functional currency, i.e. PLN. Operating transactions concluded in currencies other than the functional currency are relatively rare due to the currently limited scope of cross-border activity and therefore thus the Group's exposure to the foreign exchange risk is not material. The Group has not utilized hedging strategies to mitigate currency risk during the reporting periods covered by these Consolidated Financial Statements.

31.2. Credit risk

Risk management

Financial assets representing the highest exposure to credit risk are cash, trade receivables and consumer loans. To mitigate that risk, the Group uses detailed seller (customer) verification and monitoring procedures. The Group uses professional debt collection companies or engages in debt collection procedures on its own account. The Group's receivables comprise amounts due from individuals and businesses. The receivables have low concentration. Surplus cash is deposited by the Group at banks as deposits or fixed-term deposits.

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

Impairment of financial assets

The Group has three types of financial assets that are subject to the expected credit loss model:

- trade receivables
- consumer loans
- cash and cash equivalents

	31.12.2020	31.12.2019
Impairment of receivables	38,213	22,350
Impairment of consumer loans	1,165	—
Net impairment losses on financial and contract assets	39,378	22,350

Trade receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 48 months before 31 December 2020 and 31 December 2019 respectively and the corresponding historical credit losses experienced within this period.

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables (such as unemployment rate). In comparison with the previous year, the impairment provision increased mainly in line with the growth of the business resulting in growth of balance of accounts receivables.

On that basis, the loss allowance as at 31 December 2020 and 31 December 2019 was determined as follows for both trade receivables and contract assets:

	31.12.2020				31.12.2019			
Aging of trade receivables, net	Business	%	Individuals	%	Business	%	Individuals	%
Current	486,139	83%	8,374	53%	305,379	83%	7,519	50%
Overdue less than 3 months	91,895	16%	5,786	36%	61,266	17%	6,193	41%
Overdue 3 to 12 months	3,760	1%	1,457	9%	1,931	1%	1,154	8%
Overdue 1 to 3 years	433	0%	238	2%	305	0%	227	2%
Total	**582,227**	**100%**	**15,855**	**100%**	**368,881**	**100%**	**15,093**	**100%**

	Business	Individuals	Business	Individuals	Business	Individuals	Business	Individuals
Aging of receivables as at 31.12.2020	Trade receivables, gross		Impairment of trade receivables		Probability of default ratio		Trade receivables, net	
Current	489,070	8,704	(2,931)	(330)	1%	4%	486,139	8,374
Overdue less than 3 months	95,979	6,629	(4,084)	(842)	4%	13%	91,895	5,786
Overdue 3 to 12 months	25,807	6,807	(22,047)	(5,350)	85%	79%	3,760	1,457
Overdue 1 to 3 years	13,449	11,753	(13,016)	(11,515)	97%	98%	433	238
Total	**624,305**	**33,893**	**(42,078)**	**(18,037)**			**582,227**	**15,855**

	Business	Individuals	Business	Individuals	Business	Individuals	Business	Individuals
Aging of receivables as at 31.12.2019	Trade receivables, gross		Impairment of trade receivables		Probability of default ratio		Trade receivables, net	
Current	307,134	7,759	(1,755)	(240)	1%	3%	305,379	7,519
Overdue less than 3 months	64,180	6,942	(2,915)	(749)	5%	11%	61,266	6,193
Overdue 3 to 12 months	12,965	5,168	(11,034)	(4,014)	85%	78%	1,931	1,154
Overdue 1 to 3 years	10,012	10,300	(9,707)	(10,072)	97%	98%	305	228
Total	**394,291**	**30,169**	**(25,411)**	**(15,075)**			**368,881**	**15,094**

Carrying amount of the trade and other receivables balance represents the maximum exposure to the credit risk.

Cash and cash equivalents

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

A loss allowance in relation to cash and cash equivalents is determined individually for each balance with a given financial institution. In order to assess credit risk, external credit ratings and publicly available information on default rates for a given rating of S&P Global Ratings's rating agency were used (rating is disclosed in the Note 20.1). As all cash balances have a low credit risk as at the reporting date, the Group applied the practical expedient available under IFRS 9 and determined the loss allowances based on 12-month expected credit losses. The calculation of the loss allowances resulted in an immaterial amount.

The whole cash and cash equivalents balance is classified to Stage 1 of the impairment loss model i.e. the financial instruments that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date

Carrying amount of the cash and cash equivalents balance represents the maximum exposure to the credit risk.

The Group held 38%, 32% and 25% of all its funds in individual banks with the ratings of A, A+, BBB respectively. The Group used ratings of S&P Global Ratings agency.

Consumer loans

The provision for the loss allowance relates to the expected credit losses ('ECL') under IFRS 9, which requires estimation of the expected loss, regardless of whether or not there were any impairment indicators.

Depending on the risks associated with each loan, loans are categorised into three stages based on the associated risk, where stage 3 reflects the highest risk. IFRS 9 requires to recognize the credit losses from default events that are expected within 12 months:

- if credit risk has not significantly increased since initial recognition (stage 1), and
- for which there has been a significant increase in credit risk since the initial recognition (stage 2), or
- which are credit impaired (stage 3).

A significant increase in credit risk ('SICR') is verified according to the likelihood of default and this changes with respect to the date of originating the loan.

The Company considers that a significant increase in credit risk ('SICR') occurs when an asset is more than 30 days past due. Financial instruments are moved back to stage 1 once they no longer meet the criteria for a significant increase in credit risk. The Company defines a financial instrument as in default when the consumer is more than 90 days past due (stage 3). For more information please refer to note number 27.

The expected credit loss of consumer loans is calculated using three main components:

- probability of default ('PD'),
- loss given default ('LGD'), and
- the exposure at default ('EAD').

Where:

Probability of default – determines the probability that the debtor will be unable to meet its obligation over a one year time horizon (using practical expedient allowed in IFRS9).

Loss Given Default – the percentage of loss over the total exposure when a debtor goes into default.

Exposure at Default – reflects the estimated value of credit exposure.

Due to the short-term nature of consumer loans, their fair value is considered to be the same as their carrying amount. Carrying amount of the consumer loans balance represents the maximum exposure to the credit risk.

Quality of the portfolio covered by the rating model:

Exposure credit risk by ratings as at 31.12.2020	Consumer loans, gross	Impairment of consumer loans	Consumer loans, net
A	—	—	—
B	434	(9)	425
C	3,497	(74)	3,423
D	17,294	(370)	16,924
E	19,130	(407)	18,723
F	10,290	(217)	10,073
G	2,445	(52)	2,393
H	12	(1)	11
Consumer loans as at 31.12.2020	**53,102**	**(1,130)**	**51,972**

For the purposes of credit risk management, the Group uses an 8-grade alphanumeric rating scale from A to H. Rating categories A-C are low risk, categories D-F are moderate, and G-H reflect increased risk.

31.3. Liquidity risk

Operations are financed from the Group's own resources. The cash retained on bank accounts make it possible for the Group to settle its obligations as they arise in a timely manner. The Group also had access to a revolving borrowing facility of PLN 340,000 in 2019, rising to PLN 500,000 in 2020 although it has not been utilized and remains fully available as at the date of signing these financial statements. Loans were received on 18 January 2017, upon a change of the Group owner in order to repay liabilities to the previous Group's related entities, and to acquire intellectual property rights, including domains, trademarks and software. In May 2019 the loans balance was increased in order to partially fund a return of share capital to the ultimate shareholders. Due to the Group's IPO in October 2020, leverage was reduced and equity was increased with proceeds from primary share issuance.

As a result at 31 December 2020, the Group's outstanding bank borrowings amounted to PLN 5,500,000 (in nominal amounts). Considering:

- the generation of positive cash flows from operating activities,
- the long-term nature of borrowings,
- the balance of cash held,
- the current and long-term cash flow analysis.

The Management believes liquidity risk to be minimal for the Group during the next 12 months.

Liabilities by maturity, based on undiscounted contractual payments

As at 31.12.2020	Trade and refund liabilities	Loans	Interest on loans	Lease liability	Liabilities related to business combinations	Other financial liabilities	Total
Less than 3 months	393,307	—	33,362	7,170	—	—	433,839
3 to 12 months	—	—	101,938	20,737	—	—	122,675
1 to 5 years	—	5,500,000	406,271	70,899	3,893	97,298	6,078,361
Total	**393,307**	**5,500,000**	**541,571**	**98,806**	**3,893**	**97,298**	**6,634,875**

As at 31.12.2019	Trade and refund liabilities	Loans	Interest on loans	Lease liability	Liabilities related to business combinations	Other financial liabilities	Total
Less than 3 months	238,305	172,483	91,593	7,197	—	2,032	511,610
3 to 12 months	—	163,258	258,907	21,588	43,210	—	486,963
1 to 5 years	—	6,151,732	1,025,271	62,577	—	36,893	7,276,473
Total	**238,305**	**6,487,473**	**1,375,771**	**91,362**	**43,210**	**38,925**	**8,275,046**

32. Capital management

The Group defines its capital as the equity from the consolidated statement of financial position.

The main purpose of capital management is to ensure the Group's ability to continue as a going concern and to maintain safe capital ratios that would optimally support the operations of the Group and increase its shareholder value, bringing shareholders return on their investment, including dividend distributions.

The Group manages its capital structure and modifies it in response to changes in economic conditions. To maintain or correct the capital structure, the Group may repay capital to shareholders or issue new shares.

Under the Senior Term and Revolving Facilities Agreement and Second Lien Facility Agreement concluded by Adinan Bondco Group members on 17 January 2017 as amended on 17 May 2019, the Group was obliged to maintain its financial ratios identified as the Consolidated Senior Net Debt and the Consolidated Senior Secured Net Debt at a level no higher than indicated in the Agreements.

The Group met the required indicators as at the end of 2019.

According to Senior facilities agreement signed by Adinan Midco, a member of the Group, on 29 September 2020, the Group shall ensure Total Net Leverage in respect of any Relevant Period ending on test date on or after the first test date, shall not exceed a ratio indicated in the Agreement. As the first test date for the covenants is on 30 June 2021, the Group was not obligated to test the covenants as at the end of 2020, however considering the amounts as at 31 December 2020, the Group would have met this ratio if it had been applicable on the balance sheet date.

The gearing ratios at 31 December 2020 and 31 December 2019 were as follows:

	31.12.2020	31.12.2019
Borrowings	(5,437,800)	(6,336,916)
Lease liabilities	(73,266)	(85,538)
Cash	1,185,060	403,877
Net debt	**(4,326,006)**	**(6,018,577)**
Total equity	8,089,596	6,683,642
Net debt to equity ratio	**53%**	**90%**

UNRECOGNISED ITEMS

33. Contingent liabilities

33.1. Guarantees granted to non-group entities

The Group had guarantees which secure its lease agreements in the amount of PLN 20,000 at the end of 31 December 2020 and PLN 8,769 at the end of 31 December 2019.

33.2. Other

The President of the Office of Competition and Consumer Protection ('OCCP') is conducting three separate proceeding concerning Allegro as at the date of these financial statements as described below:

On 6 December 2019, the President of the Office of Competition and Consumer Protection opened antitrust proceedings against Allegro.pl accusing Allegro of infringing competition law by favoring its own retail sales activity on its marketplace over the sales activities of third party merchants.

On 3 September 2020, the OCCP President stated in a press release that he initiated explanatory proceedings into Allegro.pl's rules of cooperation with sellers (customers) in order to determine whether Allegro.pl gains unjustified advantages at the expense of its clients. These explanatory proceedings are a preliminary step that does not have to lead to the initiation of formal proceedings against Allegro.pl.

On 15 September 2020, the Group received a formal notification that, pursuant to the Competition Act, the President of Office of Competition and Consumer Protection commenced proceedings against Allegro.pl on 9 September 2020 to investigate whether clauses allowing Allegro to change its terms and conditions (one in the general terms and conditions and one in the SMART! terms and conditions) constitute abusive clauses in standard agreements with consumers. On 15 September 2020, Alegro.pl also received a request for information within these proceedings. Allegro.pl is expecting further requests for information from the OCCP President in the future.

If the OCCP President recognizes either of these clauses as abusive, it may issue a decision prohibiting the use of such a clause in a standard agreement, with or without a fine. It might also request the Group to remedy the effects of any possible infringement. If a fine is to be imposed, then in accordance with the Competition Act, it may be up to 10% of the turnover of Allegro.pl in the financial year preceding the decision for each of the clauses recognized as abusive. If during the investigation Allegro.pl offers adequate commitments to put the alleged infringement to an end, in particular to amend the clauses questioned by the OCCP President, and/or to remedy the effects of the infringement, the case might end with a commitment decision with no fine.

As at the date of these financial statements no specific charges have been made against Allegro.pl by the OCCP. A provision was not recognized as in Group's view a payment is not probable.

Management does not consider that any of these cases under investigation to be 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.

33.3. Accounting policies

In accordance with the principles applied by the Group and determined in IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", contingent liabilities are understood as:

- possible obligations which will arise as a result of past events, the existence of which will only be confirmed at the moment of occurrence or non-occurrence of uncertain future event(s) beyond the full control of the Group, or
- current obligations that arise as a result of past events but are disclosed in the financial statements, because:
  - it is unlikely that meeting the obligation will lead to the necessity of an outflow of funds embodying economic benefits, or
  - the amount of the obligation (liability) cannot be valued reliably enough.

Contingent liabilities are not recognised in the consolidated statement of financial position, but information about them is disclosed in Notes, unless the probability of outflow of funds embodying economic benefits is remote.

34. Assets pledged as security

After the Group acceded to the Senior Term and Revolving Facilities Agreement and Second Lien Facility Agreement in 2017, pledges and security interest were established on the Group assets.

On 29 September 2020, the Group concluded a new Loan Agreement ("New Loan Agreement"), therefore pledges and security interest related to previous loan agreements were released and replaced by the following:

- share pledge in the shares of Allegro.pl and Ceneo.pl represented in the consolidated financial statements as net assets in the amount of PLN 8,994,272.
- registered pledge granted by Allego.pl and Ceneo.pl over key trademarks owned by Allegro.pl and Ceneo.pl, together with a Polish law power of attorney in respect of the Allegro.pl and Ceneo.pl key web domain in amount of PLN 1,226,702 (included in the net assets above).
- a Polish law submission to enforcement by each of Allegro.pl and Ceneo.pl and Allegro.eu.

35. Commitments

35.1. Capital commitments

As at 31 December 2020, the Group's future contractual commitments for expenditure on intangible assets not recognized in the statement of financial position amounted to PLN 74,295 and were related to software development. Contractual commitments as at 31 December 2019 amounted to PLN 24,335.

In 2020 the Group entered into various lease agreements for warehouse and offices which have not been recognized yet as lease liabilities. The buildings are still under construction. The expected total commitment for future lease payments is estimated at PLN 333,582.

36. Events occurring after the reporting year

Explanatory proceedings related to eBilet procedure of tickets returns during COVID-19 pandemic

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

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

OTHER INFORMATION

37.
Related party transactions

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

The Group made the following related party transactions in the period ended 31 December 2020 and 31 December 2019:

	01.01 – 31.12.2020				As at 31.12.2020		
Related party	Revenues	Expenses	Financial income	Financial costs	Receivables	Payables	Loans granted
Shareholder:							
Mepinan S.a r.l.	—	206	—	—	—	—	—
Cinven Partners LLP	—	1,013	—	—	—	—	—
Permira Advisers (London) Ltd	—	1,381	—	—	—	—	—
Management:							
Loans granted	—	—	927		—	—	—
BlackPines Capital Partners Ltd	—	4,785	—	—	—	—	—
Associates:							
Alter Domus Luxembourg S.à r.l.	—	1,094	—	—	—	1,094	—
Polskie Badania Internetu sp. z o.o.	—	253	—	—	—	23	—
Fundacja Allegro All For Planet	31	1,950	—	—	7	—	—
Total	**31**	**10,681**	**927**	**—**	**7**	**1,117**	**—**

	01.01 – 31.12.2019				As at 31.12.2019		
Related party	Revenues	Expenses	Financial income	Financial costs	Receivables	Payables	Loans granted
Shareholder:							
Mepinan S.a r.l.	—	362	—	—	—	—	—
Adiman SCSp	—	—	—	—	75	—	—
Cinven Partners LLP	—	1,934	—	—	—	—	—
Permira Advisers (London) Ltd	—	1,139	—	—	—	—	—
Management:							
Loans granted	—	—	371	—	—	—	8,360
BlackPines Capital Partners Ltd	—	6,004	—	—	—	—	—
Associates:							
Polskie Badania Internetu sp. z o.o.	—	276	—	238	—	23	—
Fundacja Allegro All For Planet	—	1,404	—	—	—	—	—
Total	**—**	**11,119**	**371**	**238**	**75**	**23**	**8,360**

38.
Employment

The table below shows the number of employees as at the reporting date ended 31 December 2020 and 31 December 2019:

	31.12.2020	31.12.2019
Number of employees	3,159	2,479
Total	**3,159**	**2,479**

The number of employees includes various forms of employment: employment contract, contractors (B2B) and workers who are not direct employees (work agencies & outsourced services).

39. Emoluments of the management

At the balance sheet date emoluments of the key management of the Group entities comprised:

	31.12.2020	31.12.2019
Short-term employee benefits	22,360	14,070
Management Investment Plan	8,943	4,331
Total	**31,303**	**18,401**

Total emoluments of the Group's Key Management (Board of Directors and Senior Key Managers) include remuneration, benefits, severance costs and signing bonuses. Key Management of the Group comprises Board Members of the Parent and Board Members of the main operating companies, Allegro.pl and Ceneo.pl.

Management Investment Plan

Description of the Management Investment Plan

The Management Investment Plan ('MIP') was established by the Ultimate Founding Owners of the Parent: Cinven, Permira and Mid Europa Partners to enable the Group's Management (Group Key Management and other selected Managers) to co-invest in the group while it was privately owned. The MIP ceased to operate once the Group became a public company at its IPO in October 2020. Management's investments in the MIP were converted into New Ordinary Shares of the listed Parent based on the valuation established during the IPO book-building process of 43 zloty per New Ordinary Share and a total market capitalization of PLN 43,000,000 (see also note 28, Note to the Consolidated Statement of Changes in Equity).

Under the MIP, the Management participated indirectly through various classes of shares of Adiman SCSp and directly via type C and D shares issued by Adinan Super Topco S.à r.l.(currently: Allegro.eu). Managers paid the fair value of the issued shares at the grant date with difference to nominal value being paid to share premium. The nominal value of share capital owned by the management as at 31 December 2020 amounted to PLN 638, and was divided into 63,793,701 shares. As at 31 December 2019 amounted to PLN 5,295 and was divided into 125,547,288 shares.

Under the MIP, Managers were given loans to purchase part of their shares. The total amount of the loans granted as at 31 December 2019 was PLN 23,250, which funded the purchase of 53,746,505 shares. During 2020 an additional 4,583,620 shares were acquired by the new manager participants to the MIP using loans granted in the total amount of PLN 18,770. Part of the loans were made on a non-recourse basis and part on a recourse basis. The number of shares acquired with non-recourse loans amounted to 34,490,833 as at 31 December 2019 and 33,030,000 at the IPO date. On 29 September all existing shares were converted into a new class of shares (for more information please refer to note 28).

Management accordingly owned 91,056,455 shares relative to the total issued share capital of the Group plus 34,490,833 shares acquired via non-recourse loans in 2019. After the conversion, Management owned 71,448,853 in total (including 33,030,000 of shares acquired via non-recourse loans), from which 7,655,152 shares were sold at the IPO date, resulting in a total holding of 63,793,701 shares at 31 December 2020, all of which are subject to lockup agreement until October 2021.

The goal of Ultimate Founding Owners was to achieve a successful exit at a currently unknown future date, either through IPO or other possible exit routes (e.g. sale of the Group). In all these cases the Ultimate Founding Owners had drag along and tag along rights towards the MIP participants, which hold an equity interest in the Allegro.eu Group. In case of leaving the MIP before exit, the leaver might partly lose entitlement to certain elements of the MIP depending on the reason of his or her departure.

The managers were also entitled to participate in a 'ratchet feature' where, if upon an exit event (including an IPO) the Ultimate Founding Owners return amount was at least 3 times their initial investment amount, then Management's B shares were entitled to a further amount of 1% of the Ultimate Founding Owners receipts.

As at 31 December 2020 there were no non-recourse loans, recourse loans or ratchet features still outstanding with the Group's managers as the MIP was settled and discontinued with the transfer of 71,448,853 Ordinary Shares to management upon the restructuring of the Share Capital (see note 28), from which 7,655,152 shares were sold in the IPO.

Accounting impact

In accordance with IFRS 2, the MIP was partially accounted for as equity-settled share-based payment transactions.

Part of the loans granted to the Group's Key Management were made on a non-recourse basis, which gave rise to a benefit under IFRS 2 Share-Based Payment. The non-recourse loans together with the shares issued are considered as option under IFRS 2. It gives the party receiving the loan the right upon an exit event to choose not to repay the loan, but instead to relinquish their rights to the shares. Initially, the expected vesting period at the relevant grant date was either June or December 2021 and represented the assumed maturity date of the option at the grant date. The ratchet feature, which was granted to Group's Key Management and selected other managers, was also valued under IFRS 2 at inception of the MIP. Together these two features of the MIP formed an incentive program ('Program') under IFRS 2.

The benefits were valued at grant date and amortized over the expected vesting period, recognized in staff costs and as a corresponding increase in other reserve. As a result of IPO, the Program was exercised earlier than originally assumed. The total remaining value of the Program was recognized in Staff costs until the exit date in October 2020

The respective amounts recognized through staff costs were PLN 52,191 in 2020 and PLN 4,320 in 2019. In the light of IFRS 2, the non-recourse loans are technically not recognized as loans from an accounting perspective, therefore the nominal amounts of non-recourse loans and corresponding shares were deducted from the Loans granted and Equity (i.e. from the share capital and capital reserve, respectively) in the presentation of the year end balances in amounts of PLN 15,971 in 2019 (nil in 2020).

Allegro Incentive Plan

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 (including the Directors) at the discretion of the Remuneration and Nomination Committee.

Awards under the AIP may be granted in the form of PSUs or RSUs which give the participants a right to receive Shares without payment on completion of a vesting period and, in the case of PSUs, subject to the satisfaction of performance conditions. The AIP rules also include flexibility for the Remuneration and Nomination Committee to grant other forms of awards. The first awards under the AIP are expected to be granted in April 2021. Thereafter, awards will normally be granted within the six-week period after the Issuer announces its annual results. However, the Remuneration and Nomination Committee may grant awards outside this period at its discretion.

In respect to PSUs, the award vests on the third anniversary of the grant date provided that the Committee has determined that the applicable Performance Condition and any other conditions imposed on the Vesting of the Award have been satisfied. When the PSU participant is a leaver the award vests in three tranches; 25% on the first anniversary of the Grant Date, 25% on the second anniversary of the Grant Date, and 50% on the third anniversary of the Grant Date. RSUs vest in a similar timeframe to PSUs.

The AIP has been established by the general meeting of the Group and is in line with the Group's remuneration policy. In addition, in light of the Group's desire to encourage employee share ownership, all employees (excluding MIP participants) who were employed by the Group on the Listing Date received a free one-off award of Shares under the AIP with a value of PLN 10 which constitutes 233 shares each. The number of shares was calculated dividing PLN 10 by the value of the share price at the IPO date. The award vested immediately at Listing Date while shares will be delivered to the recipient on the first anniversary of the IPO on 12 October 2021, regardless of whether the recipient is still an employee on that time. The total grant amounted to PLN 25,428 and was accounted against the equity with the corresponding entry to profit/loss (line item "Staff costs gross").

For RSUs the service commencement date has not yet started.

Performance Share Units

Performance Share Units are designed for the Key Directors of the Group. The program will start in April 2021 and may last until September 2030. Each year participants gain the conditional right to receive a predefined number of shares following a 3 year performance period, depending on the extent to which pre-defined cumulated GMV and EBITDA targets are met. The final number of shares received depends on the target achievement of those KPIs and ranges from 0 % to 200 % of the conditionally granted shares. The gain for the participant depends both on the final number of shares granted and the development of the share price over the 3 year performance period. The share price is not a performance condition. The Group has made a judgment that the service commencement date or the grant date has not yet occurred for the subsequent awards to be granted until 2030 as the program is discretionary and can be terminated by Remuneration Committee.

Initially, an individual target value in PLN is divided by the share price to conditionally define the target number of shares to be received after the performance period. After three years, the final number of shares is determined by multiplying the conditional number of shares by the target achievement percentage (0% to 200%). The gain for the participant is calculated by multiplying the number of shares received by the share price after three years.

On 18 December 2020 Key Group Directors were informed about the detailed principles of PSU program. Under IFRS, this date is considered as a service commencement date, as from this date the Directors may reasonably expect to benefit from the future award.

The Group calculated the impact on the 2020 net result, and concluded it is not material. The calculation was performed based on AIP rules approved in October 2020 and confirmed by the Group's Remuneration Committee of the Board of Directors on 17 December 2020. Individual targets were divided by the weighted average share price since the IPO date which was PLN 80.6 (PLN not thousand PLN) and multiplied by target achievement and share price at service commencement date which was PLN 86.1 (PLN not thousand PLN). The target achievement was calculated based on the Group's best expectation of the future results at 136%. The total grant value was estimated at PLN 25,370.

40. Audit fee

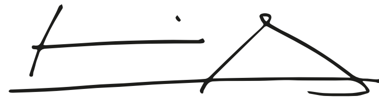
The table below presents the net fees of the PricewaterhouseCoopers audit due for the reporting period ended on 31 December 2020 on 31 December 2019 by type of service:

	31.12.2020	31.12.2019
Statutory annual audit	1,498	931
Other services	4,929	34
Total	**6,427**	**965**

Approved by the Board and signed on its behalf by:

Darren Huston

Director



François Nuyts

Director