



**Interim condensed financial statements
of KRUK S.A.
for the period
from January 1st to March 31st 2020**

Financial highlights

Financial highlights	PLN '000		EUR '000	
	Jan 1–Mar 31 2020 unaudited	Jan 1–Mar 31 2019 unaudited	Jan 1–Mar 31 2020 unaudited	Jan 1–Mar 31 2019 unaudited
For the period				
Revenue	38,442	38,826	8,744	9,034
Operating profit/(loss)	(11,496)	(17,366)	(2,615)	(4,041)
Profit/(loss) before tax	(68,273)	96,503	(15,530)	22,454
Net profit/(loss) for owners of the Parent	(62,156)	97,832	(14,138)	22,763
Net cash from operating activities	40,661	(26,536)	9,249	(6,174)
Cash recoveries	(9,634)	(10,836)	(2,191)	(2,521)
Net cash from investing activities	27,303	(48,292)	6,211	(11,236)
Net cash from financing activities	8,549	73,775	1,945	17,166
Net change in cash	26,849	(1,052)	6,107	(245)
Diluted earnings per share	(3.22)	5.07	(0.73)	1.18
Average number of shares ('000)	18,972	18,744	18,972	18,744
Earnings per share	(3.28)	5.18	(0.75)	1.20
	Mar 31 2020 unaudited	Dec 31 2019	Mar 31 2020 unaudited	Dec 31 2019
As at				
Total assets	3,918,217	3,880,855	860,720	902,252
Non-current liabilities	1,589,588	1,638,160	349,184	380,852
Current liabilities	377,512	286,518	82,928	66,612
Equity	1,951,116	1,956,177	428,600	454,787
Share capital	18,972	18,972	18,972	18,972
Book value per ordinary share	102.84	103.11	22.59	10.92

The financial highlights have been translated into the euro as follows:

items of or related to the statement of profit or loss and the statement of cash flows have been translated using the arithmetic mean of mid rates quoted by the National Bank of Poland for the last day of each month in the period; the exchange rates thus calculated are:

for the reporting period	4.3963
for the comparative period	4.2978

items of or related to the statement of financial position have been translated using the mid rate quoted by the National Bank of Poland for the end of the reporting period; the exchange rates thus calculated are:

at the end of the reporting period	4.5523
at end of the comparative period	4.2585

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1. Statement of financial position

As at March 31st 2020

PLN '000

	Note	Mar 31 2020 Restated unaudited	Dec 31 2019 Restated	Mar 31 2019 Restated unaudited	Jan 1 2019 Restated
Assets					
Cash and cash equivalents	8.13.	40,661	13,812	8,099	9,151
Trade receivables from related entities	8.12.	17,755	28,198	25,462	21,814
Trade receivables from other entities	8.12.	2,984	3,365	3,645	2,811
Investments	7.	375,615	346,330	171,311	149,667
Investment property	7.	-	-	-	-
Other receivables	8.12.	234,024	51,834	38,921	7,223
Inventories		28,844	28,046	17	25,011
Property, plant and equipment		43,162	34,944	31,559	16,169
Intangible assets		14,950	15,084	16,186	16,547
Deferred tax asset	8.8.	-	-	-	-
Derivatives		-	3,799	2,034	1,450
Hedging instruments	8.10.	-	420	-	-
Equity-accounted investments in subsidiaries	8.11.	3,155,929	3,350,341	3,453,287	3,320,121
Other assets		4,292	4,683	4,041	4,173
Total assets		3,918,217	3,880,855	3,754,561	3,574,137
Equity and liabilities					
Liabilities					
Derivatives	8.10.	8,885	-	4,304	-
Hedging instruments		15,309	3,924	-	3,870
Trade and other payables	8.16.	59,332	73,882	65,226	62,948
Employee benefit obligations and provisions	8.15.	22,154	21,323	20,704	19,199
Income tax payable	8.8.	397	690	1,062	12,295
Borrowings, other debt securities and leases	8.9.	1,839,957	1,784,605	1,839,083	1,731,998
Deferred tax liability	8.8.	21,066	40,254	(1,457)	13,722
Total liabilities		1,967,101	1,924,678	1,928,922	1,844,032
Equity					
Share capital		18,972	18,972	18,887	18,887
Share premium		307,107	307,107	300,097	300,097
Cash flow hedging reserve		(11,706)	78	(3,674)	(3,869)
Translation reserve		43,227	(30,219)	(59,033)	(53,769)
Other capital reserves		100,015	104,582	97,219	94,924
Retained earnings		1,493,501	1,555,657	1,472,143	1,373,836
Total equity		1,951,116	1,956,177	1,825,639	1,730,105
Equity and liabilities		3,918,217	3,880,855	3,754,561	3,574,137

The separate statement of financial position should be read in conjunction with the notes to these separate financial statements, which form their integral part.

2. Statement of profit or loss

For the reporting period from January 1st to March 31st 2020

PLN '000	Note	Jan 1–Mar 31 2020	Jan 1–Mar 31 2019
		unaudited	unaudited
Revenue	8.1.	38,442	38,826
<i>including interest income calculated using the effective interest rate method</i>		5,110	5,158
Other income	8.2.	569	1,074
		<u>39,010</u>	<u>39,900</u>
Employee benefits expense	8.3.	(30,989)	(35,887)
Depreciation and amortisation		(4,646)	(4,698)
Services		(8,434)	(8,006)
Other expenses	8.4.	(6,438)	(8,676)
		<u>(50,507)</u>	<u>(57,267)</u>
Operating loss		(11,496)	(17,366)
Finance income	8.5.	6,005	1,293
Finance costs	8.6.	(43,417)	(20,359)
Net finance costs		<u>(37,413)</u>	<u>(19,066)</u>
Share of profit/(loss) of equity-accounted investees	8.7.	(19,364)	132,934
Profit/(loss) before tax		(68,870)	96,503
Income tax	8.8.	6,117	1,329
Net profit/(loss) for period		<u>(62,156)</u>	<u>97,832</u>
Earnings/(loss) per share			
Basic (PLN)		(3.28)	5.18
Diluted (PLN)		(3.22)	5.07

The separate statement of financial position should be read in conjunction with the notes to these separate financial statements, which form their integral part.

3. Statement of comprehensive income

For the reporting period from January 1st to March 31st 2020

PLN '000

	Jan 1–Mar 31 2020 unaudited	Jan 1–Mar 31 2019 unaudited
Net profit/(loss) for period	(62,156)	97,832
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges	(11,784)	195
Exchange differences on translating foreign operations	73,446	(5,264)
Other comprehensive income for the period, net	61,662	(5,069)
Total comprehensive income for the period	(494)	92,763

The separate statement of financial position should be read in conjunction with the notes to these separate financial statements, which form their integral part.

4. Statement of changes in equity

For the reporting period ended March 31st 2020

<i>PLN '000</i>	Share capital	Share premium	Capital hedging reserve	Translation reserve	Other capital reserves	Retained earnings	Total equity
Equity as at Jan 1 2020	18,972	307,107	78	-	104,582	451,714	882,452
Implementation of the equity accounting method	-	-	-	(30,219)	-	1,106,830	1,076,611
Reclassification of investment property	-	-	-	-	-	(2,249)	(2,249)
Equity as at Jan 1 2020 (restated)	18,972	307,107	78	(30,219)	104,582	1,556,295	1,956,814
Comprehensive income for the period							
Net profit/(loss) for period	-	-	-	-	-	(62,156)	(62,156)
Exchange differences on translating foreign operations	-	-	-	73,446	-	-	73,446
Measurement of hedging instruments	-	-	(11,784)	-	-	-	(11,784)
Total comprehensive income for the period	-	-	(11,784)	73,446	-	(62,156)	(1,091)
Contributions from and distributions to owners							
- Share-based payments	-	-	-	-	(4,567)	-	(4,567)
Total contributions from and distributions to owners	-	-	-	-	(4,567)	-	(4,567)
Total equity as at Mar 31 2020	18,972	307,107	(11,706)	43,227	100,015	1,493,542	1,951,116

For the reporting period ended March 31st 2019

PLN '000	Share capital	Share premium	Capital hedging reserve	Translation reserve	Other capital reserves	Retained earnings	Total equity
Total equity as at Jan 1 2019	18,887	300,097	(3,869)	-	94,924	159,850	569,889
Implementation of the equity accounting method	-	-	-	(53,769)	-	1,216,628	1,162,859
Reclassification of investment property	-	-	-	-	-	(2,249)	(2,249)
Total equity as at Jan 1 2019 (restated)	18,887	300,097	(3,869)	(53,769)	94,924	1,374,836	1,730,105
Comprehensive income for the period							
Net profit/(loss) for period, originally reported	-	-	-	-	-	(37,934)	(37,934)
Implementation of the equity accounting method	-	-	-	-	-	135,765	135,765
Exchange differences on translating foreign operations	-	-	-	(5,264)	-	-	(5,264)
Measurement of hedging instruments	-	-	195	-	-	-	195
Total comprehensive income for the period	-	-	195	(5,264)	-	97,913	92,762
Contributions from and distributions to owners							
- Share-based payments	-	-	-	-	2,295	-	2,295
- Issue of shares	-	-	-	-	-	-	-
Total contributions from and distributions to owners	-	-	-	-	2,295	-	2,295
Total equity as at Mar 31 2019 (restated)	18,887	300,097	(3,674)	(59,033)	97,219	1,472,142	1,825,163

For the reporting period ended December 31st 2019

PLN '000	Share capital	Share premium	Capital hedging reserve	Translation reserve	Other capital reserves	Retained earnings	Total equity
Total equity as at Jan 1 2019 (restated)	18,887	300,097	(3,869)	(53,769)	94,924	1,373,835	1,730,104
Comprehensive income for the period							
Net profit/(loss) for period, originally reported	-	-	-	-	-	386,517	386,517
Implementation of the equity accounting method	-	-	-	-	-	(110,042)	(110,042)
Exchange differences on translating foreign operations	-	-	-	23,550	-	-	23,550
Measurement of hedging instruments	-	-	3,947	-	-	-	3,947
Total comprehensive income for the period	-	-	3,947	23,550	-	276,475	303,972
Contributions from and distributions to owners							
- Payment of dividends	-	-	-	-	-	(94,653)	(94,653)
- Share-based payments	-	-	-	-	9,658	-	9,658
- Issue of shares	85	7,010	-	-	-	-	7,095
Total contributions from and distributions to owners	85	7,010	-	-	9,658	(94,653)	(77,901)
Total equity as at Dec 31 2019 (restated)	85	7,010	3,947	23,550	9,658	181,822	1,956,177

The separate statement of financial position should be read in conjunction with the notes to these separate financial statements, which form their integral part.

5. Statement of cash flows

For the reporting period from January 1st to March 31st 2020

PLN '000

	Jan 1–Mar 31 2020 unaudited adjusted	Jan 1–Mar 31 2019 unaudited adjusted
Cash flows from operating activities		
Net profit/(loss) for period	(62,156)	97,831
<i>Adjustments</i>		
Depreciation of property, plant and equipment	3,280	3,090
Amortisation of intangible assets	1,365	1,344
Net finance income/costs	36,987	19,243
Share of profit/(loss) of equity-accounted investees		
	19,364	(133,934)
(Gain)/loss on sale of property, plant and equipment	-	(58)
Equity-settled share-based payments	(4,567)	2,295
Income tax	(6,116)	(1,329)
Change in investments	2,709	2,556
Change in inventories	(782)	852
Change in trade and other receivables	17,923	(12,033)
Change in other assets	390	132
Change in trade and other payables, excluding financial liabilities	(14,550)	2,204
Change in employee benefit obligations	831	1,505
Income tax paid	(3,683)	(11,233)
Net cash from operating activities	(9,003)	(26,535)
Cash flows from investing activities		
Interest received	15	113
Loans	(23,000)	(29,209)
Sale of intangible assets and property, plant and equipment	540	367
Dividends received	10,711	-
Disposal of financial assets	50,000	3,078
Purchase of intangible assets and property, plant and equipment	(1,787)	(2,616)
Acquisition of shares in subsidiaries	(12,620)	(24,208)
Repayments	3,445	4,183
Cash invested in development		
Net cash from investing activities	27,303	(48,292)
Cash flows from financing activities		
Net proceeds from issue of shares	-	-
Redemption of debt securities	-	140,000
Increase in borrowings	136,466	134,973
Repayment of borrowings	(107,990)	(182,951)
Payments under finance lease contracts	(1,931)	(2,513)
Redemption of debt securities	-	-
Interest paid	(17,995)	(15,734)
Net cash from financing activities	8,549	73,775
Total net cash flows	26,849	(1,052)
Cash and cash equivalents at beginning of period	13,812	9,151
Cash and cash equivalents at end of period	40,661	8,099

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1. Company details

Name

KRUK Spółka Akcyjna (“KRUK S.A.” or “the Company”)

Registered office

ul. Wołowska 8
51-116 Wrocław, Poland

Registration in the National Court Register:

District Court for Wrocław-Fabryczna in Wrocław, 6th Commercial Division of the National Court Register, ul. Grabiszyńska 269, 53-235 Wrocław, Poland

Date of registration: September 7th 2005

Registration number: KRS NO. 0000240829

Principal business activity

The Company is primarily engaged in the restructuring and recovery of debts purchased by the companies of the KRUK Group (the “Group”) and the provision of credit management services to financial institutions and other clients.

The Company is the parent of the KRUK Group (“the Group”) and in addition to these financial statements it prepares consolidated financial statements containing the data of the Company and its subsidiaries, approved on the same day as these financial statements.

As at March 31st 2020 and as at the date of authorisation of these financial statements for issue, the composition of the Company’s Management Board was as follows:

Piotr Krupa	President of the Management Board
Agnieszka Kułton	Member of the Management Board
Urszula Okarma	Member of the Management Board
Iwona Słomska	Member of the Management Board
Michał Zasępa	Member of the Management Board

In Q1 2020 and by the issue date of this interim report, the composition of the Management Board of KRUK S.A. did not change, however:

- On April 30th 2020 Ms Agnieszka Kułton - Member of the Management Board, Chief Debt Management Officer, resigned as Member of the Management Board with effect as of May 28th 2020, citing health reasons. Accordingly, the President of the Management Board of KRUK S.A. requested that the Supervisory Board of KRUK S.A. appoints Mr Piotr Kowalewski as Member of the Management Board, Chief Debt Management Officer, with effect as of May 29th 2020.

- On April 30th 2020, Ms Iwona Słomska - Member of the Management Board, Marketing, PR and Human Resources, resigned as Member of the Management Board with effect as of July 31st 2020, citing important personal reasons. Accordingly, the President of the Management Board of KRUK S.A. requested that the Supervisory Board of KRUK S.A. sets the number of members of the Company's Management Board at four, effective as of to August 1st 2020.

As at March 31st 2020 and as at the date of authorisation of these financial statements for issue, the composition of the Company's Supervisory Board was as follows:

Piotr Stępnia	Chairman of the Supervisory Board
Katarzyna Beuch	Member of the Supervisory Board
Tomasz Bieske	Member of the Supervisory Board
Ewa Radkowska-Świętoń	Member of the Supervisory Board
Krzysztof Kawalec,	Member of the Supervisory Board
Mateusz Melich	Member of the Supervisory Board
Piotr Szczepiórkowski	Member of the Supervisory Board

2. Reporting period

The reporting period is the period from January 1st 2020 to March 31st 2020 and the comparative period is the period from January 1st 2019 to March 31st 2019. The statement of financial position was prepared as at March 31st 2020 and the comparative data was presented as at March 31st 2019 and December 31st 2019. The statement of changes in equity was prepared for the period from January 1st 2020 to March 31st 2020 and the comparative periods are from January 1st 2019 to March 31st 2019 and from January 1st 2019 to December 31st 2019.

3. Statement of compliance

These interim condensed financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* as endorsed by the European Union.

These financial statements do not contain all the information required to prepare full-year financial statements and therefore they should be read in conjunction with the interim condensed consolidated financial statements of the Group for the period from 1 January to March 31st 2019, the separate financial statements of KRUK S.A. and the consolidated financial statements of the Group prepared as at and for the financial year ended December 31st 2019.

This correction of the interim condensed separate financial statements was authorised for issue by the Company's Management Board (the "Management Board") on August 27th 2020.

All amounts in these interim condensed financial statements are presented in the Polish złoty, rounded to the nearest thousand.

In the opinion of the Management Board, there are no facts or circumstances which could pose a significant threat to the Company continuing as a going concern. Therefore, these interim condensed financial statements have been prepared under the assumption that the Company will continue as a going concern in the foreseeable future.

4. Significant accounting policies

The interim condensed financial statements have been prepared based on the following accounting concepts:

- at historical cost, including impairment of investments in subsidiaries,
- at historical cost for other non-financial assets and liabilities,
- at amortised cost calculated using the effective interest rate method,
 - including impairment losses – for credit-impaired assets,
 - financial assets held as part of the business model whose objective is to hold financial assets in order to collect contractual cash flows, and
 - for other financial liabilities,
- fair value – for derivatives.

The accounting policies applied to prepare these condensed interim financial statements are consistent with those applied to prepare the most recent full-year financial statements as at and for the year ended December 31st 2019, except for the change discussed below.

Changes in accounting policies

Implementation of the equity accounting method for investments in subsidiaries

As permitted by IAS 8 par. 14b, in 2020 the Management Board of Kruk S.A. made a voluntary change to its accounting policies by replacing the measurement of investments in subsidiaries at cost less impairment losses with the equity accounting method, having determined that the changed accounting policy would provide more relevant information and better reflect the Company's financial position.

In the case of transactions with related parties, the acquisition cost of shares or certificates is their fair value as at the acquisition date. At the end of each accounting period, but not less frequently than at the end of every quarter, the value of an investment is remeasured by the share of the subsidiary's profits/losses attributable to the shareholder's (Company's) interest, resulting from the number of shares entitling it to share in such profits/losses. The value of the investment is increased by the value of cash or non-cash contributions made, and reduced by the amount of dividends paid or declared or the value of cancelled shares/certificates.

A gain/(loss) on disposal transactions (sale price less the value recognised through the equity method) is recorded in the statement of profit or loss as a gain or loss on disposal of shares in subsidiaries.

Reclassification of investment property

As part of its operating activities, the Company forecloses property securing acquired debt. In order to better reflect the relevant economic substance, as at June 30th 2020 the Company reclassified such property, previously recognised as *Investment property* measured at fair value, to *Inventories* measured at cost in accordance with the accounting policies.

Below are presented the effects of the reclassification of investment property and application of the equity accounting method to measure investments in subsidiaries on the respective items of the separate statement of financial position, statement of profit or loss, statement of changes in equity and statement of comprehensive income.

Effect of the change on statement of financial position

As at March 31st 2020
PLN '000

	Note	Mar 31 2020 Restated	Implementation of the equity accounting method	Change of presentation	Mar 31 2020 unaudited Originally reported	Dec 31 2019 Restated	Implementation of the equity accounting method	Change of presentation	Dec 31 2019 Originally reported	Mar 31 2019 unaudited Restated	Implementation of the equity accounting method	Change of presentation	Mar 31 2019 unaudited Originally reported	Jan 1 2019 Restated	Implementation of the equity accounting method	Change of presentation	Dec 31 2018 Originally reported
Assets																	
Cash and cash equivalents	9.14.	40,661	-	-	40,661	13,812	-	-	13,812	8,099	-	-	8,099	9,151	-	-	9,151
Trade receivables from related entities	9.13.	17,755	(7,099)	-	24,854	28,198	-	-	28,198	25,462	-	-	25,462	21,814	-	-	21,814
Trade receivables from other entities	9.12.	2,984	-	-	2,984	3,365	-	-	3,365	3,645	-	-	3,645	2,811	-	-	2,811
Investments	7.	375,615	(13,776)	-	389,391	346,330	(15,215)	-	361,544	171,311	-	-	171,311	149,667	-	-	149,667
Investment property	7.	-	-	(31,086)	31,086	-	-	(30,279)	30,279	-	-	(26,396)	26,396	-	-	(27,238)	27,238
Other receivables	9.13.	234,024	-	-	234,024	51,834	(2,763)	-	54,597	14,774	-	-	14,774	7,223	-	-	7,223
Inventories		28,844	-	28,837	7	28,046	-	28,031	15	24,164	-	24,147	17	25,011	-	24,989	22
Property, plant and equipment		43,162	-	-	43,162	34,944	-	-	34,944	31,559	-	-	31,559	16,169	-	-	16,169
Intangible assets		14,950	-	-	14,950	15,084	-	-	15,084	16,186	-	-	16,186	16,547	-	-	16,547
Deferred tax asset	9.8.	-	(30,619)	-	30,619	-	(3,877)	-	3,877	-	-	-	-	-	(453)	-	453
Derivatives	9.11.	-	-	-	-	3,799	-	-	3,799	-	-	-	-	1,450	-	-	1,450
Hedging instruments	9.10.	-	-	-	-	420	-	-	420	2,034	-	-	2,034	-	-	-	-
Equity-accounted investments in subsidiaries	9.12.	3,155,929	3,155,929	-	-	3,350,341	3,350,341	-	-	3,453,287	3,453,287	-	-	3,320,121	3,320,121	-	-
Investments in subsidiaries measured at cost	9.12.	-	(1,861,230)	-	1,861,230	-	(2,212,258)	-	2,212,258	-	(2,165,240)	-	2,165,240	-	(2,143,481)	-	2,143,481
Other assets		4,292	-	-	4,292	4,683	-	-	4,683	4,041	-	-	4,041	4,173	-	-	4,173
Total assets		3,918,217	1,243,205	(2,249)	2,677,261	3,880,855	1,116,227	(2,249)	2,766,876	3,754,562	1,288,047	(2,249)	2,468,764	3,574,137	1,176,187	(2,249)	2,400,199
Equity and liabilities																	
Liabilities																	
Derivatives	9.11.	8,885	-	-	8,885	-	-	-	-	4,304	-	-	4,304	-	-	-	-
Hedging instruments	9.10.	15,309	-	-	15,309	3,924	-	-	3,924	-	-	-	-	3,870	-	-	3,870
Trade and other payables	9.17.	59,332	-	-	59,332	73,882	-	-	73,882	65,226	-	-	65,226	62,948	-	-	62,948
Employee benefit obligations and provisions	9.16.	22,154	-	-	22,154	21,323	-	-	21,323	20,704	-	-	20,704	19,199	-	-	19,199
Income tax payable		397	-	-	397	690	-	-	690	1,062	-	-	1,062	12,295	-	-	12,295
	9.9.	1,839,957	-	-	1,839,957	1,784,605	-	-	1,784,605	1,839,083	-	-	1,839,083	1,731,998	-	-	1,731,998
Borrowings, other debt securities and leases																	

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Deferred tax liability	9.8.	21,066	21,066	-	-	40,254	40,254	-	-	(1,457)	(5,396)	-	3,939	13,722	13,722	-	-
Total liabilities		1,967,101	21,066	-	1,946,035	1,924,678	40,254	-	1,884,424	1,928,922	(5,396)	-	1,934,318	1,844,032	13,722	-	1,830,310
Equity																	
Share capital		18,972	-	-	18,972	18,972	-	-	18,972	18,887	-	-	18,887	18,887	-	-	18,887
Share premium		307,107	-	-	307,107	307,107	-	-	307,107	300,097	-	-	300,097	300,097	-	-	300,097
Cash flow hedging reserve		(11,706)	-	-	(11,706)	78	-	-	78	(3,674)	-	-	(3,674)	(3,869)	-	-	(3,869)
Translation reserve		43,227	43,227	-	(30,219)	(30,219)	-	-	(59,033)	(59,033)	-	-	(53,769)	(53,769)	-	-	
Other capital reserves		100,015	-	-	100,015	104,582	-	-	104,582	97,219	-	-	97,219	94,924	-	-	94,924
Retained earnings		1,493,501	1,178,912	(2,249)	316,838	1,555,657	1,106,193	(2,249)	451,714	1,472,143	1,352,476	(2,249)	121,916	1,373,836	1,216,234	(2,249)	159,850
Total equity		1,951,156	1,222,179	(2,249)	731,226	1,956,177	1,075,974	(2,249)	882,452	1,825,639	1,293,443	(2,249)	534,445	1,730,105	1,162,465	(2,249)	569,889
Equity and liabilities		3,918,217	1,243,205	(2,249)	2,677,261	3,880,855	1,116,227	(2,249)	2,766,876	3,754,561	1,288,047	(2,249)	2,468,764	3,574,137	1,176,187	(2,249)	2,400,199

Effect of the change on statement of profit or loss

For the reporting period from January 1st to March 31st 2020

PLN '000	Note	Jan 1–Mar 31 2020 unaudited Restated	Implementation of the equity accounting method	Jan 1–Mar 31 2020 unaudited Originally reported	Jan 1–Mar 31 2019 unaudited Restated	Implementation of the equity accounting method	Jan 1–Mar 31 2019 unaudited Originally reported
Revenue	9.1.	38,442	-	38,442	38,826	-	38,826
<i>including interest income calculated using the effective interest rate method</i>		5,110	-	5,110	5,158	-	5,158
Other income	9.2.	569	-	569	1,074	-	1,074
		39,010	-	39,010	39,900	-	39,900
		-					
Employee benefits expense	9.3.	(30,989)	-	(30,989)	(35,887)	-	(35,887)
Depreciation and amortisation		(4,646)	-	(4,646)	(4,698)	-	(4,698)
Services		(8,434)	-	(8,434)	(8,006)	-	(8,006)
Other expenses	9.4.	(6,438)	-	(6,438)	(8,676)	-	(8,676)
		(50,507)	-	(50,507)	(57,267)	-	(57,267)
		-					
Operating loss		(11,496)	-	(11,496)	(17,366)	-	(17,366)
		-					
Finance income	9.5.	6,005	(33,747)	39,751	1,293	(1,608)	2,901
Finance costs	9.6.	(43,417)	143,060	(186,478)	(20,359)	(1,293)	(19,066)
Net finance costs		(37,413)	109,313	(146,726)	(19,066)	(2,901)	(16,164)
	9.7.	(19,364)	(19,364)	-	132,934	132,934	-
Share of profit/(loss) of equity-accounted investees							
Profit/(loss) before tax		(68,273)	89,949	(158,222)	96,503	130,033	(33,530)

	9.8.						
Income tax		6,117	(17,229)	23,347	1,329	5,732	(4,403)
Net profit/(loss) for period		<u>(62,156)</u>	<u>72,720</u>	<u>(134,876)</u>	<u>97,832</u>	<u>135,765</u>	<u>(37,934)</u>
Earnings/(loss) per share							
Basic (PLN)		(3.28)		(7.11)	5.18		(2.01)
Diluted (PLN)		(3.22)		(6.99)	5.08		(1.97)

Effect of the change on statement of comprehensive income

For the reporting period from January 1st to March 31st 2020

PLN '000

	Jan 1–Mar 31 2020 unaudited Restated	Implementation of the equity accounting method	Jan 1–Mar 31 2020 unaudited Originally reported	Jan 1–Mar 31 2019 unaudited Restated	Implementation of the equity accounting method	Jan 1–Mar 31 2019 unaudited Originally reported
Net profit/(loss) for period	(62,753)	72,123	(134,876)	97,914	135,847	(37,934)
Other comprehensive income						
Items that may be reclassified subsequently to profit or loss						
Cash flow hedges	(11,784)	-	-	195	-	195
Exchange differences on translating foreign operations	73,446	73,446	-	(5,264)	(5,264)	-
Other comprehensive income for the period, net	61,662	73,446	-	(5,069)	(5,264)	195
Total comprehensive income for the period	(1,091)	73,446	(134,876)	92,845	130,583	(65,525)

Effect of the change on statement of changes in equity**For the reporting period ended March 31st 2020**

PLN '000	Share capital	Share premium	Capital hedging reserve	Translation reserve	Other capital reserves	Retained earnings	Total equity
Equity as at Jan 1 2020 (restated)	18,972	307,107	78	(30,219)	104,582	1,556,295	1,956,177
Comprehensive income for the period							
Net profit/(loss) for period	-	-	-	-	-	(62,156)	(62,156)
Exchange differences on translating foreign operations	-	-	-	73,446	-	-	73,446
Measurement of hedging instruments	-	-	(11,784)	-	-	-	(11,784)
Total comprehensive income for the period	-	-	(11,784)	73,446	-	(62,156)	(1,091)
Contributions from and distributions to owners							
- Share-based payments	-	-	-	-	(4,567)	-	(4,567)
Total contributions from and distributions to owners	-	-	-	-	(4,567)	-	(4,567)
Total equity as at Mar 31 2020	18,972	307,107	(11,706)	43,227	100,015	1,493,502	1,951,116

For the reporting period ended March 31st 2019

PLN '000	Share capital	Share premium	Capital hedging reserve	Translation reserve	Other capital reserves	Retained earnings	Total equity
Total equity as at Jan 1 2019 (restated)	18,887	300,097	(3,869)	(53,769)	94,924	1,374,229	1,730,498
Comprehensive income for the period							
Net profit/(loss) for period, originally reported	-	-	-	-	-	(37,934)	(37,934)
Implementation of the equity accounting method	-	-	-	-	-	135,765	135,765
Exchange differences on translating foreign operations	-	-	-	(5,264)	-	-	(5,264)
Measurement of hedging instruments	-	-	195	-	-	-	195
Total comprehensive income for the period	-	-	195	(5,264)	-	97,831	92,762
Contributions from and distributions to owners							
- Share-based payments	-	-	-	-	2,295	-	2,295
- Issue of shares	-	-	-	-	-	-	-
Total contributions from and distributions to owners	-	-	-	-	2,295	-	2,295
Total equity as at Mar 31 2019 (restated)	18,887	300,097	(3,674)	(59,033)	97,219	1,472,667	1,825,163

For the reporting period ended December 31st 2019

PLN '000	Share capital	Share premium	Capital hedging reserve	Translation reserve	Other capital reserves	Retained earnings	Total equity
Total equity as at Jan 1 2019 (restated)	18,887	300,097	(3,869)	(53,769)	94,924	1,373,835	1,730,104
Comprehensive income for the period							
Net profit/(loss) for period, originally reported	-	-	-	-	-	386,517	386,517
Implementation of the equity accounting method	-	-	-	-	-	(110,042)	(110,042)
Exchange differences on translating foreign operations	-	-	-	23,550	-	-	23,550
Measurement of hedging instruments	-	-	3,947	-	-	-	3,947
Total comprehensive income for the period	-	-	3,947	23,550	-	276,475	303,972
Contributions from and distributions to owners							
- Payment of dividends	-	-	-	-	-	(94,653)	(94,653)
- Share-based payments	-	-	-	-	9,658	-	9,658
- Issue of shares	85	7,010	-	-	-	-	7,095
Total contributions from and distributions to owners	85	7,010	-	-	9,658	(94,653)	(77,901)
Total equity as at Dec 31 2019 (restated)	85	7,010	3,947	23,550	9,658	181,822	1,956,177

Effect of the change on statement of cash flows

For the reporting period from January 1st to March 31st 2020

PLN '000

	Jan 1–Mar 31 2020 unaudited adjusted	Implementation of the equity accounting method	Jan 1–Mar 31 2020 unaudited	Jan 1–Mar 31 2019 unaudited adjusted	Implementation of the equity accounting method	Jan 1–Mar 31 2019 unaudited
Cash flows from operating activities						
Net profit/(loss) for period	(62,156)	72,720	(134,876)	97,913	135,765	(37,934)
<i>Adjustments</i>						
Depreciation of property, plant and equipment	3,280	-	3,280	3,090	-	3,090
Amortisation of intangible assets	1,365	-	1,365	1,344	-	1,344
Net finance income/costs	36,987	(109,313)	146,300	19,243	2,901	16,342
Share of profit/(loss) of equity-accounted investees	19,364	19,364	-	(133,016)	(132,934)	-
(Gain)/loss on sale of property, plant and equipment	-	-	-	(58)	-	(58)
Equity-settled share-based payments	(4,567)	-	(4,567)	2,295	-	2,295
Income tax	(6,116)	17,229	(23,345)	(1,329)	(5,732)	4,403
Change in investments	2,709	790	1,919	2,556	(847)	3,403
Change in inventories	(782)	(790)	8	852	847	5
Change in trade and other receivables	17,923	-	17,923	(12,033)	-	(12,033)
Change in other assets	390	-	390	132	-	132
Change in trade and other payables, excluding financial liabilities	(14,550)	-	(14,550)	2,204	-	2,204
Change in employee benefit obligations	831	-	831	1,505	-	1,505
Income tax paid	(3,683)	-	(3,683)	(11,233)	-	(11,233)
Net cash from operating activities	(9,003)		(9,003)	(26,535)	-	(26,535)
Cash flows from investing activities						
Interest received	15	-	15	113	-	113
Loans	(23,000)	-	(23,000)	(29,209)	-	(29,209)
Sale of intangible assets and property, plant and equipment	540	-	540	367	-	367
Dividends received	10,711	-	10,711	-	-	-
Disposal of financial assets	50,000	-	50,000	3,078	-	3,078
Purchase of intangible assets and property, plant and equipment	(1,787)	-	(1,787)	(2,616)	-	(2,616)
Acquisition of shares in subsidiaries	(12,620)	-	(12,620)	(24,208)	-	(24,208)
Repayments	3,445	-	3,445	4,183	-	4,183
Cash invested in development	27,303	-	27,303	(48,292)	-	(48,292)
Net cash from investing activities	27,303	-	27,303	(48,292)	-	(48,292)
Cash flows from financing activities						
Net proceeds from issue of shares	-	-	-	-	-	-
Redemption of debt securities	-	-	-	140,000	-	140,000
Increase in borrowings	136,466	-	136,466	134,973	-	134,973
Repayment of borrowings	(107,990)	-	(107,990)	(182,951)	-	(182,951)
Payments under finance lease contracts	(1,931)	-	(1,931)	(2,513)	-	(2,513)

Redemption of debt securities	-	-	-	-	-	-
Interest paid	(17,995)	-	(17,995)	(15,734)	-	(15,734)
Net cash from financing activities	8,549	-	8,549	73,775	-	73,775
Total net cash flows	26,849	-	26,849	(1,052)	-	(1,052)
Cash and cash equivalents at beginning of period	13,812	-	13,812	9,151	-	9,151
Cash and cash equivalents at end of period	40,661	-	40,661	8,099	-	8,099

Enhancing comparability

To better reflect the relevant economic substance, the Company changed the presentation of assets and liabilities in the separate statement of financial position by taking hedging instruments from the *Derivatives* item and disclosing them as a separate item. In the Management Board's opinion, the separate presentation of these line items will enhance the quality of data presented and its usefulness to readers. The data presented in the published interim condensed separate financial statements for the period January 1st 2019–June 30th 2019 and in the published separate financial statements for the year ended December 31st 2019 was restated to ensure comparability. The effect of the change on the statement of financial position is presented below.

PLN '000	Dec 31 2019		Dec 31 2019 Data restated to ensure comparability
	Originally reported	Change of presentation	
Assets			
Derivatives	4,219	(420)	3,799
Hedging instruments	-	420	420
Liabilities			
Derivatives	3,924	(3,924)	-
Hedging instruments	-	3,924	3,924

PLN '000	Jan 1 2019		Jan 1 2019 Data restated to ensure comparability
	Originally reported	Change of presentation	
Liabilities			
Derivatives	3,870	(3,870)	-
Hedging instruments	-	3,870	3,870

5. Accounting estimates and judgements

In order to prepare interim financial statements, the Management Board is required to make judgements, estimates and assumptions which affect the application of adopted accounting policies and the reported amounts of assets, liabilities, revenue and expenses, whose actual values may differ from estimates. The material assumptions adopted by the Company when making the estimates and the accounting policies are presented in the most recent full-year financial statements prepared as at and for the year ended December 31st 2019. The estimates and the underlying assumptions are reviewed on an ongoing basis. Any changes in accounting estimates are introduced prospectively, starting from the reporting period in which the estimate is revised. The effect of changes in estimates of forecast repayments recoveries is presented below.

Item	Amount estimated		Note	Assumptions and estimate calculation
	Mar 31 2020 (PLN '000)	Dec 31 2019 (PLN '000) Restated		
Equity-accounted investments in subsidiaries	3,155,969	3,350,341	8.11.	<p>Equity-accounted investments in subsidiaries are subject to impairment testing. Investments in subsidiaries for which impairment indications were identified were tested for impairment.</p> <p>As part of the tests, the Company estimated the recoverable amount of the investments based on the value in use of the respective cash-generating units, using the discounted cash flow method.</p> <p>The valuation of investments in subsidiaries is based on a number of assumptions and estimates, in particular with respect to the amount of future cash flows and the adopted discount rate. The projected cash flows of subsidiaries investing in debt portfolios or debt-related assets depend primarily on the assumed expenditure on new portfolios and amount of recoveries. The correctness of the underlying assumptions involves a considerable risk given the significant uncertainty as to the effectiveness of debt collection activities in the future.</p> <p>The discount rate used to test investments in subsidiaries for impairment reflects the current market assessment of the asset risk for the debt collection industry.</p>

Item	Amount estimated		Note	Assumptions and estimate calculation
	Mar 31 2020 (PLN '000)	Dec 31 2019 (PLN '000) <i>Restated</i>		
Investments in debt portfolios	34,224	36,949	7	<p>The value of purchased debt portfolios as at the valuation date is determined using an estimation model relying on expected discounted cash flows.</p> <p>The expected cash flows were estimated with the use of analytical methods or based on a legal and economic analysis of individual claims or debtors (case-by-case analysis). The method of estimating cash flows under a debt portfolio is selected based on the available data on the portfolio, debt profiles as well as historical data collected in the course of managing the portfolio.</p> <p>KRUK S.A. prepares projections of collections from debt portfolios separately for individual markets. The projections account for, among other things, historical performance of the process of debt portfolio recovery, legal regulations currently in force and planned, type and nature of debt and security, and current collection strategy.</p>
Deferred tax liability	21,066	40,254		<p>As the Company is able to control the timing of temporary differences, it recognises deferred tax liabilities at amounts of income tax to be paid in the future (three years). Taxable temporary differences will increase taxable income in the future.</p>

	Amount estimated	Note	
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Item	Mar 31 2020 (PLN '000)	Dec 31 2019 (PLN '000)	Assumptions and estimate calculation
Lease liabilities and right-of-use assets	34,277	23,713	<p>The implementation of IFRS 16 required making certain estimates and calculations that affected the measurement of lease liabilities and right-of-use assets. These include:</p> <ul style="list-style-type: none"> • reviewing long-term lease contracts and identifying contracts covered by IFRS 16, • determining the remaining lease term for contracts concluded before January 1st 2019 (including for contracts with indefinite term or with the possibility of extension), • determining the marginal interest rates to be used to discount future cash flows, <p>identifying useful lives and determining amortisation rates for the right-of-use assets.</p>

6. Other information

These financial statements comply with the requirements of all International Accounting Standards, International Financial Reporting Standards and related interpretations endorsed by the European Union, which have been issued and are effective for annual periods beginning on or after January 1st 2019.

7. Type and amounts of changes in estimates adopted in previous financial years with a material effect on the reporting period

Investments measured at amortised cost

In the reporting period, the Company did not invest any amounts in debt portfolios, while the amount of collections from debtors was PLN 9,634 thousand (Q1 2019: PLN 10,836 thousand). Changes in the estimated value of debt portfolios are presented below.

PLN '000	Mar 31 2020 unaudited	Dec 31 2019	Mar 31 2019 unaudited
Investments measured at amortised cost			
Investments in debt portfolios	34,224	36,949	36,238
Loans advanced to related entities	355,167	309,380	135,073
	<u>389,391</u>	<u>361,544</u>	<u>171,311</u>

PLN '000	Mar 31 2020 unaudited	Dec 31 2019	Mar 31 2019 unaudited
Purchased debt portfolios			
Unsecured portfolios	33,730	36,545	35,488
Secured portfolios	493	405	749
	<u>34,224</u>	<u>36,949</u>	<u>36,238</u>

The following assumptions were made in the valuation of debt portfolios:

		Mar 31 2020 unaudited	Dec 31 2019	Mar 31 2019 unaudited
Discount rate				
	- risk premium*	23.65% - 170.19%	23.65% - 170.19%	19.67% - 170.19%
Period for which collections have been estimated		April 2020 - December 2029	January 2020 - December 2032	April 2019 - September 2031
Undiscounted value of future recoveries		74,543	80,919	77,071

* Applicable to 99% of debt portfolios.

Projected schedule of collections from debt portfolios (undiscounted value):

PLN '000	Mar 31 2020 unaudited	Dec 31 2019	Mar 31 2019 unaudited
Period			
Up to 12 months	27,734	29,942	29,425
From 1 to 2 years	18,780	20,192	19,515
From 2 to 5 years	22,858	24,914	23,819
Over 5 years	5,171	5,872	4,311
	<u>74,543</u>	<u>80,919</u>	<u>77,071</u>

In the case of debt portfolios measured at amortised cost, as at the end of each quarter the Company updates, if necessary, the following parameters which are used to estimate future cash flows:

- risk premium,

- - the period for which cash flows are estimated – an extension of this period, with the amount of collections unchanged, reduces the value of debt portfolios;
- - the value of expected future cash flows estimated using the current data and debt collection tools – a growth in the value of expected future cash flows means an increase in the value of debt portfolios.

Below are presented changes of the net carrying amount of purchased debt portfolios:

PLN '000

Value of purchased debt portfolios as at Jan 1 2019	38,800
Cash recoveries	(41,415)
Revenue from purchased debt portfolios (interest and revaluation)	39,565
Carrying amount of purchased debt portfolios as at Dec 31 2019	36,949
Value of purchased debt portfolios as at Jan 1 2019	38,800
Cash recoveries	(10,836)
Value of property	(272)
Revenue from purchased debt portfolios (interest and revaluation)	8,547
Value of purchased debt portfolios as at Mar 31 2019	36,238
Value of purchased debt portfolios as at Jan 1 2020	36,949
Purchase of debt portfolios	(16)
Cash recoveries	(9,634)
Revenue from purchased debt portfolios (interest and revaluation)	6,925
Value of purchased debt portfolios as at Mar 31 2020	34,224

Sensitivity analysis – revision of projections

PLN '000

	Profit or loss for the current period		Equity excluding profit or loss for current period	
	increase in collections by 100 bps	decrease in collections by 100 bps	increase in collections by 100 bps	decrease in collections by 100 bps
Mar 31 2020				
Investments in debt portfolios	281	(281)	-	-
Dec 31 2019				
Investments in debt portfolios	303	(303)	-	-

The sensitivity analysis assumes extension or shortening of the projection period and a simultaneous increase or decrease in collections projections (for one-year extension projected collections increased by PLN 2 thousand, while for one-year shortening projected collections decreased by PLN 81 thousand; 2019: PLN 5 thousand and PLN 154 thousand, respectively).

Inventories (including property)

Sensitivity analysis – time horizon

PLN '000	Profit or loss for the current period		Equity excluding profit or loss for current period	
	extension by one year	reduction by one year	extension by one year	reduction by one year
Mar 31 2020				
Investments in debt portfolios	2	(81)	-	-
Dec 31 2019				
Investments in debt portfolios	5	(154)	-	-

As a result of the reclassification made, property is now recognised by the Company under *Inventories*:

PLN '000	Mar 31 2020 unaudited	Dec 31 2019	Mar 31 2019 unaudited
Investment property	31,086	30,279	26,396
	<u>31,086</u>	<u>30,279</u>	<u>26,396</u>

As part of its operating activities, the Company forecloses property securing acquired debt. A portion of the collections is derived from the sale of such properties on the open market.

Carrying amount of property held as at Jan 1 2019	27,238
Value of foreclosed property	21,397
Proceeds from sale of property	(17,957)
Income from sale of property	(398)
Carrying amount of property held as at Dec 31 2019	30,279
Carrying amount of property held as at Jan 1 2019	27,238
Value of foreclosed property	2,869
Proceeds from sale of property	(3,585)
Income from sale of property	(126)
Carrying amount of property held as at Mar 31 2019	26,396
Carrying amount of property held as at Jan 1 2020	30,279

Value of foreclosed property	3,076
Proceeds from sale of property	(2,122)
Income from sale of property	(146)
Carrying amount of property held as at Dec 31 2020	31,086

8. Type and amounts of items affecting the assets, equity and liabilities, capital, net profit/loss or cash flows which are material due to their type, size or effect

8.1. Revenue

<i>PLN '000</i>	Jan 1–Mar 31 2020 unaudited	Jan 1–Mar 31 2019 unaudited
Revenue from credit management services	26,637	26,108
Revenue from purchased debt portfolios	6,924	8,275
Revenue from other services	5,900	5,276
Revenue from sale of merchandise and materials	92	145
Gain/(loss) on sale/revaluation of property	(1,112)	(978)
	38,442	38,826

Revenue from purchased debt portfolios

<i>PLN '000</i>	Jan 1–Mar 31 2020 unaudited	Jan 1–Mar 31 2019 unaudited
Interest income	5,110	5,158
Other income from purchased debt portfolios (*)	1,265	1,834
Revaluation of debt portfolios	548	1,283
Foreclosure of property	-	272
	6,924	8,547

* Other income from debt purchase – deviations of actual recoveries, decreases on early collections in collateralised cases, costs of loyalty scheme valuation, costs of provision for overpayments, payments from original creditor.

Revaluation of debt portfolios

<i>PLN '000</i>	Jan 1–Mar 31 2020 unaudited	Jan 1–Mar 31 2019 unaudited
Foreign exchange gains/(losses)	1,473	(590)
Revision of repayment projections	(925)	1,873
	548	1,283

8.2. Other income

<i>PLN '000</i>	Jan 1–Mar 31 2020 unaudited	Jan 1–Mar 31 2019 unaudited
Gain on sale of property, plant and equipment	410	58
Compensation for motor damage	122	133
Other markets	36	85
Receivables written off	-	798
	569	1,074

8.3. Employee benefits expense

<i>PLN '000</i>	Jan 1–Mar 31 2020 unaudited	Jan 1–Mar 31 2019 unaudited
Salaries and wages	(28,686)	(27,356)
Old-age and disability pension contributions (defined contribution plans)	(4,461)	(4,235)
Other social security contributions	(2,128)	(1,706)
Contribution to the State Fund for the Disabled	(281)	(294)
Equity-settled cost of stock option plan	4,567	(2,295)
	(30,989)	(35,887)

8.4. Other expenses

<i>PLN '000</i>	Jan 1–Mar 31 2020 unaudited	Jan 1–Mar 31 2019 unaudited
Taxes and charges	(2,908)	(2,793)
Raw materials and consumables used	(1,026)	(1,512)
Other markets	(467)	(231)
Staff training	(351)	(694)
Motor insurance	(297)	(227)
Re-billed costs of services	(221)	(1,479)
Business trips	(213)	(326)
Advertising	(186)	(159)
Non-competition	(181)	(77)
Losses caused by motor damage	(152)	(144)
Court fees	(140)	(71)
Refund of litigation costs	(73)	(153)
VAT on rental payments (leases and rents)	(63)	(133)

Property insurance	(57)	(37)
Membership fees	(38)	(550)
Entertainment expenses	(33)	(47)
Impairment losses on receivables	(21)	(0)
Donations	(12)	-
Loss on sale of property, plant and equipment	-	(58)
Accumulated amortisation of receivables	-	(7)
Other consultancy services	-	(342)
	<u>(6,438)</u>	<u>(9,040)</u>

8.5. Finance income

<i>PLN '000</i>	Jan 1–Mar 31 2020 unaudited	Jan 1–Mar 31 2019 unaudited
Interest income on loans advanced and receivables	5,968	1,281
Gain/(loss) on settlement of discount	21	-
Interest income on bank deposits	15	12
Net foreign exchange losses	-	-
	<u>6,004</u>	<u>1,293</u>

8.6. Finance costs

<i>PLN '000</i>	Jan 1–Mar 31 2020 unaudited	Jan 1–Mar 31 2019 unaudited
Interest expense on financial liabilities measured at amortised cost	(20,486)	(18,722)
Measurement of derivatives – CIRS	(12,639)	584
Net foreign exchange losses	(10,774)	(1,406)
Interest income/expense on hedging instruments	482	479
	<u>(43,417)</u>	<u>(19,066)</u>

Effect of exchange rate movements on statement of profit or loss

<i>PLN '000</i>	<i>Note</i>	Jan 1–Mar 31 2020 unaudited	Jan 1–Mar 31 2019 unaudited
Realised exchange gains/(losses)	8.6	(619)	(5,959)
Unrealised exchange gains/(losses)	8.6	(10,155)	4,553
Revaluation of debt portfolios due to exchange rate movements	8.1	1,473	(590)
		<u>(9,301)</u>	<u>(1,997)</u>

8.7. Income tax

<i>PLN '000</i>	Jan 1–Mar 31 2020 unaudited	Jan 1–Mar 31 2019 unaudited
Income tax (current portion recognised in profit or loss)		
Income tax	(3,397)	(18)
Income tax (deferred portion recognised in profit or loss)		
Temporary differences/reversal of temporary differences	26,743	(4,386)
Income tax recognised in profit or loss	<u>23,347</u>	<u>(4,386)</u>
Income tax (deferred portion recognised in other comprehensive income)		
Temporary differences/reversal of temporary differences	<u>-</u>	
Income tax recognised in other comprehensive income	<u>23,347</u>	<u>(4,403)</u>

Reconciliation of effective tax rate

<i>PLN '000</i>	Jan 1–Mar 31 2020 unaudited	Jan 1–Mar 31 2019 unaudited
Profit/(loss) before tax	(68,870)	97,914
Income tax recognised in profit or loss	6,117	1,329
Profit/(loss) before tax for the period (at 19% tax rate)	<u>(68,870)</u>	<u>97,914</u>
Tax calculated at the tax rate applicable in Poland (19%)	<u>13,085</u>	<u>(18,604)</u>
Effect of non-deductible expenses	<u>(6,968)</u>	<u>19,933</u>
	<u>6,117</u>	<u>1,329</u>
	8.88%	-1.36%

Tax risk

Regulations on value added tax, corporate income tax, and social security contributions are subject to frequent changes and amendments, with a resulting lack of appropriate points of reference, conflicting interpretations, and scarcity of established precedents to follow. Furthermore, the applicable tax laws lack clarity, which leads to differences in opinions and diverse interpretation of tax regulations, both between individual public authorities and between public authorities and enterprises.

Tax settlements and other areas of activity (e.g. customs or foreign exchange control) may be subject to inspection by administrative bodies authorised to impose high penalties and fines, and any additional tax liabilities arising from such inspections must be paid with high interest. Consequently, tax risk in Poland is higher than in countries with more mature tax systems.

The amounts presented and disclosed in the financial statements may therefore change in the future as a result of a final decision by a tax inspection authority.

In Poland, tax settlements are subject to tax inspection for a period of five years.

Deferred tax assets and liabilities

Deferred tax assets and liabilities have been recognised in respect of the following items of assets and liabilities:

PLN '000

	Assets		Provisions		Net carrying amount	
	Mar 31 2020 unaudited	Dec 31 2019	Mar 31 2020 unaudited	Dec 31 2019	Mar 31 2020 unaudited	Dec 31 2019
Property, plant and equipment	6,322	4,513	(6,455)	(4,775)	(133)	(253)
Intangible assets	-	-	(2,095)	(2,263)	(2,095)	(2,627)
Trade and other receivables	-	-	(156)	(243)	(156)	(142)
Borrowings and other debt instruments	20,720	18,496	-	-	20,720	10,684
Employee benefit obligations	2,260	2,342	-	-	2,260	2,001
Provisions and liabilities	-	112	-	-	-	2,265
Investments in debt portfolios	-	-	(6,699)	(7,108)	(6,699)	(7,108)
Investments in subsidiaries	23,259	-	(58,222)	(51,328)	(34,963)	(51,328)
Hedge derivatives	-	-	-	-	-	-
Deferred tax assets/liabilities	52,561	25,463	(73,627)	(65,717)	(21,066)	(40,254)
Deferred tax assets offset against liabilities	(52,561)	(21,463)	52,561	25,463	-	-
Deferred tax assets/liabilities in the statement of financial position					(21,066)	(40,254)

The Company benefits from the regulation provided in IAS 12.39 and does not recognise a deferred tax liability in respect of retained earnings at its related entities where it is able to control the timing of the reversal of temporary differences in the foreseeable future and it is probable that the temporary differences will not reverse in the foreseeable future.

Change in temporary differences in the period

PLN '000

	As at January 1st 2019	Change in temporary differences recognised in profit or loss for current period	As at December 31st 2019	As at January 1st 2020	Change in temporary differences recognised in profit or loss for current period	As at March 31st 2020 unaudited
Property, plant and equipment	(253)	(10)	(263)	(263)	130	(133)
Intangible assets	(2,627)	364	(2,263)	(2,263)	168	(2,095)
Trade and other receivables	(142)	(101)	(243)	(243)	87	(156)
Borrowings and other debt instruments	10,684	7,812	18,496	18,496	2,224	20,720
Employee benefit obligations	2,001	341	2,342	2,342	(82)	2,260
Provisions and liabilities	2,265	(2,153)	112	112	(112)	-
Investments in debt portfolios	(6,282)	(826)	(7,108)	(7,108)	409	(6,699)
Investments in subsidiaries	(19,367)	(31,960)	(51,327)	(51,327)	16,365	(34,963)
	(13,722)	(26,533)	(40,254)	(40,254)	19,188	(21,066)

8.8. Borrowings and finance lease liabilities

PLN '000	Mar 31 2020 unaudited	Dec 31 2019	Mar 31 2019 unaudited
Non-current liabilities			
Secured borrowings	304,562	314,231	241,452
Liabilities under debt securities (unsecured)	1,215,526	1,267,601	1,282,247
Lease liabilities	24,240	12,151	11,824
	<u>1,544,329</u>	<u>1,593,983</u>	<u>1,535,523</u>
Current liabilities			
Current portion of secured borrowings	125,509	85,486	65,342
Liabilities under debt securities (unsecured)	160,084	93,575	218,845
Current portion of lease liabilities	10,037	11,562	19,372
	<u>295,629</u>	<u>190,623</u>	<u>303,560</u>

Liabilities repayment schedule

PLN '000	Currency	Nominal interest rate	Maturity	Mar 31 2020 unaudited	Dec 31 2019	Mar 31 2019 unaudited
Borrowings secured with the Company's assets	EUR/PLN	1M WIBOR + margin of 1.0-2pp 3M WIBOR + margin of 2pp 1M EURIBOR + margin of 2.2-2.4pp 3M EURIBOR + margin of 2.4pp	2024	430,071	399,717	306,794
Liabilities under debt securities, (unsecured)	PLN	3M WIBOR + margin of 3.0-4.0pp	2023	1,375,610	1,361,175	1,501,093
Lease liabilities	EUR/PLN	3M WIBOR or 1M EURIBOR + margin of 1.6-3.6 pp	2022	34,277	23,713	31,197
				<u>1,839,957</u>	<u>1,784,605</u>	<u>1,839,083</u>

8.9. Derivatives

Derivatives designated for hedge accounting

Interest rate risk hedges

The Company's exposure to interest rate risk arises mainly from borrowings and debt securities issued.

It has been concluded that effective implementation of the Company's growth strategy requires, among other elements, a proper policy for managing interest rate risk and currency risk.

The interest rate risk management policy covers the following:

- the Company's objectives in terms of interest rate risk,
- interest rate risk monitoring methods;
- the Company's permissible exposure to the interest rate risk,
- procedures in case of exceeding the Company's permissible exposure to the interest rate risk,
- interest rate risk management rules of the Company,

To manage interest rate risk, the Company enters into IRS contracts.

In 2017, the Company entered into two interest rate swaps (IRS) to pay a coupon based on a fixed PLN interest rate and to receive a coupon based on a variable PLN interest rate. The contracts provide a hedge against interest rate risk.

Contract 1: The Company pays at a fixed rate of 2.5%, while the counterparty pays at a variable rate equal to 3M WIBOR. Interest payments are made every three months (interest period). Maturity date: March 2nd 2022

Contract 2: The Company pays at a fixed rate of 2.5%, while the counterparty pays at a variable rate equal to 3M WIBOR. Interest payments are made every three months (interest period). Maturity date: May 4th 2022

The contracts provide hedging against variability of cash flows generated by liabilities denominated in PLN due to changes in the 3M WIBOR interest rate (hedging the coupon on PLN 150m worth of Series AA2 bonds and on PLN 50m worth of Series AC1 bonds). The Company issues bonds whose interest rate is based on 3M WIBOR plus margin. The designated risk component covers on average 33% of the total position. Only one risk component of the interest rate, i.e. 3M WIBOR, is hedged.

The Company expects cash flows to be generated and to have an effect on its results until 2022.

The Company determines the economic relationship based on the matching of the key terms of the hedging instrument and the hedged item, i.e. the base rate, the frequency of revaluation of the base rate, the duration and end dates of the interest periods, the maturity date, and the notional amount.

The hedge ratio for the established hedging relationship is set at a level that ensures effectiveness of the relationship and is consistent with the actual quantity of the hedged item and the quantity of the hedging instrument.

The hedge ratio for a given relationship is set at 1.0 (i.e. each unit of the notional amount of the hedging instrument hedges a unit of the designated notional amount of the hedged item).

The impact of counterparty credit risk on the fair value of the forward rate agreements may be the source of hedge ineffectiveness, as the credit risk is not reflected in the fair value of the hedged item.

In 2019, the Company entered into two interest rate swaps (IRS) to pay a coupon based on a fixed PLN interest rate and to receive a coupon based on a variable PLN interest rate. The contracts provide a hedge against interest rate risk.

Contract 1: The Company pays a fixed rate of 1.58%, while the counterparty pays a variable rate equal to 3M WIBOR. Interest payments are made every three months (interest period). Maturity date: September 28th 2024

Contract 2: The Company pays a fixed rate of 1.58%, while the counterparty pays a variable rate equal to 3M WIBOR. Interest payments are made every three months (interest period). Maturity date: September 27th 2024

Contract 3: The Company pays a fixed rate of 1.61%, while the counterparty pays a variable rate equal to 3M WIBOR. Interest payments are made every three months (interest period). Maturity date: October 12th 2024

Contract 4: The Company pays a fixed rate of 1.65%, while the counterparty pays a variable rate equal to 3M WIBOR. Interest payments are made every three months (interest period). Maturity date: February 6th 2024

Contract 5: The Company pays a fixed rate of 1.65%, while the counterparty pays a variable rate equal to 3M WIBOR. Interest payments are made every three months (interest period). Maturity date: November 27th 2024

Contract 6: The Company pays a fixed rate of 1.67%, while the counterparty pays a variable rate equal to 3M WIBOR. Interest payments are made every three months (interest period). Maturity date: October 18th 2022

The contracts provide hedging against variability of cash flows generated by liabilities denominated in PLN due to changes in the 3M WIBOR interest rate (hedging the coupon on PLN 50m worth of Series AH1 bonds; PLN 115m of Series AE4 bonds; PLN 35m of Series AE3 bonds; PLN 75m of Series AA4 bonds; PLN 25m of Series AG2 bonds; PLN 30m of Series AG1 bonds). The Company issues bonds whose interest rate is based on 3M WIBOR plus margin. The designated risk component covers on average 33% of the total position. Only one risk component of the interest rate, i.e. 3M WIBOR, is hedged.

The Company expects cash flows to be generated and to have an effect on its results until 2024.

The Company determines the economic relationship based on the matching of the key terms of the hedging instrument and the hedged item, i.e. the base rate, the frequency of revaluation of the base rate, the duration and end dates of the interest periods, the maturity date, and the notional amount.

The hedge ratio for the established hedging relationship is set at a level that ensures effectiveness of the relationship and is consistent with the actual quantity of the hedged item and the quantity of the hedging instrument.

The hedge ratio for a given relationship is set at 1.0 (i.e. each unit of the notional amount of the hedging instrument hedges a unit of the designated notional amount of the hedged item).

The impact of counterparty credit risk on the fair value of the forward rate agreements may be the source of hedge ineffectiveness, as the credit risk is not reflected in the fair value of the hedged item.

Currency risk hedges

The Company's exposure to currency risk arises mainly from investments in subsidiaries and financial liabilities measured in foreign currencies.

The currency risk management policy outlines:

- the Company's currency risk management objectives,
- the key rules of currency risk management at the Company;
- acceptable impact of currency risk on the Group's profit or loss and equity (currency risk appetite);
- methods of measuring and monitoring currency risk and currency risk exposure;
- procedures to be followed in the case of exceeding permitted currency risk appetite and specified currency risk limits;
- currency risk hedging policies;
- roles and responsibilities in the currency risk management process.

In 2019, the Company took steps to hedge currency risk arising from cash flows from foreign subsidiaries by entering into hedging transactions. The Company's objective is to reduce the effect of exchange differences on cash flows from subsidiaries. Transactions entered into by KRUK S.A. and settled on a net basis, with no physical delivery.

Transaction date	Settlement date	Amount in EUR	Value in PLN:
Feb 28 2019	Mar 29 2019	- 65,000,000	280,325,500
Mar 29 2019	Apr 30 2019	- 60,000,000	258,462,000
Apr 30 2019	May 31 2019	- 82,000,000	351,853,800
May 31 2019	Jun 28 2019	- 60,000,000	257,496,000
May 31 2019	Jun 28 2019	- 23,000,000	98,573,400
Jun 28 2019	Jul 31 2019	- 21,000,000	89,434,800
Jun 28 2019	Jul 31 2019	- 60,000,000	255,372,000
Jul 31 2019	Aug 30 2019	- 55,000,000	236,434,000
Jul 31 2019	Aug 30 2019	- 21,000,000	90,241,200
Aug 30 2019	Sep 30 2019	- 32,000,000	140,409,600
Aug 30 2019	Sep 30 2019	- 31,000,000	135,987,700
Sep 30 2019	Oct 31 2019	- 29,000,000	127,104,100
Sep 30 2019	Oct 31 2019	- 30,000,000	131,383,500
Oct 31 2019	Nov 29 2019	- 30,000,000	128,083,500
Oct 31 2019	Nov 29 2019	- 29,000,000	123,757,500
Nov 29 2019	Dec 31 2019	- 30,000,000	129,937,500
Nov 29 2019	Dec 31 2019	- 25,000,000	108,310,000

As at March 30th 2020, the Group companies did not carry any unsettled forward contracts.

The impact of counterparty credit risk on the fair value of the currency forward contracts may be the source of hedge ineffectiveness, as the credit risk is not reflected in the fair value of the hedged item.

Amounts related to items designated as hedging instruments

PLN '000

	Mar 31 2020 unaudited				Dec 31 2019				Item in the statement of financial position	Type of security
	Assets	Liabilities	Nominal amount	Change in fair value used to determine ineffectiveness	Assets	Liabilities	Nominal amount	Change in fair value used to determine ineffectiveness		
Instrument type:										
IRS	-	9,177	275,000 (PLN)	5,253	-	3,924	275,000 (PLN)	3,924	Derivatives	Cash flow hedges
IRS	-	6,132	255,000 (PLN)	6,552	420	-	255,000 (PLN)	420	Derivatives	Cash flow hedges
FORWARD	-	-	-	-	-	-	-	4,477	Derivatives	Cash flow hedges
	-	15,309		11,805	420	3,924		4,344		

PLN '000

	Nominal value as at Mar 31 2020 unaudited				
	Less than 6 months	6–12 months	1–2 years	2–5 years	Over 5 years
Instrument type:					
IRS					
fixed payment PLN sale	-	-	-	(530,000)	-
floating payment PLN	-	-	-	530,000	-

PLN '000

	Nominal amount as at Dec 31 2019				
	Less than 6 months	6–12 months	1–2 years	2–5 years	Over 5 years
Instrument type:					
IRS					
fixed payment PLN sale	-	-	-	(530,000)	-
floating payment PLN	-	-	-	530,000	-

PLN '000

	Disclosure of the hedged item			
	Nominal amount of the hedged item	Change in the fair value of the hedged item	Reserve for measurement of continuing hedges	Reserve (unsettled) for measurement of discontinued hedges
Cash flow hedges	530,000	15,309	(15,309)	-
Cash flow hedges	-	-	-	3,603

PLN '000	Jan 1–Mar 31 2020 unaudited		Total hedge reserve
	Hedge of future cash flows (interest rate risk)	Hedge of future cash flows (currency risk)	
Cash flow hedge reserve			
Hedge reserve at beginning of the period	(3,525)	3,603	78
Measurement of instruments charged to capital reserves	(12,163)	-	(12,163)
Amount reclassified to profit or loss during the period	379	-	379
- Interest income	379	-	379
- Reclassification of exchange differences	-	-	-
Hedge reserve at end of the period	(15,309)	3,603	(11,706)

Other derivative instruments not designated for hedge accounting

In 2017, the Company executed the derivative transactions described below.

In 2017, the Company entered into two foreign currency interest rate swaps (CIRS) to pay a coupon based on a fixed EUR interest rate and to receive a coupon based on a variable PLN interest rate. The contracts hedge both currency risk and interest rate risk as they effectively change the debt contracted in the złoty with euro-denominated liabilities:

Contract 1: The Company pays at a fixed rate of 3.06%, while the counterparty pays at a variable rate equal to 3M WIBOR plus a margin of 3.10%. Interest payments are made every three months (interest period).

Contract 2: The Company pays at a fixed rate of 2.97%, while the counterparty pays at a variable rate equal to 3M WIBOR plus a margin of 3.00%. Interest payments are made every three months (interest period).

The contracts provided hedging against variability of cash flows generated by liabilities denominated in PLN due to changes in reference interest rates (hedging a part of the coupon on PLN 90m worth of Series AA1 bonds and on PLN 100m worth of Series Z1 bonds) and by assets denominated in a convertible currency due to interest rate fluctuations (hedging of EUR-denominated cash flows from investments in subsidiaries).

The Company expects cash flows to be generated and to have an effect on its results until 2021.

In 2018, due to the ineffectiveness of the hedging relationship, the valuation was written off through profit or loss.

8.10. Investments in subsidiaries

<i>PLN '000</i>	Mar 31 2020 Unaudited	Dec 31 2019	Mar 31 2019 unaudited
Equity-accounted investments in subsidiaries	3,155,929	3,350,341	3,452,811

8.12. Right of use

<i>PLN '000</i>	Mar 31 2020 unaudited
Carrying amount of right-of-use assets at end of the reporting period, by class of underlying asset, as at January 1st 2020	
Buildings and structures	15,768
Plant and equipment	251
Vehicles	9,553
	<u>25,571</u>
Cost of amortisation of right-of-use assets, by class of underlying asset	
Buildings and structures	(1,373)
Plant and equipment	(42)
Vehicles	(715)
	<u>(2,129)</u>
Increase in right-of-use assets	11,393
Decrease in right-of-use assets	(428)
Carrying amount of right-of-use assets at end of the reporting period, by class of underlying asset, as at March 31st 2020	
Buildings and structures	25,466
Plant and equipment	209
Vehicles	8,731
	<u>34,406</u>
Interest expense relating to lease liabilities	187
Cost relating to variable lease payments not included in the measurement of lease liabilities	
Total cash outflow in connection with leases	2,113

8.13. Trade and other receivables

<i>PLN '000</i>	Mar 31 2020 unaudited	Dec 31 2019	Mar 31 2019 unaudited
Trade receivables from related entities	24,854	28,198	25,462
Trade receivables from non-related entities	2,984	3,365	3,645
	<u>27,838</u>	<u>31,563</u>	<u>29,107</u>

<i>PLN '000</i>	Mar 31 2020 unaudited	Dec 31 2019	Mar 31 2019 unaudited
Other receivables from related entities	228,839	49,565	6,389
Other receivables from non-related entities	5,185	5,032	8,385
	<u>234,024</u>	<u>54,597</u>	<u>14,774</u>

8.14. Cash and cash equivalents

<i>PLN '000</i>	Mar 31 2020 unaudited	Dec 31 2019	Mar 31 2019 unaudited
Cash in hand	67	24	101
Cash in current accounts	40,595	13,789	7,998
	<u>40,661</u>	<u>13,812</u>	<u>8,099</u>

8.15. Employee benefit obligations and provisions

<i>PLN '000</i>	Mar 31 2020 unaudited	Dec 31 2019	Mar 31 2019 unaudited
Salaries and wages payable	6,715	6,868	6,413
Social benefit obligations	6,588	6,391	6,268
Personal income tax	1,477	1,800	1,528
Liabilities under employee savings plans	250	-	-
Accrued holidays	6,491	5,421	5,855
Accrued salaries and wages (bonuses)	-	-	250
Accrued retirement gratuity payments	628	628	425
Accrued gratuity payments	-	109	-
Special accounts	4	106	(35)
	22,154	21,323	20,704

8.16. Trade and other payables

<i>PLN '000</i>	Mar 31 2020 unaudited	Dec 31 2019	Mar 31 2019 unaudited
Trade and other payables to related entities	33,806	42,988	36,104
Trade payables to other entities	9,292	13,469	12,566
Deferred income	12,467	12,120	12,621
Taxes, customs duties, insurance and other benefits payable	554	1,234	593
Accrued expenses	366	1,380	222
Other liabilities	2,847	2,690	3,121
	59,332	73,882	65,226

9. Current and non-current items of the statement of financial position

As at March 31st 2020

PLN '000

	Mar 31 2020 unaudited	Dec 31 2019	Mar 31 2019 unaudited
Assets			
Non-current assets			
Property, plant and equipment	43,162	34,944	31,559
Intangible assets	14,950	15,084	16,186
Derivatives	-	3,799	2,034
Hedging instruments	-	420	-
Equity-accounted investments in subsidiaries	3,155,929	3,350,341	3,453,121
Investments in loans	330,723	295,383	-
Deferred tax asset	-	-	-
Total non-current assets	3,544,804	3,699,971	3,503,066
Current assets			
Inventories	28,844	28,046	17
Investments in debt portfolios and loans	44,892	50,946	171,311
Investment property	-	-	-
Trade receivables from related entities	17,755	28,198	25,462
Trade receivables from other entities	2,984	3,365	3,645
Other receivables	234,024	51,834	38,921
Cash and cash equivalents	40,661	13,812	8,099
Other assets	4,292	4,683	4,041
Total current assets	373,453	180,884	251,496
Total assets	3,918,217	3,880,855	3,754,561
Equity and liabilities			
Equity			
Share capital	18,972	18,972	18,887
Share premium	307,107	307,107	300,097
Hedging reserve	(11,706)	78	(3,674)
Exchange differences on translating foreign operations	43,227	(30,219)	(59,033)
Other capital reserves	100,015	104,582	97,219
Retained earnings	1,493,541	1,555,657	1,472,143
Total equity	1,951,116	1,956,177	1,825,639
Non-current liabilities			
Deferred tax liability	21,066	40,254	(1,457)
Borrowings, other debt securities and leases	1,544,329	1,593,983	1,535,523
Derivatives	8,885	-	4,304
Hedging instruments	15,309	3,924	-
Total non-current liabilities	1,589,588	1,638,160	1,538,370
Current liabilities			
Borrowings, other debt securities and leases	295,629	190,623	303,560
Trade and other payables	59,332	73,882	65,226
Income tax payable	397	690	1,062
Employee benefit obligations and provisions	22,154	21,323	20,704
Total current liabilities	377,512	286,518	390,552
Total liabilities	1,967,101	1,924,678	1,928,922

Total equity and liabilities	3,918,217	3,880,855	3,754,561
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10. Management of risk arising from financial instruments

The Company is exposed to the following risks related to the use of financial instruments:

- credit risk
- liquidity risk
- market risk.

This note presents condensed information on the Company's exposure to each type of the above risks, the Company's objectives, policies and procedures for measuring and managing the risks, and the Company's management of capital. For a full description of the risk management, see the Company's most recent full-year financial statements.

Key policies of risk management

The Management Board is responsible for establishing risk management procedures and for overseeing their application.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to the limits. The risk management policies and systems are reviewed on a regular basis, to reflect changes in market conditions and the Company's activities. Using such tools as training, management standards and procedures, the Company seeks to build a stimulating and constructive control environment, in which all employees understand their respective roles and responsibilities.

10.1. Credit risk

Credit risk is the risk of financial loss to the Company if a trading partner or a counterparty to a financial instrument fails to meet its contractual obligations. Credit risk is chiefly associated with loans advanced by the Company, receivables for the services provided by the Company and purchased debt portfolios.

Trade and other receivables

Over 80% of the trading partners have done business with the Company for three years or more. Only in few cases losses were incurred by the Company as a result of non-payment. Trade and other receivables mainly comprise of fees receivable in respect of debt collected for trading partners.

The Company's exposure to credit risk results mainly from individual characteristics of each trading partner. The Management Board believes that the Company's credit risk is low as its counterparties are mainly reputable financial institutions and companies. The Company's largest trading partner (excluding the subsidiaries) accounts for 1.7% of the Company's revenue (March 31st 2019: 2.2%), and the respective percentages

for the Company's related entities are 87.9% and 85.5%. Receivables from the Company's largest third-party trading partner accounted for 1.3% of total gross trade receivables as at March 31st 2020 (March 31st 2019: 0.9%), and the respective percentages for the Company's related entities were 52.2% and 32.4%. Therefore, there is no significant concentration of credit risk.

The Company recognises impairment losses which represent its estimates of losses incurred on trade and other receivables. Impairment losses comprise specific losses related to individually significant exposures.

Purchased debt portfolios

Purchased debt portfolios include overdue debts which prior to the purchase by the Company were often subject to collection by the seller of the portfolio or by a third party acting on the seller's behalf. Therefore, credit risk related to the purchased debt portfolios is relatively high, although the Company has the experience and advanced analytical tools necessary to estimate such risk.

The credit risk is reflected in the portfolios' valuations as at the end of each reporting period.

As at each valuation date, KRUK S.A. estimates the credit risk based on past inflows from a given portfolio as well as other portfolios with similar characteristics. The risk assessment also took into account factors related to the COVID-19 pandemic, described in detail in section 3.2 of the report (*Further information on the operations of the KRUK Group*).

Changes in credit risk assessment affect expected amounts of future cash flows which are used as a basis of valuation of the purchased debt portfolios.

The Company minimises the risk by performing a valuation of each portfolio before and after it is purchased, taking into account the likelihood of recovery of invested capital and the estimated costs of the collection process.

As at the date of this report, the Company holds no single debt whose non-payment could have a material adverse effect on the Company's liquidity, but no assurance can be given that such a situation will not occur in the future.

Guarantees

As a rule, the Company issues financial guarantees only to its wholly-owned subsidiaries. During the reporting period, the Company did not issue any guarantees to third parties.

Exposure to credit risk

Carrying amounts of financial assets reflect the maximum exposure to credit risk. The maximum exposure to credit risk as at the end of the reporting periods is presented below.

<i>PLN '000</i>	Mar 31 2020 unaudited	Dec 31 2019	Mar 31 2019 unaudited
Financial assets measured at amortised cost			
	34,224	36,949	36,238
Loans	355,167	309,380	135,073
Receivables	261,862	86,160	43,881
	<u>651,253</u>	<u>447,704</u>	<u>215,191</u>

The maximum exposure to credit risk by geographical segment as at the end of the reporting periods is presented below.

<i>PLN '000</i>	Mar 31 2020 unaudited	Dec 31 2019	Mar 31 2019 unaudited
Poland	540,122	332,584	56,437
Romania	89,562	91,746	100,454
Czech Republic and Slovakia	21,570	23,374	57,652
Italy	-	-	649
	<u>651,253</u>	<u>447,704</u>	<u>215,191</u>

Impairment losses

The maturity structure of trade and other receivables as at the end of the reporting periods is presented below.

IFRS 9 classification		Carrying amount as at Dec 31 2019 (IFRS 9) unaudited	Carrying amount as at Dec 31 2019 (IFRS 9)
Trade and other receivables	Basket 1	261,942	86,240
	Basket 2	80	80
	Basket 3	-	-
		262,022	86,320
Impairment losses	Basket 1	-	-
	Basket 2	80	80
	Basket 3	-	-
		80	80

Changes of impairment losses on receivables are presented below:

PLN '000	Jan 1–Mar 31 2020 unaudited	Jan 1-Dec 31 2019 unaudited
Loss allowance as at Jan 1	80	873
Loss allowance recognised in the period	-	18
Reversal of loss allowance	-	(798)
Use of loss allowance	-	(13)
Loss allowance as at Dec 31/Mar 31	80	80

Based on historical payment data, the Company recognises impairment losses which represent its estimates of expected losses on trade and other receivables. Impairment losses comprise specific losses related to individually significant exposures.

In addition, the Company recognises impairment losses on all receivables from companies which are subject to bankruptcy or liquidation proceedings, as well as for receivables in litigation.

The Company does not recognise impairment losses on trade receivables as long as there is a high probability that they will be repaid. When a receivable or an investment is deemed unrecoverable, a relevant amount is charged to expenses.

10.2. Liquidity risk

Liquidity risk is the risk of the Company's failure to pay its liabilities when due.

Liquidity risk management aims to ensure that the Company has sufficient liquidity to pay its liabilities as they fall due, without exposing the Company to a risk of loss or impairment of its reputation.

The main objective of liquidity management is to protect the Company against the loss of ability to pay its liabilities.

The Company has a liquidity management policy in place, which includes rules for contracting debt finance, preparing analyses and projections of the Company's liquidity, and monitoring the performance of obligations under credit facility agreements.

The Company's liquidity position is monitored on a regular basis by analysing sensitivity to changes in the projected level of collections from debt portfolios.

In accordance with the liquidity management policy effective as at the date of issue of these financial statements, the following conditions must be met by the Company before new debt can be incurred:

- the debt can be repaid from the Company's own assets,
- incurring the debt will not result in exceeding the financial covenants stipulated in facility agreements and terms and conditions of bonds.

The following are the contractual terms and conditions of outflows related to financial liabilities and planned inflows from financial assets:

As at March 31st 2020

PLN '000

	Present value	Contractual cash flows	Less than 6 months	6–12 months	1–2 years	2–5 years	Over 5 years
Non-derivative financial assets and liabilities							
Investments in debt portfolios	34,224	74,543	14,496	13,238	18,780	22,858	5,171
Secured borrowings	(430,071)	(430,345)	(2,299)	(23,859)	(8,829)	(395,358)	-
Unsecured bonds in issue	(1,375,610)	(1,520,800)	(47,063)	(165,667)	(666,538)	(590,879)	(50,653)
Lease liabilities	(34,277)	(34,185)	(4,287)	(3,758)	(7,018)	(17,515)	(1,607)
Trade and other payables	(59,332)	(59,332)	(59,332)	-	-	-	-
	(1,865,066)	(1,970,119)	(98,484)	(180,046)	(663,605)	(980,894)	(47,088)

The above amounts do not include expenditure on or collections from future purchased debt portfolios and future operating expenses, which will be necessary to obtain proceeds from financial assets.

As at Dec 31 2019

PLN '000

	Present value	Contractual cash flows	Less than 6 months	6–12 months	1–2 years	2–5 years	Over 5 years
Non-derivative financial assets and liabilities							
Investments in debt portfolios	36,949	80,919	16,018	13,924	20,192	24,914	5,872
Secured borrowings	(399,717)	(420,994)	(5,272)	(33,096)	(10,014)	(372,612)	-
Unsecured bonds in issue	(1,361,175)	(1,536,673)	(49,368)	(107,724)	(590,729)	(586,767)	(202,085)
Lease liabilities	(23,713)	(25,572)	(4,124)	(4,790)	(6,993)	(7,775)	(1,890)
Trade and other payables	(73,882)	(73,882)	(73,882)	-	-	-	-
	(1,821,537)	(1,976,202)	(116,628)	(131,686)	(587,544)	(942,240)	(198,104)

For information on the impact of COVID-19 on the liquidity position of KRUK S.A., see section 3.2 of this report (*Further information on the operations of the KRUK Group*).

Contractual cash flows were determined based on interest rates effective as at December 31st 2019 and March 31st 2020.

The Company does not expect the projected cash flows, discussed in the maturity analysis, to occur significantly earlier or in amounts materially different from those presented.

As at March 31st 2020, the undrawn revolving credit facility limit available to the Company was PLN 56,206 thousand (2019: PLN 95,337 thousand). The limit is available until December 19th 2023.

10.3. Market risk

Market risk is related to changes in such market factors as exchange rates, interest rates or stock prices, which affect the Company's performance or the value of financial instruments it holds. The objective of the market risk management policy implemented at the Company is to control and maintain the Company's exposure to market risk within the assumed values of parameters, while simultaneously optimising the rate of return.

It has been concluded that effective implementation of the Company's growth strategy requires, among other elements, a proper interest rate risk and currency risk management policy. The interest rate risk management policy covers the following:

- the Company's objectives in terms of interest rate risk,
- interest rate risk monitoring methods;
- the Company's permissible exposure to the interest rate risk,

- procedures in case of exceeding the Company's permissible exposure to the interest rate risk,
- interest rate risk management rules of the Company,

The currency risk management policy outlines:

- the Company's currency risk management objectives,
- the key rules of currency risk management at the Company;
- acceptable impact of currency risk on the Group's profit or loss and equity (currency risk appetite);
- methods of measuring and monitoring currency risk and currency risk exposure;
- procedures to be followed in the case of exceeding permitted currency risk appetite and specified currency risk limits;
- currency risk hedging policies;
- roles and responsibilities in the currency risk management process.

As at March 31st 2020, assets denominated in foreign currencies accounted for 1.5% of total assets, while liabilities denominated in foreign currencies represented 11.6% of total equity and liabilities (December 31st 2019: 1.2% and 7.6%, respectively).

Cash recoveries in foreign currencies are reinvested as investments in subsidiaries in the same currency.

10.4. Currency risk

Exposure to currency risk

The Company's exposure to currency risk, which is attributable to financial instruments denominated in foreign currencies and investments in foreign subsidiaries, calculated based on the exchange rates effective at the end of the reporting period is presented below:

w tysiącach jednostek	31.03.2020 niebadane			31.03.2019 niebadane		
	EUR	RON	CZK	EUR	RON	CZK
Należności z tytułu dostaw i usług	90	-	-	82	-	1
Środki pieniężne	605	10 224	1 622	14	1 397	61
Inwestycje w pakiety wierzytelności	234	25 149	1 954	-	26 795	418
Zobowiązania z tytułu kredytów, pożyczek oraz inne zobowiązania finansowe	(270 946)	-	-	(372 388)	-	-
Zobowiązania z tytułu dostaw i usług	(39 186)	(312)	(29)	-	-	-
Ekspozycja na ryzyko walutowe	(309 204)	35 062	3 548	(372 291)	28 192	480

The following exchange rates of the key foreign currencies were adopted during the preparation of these financial statements:

PLN	Average exchange rates		End of period (spot rates)	
	Jan 1–Mar 31 2020 unaudited	Jan 1–Dec 31 2019 unaudited	Mar 31 2020 unaudited	Dec 31 2019 unaudited
EUR 1	4.1310	4.3018	4.3001	4.2585
USD 1	3.9907	3.8440	4.1466	3.7977
RON 1	0.9147	0.9053	0.9429	0.8901
CZK 1	0.1691	0.1676	0.1665	0.1676

PLN '000

	Other comprehensive income	Profit or loss for the current period
March 31st 2020		
EUR (10% appreciation of PLN)	-	(30,948)
RON (10% appreciation of PLN)	-	242
CZK (10% appreciation of PLN)	-	105
Dec 31 2019		
EUR (10% appreciation of PLN)	-	(21,203)
RON (10% appreciation of PLN)	-	2,965
CZK (10% appreciation of PLN)	-	197

10.5. Interest rate risk

The structure of interest-bearing financial instruments as at the reporting date is presented below:

Sensitivity analysis of fair value of fixed-rate financial instruments

The Company does not hold any fixed-interest financial assets or liabilities measured at fair value through profit or loss, nor does it use derivative transactions (IRSs) as fair value hedges. Therefore, a change of an interest rate would have no material effect on current period's profit or loss.

Sensitivity analysis of cash flows from variable-rate financial instruments

The Company purchases derivative instruments in order to hedge interest rate risk.

A change of an interest rate by 100 basis points would increase (decrease) equity and pre-tax profit by the amounts shown below. The following analysis is based on the assumption that other variables, in particular exchange rates, remain unchanged.

PLN '000	Profit or loss for the current period		Equity excluding profit or loss for current period	
	up by 100 bps	down by 100 bps	up by 100 bps	down by 100 bps
March 31st 2020				
Variable rate financial assets	3,552	3,552	-	-
Variable rate financial liabilities	(16,228)	16,228	-	-
Dec 31 2019				
Variable rate financial assets	3,246	(3,246)	-	-
Variable rate financial liabilities	(15,709)	15,709	-	-

Fair values

Comparison of fair values and carrying amounts

The table below presents a comparison between fair values of financial assets and liabilities and values presented in the statement of financial position.

PLN '000	March 31st 2020 unaudited		Dec 31 2019		Mar 31 2019 unaudited	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets and liabilities measured at fair value						
Other derivatives	(24,194)	(24,194)	295	295	-	(2,270)
	(24,194)	(24,194)	295	295	-	(2,270)
Financial assets and liabilities not measured at fair value						
Investments in debt portfolios	34,224	31,485	36,949	34,030	36,238	33,791
Loans and receivables	355,167	355,167	324,595	324,595	135,073	135,073
Secured bank borrowings	(430,071)	(430,071)	(399,717)	(399,717)	(306,794)	(306,794)
Unsecured bonds in issue	(1,375,610)	(1,383,782)	(1,361,175)	(1,372,989)	(1,501,093)	(1,511,688)
Lease liabilities	(34,277)	(34,277)	(23,713)	(23,713)	(31,197)	(31,197)
Trade and other payables	(59,332)	(59,332)	(73,882)	(73,882)	(1,731,998)	(1,731,998)
	(1,509,889)	(1,520,809)	(1,496,943)	(1,511,675)	(1,511,675)	(1,511,675)

Interest rates used for fair value estimation

	Mar 31 2020 unaudited	Dec 31 2019 unaudited
Investments in debt portfolios	23.65% - 170.19%	23.65% - 170.19%
Borrowings	1.78% - 3.17%	1.76% - 3.71%
Unsecured bonds in issue	4.17% - 5.17%	4.71% - 5.71%
Lease liabilities	1.18% - 4.78%	1.64% - 3.97%

Hierarchy of financial instruments at fair value

The table below presents the fair value of financial instruments recognised in the statement of financial position at fair value and at amortised cost. Depending on the level of valuation, the following inputs were used in the valuation models.

- Level 1: quoted prices (unadjusted) on active markets for identical assets or liabilities,
- Level 2: inputs for given assets and liabilities, other than quoted prices from Level 1, observable directly (e.g. as prices) or indirectly (e.g. as provisions derivative),
- Level 3: inputs that are not based on observable market prices (unobservable inputs).

In 2018–20119, no transfers were made between the levels.

PLN '000	Level 3	
	Carrying amount	Fair value
As at March 31st 2020		
Investments in debt portfolios	34,224	31,485
As at March 31st 2019		
Investments in debt portfolios	36,238	33,791

The fair value of purchased debt portfolios is calculated based on the expected future cash flows related to the debt portfolios, discounted with a rate reflecting the credit risk associated with each portfolio. The rate used for discounting is calculated as an internal rate of return on an investment as at the date of acquisition of a portfolio and is verified so that it includes the present risk free rate and the present risk premium associated with the credit risk for each portfolio.

The Company determines the fair value of loans using Level 3 inputs.

For bank borrowings, notes in issue, lease liabilities and trade payables, the Company determines fair value using Level 2 inputs.

11. Related-party transactions concluded by the Parent

Transactions with subsidiaries as at and for the period ended March 31st 2019

Balance of liabilities, receivables and loans as at the reporting date

PLN '000	Liabilities	Receivables	Loans	Interest accrued on loans
SeCapital S.à. r.l	6,923	1,506	-	-
ERIF Business Solutions Sp. z o.o.	0	167	-	12
Novum Finance Sp. z o.o.	-	200	22,342	-
SeCapital Polska Sp. z o.o.	-	2	107	1
Kancelaria Prawna RAVEN P.Krupa Sp. k.	7,000	2,095	-	-
KRUK Romania S.r.l.	576	7,424	62,479	830
ERIF BIG S.A.	73	229	-	-
NSFIZ PROKURA	3,850	4,123	-	-
KRUK Česká a Slovenská republika s.r.o.	63	2,040	43,947	136
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	-	9,015	-	-
InvestCapital Ltd.	30,417	141	-	-
KRUK Deutschland GmbH	-	366	-	-
KRUK Deutschland (Branch)	-	128	-	-
Rocapital IFN S.A.	-	6	4,514	56
KRUK Italia S.r.l	1	187	-	-
ItaCapital S.r.l	-	98	-	-
KRUK Espana S.L.	-	77	-	-
Presco Investments S.a.r.l.	18,987	-	-	-
P.R.E.S.C.O INVESTMENT I NS FIZ	-	186	-	-
ProsperoCapital S.a.r.l.	-	3,800	-	-
Corbul Capital S.r.l	-	-	-	-
Elleffe Capital S.r.l.	-	2	-	-
Zielona Perła Sp. z o.o.	-	5	-	-
NSFIZ BISON	-	1	-	-
AgeCredit S.r.l.	-	52	645	3
Wonga.pl Sp. z o.o.	-	-	-	-
	67,892	31,851	134,035	1,038

Revenue from mutual transactions

PLN '000	Revenue from sale of materials and services	Revenue from credit management services	Interest and dividends
SeCapital S.à. r.l	-	137	-
ERIF Business Solutions Sp. z o.o.	29	-	12
Novum Finance Sp. z o.o.	202	276	192

Secapital Polska Sp. z o.o.	3	-	1
Kancelaria Prawna RAVEN P.Krupa Sp. k.	1,427	19	-
KRUK Romania S.r.l.	568	5	797
ERIF BIG S.A.	246	16	-
NSFIZ PROKURA	-	-	-
KRUK Česká a Slovenská republika s.r.o.	291	-	220
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	239	22,333	-
InvestCapital Ltd.	398	45	-
KRUK Deutschland GmbH	-	-	-
KRUK Deutschland (Branch)	8	-	-
Rocapital IFN S.A.	-	-	56
KRUK Italia S.r.l.	235	-	-
ItaCapital S.r.l.	98	-	-
KRUK Espana S.L.	174	-	-
Presco Investments S.a.r.l.	-	742	-
P.R.E.S.C.O INVESTMENT I NS FIZ	-	-	-
ProsperoCapital S.a.r.l.	-	-	-
Corbul Capital S.r.l.	-	-	-
Elleffe Capital S.r.l.	-	-	-
Zielona Perła Sp. z o.o.	-	-	-
NSFIZ BISON	3	-	-
AgeCredit S.r.l.	-	-	3
Wonga.pl Sp. z o.o.	-	-	-
	3,919	23,573	1,281

Costs of mutual transactions

PLN '000

	Purchase of services
ERIF Business Solutions Sp. z o.o.	197
Kancelaria Prawna RAVEN P.Krupa Sp. k.	1,679
KRUK Romania S.r.l.	59
ERIF BIG S.A.	-
KRUK Česká a Slovenská republika s.r.o.	92
	2,027

Transactions with subsidiaries as at and for the period ended December 31st 2019

Balance of liabilities, receivables and loans as at the reporting date

PLN '000	Liabilities	Receivables	Loans	Interest accrued on loans
SeCapital S.à. r.l	8,172	1,415	-	-
ERIF Business Solutions Sp. z o.o.	-	253	1,503	(0)
Novum Finance Sp. z o.o.	-	387	38,242	-
SeCapital Polska Sp. z o.o.	-	1	130	-
Kancelaria Prawna RAVEN P.Krupa Sp. k.	59	9,446	-	-
KRUK Romania S.r.l.	523	14,008	58,665	461
ERIF BIG S.A.	51	-	-	-
NSFIZ PROKURA	4,659	8,470	-	-
KRUK Česká a Slovenská republika s.r.o.	85	281	20,168	-
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	-	8,288	-	-
InvestCapital Ltd.	-	489	-	-
KRUK Deutschland GmbH	-	372	-	-
KRUK Deutschland (Branch)	-	-	-	-
Rocapital IFN S.A.	-	24	4,451	57
KRUK Italia S.r.l	-	197	-	-
ItaCapital S.r.l	-	12	-	-
KRUK Espana S.L.	-	331	-	-
Presco Investments S.a.r.l.	29,312	29,823	-	-
P.R.E.S.C.O INVESTMENT I NS FIZ	58	305	-	-
ProsperoCapital S.a.r.l.	-	3	-	-
Corbul Capital S.r.l	-	-	-	-
Elleffe Capital S.r.l.	-	5	-	-
Zielona Perła Sp. z o.o.	-	0	-	-
NSFIZ BISON	-	3,622	-	-
AgeCredit S.r.l.	-	20	-	-
Wonga.pl Sp. z o.o.	-	13	200,917	-
	42,918	77,763	324,077	518

Revenue from mutual transactions

<i>PLN '000</i>	Revenue from sale of materials and services	Revenue from credit management services	Interest and dividends
SeCapital S.à. r.l	-	(222)	34
ERIF Business Solutions Sp. z o.o.	110	-	50
Novum Finance Sp. z o.o.	828	1,270	11,098
SeCapital Polska Sp. z o.o.	11	-	5
Kancelaria Prawna RAVEN P.Krupa Sp. k.	7,227	62	19,849
KRUK Romania S.r.l.	4,820	153	17,642
ERIF BIG S.A.	815	21	3,002
NSFIZ PROKURA	269	6	-
KRUK Česká a Slovenská republika s.r.o.	1,390	137	1,473
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	2,422	93,747	-
InvestCapital Ltd.	9,512	821	-
KRUK Deutschland GmbH	-	-	-
KRUK Deutschland (Branch)	10	(89)	-
Rocapital IFN S.A.	-	31	232
KRUK Italia S.r.l	948	-	-
ItaCapital S.r.l	185	-	-
KRUK Espana S.L.	828	1	-
Presco Investments S.a.r.l.	-	2,514	48,513
P.R.E.S.C.O INVESTMENT I NS FIZ	-	-	-
ProsperoCapital S.a.r.l.	-	-	-
Corbul Capital S.r.l	-	-	-
Elleffe Capital S.r.l.	-	-	-
Zielona Perła Sp. z o.o.	7	-	-
NSFIZ BISON	-	-	8
AgeCredit S.r.l.	-	-	-
Wonga.pl Sp. z o.o.	5	77	8,028
	29,385	98,530	109,932

Costs of mutual transactions

<i>PLN '000</i>	Purchase of services
ERIF Business Solutions Sp. z o.o.	8
Kancelaria Prawna RAVEN P.Krupa Sp. k.	796
KRUK Romania S.r.l.	6,211
ERIF BIG S.A.	238
KRUK Česká a Slovenská republika s.r.o.	359
	7,611

Transactions with subsidiaries as at and for the period ended March 31st 2020

Balance of liabilities, receivables and loans as at the reporting date

PLN '000	Liabilities	Receivables	Loans	Interest accrued on loans
SeCapital S.à. r.l	8,602	1,420	-	-
ERIF Business Solutions Sp. z o.o.	-	171	170	14
Novum Finance Sp. z o.o.	-	281	38,242	0
Secapital Polska Sp. z o.o.	-	1	130	-
Kancelaria Prawna RAVEN P.Krupa Sp. k.	368	574	-	-
KRUK Romania S.r.l.	421	11,585	62,228	731
ERIF BIG S.A.	49	240	-	-
NSFIZ PROKURA	3,417	1,221	-	-
KRUK Česká a Slovenská republika s.r.o.	100	194	20,576	-
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	-	14,528	-	-
InvestCapital Ltd.	-	200,394	-	-
KRUK Deutschland GmbH	-	367	-	-
KRUK Deutschland (Branch)	-	-	-	-
Rocapital IFN S.A.	-	-	4,715	61
KRUK Italia S.r.l	-	637	-	-
ItaCapital S.r.l	-	-	-	-
KRUK Espana S.L.	-	148	-	-
Presco Investments S.a.r.l.	20,849	21,656	-	-
P.R.E.S.C.O INVESTMENT I NS FIZ	-	215	-	-
ProsperoCapital S.a.r.l.	-	6	-	-
Corbul Capital S.r.l	-	-	-	-
Elleffe Capital S.r.l.	-	-	-	-
Zielona Perła Sp. z o.o.	-	0	-	-
NSFIZ BISON	-	16	-	-
AgeCredit S.r.l.	-	-	-	-
Wonga.pl Sp. z o.o.	-	39	228,301	-
	33,806	253,693	354,361	806

Revenue from mutual transactions

<i>PLN '000</i>	Revenue from sale of materials and services	Revenue from credit management services	Interest and dividends
SeCapital S.à. r.l	5	19	-
ERIF Business Solutions Sp. z o.o.	49	-	14
Novum Finance Sp. z o.o.	348	342	649
Secapital Polska Sp. z o.o.	3	-	1
Kancelaria Prawna RAVEN P.Krupa Sp. k.	1,206	14	4,336
KRUK Romania S.r.l.	760	4	731
ERIF BIG S.A.	164	16	-
NSFIZ PROKURA	1	896	-
KRUK Česká a Slovenská republika s.r.o.	320	-	127
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	266	23,408	-
InvestCapital Ltd.	647	4	-
KRUK Deutschland GmbH	-	-	-
KRUK Deutschland (Branch)	-	-	-
Rocapital IFN S.A.	-	-	61
KRUK Italia S.r.l	480	-	-
ItaCapital S.r.l	-	-	-
KRUK Espana S.L.	547	4	-
Presco Investments S.a.r.l.	3	503	-
P.R.E.S.C.O INVESTMENT I NS FIZ	-	-	-
ProsperoCapital S.a.r.l.	3	-	-
Corbul Capital S.r.l	-	-	-
Elleffe Capital S.r.l.	-	-	-
Zielona Perła Sp. z o.o.	-	-	-
NSFIZ BISON	-	-	-
AgeCredit S.r.l.	-	-	-
Wonga.pl Sp. z o.o.	6	10	4,384
	4,805	25,221	10,304

Costs of mutual transactions

<i>PLN '000</i>	Purchase of services
ERIF Business Solutions Sp. z o.o.	0
Kancelaria Prawna RAVEN P.Krupa Sp. k.	339
KRUK Romania S.r.l.	1,299
ERIF BIG S.A.	59
KRUK Česká a Slovenská republika s.r.o.	119
	1,816

12. Factors and events, in particular of non-recurring nature, with a material bearing on the Group's financial performance

In Q1 2020, collections from portfolios purchased by KRUK S.A. were PLN 9,634 thousand, having decreased by 11.1% year on year and by 3.3% on Q4 2019.

As at March 31st 2020, the Group's investments in debt portfolios accounted for 1.28% of its assets. Equity accounted for 27% of the Group's financing sources.

For information on the impact of COVID-19 on the liquidity position of KRUK S.A., see section 3.2 of this report (*Further information on the operations of the KRUK Group*).

13. Issue, redemption and repayment of non-equity and equity securities

In Q1 2020, no bonds were redeemed and no new bonds were issued.

- On March 9th 2020, KRUK S.A. launched the issue of Series AJ2 bonds under the 6th Public Bond Issue Programme, but on March 18th 2020 the Company pulled the offering due to the outbreak of the pandemic. The issue was discontinued.
- On April 1st 2020 the Management Board of KRUK S.A. passed a resolution to purchase some of the Company's bonds in book-entry form with a nominal value of PLN 100 or PLN 1,000, depending on the series. The objective is to redeem purchased bonds, and the bond purchasing will continue until September 30th 2020, with the total value of transactions to not exceed PLN 25m.

14. Dividends paid (or declared)

By the date of issue of this report, the Company's Management Board did not resolve on a proposed allocation of the Company's net profit for 2019.

15. Events subsequent to the reporting date not disclosed in these financial statements but potentially having a material bearing on the Group's future performance

On April 21st 2020, the Management Board of KRUK S.A. passed a resolution to establish the 7th Bond Issue Programme with a total nominal value of up to PLN 700m. As part of the programme, the Company will be able to issue public bonds during one year from the date of approval of the issue prospectus by the Polish Financial Supervision Authority. Individual bond issues under the programme may differ with respect to their terms and conditions, in particular the rules of determining interest rates.

Detailed terms and conditions of a given bond series will be provided for in the issue prospectus and the final terms of the issue.

On April 30th 2020, Ms Agnieszka Kułton - Member of the Management Board, Chief Debt Management Officer, resigned as Member of the Management Board with effect as of May 28th 2020.

Ms Agnieszka Kułton's resignation is due to health reasons. Accordingly, the President of the Management Board of KRUK S.A. requested that the Supervisory Board of KRUK S.A. appoints Mr Piotr Kowalewski as Member of the Management Board, Chief Debt Management Officer, with effect as of May 29th 2020. Mr Piotr Kowalewski has worked at KRUK S.A. since 2004. Currently employed as Head of Debt Management at KRUK S.A., he is responsible for the debt collection strategy in the consumer segment and its implementation at KRUK S.A., oversees out-of-court collection and court processes, and is responsible for international cooperation in the purchased debt portfolios segment.

On April 30th 2020, Ms Iwona Słomska - Member of the Management Board, Marketing, PR and Human Resources, resigned as Member of the Management Board with effect as of July 31st 2020. Mr Słomska's resignation is due to important personal reasons. Accordingly, the President of the Management Board of KRUK S.A. requested that the Supervisory Board of KRUK S.A. sets the number of members of the Company's Management Board at four, effective as of to August 1st 2020.

16. Information on changes in contingent liabilities or contingent assets subsequent to the end of the previous financial year

Until the date of issue of this report, there were no movements in contingent liabilities or contingent assets.

Security created over KRUK S.A.'s assets is presented below:

Type	Beneficiary	Amount	Expiry date	Terms and conditions
Surety for Prokura NS FIZ's liabilities towards Bank Powszechna Kasa Oszczędności BP S.A. (PKO BP S.A.) under the credit facility granted to Prokura NS FIZ	PKO BP S.A.	PLN 52.97m	By December 19th 2022	Prokura NS FIZ's failure to pay amounts owed to the bank under the credit facility agreement
Surety for Prokura NS FIZ's liabilities towards Bank Powszechna Kasa Oszczędności BP S.A. (PKO BP S.A.) under the credit facility granted to Prokura NS FIZ	PKO BP S.A.	PLN 40.14m	By June 4th 2024	Prokura NS FIZ's failure to pay amounts owed to the bank under the credit facility agreement

Surety for Prokura NS FIZ's liabilities towards mBank under the credit facility granted to Prokura NS FIZ	mBank S.A.	PLN 210m	By July 1st 2026	Prokura NS FIZ's failure to pay amounts owed to the bank under the credit facility agreement
Blank promissory note	Santander Bank Polska S.A.	PLN 162.40m	Until the derivative transactions are settled and the bank's claims thereunder are satisfied.	KRUK S.A.'s failure to repay its liabilities under treasury transactions made on the basis of the master agreement on the procedure for execution and settlement of treasury transactions of June 13th 2013, as amended
Surety for InvestCapital LTD's liabilities under the transactions executed under the master agreement between KRUK S.A., InvestCapital LTD and Santander Bank Polska S.A.	Santander Bank Polska S.A.	PLN 162.40m	By October 31st 2021	InvestCapital LTD's failure to repay its liabilities under treasury transactions made on the basis of Annex 3 of June 21st 2018 to the master agreement on the procedure for execution and settlement of treasury transactions
Guarantee issued by KRUK S.A. for KRUK România s.r.l.'s liabilities under lease contracts	Piraeus Leasing Romania IFN S.A.	EUR 0.5m	Until all obligations under the lease contracts executed by KRUK România s.r.l. with Piraeus Leasing Romania IFN S.A. are fulfilled	KRUK România s.r.l.'s failure to repay its liabilities under the lease contracts secured with the Guarantee
Guarantee issued by Santander Bank Polska S.A. for KRUK S.A.'s liabilities under the rental agreement	DEVCo Sp. z o.o.	EUR 287,637.26 and PLN 192,958.93	By December 30th 2020	KRUK S.A.'s failure to repay its liabilities under the rental agreement secured with the guarantee

Surety for Prokura NS FIZ's liabilities towards ING Bank Śląski S.A. under the credit facility granted to Prokura NS FIZ	ING Bank Śląski S.A.	PLN 240m	By December 20th 2026	Prokura NS FIZ's failure to pay amounts owed to the bank under the credit facility agreement
Surety for InvestCapital Ltd, Kruk Romania S. R. L., Kruk Espana S. L. U. and PROKURA NS FIZ's liabilities under the revolving multi-currency credit facility agreement of July 3rd 2017, as amended, between KRUK S.A., InvestCapital Ltd, Kruk Romania S. R. L., Kruk Espana S.L.U. and PROKURA NS FIZ (the Borrowers) and DNB Bank ASA, ING Bank Śląski S.A. and Santander Bank Polska S.A.,	DNB Bank ASA, ING Bank Śląski S.A., Santander Bank Polska S.A.	EUR 390m	Until all obligations under the credit facility agreement are satisfied.	The Borrower's failure to pay amounts owed under the credit facility agreement
Blank promissory note	mBank S.A.	PLN 7.5m	Until the transactions are settled and the bank's claims thereunder are satisfied.	KRUK S.A.'s failure to pay its liabilities under financial market transactions executed under the master agreement of February 7th 2019
Surety for InvestCapital LTD's liabilities under financial market transactions in pursuant to the master agreement between InvestCapital LTD and DNB Bank Polska S.A.	DNB Bank Polska S.A.	EUR 15.3m	Until the transactions are settled and the bank's claims thereunder are satisfied.	InvestCapital LTD's failure to satisfy its obligations under financial market transactions executed pursuant to the master agreement of February 28th 2019.

Corporate guarantee provided by KRUK S.A. to InvestCapital Ltd.	InvestCapital Ltd.	PLN 50m	By June 12th 2020	The purpose of the guarantee is to secure the interests of InvestCapital Ltd.'s creditors, who have the right to challenge the cancellation of shares which took place on March 4th 2020.
Corporate guarantee provided by KRUK S.A. to InvestCapital Ltd.	InvestCapital Ltd.	PLN 200m	By July 14th 2020	The purpose of the guarantee is to secure the interests of InvestCapital Ltd.'s creditors, who have the right to challenge the cancellation of shares which took place on March 30th 2020.

Piotr Krupa*President of the Management Board***Urszula Okarma***Member of the Management Board***Piotr Kowalewski***Member of the Management Board***Michał Zasepa***Member of the Management Board***Katarzyna Raczkiewicz***Person responsible for keeping accounting records***Hanna Stempień***Person responsible for preparation of the financial statements**Wrocław, August 27th 2020*