

# **HALF-YEAR REPORT – part III**

**The Directors' Report**

**on the operations**

**of the KRUK Group**

in the period January 1st–June 30th 2021



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## KEY ACHIEVEMENTS IN THE FIRST HALF OF 2021



Portfolio investments

**PLN 644m**

+705%



Recoveries

**PLN 1,065m**

+19%



Net profit

**PLN 396m**

+2,148%



Cash EBITDA

**PLN 762m**

+29%



Net interest-bearing  
debt to equity

**0.9**

(vs 1.1)

EUR

PLNm	Jun 30 2021	Jun 30 2020	change	Jun 30 2021	Jun 30 2020
Expenditure on debt portfolios	644	80	705%	142	18
Gross recoveries	1,065	894	19%	234	201
Carrying amount of purchased portfolios	4,345	3,873	12%	961	839
ERC from debt portfolios	8,543	7,017	22%	1,890	1,520
Total revenue <sup>1</sup>	896	465	92%	197	105
Revenue from purchased portfolios	812	379	114%	179	85
EBIT	484	52	823%	106	12
EBITDA <sup>2</sup>	510	76	574%	112	17
Cash EBITDA <sup>3</sup>	762	591	29%	168	133
Net profit	396	-19	2,148%	87	-4
Basic EPS (PLN)	20.82	-1.02	2,145%	4.58	-0.23
Diluted EPS (PLN)	20.28	-1.0	2,118%	4.46	-0.23
ROE <sup>4</sup>	18%	-1%	-	-	-
Interest-bearing net debt to equity ratio	0.9	1.1	-	-	-
Interest-bearing net debt to cash EBITDA ratio	1.4	1.9	-	-	-

<sup>1</sup>Operating income including gain or loss on expected credit losses, fair value measurement, and other income/expenses from purchased debt portfolios excluding other income

<sup>2</sup>EBITDA = EBIT + depreciation and amortisation

<sup>3</sup>Cash EBITDA = EBITDA – revenue from purchased portfolios + purchased portfolio collections

<sup>4</sup>ROE = (net profit)/(equity at end of period)

Source: Company



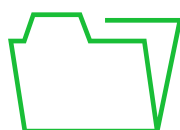
**Business Superbrands  
2021**  
for KRUK S.A.



**7 markets**  
of operational presence



**Poland's Best Employer**  
for KRUK S.A. 15th place in the  
Forbes ranking



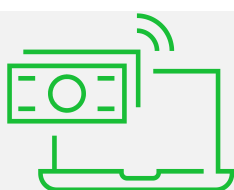
**120 million**  
cases in ERIF BIG **database**



**PLN 206m, i.e.  
PLN 11 per share**  
dividend distribution in July  
2021



**PLN 8.5bn**  
estimated  
remaining collections (ERC)



**Growing share of** online  
payments (in Poland 32% of  
out-of-court recoveries in June  
2021)



**Development of e-KRUK  
platform** (90% increase in the  
number of users since June  
2020)



**Up to 95% of settlement  
agreements signed in  
paperless form** (in Spain)



**Issue**  
of **PLN 420m** worth of bonds  
in H1 2021



**18%**

**ROE**



**108 thousand**  
**loans** advanced  
in H1 2021

# 1 The Group's material achievements or failures in the reporting period, along with the most significant events related to those achievements or failures

## 1.1 Performance in H1 2021

### **Net profit and return on equity (ROE)**

The amount posted by the KRUK Group in net profit for the first half of 2021 was PLN 396m, up PLN 415m year on year. In the second quarter of 2021 alone, the KRUK Group's net profit was PLN 268m, the highest quarterly net profit on record. The record-high net profit reported for the first six months of 2021 was driven primarily by robust performance of the KRUK Group's purchased debt segment in almost every market where it operates. The segment's total gross profit (operating income less operating expenses) was PLN 568m, up PLN 414m on the first half of 2020.

As at June 30th 2021, return on equity was 18%, compared with -1% the year before.

### **Revenue and revaluation of recovery projections**

In the first half of 2021, the KRUK Group generated PLN 894m in revenue, up 96% year on year. Revenue from purchased debt portfolios in the period was PLN 812m, up 114% on the first half of 2020. Its increase was driven by actual recoveries from debt portfolios coming in above the target and by an upward revaluation of recovery projections of PLN 135m, relative to PLN -193m in the first six months of 2020. Revaluation of recovery projections in the second quarter of 2021 amounted to PLN 117m. In the first half of 2021, the deviations between actual and projected recoveries disclosed jointly with revenue decreases on early collections in collateralised cases and payments from original creditor totalled PLN 213m, relative to PLN 87m the year before.

### **Costs of operations**

In the six months to June 30th 2021, costs of operations excluding depreciation and amortisation (direct and indirect costs, administrative expenses and other expenses) amounted to PLN 386m, having decreased by PLN 4m (1%) year on year. The costs of operations in the first and second quarter of 2021 were broadly similar.

### **Purchased debt portfolios**

#### **Recoveries from purchased portfolios**

In the first half of 2021, recoveries from purchased debt portfolios were record-high at PLN 1,065m, up 19% year on year. Recoveries in the second quarter of 2021 amounted to PLN 553m, up 33% year on year and 8% quarter on quarter. Thus, recoveries continue on a growing trend commenced in the third quarter of 2020.

Recoveries from unsecured retail portfolios benefited from operational changes made in the consistent pursuit of the operational excellence strategy. A number of measures taken by the KRUK Group in 2020 and in the first half of 2021 have improved recovery rates across the court and out-of-court channels in each of the markets (e.g. through development of online tools, improvement of

scoring and analytical models, working on effective negotiation methods, continuous process enhancement).

Amounts recovered in Poland and Romania accounted for the largest part of the KRUK Group's total recoveries (76%), having remained stable year on year.

**Table 1. Recoveries from purchased portfolios, by market**

	Recoveries in H1 2021 PLNm	Share in total recoveries	Recoveries in H1 2020 PLNm	Share in total recoveries	Change y/y
Poland	521	49%	425	48%	23%
Romania	286	27%	251	28%	14%
Italy	135	13%	121	13%	12%
Spain	80	8%	53	6%	50%
Other markets	43	3%	44	5%	-3%
KRUK Group	1,065	100%	894	100%	22%

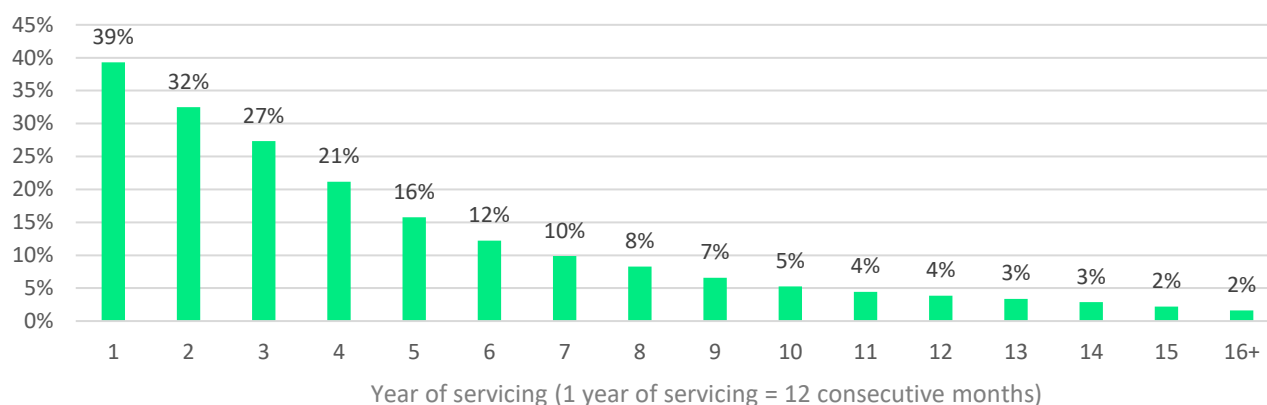
### **New portfolio purchases**

Over the first half of 2021, the Group invested PLN 644m in debt portfolios, an eight-fold year-on-year increase in investments, as debt auctions, suspended or cancelled earlier in 2020 due to the pandemic, were resumed by banks and financial institutions in the third quarter of 2020. The Group invested mainly in retail portfolios. Most of the investments (60%) were made in Poland, but the Group also invested on the Spanish, Romanian, Czech and Slovak markets as well as in Italy, where it resumed purchases after more than a year.

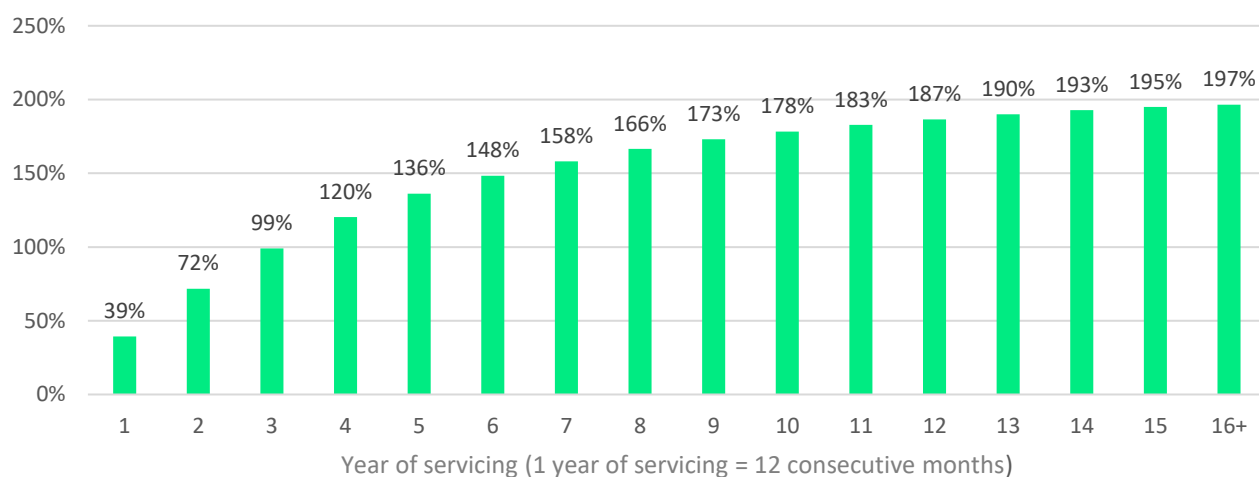
### **Estimated remaining collections from debt portfolios (ERC)**

Estimated remaining collections from debt portfolios purchased as at June 30th 2021 were PLN 8.5bn, up PLN 600m, or 8%, on December 31st 2020, and up PLN 630m on March 31st 2021. The increase was driven, among other factors, by investments of PLN 644m in debt portfolios with a nominal value of PLN 2.8bn, made in the first half of 2021, and revaluation of recovery projections as at the end of June 2021, with a discounted value of PLN 117m. A detailed schedule of ERC from debt portfolios is presented in the charts below.

Estimated remaining collections (ERC) relative to the debt portfolio carrying amount, by years of servicing, as at June 30th 2021

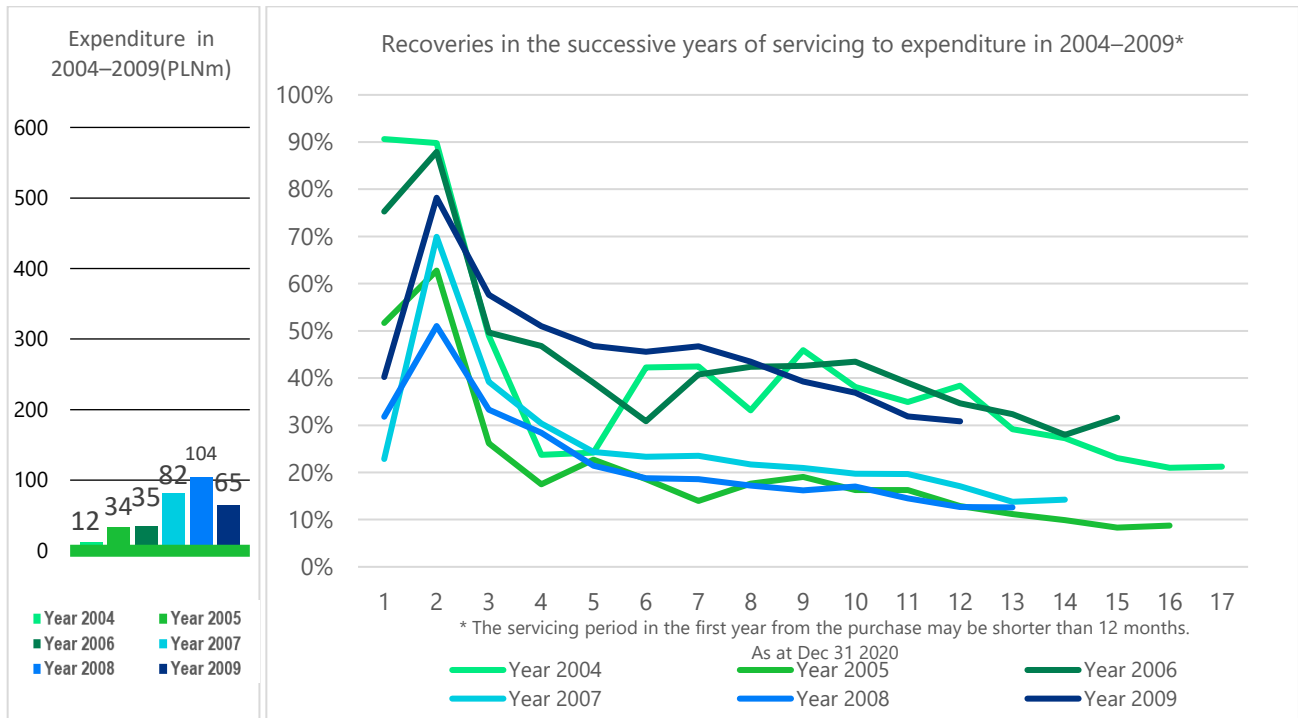


Estimated remaining collections (ERC) cumulatively relative to the debt portfolio carrying amount, by years of servicing, as at June 30th 2021

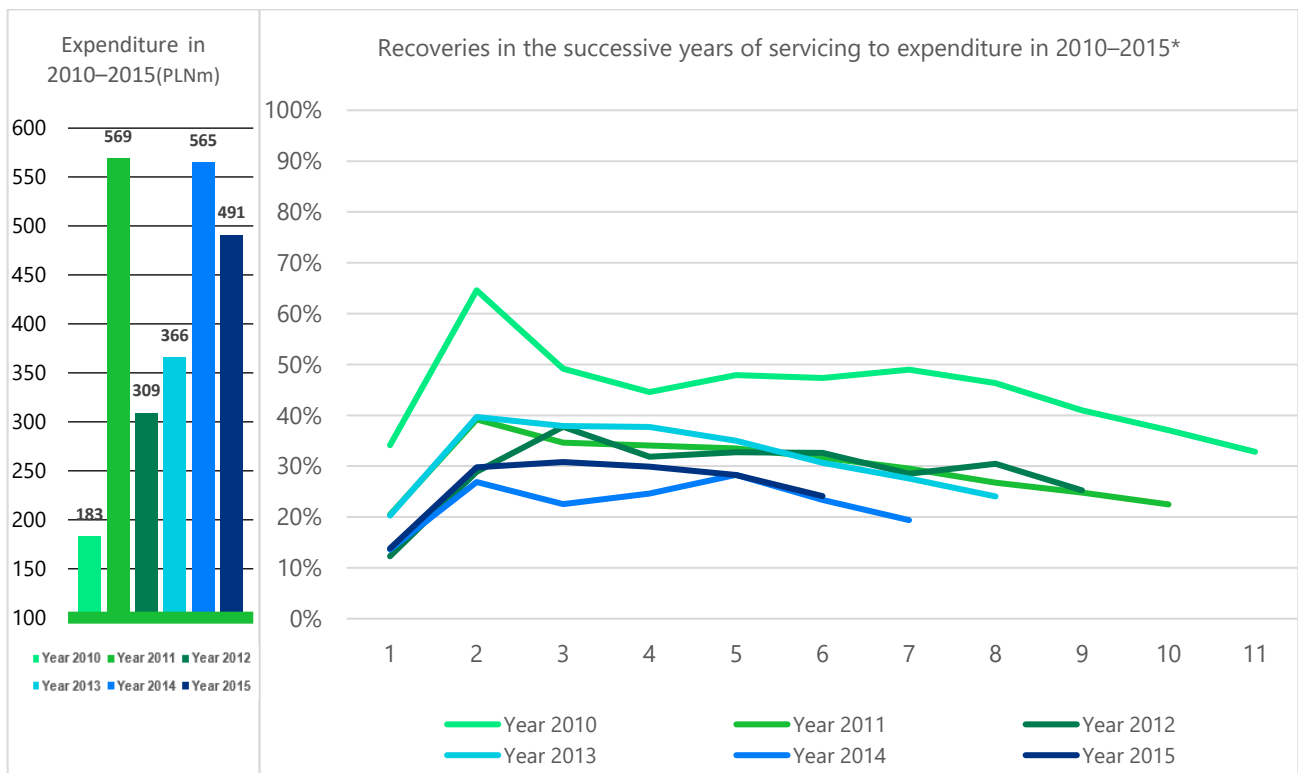


As at the end of 2020, the KRUK Group extended the expected recovery period from 10 to 15 years. Most recoveries are still expected to be made within the first five years from the purchase (69%), but recoveries made after the first ten years are material enough to be included in future recovery projections. The expected recovery period was extended following an analysis of historical recoveries from portfolios purchased by the KRUK Group over the last 19 years – KRUK’s first investments date back to 2002. To illustrate this, taking into account the expenditure and its weight on the existing portfolio, below is an overview of portfolios in two time perspectives: portfolios purchased in 2004–2009 (longer history of recoveries, also after 10 years of servicing) and 2010–2015 (shorter history of recoveries, within the first 10 years of servicing):

**Table 2. Historical recoveries in relation to expenditure on portfolios purchased in 2004–2009**



**Table 3. Historical recoveries in relation to expenditure on portfolios purchased in 2010–2015**



\* The servicing period in the first year from the purchase may be shorter than 12 months. As at Dec 31 2020



### **Credit management services**

In the first half and second quarter of 2021, revenue from credit management amounted to, respectively, PLN 30m (up 11% year on year) and PLN 15m (up 19% year on year). The highest revenue growth was recorded in Spain, with revenue of PLN 4m reported in the second quarter of 2021 (up 91% quarter on quarter).

### **Consumer loans (Novum and Wonga)**

In the first half of 2021, the KRUK Group companies advanced 108 thousand cash loans, compared with 71 thousand the year before. In that period, the principal amount of loans advanced was PLN 285m (first half of 2020: PLN 147m). The number of Novum cash loans advanced in Poland and Romania exceeded 4 thousand, with a principal amount of PLN 21m. As for Wonga.pl, it disbursed 103 thousand cash loans in Poland, with a net amount of PLN 264m.

Novum's revenue was close to PLN 11m, up 44% year on year, whereas Wonga's revenue was PLN 37m, down 3% on the first half of 2020. At the same time, Novum's revenue in the second quarter of 2021 alone reached PLN 6m (up 45%), while Wonga's revenue amounted to PLN 17m, an increase of 15%.

### **Credit reference (ERIF BIG)**

In the first half of 2021, revenue from ERIF BIG's credit reference services came to PLN 4m, down 8% year on year. Revenue from this business line in the second quarter of 2021 alone was PLN 2m, having stayed relatively unchanged on the year before. As at July 1st 2021, the ERIF database contained 120m cases (including 116.5m positive credit information reports), showing debts with a total nominal amount of more than PLN 55.6bn. To compare, at the end of the first half of 2020 the database contained 94m records (including 90.2m positive credit information reports), showing debts with a total nominal amount of PLN 52.3bn. More than 6.05m reports from the ERIF BIG database were made available in the first half of 2021, with 3.07m reports made available in the second quarter alone.

## 1.2 KRUK Group's performance by geographical segment

Discussed below are the Group's results by geographical segment (presentation).

(PLN/m)	Poland		Romania		Italy		Spain		Other markets		Head Office		Total	
	H1 2021	H1 2020	H1 2021	H1 2020	H1 2021	H1 2020	H1 2021	H1 2020	H1 2021	H1 2020	H1 2021	H1 2020	H1 2021	H1 2020
Expenditure on debt portfolios	389	64	43	14	117	0	82	0	13	2	N/A	N/A	644	80
Recoveries	521	425	286	251	135	121	80	53	43	44	N/A	N/A	1,065	894
Carrying amount of purchased debt portfolios (PLNbn)	2.2	1.8	0.8	0.9	0.8	0.7	0.4	0.3	0.1	0.1	N/A	N/A	4.3	3.9
Revenue	460	285	221	115	116	19	68	17	29	19	N/A	N/A	894	456
Purchased debt portfolios	398	224	213	109	111	14	61	13	29	19	N/A	N/A	812	379
Credit management services	12	11	6	6	5	5	7	5			N/A	N/A	30	27
Wonga	37	38									N/A	N/A	37	38
Other activities	13	12	2	1							N/A	N/A	15	12
EBITDA	305	120	167	71	32	-58	27	-42	13	4	-35	-20	510	76
Cash EBITDA	429	320	240	213	56	49	46	-1	27	29	-35	-20	762	591

### Poland

In the first half of 2021, auctions held by debt sellers (mainly banks and financial institutions) went through without any major pandemic-related disruptions. The estimated total debt supply, based on nominal amounts, was close to PLN 4.6bn, of which KRUK acquired some 48%. Investors purchased debt cases for a total price of PLN 733m, of which 53% was attributable to KRUK, one of its historically largest market shares in Poland. All types of debt (including unsecured retail, retail mortgage and corporate cases) were available on the market, with a predominant share of unsecured retail debt, which accounted for 80% of all purchases made on the Polish market.

The KRUK Group's expenditure on portfolio purchases in Poland reached PLN 389m, representing 60% of all funds invested by the Group in the first half of 2021. The nominal value of the purchased portfolios is over PLN 2.2bn. In Poland, KRUK invested primarily in unsecured retail portfolios (their share in KRUK's Polish investments was 73%), as well as in mortgage and corporate portfolios.

Recoveries on the Polish market reached PLN 521m, up 23% on the same period of 2020, accounting for 49% of the Group's total recoveries. Recoveries in the second quarter of 2021 reached PLN 553m, up 8% quarter on quarter, making it another quarterly period in which recoveries from purchased debt portfolios topped PLN 500m. The strong recoveries were mainly driven by continuous process enhancement, including development of online tools and successful court and bailiff referrals.

Compared with the first six months of 2020, the Group's revenue on the Polish market went up by nearly PLN 175m, to PLN 460m. Revenue increased across all segments. The purchased debt segment's revenue doubled year on year, driven mainly by an excess of actual recoveries against projections and a revaluation of recovery projections, which delivered a positive figure of PLN 54m as at June 30th 2021, compared with a negative revaluation of PLN 45m the year before, with a major part of revaluation of recovery projections (PLN 49m) made in the second quarter of 2021 (compared with a negative revaluation of PLN 14m a year earlier).

Revenue from credit management services on the Polish market came to PLN 12m, up 7% on the first half of 2020.

EBITDA on the Polish market was booked at PLN 305m (PLN 291m excluding Wonga), up 154% year on year (up 151% excluding Wonga), on account of the excess of actual recoveries from unsecured portfolios and upward revaluation of recovery projections. At the same time, cash EBITDA stood at PLN 429m, up 34% on the same period of the year before, mainly on higher year-on-year recoveries.

The carrying amount of purchased debt portfolios as at the end of the first half of 2021 was PLN 2,151m, relative to PLN 1,754m the year before. Polish portfolios accounted in total for 49% of the carrying amount of all debt portfolios held by the KRUK Group.

As at the date of issue of this report, the KRUK Group was not aware of any new or proposed regulations related to COVID-19 that could affect the value of its debt portfolios. The regulations enacted earlier, discussed in the full-year report, still remained in force – their possible impact on recoveries had been recognised in previous reporting periods. The KRUK Management Board consistently pursues the Group's strategy, focused primarily on purchased debt portfolios, taking into account various scenarios.

## Romania

In the first half of 2021, the primary market (original creditors, i.e. banks and non-bank institutions) and the secondary market (debt management companies) in Romania saw combined sales of unsecured retail debt worth nominally over PLN 450m, of which KRUK purchased 42%. According to KRUK's estimates, total expenditure on the market in the first six months of 2021 was PLN 93m, with KRUK's share at 53%. Taking into account only investments made on the primary market, KRUK's market share was above 80%.

In the first half of 2021, expenditure on portfolio purchases on the Romanian market reached PLN 43m, compared with PLN 14m a year earlier. KRUK invested in unsecured retail debt portfolios. Purchases made in Romania accounted for 7% of the Group's total investments in the first half of 2021.

Recoveries from portfolios in Romania amounted to PLN 286m, up 14% year on year. They accounted for 27% of the Group's total recoveries. Recoveries in the second quarter of 2021 reached PLN 146m, having increased by 4% quarter on quarter and 28% year on year.

Total revenue from the Romanian market amounted to PLN 221m, up PLN 106m (92%) on the first half of 2020. The major part of revenue from the Romanian market (96%) was generated by the purchased debt segment. The Group's revenue from credit management services was over PLN 6m, up 4% year on year. In the first half of 2021, an upward revaluation of recovery projections of PLN 62m was booked, compared with a downward revaluation of PLN -32m the year before. A major part of the revaluation of recovery projections (PLN 50m) was made in the second quarter of 2021, compared with a negative revaluation of PLN 5m a year earlier.

EBITDA on the Romanian market came in at PLN 167m, up 137% on the corresponding period of the year before, driven by an excess of actual recoveries against projections and the upward revaluation of recovery projections. Cash EBITDA came in at PLN 240m, up 13% year on year.

The carrying amount of purchased debt portfolios as at the end of the first half of 2021 was PLN 843m, down 7% year on year. Romanian portfolios accounted in total for 19% of the carrying amount of all debt portfolios held by the KRUK Group.

As at the date of issue of the full-year report, no material legislative changes related to COVID-19 were identified by the KRUK Group, likely to affect the value of the Group's debt portfolios.

## Italy

According to the KRUK Group's estimates, the supply of retail bank and non-bank debt portfolios (excluding mortgage debt) which KRUK was interested in buying in the first half of 2021 was in excess of PLN 4.1bn in nominal terms, of which KRUK purchased approximately 18%. Total expenditure on these portfolio categories in Italy was PLN 330m, with KRUK's share estimated at 35%.

In the six months ended June 30th 2021, the KRUK Group invested PLN 117m in unsecured retail debt portfolios with a nominal value of PLN 760m on the Italian market.

Recoveries from portfolios in Italy amounted to PLN 135m, compared with PLN 121m recovered a year earlier, which represents an increase of 12%. Recoveries in the second quarter of 2021 reached almost PLN 70m, having increased by 6% quarter on quarter. They accounted for 13% of the Group's total recoveries.

Revenue generated in Italy was PLN 116m, compared with PLN 19m in the first half of 2020 (a more than six-fold increase). Revenue from the purchased debt portfolio business accounted for 96% of total revenue, having increased to PLN 111m in the first six months of 2020 vs PLN 14m the year before.

In the first half of 2021, the Group recognised a PLN 9m revaluation of recovery projections from Italian portfolios, compared with a downward revaluation of PLN -75m booked in the first half of 2020. A major part of the revaluation of recovery projections (PLN 9m) was made in the second quarter of 2021, compared with a downward revaluation of PLN 42m in the same period of the previous year.

Revenue from the credit management business came close to PLN 5m, having remained broadly unchanged year on year.

In Italy, EBITDA was PLN 32m, up from an EBITDA loss of PLN -58m posted the year before. At the same time, on account of the revenue growth recorded in the first half of 2021, cash EBITDA came in at PLN 56m, compared with PLN 49m the year before.

As at June 30th 2021, the carrying amount of purchased debt portfolios was PLN 813m, up 9% on June 30th 2020. Italian portfolios accounted in total for 19% of the carrying amount of all debt portfolios held by the KRUK Group.

As at the date of issue of this report, the KRUK Group did not identify any material legislative changes attributable to the COVID-19 pandemic that could affect the value of the Group's debt portfolios.

## Spain

Based on KRUK's estimates and with regard to debt portfolios it was interested in buying, in the first half of 2021 sales of bank and non-bank debt portfolios in Spain reached nearly PLN 10.5bn in nominal terms (excluding mortgage debt), of which nearly a half were sales of unsecured retail debt. The total amount invested by all players on the Spanish market was in excess of PLN 0.5bn, with KRUK's share at 15%.

In the six months to June 30th 2021, the KRUK Group invested PLN 82m in retail portfolios with a nominal value of PLN 418m. In the comparative period of the year before, the Group did not invest on the Spanish market.

Recoveries from portfolios in Spain amounted to PLN 80m, up 50% year on year, accounting for 8% of the Group's total recoveries. Recoveries in the second quarter of 2021 went up 24% quarter on quarter, to PLN 44m.

In the first half of 2021, revenue generated in Spain was PLN 68m, up more than three times year on year. Revenue from purchased portfolios in the first six months of the year was PLN 61m, an increase of 380% year on year. In the first half of 2021, the KRUK Group recognised almost PLN 5m in upward revaluation of recovery projections from the Spanish market, compared with a negative figure of PLN 37m in the corresponding period of the previous year. Almost PLN 4m in revaluation of recovery projections was recognised in the second quarter of 2021, compared with a downward revaluation of PLN 12m in the same period of the previous year.

In Spain, revenue from the credit management business came to PLN 7m, up 50% year on year.

EBITDA posted on the Spanish market was PLN 27m, up from PLN -42m the year before, driven mainly by higher revenue generated in the purchased debt segment. Cash EBITDA was booked at PLN 46m, up from an EBITDA loss of nearly PLN 1m posted the year before.

As at June 30th 2021, the carrying amount of debt portfolios in Spain was PLN 421m (up 23%), representing 10% of the Group's total debt portfolios.

In Spain, the prohibition on business bankruptcies remains in force until the end of 2021, which was reflected in the accounting estimate. As at the date of issue of this report, the KRUK Group did not identify any material legislative changes attributable to the coronavirus pandemic in Spain that could affect the value of the Group's debt portfolios.

## Other markets (the Czech Republic, Slovakia, Germany)

Investments in the Czech Republic and Slovakia amounted to nearly PLN 13m. In the first half of 2020, the KRUK Group's investments in these markets amounted to PLN 1.5m.

Recoveries from the other markets segment amounted to PLN 43m, down 3% year on year, accounting for 4% of the Group's total recoveries.

In the first half of 2021, the segment's total revenue, representing solely revenue from purchased portfolios, was PLN 29m, up 49% on the first half of 2020.

In the first half of 2021, the KRUK Group recognised almost PLN 5m in upward revaluation of recovery projections from the other markets, compared with a negative figure of PLN -3m in the corresponding period of the previous year. In the second quarter of 2021, more than PLN 4m of upward revaluation of recovery projections was recognised, compared with less than PLN 0.5m in the corresponding period of the previous year.

EBITDA posted on the other markets was PLN 13m, up from PLN 4m the year before, driven mainly by higher revenue. Cash EBITDA posted on the other markets was PLN 27m, down 6% on the first half of 2020 (when it was PLN 29m).

As at June 30th 2021, the carrying amount of debt portfolios in the other markets was PLN 118m, representing 3% of the Group's total debt portfolios.

As at the date of issue of this report, the KRUK Group did not identify any material legislative changes attributable to the coronavirus pandemic in Germany, the Czech Republic and Slovakia that could affect the value of the Group's debt portfolios.

### 1.3 Financial and liquidity position

The Group's financial and liquidity position remained stable as at the end of the reporting period and the date of issue of this report.

As at June 30th 2021, the KRUK Group's cash and cash equivalents amounted to PLN 528m, up by PLN 358m on March 31st 2021. The undrawn amount of lines of credit was PLN 835m as at June 30th 2021, having dropped by PLN 297m compared with March 31st 2021. As at June 30th 2021, the carrying amount of the Group's investments in debt portfolios accounted for 81% of its assets. The Group's equity accounted for 41% of its financing sources.

The KRUK Group's liquidity risk is managed by pursuing the following objectives:

- to protect the KRUK Group against the loss of ability to pay its liabilities,
- to secure funds to finance the Group's day-to-day operations and growth,
- to effectively manage the available financing sources.

**As at June 30th 2021, defined financial ratios were as follows:**

0.9x – Net Debt / Equity Ratio

1.4x – Net Debt / Cash EBITDA Ratio;

where:

**Net Debt** represents the KRUK Group's Financial Liabilities less the KRUK Group's cash;

**Financial Liabilities** means total financial liabilities under:

- bonds or other similar debt securities; or
- non-bank borrowings; or

- bank borrowings; or
- finance leases; or
- promissory notes issued by way of security for liabilities of non-KRUK Group entities; or
- guarantees or sureties provided in respect of liabilities of non-KRUK Group entities under bank or non-bank borrowings, finance leases, bonds or other similar debt securities; or
- accession to debt owed by non-KRUK Group entities under bank non-bank borrowings, finance leases, bonds or other similar debt securities; or
- assumption of liabilities of non-KRUK Group entities under bank or non-bank borrowings, finance leases, bonds or other similar debt securities; or
- concluded derivative transactions.

**Equity** means the KRUK Group's equity;

**Cash EBITDA** represents profit (/loss) before tax plus finance costs, amortisation, depreciation and cash recoveries from purchased debt, less revenue from purchased debt and revaluation gains on assets other than purchased debt and consumer loans advanced, if their total amount in the last 12 months exceeds PLN 5m. Cash EBITDA is computed for the KRUK Group for the last 12 months.

The Group's objective is to maintain a solid capital base to ensure business growth, while retaining the trust of its investors, lenders, bondholders and other external partners. In order to control and keep safe the Group's exposure to financial debt, the Management Board of KRUK S.A. monitors the debt ratios on an ongoing basis.

In the first half of 2021, the ratios changed negligibly and, in the Management Board's opinion, remained at safe levels. For instance, the debt ratios measured for the entire Group, specified in the terms and conditions of bonds, were as follows: the net debt to equity ratio stood at 0.9x (the maximum level being 3.0x in the case of issues for which financial debt limits have been defined), and the net debt to cash EBITDA ratio was 1.4x (the maximum level being 4.0x).

The liquidity ratios are determined by the nature of assets under purchased debt portfolios, which are presented as current assets, and will be used as part of operating activities for a period longer than 12 months.

## 1.4 Related-party transactions concluded by KRUK S.A.

In the period January 1st–June 30th 2021, the Parent executed related-party transactions. For details, see the condensed interim separate financial statements for the period January 1st–June 30th 2021, section 11. *Related-party transactions*

All transactions in the first half of 2021 between the Group companies were executed at arm's length.

## 1.5 Sureties for repayment of loans and guarantees issued by KRUK S.A. or its subsidiary

In the reporting period, KRUK S.A. and the Group companies issued sureties for repayment of loans and guarantees. For details, see the condensed interim separate financial statements for the period January 1st–June 30th 2021, section 16. *Information on changes in contingent liabilities or contingent assets subsequent to the end of the previous financial year*

## 1.6 Significant agreements executed by companies of the KRUK Group

On May 7th 2021, an agreement for purchase of unsecured retail debt portfolios was concluded between InvestCapital Ltd. based in Malta and Cofidis S.A. Sucural en Espana branch in Spain, with its registered office in Barcelona. The agreement provides for the purchase of debt portfolios by InvestCapital Ltd. The total nominal value of the purchased portfolios is close to EUR 91m (PLN 415m at the mid rate quoted by the National Bank of Poland for May 7th 2021), and the terms and conditions of the agreement do not differ from those commonly applied in such contracts.

On June 17th 2021, agreements were concluded between Kruk Investimenti s.r.l. of Milan, Italy, and UniCredit S.p.A. of Milan. The agreements provide for the purchase of debt portfolios comprising unsecured consumer loans, with an aggregate nominal value of up to EUR 304m (PLN 1.4bn translated at the mid exchange rate quoted by the National Bank of Poland for June 17th 2021). Under the agreements, debts with a nominal value of up to EUR 250m (PLN 1.1bn translated at the mid exchange rate quoted by the National Bank of Poland for June 17th 2021) will be purchased in four tranches between June 2021 and March 2022. The agreements do not provide for any contractual penalties, and their other terms do not differ from standard market terms applied in agreements of such type.

## 1.7 Operations – COVID-19 and measures taken in connection with the pandemic

The coronavirus pandemic has had an impact on many aspects of the KRUK Group's operations. The key aspects in the first half of 2021 are discussed below:

- Most of our employees can and continue to work from home. In 2020, we smoothly and swiftly switched to remote working;
- We took care of the employees' safety by adapting the rooms or providing the required sanitisers and disinfectants; we reduced the need for and frequency of face-to-face meetings.
- The field advisors did meet with clients observing the applicable sanitary requirements.
- We keep developing our existing online tools (e-KRUK, e-payments, e-signature, online settlement, self-service process) to enable efficient process management and to enable our clients to pay their liabilities safely and comfortably, regardless of any restrictions on the free movement. In the first half of 2021, the share of online payments grew: e.g. in June, their share in all payments, at the amicable settlement stage, was 32% in Poland and 41% in Spain. Also, the share of online settlements was on the rise: e.g. in Spain, 95% of all settlement agreements were concluded in paperless form in June. KRUK's clients are able to manage their debt



(including by entering into an online settlement) through the e-KRUK platform in Poland, Romania and Italy, the total number of e-KRUK users having increased by 90% relative to June 2020.

## 2 Assessment of financial resources management

### 2.1 Financial forecasts

KRUK S.A. does not publish any financial forecasts. However, on August 31st 2021, the Management Board passed a resolution concerning the KRUK Group's preliminary earnings estimates for the first half of 2021. Pursuant to the resolution, the preliminary estimated consolidated net profit of the KRUK Group for the first half of 2021 is PLN 396m. The estimated net profit announced in Current Report No. 37/2021 of August 31st 2021 is consistent with the final figures published in this report.

### 2.2 Assessment of future financial condition

The Group mitigates risks associated with management of financial resources through a continuous debt management process, which ensures an uninterrupted inflow of cash. The Group partly relies on external financing, but it monitors and ensures proper performance under its credit facility agreements and fulfilment of its other financial liabilities.

In the opinion of the Management Board, given the Group's current and projected financial position there are no significant risks related to its management of financial resources. The Company is able to control and service its debt and manages its financial resources in a prudent manner.

## 3 Risk factors and their management

The risk management policies operated by the KRUK Group are designed to:

- identify and analyse the Group's risk exposures;
- define appropriate limits and procedures;
- control and monitor the risk level and suitability of the risk management tools.

The risk management policies in place at the Group are regularly reviewed to ensure that they reflect the market trends and developments at a given time, as well as changes within the Group. The Management Board is responsible for defining risk management procedures and overseeing their implementation.

Using such tools as training, management standards and procedures, the Group seeks to build a stimulating and constructive control environment, in which all employees understand their respective roles and responsibilities.

In the period from January 1st to June 30th 2021, there were no material changes to the risk management approach, therefore the Management Board of KRUK S.A. identified the same risks as those specified in the full-year Directors' Report on the Group operations in 2020, in: 7 Significant risk

factors and their management. The report is available at [https://en.kruk.eu/media/article/file/eng\\_kruk\\_group\\_directors\\_report\\_2020.pdf](https://en.kruk.eu/media/article/file/eng_kruk_group_directors_report_2020.pdf).

## 4 Shareholders

### 4.1 Shareholding structure

The table below lists the shareholders holding directly or indirectly major holdings of KRUK S.A. shares as at the date of filing its previous periodic report, i.e. May 24th 2021.

**Table 4. Shareholders with major holdings**

Shareholder	Number of shares/voting rights	Ownership interest (%)
NN PTE	2,457,398	12.93
PZU OFE	1,856,437	9.77
Piotr Krupa	1,827,613	9.61
Aviva OFE*	1,788,000	9.41
Allianz OFE	1,009,299	5.31

(\*) Data based on the list of shareholders holding 5% or more of total voting rights at the Annual General Meeting of KRUK S.A. held on August 31st 2020. Source: the Company.

The table below lists the shareholders holding directly or indirectly major holdings of KRUK S.A. shares as at June 30th 2021 and the date of filing this periodic report, i.e. September 8th 2021.

**Table 5. Shareholders with major holdings**

Shareholder	Number of shares/voting rights	Ownership interest (%)
NN PTE*	2,763,000	14.53
PZU OFE*	1,650,000	8.68
Piotr Krupa	1,827,613	9.61
Aviva OFE*	1,726,000	9.08
Allianz OFE	1,007,672	5.30
Aegon OFE	959,254	5.05

(\*) Data based on the list of shareholders holding 5% or more of total voting rights at the Annual General Meeting of KRUK S.A. held on June 16th 2021. Source: Company.

On June 1st 2021, the Company received a notification from Aegon Powszechnie Towarzystwo Emerytalne S.A. concerning acquisition of Company shares, reading as follows:

"NOTIFICATION OF INCREASE IN TOTAL VOTING RIGHTS AT KRUK S.A. ISIN: PLKRK0000010

This notification is given pursuant to Art. 69.1.1 of the Act of July 29th 2005 on public offering, conditions governing the introduction of financial instruments to organised trading and public companies.

Aegon Powszechne Towarzystwo Emerytalne S.A. of Warsaw, with its registered office at ul. Wołoska 5, 02-675 Warsaw, Poland, registered with the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register, under entry No. KRS 0000028767, representing Aegon Otwarty Fundusz Emerytalny, entered in the Register of Pension Funds maintained by the Regional Court in Warsaw, 7th Civil and Registry Division, under entry No. RFe 13, hereby notifies the market that as a result of a transaction to purchase shares executed on May 28th 2021 and settled on June 1st 2021 Aegon Otwarty Fundusz Emerytalny increased its holding of shares of KRUK S.A. (the "Company") above 5% of total voting rights in the Company. This is to notify you that as at May 28th 2021 Aegon Otwarty Fundusz Emerytalny held 959,254 shares in the Company representing 5.05% of the share capital and 959,254 voting rights attached to the shares held, and constituting 5.05% of the total number of voting rights in the Company. Prior to the transaction, Aegon Otwarty Fundusz Emerytalny held 944,254 shares of the Company representing 4.97% of the share capital and 944,254 voting rights attached to the shares held, and constituting 4.97% of the total number of voting rights in the Company. There are no subsidiaries of the notifying shareholder which would hold Company shares. With respect to the shareholder there are no persons referred to in Article 87.1.3.c of the Act of July 29th 2005 on public offering, conditions governing the introduction of financial instruments to organised trading and public companies (the "Act"). Aegon Otwarty Fundusz Emerytalny does not hold any financial instruments referred to in Art. 69b.1.1 and 69b.1.2 of the Act."

## 4.2 Treasury shares

On June 16th 2021, the Annual General Meeting of KRUK S.A. passed a resolution to cancel treasury shares bought back by the Company. The General Meeting resolved to voluntarily cancel 271,000 book-entry ordinary bearer shares in the Company, with a par value of PLN 1.00 per share and the total par value of PLN 271,000.00, assigned ISIN code PLKRK0000010 by the Central Securities Depository of Poland, which the Company had bought as part of a buy-back of shares for cancellation on the basis of Resolution No. 7/2020 of KRUK S.A.'s Annual General Meeting of August 31st 2020 concerning allocation of KRUK S.A.'s net profit, authorising the Management Board to buy back Company shares for cancellation, and creation of a capital reserve to finance the share buy-back, as well as the Management Board Resolution No. 187/2020 of October 13th 2020 concerning invitation to KRUK S.A. shareholders to tender shares. Following a resolution of the Annual General Meeting of KRUK S.A. of June 16th 2021 to cancel shares bought back by the Company, the Annual General Meeting of KRUK S.A. resolved to reduce the Company's share capital by PLN 271,000.00, i.e. from PLN 19,011,045.00 to PLN 18,740,045.00, through voluntary cancellation of 271,000 shares in KRUK S.A. with a par value of PLN 1 per share, having book-entry form and assigned ISIN code PLKRK0000010, by way of amendments to the Company's Articles of Association. The share capital reduction will be effected upon its registration by the competent registry court, which will also result in the cancellation of treasury shares.

### 4.3 Management or supervisory board members holding shares or rights to shares

The table below presents the holdings of Company shares or rights to Company shares by members of KRUK S.A.'s management and supervisory personnel as at the date of filing its previous periodic report, i.e. May 24th 2021, as at June 30th 2021 and as at the date of filing this periodic report.

**Table 6. KRUK S.A. shares held by management and supervisory personnel**

Name and surname	Position	Number of shares held	Total par value (PLN)
Piotr Krupa	President of the Management Board	1,827,613	1,827,613
Piotr Kowalewski	Member of the Management Board	7,875	7,875
Adam Łodygowski	Member of the Management Board	-	-
Urszula Okarma	Member of the Management Board	105,325	105,325
Michał Zasepa	Member of the Management Board	19,687	19,687
Tomasz Bieske	Member of the Supervisory Board	1,133	1,133

Source: Company

On March 31st 2021, the Company received a notification from Tomasz Bieske, given under Article 19 of the MAR. According to the notification, on March 31st 2021 Mr Bieske had bought, in ordinary session trades on the Warsaw Stock Exchange, 400 shares in KRUK S.A. at the average price of PLN 182 per share.

### 4.4 Incentive Scheme

#### Incentive Scheme for 2015–2019

The 2015–2019 incentive scheme was adopted by Resolution No. 26/2014 of the Annual General Meeting of KRUK S.A. of May 28th 2014 (the 2015–2019 Incentive Scheme).

It is the second incentive scheme operated by the KRUK Group. For details of the 2015–2019 Incentive Scheme, refer to the Directors' Report on the operations of the KRUK Group in 2019.

On August 31st 2020, the Annual General Meeting of KRUK S.A. passed Resolution No. 23/2020 to amend Resolution No. 26/2014 of the Annual General Meeting of KRUK S.A. of Wrocław, dated May 28th 2014, on setting the rules of an incentive scheme for 2015–2019, conditional increase of the Company's share capital and issue of subscription warrants with the Company existing shareholders' pre-emptive rights waived in whole with respect to shares to be issued as part of the conditional share capital increase and subscription warrants, and amendments to the Articles of Association. Under the resolution, the shareholders decided to extend the validity period of the subscription warrants, and

thus the period in which the warrant holders may exercise their rights, until December 31st 2022. The General Meeting also resolved that Tranche 5 warrants may be granted in 2020 and 2021.

**Table 7. Tranches under the Incentive Scheme**

<b>Tranche</b>	<b>Number of subscription warrants acquired by members of KRUK's Management Board</b>	<b>Number of subscription warrants acquired by other eligible persons</b>	<b>Number of warrants converted into series F shares</b>	<b>Number of warrants held by eligible persons, entitling them to subscribe for series F shares</b>
Tranche 1 for 2015	20,000	86,435	82,574	23,861
Tranche 2 for 2016	50,480	91,467	95,461	46,486
Tranche 3 for 2017	54,344	85,853	55,035	85,162
Tranche 4 for 2018	89,768	115,528	33,759	171,537
Tranche 5 for 2019	124,588	129,487	0	254,075
<b>TOTAL</b>	<b>339,180</b>	<b>508,770</b>	<b>266,829</b>	<b>581,121</b>

Subscription warrants outstanding under Tranche 5 and not yet granted to eligible persons under the Management Board's resolutions of October 13th 2020 and October 23rd 2020 might be granted to eligible persons until the end of 2021 in accordance with Section 2.2 (e) of the Incentive Scheme, as adopted by Resolution No. 23/2020 of the Annual General Meeting of KRUK S.A. of August 31st 2020.

Having regard to the foregoing, on June 2nd 2021, the Management Board passed a resolution determining the second list of Management Board members eligible to acquire Tranche 5 subscription warrants for 2019 under the 2015–2019 Incentive Scheme. The resolution was approved by a resolution of the Supervisory Board of June 4th 2021, and on the basis of the resolution, 32,992 additional subscription warrants were allotted to the Management Board members.

On June 22nd 2021, the Company's Management Board passed a resolution to determine the third list of persons other than Management Board members who were eligible to acquire Tranche 5 subscription warrants for 2019 under the 2015–2019 Incentive Scheme. Under the resolution, 9,097 subscription warrants were allotted to the eligible persons.

As at June 30th 2021 and as at the issue date of this report, members of the Parent's Management Board held no rights to KRUK S.A. shares other than those under the subscription warrants discussed below.

**Table 8. Number of subscription warrants held by present and former Management Board members as at June 30th 2021**

Name and surname	Number of warrants held under Tranche 1 for 2015	Number of warrants held under Tranche 2 for 2016	Number of warrants held under Tranche 3 for 2017	Number of warrants held under Tranche 4 for 2018	Number of warrants held under Tranche 5 for 2019
<b>Piotr Krupa</b>	7,000	10,820	14,556	20,564	31,002
<b>Piotr Kowalewski*</b>	2,003	2,003	2,003	2,003	14,126
<b>Adam Łodygowski**</b>	-	-	-	-	-
<b>Urszula Okarma</b>	3,250	9,915	9,947	17,301	23,480
<b>Michał Zasępa</b>	-	-	9,947	17,301	23,480
<b>Agnieszka Kułton***</b>	3,250	9,915	9,947	17,301	16,250
<b>Iwona Słomska****</b>	-	-	9,947	17,301	16,250

\* Piotr Kowalewski had been covered by the Incentive Scheme for 2015–2019 as an eligible person other than a member of the Management Board until May 28th 2020. Since May 29th 2020, when he assumed the position of member of the KRUK S.A. Management Board, Piotr Kowalewski has become entitled to acquire Tranche 5 subscription warrants as an eligible person being a member of the Management Board.

\*\*Adam Łodygowski became a member of the Management Board of KRUK S.A. on November 6th 2020.

\*\*\* Agnieszka Kułton, listed among the Incentive Scheme participants who are members of the Management Board, had served as a member of the KRUK S.A. Management Board until May 28th 2020. \*\*\*\* Iwona Słomska, listed among the Incentive Scheme participants who are members of the Management Board, had served as a member of the KRUK S.A. Management Board until July 31st 2020.

### **Incentive scheme for 2021–2024**

On June 16th 2021, the Annual General Meeting of KRUK S.A. passed a resolution on setting the rules of an incentive scheme for 2021–2024, conditional increase in the Company's share capital and issue of subscription warrants with the Company existing shareholders' pre-emptive rights disapplied in whole with respect to the shares to be issued as part of the conditional share capital increase and subscription warrants, and amendments to the Articles of Association.

For the purposes of the 2021–2024 Incentive Scheme, the General Meeting approved a conditional increase of the Company's share capital by up to PLN 950,550.00, through an issue of up to 950,550 Series H ordinary bearer shares.

Under the 2021–2024 Incentive Scheme, eligible persons will have the right to acquire Series H Company shares on preferential terms set forth in the resolution. Eligible persons are members of the Management Board, including the President of the Management Board, and the Company's employees, as well as members of the management boards and employees of the KRUK Group companies.

Holders of subscription warrants will be entitled to exercise their rights to subscribe for Series H shares at the issue price equal to the turnover-weighted average closing price of Company shares on the Warsaw Stock Exchange from May 15th 2021 to June 15th 2021. Holders of subscription warrants will be entitled to exercise their rights to subscribe for series H shares attached to the subscription warrants not earlier than 24 months after the date on which they acquired the subscription warrants (lock-up for subscription of series H shares by holders of subscription warrants) and not later than on December 31st 2028.

The warrants will be issued in two pools: the basic pool (760,440 subscription warrants) and additional pool (190,110 subscription warrants).

Subscription warrants of the basic pool will be issued in four tranches, one for each of the following years of the reference period, i.e. for the financial years 2021–2024.

Subscription warrants of the additional pool will be issued as a single tranche – Tranche 5, and will be offered in 2025 for 2021–2024.

Subscription warrants of the basic pool for a given financial year will be granted to eligible persons on condition that EPS (calculated on the basis of the Group's consolidated financial statements) increases by no less than 15.00%.

Subscription warrants of the additional pool will be granted on condition that the rate of return on the shares (taking into account profit distributions to shareholders in the form of dividends) increases, at the end of the 2021–2024 Incentive Scheme, by a predetermined amount relative to the issue price.

The subscription warrants are issued free of charge, may be inherited, but may not be encumbered and are not transferable.

Acting pursuant to the scheme, by way of a resolution of July 5th 2021 the Supervisory Board determined the list of persons eligible to participate in the scheme, being members of the Company's Management Board. By way of a resolution of July 15th 2021, the Company's Management Board determined the list of persons who are not members of the Management Board and are eligible to participate in the 2021–2024 Incentive Scheme.

#### 4.5 Dividends paid (or declared)

The Company does not have any defined dividend policy at the moment, but does not rule out implementing one in future. The Management Board may propose payment of dividends or distribution of income in other forms in the future, but the decision in this respect will be made on a case by case basis with due regard to the Group's strategic plans, growth prospects, investment financing requirements, as well as its current debt level and overall financial standing.

On March 17th 2021, the KRUK S.A. Management Board passed a resolution recommending that the Annual General Meeting approves dividend of PLN 8 per share. By a resolution of March 24th 2021, the Company's Management Board recommended that the General Meeting allocate the Company's net profit for 2020 of PLN 81,355,730.59 (eighty-one million, three hundred and fifty-five thousand, seven hundred and thirty, 59/100) in full to dividend payment of PLN 8.00 per share. The recommendation was endorsed by the Company's Supervisory Board on March 24th 2021.

On May 5th 2021, the Company's Management Board passed a resolution to amend the recommendation to the Company's Annual General Meeting raising the dividend amount from PLN 8.00 to PLN 11.00 per share. The profit distribution would cover 18,740,045 shares. Excluded from the dividend payment would be 271,000 treasury shares bought back by the Company pursuant to Resolution No. 7/2020 of the Annual General Meeting of Kruk S.A. of August 31st 2020. The dividend would be distributed from the Company's net profit earned in 2020, increased by amounts transferred from statutory reserve funds created from retained earnings. On May 6th 2021, the Company's Supervisory Board passed a resolution in which it assessed the Management Board's proposal to amend its earlier recommendation regarding allocation of the Company's net profit for 2020 to dividend payment. The Supervisory Board gave a favourable assessment of the proposal.

By a resolution of June 16th 2021, the Annual General Meeting of KRUK S.A. resolved to allocate the Company's entire net profit for 2020, of PLN 81,355,730.59 (eighty-one million, three hundred and fifty-five thousand, seven hundred and thirty złoty, 59/100), to payment of dividend to the Company's shareholders. The dividend of PLN 11.00 per share was distributed from the Company's net profit for 2020, of PLN 81,355,730.59, increased by the amount of PLN 124,784,764.41 transferred from statutory reserve funds created out of the Company's earnings. The profit distribution covered 18,740,045 shares. Excluded from the dividend payment were 271,000 treasury shares bought back by the Company pursuant to Resolution No. 7/2020 of the Annual General Meeting of Kruk S.A. of August 31st 2020. The dividend was paid on July 2nd 2021.

The Management Board's recommendation and the resolution concerning the dividend payment and defining the dividend amount took into account the current financial condition of the KRUK Group, further implementation of its strategy, as well as the Group's plans and growth prospects. The Management Board may propose distribution of dividends in the future, but in each case the final decision in this respect will be made with due regard to strategic plans, growth prospects, investment financing requirements, as well as the current debt level and overall financial position of the KRUK Group.

## 4.6 Performance of Company shares on the Warsaw Stock Exchange

### 4.6.1 Share price

Over the first half of 2021, the KRUK share price on the stock exchange rose by 76.90%, to PLN 251.20 per share. Our stock outperformed in relation to the WIG and mWIG40 indices, which reached rates of return of +15.85% and +21.34%, respectively.

On the last trading day in the first half of 2021, the Company's market capitalisation was PLN 4.8bn (compared with PLN 2bn at the end of the first half of 2020). On June 30th 2021, KRUK ranked 27th in terms of market capitalisation on the WSE.

**Table 9. Rates of return on KRUK S.A. stock, WIG and mWIG40 in the first half of 2021 – at closing prices**

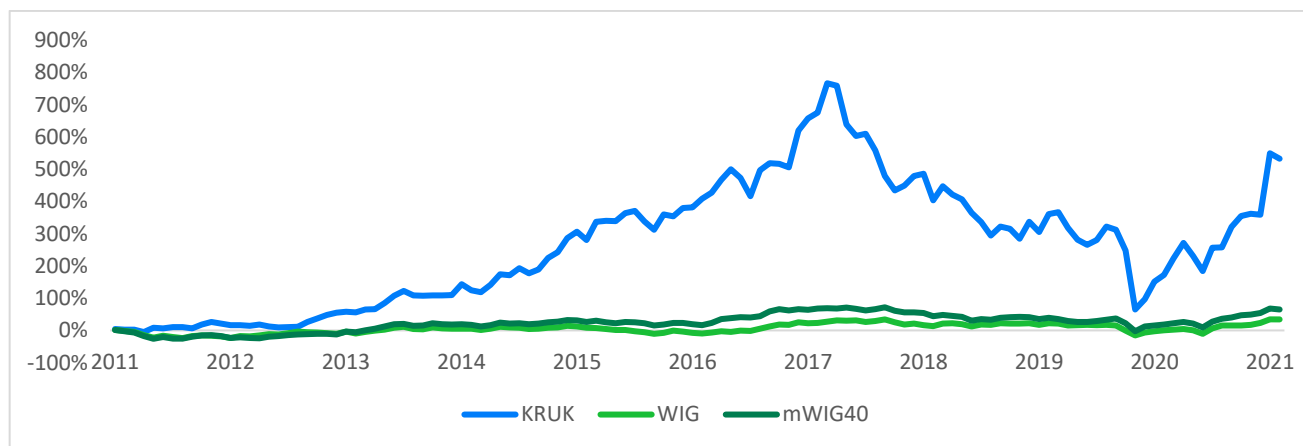
Date	KRUK	WIG	mWIG40
Rate of return	76.90%	15.85%	21.34%

Source: GPW.pl



From the IPO on the Warsaw Stock Exchange in May 2011 to the end of the first half of 2021, the rate of return on KRUK shares was 533%. Over the same period, the all-cap WIG index rose by 34%, while the mid-cap mWIG40 index gained 65%.

### Performance of KRUK stock against WIG and mWIG40 from the Company's IPO on the WSE in May 2011 to June 30th 2021

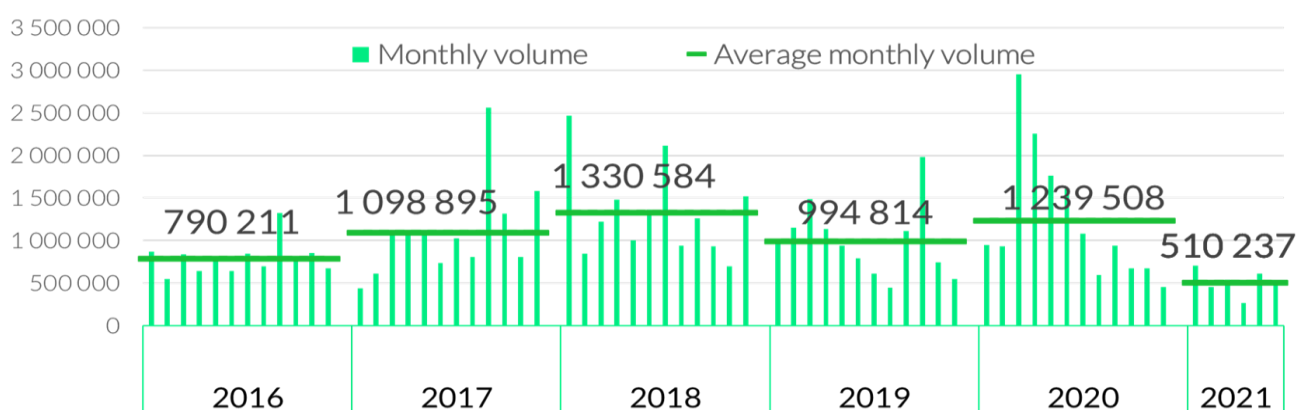


Source: in-house analysis, based on [stooq.pl](http://stooq.pl)

#### 4.6.2 Stock liquidity

The total volume of KRUK S.A. shares traded in the first half of 2021 was 3.1m, and the total value of trading reached PLN 609m. To compare, the total volume of KRUK S.A. shares traded in 2020 was 10.5m, and the total value of trading was PLN 1bn. The average daily volume of trading in KRUK shares in the first half of 2021 was 25,000, and the average daily trading value amounted to PLN 4.9m. In the first half of 2021, KRUK was the 35th most liquid stock on the WSE (in terms of the total annual value of trading).

#### Monthly volume in individual months and the year's average monthly volume of trading in KRUK shares in June 30th 2021



Source: in-house analysis based on [www.gpw.pl](http://www.gpw.pl)

### 4.6.3 Ownership interests of open-end pension funds (OFE) in KRUK S.A.

KRUK S.A. is one of the WSE-listed companies in which OFE's ownership interest exceeds 50%. OFE's aggregate ownership interest in KRUK S.A. was 58%.

**Table 10. Ownership interests of individual OFE in the Company:**

Shareholder	Ownership interest	Number of votes
OFE Nationale-Nederlanden	14.53%	2,763,000
OFE PZU Złota Jesień	9.08%	1,726,000
OFE Aviva Santander	8.68%	1,650,000
OFE Allianz Polska	5.30%	1,007,672
OFE MetLife	4.97%	944,254
OFE Generali	4.89%	930,000
OFE Aegon	4.53%	862,000
OFE AXA	3.63%	689,865
OFE PKO BP Bankowy	1.64%	312,290
OFE Pocztylion Arka	0.89%	169,674

Source: in-house analysis, based on [stooq.pl](http://stooq.pl) as at June 30th 2021

## 5 Company bonds

### 5.1 Issue of bonds

In the first half of 2021, the Company carried out two issues of bonds with an aggregate nominal value of PLN 90m under the prospectus-based Seventh Bond Issue Programme, addressed to retail investors. The issue price of each bond was equal to its nominal value of PLN 100.

Moreover, as part of the First Bond Issue Programme without a prospectus, the Company issued bonds with a total nominal value of PLN 330m. The offering was addressed to qualified institutional investors and the issue price of each bond was equal to its nominal value of PLN 1,000.

**Table 11. Bond issues in the first half of 2021**

Series	Nominal value	Issue date	Due date	Interest	Interest payment
AK2	PLN 20m	February 2021	February 2026	fixed 4.20%	every 3 months
AK3	PLN 70m	June 2021	June 2026	fixed 4.00%	every 3 months

AL1	PLN 330m	June 2021	June 2027	3M WIBOR + 3.70%	every 3 months
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Source: Company

Furthermore, after June 30th 2021, but before the publication of this Directors' Report on the Group's operations, the Company issued Series AK4 bonds with a total nominal value of PLN 65m. The issue, addressed to retail investors, was carried out as part of the Seventh Bond Issue Programme. The issue price of each bond was equal to its nominal value of PLN 100.

**Table 12. Bond issues after June 30th 2021**

Series	Nominal value	Issue date	Due date	Interest	Interest payment
AK4	PLN 65m	July 2021	July 2026	fixed 4.00%	every 3 months

Source: Company

In August 2021, the Prospectus of the Seventh Bond Issue Programme expired and September 3th 2021 the Polish Financial Supervision Authority approved the Base Prospectus for the Eight Bond Issue Programme worth nominally up to PLN 700m.

Following the issue of the first series of bonds under the First Bond Issue Programme without a prospectus, the limit to which the Company may issue further series of bonds under the programme is PLN 370m.

## 5.2 Redemption of bonds

In the first half of 2021, the Company redeemed debt securities with an aggregate nominal value of PLN 365m, on the maturity dates set forth in the terms and conditions of the relevant series.

**Table 13. Bonds redeemed by the Company in the first half of 2021**

Series	Due date	Number of bonds redeemed	Nominal value
AB1	March 2021	650,000	PLN 65m
AB2	May 2021	1,350,000	PLN 135m
Z1	June 2021	100,000	PLN 100m
AB3	June 2021	650,000	PLN 65m

Source: Company

## 5.3 Liabilities under bonds

As at June 30th 2021, the nominal value of outstanding bonds issued by the Company was PLN 1,364m.

Financial ratios monitored pursuant to the terms and conditions of the bonds

As at June 30th 2021:

- **Debt Ratio** stood at 0.9x
- **Net Debt to Cash EBITDA ratio** was 1.4x

where:

- **Cash EBITDA** is defined in the Glossary of terms
- **Equity** means the KRUK Group's equity;
- **Debt Ratio** means: Net Debt to Equity;
- **Net Debt** represents the KRUK Group's Financial Liabilities less the KRUK Group's cash;
- **Financial Liabilities** are defined in the Glossary of terms

## 6 Governing bodies

### 6.1 Composition of the Management Board, changes therein and rules of appointment

The Management Board is the Company's management body. The composition of the Management Board of KRUK S.A. did not change in the reporting period, as on March 25th 2021 the Company's Supervisory Board passed resolutions, effective from March 25th 2021, reappointing all the Company's Management Board for a new joint three-year term.

**Hence, from January 1st 2021 to the date of issue of this report, the composition of the Management Board was as follows:**

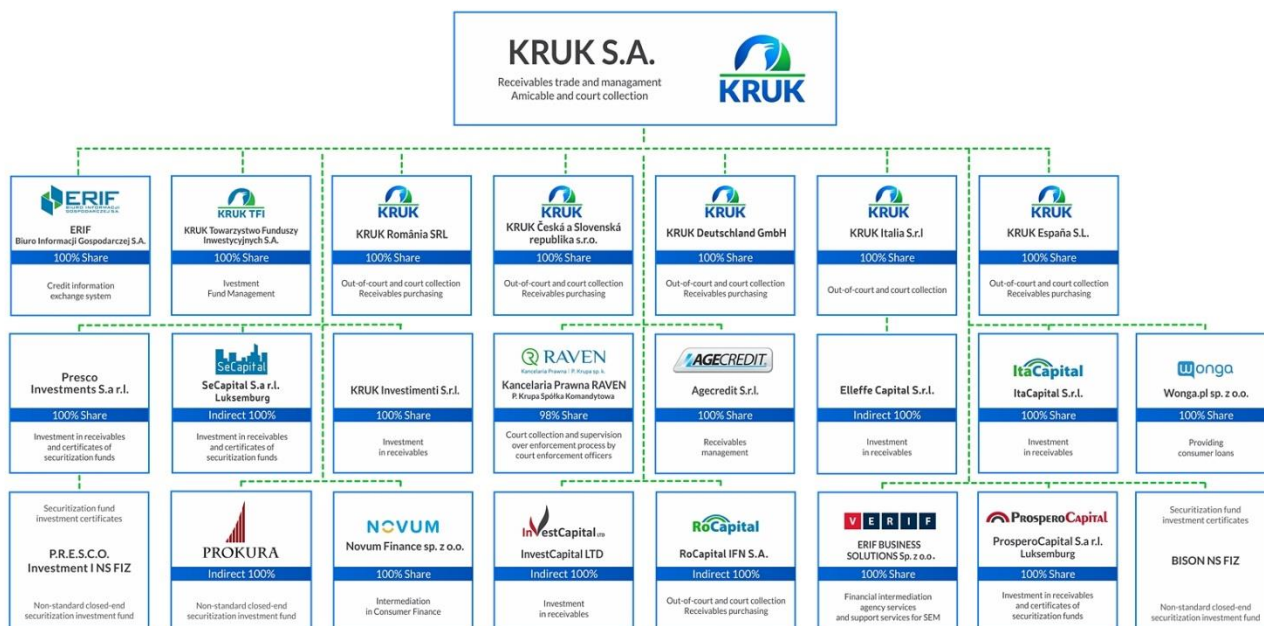
- |                    |                                   |
|--------------------|-----------------------------------|
| • Piotr Krupa      | President of the Management Board |
| • Piotr Kowalewski | Member of the Management Board    |
| • Adam Łodygowski  | Member of the Management Board    |
| • Urszula Okarma   | Member of the Management Board    |
| • Michał Zasępa    | Member of the Management Board    |

### 6.2 Changes in the KRUK Group's structure

Following the liquidation proceedings concerning Secapital Polska Sp. z o.o. of Wrocław, initiated on July 1st 2020, on March 9th 2021, the registry court issued a decision to delete Secapital Polska Sp. z o.o. in liquidation from the business register.

On April 29th 2021, the articles of association of KRUK INVESTIMENTI S.R.L. of Milan were executed. On May 6th 2021, the company was entered in the Business Register. The principal business activity of the company involves investment in debt portfolios. KRUK S.A. holds 100% of shares in the company.

**As at June 30th 2021 and the issue date of this report, the KRUK Group structure was as follows:**



## 7 Material court, arbitration or administrative proceedings

No material court, arbitration or administrative proceedings are pending against the Company or its subsidiaries in relation to their liabilities or claims.

## 8 Social responsibility

The KRUK Group's key CSR activities and efforts designed to implement Sustainable Development Goals in the first half of 2021 included the implementation and communication to employees of an updated and uniform mission statement, vision and values that relate to all stakeholders of the KRUK Group, preparation of a hybrid work model, and continued optimisation of office space to meet new pandemic-related occupational safety requirements. Another important aspect was the consistent commitment to comfort, health and integration of our employees, as well as continuous work on improving digital tools to enable clients to communicate and manage their debt remotely.

### Initiatives for local communities

In the first half of 2021, the KRUK Group carried out the following initiatives to support the Third Sustainable Development Goal, which provides for ensuring a healthy and decent life to people of all ages:

- KRUK twice implemented the 'Energy for Medical Personnel' initiative in the Czech Republic to thank the local frontline healthcare staff for engaging in the fight against COVID-19. The personnel of the infectious disease ward of the hospital in Hradec Králové received fresh fruit.
- KRUK Italia and AgeCredit were involved in supporting an association for disabled persons, mainly persons with the Down syndrome, through participation in the DADI Hearts

programme. The programme helps the disabled develop their social skills and be independent in both private life and at work.

- By its donation of PLN 100,000, KRUK S.A. financed the Elijah Hospice Foundation in Michałów, including the construction of an inpatient hospice. Thanks to the hospice, patients from the Podlasie region will have access to end-of-life palliative care. On a non-profit basis, the Foundation takes care of incurably and chronically ill residents of nearby villages, so they can live in dignity during the last months of their life. Members of the medical team (doctors, nurses, physiotherapists, psychologists, dieticians and caregivers) not only treat the patients, but also educate and support the families in caring of their close ones.
- KRUK S.A. again took part in the Everest Foundation's Business Run, a charity team-building event. Funds raised from the sale of starter kits are used to treat disabled children under the Foundation's care. Due to the persisting pandemic, the Business Run was held remotely for the second year in a row. 195 employees of the KRUK Group from various cities participated in the Business Run.
- Also in Romania, KRUK supported a charitable initiative involving sports competition of employees. Thirteen people took part in the 'Tur de bine race', a humanitarian running event aimed at equipping a centre for the poorest people in Romania.
- In Spain, KRUK received an official confirmation and an anti-COVID-19 Commitment Certificate for fighting COVID-19 by creating a safe working environment. This certificate is awarded by Garantia Madrid (Madrid Guarantee Standard), a body responsible for business accreditation and for compliance with the regulations on preventing and minimising the risk of COVID-19 infection both at the workplace and in client relations.
- For several years, KRUK S.A. has partnered with the Psychological Support Centre for the Company's clients, and has offered a psychological support programme for employees of the KRUK Group's Polish companies.

### **Financial education of people**

To ensure the safety and health of our clients (indebted persons), the KRUK Group ran marketing campaigns throughout the first half of 2021 to encourage clients to repay their debt through online and electronic banking tools.

As part of its financial education initiatives, KRUK S.A. continues to participate in the 'Debt Collection? Everything Clear!' educational campaign, addressing subjects and issues related to debt, in order to give people an insight into the legal basis and operating methods of professional debt collection companies. The key target audience of the campaign also includes business partners, media and entrepreneurs.

For communication with the media, which allows the KRUK Group to reach the public at large, various public surveys and internal analyses of the needs of indebted individuals are prepared. One of such public surveys was carried out on the Ariadna Panel to explore changes in consumer buying habits during the pandemic.

As part of the Group's educational agenda, ERIF BIG S.A., having partnered with the Aquila Association of lawyers providing free consumer advice, organised a free online conference entitled 'Consumer During COVID-19'. The initiative was organised as part of the World Consumer Day. Each participant could receive practical tips and guidance on where to seek free legal assistance, how to check whether

a firm with which they make online purchases is reliable and how to verify their records in BIG in the context of personal data protection.

## **Employees**

At most of the KRUK Group companies, more than 90% of the workforce continue to work from home. Employees who work in the office are still required to comply with the rules put in place for the time of the pandemic.

Preparations are under way to implement a new work model, in accordance with the requirements and regulations applicable in the country concerned. In this project, it is also important to develop a new model for the onboarding process in order to build a sense of belonging and integration with the company among new hires. In addition, work is ongoing to rearrange and adapt office space so as to ensure the safety and comfort of employees, especially after the pandemic.

In the second quarter of 2021, a very important initiative consisted in involving employees in the development of materials and films to support internal communication in order to strengthen the message and present how they understand the updated values, as well as the KRUK Group's mission and vision.

In addition, the KRUK Group was also engaged in the Humanites Institute's 'Two hours for the family' initiative on the occasion of the International Day of Families. The initiative aims in particular to address the family bond crisis, and includes preventive measures designed to support the employees' mental and emotional health. Carried out by employers around the world, the initiative is a symbol for integration of professional and private life in line with the 'We have one life in many roles' slogan. It was an important initiative in particular during the pandemic, helping to demonstrate the need for a work-life balance.

In addition, a number of initiatives were continued and implemented to boost team spirit during remote work. KRUK S.A. prepared another online team-building event for its employees, while Wonga, as part of the 'Wellbeing Challenge' campaign, offered a game aimed at educating its employees in how to rest effectively, regenerate the body and deal with stress, and encouraging sports and physical activity. The campaign included a webinar on mental resilience.

KRUK S.A. also implemented an updated 'Mediation Policy' to prevent conflicts, discrimination and bullying in the workplace.

It is worth recalling at this point that KRUK S.A. and KRUK Romania are signatories to the Diversity Charter, but measures fostering equality and diversity at work are promoted across all the Group companies. KRUK Espana implemented the 'Equality Plan', which has been notified (in accordance with Spanish legislation) to Spain's Ministry of Labour, and the company's employees have been trained in and familiarised with the principles contained in this document.

## **Natural environment**

In the first half of 2021, KRUK S.A. was engaged in the replacement of its car fleet. The Company completed the purchase of new cars for field advisors. This will increase the safety of staff using the new cars, but also, which is equally important, the new vehicles will consume less fuel and thus will emit less carbon dioxide into the atmosphere (121g/km).

Wonga, inviting staff to properly dispose of waste electrical equipment, carried out a collection of such waste among its employees.

Staff awareness was raised at the KRUK Group's Polish companies on climate change through the 'Klimat do zmiany' webinar, carried out by representatives of the FER Foundation and EkoCentrum.

KRUK in Spain implemented a digital signature, as did KRUK S.A. in the fourth quarter of 2020, which will reduce the number of paper documents. The solution will help save a few hundred trees annually.

### **Awards and distinctions**

Listed below are the awards and distinctions received by KRUK Group companies in the first half of 2021:

**Business Superbrands 2021** for KRUK S.A. A title awarded to companies that, following a vote held among members of the Lewiatan Confederation – a Polish business organisation representing the interests of employers in Poland and the European Union – have been recognised for their service quality, relations with business partners, innovation and CSR efforts. Business Superbrands nominees include corporate brands, B2B firms and companies listed on the WSE.

**Trusted Brand** for KRUK S.A. For another consecutive year, KRUK was awarded by members of the business community covered by an independent survey of the *MyCompany Polska* magazine.

**Poland's Best Employer** for KRUK S.A. KRUK emerged 15th in the 'Banks and Financial Services' category. This was the first edition in Poland of the independent ranking compiled by Forbes in association with Statista, a research firm, co-organiser of the Best Employers ranking in the world.

**Distinction from UNIREC** for KRUK Italia distinction from the Italian trade association of credit management companies, which places a strong emphasis on the ethical approach of creditors to clients. KRUK Italia **was appreciated for supporting clients during the pandemic and enabling them to repay their debts** remotely via e-KRUK.

## 9 Glossary of terms

2015-2019 Scheme	An incentive scheme for 2015–2019 implemented by the Company for the Management Board members, selected employees of the Company and selected members of the management boards and employees of the subsidiaries, under which up to 847,950 registered subscription warrants will be issued, conferring the right to subscribe for a total of 847,950 ordinary bearer shares issued as part of a conditional share capital increase.
Articles of Association	The Company's Articles of Association
Auditor	KPMG Audyt Spółka z ograniczoną odpowiedzialnością Sp.k. of Warsaw
CAGR	Compound Annual Growth Rate



Cash EBITDA	represents profit (/loss) before tax plus finance costs, amortisation, depreciation and cash recoveries from purchased debt, less revenue from purchased debt and revaluation gains on assets other than purchased debt and consumer loans advanced, if their total amount in the last 12 months exceeds PLN 5m. Cash EBITDA is computed for the KRUK Group for the last 12 months.
Catalyst	Bond market operated by the Warsaw Stock Exchange
Company KRUK Issuer	KRUK S.A. of Wrocław
Consolidated financial statements	The Group's consolidated financial statements for the reporting period ended June 30th 2021, prepared in accordance with the IFRS
CSDP	Central Securities Depository of Poland (Krajowy Depozyt Papierów Wartościowych S.A. of Warsaw)
CZK	Czech koruna
EBIT	Operating profit
EBITDA	Operating profit before depreciation and amortisation
EPS	Earnings per share
ERIF BIG, ERIF	ERIF Biuro Informacji Gospodarczej S.A.
EUR	Euro
Financial Liabilities	Total financial liabilities under: <ul style="list-style-type: none"> <li>• bonds or other similar debt securities; or</li> <li>• non-bank borrowings; or</li> <li>• bank borrowings; or</li> <li>• finance leases; or</li> <li>• promissory notes issued by way of security for liabilities of non-KRUK Group entities; or</li> <li>• guarantees or sureties provided in respect of liabilities of non-KRUK Group entities under bank or non-bank borrowings, finance leases, bonds or other similar debt securities; or</li> <li>• accession to debt owed by non-KRUK Group entities under bank non-bank borrowings, finance leases, bonds or other similar debt securities; or</li> <li>• assumption of liabilities of non-KRUK Group entities under bank or non-bank borrowings, finance leases, bonds or other similar debt securities; or</li> <li>• concluded derivative transactions.</li> </ul>
FMCG	Fast Moving Consumer Goods
GDP	Gross Domestic Product
General Meeting	General Meeting
Wonga	Wonga.pl Sp. z o.o. of Warsaw
IAS	International Accounting Standards as endorsed by the European Union

IFRS	International Financial Reporting Standards endorsed by the European Union, including International Accounting Standards, International Financial Reporting Standards and related Interpretations endorsed by the European Union
ItaCapital	ItaCapital S.r.l of Milan, Italy
Kancelaria Prawna RAVEN	Kancelaria Prawna RAVEN P. Krupa Spółka komandytowa of Wrocław
KRS	Polish National Court Register (Krajowy Rejestr Sądowy)
KRUK Česká a Slovenská republika	KRUK Česká a Slovenská republika s.r.o. of Hradec Králové
KRUK España	KRUK España S.L. of Madrid, Spain
KRUK Italia	KRUK Italia S.r.l of Milan, Italy
KRUK ROMANIA	KRUK Romania s.r.l of Bucharest, Romania
KRUK TFI	KRUK Towarzystwo Funduszy Inwestycyjnych S.A. of Wrocław
Management Board	The Management Board of KRUK S.A.
NBP	National Bank of Poland
Non-Standard Securitisation Closed-End Investment Funds	Prokura NS FIZ, P.R.E.S.C.O. Investment I NS FIZ, BISON NS FIZ
PFSA	Polish Financial Supervision Authority (Komisja Nadzoru Finansowego)
PLN	Polish złoty
Prokura NS FIZ	Prokura Niestandaryzowany Sekurytyzacyjny Fundusz Inwestycyjny Zamknięty (Prokura Non-standard securitisation closed-end investment fund)
Total revenue	Operating income including gain or loss on expected credit losses, fair value measurement, and other income/expenses from purchased debt portfolios excluding other income
Regulation on current and periodic information	The Polish Minister of Finance's Regulation on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated February 19th 2009 (Dz.U. of 2009, No. 209, item 1744, as amended)
ROE	Return on Equity, computed as the ratio of consolidated net profit to equity as at the end of period
RON	Romanian leu
SeCapital Luksemburg	SeCapital S.à.r.l. (Luxembourg)
SeCapital Polska w likwidacji (in liquidation)	SeCapital Polska Sp. z o.o. w likwidacji (in liquidation) of Warsaw
Subsidiaries	The Company's subsidiaries, as defined in the Polish Accounting Act, and Kancelaria Prawna RAVEN

Supervisory Board	The Company's Supervisory Board
The Group, the KRUK Group	The Company as the Parent along with its subsidiaries and Non-Standard Securitisation Closed-End Investment Funds
UOKiK	The Polish Office of Competition and Consumer Protection (Urząd Ochrony Konkurencji i Konsumentów)
UOKiK President	President of the Office of Competition and Consumer Protection
USD	US dollar
WSE	Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.)

Piotr Krupa

President of the Management Board

Michał Zasępa

Member of the Management Board

Urszula Okarma

Member of the Management Board

Piotr Kowalewski

Member of the Management Board

Adam Łodygowski

Member of the Management Board

Wrocław, September 8th 2021