



FINANCIAL HIGHLIGHTS

OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the period January 1st–
June 30th 2021

Financial highlights

Financial highlights	PLN '000		EUR '000	
	Jan 1–Jun 30 2021 unaudited	Jan 1–Jun 30 2020 unaudited	Jan 1–Jun 30 2021 unaudited	Jan 1–Jun 30 2020 unaudited
For the period				
Revenue	894,428	456,426	196,700	102,770
Operating profit	483,998	52,434	106,440	11,806
Profit before tax	457,500	(17,530)	100,612	(3,947)
Net profit attributable to owners of the Parent	395,783	(19,293)	87,039	(4,344)
Net cash from operating activities	149,778	511,888	32,939	115,258
Purchase of debt portfolios at prices as per agreement	(643,534)	(79,905)	(141,524)	(17,992)
Cash recoveries	1,065,131	893,923	234,241	201,277
Net cash from investing activities	881	(7,735)	194	(1,742)
Net cash from financing activities	231,984	(403,838)	51,017	(90,929)
Net change in cash	382,643	100,315	84,150	22,587
Diluted earnings per share (PLN/EUR)	20.28	(1.00)	4.46	(0.23)
Average number of shares ('000)	19,011	18,972	19,011	18,972
Earnings per share (PLN/EUR)	20.82	(1.02)	4.58	(0.23)
As at	Jun 30 2021 unaudited	Dec 31 2020	Jun 30 2021 unaudited	Dec 31 2020
Total assets	5,373,320	4,643,031	1,188,577	1,006,118
Non-current liabilities	2,251,755	1,763,322	498,088	382,102
Current liabilities	915,421	836,249	202,491	181,210
Equity	2,206,144	2,043,460	487,999	442,806
Share capital	19,011	19,011	4,205	4,120
Book value per ordinary share	116.05	107.49	25.67	23.29

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 **4.5472**
for the comparative period **4.4413**

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 **4.5208**
at end of the comparative period **4.6148**



INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the period January 1st–
June 30th 2021

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I. Consolidated statement of financial position

As at Jun 30 2021

PLN '000

	Note	Jun 30 2021 unaudited	Dec 31 2020	Jun 30 2020 restated
Assets				
Cash and cash equivalents	11.18	528,196	145,552	250,589
Trade receivables	11.17	11,569	16,804	24,956
Other receivables	11.17	17,533	28,357	32,080
Inventories		24,975	32,069	35,769
Investments	10	4,600,943	4,208,724	4,075,556
Deferred tax asset	5; 11.9	31,500	31,180	53,208
Property, plant and equipment	11.15	79,160	91,864	87,930
Goodwill	11.16	23,451	23,916	24,405
Other intangible assets		44,269	50,729	49,820
Other assets		11,724	13,836	962
Total assets		5,373,320	4,643,031	4,635,275
Equity and liabilities				
Liabilities				
Trade and other payables	5; 11.20	164,303	112,227	98,995
Liabilities under dividend	16	206,140	-	-
Derivatives	11.11	3,176	11,236	5,201
Hedging instruments	11.12	8,403	18,386	22,585
Employee benefit obligations	5; 11.19	47,565	42,860	38,948
Income tax payable		27,804	5,223	2,700
Borrowings, debt securities and leases	11.10	2,496,975	2,222,176	2,384,418
Provisions	5; 11.21	55,988	53,124	42,046
Deferred tax liability	5; 11.9	156,822	134,339	52,905
Total liabilities		3,167,176	2,599,571	2,647,797
Equity				
Share capital		19,011	19,011	18,972
Share premium		310,430	310,430	307,192
Cash flow hedging reserve		(4,800)	(14,783)	(19,072)
Translation reserve		37,431	81,360	42,754
Other capital reserves		110,790	103,626	100,922
Retained earnings		1,733,770	1,544,127	1,536,279
Equity attributable to owners of the Parent		2,206,632	2,043,771	1,987,048
Non-controlling interests		(488)	(311)	430
Total equity		2,206,144	2,043,460	1,987,478
Total equity and liabilities		5,373,320	4,643,031	4,635,275

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

II. Consolidated statement of profit or loss

For the reporting period January 1st – June 30th 2021

PLN '000

	Note	Jan 1–Jun 30 2021 unaudited	Apr 1–Jun 30 2021 unaudited	Jan 1– Jun 30 2020 restated	Apr 1– Jun 30 2020 restated
Continuing operations					
Interest income on debt portfolios and loans measured at amortised cost	5; 11.1	508,911	252,572	568,681	276,345
Interest income on loans measured at fair value	11.1	22,945	12,244	-	-
Revenue from sale of debts and loans	5; 11.1	3,774	1,722	1,356	493
Other income/expenses from purchased debt portfolios	5; 11.1	(17,337)	(7,894)	(19,120)	(12,831)
Revenue from the provision of other services		34,355	17,270	31,924	15,314
Other income	11.1	1,430	617	9,053	8,033
Change in investments measured at fair value	11.1	2,057	864	-	-
Gain/(loss) on expected credit losses	5; 11.1	339,723	235,393	(126,415)	(22,182)
Operating income including gain/(loss) on expected credit losses, fair value measurement, and other income/expenses from purchased debt portfolios		895,858	512,788	465,479	265,172
Employee benefits expense	11.3	(188,169)	(97,923)	(163,909)	(78,968)
Depreciation and amortisation		(25,540)	(14,210)	(23,182)	(11,530)
Services	11.2	(66,287)	(32,972)	(68,189)	(33,213)
Other expenses	11.4	(131,864)	(64,879)	(157,765)	(81,991)
		(411,860)	(209,984)	(413,045)	(205,702)
Operating profit		483,998	302,805	52,434	59,470
Finance income	11.5	26	13	65	36
Finance costs	11.6	(26,524)	3,367	(70,030)	(23,197)
		(1,080)	(530)	(1,312)	(663)
<i>including interest expense relating to lease liabilities</i>					
Net finance costs		(26,498)	3,380	(69,965)	(23,161)
Profit/(loss) before tax		457,500	306,184	(17,530)	36,309
Income tax	11.8	(61,896)	(37,824)	(1,785)	6,491
Net profit/(loss) for period		395,604	268,360	(19,315)	42,800
Net profit/(loss) attributable to:					
Owners of the Parent	11.12	395,783	268,428	(19,293)	42,863
Non-controlling interests		(179)	(68)	(22)	(62)
Net profit/(loss) for period		395,604	268,360	(19,315)	42,801

Earnings/(loss) per share

Basic (PLN)	20.82	14.12	(1.02)	2.26
Diluted (PLN)	20.28	13.74	(1.00)	2.21

The consolidated statement of profit or loss should be read in conjunction with the notes to the interim condensed consolidated financial statements, which form their integral part.

III. Consolidated statement of comprehensive income

For the reporting period January 1st – June 30th 2021

PLN '000

	<i>Note</i>	Jan 1–Jun 30 2021 unaudited	Apr 1–Jun 30 2021 unaudited	Jan 1–Jun 30 2020 unaudited	Apr 1–Jun 30 2020 unaudited
Net profit/(loss) for period		395,604	268,360	(19,315)	42,801
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
Translation reserve		(43,929)	(53,775)	72,973	(473)
Cash flow hedges		9,982	3,774	(19,150)	(7,366)
Items that will not be reclassified subsequently to profit or loss		-	-	-	-
Other comprehensive income for the period, net		(33,947)	(50,001)	53,823	(7,839)
Total comprehensive income for period		361,657	218,360	34,508	34,963
Total comprehensive income attributable to:					
Owners of the Parent		361,836	218,426	34,530	35,025
Non-controlling interests		(179)	(66)	(22)	(62)
Total comprehensive income for period		361,657	218,360	34,508	34,963
Comprehensive income/ (loss) per share					
Basic (PLN)		19.02	11.51	1.82	1.85
Diluted (PLN)		18.53	11.34	1.80	1.81

The consolidated statement of comprehensive income should be read in conjunction with the notes to the interim condensed consolidated financial statements, which form their integral part.

IV. Consolidated statement of changes in equity

For the 6-month period ended June 30th 2021 [PLN '000]

Note	Share capital	Share premium	Cash flow hedging reserve	Translation reserve	Other capital reserves	Retained earnings	Equity attributable to owners of the Parent	Non-controlling interests	Total equity
Equity as at Jan 1 2021	19,011	310,430	(14,783)	81,360	103,626	1,544,127	2,043,771	(311)	2,043,460
Comprehensive income for the period									
Net profit for period	-	-	-	-	-	395,783	395,783	(179)	395,604
Other comprehensive income									
- Exchange differences on translating foreign operations	-	-	-	(43,929)	-	-	(43,929)	2	(43,927)
- Measurement of hedging instruments	-	-	9,982	-	-	-	9,982	-	9,982
Total other comprehensive income	-	-	9,982	(43,929)	-	-	(33,947)	2	(33,945)
Total comprehensive income for period	-	-	9,982	(43,929)	-	395,783	361,836	(177)	361,659
Contributions from and distributions to owners									
- Payment of dividends	-	-	-	-	-	(206,140)	(206,140)	-	(206,140)
- Issue of shares	-	-	-	-	-	-	-	-	-
- Share-based payments	-	-	-	-	7,164	-	7,164	-	7,164
Total contributions from and distributions to owners	-	-	-	-	7,164	(206,140)	(198,976)	-	(198,976)
Total equity as at Jun 30 2021	19,011	310,430	(4,800)	37,431	110,790	1,733,770	2,206,632	(488)	2,206,144

The consolidated statement of changes in equity should be read in conjunction with the notes to the interim condensed consolidated financial statements, which form their integral part.

For the 6-month period ended June
30th 2020 (PLN '000)

Note	Share capital	Share premium	Cash flow hedging reserve	Translation reserve	Other capital reserves	Retained earnings	Equity attributable to owners of the Parent	Non-controlling interests	Total equity
Equity as at Jan 1 2020	18,972	307,192	78	(30,219)	104,582	1,555,572	1,956,176	667	1,959,093
Comprehensive income for the period							-	-	-
Net profit for period	-	-	-	-	-	(19,293)	(19,293)	(22)	(19,314)
Other comprehensive income							-	-	-
- Exchange differences on translating foreign operations	-	-	-	72,973	-	-	72,973	-	72,973
- Measurement of hedging instruments	-	-	(19,150)	-	-	-	(19,150)	-	(19,150)
Total other comprehensive income	-	-	(19,150)	72,973	-	-	53,823	-	53,823
Total comprehensive income for period	-	-	(19,150)	72,973	-	(19,293)	34,530	(22)	34,509
Contributions from and distributions to owners							-	-	-
- Payment of dividends	-	-	-	-	-	-	-	(216)	(216)
- Issue of shares	-	-	-	-	-	-	-	-	-
- Share-based payments	-	-	-	-	(3,660)	-	(3,660)	-	(3,660)
Total contributions from and distributions to owners	-	-	-	-	(3,660)	-	(3,660)	(216)	(3,876)
Total equity as at Jun 30 2020	18,972	307,192	(19,072)	42,754	100,922	1,536,279	1,987,048	430	1,987,478

V. Consolidated statement of cash flows

For the reporting period January 1st – June 30th 2021

PLN '000

	Jan 1–Jun 30 2021 unaudited	Apr 1–Jun 30 2021 unaudited	Jan 1–Jun 30 2020 unaudited	Apr 1–Jun 30 2020 unaudited
Cash flows from operating activities				
Net profit for period	395,604	268,360	(19,315)	42,801
<i>Adjustments</i>		-		-
Depreciation of property, plant and equipment	18,588	8,977	20,500	11,820
Amortisation of intangible assets	6,952	5,233	2,682	(290)
Net finance costs	26,498	(1,131)	71,500	21,180
(Gain)/loss on sale of property, plant and equipment	(243)	10	(568)	(185)
Equity-settled share-based payments	7,164	7,164	(3,660)	907
Income tax	61,896	37,824	1,785	(6,491)
Change in loans	(30,968)	(18,602)	12,196	30,179
Change in debt portfolios purchased	(403,649)	(397,762)	419,780	229,749
Change in inventories	7,094	2,603	(3,326)	(3,344)
Change in trade and other receivables				
	16,059	10,382	(5,929)	(4,782)
Change in other assets	2,112	3,701	2,058	5,531
Change in trade and other payables				
	52,075	29,165	8,488	(32,141)
Change in employee benefit obligations				
	4,705	2,483	1,158	(3,206)
Change in provisions	2,864	3,106	12,343	7,447
Share of minority profits	179	68	22	62
Income tax paid	(17,152)	(8,479)	(7,827)	(482)
Net cash from operating activities	149,778	(46,898)	511,888	298,756
Cash flows from investing activities				
Interest received	26	14	65	36
Sale of intangible assets and property, plant and equipment	4,802	4,466	1,749	826
Purchase of intangible assets and property, plant and equipment	(3,947)	(598)	(9,549)	(6,133)
Net cash from investing activities	881	3,882	(7,735)	(5,271)
Cash flows from financing activities				
Net proceeds from issue of shares	-	-	-	-
Proceeds from issue of shares on stock exchange	-	-	-	-
Proceeds from issue of debt securities	420,000	400,000	-	-
Increase in borrowings	1,309,981	1,037,174	318,408	133,272
Repayment of borrowings	(1,075,927)	(704,035)	(639,571)	(363,518)
Payments under lease contracts	(11,475)	(4,940)	(11,342)	(4,226)
Dividends paid	-	-	(216)	451
Redemption of debt securities	(365,000)	(300,000)	(13,360)	(13,360)
Cancellation of treasury shares	-	-	-	-
Interest paid	(45,595)	(26,926)	(57,757)	(31,490)
Net cash from financing activities	231,984	401,272	(403,838)	(278,871)

Total net cash flows	382,643	358,256	100,315	14,614
Cash and cash equivalents at beginning of period	145,552	169,940	150,274	235,975
Cash and cash equivalents at end of period	528,196	528,196	250,589	250,589

The consolidated statement of cash flows should be read in conjunction with the notes to the interim condensed consolidated financial statements, which form their integral part.

VI. Notes to the interim condensed consolidated financial statements

1. Organisation of the KRUK Group

Parent

Name:

KRUK Spółka Akcyjna (“KRUK S.A.” or “Parent”)

Registered office:

ul. Wołowska 8

51-116 Wrocław, Poland

Poland

Registration in the National Court Register:

District Court for Wrocław-Fabryczna in Wrocław, 6th Commercial Division of the National Court Register, ul. Poznańska 16-17, 53-230 Wrocław, Poland

Date of registration: September 7th 2005

Registration number: KRS NO. 0000240829

Principal business activities of the Parent and its subsidiaries

The principal business activities of the Parent and most of its subsidiaries consist primarily in the restructuring and recovery of debts purchased by the Group companies and the provision of credit management services to financial institutions and other clients. Some subsidiaries also operate in the consumer lending market.

These interim condensed consolidated financial statements for the reporting period January 1st – June 30th 2021 include the financial statements of the Parent and its subsidiaries (jointly the “Group”).

KRUK S.A. is the Parent of the Group.

As at June 30th 2021, the Parent’s Management Board was composed of the following persons:

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

On March 25th 2021, the Parent’s Management Board was appointed for a new joint three-year term of office. In the six months ended June 30th 2021 and by the issue date of this interim report, the composition of the Management Board of KRUK S.A. did not change.

As at June 30th 2021, the composition of the Parent's Supervisory Board was as follows:

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

In H1 2021 and by the issue date of this interim report, the composition of the Supervisory Board of KRUK S.A. did not change.

KRUK Group

As at the issue date of this report, the Group comprised KRUK S.A. of Wrocław, 23 subsidiaries, and 2 entities controlled through personal links:

Subsidiary	Registered office	Principal business activity
Kancelaria Prawna Raven P. Krupa sp.k.	Wrocław	Comprehensive support for litigation and enforcement proceedings as part of debt collection processes carried out by the KRUK Group and its partners
ERIF Biuro Informacji Gospodarczej S.A.	Warsaw	Collection, processing and provision of credit information on natural persons and businesses
KRUK Romania S.r.l.	Bucharest	Management of debt portfolios purchased by the KRUK Group, credit management services
Secapital S.a r.l.	Luxembourg	Special-purpose securitisation vehicle which invests in debt or debt-backed assets
Prokura NS FIZ securitisation fund	Wrocław	Fund based on professional risk assessment and credit management methodologies
ERIF Business Solutions Sp. z o.o.	Wrocław	Financial and agency services and support for small and medium-sized enterprises
NOVUM FINANCE sp. z o.o.	Wrocław	Granting consumer loans
KRUK Česka a Slovenska republika s.r.o.	Hradec Kralove	Management of debt portfolios purchased by the KRUK Group, credit management services
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	Wrocław	Management of Prokura NS FIZ, P.R.E.S.C.O. Investment I NS FIZ, and Bison NS FIZ funds
InvestCapital Ltd.	Malta	Special-purpose securitisation vehicle which invests in debt or debt-backed assets
RoCapital IFN S.A.	Bucharest	Purchase and management of mortgage-backed portfolios and lending activities
KRUK Deutschland GmbH	Berlin	Management of debt portfolios purchased by the KRUK Group, credit management services

Subsidiary	Registered office	Principal business activity
KRUK Italia S.r.l.	Milan	Credit management services, collection of debt portfolios purchased by the KRUK Group companies in Italy and other European countries
ItaCapital S.r.l.	Milan	Investing in debt or debt-backed assets
KRUK Espana S.L.	Madrid	Credit management services, collection of debt portfolios purchased by the KRUK Group companies in Spain and other European countries, as well as debt trading
ProsperoCapital S.à r.l.	Luxembourg	Special-purpose securitisation vehicle which invests in debt or debt-backed assets
P.R.E.S.C.O. Investment I NS FIZ securitisation fund	Wrocław	Fund based on professional risk assessment and credit management methodologies
Presco Investments S.a r.l.	Luxembourg	Special-purpose securitisation vehicle which invests in debt or debt-backed assets
Elleffe Capital S.r.l.	La Spezia	Investing in debt or debt-backed assets
AgeCredit S.r.l.	Cesena	Credit management company operating in Italy
Bison NS FIZ (closed-end investment fund)	Wrocław	Fund based on professional risk assessment and credit management methodologies
Wonga.pl sp. z o.o.	Warsaw	Company operating in the consumer lending market
KRUK Investimenti S.r.l.	Milan	The principal business activity of the company involves investment in debt portfolios.

Entity controlled through personal links	Registered office	Principal business activity
Corbul S.r.l.	Bucharest	Detective activities
Gantoi, Furculita Si Asociatii S.p.a.r.l.	Bucharest	Law firm

All the subsidiaries listed above are included in these condensed consolidated financial statements as at June 30th 2021 and for the period January 1st–June 30th 2021.

KRUK Investimenti S.r.l. was established under articles of association executed on April 29th 2021.

Secapital Polska Sp. z o.o. in liquidation was deleted from the business register on March 9th 2021 pursuant to the registry court's decision.

As at the date of issue of this report, the KRUK Group's structure was as follows:



The Company has seven field offices located in Warsaw, Gdańsk, Łódź, Poznań, Szczecin, Szczawno-Zdrój and Piła.

The ownership interests held by the Parent in the subsidiaries as at the date of this report were as follows:

	Country	Ownership interest and share in total voting rights	
		Jun 30 2021	Dec 31 2020
SeCapital S.à r.l. ¹	Luxembourg	100%	100%
ERIF Business Solutions Sp. z o.o.	Poland	100%	100%
Secapital Polska Sp. z o.o. (in liquidation) ⁴	Poland	-	100%
ERIF Biuro Informacji Gospodarczej S.A.	Poland	100%	100%
Novum Finance Sp. z o.o.	Poland	100%	100%
KRUK Romania S.r.l.	Romania	100%	100%
Kancelaria Prawna Raven P. Krupa Spółka komandytowa	Poland	98%	98%
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	Poland	100%	100%
KRUK Česká a Slovenská republika s.r.o.	Czech Republic	100%	100%
Prokura NS FIZ ¹	Poland	100%	100%
InvestCapital Ltd ¹	Malta	100%	100%
RoCapital IFN S.A.	Romania	100%	100%
Kruk Deutschland GmbH	Germany	100%	100%
KRUK Italia S.r.l.	Italy	100%	100%
ItaCapital S.r.l.	Italy	100%	100%
KRUK España S.r.l.	Spain	100%	100%
ProsperoCapital S.à r.l. ²	Luxembourg	100%	100%
Presco Investments S.a.r.l. ¹	Luxembourg	100%	100%
Presco Investments I NS FIZ ¹	Poland	100%	100%
BISON NS FIZ ¹	Poland	100%	100%
Elleffe Capital S.r.l. ¹	Italy	100%	100%
Corbul S.r.l. ³	Romania	-	-
Gantoi, Furculita Si Asociatii S.p.a.r.l. ³	Romania	-	-
AgeCredit S.r.l.	Italy	100%	100%
Wonga.pl Sp. z o.o.	Poland	100%	100%
KRUK Investimenti S.r.l. ⁵	Italy	100%	-

¹ Subsidiaries in which the Company indirectly holds 100% of the share capital.

² ProsperoCapital S.a.r.l. is a party to a joint arrangement.

³ The Parent controls the company through a personal link.

⁴ Entity dissolved through liquidation in the three months ended March 31st 2021.

⁵ Entity established in the second quarter of 2021.

2. Reporting period

The reporting period is the period from January 1st 2021 to June 30th 2021 and the comparative period is the period from January 1st 2020 to June 30th 2020. The consolidated statement of financial position was prepared as at June 30th 2021 and the comparative data was presented as at June 30th 2020 and December 31st 2020. The consolidated statement of changes in equity was prepared for the period from January 1st 2021 to June 30th 2021 and the comparative period is from January 1st 2020 to June 30th 2020.

The financial data presented on a quarterly basis for the periods from April 1st to June 30th 2021 and from April 1st to June 30th 2020 was not subject to a separate review or audit by an auditor.

These financial statements do not contain all the information required to prepare full-year financial statements and should therefore be read in conjunction with the Group's consolidated financial statements prepared as at and for the year ended December 31st 2020.

3. Statement of compliance

The KRUK Group prepares its consolidated financial statements in accordance with International Financial Reporting Standards as endorsed by the European Union (the "EU-IFRS").

These interim condensed consolidated financial statements of the Group have been prepared in the condensed form in accordance with IAS 34 and the accounting standards applicable to interim financial statements, as endorsed by the European Union, published and effective at the time of preparation of these financial statements.

In the opinion of the Management Board, there are no circumstances which could pose a significant threat to the Group companies continuing as going concerns. Therefore, these interim condensed consolidated financial statements have been prepared under the assumption that the companies will continue as going concerns for the foreseeable future, that is for 12 months from the reporting date. The going concern assumption was reviewed in the light of the COVID-19 pandemic.

These interim condensed financial statements were authorised for issue by the Parent's Management Board (the "Management Board") on September 7th 2021.

All amounts in these interim condensed consolidated financial statements are presented in the Polish złoty, rounded to the nearest thousand. Therefore, mathematical inconsistencies may occur in summations or between notes.

The Polish złoty is the functional currency of the Parent.

4. Significant accounting policies

The accounting policies applied to prepare these condensed interim financial statements are consistent with those applied to prepare the most recent full-year consolidated financial statements as at and for the year ended December 31st 2020.

The accounting policies applied to prepare the interim condensed financial statements as at June 30th 2020 and for the period January 1st–June 30th 2020 are consistent with those applied to prepare the most recent full-year consolidated financial statements as at and for the year ended December 31st 2020.

These financial statements comply with the requirements of 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 2021.

Amendments to existing standards and interpretations approved by the European Union but not yet effective and not yet applied by the Group

New standards, interpretations and amendments to published standards which were endorsed and published by the European Union and took effect as of/after January 1st 2021, applied by the Group in accordance with their effective periods:

Standards and interpretations endorsed by the EU	Type of expected change in accounting policies	Possible effect on the financial statements	Effective for the periods beginning on or after
Amendments to IFRS 4 <i>Insurance Contracts</i>	The amendments extend the temporary exemption from IFRS 9 <i>Financial Instruments</i> by two years to annual periods beginning on January 1st 2023, for alignment with the effective date of IFRS 17 <i>Insurance Contracts</i> (replacing IFRS 4 <i>Insurance Contracts</i>).	The amendments have no significant effect on the consolidated financial statements.	January 1st 2021
Amendments to IFRS 9 <i>Financial Instruments</i> , IAS 39 <i>Financial Instruments</i> and IFRS 7 <i>Financial Instruments: Disclosures</i> IFRS 4 <i>Insurance Contracts</i> and IFRS 16 <i>Leases: Interest Benchmark Reform – Phase 2</i>	The purpose of the amendments is to facilitate the provision of financial statements to users and to assist entities preparing IFRS-compliant financial statements to provide useful information in a case where a change in the benchmark rate results in a change in contractual cash flows or hedging relationships. The amendments provide for a practical expedient for certain changes in contractual cash flows and exemption from certain hedge accounting requirements.	The amendments have no significant effect on the consolidated financial statements.	January 1st 2021

Standards and interpretations issued but not yet adopted by the European Union

Standards and interpretations not yet endorsed by the EU	Type of expected change in accounting policies	Possible effect on the financial statements	Effective for the periods beginning on or after
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates</i>)	<p>The amendments clarify that in the case of a transaction with an associate or joint venture, the extent to which the gain or loss related to the transaction should be recognised depends on whether the assets sold or contributed to an associate or joint venture constituted a business:</p> <ul style="list-style-type: none"> the gain or loss is recognised in full where the contributed assets meet the definition of a business (irrespective of whether such business has the form of a subsidiary or not), the partial gain or loss is recognised when the transaction involves assets that do not constitute a business, even if those assets were part of a subsidiary. 	The Group does not expect the amendments to have a significant impact on its consolidated financial statements.	January 1st 2016 <i>(The European Commission has decided to indefinitely postpone endorsement of these amendments)</i>
IFRS 17 <i>Insurance Contracts</i>	<p>IFRS 17 replaces the transitional IFRS 4 <i>Insurance Contracts</i> introduced in 2004. IFRS 4 allowed entities to continue the recognition of insurance contracts in accordance with the local accounting policies based on national standards, which resulted in the application of many different solutions.</p> <p>IFRS 17 solves the comparability problem created by IFRS 4 by requiring consistent recognition of all insurance contracts, to the benefit of both investors and insurers. Contractual obligations will be recognised at present value rather than historical cost.</p>	The Group does not expect the amendments to have a significant impact on its consolidated financial statements.	January 1st 2023
Amendments to IFRS 3 <i>Business Combinations</i> , IAS 16 <i>Property, Plant and Equipment</i> , and IAS 37	The package of amendments includes narrow-scope amendments to three standards:	The Group does not expect the amendments to have a significant impact on its	January 1st 2022

Standards and interpretations not yet endorsed by the EU	Type of expected change in accounting policies	Possible effect on the financial statements	Effective for the periods beginning on or after
<i>Provisions, Contingent Liabilities and Contingent Assets</i> , as well as Annual Improvements to IFRSs 2018-2020 Cycle.	<ul style="list-style-type: none"> Amendments to IFRS 3 <i>Business Combinations</i>, which update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations; Amendments to IAS 16 <i>Property, Plant and Equipment</i>, which prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use; Instead, the company will recognise such sale proceeds and related cost in profit or loss for the period, Amendments to IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i>, which specify which costs a company should include when assessing whether a contract will be loss-making. <p>The package also contains Annual Improvements to IFRSs 2018-2020 Cycle, which explain the terminology used and correct minor inconsistencies, omissions or contradictions between the requirements of IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i>, IFRS 9 <i>Financial Instruments</i>, IAS 41 <i>Agriculture</i>, and Illustrative Examples in IFRS 16 <i>Leases</i>.</p>	consolidated financial statements.	
Amendments to IAS 1 <i>Presentation of Financial Statements</i>	The amendments affect the requirements of IAS 1 concerning the presentation of liabilities. In particular, they explain one of the criteria for classifying a liability as non-current.	The Group does not expect the amendments to have a significant impact on its consolidated financial statements.	January 1st 2023
Amendments to IAS 1 <i>Presentation of Financial Statements</i> and the IASB Practice	The amendment to IAS 1 requires entities to disclose their material accounting policy information, which is defined in the Standard. It clarifies that accounting policy information is material if users of an entity's financial statements would	The Group does not expect the amendments to have a significant impact on its	January 1st 2023

Standards and interpretations not yet endorsed by the EU	Type of expected change in accounting policies	Possible effect on the financial statements	Effective for the periods beginning on or after
Statement on Disclosure of Accounting Policies	need it to understand other material information in the financial statements. In addition, the IASB's guidance was amended with respect to the application of the materiality concept in practice, to provide guidance on the application of the materiality concept to accounting policy disclosures.	consolidated financial statements.	
Amendment to IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	The amendment clarifies how entities should distinguish changes in accounting policies from changes in accounting estimates.	The Group does not expect the amendments to have a significant impact on its consolidated financial statements.	January 1st 2023
Amendments to IFRS 16 <i>Leases – extension</i>	The amendments provide for the possibility of exempting lessees from having to account for rent concessions as modifications in accordance with IFRS 16 if they meet certain conditions and are a direct consequence of the COVID-19 pandemic. Extension of the exemption by one year from June 30th 2021 (amendment of May 2020)	The Group does not expect the amendments to have a significant impact on its consolidated financial statements.	April 1st 2021
Amendments to IAS 12 <i>Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction</i>	Changes in deferred tax on transactions such as leases and decommissioning obligations.	The Group does not expect the amendments to have a significant impact on its consolidated financial statements.	January 1st 2023

5. Changes to previously published financial data

The following changes were made in the annual consolidated financial statements for 2020. In relation with the above, in these condensed interim consolidated financial statements, data on June 30, 2020 and for the 3- and 6-month period ended June 30, 2020 brought to comparability.

Details showing the originally published values, change and balances after the change are provided in individual sections below.

Adjustment to the set-off of deferred tax assets against deferred tax liabilities

In the interim condensed consolidated financial statements issued for the period January 1st–June 30th 2020, the set-off of deferred tax assets on June 30, 2020 against deferred tax liabilities on June 30, 2020 was made for the entire KRUK Group, rather than for individual taxpayers within a single tax jurisdiction, holding a legally enforceable right to set off the amounts.

The data presented in the consolidated statement of financial position for the period January 1st 2020–June 30th 2020 was adjusted as follows:

PLN '000

	Jun 30 2020 Originally reported	Change	Jun 30 2020 Restarted
Assets			
Deferred tax asset	303	52,905	53,208
Liabilities			
Deferred tax liability	-	52,905	52,905

Enhancing comparability

- In 2020, the Group broke down revenue items in the consolidated statement of profit or loss. The data presented in the interim condensed consolidated financial statements for the period January 1st – June 30th 2020 was restated to ensure comparability. The effect of the change on the statement of profit or loss is presented below.

PLN '000

	Jan 1–Jun 30 2020 Originally reported	Change	Jan 1–Jun 30 2020 Restarted	Apr 1–Jun 30 2020 Originally reported	Change	Apr 1–Jun 30 2020 Restated
Revenue	456,426	(456,426)	-	257,140	(257,140)	-
		568,681	568,681		276,345	276,345
Interest income on debt portfolios and loans measured at amortised cost		-	-		-	-
Interest income on loans measured at fair value		-	-		-	-
Revenue from sale of debts and loans		1,356	1,356		493	493
Other income/expenses from purchased debt portfolios		(19,120)	(19,120)		(12,831)	(12,831)
Revenue from the provision of other services*		31,924	31,924		15,314	15,314
Other income	9,053		9,053	8,033		8,033
		-	-		-	-
Change in investments measured at fair value		-	-		-	-
Gain/(loss) on expected credit losses		(126,415)	(126,415)		(22,182)	(22,182)
Operating income including gain/(loss) on expected credit losses, fair value measurement, and other income/expenses from purchased debt portfolios	465,479	-	465,479	265,172	-	265,172

*Revenue from the provision of other services was presented as a separate item of revenue, including revenue from fee-based credit management services as well as revenue from collection, processing and provision of credit information on natural persons and business entities, financial intermediation and agency services, and auxiliary services provided to small and medium-sized enterprises.

For better understanding of the effects of the restatement, the table below presents the restated data disclosed previously as *Revenue*, in category *Revenue from purchased debt portfolios* in Note 11.1:

Revenue from purchased debt portfolios

PLN '000

	Jan 1–Jun 30 2020 Originally reported	Change	Interest income*	income/expenses from purchased debt portfolios*	Other costs of loyalty scheme valuation	costs of provision for overpayments	Foreign currency gains/(losses)	Gain/(loss) on expected credit losses from debt portfolios*	Revaluation of recovery projections	Deviations of actual recoveries, decreases on early collections in collateralised cases, payments from original creditor	Gain/(loss) on sale of debts*
Interest income	502,966	(502,966)	502,966								
Other income from purchased debt	62,905	(62,905)									
of which:											
Deviations of actual recoveries, decreases on early collections in collateralised cases	74,890	(74,890)						74,890		74,890	
costs of loyalty scheme valuation	(7,119)	7,119		(7,119)	(7,119)						
costs of provision for overpayments	(4,866)	4,866		(4,866)		(4,866)					
Revaluation of debt portfolios	(199,887)	199,887									
of which:											
Revaluation of recovery projections	(192,752)	192,752						(192,752)	(192,752)		
Foreign currency gains/(losses)	(7,135)	7,135		(7,135)			(7,135)				
Gain/(loss) on sale of debts	1,356	(1,356)									1,356
Foreclosure of property	11,646	(11,646)						11,646		11,646	
Gain/(loss) on sale of property	(23)	23						(23)		(23)	
	378,963	(378,963)	502,966	(19,120)	(7,119)	(4,866)	(7,135)	(106,239)	(192,752)	86,513	1,356

*Data presented in the new format in Note 11.1.

Revenue from purchased debt portfolios

PLN '000

	Apr 1–Jun 30 2020 Originally reported	Change	Interest income*	Other income/expenses from purchased debt portfolios*	costs of loyalty scheme valuation	costs of provision for overpayments	Foreign currency gains/(losses)	Gain/(loss) on expected credit losses from debt portfolios*	Revaluation of recovery projections	Deviations of actual recoveries, decreases on early collections in collateralised cases, payments from original creditor	Gain/(loss) on sale of debts*
Interest income	245,123	(245,123)	245,123								
Other income from purchased debt	44,867	(44,867)									
of which:	-										
Deviations of actual recoveries, decreases on early collections in collateralised cases	54,980	(54,980)						54,980		54,980	
costs of loyalty scheme valuation	(5,488)	5,488		(5,488)	(5,488)						
costs of provision for overpayments	(4,625)	4,625		(4,625)		(4,625)					
Revaluation of debt portfolios	(74,414)	74,414									
of which:	-										
Revaluation of recovery projections	(71,696)	71,696						(71,696)	(71,696)		
Foreign currency gains/(losses)	(2,718)	2,718		(2,718)			(2,718)				
Gain/(loss) on sale of debts	493	(493)									493
Foreclosure of property	6,832	(6,832)						6,832		6,832	
Gain/(loss) on sale of property	124	(124)						124		124	
	223,025	(223,025)	245,123	(12,831)	(5,488)	(4,625)	(2,718)	(9,760)	(71,696)	61,936	493

*Data presented in the new format in Note 11.1.

- To better reflect the relevant economic substance, as at December 31st 2020 The Group changed the presentation of its loyalty scheme provision (previously disclosed under *Trade and other payables*) and provision for retirement gratuities (previously disclosed under *Employee benefit obligations*) by moving them to *Provisions*.

The data presented in the interim condensed consolidated financial statements for the period January 1st – June 30th 2020 was restated to ensure comparability. The effect of the change on the consolidated statement of financial position is presented below.

PLN '000

	Jun 30 2020 Originally reported	Change	Jun 30 2020 Restated
Liabilities			
Trade and other payables	109,791	(10,796)	98,995
Employee benefit obligations	50,697	(11,749)	38,948
Provisions	19,500	22,545	42,046

6. Accounting estimates and judgements

In order to prepare interim consolidated 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 estimates and assumptions are reviewed by the Group on an ongoing basis, based on past experience and other factors, including expectations as to future events, which seem justified in given circumstances. Any changes in accounting estimates are introduced prospectively, starting from the reporting period in which the estimate is revised. In particular, the Group's estimates as at June 30th 2021 reflected the impact of COVID-19 on the Group's assets and liabilities. However, given a considerable degree of uncertainty regarding further economic developments, these estimates may be subject to change in the future.

Information on estimates and judgements concerning the application of accounting policies which most significantly affect the amounts presented in the financial statements:

Item	Amount estimated		Note	Assumptions and estimate calculation
	Dec 31 2020 (PLN '000)	Jun 30 2021 (PLN '000)		
Investments in debt portfolios	3 984,080	4,345,331	10	<p>The value of purchased debt portfolios as at the valuation date is determined using an estimation model relying on expected discounted cash flows. The expected cash flows were estimated with the use of analytical methods or based on a legal and economic analysis of individual claims or indebted persons (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>The KRUK Group prepares projections for recoveries from debt portfolios separately for each market. The projections account for historical performance of the process of debt portfolio recovery, legal regulations currently in force and planned, type and nature of debt and security, current collection strategy and macroeconomic considerations, among other factors.</p> <p>The original forecast of estimated cash receipts, taking into account the initial value (purchase price plus</p>

Item	Amount estimated		Note	Assumptions and estimate calculation
	Dec 31 2020 (PLN '000)	Jun 30 2021 (PLN '000)		
				directly allocated transaction costs), is the basis for calculating the effective interest rate, equal to the internal rate of return including an element that reflects credit risk, used for discounting estimated cash receipts, which remains unchanged throughout the life of a portfolio.
Goodwill	23,916	23,451	11.15	Goodwill impairment is estimated based on the expected discounted cash flows to be derived from a cash-generating unit. The discount rate used to discount expected cash flows reflects the current market assessment of the asset risk for the debt collection industry.
Loans measured at amortised cost	152,666	150,658	10	Loans advanced by the KRUK Group are measured at amortised cost, using the effective interest rate method, and recognised net of expected credit losses. Expected credit losses are part of the estimate. They are estimated on the basis of expected cash flows.
Loans measured at fair value through profit or loss	71,978	104,955	10	Loans that do not meet the SPPI test are measured at fair value. The fair value of loans was determined based on Level 3, that is based on the forecast of expected cash flows. The present value of discounted future cash flows equals the expected cash flow for the loan portfolio concerned. The expected cash flows for a loan portfolio are determined based on the so-called 'repayment curves' for homogeneous loan groups for each month as of the grant of a given loan group. 'Repayment curves' are determined on the basis of historical repayments of loans advanced in the past, at monthly intervals.

Item	Amount estimated		Note	Assumptions and estimate calculation
	Dec 31 2020 (PLN '000)	Jun 30 2021 (PLN '000)		
Lease liabilities	78,592	74,118	11.9	<p>The application of IFRS 16 requires making estimates and calculations that affect 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 lease term, • determining the marginal interest rates to be used to discount future cash flows, • identifying useful lives and determining depreciation rates for the right-of-use assets.
Right-of-use assets	61,211	50,434	11.14	
Other provisions	29,008	30,778	11.21	<p>As at June 30th 2021, the Group assessed the legal risk arising from the CJUE ruling on consumer loans and estimated the possible amount of cash outflow for the reimbursement of early repayment fees to clients. The estimates required the Group to make expert assumptions, primarily concerning the scale of complaints and the amounts refunded prior to the CJEU judgment as well as the effect and the expected scale of prepayments and future refunds on on-balance sheet exposures. The estimates involve a certain amount of uncertainty.</p>
Derivatives	11,236 (liabilities)	3,176 (liabilities)	11.10	<p>The Group estimates the fair value of derivative instruments as at each reporting date. Difference in discounted interest cash inflows and outflows in two different currencies, expressed in the valuation currency. The inputs include interest rate curves, basis spreads and the National Bank of Poland's fixing for the respective currencies, as provided by the Bank.</p>
Hedging instruments	18,386 (liabilities)	8,403 (liabilities)	11.11	<p>The Group estimates the fair value of its hedging instruments as at each reporting date. Difference in discounted interest cash flows based on floating and fixed interest rates. The inputs include the interest rate curve provided by the bank.</p>

Item	Amount subject to judgement		Note	Assumptions underlying judgements
	Dec 31 2020 (PLN '000)	Jun 30 2021 (PLN '000)		
Deferred tax asset and liabilities	31,180 (asset)	31,500 (asset)	11.8	As the KRUK Group is able to control the timing of temporary differences with respect to subsidiaries, it recognises deferred tax liabilities at amounts of income tax to be paid in the future (three years). The Kruk Group assesses the recoverability of deferred tax assets based on its approved financial forecast for the following years.
	134,339 (Liabilities)	156,822 (Liabilities)		
Investments in debt portfolios	81,953	70,741	10	The KRUK Group determined that the agreement executed with the co-investor in 2016 for the purchase of debt portfolios at ProsperoCapital S.à r.l on the Romanian market was a transaction meeting the definition of a joint operation rather than a joint venture, and therefore disclosed the transaction in the consolidated financial statements as a proportional share in the company's assets and liabilities rather than an equity-accounted transaction.
Functional currency at InvestCapital	86,460	37,305		InvestCapital carries out material transactions in three different currencies: EUR, PLN, and RON. Under IAS 21, the KRUK Group assesses the correctness of applying the functional currency for executed transactions on a quarterly basis, taking into account both historical and planned transactions. The functional currency of InvestCapital is EUR.

7. Financial risk management

The principles of financial risk management are presented in the most recent consolidated full-year financial statements prepared as at and for the financial year ended December 31st 2020. In the period from January 1st to June 30th 2021, there were no significant changes in the approach to financial risk management.

8. Reporting and geographical segments

Reportable segments

Below, the Group presents its principal reportable segments. The division into segments presented below is based on the criterion of materiality of revenue in the consolidated statement of profit or loss. The President of the Management Board of the Parent reviews internal management reports relating to each business segment at least quarterly. The Group's reportable segments conduct the following activities:

- debt purchase: collection of purchased debt,
- credit management: fee-based collection of debt on client's behalf;
- other: financial intermediation, lending, provision of business information.

The performance of each reportable segment is discussed below. The key performance metrics for each reportable segment are gross profit and EBITDA, which are disclosed in the management's internal reports reviewed by the President of the Management Board of the Parent. A segment's gross profit and EBITDA are used to measure the segment's performance since the management believes them to be the most appropriate metrics for the assessment of the segment's results against other entities operating in the industry.

The Group's operating activities concentrate in a few geographical areas: Poland, Romania, the Czech Republic, Slovakia, Germany, Spain and Italy.

The Group's operations are divided into four main geographical segments:

- Poland,
- Romania,
- Italy,
- Spain,
- other foreign markets.

In the presentation of data by geographical segments, segments' revenue is recognised based on the location of debt collection offices.

Revenue from credit management services and revenue from other products represent revenue from business partners.

Reportable segments

For the reporting period ended June 30th 2021

	Poland		Romania	Italy	Spain	Other foreign markets	Head Office	TOTAL
	Poland excluding Wonga.pl	Wonga.pl						
Revenue	423,141	37,001	221,492	115,893	67,908	28,993	-	894,428
Purchased debt portfolios	397,802	-	213,497	111,342	60,684	28,993	-	812,318
<i>including revaluation of recovery projections</i>	<i>54,494</i>	<i>-</i>	<i>61,685</i>	<i>9,233</i>	<i>4,852</i>	<i>4,861</i>	-	135,125
Credit management services	12,138	-	6,158	4,551	7,224	-	-	30,071
Other products	13,201	37,001	1,837	-	-	-	-	52,039
Direct and indirect costs								(291,339)
Purchased debt portfolios	-	-	-	-	-	-	-	(244,318)
Credit management services	-	-	-	-	-	-	-	(21,658)
Other products	-	-	-	-	-	-	-	(25,363)
Gross profit ¹								603,089
Purchased debt portfolios	-	-	-	-	-	-	-	568,004
Credit management services	-	-	-	-	-	-	-	8,413
Other products	-	-	-	-	-	-	-	26,672
								-
Administrative expenses	-	-	-	-	-	-	-	(91,936)
								-
Other income	-	-	-	-	-	-	-	1,430
Other expenses (unallocated)	-	-	-	-	-	-	-	(3,045)
EBITDA ²	290,895	14,323	167,124	31,716	27,134	13,424	(35,078)	509,538
Depreciation and amortisation	-	-	-	-	-	-	-	(25,540)

Finance income/(costs)	-	-	-	-	-	-	-	(26,498)
Profit before tax	-	-	-	-	-	-	-	457,500
Income tax	-	-	-	-	-	-	-	(61,896)
Net profit	-	-	-	-	-	-	-	395,604
Carrying amount of debt portfolios	2,150,799	-	843,423	812,765	420,572	117,772	-	4,345,331
Carrying amount of loans	35,912	211,691	8,008	-	-	-	-	255,612
Cash recoveries	521,100	-	286,017	135,367	79,992	42,654	-	1,065,131

For the financial year ended December 31st 2020

	Poland Poland excluding Wonga.pl	Poland Wonga.pl	Romania	Italy	Spain	Other foreign markets	Head Office	TOTAL
Revenue	543,572	78,409	314,961	117,171	37,827	46,078	-	1,138,018
Purchased debt portfolios	497,860	-	298,745	107,175	26,483	46,078	-	976,341
<i>including revaluation of recovery projections</i>	<i>(38,329)</i>	-	<i>(9,393)</i>	<i>(96,450)</i>	<i>(60,102)</i>	<i>(996)</i>	-	<i>(205,271)</i>
Credit management services	22,006	-	13,475	9,997	11,344	-	-	56,821
Other products	23,705	78,409	2,741	-	-	-	-	104,856
Direct and indirect costs								(605,894)
Purchased debt portfolios	-	-	-	-	-	-	-	(468,381)
Credit management services	-	-	-	-	-	-	-	(67,620)
Other products	-	-	-	-	-	-	-	(69,893)
Gross profit¹								532,124
Purchased debt portfolios	-	-	-	-	-	-	-	507,959
Credit management services	-	-	-	-	-	-	-	(10,799)
Other products	-	-	-	-	-	-	-	34,963
Administrative expenses	-	-	-	-	-	-	-	(159,926)

Other income	-	-	-	-	-	-	-	19,792
Other expenses (unallocated)	-	-	-	-	-	-	-	(13,183)
EBITDA ²	276,832	16,271	220,513	(29,493)	(79,940)	19,350	(44,729)	378,805
Depreciation and amortisation	-	-	-	-	-	-	-	(46,543)
Finance income/(costs)	-	-	-	-	-	-	-	(127,823)
Profit before tax	-	-	-	-	-	-	-	204,440
Income tax	-	-	-	-	-	-	-	(123,443)
Net profit	-	-	-	-	-	-	-	80,998
Carrying amount of debt portfolios	1,875,963	-	888,806	734,500	366,296	118,515	-	3,984,080
Carrying amount of loans	32,824	186,013	5,807	-	-	-	-	224,644
Cash recoveries	862,923	-	525,252	250,126	110,155	85,419	-	1,833,874

For the reporting period ended June 30th 2020

	Poland		Romania	Italy	Spain	Other foreign markets	Head Office	TOTAL
	Poland excluding Wonga.pl	Wonga.pl						
Revenue	247,280	37,975	115,303	18,979	17,435	19,454	-	456,426
Purchased debt portfolios	224,376	-	108,586	13,913	12,634	19,454	-	378,963
<i>including revaluation of recovery projections</i>	<i>(45,020)</i>	<i>-</i>	<i>(32,426)</i>	<i>(75,521)</i>	<i>(36,743)</i>	<i>(3,041)</i>	<i>-</i>	<i>(192,752)</i>
Credit management services	11,320	-	5,894	5,066	4,801	-	-	27,081
Other products	11,584	37,975	823	-	-	-	-	50,382
Direct and indirect costs								(308,946)

Purchased debt portfolios	-	-	-	-	-	-	-	(224,904)
Credit management services	-	-	-	-	-	-	-	(46,288)
Other products	-	-	-	-	-	-	-	(37,754)
Gross profit¹								147,480
Purchased debt portfolios	-	-	-	-	-	-	-	154,059
Credit management services	-	-	-	-	-	-	-	(19,207)
Other products	-	-	-	-	-	-	-	12,628
Administrative expenses	-	-	-	-	-	-	-	(76,256)
Other income	-	-	-	-	-	-	-	9,053
Other expenses (unallocated)	-	-	-	-	-	-	-	(4,660)
EBITDA²	115,834	4,227	70,537	(58,073)	(41,525)	4,190	(19,573)	75,617
Depreciation and amortisation	-	-	-	-	-	-	-	(23,182)
Finance income/(costs)	-	-	-	-	-	-	-	(69,965)
Profit before tax	-	-	-	-	-	-	-	(17,530)
Income tax	-	-	-	-	-	-	-	(1,785)
Net profit	-	-	-	-	-	-	-	(19,315)
Carrying amount of debt portfolios	1,753,783	-	908,977	743,969	342,869	123,537	-	3,873,135
Carrying amount of loans	33,520	164,415	4,486	-	-	-	-	202,421
Cash recoveries	424,542	-	250,972	121,063	53,311	44,037	-	893,923

¹ Gross profit = operating income - operating expenses.

² EBITDA = operating profit – depreciation and amortisation

9. Seasonality or cyclical of business

The Group's operations are not subject to seasonal or cyclical fluctuations.

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

Investments

PLN '000

	Jun 30 2021 unaudited	Dec 31 2020	Jun 30 2020 unaudited
Investments in debt portfolios measured at amortised cost	4,345,331	3,984,080	3,873,135
Loans measured at amortised cost	150,658	152,666	202,421
Loans measured at fair value	104,955	71,978	-
	4,600,943	4,208,724	4,075,556

Investments measured at amortised cost

PLN '000

	Jun 30 2021 unaudited	Dec 31 2020	Jun 30 2020 unaudited
Investments in debt portfolios	4,345,331	3,984,080	3,873,135
Loans measured at amortised cost	150,658	152,666	202,421
	4,495,989	4,136,746	4,075,556

Debt portfolios

Investments in debt portfolios

PLN '000

	Jun 30 2021 unaudited	Dec 31 2020	Jun 30 2020 unaudited
Unsecured portfolios	3,633,634	3,285,231	3,122,206
Secured portfolios	711,697	698,849	750,929
	4,345,331	3,984,080	3,873,135

Unsecured portfolios are retail portfolios. Secured portfolios include mortgages as well as corporate portfolios.

If necessary, as at the end of each quarter the Group updates the following parameters which are used to estimate future cash flows from debt portfolios measured at amortised cost:

- discount rate,
- period for which cash flows are estimated,
- the value of expected future cash flows estimated using the current data and debt collection tools.

Assumptions adopted in the valuation of debt portfolios

	Jun 30 2021 unaudited	Dec 31 2020	Jun 30 2020 unaudited
Discount rate ¹	8.10% - 170.19%	8.10% - 170.19%	8.10% - 170.19%
Period for which collections have been estimated	Jul 2021–Jul 2041	Jan 2021–Jan 2041	Jul 2020–Feb 2035
Nominal value of expected future collections	8,542,722	7,942,787	7,016,782

¹ Applicable to 99% of debt portfolios.*Estimated schedule of future expected cashflows from debt portfolios*

PLN '000	Jun 30 2021 unaudited	Dec 31 2020	Jun 30 2020 unaudited
Period			
Up to 12 months	1,706,783	1,568,291	1,503,032
From 1 to 2 years	1,411,169	1,405,952	1,459,687
From 2 to 3 years	1,188,056	1,177,335	1,226,766
From 3 to 4 years	920,586	864,985	883,833
From 4 to 5 years	685,933	635,514	630,965
From 5 to 6 years	531,702	493,861	470,084
From 6 to 7 years	429,549	384,010	340,480
From 7 to 8 years	359,239	303,437	256,334
From 8 to 9 years	285,678	253,703	180,341
From 9 to 10 years	229,169	196,721	61,086
From 10 to 11 years	192,965	154,925	1,478
From 11 to 12 years	166,869	132,913	642
From 12 to 13 years	145,675	115,737	478
From 13 to 14 years	124,815	101,225	734
From 14 to 15 years	94,582	84,153	712
Over 15 years	69,954	70,025	129
	8,542,722	7,942,787	7,016,782

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

PLN '000

Carrying amount of investments in debt portfolios as at Jan 1 2020	4,196,821
Purchase of debt portfolios	79,905
Purchase price adjustment for discount	(100)
Cash recoveries	(893,923)
Increase/(decrease) in liabilities to indebted persons due to overpayments	4,857
Valuation of loyalty scheme*	7,119
Revenue from purchased debt portfolios	378,963
Translation differences on debt portfolios	99,493
Carrying amount of investments in debt portfolios as at Jun 30 2020	3,873,135

PLN '000

Carrying amount of investments in debt portfolios as at Jan 1 2020	4,196,821
Purchase of debt portfolios	456,224
Cash recoveries	(1,833,874)
Increase/(decrease) in liabilities to indebted persons due to overpayments	6,620
Valuation of loyalty scheme*	9,513
Payments from original creditor	(2,844)
Revenue from purchased debt portfolios	976,341
Carrying amount of foreclosed property **	(15,864)
Carrying amount of property sold **	18,914
Translation differences on debt portfolios	172,329
Carrying amount of investments in debt portfolios as at Dec 31 2020	3,984,080
Carrying amount of investments in debt portfolios as at Jan 1 2021	3,984,080
Purchase of debt portfolios	643,534
Purchase price adjustment for discount	-
Cash recoveries	(1,065,131)
Increase/(decrease) in liabilities to indebted persons due to overpayments	4,420
Valuation of loyalty scheme*	3,445
Revenue from purchased debt portfolios	812,318
Carrying amount of foreclosed property **	(4,961)
Carrying amount of property sold **	10,423
Translation differences on debt portfolios	(42,797)
Carrying amount of investments in debt portfolios as at Jun 30 2021	4,345,331

* The value of investments in debt portfolios is adjusted to account for the measurement of the loyalty scheme in connection with the recognition of costs related to the bonus plan under 'Other income/expenses from purchased debt portfolios'.

** The value of investments in debt portfolios is adjusted for the value of properties foreclosed and sold due to the recognition of their effect under 'Gain/(loss) on expected credit losses from purchased debt portfolios'.

In the reporting period, the Group incurred expenditure on the purchase of debt portfolios in the amount of PLN 643,534 thousand (H1 2020: PLN 79,905 thousand; 2020: PLN 456,224 thousand), while the amount of recoveries from indebted persons was PLN 1,065,131 thousand (H1 2020: PLN 893,923 thousand; 2020: PLN 1,833,874 thousand).

ProsperoCapital is a party to a joint arrangement. As at June 30th 2021, the value of the KRUK Group's investment in the joint operation referred to above, disclosed in the consolidated statement of financial position, was PLN 70,741 thousand (December 31st 2020: PLN 81,953 thousand), while revenue shown in the consolidated statement of profit or loss was PLN 20,063 thousand (2020: PLN 33,425 thousand).

Sensitivity analysis – revaluation of recovery projections

The 1% increase in all projected collections would result in an increase in the value of portfolios and thus in net profit/(loss) for the reporting period by PLN 37,396 thousand, while the 1% decrease in all projected collections would result in a decrease in the value of portfolios, thus reducing net profit/(loss) by PLN 37,396 thousand for the data as at June 30th 2021 (a PLN 34,136 thousand increase/decrease, respectively, for the data as at December 31st 2020).

PLN '000

	Profit or loss for the current period	
	increase in collections by 100 bps	decrease in collections by 100 bps
Jun 30 2021		
Investments in debt portfolios	37,396	(37,396)
Dec 31 2020		
Investments in debt portfolios	34,136	(34,136)

Sensitivity analysis – time horizon

The sensitivity analysis assumes extension or reduction of the projection period and a simultaneous increase or decrease in projected collections (for one-year extension projected collections increased by PLN 5,340 thousand, while for one-year reduction projected collections decreased by PLN 8,552 thousand; 2020: PLN 10,706 thousand and PLN 11,163 thousand, respectively).

PLN '000

	Profit or loss for the current period	
	extension by one year	reduction by one year
Jun 30 2021		
Investments in debt portfolios	37	(76)
Dec 31 2020		
Investments in debt portfolios	56	(74)

Loans

PLN '000

	Jun 30 2021 unaudited	Dec 31 2020	Jun 30 2020 unaudited
Loans measured at amortised cost	150,658	152,666	202,421
Loans measured at fair value	104,955	71,978	-
	255,612	224,644	202,421

Loans measured at amortised cost

The structure of loans measured at amortised cost at the end of the reporting periods was as follows:

IFRS 9 classification	Carrying amount as at Jun 30 2021	Carrying amount as at Dec 31 2020	Carrying amount as at Jun 30 2020
Loans measured at amortised cost			
Basket 1	108,520	100,561	140,933
Basket 2	17,425	23,596	34,128
Basket 3	23,568	27,418	25,958
POCI loans	1,145	1,092	1,403
Net carrying amount	150,658	152,666	202,421

Changes in the net carrying amount of loans measured at amortised cost are presented below.

PLN '000

Value of loans measured at amortised cost as at Jan 1 2020	214,617
New disbursements	147,228
Repayments	(201,401)
Revenue from loans	65,715
Allowance for expected credit losses	(20,380)
Sale of loans	(3,606)
Currency translation differences	204
Other differences	44
Value of loans measured at amortised cost as at Jun 30 2020	202,420

Value of loans measured at amortised cost as at Jan 1 2020	214,617
New disbursements	207,009
Repayments	(355,941)
Revenue from loans	113,336
Allowance for expected credit losses	(23,106)
Sale of loans	(3,606)
Currency translation differences	357
Value of loans measured at amortised cost as at Dec 31 2020	152,666

Value of loans measured at amortised cost as at Jan 1 2021	152,666
New disbursements	72,923
Repayments	(97,913)
Revenue from loans	31,255
Allowance for expected credit losses	(8,288)
Sale of loans	(875)
Currency translation differences	(214)
Other differences	1,104
Value of loans measured at amortised cost as at Jun 30 2021	150,658

*Sale involving solely non-performing loans (NPL), without affecting the adopted business model or recognition of loans advanced as measured at amortised cost.

Changes in impairment losses on loans measured at amortised cost are presented below:

PLN '000	Jan 1–Jun 30 2021			Jan 1–Dec 31 2020				TOTAL
	Basket 1	Basket 2	Basket 3	TOTAL	Basket 1	Basket 2	Basket 3	
Loss allowance as at Jan 1	11,330	4,082	56,681	72,093	21,298	6,730	33,293	61,320
Loss allowance recognised in the reporting period	-	5,281	172	5,453	12,205	5,226	-	17,431
Transfer from basket 1 to basket 2	(1,246)	1,246	-	-	(3,118)	3,118	-	-
Transfer from basket 1 to basket 3	(967)	-	967	-	(18,829)	-	18,829	-
Transfer from basket 2 to basket 1	265	(265)	-	-	(256)	256	-	-
Transfer from basket 2 to basket 3	-	(5,894)	5,894	-	-	(11,258)	11,258	-
Transfer from basket 3 to basket 1	67	-	(67)	-	31	-	(31)	-
Transfer from basket 3 to basket 2	-	20	(20)	-	-	10	(10)	-
Reversal of allowance for expected credit losses	(77)	-	-	(77)	-	-	(6,658)	(6,658)
Loss allowance at end of the period	9,372	4,471	63,626	77,469	11,330	4,082	56,681	72,093

The amount of the impairment loss is determined for individual expected loss recognition buckets, based on estimates that reflect the risk of incurring the expected loss, made taking into account the stage of delinquency. The amount of loss allowance as at the end of the reporting period covers 34.0% of gross loans.

Sensitivity analysis – revaluation of recovery projections

The note presents the effect of a change in projected collections on the net carrying amount of loans measured at amortised cost as the effect of the change on net profit/(loss).

PLN '000	Profit or loss for the current period	
	increase in collections by 100 bps	decrease in collections by 100 bps
Jun 30 2021		
Loans measured at amortised cost	1,546	(1,548)
Dec 31 2020		
Loans measured at amortised cost	1,656	(1,652)

Sensitivity analysis – time horizon

The note presents the effect of extending or reducing the repayment projection period by one month on the net carrying amount of loans measured at amortised cost as the effect of the change on net profit or loss.

PLN '000

Profit or loss for the current period

	<u>extension by one month</u>	<u>reduction by one month</u>
Jun 30 2021		
Loans measured at amortised cost	(4,066)	3,097
Dec 31 2020		
Loans measured at amortised cost	(3,886)	4,179

Loans measured at fair value

Changes in the carrying amount of loans measured at fair value are presented below.

PLN '000

Value of loans measured at fair value as at Jan 1 2020	-
New disbursements	132,068
Repayments	(65,118)
Revenue from loans	6,831
Remeasurement	(1,803)
Sale of loans	-
Currency translation differences	-
Value of loans measured at fair value as at Dec 31 2020	71,978
Value of loans measured at fair value as at Jan 1 2021	71,978
New disbursements	212,198
Repayments	(203,344)
Revenue from loans	22,945
Remeasurement	2,057
Sale of loans	-
Currency translation differences	-
Other revaluation accounts	(879)
Value of loans measured at fair value as at Jun 30 2021	104,955

Sensitivity analysis – revaluation of recovery projections

The note presents the effect of a change in projected collections on the carrying amount of loans measured at fair value as the effect of the change on net profit or loss.

PLN '000

	Profit or loss for the current period	
	increase in collections by 100 bps	decrease in collections by 100 bps
Jun 30 2021		
Loans measured at fair value	1,050	(1,050)
Dec 31 2020		
Loans measured at fair value	718	(718)

Sensitivity analysis – time horizon

The note presents the effect of extending or reducing the repayment projection period by one month on the carrying amount of loans measured at fair value as the effect of the change on net profit or loss.

PLN '000

	Profit or loss for the current period	
	extension by one month	reduction by one month
Jun 30 2021		
Loans measured at fair value	(2,127)	2,089
Dec 31 2020		
Loans measured at fair value	(1,936)	640

Sensitivity analysis – interest rate

The interest rate on loans measured at fair value is 43% (December 31st 2020: 45%). Presented below is a sensitivity analysis for the interest rate applied to the fair-value measurement of loans:

PLN '000

	Profit or loss for the current period	
	1 pp increase in interest rate	1 pp decrease in interest rate
Jun 30 2021		
Loans measured at fair value	(452)	459
Dec 31 2020		
Loans measured at fair value	(314)	320

Inventories (including property)

PLN '000

	Jun 30 2021	Dec 31 2020	Jun 30 2020
Real property	24,975	32,056	35,748
Other inventories	-	13	21
	<u>24,975</u>	<u>32,069</u>	<u>35,769</u>

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

PLN '000

Carrying amount of property held as at Jan 1 2020	32,406
Carrying amount of foreclosed property	11,646
Carrying amount of property sold	(8,421)
Income from sale of property	(23)
Currency translation differences on property valuation	140
Carrying amount of property held as at Jun 30 2020	<u>35,748</u>
 Carrying amount of property held as at Jan 1 2021	 32,056
Carrying amount of foreclosed property	4,961
Carrying amount of property sold	(12,071)
Income from sale of property	1,647
Translation differences on property valuation	(1,618)
Carrying amount of property held as at Jun 30 2021	<u>24,975</u>

Property is measured at the lower of cost and net realisable value.

11. 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

11.1 Operating income including gain/(loss) on expected credit losses, change in investments, and other income/expenses from purchased debt portfolios

Interest income on debt portfolios and loans measured at amortised cost

PLN '000

	Jan 1–Jun 30 2021 unaudited	Apr 1–Jun 30 2021 unaudited	Jan 1–Jun 30 2020 restated	Apr 1–Jun 30 2020 restated
Interest income on debt portfolios	477,656	237,370	502,966	245,123
Interest income on loans	31,255	15,202	65,715	31,222
	508,911	252,572	568,681	276,345

Gain/(loss) on expected credit losses

PLN '000

	Jan 1–Jun 30 2021 unaudited	Apr 1–Jun 30 2021 unaudited	Jan 1–Jun 30 2020 restated	Apr 1–Jun 30 2020 restated
Gain/(loss) on expected credit losses from debt portfolios	348,225	240,564	(106,239)	(9,760)
Gain/(loss) on expected credit losses from loans	(8,502)	(5,171)	(20,176)	(12,421)
	339,723	235,393	(126,415)	(22,182)

By reportable segments

PLN '000

	Jan 1–Jun 30 2021 unaudited	Apr 1–Jun 30 2021 unaudited	Jan 1–Jun 30 2020 restated	Apr 1–Jun 30 2020 restated
Revenue from purchased debt portfolios	812,318	471,762	378,963	223,025
Revenue from credit management services	30,071	15,277	27,081	12,810
Revenue from other services	52,039	25,132	50,382	21,305
	894,428	512,171	456,426	257,140

Income from financial assets measured at amortised cost

PLN '000

	Jan 1–Jun 30 2021 unaudited	Apr 1–Jun 30 2021 unaudited	Jan 1–Jun 30 2020 restated	Apr 1–Jun 30 2020 restated
Revenue from purchased debt portfolios	812,318	471,762	378,963	223,025
Revenue from loans	22,753	10,031	45,539	18,801
	835,071	481,793	424,502	241,826

Revenue from purchased debt portfolios and from loans are calculated on financial assets measured at amortised cost using the effective interest rate method.

Revenue from purchased debt portfolios

PLN '000

	Jan 1–Jun 30 2021 unaudited	Apr 1–Jun 30 2021 unaudited	Jan 1–Jun 30 2020 restated	Apr 1–Jun 30 2020 restated
Interest income	477,656	237,370	502,966	245,123
Other income/expenses from purchased debt portfolios*	(17,337)	(7,894)	(19,120)	(12,831)
Gain/(loss) on expected credit losses from purchased debt portfolios	348,225	240,564	(106,239)	(9,760)
Gain/(loss) on sale of debts	3,774	1,722	1,356	493
	812,318	471,762	378,963	223,025

* Other income/expenses from purchased debt portfolios include the cost of the loyalty scheme, cost of overpayments, and foreign exchange gains/losses

Other income/expenses from purchased debt portfolios

PLN '000

	Jan 1–Jun 30 2021 unaudited	Apr 1–Jun 30 2021 unaudited	Jan 1–Jun 30 2020 restated	Apr 1–Jun 30 2020 restated
Foreign currency gains/(losses)	(9,472)	(1,979)	(7,135)	(2,718)
Costs of loyalty scheme valuation	(3,445)	(2,273)	(7,119)	(5,488)
Costs of provision for overpayments	(4,420)	(3,642)	(4,866)	(4,625)
	(17,337)	(7,894)	(19,120)	(12,831)

Gain/(loss) on expected credit losses from purchased debt portfolios

PLN '000

	Jan 1–Jun 30 2021 unaudited	Apr 1–Jun 30 2021 unaudited	Jan 1–Jun 30 2020 restated	Apr 1–Jun 30 2020 restated
Revaluation of recovery projections	135,125	116,726	(192,752)	(71,696)
Deviations of actual recoveries, decreases on early collections in collateralised cases, payments from original creditor	213,100	123,838	86,513	61,936
	348,225	240,564	(106,239)	(9,760)

Revenue from loans

Revenue from loans measured at amortised cost

PLN '000

	Jan 1–Jun 30 2021 unaudited	Apr 1–Jun 30 2021 unaudited	Jan 1–Jun 30 2020 restated	Apr 1–Jun 30 2020 restated
Interest income	31,255	15,202	65,715	31,222
Allowance for expected credit losses	(8,288)	(4,963)	(20,380)	(12,300)
Foreign currency gains/(losses)	(214)	(208)	204	(122)
	22,753	10,031	45,539	18,801

Revenue from loans measured at fair value

PLN '000

	Jan 1–Jun 30 2021 unaudited	Apr 1–Jun 30 2021 unaudited	Jan 1–Jun 30 2020 restated	Apr 1–Jun 30 2020 restated
Interest income	22,945	12,244	-	-
Remeasurement	2,057	864	-	-
	25,002	13,108	-	-

Other income

PLN '000

	Jan 1–Jun 30 2021 unaudited	Apr 1–Jun 30 2021 unaudited	Jan 1–Jun 30 2020 unaudited	Apr 1–Jun 30 2020 unaudited
Grants	-	-	6,290	6,290
Settlement of lease payments under terminated contracts	-	-	1,050	1,050
Recovery of written-off receivables and expenses	368	203	204	123
Other markets	360	192	654	321
Gain on sale of property, plant and equipment	243	(10)	568	185
Other cooperation	177	167	83	12
Compensation for motor damage	168	52	196	74
Re-billed costs of services and court fees	61	13	8	(22)
Reversal of impairment losses on receivables	53	-	-	-
	1,430	617	9,053	8,033

11.2 Services

PLN '000

	Jan 1–Jun 30 2021 unaudited	Apr 1–Jun 30 2021 unaudited	Jan 1–Jun 30 2020 unaudited	Apr 1–Jun 30 2020 unaudited
Credit management services ¹	(16,120)	(8,394)	(19,605)	(10,222)
IT services	(9,657)	(4,961)	(8,720)	(4,631)
Legal assistance services ²	(9,652)	(4,725)	(8,463)	(3,845)
Administrative and accounting support services	(5,854)	(2,899)	(7,816)	(4,103)
Postal and courier services	(5,386)	(2,357)	(4,644)	(1,933)
Banking services	(4,503)	(2,189)	(5,066)	(2,899)
Space rental and service charges	(3,995)	(1,616)	(3,789)	(1,601)
Marketing and management services	(3,729)	(1,797)	(2,742)	(329)
Communications services	(3,474)	(1,791)	(3,418)	(1,811)
Printing services	(851)	(446)	(1,073)	(443)
Other auxiliary services	(756)	(433)	(874)	(410)
Security	(753)	(393)	(773)	(333)
Repair of vehicles	(554)	(269)	(619)	(247)
Recruitment services	(322)	(197)	(114)	(109)
Repair and maintenance services	(286)	(212)	(217)	(107)
Other rental	(223)	(181)	(167)	(167)

Packing services	(162)	(104)	(80)	(22)
Transport services	(10)	(8)	(9)	(1)
	(66,287)	(32,972)	(68,189)	(33,213)

¹ Costs of debt management services provided by external service providers.

² Legal assistance mainly relates to debt portfolio management

11.3 Employee benefits expense

PLN '000

	Jan 1–Jun 30 2021 unaudited	Apr 1–Jun 30 2021 unaudited	Jan 1–Jun 30 2020 unaudited	Apr 1–Jun 30 2020 unaudited
Salaries and wages	(143,790)	(71,226)	(133,595)	(62,682)
Old-age and disability pension contributions	(10,667)	(5,460)	(10,185)	(4,814)
Other social security contributions	(25,725)	(13,652)	(22,946)	(10,143)
Contribution to the State Fund for the Disabled	(823)	(421)	(843)	(422)
Equity-settled cost of stock option plan	(7,164)*	(7,164)	3,660	(907)
	(188,169)	(97,923)	(163,909)	(78,968)

* 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.

11.4 Other expenses

PLN '000

	Jan 1–Jun 30 2021 unaudited	Apr 1–Jun 30 2021 unaudited	Jan 1–Jun 30 2020 unaudited	Apr 1–Jun 30 2020 unaudited
Court fees	(104,213)	(51,648)	(87,356)	(36,682)
Taxes and charges	(15,984)	(7,377)	(18,415)	(8,756)
Raw materials and consumables used	(4,218)	(2,048)	(3,924)	(1,406)
Provision for possible differences relative to straight-line basis settlement	(1,770)	(1,926)	(12,343)	(7,447)
Advertising	(1,542)	(1,075)	(3,725)	(149)
Business trips	(579)	(327)	(1,113)	(175)
Property insurance	(560)	(331)	(344)	(165)
Non-deductible VAT	(393)	-	(114)	-
Motor insurance	(347)	(118)	(683)	(344)
Staff training	(325)	(248)	(883)	(170)
Membership fees	(231)	(74)	(273)	(89)
Non-compete agreements	(218)	(151)	(545)	(130)
Losses caused by motor damage	(214)	(78)	(209)	(57)
Refund of litigation costs	(115)	(115)	(148)	(148)

Entertainment expenses	(104)	-	(111)	-
Impairment losses on receivables	(1)	15	(28)	(27)
Goodwill impairment	-	-	(25,051)	(25,051)
Costs of services and fees to be re-billed	-	-	(463)	(463)
Other markets	(1,050)	929	(2,037)	(654)
	<u>(131,864)</u>	<u>(64,572)</u>	<u>(157,765)</u>	<u>(81,913)</u>

11.5 Finance income

PLN '000

	Jan 1–Jun 30 2021 unaudited	Apr 1–Jun 30 2021 unaudited	Jan 1–Jun 30 2020 unaudited	Apr 1–Jun 30 2020 unaudited
Interest income on bank deposits	26	13	65	36
	<u>26</u>	<u>13</u>	<u>65</u>	<u>36</u>

11.6 Finance costs

PLN '000

	Jan 1–Jun 30 2021 unaudited	Apr 1–Jun 30 2021 unaudited	Jan 1–Jun 30 2020 unaudited	Apr 1–Jun 30 2020 unaudited
Interest and commission expense on financial liabilities measured at amortised cost including interest	(41,099)	(19,652)	(57,165)	(28,089)
Net foreign exchange losses	(32,826)	(15,499)	(49,474)	(23,381)
	9,468	14,159	(4,739)	861
	(4,528)	(2,288)	(760)	(1,242)
Interest income/expense on hedging instruments – IRS				
Interest income/expense on derivative instruments – FORWARD	3,611	3,611	-	-
Interest income/expense on derivative instruments – CIRS	6,024	7,536	(7,366)	5,273
	<u>(26,524)</u>	<u>3,367</u>	<u>(70,030)</u>	<u>(23,197)</u>

11.7 Effect of exchange rate movements on consolidated statement of profit or loss

PLN '000

	Note	Jan 1–Jun 30 2021 unaudited	Jan 1–Jun 30 2020 unaudited
Realised exchange gains/(losses)	11.6	(1,052)	4,350
Unrealised exchange gains/(losses)	11.6	10,521	(8,173)
Settlement of forward contracts	11.6	3,611	(916)
Revaluation of debt portfolios due to exchange rate movements	11.1	(9,472)	(7,135)
Remeasurement of loans due to exchange rate movements	11.1	(214)	204
		<u>3,394</u>	<u>(11,670)</u>

11.8 Income tax

Income tax recognised in profit or loss and total comprehensive income for period

PLN '000

	Jan 1–Jun 30 2021 unaudited	Apr 1–Jun 30 2021 unaudited	Jan 1–Jun 30 2020 unaudited	Apr 1–Jun 30 2020 unaudited
Current income tax				
Current income tax payable	(39,732)	(36,025)	(8,586)	(1,573)
Deferred income tax				
Related to temporary differences and their reversal	(22,164)	(1,798)	6,801	8,064
Income tax recognised in profit or loss	(61,896)	(37,823)	(1,785)	6,491
Income tax recognised in other comprehensive income	-	-	-	-
	(61,896)	(37,823)	(1,785)	6,491

The increase in income tax for the period January 1st–June 30th 2021 is attributable to the distribution of income from subsidiaries to KRUK S.A.

Reconciliation of effective tax rate

The effective tax rate differs from the applicable tax rates as the consolidated data includes primarily data of entities whose operations are subject to deferred income tax upon realisation of income or payment of dividend.

PLN '000

	Jan 1–Jun 30 2021 unaudited	Jan 1–Jun 30 2020 unaudited
Profit before tax	457,500	(17,530)
Tax calculated at the Parent's rate (19%)	(86,925)	3,331
Effect of application of other tax rates abroad and effect of deferred tax	229	3,964
Effect of non-deductible expenses/non-taxable income	24,800	(9,080)
Income tax recognised in profit or loss	(61,896)	(1,785)
Effective tax rate (%)	13.53%	-10.18%

Tax risk

Regulations on value added tax, corporate income tax, and social security contributions are subject to frequent amendments, both in Poland and in other EU countries where the Group operates, 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 plus relatively high interest, and any additional tax liabilities arising from such inspections must be paid with high interest. Consequently, the tax risk in Poland and selected other countries where the Group operates 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.

The Group believes that it has paid all due taxes, fines and default interest in a timely manner.

In respect of all uncertain tax items, where the current legislation and communication with tax authorities do not provide sufficient guidance, the Group analysed the existing tax laws and regulations and their interpretations, and applied them correctly.

The period for which tax settlements may be subject to tax audit is four years in Spain, five years in Poland, the Czech Republic and Germany, six years in Italy, and seven years in Romania and Slovakia. As a result, the amounts disclosed in the financial statements may be changed at a later date after they are finally determined by tax authorities.

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	
	Jun 30 2021	Dec 31 2020	Jun 30 2021	Dec 31 2020	Jun 30 2021	Dec 31 2020
Property, plant and equipment	5,192	5,581	(5,080)	(5,659)	111	(78)
Intangible assets	-	-	(1,979)	(1,630)	(1,979)	(1,630)
Tax losses deductible in future periods	6,234	7,967	-	-	6,234	7,967
Trade and other receivables	-	-	(158)	(268)	(158)	(268)
Borrowings and other debt instruments	4,998	21,112	-	-	4,998	21,112
Employee benefit obligations	2,509	2,488	-	-	2,509	2,488
Provisions and liabilities	52	56	-	-	52	56
Investments*	25,187	46,294	(162,277)	(179,100)	(137,089)	(132,806)
Deferred tax assets/liabilities	44,171	83,498	(169,494)	(186,657)	(125,322)	(103,159)
Deferred tax assets offset against liabilities	(12,672)	(52,317)	12,672	52,317	-	-
Deferred tax assets/liabilities in the statement of financial position	31,500	31,180	(156,822)	(134,339)	(125,322)	(103,159)

* The decrease in deferred tax liability related to investments results from the distribution of income from subsidiaries to KRUK S.A.

Change in temporary differences in the period

PLN '000

	As at Jan 1 2021	Change in temporary differences recognised in profit or loss for current period	As at Jun 30 2021	As at Jan 1 2020	Change in temporary differences recognised in profit or loss for current period	As at Dec 31 2020
Property, plant and equipment	(78)	189	111	(396)	319	(78)
Intangible assets	(1,630)	(349)	(1,979)	(4,841)	3,211	(1,630)
Tax losses deductible in future periods	7,967	(1,733)	6,234	11,323	(3,357)	7,967
Trade and other receivables	(268)	111	(158)	(122)	(147)	(268)
Borrowings and other debt instruments	21,112	(16,114)*	4,998	18,496	2,617	21,112
Employee benefit obligations	2,488	21	2,509	2,391	96	2,488
Provisions and liabilities	56	(4)	52	3,656	(3,601)	56
Investments	(132,806)	(4,284)	(137,089)	(37,006)	(95,799)	(132,806)
	(103,159)	(22,164)	(125,322)	(6,498)	(96,661)	(103,159)

*The decrease in deferred tax asset related to borrowings and other debt instruments results from the inclusion of previously incurred costs of debt financing in the tax base.

The change due to temporary differences recognised in profit or loss for the period was PLN 22,164 thousand.

The Group benefits from the regulation provided in IAS 12 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 and it is probable that the temporary differences will not reverse in the foreseeable future. The total amount of temporary differences underlying the unrecognised deferred tax liability on retained earnings as at June 30th 2021 was PLN 1,304,196 thousand (as at December 31st 2020: PLN 1,205,363 thousand).

11.9 Borrowings, debt securities and leases

PLN '000

	Jun 30 2021 unaudited	Dec 31 2020	Jun 30 2020 unaudited
Non-current liabilities			
Secured borrowings	1,043,943	752,587	903,484
Liabilities under debt securities (unsecured)	975,838	769,933	912,642
Lease liabilities	56,436	63,379	57,959
	<u>2,076,217</u>	<u>1,585,898</u>	<u>1,874,085</u>
Current liabilities			
Secured borrowings	18,842	76,751	54,789
Liabilities under debt securities (unsecured)	384,234	544,314	441,023
Lease liabilities	17,682	15,213	14,521
	<u>420,758</u>	<u>636,278</u>	<u>510,333</u>

Terms and repayment schedule of borrowings, debt securities and leases

PLN '000	Currency	Nominal interest rate	Maturity periods	Jun 30 2021 unaudited	Dec 31 2020	Jun 30 2020 unaudited
Borrowings secured over the Group's assets	EUR/PLN	1M WIBOR + margin of 1.0-2.75pp; 1M EURIBOR + margin of 2.2-2.75pp;	2021-2025	1,062,785	829,338	958,273
Liabilities under debt securities (unsecured)	PLN	3M WIBOR + margin of 3.0-4.0pp	2021-2027	1,360,072	1,314,247	1,353,665
	EUR	4.00% - 4.80% 3.59%				
Lease liabilities	EUR/PLN	3M WIBOR or 1M	2021-2030	74,118	78,592	72,480
	CZK	EURIBOR + margin of 1.5-9.7pp 3.00 - 4.03%				
				<u>2,496,975</u>	<u>2,222,176</u>	<u>2,384,418</u>

11.10 Derivatives

In 2017, the Group concluded two foreign currency interest rate swaps (CIRS), under which the Group pays a coupon based on a fixed EUR interest rate and receives a coupon based on a variable PLN interest rate. The contracts hedge the interest rate risk and the currency risk by effectively changing the debt contracted in PLN into liabilities denominated in EUR.

First contract (expired in the reporting period): The Group 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 Group 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).

Open outstanding CIRS contracts held by KRUK Group companies as at June 30th 2021:

Bank	Company	Type of transaction	Volume	Side of transaction - Buy /Sale of fixed rate	Fixed rate	Variable rate	Term
Santander Bank Polska S.A.	KRUK S.A.	CCIRS	PLN 90,000,000.00	buy	2.97%	3.0% + 3M WIBOR	January 13th 2017 to November 10th 2021

Open outstanding CIRS contracts held by KRUK Group companies as at December 31st 2020:

Bank	Company	Type of transaction	Volume	Side of transaction - Buy /Sale of fixed rate	Fixed rate	Variable rate	Term
Santander Bank Polska S.A.	KRUK S.A.	CCIRS	PLN 100,000,000.00	buy	3.06%	3.1% + 3M WIBOR	January 9th 2017 to June 4th 2021
Santander Bank Polska S.A.	KRUK S.A.	CCIRS	PLN 90,000,000.00	buy	2.97%	3.0% + 3M WIBOR	January 13th 2017 to November 10th 2021

Interest is paid on a three-monthly basis.

The Group expects the contracts to generate cash flows and to affect its results until 2021.

Other derivative instruments not designated for hedge accounting

On April 16th 2021 and April 20th 2021, InvestCapital Ltd. entered into two EUR/PLN FX forwards for a total notional amount of PLN 250m, maturing on June 10th 2021. The transactions, entered into to hedge a cash flow, were not designated for hedge accounting.

11.11 Hedging instruments

The interest rate risk management policy covers:

- a) the Group's objectives in terms of interest rate risk;
- b) methods of interest rate risk monitoring;
- c) the Group's permitted exposure to interest rate risk;
- d) procedures in case of exceeding the Group's permitted exposure to interest rate risk;
- e) principles of interest rate risk management at the KRUK Group.

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

Open outstanding IRS contracts held by KRUK Group companies as at June 30th 2021 and December 31st 2020, with a total volume of PLN 530,000 thousand:

Bank	Company	Type of transaction	Volume	Side of transaction - Buy /Sale of fixed rate	Fixed rate	Variable rate	Term
Santander Bank Polska S.A.	KRUK S.A.	IRS	PLN 150,000,000.00	buy	2.50%	3M WIBOR	November 7th 2017 to March 2nd 2022
Santander Bank Polska S.A.	KRUK S.A.	IRS	PLN 50,000,000.00	buy	2.50%	3M WIBOR	November 7th 2017 to May 4th 2022
Santander Bank Polska S.A.	KRUK S.A.	IRS	PLN 75,000,000.00	buy	1.67%	3M WIBOR	September 5th 2019 to October 18th 2022
Santander Bank Polska S.A.	KRUK S.A.	IRS	PLN 30,000,000.00	buy	1.65%	3M WIBOR	September 5th 2019 to November 27th 2023
Santander Bank Polska S.A.	KRUK S.A.	IRS	PLN 25,000,000.00	buy	1.65%	3M WIBOR	September 5th 2019 to February 6th 2024
DNB Bank Polska S.A.	KRUK S.A.	IRS	PLN 35,000,000.00	buy	1.6050%	3M WIBOR	September 4th 2019 to October 12th 2023
DNB Bank Polska S.A.	KRUK S.A.	IRS	PLN 115,000,000.00	buy	1.5775%	3M WIBOR	September 4th 2019 to September 27th 2024
DNB Bank Polska S.A.	KRUK S.A.	IRS	PLN 50,000,000.00	buy	1.5775%	3M WIBOR	September 4th 2019 to September 28th 2024

The purpose of the contracts was to hedge volatility of cash flows generated by liabilities denominated in PLN due to changes in the reference interest rates and to hedge coupons paid on issued bonds.

Amounts related to items designated as hedging instruments

	Assets	Liabilities	Notional amount	Change in fair value used to determine ineffectiveness	Assets	Liabilities	Notional amount	Change in fair value used to determine ineffectiveness	Item in the statement of financial position	Type of security
Instrument type:										
IRS	-	8,403	530,000 (PLN)	(9,982)	-	18,386	530,000 (PLN)	14,861	Hedging instruments	Cash flow hedges
	-	8,403		(9,982)	-	18,386		14,861		

PLN '000

Instrument type:	Nominal value as at Jun 30 2021				
	Less than 6 months	6–12 months	1–2 years	2–5 years	Over 5 years
IRS					
fixed payment PLN sale	-	(200,000)	(75,000)	(255,000)	-
floating payment PLN	-	200,000	75,000	255,000	-

Instrument type:	Notional amount as at Dec 31 2020				
	Less than 6 months	6–12 months	1–2 years	2–5 years	Over 5 years
IRS					
fixed payment PLN sale	-	-	(275,000)	(255,000)	-
floating payment PLN	-	-	275,000	255,000	-

PLN '000

Disclosure of the hedged item as at Jun 30 2021

	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 (interest rate risk)	530,000	8,403	(8,403)	-
Hedging of a net investment in a foreign operation (currency risk)	-	-	-	3,603

PLN '000

Disclosure of the hedged item as at Dec 31 2020

	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 (interest rate risk)	530,000	18,386	(18,386)	-
Hedging of a net investment in a foreign operation (currency risk)	-	-	-	3,603

PLN '000

Jan 1–Jun 30 2021

Cash flow hedge reserve	Hedge of future cash flows (interest rate risk)	Hedge of investments in net assets (currency risk)	Total hedge reserve
Hedge reserve at beginning of the period	(18,386)	3,603	(14,783)
Measurement of instruments charged to capital reserves	14,511	-	14,511
Amount reclassified to profit or loss during the period	(4,528)	-	(4,528)
- Interest income / (expense)	(4,528)	-	(4,528)
Hedge reserve at end of the period	(8,403)	3,603	(4,800)

PLN '000

Jan 1-Dec 31 2020

Cash flow hedge reserve	Hedge of future cash flows (interest rate risk)	Hedge of investments in net assets (currency risk)	Total hedge reserve
Hedge reserve at beginning of the period	(3,525)	3,603	78
Measurement of instruments charged to capital reserves	(10,439)	-	(10,439)
Amount reclassified to profit or loss during the period	(4,422)	-	(4,422)
- Interest income / (expense)	(4,422)	-	(4,422)
Hedge reserve at end of the period	(18,386)	3,603	(14,783)

11.12 Earnings per share

Basic earnings per share

'000

	Jan 1–Jun 30 2021 unaudited	Jan 1–Dec 31 2020	Jan 1–Jun 30 2020 restated
Number of ordinary shares as at Jan 1	19,011	18,972	18,972
Effect of cancellation and issue	-	5	-
Weighted average number of ordinary shares at end of reporting period	19,011	18,977	18,972
<i>PLN</i>			
Earnings per share	20.82	4.29	(1.02)

Diluted earnings per share

'000

	Jan 1–Jun 30 2021 unaudited	Jan 1–Dec 31 2020	Jan 1–Jun 30 2020 restated
Weighted average number of ordinary shares at end of reporting period	19,011	18,977	18,972
Effect of issue of unregistered shares not subscribed for	509	283	231
Weighted average number of ordinary shares at end of reporting period (diluted)	19,520	19,259	19,203
<i>PLN</i>			
Earnings per share (diluted)	20.28	4.22	(1.00)

11.13 Current and non-current items of the statement of financial position

As at Jun 30 2021

PLN '000

		Jun 30 2021 unaudited	Dec 31 2020	Jun 30 2020 restated
Assets				
Non-current assets				
	Property, plant and equipment	79,160	91,864	87,930
	Other intangible assets	44,269	50,729	49,820
	Goodwill	23,451	23,916	24,405
	Investments	2,940,388	2,691,651	2,575,364
	Deferred tax asset	31,500	31,180	53,208
Total non-current assets		3,118,768	2,889,340	2,790,727
Current assets				
	Inventories	24,975	32,069	35,769
	Investments	1,660,555	1,517,073	1,500,192
	Trade receivables	11,569	16,804	24,956
	Other receivables	17,533	28,357	32,080
	Other assets	11,724	13,836	962
	Cash and cash equivalents	528,196	145,552	250,589
Total current assets		2,254,552	1,753,691	1,844,548
Total assets		5,373,320	4,643,031	4,635,275
Equity and liabilities				
Equity				
	Share capital	19,011	19,011	18,972
	Share premium	310,430	310,430	307,192
	Cash flow hedging reserve	(4,800)	(14,783)	(19,072)
	Translation reserve	37,431	81,360	42,754
	Other capital reserves	110,790	103,626	100,922
	Retained earnings	1,733,770	1,544,127	1,536,279
Equity attributable to owners of the Parent		2,206,632	2,043,771	1,987,047
Non-controlling interests		(488)	(311)	430
Total equity		2,206,144	2,043,460	1,987,747
Non-current liabilities				
	Borrowings, debt securities and leases	2,076,217	1,585,898	1,874,085
	Deferred tax liability	156,822	134,339	52,905
	Provisions	13,412	13,463	10,638
	Derivatives	-	11,236	5,201
	Hedging instruments	5,304	18,386	22,585
Total non-current liabilities		2,251,755	1,763,322	1,965,414
Current liabilities				
	Borrowings, debt securities and leases	420,758	636,278	510,333
	Trade and other payables	164,303	112,227	98,995
	Liabilities under dividend	206,140	-	-
	Income tax payable	27,804	5,223	2,700
	Employee benefit obligations	47,565	42,860	38,948
	Provisions	42,576	39,661	31,408

	Derivatives	3,176	-	-
	Hedging instruments	3,099	-	-
Total current liabilities		915,421	836,249	682,384
Total liabilities		3,167,176	2,599,571	2,647,798
Total equity and liabilities		5,373,320	4,643,031	4,635,275

11.14 Right of use

PLN '000

	Jun 30 2021	Dec 31 2020
Carrying amount of right-of-use assets, by class of underlying asset at beginning of period		
Buildings and structures	51,491	48,598
Plant and equipment	130	308
Vehicles	9,589	16,423
	<u>61,211</u>	<u>65,329</u>
Cost of depreciation of right-of-use assets, by class of underlying asset		
Buildings and structures	(7,412)	(16,243)
Plant and equipment	(91)	(183)
Vehicles	(2,541)	(6,637)
	<u>(10,044)</u>	<u>(23,063)</u>
Increase in right-of-use assets	3,241	17,649
Decrease in right-of-use assets due to liquidation/termination of contract	(1,239)	(1,085)
Translation differences	2,735	(2,380)
Carrying amount of right-of-use assets, by class of underlying asset at end of period		
Buildings and structures	42,500	51,491
Plant and equipment	37	130
Vehicles	7,897	9,589
	<u>50,434</u>	<u>61,211</u>
Interest expense relating to lease liabilities	1,080	2,546
Cost relating to variable lease payments not included in the measurement of lease liabilities	-	11
Total cash outflow in connection with leases	11,475	26,552

11.15 Goodwill

PLN '000

	Kancelaria Prawna RAVEN	KRUK Italia S.r.l	KRUK Espana S.L.	ERIF BIG S.A.	AgeCredit S.r.l	Total
Gross carrying amount as at Jan 1 2020	299	4,921	46,182	725	8,191	60,318
Increase	-	-	-	-	-	-
Decrease	-	-	-	-	-	-
Translation differences	-	-	1,761	-	-	1,761
Gross carrying amount as at Dec 31 2020	299	4,921	47,943	725	8,191	62,079
Gross carrying amount as at Jan 1 2021	299	4,921	47,943	725	8,191	62,079
Increase	-	-	-	-	-	-
Decrease	-	-	-	-	-	-
Translation differences	-	-	(465)	-	-	(465)
Gross value as at Jun 30 2021	299	4,921	47,478	725	8,191	61,614
Impairment losses						
Impairment loss as at Jan 1 2020	-	(4,921)	-	-	(8,191)	(13,112)
Increase	-	-	(25,051)	-	-	(25,051)
Decrease	-	-	-	-	-	-
Impairment loss as at Dec 31 2020	-	(4,921)	(25,051)	-	(8,191)	(38,163)
Impairment loss as at Jan 1 2021	-	(4,921)	(25,051)	-	(8,191)	(38,163)
Increase	-	-	-	-	-	-
Decrease	-	-	-	-	-	-
Impairment loss as at Jun 30 2021	-	(4,921)	(25,051)	-	(8,191)	(38,163)
Net carrying amount						
As at Jan 1 2020	299	-	46,182	725	-	47,206
As at Dec 31 2020	299	-	22,892	725	-	23,916
As at Jan 1 2021	299	-	22,892	-	-	23,916
As at Jun 30 2021	299	-	22,427	-	-	23,451

As at June 30th 2021, there were no indications of goodwill impairment.

11.16 Trade and other receivables

Trade receivables

PLN '000

	Jun 30 2021	Dec 31 2020
Trade receivables	11,569	16,804
	11,569	16,804
Long-term	-	-
Short-term	11,569	16,804
	11,569	16,804

Other receivables

PLN '000

	Jun 30 2021	Dec 31 2020
Taxes receivable (other than income tax)	10,653	10,803
Receivables under security deposits and bid bonds	4,049	9,396
Receivables under collected debts	2,124	7,380
Other receivables	649	647
Receivables for court fees and stamp duty	58	131
	<u>17,533</u>	<u>28,357</u>

11.17 Cash and cash equivalents

PLN '000

	Jun 30 2021	Dec 31 2020
Cash in hand	203	190
Cash in current accounts	527,993	145,362
	<u>528,196</u>	<u>145,552</u>

11.18 Employee benefit obligations and provisions

PLN '000

	Jun 30 2021	Dec 31 2020
Salaries and wages payable	18,870	18,314
Social benefit obligations	13,822	13,771
Accrued holiday entitlements	9,616	7,271
Personal income tax	4,711	3,307
Special accounts	546	197
	<u>47,565</u>	<u>42,860</u>

11.19 Trade and other payables

PLN '000

	Jun 30 2021	Dec 31 2020
Trade payables	127,708	72,620
Other liabilities	15,015	18,558
Accrued expenses	11,445	9,760
Deferred income	5,747	5,336
Tax and duties payable	4,388	5,953
	<u>164,303</u>	<u>112,227</u>

11.20 Provisions

PLN '000

	Jun 30 2021	Dec 31 2020
Provisions for retirement gratuity payments	14,238	13,463
Provision for the loyalty scheme	10,971	10,652
Other provisions	30,778	29,008
	<u>55,988</u>	<u>53,124</u>

Changes in provisions for retirement gratuities

PLN '000

Carrying amount as at Jan 1 2020	10,196
Increase	3,267
Carrying amount as at Dec 31 2020	13,463
Carrying amount as at Jan 1 2021	13,463
Increase	775
Amount as at Jun 30 2021	14,238

Changes in provision for the loyalty scheme

PLN '000

Carrying amount as at Jan 1 2020	6,825
Increase	4,720
Use	(894)
Carrying amount as at Dec 31 2020	10,652
Carrying amount as at Jan 1 2021	10,652
Increase	1,000
Use	(681)
Amount as at Jun 30 2021	10,971

Change in other provisions

PLN '000

Other provisions

Carrying amount as at Jan 1 2020	7,156
Provision for possible differences relative to straight-line basis settlement	21,852
Carrying amount as at Dec 31 2020	29,008
Carrying amount as at Jan 1 2021	29,008
Provision for possible differences relative to straight-line basis settlement	3,029
Reversal of provision for possible differences relative to straight-line basis settlement	(1,259)
Amount as at Jun 30 2021	30,778

On September 11th 2019, after hearing the request of the District Court of Lublin for a preliminary ruling on the interpretation of Article 16(1) of Directive 2008/48/EC of the European Parliament and of the Council on credit agreements for consumers, the Court of Justice of the European Union rules that the article should be interpreted in such a way that the consumer's right to reduce the total cost of credit in the event of early repayment covers all the costs imposed on the consumer.

Wonga has automatically reduced all early repayment costs since 2012, i.e. since its inception.

In connection with the decisions of the Office of Competition and Consumer Protection (UOKiK) published in January and February 2020 and the UOKiK's position on the straight-line method of fee refunds, the Group recognised a provision for the difference between the applied refund method and the straight-line method.

The provision reflects the probability of an outflow of resources from the entity, as estimated by the Group for loans repaid after September 11th 2019. The Group prudently recognised a provision for the entire difference between the applied refund method and the straight-line method. Since September 18th 2020, the Group has applied a straight-line method to account for fee refunds on early loan repayment.

12. Related-party transactions

Remuneration of the management personnel - Management Board

Below is presented information on the remuneration payable to the members of the Parent's key management personnel:

PLN '000	Jan 1–Jun 30 2021	Jan 1–Jun 30 2020
Base pay/ managerial contract (gross)	2,973	3,011
Additional benefits	38	-
Share based payments	7 164*	1,878
	10,175	4,889

* 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.

Remuneration of the Supervisory Board members

Remuneration of members of the Parent's Supervisory Board was as follows:

PLN '000	Jan 1–Jun 30 2021	Jan 1–Jun 30 2020
Base pay (gross)	478	427
Additional benefits	2	-
	480	427

Other transactions with management personnel

As at June 30th 2021, members of the Management Board and persons closely related to them jointly held 10.32% of the total voting rights at the Parent's General Meeting (December 31st 2020: 10.32%).

In 2021 and 2020, there were no transactions with close family members of the Group's key management personnel.

Members of the Management Board and Supervisory Board and close family members of the Group's key management personnel did not provide any guarantees or sureties to the Group companies.

Members of the Management Board and Supervisory Board and close family members of the Group's key management personnel did not receive any guarantees or sureties from the Group companies.

13. Management of risk arising from financial instruments

The Group 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 Group's exposure to each type of the above risks, the Group's objectives, policies and procedures for measuring and managing the risks, and the Group's management of capital. For a full description of the risk management, see the Group's most recent full-year consolidated financial statements.

Key policies of risk management

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

The Group's risk management policies are established to identify and analyse the risks faced by the Group, 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 in the Group's activities. The Group, through appropriate training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

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

Loans

Following the acquisition of Wonga.pl Sp. z o.o., most of the borrowers are now Wonga's clients. Wonga products are offered to individuals of good credit standing, with access to online banking. The KRUK Group continues to offer loans to persons who have repaid or are regularly repaying their liabilities under a settlement agreement or a loan taken out at Novum Finance Sp. z o.o. The Novum offering is primarily addressed to clients who have already used an instalment product at the KRUK Group. The Group has the experience and analytical tools necessary to estimate credit risk for loans offered both to new clients and to clients previously involved with the KRUK Group. Loans to borrowers who were not previously clients of the KRUK Group currently represents a significant majority of the KRUK Group's consumer loan portfolio.

For each loan, the Group assesses the client's creditworthiness, which is then reflected in the offer addressed to the client.

For loans measured at amortised cost and at fair value, the loan-related credit risk is reflected in their measurement at the end of each reporting period. As at each valuation date, the Group estimates credit risk based on past inflows from loans. The credit risk assessment also takes into account the period of delinquency of the loans being valued.

The Group mitigates the risk by performing a meticulous verification of clients before a loan is advanced, taking into account the likelihood of recovery of invested capital from the amounts disbursed to clients and the estimated costs of the sale and service process. The key tool used by the Group in order to mitigate credit risk is pursuing an appropriate credit policy vis à vis its clients, which includes, among other things:

- Assessment of a client's creditworthiness prior to advancing a loan and other terms of cooperation;
- Regular monitoring of timely payment of debt;
- Monitoring of risk indicators;
- Maintaining a diversified client base.

Assessment of a client's creditworthiness includes:

- Verification of the client with a credit reference agency;
- Verification of loan documents;
- Verification of the employment status;
- Verification of the client's contact phone (for sales over the phone).

As part of the risk management policy, risk identification, measurement and management methods have been implemented to optimise the level of risk and ultimately to verify profitability. These methods are designed to assist in making rational business decisions based on the principle of balancing risk and profitability by limiting losses resulting from the materialisation of an unplanned adverse scenario or situation and maximising income earned in the case of materialisation of an unplanned favourable scenario or situation.

The Group carries out a thorough analysis and estimate of the risk attached to the loans it grants using advanced economic and statistical tools and relying on its long-standing experience in this respect.

As at the date of these financial statements, the KRUK Group holds no single loan to third parties where default on the loan could have a material adverse effect on its liquidity.

Trade and other receivables

The Management Board has established a credit policy whereby each creditworthiness of each business partner is evaluated before any payment and other contract terms are offered. The evaluation includes external ratings of the business partner, when available, and in some cases bank references. Each business partner is assigned a transaction limit which represents the maximum transaction amount for which no approval from the management board of individual companies is required.

The Group regularly monitors whether payments are made when due, and if any delays are found, the following actions are taken:

- - notices are sent to business partners
- - email messages are sent to business partners
- - telephone calls are made to business partners.

Over 60% of business partners have conducted business with the Group for at least three years. In only few cases losses were incurred by the Group as a result of non-payment. Trade and other receivables mainly comprise of fees receivable in respect of debt collected for external business partners.

The Group's exposure to credit risk mainly results from individual characteristics of each business partner. The Group's largest business partner generates 6% (2020: 6%) of the Group's revenue. Receivables from the Group's largest trading partner represented 2.2% of total gross trade receivables as at June 30th 2021 (December 31st 2020: 7.7%). Therefore, there is no significant concentration of credit risk at the Group.

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

Purchased debt portfolios

Purchased debt portfolios comprise of overdue debts which prior to the purchase by the Group were often subject to collection by the seller of the portfolio or by a third party acting on the seller's behalf. Credit risk related to purchased debt portfolios is relatively high, but the Group has the experience and 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, the Group estimates credit risk based on collections from a given portfolio as well as other portfolios with similar characteristics. The risk assessment also includes factors related to the Covid-19 pandemic, which have an impact on future cash inflows.

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 Group 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 KRUK Group holds no single debt whose non-payment could have a material adverse effect on its liquidity, but no assurance can be given that such a situation will not occur in the future.

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.

PLN '000

	Jun 30 2021	Dec 31 2020
Investments in debt portfolios	4,345,331	3,984,080
Loans	255,612	224,644
Trade and other receivables	29,102	45,161
	<u>4,630,045</u>	<u>4,253,885</u>

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

PLN '000

	Jun 30 2021	Dec 31 2020
Poland	2,443,917	2,109,437
Romania	867,412	912,242
Italy	821,993	742,972
Spain	422,232	368,372
Other foreign markets	74,490	120,862
	<u>4,630,045</u>	<u>4,253,885</u>

Quality of trade and other receivables, and of loans advanced

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

	IFRS 9 classification	Carrying amount as at Jun 30 2021	Carrying amount as at Dec 31 2020
Trade and other receivables			
	Basket 1	29,249	45,360
	Basket 2	-	-
	Basket 3	1,613	1,613
		<u>30,862</u>	<u>46,973</u>
Impairment losses			
	Basket 1	394	446
	Basket 2	-	-
	Basket 3	1,366	1,366
		<u>1,760</u>	<u>1,812</u>
Net carrying amount			
	Basket 1	28,855	44,914
	Basket 2	-	-
	Basket 3	247	247
		<u>29,102</u>	<u>45,161</u>

Changes of impairment losses on receivables are presented below:

PLN '000	Jan 1–Jun 30 2021				Jan 1–Dec 31 2020			
	Basket 1	Basket 2	Basket 3	TOTAL	Basket 1	Basket 2	Basket 3	TOTAL
Loss allowance at beginning of the period	446	-	1,366	1,812	1,643	32	-	1,675
Loss allowance recognised in the period	1	-	-	1	51	-	364	415
Reversal of loss allowance	(53)	-	-	(53)	(278)	-	-	(278)
Use of loss allowance	-	-	-	-	-	-	-	-
Transfer between baskets	-	-	-	-	(970)	(32)	1,002	-
Loss allowance at end of the period	394	-	1,366	1,760	446	-	1,366	1,812

The structure of loans measured at amortised cost at the end of the reporting periods was as follows:

IFRS 9 classification	Carrying amount as at Jun 30 2021	Carrying amount as at Dec 31 2020
Loans measured at amortised cost		
Basket 1	117,892	111,891
Basket 2	21,897	27,677
Basket 3	87,194	84,099
POCI loans	1,145	1,092
	228,127	224,759
Allowance for expected credit losses		
Basket 1	9,372	11,330
Basket 2	4,471	4,081
Basket 3	63,626	56,681
POCI loans	-	-
	77,470	72,093
Net carrying amount		
Basket 1	108,520	100,561
Basket 2	17,425	23,596
Basket 3	23,568	27,418
POCI loans	1,145	1,092
	150,658	152,666

Changes in the gross amount of loans measured at amortised cost are presented below:

PLN '000	Jan 1–Jun 30 2021				Jan 1–Dec 31 2020			
	Basket 1	Basket 2	Basket 3	POCI loans	Basket 1	Basket 2	Basket 3	POCI loans
Gross carrying amount as at Jan 1	111,891	27,677	84,098	1,092	186,183	34,789	52,556	2,408
Purchase	-	-	-	-	-	-	-	-
Disbursements/repayments	14,655	(3,941)	(7,398)	53	(25,135)	(9,936)	(14,791)	(1,316)
Transfer from basket 1 to basket 2	(6,260)	6,260	-	-	(21,673)	21,673	-	-
Transfer from basket 1 to basket 3	(3,406)	-	3,406	-	(30,478)	-	30,478	-
Transfer from basket 2 to basket 1	820	(820)	-	-	2,824	(2,824)	-	-
Transfer from basket 2 to basket 3	-	(7,343)	7,343	-	-	(16,039)	16,039	-
Transfer from basket 3 to basket 1	191	-	(191)	-	170	-	(170)	-
Transfer from basket 3 to basket 2	-	63	(63)	-	-	14	(14)	-
Gross carrying amount at end of the period	117,892	21,896	87,195	1,145	111,891	27,677	84,098	1,092

Changes in impairment losses on loans measured at amortised cost are presented below:

PLN '000	Jan 1–Jun 30 2021			TOTAL	Jan 1–Dec 31 2020			TOTAL
	Basket 1	Basket 2	Basket 3		Basket 1	Basket 2	Basket 3	
Loss allowance as at Jan 1	11,330	4,082	56,681	72,093	21,298	6,730	33,293	61,320
Loss allowance recognised in the reporting period	-	5,281	172	5,453	12,205	5,226	-	17,431
Transfer from basket 1 to basket 2	(1,246)	1,246	-	-	(3,118)	3,118	-	-
Transfer from basket 1 to basket 3	(967)	-	967	-	(18,829)	-	18,829	-
Transfer from basket 2 to basket 1	265	(265)	-	-	(256)	256	-	-
Transfer from basket 2 to basket 3	-	(5,894)	5,894	-	-	(11,258)	11,258	-
Transfer from basket 3 to basket 1	67	-	(67)	-	31	-	(31)	-
Transfer from basket 3 to basket 2	-	20	(20)	-	-	10	(10)	-
Reversal of allowance for expected credit losses	(77)	-	-	(77)	-	-	(6,658)	(6,658)
Loss allowance at end of the period	9,372	4,471	63,626	77,469	11,330	4,082	56,681	72,093

As at June 30th 2021, the gross carrying amount of loans measured at amortised cost was PLN 224,381 thousand (December 31st 2020: PLN 224,759 thousand). The Group recognised an impairment allowance for expected credit losses on loans of PLN 73,723 thousand as at June 30th 2021 (December 31st 2020: PLN 72,093 thousand). The amount of the impairment loss is determined for individual expected loss recognition buckets, based on estimates that reflect the risk of incurring the expected loss, made taking into account the stage of delinquency. The amount of the impairment loss covers 34.0% of the gross carrying amount of loans measured at amortised cost (32.1% at the end of 2020). The total amount of undiscounted expected credit losses on impaired financial assets due to credit risk as at June 30th 2021 was PLN 14,665 thousand.

Liquidity risk

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

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

The key objectives of liquidity management include:

- 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.

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

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

In accordance with the liquidity management policy adopted by the Group, the following conditions must be met by a Group entity before new debt can be incurred:

- the debt can be repaid from the Group's own assets,
- the debt is incurred taking into account the possibility of transferring the funds between companies, and the time and cost of such transfer,
- incurring the debt will not result in exceeding the financial covenants stipulated in facility agreements and terms and conditions of bonds.

Exposure to liquidity risk

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

As at Jun 30 2021

PLN '000

	Carrying amount	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	4,345,331	8,542,722	882,952	823,831	1,411,169	2,794,575	2,630,196
Loans	255,612	362,266	162,254	80,294	88,656	31,062	-
Secured borrowings	(1,062,785)	(1,182,457)	(29,043)	(53,879)	(76,185)	(1,023,351)	-
Unsecured bonds in issue	(1,360,072)	(1,507,819)	(196,354)	(413,211)	(105,266)	(356,639)	(436,349)
Lease liabilities	(74,118)	(54,434)	(10,187)	(8,984)	(19,106)	(14,572)	(1,584)
Trade and other payables*	(370,443)	(370,443)	(370,443)	-	-	-	-
	<u>1,733,526</u>	<u>5,789,835</u>	<u>439,179</u>	<u>428,052</u>	<u>1,299,268</u>	<u>1,431,075</u>	<u>2,192,263</u>

* the item additionally includes specified liabilities under dividend.

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

As at Dec 31 2020

PLN '000

	Carrying amount	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	3,984,080	7,942,787	777,405	790,886	1,405,952	2,677,834	2,290,710
Loans	224,644	451,729	148,553	107,525	136,514	59,137	-

Secured borrowings	(829,338)	(896,403)	(10,272)	(33,560)	(69,792)	(782,780)	-
Unsecured bonds in issue	(1,314,247)	(1,400,573)	(391,113)	(188,776)	(491,441)	(329,243)	-
Lease liabilities	(78,592)	(64,220)	(10,712)	(10,441)	(18,867)	(21,844)	(2,356)
Trade and other payables	(112,227)	(112,227)	(112,227)	-	-	-	-
	1,874,320	5,921,092	401,633	665,634	962,366	1,603,104	2,288,355

Contractual cash flows were determined based on interest rates effective as at June 30th 2021 and December 31st 2020, respectively.

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

As at June 30th 2021, the undrawn revolving credit facility limit available to the Group was PLN 685,729 thousand (December 31st 2020: PLN 1,045,684 thousand). The limit is available until July 3rd 2025.

Market risk

Market risk is related to changes in such market factors as foreign exchange rates, interest rates or stock prices, which affect the Group's performance or the value of financial instruments it holds. The objective behind market risk management is to maintain and control the Group's exposure to market risk within assumed limits, while seeking to optimise the rate of return.

It has been concluded that effective implementation of the KRUK Group'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 Group's objectives in terms of interest rate risk;
- methods of interest rate risk monitoring;
- the Group's permitted exposure to interest rate risk;
- procedures in case of exceeding the Group's permitted exposure to interest rate risk;
- principles of interest rate risk management at the KRUK Group.

The currency risk management policy outlines:

- the Group's currency risk management objectives;
- the key rules of currency risk management at the Group;
- 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 June 30th 2021, financial assets denominated in foreign currencies accounted for 56% of total assets, while liabilities denominated in foreign currencies represented 19% of total equity and liabilities (December 31st 2020: 49% and 19%, respectively).

Exposure to currency risk and sensitivity analysis

The Group's currency risk exposure, determined as the net carrying amount of the financial instruments denominated in foreign currencies based on the exchange rates effective at the end of the reporting period, is presented below:

PLN '000

	Jun 30 2021					Jun 30 2021				
	Exposure to currency risk					Analysis of sensitivity of exposure to currency risk to +10% increase in exchange rates				
	PLN	EUR	RON	CZK	TOTAL	PLN	EUR	RON	CZK	Total
Trade and other receivables	-	1,361	1,126	-	2,487	-	136	113	-	249
Investments	-	205	1,367,012	22,689	1,389,905	-	20	136,701	2,269	138,990
Cash	435	5,547	21,882	1,146	29,010	44	555	2,188	115	2,902
Borrowings, debt securities and leases	-	(208,334)	-	-	(208,334)	-	(20,833)	-	-	(20,833)
Trade and other payables	(348)	(3,239)	(5,466)	-	(9,053)	(35)	(324)	(547)	-	(906)
Exposure to currency risk Effect on statement of profit or loss	87	(204,459)	1,384,554	23,834	1,204,016	9	(20,446)	138,455	2,384	120,402
Trade and other receivables	-	19,376	14,391	(28,086)	5,681	-	1,938	1,439	(2,809)	568
Investments	-	1,267,312	137,032	78,112	1,482,456	-	126,731	13,703	7,811	148,245
Cash	-	63,757	21,533	7,997	93,287	-	6,376	2,153	800	9,329
Borrowings, debt securities and leases	-	(736,765)	(10,889)	(1,082)	(748,735)	-	(73,676)	(1,089)	(108)	(74,873)
Trade and other payables	-	(48,039)	(16,122)	(1,762)	(65,924)	-	(4,804)	(1,612)	(176)	(6,592)
Exposure to currency risk Effect on other comprehensive income	-	565,641	145,945	55,178	766,764	-	56,565	14,594	5,518	76,677

Half-year report – Interim condensed consolidated financial statements

Exposure to currency risk	87	361,182	1,530,499	79,013	1,970,780	9	36,118	153,050	7,901	197,078
Risk mitigation effect					-	-	-	-	-	-
Exposure to currency risk after hedging	87	361,182	1,530,499	79,013	1,970,780	9	36,118	153,050	7,901	197,078

PLN '000

Dec 31 2020

Dec 31 2020

	Exposure to currency risk					Analysis of sensitivity of exposure to currency risk to +10% increase in exchange rates				
	PLN	EUR	RON	CZK	TOTAL	PLN	EUR	RON	CZK	Total
Trade and other receivables	4	1,450	3,989	-	5,443	1	73	-	-	74
Investments	-	39,789	710,176	26,234	776,198	-	4,974	77,122	3,862	85,958
Cash	525	2,706	14,946	1,423	19,600	23	1,270	1,861	74	3,228
Borrowings, debt securities and leases	-	(231,245)	-	-	(231,245)	-	(28,462)	-	-	(28,462)
Trade and other payables	(36)	(23,754)	(1,969)	(82)	(25,841)	23	80	(432)	(9)	(338)
Exposure to currency risk										
Effect on statement of profit or loss	494	(211,054)	727,142	27,575	544,156	47	(22,065)	78,551	3,927	60,460
Trade and other receivables	-	37,806	13,498	10	51,315	-	2,201	1,818	1	4,020
Investments	-	1,124,579	181,720	35,192	1,341,490	-	119,759	30,365	3,470	153,594
Cash	-	62,379	28,279	4,876	95,533	-	5,600	1,284	451	7,335
Borrowings, debt securities and leases	-	(548,950)	(15,269)	(1,525)	(565,745)	-	(67,568)	(2,875)	(244)	(70,687)
Trade and other payables	-	(40,574)	(12,880)	(1,892)	(55,346)	-	(4,185)	(1,320)	(393)	(5,898)

Half-year report – Interim condensed consolidated financial statements

Exposure to currency risk										
Effect on other comprehensive income	-	635,239	195,348	36,661	867,247	-	55,807	29,272	3,285	88,364
Exposure to currency risk	494	424,184	922,489	64,235	1,411,403	49	42,418	92,249	6,424	141,140
Risk mitigation effect	-	-	-	-	-	-	-	-	-	-
Exposure to currency risk after hedging	494	424,184	922,489	64,235	1,411,403	49	42,418	92,249	6,424	141,140

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–Jun 30 2021 unaudited	Jan 1–Jun 30 2020 unaudited	Jun 30 2021 unaudited	Dec 31 2020
EUR 1	4.5472	4.4413	4.5208	4.6148
USD 1	3.7815	4.0214	3.8035	3.7584
RON 1	0.9264	0.9205	0.9174	0.9479
CZK 1	0.1758	0.1677	0.1773	0.1753

*Average exchange rates were calculated as the arithmetic mean of mid rates quoted by the National Bank of Poland for the last day of each month in the period.

Exposure to interest rate risk

The structure of interest-bearing financial instruments at the end of the reporting period was as follows:

PLN '000

	Carrying amount	
	Jun 30 2021 unaudited	Dec 31 2020
Fixed-rate financial instruments		
Financial assets	4,630,045	4,253,885
Financial liabilities	(664,583)	(324,512)
	3,965,462	3,929,373
Hedge effect (nominal amount)	(330,000)	(530,000)
	3,635,462	3,399,373
Variable-rate financial instruments		
Financial assets	-	-
Financial liabilities	(2,202,835)	(2,009,891)
	(2,202,835)	(2,009,891)
Hedge effect (nominal amount)	330,000	530,000
	(1,872,835)	(1,479,891)

Sensitivity analysis of fair value of fixed-rate financial instruments

The Group does not hold any fixed-interest financial assets or liabilities measured at fair value through profit or loss, nor does it use derivative transactions 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

A change of an interest rate by 100 basis points would increase (decrease) equity and pre-tax profit over the loan term 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
Jun 30 2021				
Variable rate financial assets	-	-	-	-
Variable rate financial liabilities	(22,028)	22,028	-	-
Dec 31 2020				
Variable rate financial assets	-	-	-	-
Variable rate financial liabilities	(20,099)	20,099	-	-

Fair value

The fair value and book value of financial assets and financial liabilities are presented below.

PLN '000

	Jun 30 2021 unaudited		Dec 31 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets and liabilities measured at fair value				
Derivatives	(3,176)	(3,176)	(11,236)	(11,236)
Hedging instruments	(8,403)	(8,403)	(18,386)	(18,386)
Loans	104,955	104,955	71,978	71,978
	93,375	93,375	42,356	42,356
Financial assets and liabilities not measured at fair value				
Investments in debt portfolios	4,345,331	4,310,887	3,984,080	3,962,354
Loans	150,658	154,164	152,666	140,755
Secured borrowings	(1,062,785)	(1,064,483)	(829,338)	(830,663)
Liabilities under debt securities (unsecured)	(1,360,072)	(1,366,959)	(1,314,247)	(1,319,748)
	2,073,132	2,033,609	1,993,161	1,952,698

Interest rates used for fair value estimation:

	Jun 30 2021	Dec 31 2020
Investments in debt portfolios	-0.03% - 216.23%	0.00% - 113.64%
Loans	11.89% - 60.21%	9.13% - 86.22%
Secured borrowings	1.18% - 3.13%	0.20% - 4.16%
Liabilities under debt securities (unsecured)	3.21% - 4.80%	3.21% - 4.80%

Hierarchy of financial instruments

Hierarchy of financial instruments measured at fair value

The table below presents financial instruments recognised in the statement of financial position at fair value according to the valuation method applied. 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 or indirectly,
- Level 3: inputs that are not based on observable market prices (unobservable inputs).

In 2021, no transfers were made between the fair value hierarchy levels.

The Group does not identify Level 1 assets.

Hierarchy of financial instruments – Level 2

PLN '000

	Level 2	
	Carrying amount	Fair value
As at Dec 31 2020		
Derivatives	(11,236)	(11,236)
Hedging instruments	(18,386)	(18,386)
Secured borrowings	(829,338)	(830,663)
Liabilities under debt securities (unsecured)	(1,314,247)	(1,319,748)
As at Jun 30 2021		
Derivatives	(3,176)	(3,176)
Hedging instruments	(8,403)	(8,403)
Secured borrowings	(1,062,785)	(1,064,483)
Liabilities under debt securities (unsecured)	(1,360,072)	(1,366,959)

The fair value of CIRS and IRS transactions is determined on the basis of future cash flows related to executed transactions, calculated on the basis of the difference between the forecast 3M WIBOR and 3M WIBOR as at the transaction date. To determine the fair value, the Group uses a 3M WIBOR forecast provided by an external company.

The fair value of financial liabilities is determined on the basis of future cash flows related to executed transactions, calculated based on the difference between the margin applicable to the financial liabilities as at the reporting date and the margin as at the transaction date. To determine the fair value, the Group takes margins under the most recent credit facility agreement or debt securities issue.

Hierarchy of financial instruments – Level 3

PLN '000

	Level 3	
	Carrying amount	Fair value
As at Dec 31 2020		
Investments in debt portfolios	3,984,080	3,962,354
Loans	224,644	212,733
As at Jun 30 2021		
Investments in debt portfolios	4,345,331	4,310,887
Loans	255,612	259,119

The fair value of investments in 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 difference between the fair value and the carrying amount calculated using the amortised cost method results from a different methodology for calculating both these amounts. The carrying amount is affected by a projection of ERC from debt portfolios and the exchange rate as at the reporting date, while the fair value is additionally affected by projected costs of debt collection and the risk-free rate.

14. Factors and events with a material bearing on the Group's financial results

Investment in new debt portfolios

In the six months ended June 30th 2021, the total expenditure on debt portfolios was PLN 643,534 thousand. Compared with the six months ended June 30th 2020, when investments amounted to PLN 79,905 thousand, this year's expenditure was almost eight times higher. The largest sums were invested on the Polish market. In addition, the Kruk Group purchased portfolios in Spain, Romania, the Czech Republic and Slovakia, and resumed purchases in Italy. In the first half of 2021, the Kruk Group invested primarily in portfolios put out for sale by banks and non-bank financial institutions. The aggregate nominal value of purchased debt portfolios was PLN 3,641,171 thousand, i.e. 426% more than in the same period of 2020.

Recoveries and revaluation of portfolios

In H1 2021, recoveries from portfolios purchased by the KRUK Group totalled PLN 1,065,131 thousand, up 19% year on year. In the first quarter of 2021, the Kruk Group's recoveries topped PLN 500m for the first time ever. In the second quarter of 2021, they rose by another 8%. This uptrend in recoveries is continued on virtually all markets of the Group's operations. This was an effect of recoveries coming in above the projected ERC, particularly in Poland, Romania and Italy. In the six months ended June 30th 2021, the Group recorded an upward revaluation of recovery projections of PLN 135,125 thousand.

Performance in H1 2021

In the six months ended June 30th 2021, the Group posted a net profit of PLN 395,604 thousand, up by PLN 414,919 thousand on the six months ended June 30th 2020, when the Group reported a net loss. At the same time, cash EBITDA for the six months ended June 30th 2021 was PLN 762,351 thousand, up 29% year on year.

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

In the period from January 1st to June 30th 2021, the following series of bonds were redeemed in accordance with their respective terms and conditions:

- Series AB1 bonds, with a nominal value of PLN 65,000 thousand, on March 24th 2021,
- Series AB2 bonds, with a nominal value of PLN 135,000 thousand, on May 19th 2021,
- Series Z1 bonds, with a nominal value of PLN 100,000 thousand, on June 8th 2021,
- Series AB3 bonds, with a nominal value of PLN 65,000 thousand, on June 29th 2021.

In the reporting period, the Group issued new bonds:

- on February 18th 2021 unsecured Series AK2 bonds were issued with a nominal value of PLN 20,000 thousand, bearing interest at a fixed rate of 4.20%, maturing on February 18th 2026,
- on June 10th 2021 unsecured Series AK3 bonds were issued with a nominal value of PLN 70,000 thousand, bearing interest at a fixed rate of 4.00%, maturing on June 10th 2026,
- on June 28th 2021 unsecured Series AL1 bonds were issued with a nominal value of PLN 330,000 thousand, bearing interest at a floating rate based on 3M WIBOR plus a margin of 3.70pp, maturing on June 28th 2027,

On April 27th 2021, the Management Board of KRUK S.A. passed a resolution to establish the 8th Bond Issue Programme with a total nominal value of up to PLN 700,000 thousand, under which the Parent may issue public bonds. The Programme prospectus along with an application for its approval will be filed with the Polish Financial Supervision Authority. Individual series of Bonds under the Programme will be issued during the 12 months from the prospectus approval by the Polish Financial Supervision Authority. The final terms of each Bond issue, particularly the rules for determining the interest rate and interest amount, may vary. The key terms of each Bond series will be provided in the prospectus and in the final terms of the relevant series.

On September 6, 2021, the Management Board of KRUK S.A. received information on the approval of the prospectus drawn up in connection with the implementation of the 8th Program by the Polish Financial Supervision Authority.

Subsequent to the end of the reporting period, on July 9th 2021 unsecured Series AK4 bonds were issued with a nominal value of PLN 65,000 thousand, bearing interest at a fixed rate of 4.00%, maturing on July 9th 2026.

16. Dividends paid (or declared)

On March 17th 2021, the KRUK S.A. Management Board passed a resolution recommending that the Parent's Annual General Meeting approve dividend payment to the Parent's shareholders of PLN 8 per share. By a resolution of March 24th 2021, the Parent's Management Board recommended that the General Meeting allocate the Parent's net profit for 2020 of PLN 81,355,730.59 in full to dividend payment of PLN 8.00 per share. The recommendation was endorsed by the Parent's Supervisory Board on March 25th 2021.

On May 5th 2021, the Parent's Management Board passed a resolution to amend the recommendation to the Parent'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 Parent pursuant to Resolution No. 7/2020 of the Annual General Meeting of Kruk S.A. of August 31st 2020. By Resolution 7/2021 of June 16, 2021, the Management Board's recommendation regarding the payment of dividends was approved by the Ordinary General Meeting of Kruk S.A.

The dividend of PLN 206,140,495.00 was distributed from the Parent's net profit earned in 2020, increased by amounts transferred from statutory reserve funds created from retained earnings. In accordance with the resolution, the dividend record date with respect to dividend for the year ended December 31st 2020 was set for June 24th 2021, and the dividend payment date – for July 2nd 2021. The dividend was paid on that date on 18,740,045 shares in KRUK S.A.

As at June 30th 2021, the related liability was disclosed under *Liabilities under dividend*.

17. 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, except for the expiry of guarantees on the stated dates.

Security created over the Group's assets as at June 30th 2021 is presented below:

Type	Beneficiary	Amount	Expiry date	Terms and conditions
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 (refers to InvestCapital LTD and KRUK S.A.)	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 291,076.65 and PLN 197,482.17	By December 30th 2021	KRUK S.A.'s failure to repay its liabilities under the rental agreement secured with the guarantee

Type	Beneficiary	Amount	Expiry date	Terms and conditions
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 2029	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 352.5m	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 250m	By September 24th 2021	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 June 10th 2021.

Credit sureties or guarantees, security pledges

On March 29th 2021, Kruk S.A. and its subsidiaries InvestCapital LTD, Kruk Romania S.R.L., Prokura NS FIZ and Kruk Espana S.L.U. executed an amendment to the revolving multi-currency credit facility agreement of July 3rd 2017, as amended, with the bank syndicate comprising DNB Bank ASA of Oslo, ING Bank Śląski S.A. of Katowice and Santander Bank Polska S.A. of Warsaw (the "Amendment"). The Amendment primarily extended the availability period of the facility by another 12 months.

In accordance with the amended agreement, KRUK S.A., KRUK Romania S.R.L. and Kruk España S.L.U. issued a surety for all liabilities of the borrowers, valid for the term of the revolving multi-currency credit facility agreement. In addition, on March 30th 2021 KRUK S.A. and Prokura NS FIZ made declarations on submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure for up to EUR 352.5m, which will expire on or before December 31st 2028.

To secure liabilities under the revolving multi-currency credit facility agreement of July 3rd 2017, as amended:

- on January 7th and May 10th 2021, InvestCapital LTD, DNB Bank ASA, ING Bank Śląski S.A. and Santander Bank Polska S.A. signed agreements under Spanish law establishing pledges over debt portfolios purchased by InvestCapital LTD on the Spanish market.
- on June 22nd 2021, Prokura NS FIZ and DNB Bank ASA signed an agreement under Polish law establishing a pledge over debt portfolios purchased by Prokura on the Polish market.

As at June 30th 2021, the value of all debt portfolios pledged in favour of DNB Bank ASA, ING Bank Śląski S.A. and Santander Bank Polska S.A. totalled PLN 1,680,252 thousand.

In connection with the credit facility agreement of December 20th 2018, as amended, between Prokura NS FIZ, Kruk S.A. and ING Bank Śląski S.A.:

- on May 20th 2021, Supplementary Agreement No. 3 was executed whereby:
 - new availability end dates were set for:
 - the credit facility of up to PLN 175m – at December 20th 2025, and
 - the credit facility of up to PLN 25m – at December 20th 2026.
 - KRUK S.A. issued a surety for liabilities of the borrower Prokura NS FIZ under the agreement for up to PLN 240m and until December 20th 2029. In accordance with the agreement, Kruk S.A. (in connection with the surety provided) and Prokura NS FIZ made declarations on submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure for up to PLN 240m, which will expire on or before December 20th 2030.
- on May 26th 2021, in order to secure Prokura NS FIZ's liabilities under the agreement, PROKURA NS FIZ and ING Bank Śląski S.A. executed agreements establishing registered pledges over a set of rights (debt portfolios held by PROKURA NS FIZ). On June 1st 2021, applications were filed with the court to enter the pledges in the pledge register. According to notifications received by the Company, the pledges were created for the maximum secured amount of PLN 240m.
- subsequent to the end of the reporting period, on July 22nd 2021, Supplementary Agreement No. 4 was executed whereby:
 - the amount of the credit limit granted was increased by PLN 50m, and the individual sub-limits are as follows:
 - a credit facility of up to PLN 225m, repayable on December 20th 2025, and
 - a credit facility of up to PLN 25m, repayable on December 20th 2026.
 - KRUK S.A. issued a surety for liabilities of the borrower Prokura NS FIZ under the agreement for up to PLN 300m and until December 20th 2029. In accordance with the agreement, Kruk S.A. (in connection with the surety provided) and Prokura NS FIZ made declarations on submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure for up to PLN 300m, which will expire on or before December 20th 2030.

As at June 30th 2021, the value of all debt portfolios pledged in favour of ING Bank Śląski S.A. totalled PLN 386,636 thousand.

18. 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 July 23rd 2021, in connection with the revolving credit facility agreement between KRUK S.A. and Santander Bank Polska S.A. dated April 8th 2011, Amendment 21 was executed, under which the amount of the credit limit granted was increased by PLN 35m. The existing credit limits are as follows:
 - credit facility – up to PLN 120m or its EUR equivalent, with the availability end date and final repayment date set for October 31st 2025,
 - additional credit facility – up to PLN 55m or its EUR equivalent, with the availability end date and final repayment date set for October 31st 2023.

Accordingly:

- on August 11th 2021, an amendment was executed to the agreement on registered pledge over investment certificates of November 20th 2017 between KRUK S.A. and Santander Bank Polska S.A. under which the maximum secured amount was increased to PLN 262.5m.
 - on August 18th 2021, KRUK S.A. submitted a declaration of submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure, up to PLN 180m under the credit facility, until October 31st 2028, and up to PLN 82.5m under the additional credit facility, until October 31st 2026.
- On August 20th 2021, InvestCapital entered into a Master Agreement for the Execution of Financial Forward Transactions with ING Bank Śląski S.A. Under the agreement, the Company may enter into derivative transactions.

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Management Board*

Piotr Kowalewski
*Member of the
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Adam Łodygowski
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Wrocław, September 7th 2021