



# **FINANCIAL HIGHLIGHTS**

## **TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

for the period January 1st –  
June 30th 2020

## Financial highlights

Financial highlights	PLN '000		EUR '000	
	Jan 1–Jun 30 2020 unaudited	Jan 1–Jun 30 2019 unaudited	Jan 1–Jun 30 2020 unaudited	Jan 1–Jun 30 2019 unaudited
<b>For the period</b>				
Revenue	456,426	621,635	102,770	144,970
Operating profit	52,434	232,002	11,806	54,105
Profit before tax	(17,530)	176,055	(3,947)	41,057
Net profit attributable to owners of the Parent	(19,293)	166,819	(4,344)	38,903
Net cash from operating activities	511,888	246,181	115,258	57,411
Purchase of debt portfolios at prices as per agreement	(79,905)	(308,923)	(17,992)	(72,043)
Cash recoveries	893,923	874,333	201,277	203,901
Net cash from investing activities	(7,735)	(108,139)	(1,742)	(25,219)
Net cash from financing activities	(403,838)	98,394	(90,929)	22,946
Net change in cash	100,315	236,436	22,587	55,139
Diluted earnings per share (PLN/EUR)	(1.00)	8.65	(0.23)	2.02
Average number of shares ('000)	18,972	18,902	18,972	18,902
Earnings per share (PLN/EUR)	(1.02)	8.83	(0.23)	2.06
	<b>Jun 30 2020 unaudited</b>	<b>Dec 31 2019</b>	<b>Jun 30 2020 unaudited</b>	<b>Dec 31 2019</b>
<b>As at</b>				
Total assets	4,582,370	4,839,914	1,026,057	1,136,530
Non-current liabilities	1,901,871	2,468,691	425,856	579,709
Current liabilities	693,021	412,130	155,177	96,778
Equity	1,987,478	1,959,093	445,024	460,043
Share capital	18,972	18,972	4,248	4,455
Book value per ordinary share	104.76	103.26	23.46	24.25

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 **4.4413**  
for the comparative period **4.2880**

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 **4.4660**  
at end of the comparative period **4.2585**



# **INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

for the period January 1st –  
June 30th 2020

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## I. Consolidated statement of financial position

As at Jun 30 2020

PLN '000

	Note	Jun 30 2020 unaudited	Dec 31 2019 restated	Jun 30 2019 unaudited restated
<b>Assets</b>				
Cash and cash equivalents	10.18	250,589	150,274	383,738
Trade receivables	10.17	24,956	23,988	26,240
Investments	9	4,075,556	4,411,438	4,204,988
Other receivables	10.17	32,080	31,852	35,568
Inventories	9	35,769	32,443	36,031
Property, plant and equipment	10.15	87,930	82,973	87,705
Goodwill	10.16	24,405	47,206	61,493
Other intangible assets		49,820	50,252	50,512
Deferred tax asset	10.9	303	-	-
Derivatives		-	3,799	3,404
Hedging instruments		-	420	-
Other assets		962	3,020	1,009
<b>Total assets</b>		<b>4,582,370</b>	<b>4,837,665</b>	<b>4,890,688</b>
<b>Equity and liabilities</b>				
<b>Liabilities</b>				
Derivatives	10.11	5,201	-	1,683
Hedging instruments	10.12	22,585	3,924	4,619
Trade and other payables	10.20	109,791	101,303	297,368
Employee benefit obligations	10.19	50,697	49,539	50,492
Income tax payable		2,700	6,673	5,258
Borrowings, debt securities and leases	10.10	2,384,418	2,705,727	2,703,068
Provisions	10.21	19,500	7,156	-
Deferred tax liability	10.9	-	6,498	19
<b>Total liabilities</b>		<b>2,594,892</b>	<b>2,880,821</b>	<b>3,062,507</b>
<b>Equity</b>				
Share capital		18,972	18,972	18,931
Share premium		307,192	307,192	303,711
Cash flow hedging reserve		(19,072)	78	825
Translation reserve		42,754	(30,219)	(42,705)
Other capital reserves		100,922	104,582	101,254
Retained earnings		1,536,279	1,555,572	1,446,001
<b>Equity attributable to owners of the Parent</b>		<b>1,987,048</b>	<b>1,956,177</b>	<b>1,828,017</b>
<b>Non-controlling interests</b>		<b>430</b>	<b>667</b>	<b>164</b>
<b>Total equity</b>		<b>1,987,478</b>	<b>1,956,844</b>	<b>1,828,181</b>
<b>Total equity and liabilities</b>		<b>4,582,370</b>	<b>4,837,665</b>	<b>4,890,688</b>

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



## II. Consolidated statement of profit or loss

For the reporting period January 1st – June 30th 2020

PLN '000

	Note	Jan 1–Jun 30 2020 unaudited	Apr 1–Jun 30 2020 unaudited	Jan 1–Jun 30 2019 unaudited	Apr 1–Jun 30 2019 unaudited
<b>Continuing operations</b>					
Revenue	10.1	456,426	257,140	621,635	315,924
including interest income on debt portfolios calculated using the effective interest rate method		502,966	245,123	485,287	242,537
including interest income on other financial instruments calculated using the effective interest rate method		65,715	32,236	21,896	4,628
Other income	10.2	9,053	8,033	1,525	666
		465,479	265,173	623,160	316,590
Employee benefits expense	10.4	(163,909)	(78,968)	(175,464)	(92,055)
Depreciation and amortisation		(23,182)	(11,530)	(21,251)	(11,141)
Services	10.3	(68,189)	(33,213)	(63,477)	(32,998)
Other expenses	10.5	(157,765)	(81,991)	(130,966)	(74,680)
		(413,045)	(205,702)	(391,158)	(210,874)
<b>Operating profit/(loss)</b>		52,434	59,470	232,002	105,716
Finance income	10.6	65	36	73	45
Finance costs	10.7	(70,030)	(23,197)	(56,020)	(23,805)
<b>Net finance costs</b>		(69,965)	(23,161)	(55,947)	(23,760)
<b>Profit/(loss) before tax</b>		(17,530)	36,309	176,055	81,956
Income tax	10.9	(1,785)	6,491	(9,072)	(12,887)
<b>Net profit/(loss) for period</b>		(19,315)	42,800	166,983	69,069
<b>Net profit/(loss) attributable to:</b>					
Owners of the Parent	10.13	(19,293)	42,863	166,819	68,987
Non-controlling interests		(22)	(62)	164	82
<b>Net profit/(loss) for period</b>		(19,315)	48,801	166,983	69,069
<b>Earnings/(loss) per share</b>					
Basic (PLN)		(1.02)	2.26	8.83	3.65
Diluted (PLN)		(1.00)	2.21	8.65	3.57

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

### III. Consolidated statement of comprehensive income

For the reporting period January 1st – June 30th 2020

PLN '000

	Note	Jan 1–Jun 30 2020 unaudited	Apr 1–Jun 30 2020 unaudited	Jan 1–Jun 30 2019 unaudited	Apr 1–Jun 30 2019 unaudited
<b>Net profit/(loss) for period</b>		(19,315)	42,801	166,983	69,069
<b>Other comprehensive income</b>					
<b>Items that may be reclassified subsequently to profit or loss</b>					
Exchange differences on translating foreign operations		72,973	(473)	11,064	16,328
Cash flow hedges		(19,150)	(7,366)	4,694	4,499
<b>Items that will not be reclassified subsequently to profit or loss</b>		-	-	-	-
Income tax on other comprehensive income		-	-	-	-
<b>Other comprehensive income for period, net</b>		53,823	(7,839)	15,758	20,827
<b>Total comprehensive income for period</b>		34,508	34,963	182,741	89,896
<b>Total comprehensive income attributable to:</b>					
Owners of the Parent		34,530	35,025	182,577	89,814
Non-controlling interests		(22)	(62)	164	82
<b>Total comprehensive income for period</b>		34,308	34,963	182,741	89,896
<b>Comprehensive income/ (loss) per share</b>					
Basic (PLN)		1.82	1.85	9.67	4.75
Diluted (PLN)		1.80	1.81	9.48	4.65

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

## IV. Consolidated statement of changes in equity

For the reporting 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
<b>Equity as at Jan 1 2020</b>	<b>18,972</b>	<b>307,192</b>	<b>78</b>	<b>(30,219)</b>	<b>104,582</b>	<b>1,555,572</b>	<b>1,956,176</b>	<b>667</b>	<b>1,956,844</b>
<b>Comprehensive income for period</b>									
Net profit for period	-	-	-	-	-	(19,293)	(19,293)	(22)	(19,314)
<b>Other comprehensive income</b>									
- Exchange differences on translating foreign operations	-	-	-	72,973	-	-	72,973	-	72,973
- Measurement of hedging instruments	-	-	(19,150)	-	-	-	(19,150)	-	(19,150)
<b>Total other comprehensive income</b>	-	-	(19,150)	72,973	-	-	53,823	-	53,823
<b>Total comprehensive income for period</b>	-	-	(19,150)	72,973	-	(19,293)	34,530	(22)	34,509
<b>Contributions from and distributions to owners</b>									
- Payment of dividends	-	-	-	-	-	-	-	(216)	(216)
- Issue of shares	-	-	-	-	-	-	-	-	-
- Share-based payments	-	-	-	-	(3,660)	-	(3,660)	-	(3,660)
<b>Total contributions from and distributions to owners</b>	-	-	-	-	(3,660)	-	(3,660)	(216)	(3,876)
<b>Total equity as at Jun 30 2020</b>	<b>18,972</b>	<b>307,192</b>	<b>(19,072)</b>	<b>42,754</b>	<b>100,922</b>	<b>1,536,279</b>	<b>1,987,048</b>	<b>430</b>	<b>1,987,478</b>

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



For the reporting period ended December 31st 2019 [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 2019	18,887	300,097	(3,869)	(53,769)	94,924	1,376,084	1,732,353	396	1,732,750
Effect of the change in the measurement principle resulting from reclassification	-	-	-	-	-	(2,249)	(2,249)	-	(2,249)
Equity as at Jan 1 2019 following changes restated	18,887	300,097	(3,869)	(53,769)	94,924	1,373,835	1,730,104	396	1,730,501
Comprehensive income for period									
Net profit for period	-	-	-	-	-	276,390	276,390	667	277,057
Other comprehensive income									
- Exchange differences on translating foreign operations	-	-	-	23,550	-	-	23,550	-	23,550
- Measurement of hedging instruments	-	-	3,947	-	-	-	3,947	-	3,947
Total other comprehensive income	-	-	3,947	23,550	-	-	27,497	-	27,497
Total comprehensive income for period	-	-	3,947	23,550	-	276,390	303,887	667	304,554
Contributions from and distributions to owners									
- Payment of dividends	-	-	-	-	-	(94,653)	(94,653)	(396)	(95,049)
- Issue of shares	-	7,095	-	-	-	-	7,095	-	7,095
- Share-based payments	85	-	-	-	9,658	-	9,743	-	9,743
Total contributions from and distributions to owners	85	7,095	-	-	9,658	(94,653)	(77,815)	(396)	(78,211)
Total equity as at Dec 31 2019 restated	18,972	307,192	78	(30,219)	104,582	1,555,572	1,956,176	667	1,956,844

For the reporting period ended June 30th 2019  
[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 2019	18,887	300,097	(3,869)	(53,769)	94,924	1,376,084	1,732,353	396	1,732,750
Effect of the change in the measurement principle resulting from reclassification	-	-	-	-	-	(2,249)	(2,249)	-	(2,249)
Equity as at Jan 1 2019 following changes restated	18,887	300,097	(3,869)	(53,769)	94,924	1,373,835	1,730,104	396	1,730,501
Comprehensive income for period							-		-
Net profit for period	-	-		-	-	166,819	166,819	164	166,983
Other comprehensive income							-		-
- Exchange differences on translating foreign operations	-	-	-	11,064	-	-	11,064	-	11,064
- Measurement of hedging instruments	-	-	4,694	-	-	-	4,694	-	4,694
Total other comprehensive income	-	-	4,694	11,064	-	-	15,758	-	15,758
Total comprehensive income for period	-	-	4,694	11,064	-	166,819	182,577	164	182,741
Contributions from and distributions to owners							-		-
- Payment of dividends						(94,653)	(94,653)	(396)	(95,049)
- Share-based payments	-	-	-	-	6,330	-	6,330	-	6,330
- Issue of shares	44	3,614	-	-	-	-	3,658	-	3,658
Total contributions from and distributions to owners	44	3,614	-	-	6,330	(94,653)	(84,665)	(396)	(85,061)
Total equity as at Jun 30 2019 restated	18,931	303,711	825	(42,705)	101,254	1,446,001	1,828,017	164	1,828,181

## V. Consolidated statement of cash flows

For the reporting period January 1st – June 30th 2020

PLN '000

	Jan 1–Jun 30 2020 unaudited	Apr 1–Jun 30 2020 unaudited	Jan 1–Jun 30 2019 unaudited restated	Apr 1–Jun 30 2019 unaudited restated
<b>Cash flows from operating activities</b>				
<b>Net profit for period</b>	(19,315)	42,801	166,983	69,069
<i>Adjustments</i>		-		-
Depreciation of property, plant and equipment	20,500	11,820	17,446	10,370
Amortisation of intangible assets	2,682	(290)	3,805	771
Net finance costs	71,500	21,180	51,628	30,716
(Gain)/loss on sale of property, plant and equipment	(568)	(185)	(328)	(10)
Equity-settled share-based payments	(3,660)	907	6,330	4,035
Income tax	1,785	(6,491)	9,072	12,887
Change in loans	12,196	30,179	(31,966)	(30,577)
Change in debt portfolios purchased	419,780	229,749	40,897	77,561
Change in inventories	(3,326)	(3,344)	(2,895)	(3,355)
Change in trade and other receivables				
	(5,929)	(4,782)	(9,872)	(6,333)
Change in other assets	2,058	5,531	2,327	2,228
Change in trade and other payables				
	8,488	(32,141)	16,200	44,190
Change in employee benefit obligations				
	1,158	(3,206)	5,291	(2,771)
Change in provisions	12,343	7,447	-	-
Share of minority profits	22	62	-	-
Income tax paid	(7,827)	(482)	(23,567)	(8,244)
<b>Net cash from operating activities</b>	<b>511,888</b>	<b>298,756</b>	<b>251,350</b>	<b>200,537</b>
<b>Cash flows from investing activities</b>				
Interest received	65	36	73	45
Sale of intangible assets and property, plant and equipment	1,749	826	829	433
Purchase of intangible assets and property, plant and equipment	(9,549)	(6,133)	(16,676)	(9,980)
<b>Net cash from investing activities</b>	<b>(7,735)</b>	<b>(5,271)</b>	<b>(108,139)</b>	<b>(101,867)</b>
<b>Cash flows from financing activities</b>				
Net proceeds from issue of shares	-	-	3,659	3,659
Proceeds from issue of shares on stock exchange	-	-	-	-
Proceeds from issue of debt securities	-	-	190,000	50,000
Increase in borrowings	318,408	133,272	872,710	601,927
Repayment of borrowings	(639,571)	(363,518)	(860,006)	(480,112)
Payments under lease contracts	(11,342)	(4,226)	(7,151)	(615)
Dividends paid	(216)	451	-	-
Redemption of debt securities	(13,360)	(13,360)	(50,000)	(50,000)
Cancellation of treasury shares	-	-	-	-
Interest paid	(57,757)	(31,490)	(55,987)	(32,245)
<b>Net cash from financing activities</b>	<b>(403,838)</b>	<b>(278,871)</b>	<b>93,225</b>	<b>92,614</b>

Total net cash flows	100,315	14,614	236,436	191,284
Cash and cash equivalents at beginning of period	150,274	235,975	147,302	192,454
Cash and cash equivalents at end of period	250,589	250,589	383,738	383,738

The consolidated statement of cash flows should be read in conjunction with the notes to these interim 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

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 outsourced debt collection 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 2020 include the financial statements of the Parent and its subsidiaries (jointly the “Group”).

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

In H1 2020, there were changes in the composition of the Parent’s Management Board. Until May 28th 2020, the Management Board had consisted of:

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

Following Agnieszka Kułton’s resignation as Member of the Management Board with effect as of May 28th 2020, on May 29th 2020 the Supervisory Board appointed Piotr Kowalewski as a new Member of the Management Board of KRUK S.A. As a result, on June 30th 2020 the Parent’s Management Board was composed of the following persons:

<b>Piotr Krupa</b>	President of the Management Board
<b>Piotr Kowalewski</b>	Member of the Management Board
<b>Urszula Okarma</b>	Member of the Management Board
<b>Iwona Słomska</b>	Member of the Management Board
<b>Michał Zasępa</b>	Member of the Management Board

Between June 30th 2020 and the date of authorisation of this report for issue, the following changes took place on the Parent's Management Board:

- On April 30th 2020, Ms Iwona Słomska - Member of the Management Board, Marketing, PR and Human Resources, resigned as Member of the Management Board with effect as of July 31st 2020. As a result, since August 1st 2020 the Parent's Management Board has consisted of four members.

As at the date of issue of this interim report, the Management Board consisted of:

<b>Piotr Krupa</b>	President of the Management Board
<b>Piotr Kowalewski</b>	Member of the Management Board
<b>Urszula Okarma</b>	Member of the Management Board
<b>Michał Zasępa</b>	Member of the Management Board

As at June 30th 2020, the composition of the Parent's Supervisory Board was as follows:

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

In H1 2020 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 and 23 subsidiaries:

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; all certificates issued by the fund are held by KRUK S.A.
Secapital Polska Sp. z o.o. (in liquidation)*	Wrocław	Management of securitised debt
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	Investment in equity assets, including shares in KRUK Group companies
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
KRUK Italia S.r.l	Milan	Credit management services, collection of debt 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 España S.L.	Madrid	Credit management services, collection of debt purchased by the KRUK Group companies in Spain and other European countries, 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; All certificates issued by the fund are held by Presco Investments S.a r.l.
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; all certificates issued by the fund are held by KRUK S.A.
Wonga.pl sp. z o.o.	Warsaw	Operating in the consumer lending market

*\*By Resolution No. 1/2020 of July 1st 2020, the Extraordinary General Meeting of Secapital Polska Sp. z o.o. of Wrocław resolved to close down the company through liquidation. Piotr Krupa, an existing member of the company's Management Board, was appointed its liquidator.*

All the subsidiaries listed above are included in these condensed consolidated financial statements as at June 30th 2020 and for the period January 1st – June 30th 2020.



The Parent has twelve field offices located in Warsaw, Gdańsk, Elbląg, Toruń, Katowice, Łódź, Kraków, Rzeszów, 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 (%)	
		Jun 30 2020	Dec 31 2019
SeCapital S.à r.l. <sup>1</sup>	Luxembourg	100%	100%
ERIF Business Solutions Sp. z o.o.	Poland	100%	100%
Secapital Polska Sp. z o.o. (in liquidation)	Poland	100%	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 <sup>1</sup>	Poland	100%	100%
InvestCapital Ltd <sup>1</sup>	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. <sup>2</sup>	Luxembourg	100%	100%
Presco Investments S.a.r.l. <sup>1</sup>	Luxembourg	100%	100%
Presco Investments I NS FIZ <sup>1</sup>	Poland	100%	100%
BISON NS FIZ <sup>1</sup>	Poland	100%	100%
Elleffe Capital S.r.l. <sup>1</sup>	Italy	100%	100%
Corbul S.r.l. <sup>3</sup>	Romania	-	-
AgeCredit S.r.l.	Italy	100%	100%
Wonga.pl Sp. z o.o.	Poland	100%	100%

<sup>1</sup> Subsidiaries in which the Company indirectly holds 100% of the share capital.

<sup>2</sup> ProsperoCapital S.a.r.l is a party to a joint arrangement.

<sup>3</sup> The Parent controls the company through a personal link.

## 2. Reporting period

The reporting period is the period from January 1st 2020 to June 30th 2020 and the comparative period is the period from January 1st 2019 to June 30th 2019. The consolidated statement of financial position was prepared as at June 30th 2020 and the comparative data was presented as at June 30th 2019 and December 31st 2019. The consolidated statement of changes in equity was prepared for the period from January 1st 2020 to June 30th 2020 and the comparative periods are from January 1st 2019 to June 30th 2019 and from January 1st 2019 to December 31st 2019.

The financial data presented on a quarterly basis for the periods from April 1st to June 30th 2020 and from April 1st to June 30th 2019 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 2019.

### 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, with a detailed assessment of its impact on the Group’s operations presented in section 2 of: *Directors’ Report on the KRUK Group’s operations*.

These interim condensed financial statements were authorised for issue by the Parent’s Management Board (the “Management Board”) on August 27th 2020.

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

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

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 2019, except for the change involving the reclassification of property as described in *The change in the measurement principle resulting from reclassification* section, and the presentation change involving items of the consolidated statement of financial position as described in the *Enhancing comparability* section.

These financial statements comply with the requirements of all International Accounting Standards, International Financial Reporting Standards and related interpretations endorsed by the European Union, which have been issued and are effective for annual periods beginning on or after January 1st 2020.

### The change in the measurement principle resulting from reclassification

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

The effect of the change on the consolidated statement of financial position and the consolidated statement of cash flows for the comparative periods is presented below. The impact on the consolidated statement of changes in equity is included in the above-presented consolidated statements of changes in equity for the comparative periods for the period ending on June 30, 2019 and for the period ending on December 31, 2019. The change does not affect the consolidated the profit and loss statement and the consolidated statement of comprehensive income for the comparative reporting periods, i.e. for the reporting period from January 1, 2019 to June 30, 2019 and for the reporting period from April 1, 2019 to June 30, 2019.



PLN '000

	Jan 1 2019	Reclassification of property and the valuation effect	Jan 1 2019 Restated	Jun 30 2019	Reclassification of property and the valuation effect	Jun 30 2019 Restated	Dec 31 2019	Reclassification of property and the valuation effect	Dec 31 2019 Restated
<b>Assets</b>									
Cash and cash equivalents	147,302	-	147,302	383,738	-	383,738	150,274	-	150,274
Trade receivables	28,143	-	28,143	26,240	-	26,240	23,988	-	23,988
Investments	4,121,782	-	4,121,782	4,243,001	(38,013)	4,204,988	4,411,438	-	4,411,438
Investment property	35,188	(35,188)	-	-	-	-	34,655	(34,655)	-
Other receivables	23,088	-	23,088	35,568	-	35,568	31,852	-	31,852
Inventories	197	32,939	33,136	267	35,764	36,031	37	32,406	32,443
Property, plant and equipment	26,354	-	26,354	87,705	-	87,705	82,973	-	82,973
Goodwill	62,010	-	62,010	61,493	-	61,493	47,206	-	47,206
Other intangible assets	33,877	-	33,877	50,512	-	50,512	50,252	-	50,252
Derivatives	1,450	-	1,450	3,404	-	3,404	4,219	-	4,219
Other assets	2,786	-	2,786	1,009	-	1,009	3,020	-	3,020
<b>Total assets</b>	<b>4,482,177</b>	<b>(2,249)</b>	<b>4,479,928</b>	<b>4,892,937</b>	<b>(2,249)</b>	<b>4,890,688</b>	<b>4,839,914</b>	<b>(2,249)</b>	<b>4,837,665</b>

PLN '000

	Jan 1 2019	Reclassification of property and the valuation effect	Jan 1 2019 Restated	Jun 30 2019	Reclassification of property and the valuation effect	Jun 30 2019 Restated	Dec 31 2019	Reclassification of property and the valuation effect	Dec 31 2019 Restated
<b>Liabilities</b>									
Hedge derivatives	3,870	-	3,870	6,302	-	6,302	3,924	-	3,924
Trade and other payables	176,054	-	176,054	297,368	-	297,368	101,303	-	101,303
Employee benefit obligations	44,678	-	44,678	50,492	-	50,492	49,539	-	49,539
Income tax payable	15,600	-	15,600	5,258	-	5,258	6,673	-	6,673
Liabilities under borrowings and other debt instruments	2,500,043	-	2,500,043	2,703,068	-	2,703,068	2,705,727	-	2,705,727
Deferred tax liability	9,182	-	9,182	19	-	19	7,156	-	7,156
<b>Total liabilities</b>	<b>2,749,427</b>	<b>-</b>	<b>2,749,427</b>	<b>3,062,507</b>	<b>-</b>	<b>3,062,507</b>	<b>2,880,821</b>	<b>-</b>	<b>2,874,323</b>
<b>Equity</b>									
Share capital	18,887	-	18,887	18,931	-	18,931	18,972	-	18,972

## Half-year report – Interim condensed consolidated financial statements

Share premium	300,097	-	300,097	303,711	-	303,711	307,192	-	307,192
Cash flow hedging reserve	(3,869)	-	(3,869)	825	-	825	78	-	78
Translation reserve	(53,769)	-	(53,769)	(42,705)	-	(42,705)	(30,219)	-	(30,219)
Other capital reserves	94,924	-	94,924	101,254	-	101,254	104,582	-	104,582
Retained earnings	1,376,084	(2,249)	1,373,835	1,448,250	(2,249)	1,446,001	1,557,821	(2,249)	1,555,572
<b>Equity attributable to owners of the Parent</b>	<b>1,732,354</b>	<b>(2,249)</b>	<b>1,730,105</b>	<b>1,830,266</b>	<b>(2,249)</b>	<b>1,828,017</b>	<b>1,958,426</b>	<b>(2,249)</b>	<b>1,956,177</b>
<b>Non-controlling interests</b>	<b>396</b>	<b>-</b>	<b>396</b>	<b>164</b>	<b>-</b>	<b>396</b>	<b>667</b>	<b>-</b>	<b>396</b>
<b>Total equity</b>	<b>1,732,750</b>	<b>(2,249)</b>	<b>1,730,501</b>	<b>1,830,430</b>	<b>(2,249)</b>	<b>1,828,413</b>	<b>1,959,093</b>	<b>(2,249)</b>	<b>1,956,573</b>
<b>Total equity and liabilities</b>	<b>4,482,177</b>	<b>(2,249)</b>	<b>4,479,928</b>	<b>4,892,937</b>	<b>(2,249)</b>	<b>4,890,920</b>	<b>4,839,914</b>	<b>(2,249)</b>	<b>4,830,896</b>

PLN '000

	Jan 1–Jun 30 2019 unaudited	Reclassification of property and the valuation effect	Jan 1–Jun 30 2019 restated	Apr 1–Jun 30 2019 unaudited	Reclassification of property and the valuation effect	Apr 1–Jun 30 2019 restated
<b>Cash flows from operating activities</b>						
<b>Net profit for period</b>	166,983	-	166,983	69,069	-	69,069
<i>Adjustments</i>						
Depreciation of property, plant and equipment	17,446	-	17,446	10,370	-	10,370
Amortisation of intangible assets	3,805	-	3,805	771	-	771
Net finance costs	51,628	-	51,628	30,716	-	30,716
(Gain)/loss on sale of property, plant and equipment	(328)	-	(328)	(10)	-	(10)
Equity-settled share-based payments	6,330	-	6,330	4,035	-	4,035
Income tax	9,072	-	9,072	12,887	-	12,887
Change in loans	(31,966)	-	(31,966)	(30,577)	-	(30,577)
Change in investments in debt portfolios and property	38,072	2,825	40,897	74,331	3,230	77,561
Change in inventories	(70)	(2,825)	(2,895)	(125)	(3,230)	(3,355)
Change in trade and other receivables	(9,872)	-	(9,872)	(6,333)	-	(6,333)

## Half-year report – Interim condensed consolidated financial statements

Change in other assets	2,327	-	2,327	2,228	-	2,228
Change in trade and other payables	16,200	-	16,200	44,190	-	44,190
Change in employee benefit obligations	5,291	-	5,291	(2,771)	-	(2,771)
Income tax paid	(23,567)	-	(23,567)	(8,244)	-	(8,244)
<b>Net cash from operating activities</b>	<b>251,350</b>	<b>-</b>	<b>251,350</b>	<b>200,537</b>	<b>-</b>	<b>200,537</b>
<b>Cash flows from investing activities</b>						
Interest received	73	-	73	45	-	45
Sale of intangible assets and property, plant and equipment	829	-	829	433	-	433
Acquisition of subsidiaries	(92,365)	-	(92,365)	(92,365)	-	(92,365)
Purchase of intangible assets and property, plant and equipment	(16,676)	-	(16,676)	(9,980)	-	(9,980)
<b>Net cash from investing activities</b>	<b>(108,139)</b>	<b>-</b>	<b>(108,139)</b>	<b>(101,867)</b>	<b>-</b>	<b>(101,867)</b>
<b>Cash flows from financing activities</b>						
Net proceeds from issue of shares	3,659	-	3,659	3,659	-	3,659
Proceeds from issue of debt securities	190,000	-	190,000	50,000	-	50,000
Increase in borrowings	872,710	-	872,710	601,927	-	601,927
Repayment of borrowings	(860,006)	-	(860,006)	(480,112)	-	(480,112)
Payments under lease contracts	(7,151)	-	(7,151)	(615)	-	(615)
Redemption of debt securities	(50,000)	-	(50,000)	(50,000)	-	(50,000)
Interest paid	(55,987)	-	(55,987)	(32,245)	-	(32,245)
<b>Net cash from financing activities</b>	<b>93,225</b>	<b>-</b>	<b>93,225</b>	<b>92,614</b>	<b>-</b>	<b>92,614</b>
Total net cash flows	236,436	-	236,436	191,284	-	191,284
Cash and cash equivalents at beginning of period	147,302	-	147,302	192,454	-	192,454
Cash and cash equivalents at end of period	383,738	-	383,738	383,738	-	383,738

### Amendments to current standards and interpretations

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 2020, applied by the Group in accordance with the required validity dates:

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 IAS 1 <i>Presentation of Financial Statements</i> and IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	<ul style="list-style-type: none"> <li>The amendments align and clarify the definition of 'material' and set out guidelines intended to increase the consistency of application of this concept in international financial reporting standards.</li> </ul>	The amendments have no significant effect on the consolidated financial statements.	January 1st 2020
Amendments to IFRS 9 <i>Financial Instruments</i> , IAS 39 <i>Financial Instruments</i> and IFRS 7 <i>Financial Instruments: Disclosures</i>	<p>The amendments are mandatory and apply to all hedging relationships affected by uncertainty due to the reform of interest rate indices. The amendments introduce a temporary exemption from the application of certain hedge accounting requirements in such a way that the reform of interest rate indices does not result in hedge accounting. Key exemptions resulting from the Amendment relate to:</p> <ul style="list-style-type: none"> <li>requirement that flows are 'highly probable'</li> <li>risk components</li> <li>prospective evaluation</li> <li>retrospective effectiveness test (for IAS 39)</li> <li>reclassification of cash flow hedge reserve.</li> </ul> <p>The amendments also require that entities disclose to investors additional information on hedging relationships that affect the above uncertainties.</p>	The Group expects that at the time of initial application, the amendments will require additional disclosures on hedging relationships which are affected by uncertainty resulting from the reform of interest rate indices.	January 1st 2020
Amendments to IFRS 3 <i>Business Combinations</i>	The amendments narrow and clarify the definition of a business,	The Standard has no significant effect on the	January 1st 2020

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
	and also provide for a simplified evaluation of whether a set of assets and activities is an asset group rather than a business.	consolidated financial statements.	
Amendments to References to Conceptual framework	The changes result from the change of the name "Conceptual framework" to "Conceptual framework for the preparation and presentation of financial statements" and their purpose is to replace references to previous assumptions, existing in a number of standards and interpretations, with references to the changed conceptual assumptions.	The amendments have no significant effect on the consolidated financial statements.	January 1st 2020

## Standards and interpretations that have been published but have not yet been adopted for use in 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"> <li>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),</li> <li>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.</li> </ul>	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>
Amendments to IFRS 16 COVID 19-Related Rental Facilities	Amendments to IFRS 16 introduce a practical exception that allows lessees not to assess whether rental facilities that occur as a direct consequence of the COVID 19 pandemic and meet certain conditions constitute a modification to the lease, and instead recognize such rental facilities as if they were not a modification to the lease.	The Group does not expect the amendments to have a significant impact on its consolidated financial statements.	June 1st 2020
Amendments to IAS 1 <i>Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current</i>	The amendments clarify that the classification of liabilities as current or non-current should be based solely on the entity's right that is in existence at the end of the reporting period to defer settlement of a given liability. The right to defer settlement of a liability by at least 12 months from the reporting date does not need to be unconditional, but must have substance. Such classification is not affected by the management's intentions or expectations about whether and when the entity will exercise its right. The amendments	The Group does not expect the amendments to have a significant impact on its consolidated financial statements.	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
	also provide clarifications as to events which are deemed settlement of a liability.		
Annual amendments to IFRS 2018-2020	<p>Annual amendments to the Standards include amendments to IFRS 1 First-time Adoption of International Financial Standards, IFRS 9 Financial Instruments, Illustrative Example to IFRS 16 Leases and IAS 41 Agriculture. Amendments to IFRS 1 allow a subsidiary that applies paragraph D16 a) of IFRS 1 to measure cumulative exchange differences using the amounts reported by the parent based on the parent's date of transition to IFRS.</p> <p>Amendments to IFRS 9 clarify what fees the entity takes into account when applying the "10% test" to assess the derecognition of a financial liability. An entity considers only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by the entity or the lender on behalf of the other party.</p> <p>The amendment to IFRS 16 removes the illustration of lessor payments for lease improvements to resolve any potential misunderstandings about the treatment of lease incentives.</p> <p>The amendment to IAS 41 removes the requirement to exclude taxable cash flows when measuring biological assets to fair value using the parent's technique. This is to ensure compliance with the requirements of IFRS 13 Fair Value Measurement.</p>	The Group is currently analyzing the impact of the changes on its consolidated financial statements.	January 1st 2022
Amendments to IAS 16 Property, Plant and Equipment: Proceeds Before Planned Use	Amendments to IAS 16 prohibit an entity from deducting from the cost of construction of property, plant and equipment, amounts received from the sale of components produced in the process of preparing an asset for its intended use. Instead, the entity recognizes such sales revenues and related expenses in profit or loss.	The Group does not expect the amendments to have a significant impact on its consolidated financial statements.	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
Amendments to IAS 37 Burdensome Contracts - Contract Costs	Amendments to IAS 37 specify the costs that should be taken into account when estimating the cost of performing a contract for the purpose of assessing whether the contract is an onerous contract.	The Group does not expect the amendments to have a significant impact on its consolidated financial statements.	January 1st 2022
Amendments to IFRS 3 Reference to the Conceptual Framework.	Amendments to IFRS 3 replaced references to the framework with references to the 2018 Conceptual Framework. It also added the requirement that, in relation to transactions and other events within the scope of IAS 37 or IFRIC 21, the acquirer applies IAS 37 or IFRIC 21 (instead of the conceptual framework) to identify the liabilities it has incurred in a business combination. Moreover, the standard added an explicit statement that the acquirer does not recognize contingent assets acquired in a business combination.	The Group does not expect the amendments to have a significant impact on its consolidated financial statements.	January 1st 2022
Amendments to IFRS 4 Extension of temporary exemption from the application of IFRS 9	Amendments to IFRS 4 provide a temporary exemption that allows the insurer to apply IAS 39 instead of IFRS 9 Financial Instruments. The extension ensures consistency between the expiry date of the temporary exemption and the effective date of IFRS 17, which replaces IFRS 4.	The amendments do not have a significant impact on consolidated financial statements.	June 1st 2023
IFRS 17 <i>Insurance Contracts</i>	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.  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.	The Group does not expect the amendments to have a significant impact on its consolidated financial statements.	January 1st 2023

## Enhancing comparability

To better reflect the relevant economic substance, as at June 30th 2020 the Group changed the presentation of liabilities in the consolidated statement of financial position by taking hedging instruments from the *Derivatives* item and disclosing them as a separate item. In the opinion of the Management Board, the separation of these lines will result in higher quality of the presented data and will increase the usefulness for the readers of these interim condensed consolidated financial statements. The data presented in the published interim condensed consolidated financial statements for the period January 1st 2019–June 30th 2019 and in the published consolidated financial statements for the year ended December 31st 2019 was restated to ensure comparability. The effect of the change on the consolidated statement of financial position is presented below.

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	Jan 1 2019	Change of presentation	Jan 1 2019 Data restated to ensure comparability
<b>Liabilities</b>			
Derivatives	3,870	(3,870)	-
Hedging instruments	-	3,870	3,870

PLN '000

	Jun 30 2019 Published data	Change of presentation	Jun 30 2019 Data restated to ensure comparability
<b>Liabilities</b>			
Derivatives	6,302	(4,619)	1,683
Hedging instruments	-	4,619	4,619

PLN '000

	Dec 31 2019 Published data	Change of presentation	Dec 31 2019 Data restated to ensure comparability
<b>Assets</b>			
Derivatives	4,219	(420)	3,799
Hedging instruments	-	420	420
<b>Liabilities</b>			
Derivatives	3,924	(3,924)	-
Hedging instruments	-	3,924	3,924

## 5. 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 2020 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.

The uncertainty of the Group's estimates as at June 30th 2020 relates mainly to:

Item	Amount estimated		Note	Assumptions and estimate calculation
	Dec 31 2019 (PLN '000)	Jun 30 2020 (PLN '000)		
Investments in debt portfolios	4,196,821	3,873,135	9	<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 debtors (case-by-case analysis). The method of estimating cash flows under a debt portfolio is selected based on the available data on the portfolio, debt profiles as well as historical data collected in the course of managing the portfolio.</p> <p>The KRUK Group prepares projections for recoveries from debt portfolios separately for each market. The projections account for, among other things, historical performance of the process of debt portfolio recovery, legal regulations currently in force and planned, type and nature of debt and security, and current collection strategy.</p>

Item	Amount estimated		Note	Assumptions and estimate calculation
	Dec 31 2019 (PLN '000)	Jun 30 2020 (PLN '000)		
Goodwill	47,206	24,405	10.16	<p>Goodwill impairment is estimated based on the expected discounted cash flows to be derived from a cash-generating unit. The discount rate used to test goodwill for impairment reflects the current market assessment of the asset risk for the debt collection industry.</p> <p>In the reporting period, the amount of goodwill impairment was PLN 25,051 thousand.</p>
Loans	214,617	202,421	9	<p>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.</p> <p>Expected credit losses are estimated on the basis of expected cash flows. Changes in credit losses are recognised as income.</p>
Lease liabilities and right-of-use assets	55,964	72,480	10.10	<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"> <li>• reviewing long-term lease contracts and identifying contracts covered by IFRS 16,</li> <li>• determining the lease term,</li> <li>• determining the marginal interest rates to be used to discount future cash flows,</li> <li>• identifying useful lives and determining amortisation rates for the right-of-use assets.</li> </ul>

Item	Amount estimated		Note	Assumptions and estimate calculation
	Dec 31 2019 (PLN '000)	Jun 30 2020 (PLN '000)		
Provisions	7,156	19,500	10.20	As at June 30th 2020, 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.



Item	Amount subject to judgement		Note	Assumptions underlying judgements
	Dec 31 2019 (PLN '000)	Jun 30 2020 (PLN '000)		
Deferred tax assets and liabilities	6,498 (Deferred tax liability)	303 (Deferred tax assets)	10.9	<p>As the KRUK Group is able to control the timing of temporary differences at subsidiaries, it recognises deferred tax liabilities at amounts of income tax to be paid in the future (three years).</p> <p>The Kruk Group assesses the recoverability of deferred tax assets.</p>
Investments	96,936	89,077	9	<p>The KRUK Group determined that the agreement executed with the co-investor in 2016 for the purchase of debt portfolios of ProsperoCapital S.a 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.</p>
Functional currency at InvestCapital	7,121	51,887		<p>InvestCapital carries out material transactions in three different currencies: EUR, PLN, and RON. 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.</p>

## 6. 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 2019. In the period from January 1st to June 30th 2020, there were no significant changes in the approach to financial risk management.

## 7. 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,
- 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 and revenue from other products represent external revenue.

## Reportable segments

For the reporting period ended June 30th 2020

	Poland Poland excluding Wonga.pl	Poland Wonga.pl	Romania	Italy	Other foreign markets	Head Office	TOTAL
<b>Revenue</b>	<b>247,280</b>	<b>37,975</b>	<b>115,303</b>	<b>18,979</b>	<b>36,889</b>	-	<b>456,426</b>
Purchased debt portfolios	224,376	-	108,586	13,913	32,088	-	<b>378,963</b>
<i>including revaluation of debt portfolios</i>	<i>(45,020)</i>	-	<i>(40,298)</i>	<i>(75,521)</i>	<i>(39,047)</i>	-	<b><i>(199,887)</i></b>
Credit management services	11,320	-	5,894	5,066	4,801	-	<b>27,081</b>
Other products	11,584	37,975	823	-	-	-	<b>50,382</b>
<b>Direct and indirect costs</b>							<b>(308,946)</b>
Purchased debt portfolios	-	-	-	-	-	-	<b>(224,904)</b>
Credit management services	-	-	-	-	-	-	<b>(46,288)</b>
Other products	-	-	-	-	-	-	<b>(37,754)</b>
<b>Gross profit<sup>1</sup></b>							<b>147,480</b>
Purchased debt portfolios	-	-	-	-	-	-	<b>154,059</b>
Credit management services	-	-	-	-	-	-	<b>(19,207)</b>
Other products	-	-	-	-	-	-	<b>12,628</b>
Administrative expenses	-	-	-	-	-	-	<b>(76,256)</b>
Other income	-	-	-	-	-	-	<b>9,053</b>
Other expenses (unallocated)	-	-	-	-	-	-	<b>(4,660)</b>
<b>EBITDA<sup>2</sup></b>	<b>115,834</b>	<b>4,227</b>	<b>70,537</b>	<b>(58,073)</b>	<b>(37,335)</b>	<b>(19,573)</b>	<b>75,617</b>
Depreciation and amortisation	-	-	-	-	-	-	<b>(23,182)</b>

*Half-year report – Interim condensed consolidated financial statements*

Finance income/(costs)	-	-	-	-	-	-	(69,965)
Profit before tax	-	-	-	-	-	-	(17,530)
Income tax	-	-	-	-	-	-	3,173
<b>Net profit</b>	-	-	-	-	-	-	<b>(14,357)</b>
<b>Carrying amount of debt portfolios</b>	<b>1,753,783</b>	-	<b>908,977</b>	<b>743,969</b>	<b>466,406</b>	-	<b>3,873,135</b>
<b>Carrying amount of loans</b>	<b>33,520</b>	<b>164,415</b>	<b>4,486</b>	-	-	-	<b>202,421</b>
<b>Cash recoveries</b>	<b>424,542</b>	-	<b>250,972</b>	<b>121,063</b>	<b>97,347</b>	-	<b>893,923</b>

## For the financial year ended December 31st 2019

	Poland Poland excluding Wonga.pl <sup>3</sup>	Poland Wonga.pl <sup>3</sup>	Romania	Italy	Other foreign markets	Head Office	TOTAL
<b>Revenue</b>	<b>565,719</b>	<b>36,032</b>	<b>399,844</b>	<b>171,970</b>	<b>90,606</b>	-	<b>1,264,171</b>
Purchased debt portfolios	516,297	-	385,069	159,967	77,005	-	<b>1,138,338</b>
<i>including revaluation of debt portfolios</i>	<i>35,709</i>	-	103,783	(13,995)	(64,533)	-	<b>60,964</b>
Credit management services	25,447	-	14,161	12,003*	13,601	-	<b>65,212*</b>
Other products	23,975	36,032	614	-	-	-	<b>60,621</b>
<b>Direct and indirect costs</b>							<b>(599,136)</b>
Purchased debt portfolios	-	-	-	-	-	-	<b>(477,676)</b>
Credit management services	-	-	-	-	-	-	<b>(66,488)*</b>
Other products	-	-	-	-	-	-	<b>(54,973)</b>
<b>Gross profit<sup>1</sup></b>							<b>665,035</b>
Purchased debt portfolios	-	-	-	-	-	-	<b>660,663</b>
Credit management services	-	-	-	-	-	-	<b>(1,276)</b>
Other products	-	-	-	-	-	-	<b>5,648</b>
Administrative expenses	-	-	-	-	-	-	<b>(178,282)</b>
Other income	-	-	-	-	-	-	<b>8,687</b>
Other expenses (unallocated)	-	-	-	-	-	-	<b>(11,056)</b>
<b>EBITDA<sup>2</sup></b>	<b>318,158</b>	<b>(9,723)</b>	<b>294,151</b>	<b>(6,830)</b>	<b>(37,883)</b>	<b>(73,489)</b>	<b>484,384</b>
Depreciation and amortisation	-	-	-	-	-	-	<b>(44,043)</b>
Finance income/(costs)	-	-	-	-	-	-	<b>(126,130)</b>
Profit before tax	-	-	-	-	-	-	<b>314,210</b>
Income tax	-	-	-	-	-	-	<b>(37,153)</b>

## Half-year report – Interim condensed consolidated financial statements

<b>Net profit</b>	-	-	-	-	-	-	<b>277,057</b>
<b>Carrying amount of debt portfolios</b>	<b>1,883,927</b>	-	<b>994,380</b>	<b>811,754</b>	<b>506,760</b>	-	<b>4,196,821</b>
<b>Carrying amount of loans</b>	<b>41,254</b>	<b>167,898</b>	<b>5,465</b>				<b>214,617</b>
<b>Cash recoveries</b>	<b>820,300</b>	-	<b>560,524</b>	<b>184,605</b>	<b>217,013</b>	-	<b>1,782,443</b>

\* comparability was achieved by transferring the recognised goodwill impairment of PLN 13,112 from income to expenses.

	Poland Poland excluding Wonga.pl <sup>3</sup>	Poland Wonga.pl <sup>3</sup>	Romania	Italy	Other foreign markets	Head Office	TOTAL
<b>Revenue</b>	<b>310,146</b>	<b>9,654</b>	<b>185,951</b>	<b>66,190</b>	<b>49,694</b>	-	<b>621,635</b>
Purchased debt portfolios	283,681	-	179,093	59,370	41,739	-	563,884
<i>including revaluation of debt portfolios</i>	<i>43,391</i>	-	51,793	(27,175)	(36,648)	-	31,361
Credit management services	12,896	-	6,438	6,820	7,955	-	34,108
Other products	13,569	9,654	420	-	-	-	23,643
<b>Direct and indirect costs</b>							<b>(279,422)</b>
Purchased debt portfolios	-	-	-	-	-	-	(236,292)
Credit management services	-	-	-	-	-	-	(27,914)
Other products	-	-	-	-	-	-	(15,215)
<b>Gross profit<sup>1</sup></b>							<b>342,213</b>
Purchased debt portfolios	-	-	-	-	-	-	327,462
Credit management services	-	-	-	-	-	-	6,194
Other products	-	-	-	-	-	-	8,556
Administrative expenses	-	-	-	-	-	-	(85,284)
Other income	-	-	-	-	-	-	1,525
Other expenses (unallocated)	-	-	-	-	-	-	(5,201)
<b>EBITDA<sup>2</sup></b>	<b>190,202</b>	<b>(419)</b>	<b>135,473</b>	<b>(17,959)</b>	<b>(14,734)</b>	<b>(39,311)</b>	<b>253,252</b>
Depreciation and amortisation	-	-	-	-	-	-	(21,251)
Finance income/(costs)	-	-	-	-	-	-	(55,947)
Profit before tax	-	-	-	-	-	-	176,055

## Half-year report – Interim condensed consolidated financial statements

Income tax	-	-	-	-	-	-	(9,072)
<b>Net profit</b>	-	-	-	-	-	-	<b>166,983</b>
<b>Carrying amount of debt portfolios</b>	<b>1,885,610</b>	-	<b>972,764</b>	<b>709,082</b>	<b>480,429</b>	-	<b>4,047,885</b>
<b>Carrying amount of loans</b>	<b>40,619</b>	<b>112,026</b>	<b>4,458</b>	-	-	-	<b>157,103</b>
<b>Cash recoveries</b>	<b>400,312</b>	-	<b>270,415</b>	<b>85,126</b>	<b>118,351</b>	-	<b>874,205</b>

<sup>1</sup> Gross profit = operating income - operating expenses.

<sup>2</sup> EBITDA = operating profit – depreciation and amortisation

<sup>3</sup> Wonga.pl data from the share purchase agreement date, i.e. April 30th 2019.



## 8. Seasonality or cyclical of business

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

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

### Investments

#### Investments measured at amortised cost

PLN '000	Jun 30 2020 unaudited	Dec 31 2019	Jun 30 2019 unaudited restated
Investments in debt portfolios	3,873,135	4,196,821	4,047,885
Loans	202,421	214,617	157,103
	4,075,556	4,411,438	4,204,988

### Debt portfolios

In the reporting period, the Group incurred expenditure on the purchase of debt portfolios in the amount of PLN 79,905 thousand (H1 2019: PLN 308,932 thousand; 2019: PLN 780,998 thousand), while the amount of recoveries from debtors was PLN 893,923 thousand (H1 2019: PLN 874,333 thousand; 2019: PLN 1,782,443 thousand). Changes in the estimated value of debt portfolios are presented below.

#### Investments in debt portfolios

PLN '000	Jun 30 2020 unaudited	Dec 31 2019	Jun 30 2019 unaudited restated
Unsecured portfolios	3,122,206	3,381,998	3,239,918
Secured portfolios	750,929	814,823	807,967
	3,873,135	4,196,821	4,047,885

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:

- risk premium,
- 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 2020 unaudited	Dec 31 2019	Jun 30 2019 unaudited
Discount rate			
- risk premium <sup>1</sup>	8.10% - 170.19%	8.10% - 113.17%	8.10% - 420.22%
Period for which collections have been estimated		Jan 2020–Dec 2034	Jul 2019–Jun 2035
	Jul 2020–Feb 2035		
Nominal value of expected future collections	7,016,714	7,563,217	7,161,983

<sup>1</sup> Applicable to 99% of debt portfolios.*Projected schedule of collections from debt portfolios (nominal value):*

PLN '000	Jun 30 2020 unaudited	Dec 31 2019	Jun 30 2019 unaudited
<b>Period</b>			
Up to 12 months	1,502,964	1,662,753	1,601,883
From 1 to 2 years	1,459,687	1,585,210	1,560,334
From 2 to 3 years	1,226,766	1,277,781	1,262,719
From 3 to 4 years	883,833	938,026	939,581
From 4 to 5 years	630,965	706,581	618,108
Over 5 years	1,312,499	1,392,865	1,179,358
	7,016,714	7,563,217	7,161,983

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

PLN '000

<b>Value of Investments in debt portfolios as at Jan 1 2019</b>	<b>4,077,718</b>
Purchase of debt portfolios	308,923
Cash recoveries	(874,333)
Value of foreclosed property	
Increase/(decrease) in liabilities to debtors due to overpayments	1,652
Valuation of loyalty scheme	2,166
Revenue from purchased debt portfolios (interest and revaluation)	563,882
Translation differences on debt portfolios	(32,123)
<b>Value of Investments in debt portfolios as at Jun 30 2019</b>	<b>4,047,885</b>

PLN '000

<b>Value of Investments in debt portfolios as at Jan 1 2019</b>	<b>4,077,718</b>
Purchase of debt portfolios	780,998
Cash recoveries	(1,782,443)
Increase/(decrease) in liabilities to debtors due to overpayments	4,988
Valuation of loyalty scheme	4,456
Revenue from purchased debt portfolios (interest and revaluation)	1,138,338
Translation differences on debt portfolios	(27,234)
<b>Value of Investments in debt portfolios as at Dec 31 2019</b>	<b>4,196,821</b>

<b>Value of Investments in debt portfolios as at Jan 1 2020</b>	<b>4,196,821</b>
Purchase of debt portfolios	79,905
Purchase price adjustment for discount	(100)

Cash recoveries	(893,923)
Increase/(decrease) in liabilities to debtors due to overpayments	4,857
Valuation of loyalty scheme	7,119
Revenue from purchased debt portfolios (interest and revaluation)	378,963
Translation differences on debt portfolios	99,493
<b>Value of Investments in debt portfolios as at Jun 30 2020</b>	<b>3,873,135</b>

ProsperoCapital is a party to a joint arrangement. As at June 30th 2020, 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 89,077 thousand (December 31st 2019: PLN 96,936 thousand), while revenue shown in the consolidated statement of profit or loss was PLN 15,299 thousand (2019: PLN 50,617 thousand).

### Sensitivity analysis – revision of projections

PLN '000

	Profit or loss for current period		Equity excluding profit or loss for current period	
	increase in collections by 100 bps	decrease in collections by 100 bps	increase in collections by 100 bps	decrease in collections by 100 bps
<b>Jun 30 2020</b>				
Investments in debt portfolios	33,252	(33,252)	-	-
<b>Dec 31 2019</b>				
Investments in debt portfolios	36,007	(36,007)	-	-

An increase in all projected recoveries by 1% will increase the value of packages and thus the net result for the current period by PLN 33,252 thousand. PLN, while a decrease in all forecast recoveries by 1% will reduce the value of packages and thus lower the net result by PLN 33,252 thousand. PLN for data as at 30/06/2020 (for data as at 31/12/2019, an increase / decrease by PLN 36,007 thousand, respectively).

### Sensitivity analysis – time horizon

PLN '000

	Profit or loss for current period		Equity excluding profit or loss for current period	
	extension by one year	reduction by one year	extension by one year	reduction by one year
<b>Jun 30 2020</b>				
Investments in debt portfolios	1,257	(4,787)	-	-
<b>Dec 31 2019</b>				
Investments in debt portfolios	1,977	(6,166)	-	-

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 20,692 thousand, while for one-year reduction projected collections decreased by PLN 61,086 thousand; 2019: PLN 32,550 thousand and PLN 78,689 thousand, respectively).

## Loans

The analysis of loans as at the end of the reporting periods is presented below.

IFRS 9 classification	Carrying amount as at Jun 30 2020	Carrying amount as at Dec 31 2019	Carrying amount as at Jun 30 2019
<b>Loans</b>			
Basket 1	140,933	164,886	56,258
Basket 2	34,128	28,059	77,684
Basket 3	25,958	19,263	17,318
POCI loans	1,403	2,408	5,843
	<b>202,421</b>	<b>214,617</b>	<b>157,103</b>

A detailed breakdown is presented in the following notes to the interim condensed consolidated financial statements.

Changes in the net carrying amount of loans are presented below.

PLN '000

<b>Carrying amount of loans as at Jan 1 2019</b>	<b>40,807</b>
Loans acquired with Wonga.pl Sp. z o.o., at fair value	87,373
New disbursements	91,371
Repayments	(79,475)
Income from loans	24,028
Loss allowance for expected credit losses	(6,579)
Currency translation differences	(422)
<b>Carrying amount of loans as at Jun 30 2019</b>	<b>157,103</b>

<b>Carrying amount of loans as at Jan 1 2019</b>	<b>40,807</b>
Loans acquired with Wonga.pl Sp. z o.o., at fair value	87,373
New disbursements	327,599
Repayments	(290,167)
Income from loans	87,444
Loss allowance for expected credit losses	(30,603)
Sale of loans*	(7,346)
Currency translation differences	(490)
<b>Carrying amount of loans as at Dec 31 2019</b>	<b>214,617</b>

<b>Carrying amount of loans as at Jan 1 2020</b>	<b>214,617</b>
New disbursements	147,228
Repayments	(201,401)
Income from loans	65,715
Loss allowance for expected credit losses	(20,380)
Sale of loans*	(3,606)
Currency translation differences	204
Other differences	44
<b>Carrying amount of loans as at Jun 30 2020</b>	<b>202,421</b>

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

Below are presented changes in impairment losses on loans.

PLN '000	Jan 1–Jun 30 2020		
	Basket 1	Basket 2	Basket 3
Loss allowance as at Jan 1	21,298	6,730	33,293
Loss allowance recognised in the reporting period	12,971	3,024	-
Transfer from basket 1 to basket 2	(4,412)	4,412	-
Transfer from basket 1 to basket 3	(6,783)	-	6,783
Transfer from basket 2 to basket 1	24	(24)	-
Transfer from basket 2 to basket 3	-	(5,263)	5,263
Transfer from basket 3 to basket 1	(12)	-	12
Transfer from basket 3 to basket 2	-	(2)	2
Reversal of allowance for expected credit losses	-	-	(7,164)
Loss allowance as at Jun 30	<b>23,086</b>	<b>8,876</b>	<b>38,189</b>

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 25.7% of gross loans.

### Sensitivity analysis – revision of projections

PLN '000	Profit or loss for current period		Equity excluding profit or loss for current period	
	increase in collections by 100 bps	decrease in collections by 100 bps	increase in collections by 100 bps	decrease in collections by 100 bps
<b>Jun 30 2020</b>				
Loans	2,143	(2,043)	-	-
<b>Dec 31 2019</b>				
Loans	2,143	(2,144)	-	-

The note presents the impact of the change in expected recoveries (forecast) on the net valuation of the loan portfolio as the impact of this change on the net result.

### Sensitivity analysis – time horizon

PLN '000	Profit or loss for current period		Equity excluding profit or loss for current period	
	extension by one month	reduction by one month	extension by one month	reduction by one month
<b>Jun 30 2020</b>				
Loans	(12,067)	7,011	-	-
<b>Dec 31 2019</b>				

Loans	(3,395)	1,848	-	-
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The note presents the effect of extending or reducing the repayment projection period by one month on the net value of the loan portfolio as the effect of the change on net profit or loss.

### Inventories (including property)

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

PLN '000	Jun 30 2020 unaudited	Dec 31 2019	Jun 30 2019 unaudited restated
Real property	35,748	32,406	35,764
Other inventories	21	37	267
	<u>35,769</u>	<u>32,443</u>	<u>36,031</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	
<b>Carrying amount of property held as at Jan 1 2019</b>	<b>32,939</b>
Value of foreclosed property	11,103
Carrying amount of property sold	(7,612)
Income from sale of property	(584)
<b>Carrying amount of property held as at Jun 30 2019</b>	<b><u>35,764</u></b>
<b>Carrying amount of property held as at Jan 1 2019</b>	<b>32,939</b>
Value of foreclosed property	25,548
Carrying amount of property sold	(25,092)
Income from sale of property	(989)
<b>Carrying amount of property held as at Dec 31 2019</b>	<b><u>32,406</u></b>
<b>Carrying amount of property held as at Jan 1 2020</b>	<b>32,406</b>
Value 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
<b>Carrying amount of property held as at Jun 30 2020</b>	<b><u>35,748</u></b>

Property is measured at cost or at net realizable value, whichever is lower.

## 10. 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

### 10.1. Revenue

PLN '000

	Jan 1–Jun 30 2020 unaudited	Apr 1–Jun 30 2020 unaudited	Jan 1–Jun 30 2019 unaudited	Apr 1–Jun 30 2019 unaudited
Revenue from purchased debt portfolios	378,963	223,025	563,882	283,217
Revenue from credit management services	27,081	12,810	34,110	16,262
Revenue from other services	50,382	21,305	23,643	16,445
	456,426	257,140	621,635	315,924

### Income from financial assets measured at amortised cost

PLN '000

	Jan 1–Jun 30 2020 unaudited	Apr 1–Jun 30 2020 unaudited	Jan 1–Jun 30 2019 unaudited	Apr 1–Jun 30 2019 unaudited
Revenue from purchased debt portfolios	378,963	223,025	563,882	283,217
Income from loans	41,933	17,667	17,028	13,240
	420,896	240,692	580,910	296,457

Revenue from collection of purchased debt portfolios and income from loans (presented under revenue from other services) 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 2020 unaudited	Apr 1–Jun 30 2020 unaudited	Jan 1–Jun 30 2019 unaudited	Apr 1–Jun 30 2019 unaudited
Interest income	502,966	245,123	485,287	242,537
Other income from purchased debt*	62,905	44,867	34,702	25,332
Revaluation of debt portfolios	(199,887)	(74,414)	31,361	6,798
Gain/(loss) on sale of debts	1,356	493	1,884	631
Foreclosure of property	11,646	6,832	11,232	8,377
Gain/(loss) on sale of property	(23)	124	(584)	(458)
	378,963	223,025	563,882	283,217

\* Other income from purchased debt – deviations of actual recoveries, decrease in early collections in collateralised cases, costs of loyalty scheme valuation, costs of provision for overpayments, payments by original creditors.

## Revaluation of debt portfolios

PLN '000

	Jan 1–Jun 30 2020 unaudited	Apr 1–Jun 30 2020 unaudited	Jan 1–Jun 30 2019 unaudited	Apr 1–Jun 30 2019 unaudited
Revision of repayment projections	(192,752)	(71,696)	41,656	3,880
Foreign currency gains/(losses)	(7,135)	(2,718)	(10,295)	2,918
	(199,887)	(74,414)	31,361	6,798

For further information on the revaluation as at June 30th 2020, see section 2 in: *Directors' Report on the KRUK Group's operations*.

## Income from loans

PLN '000

	Jan 1–Jun 30 2020 unaudited	Apr 1–Jun 30 2020 unaudited	Jan 1–Jun 30 2019 unaudited	Apr 1–Jun 30 2019 unaudited
Interest income	65,715	31,222	24,028	18,641
Loss allowance for expected credit losses	(20,380)	(12,300)	(6,579)	(5,277)
Profit/(loss) on loans	(3,606)	(1,133)	-	-
Foreign currency gains/(losses)	204	(122)	(422)	(124)
	41,933	17,667	17,028	13,240

## 10.2. Other income

PLN '000

	Jan 1–Jun 30 2020 unaudited	Apr 1–Jun 30 2020 unaudited	Jan 1–Jun 30 2019 unaudited	Apr 1–Jun 30 2019 unaudited
Grants	6,290	6,290	-	-
Settlement of lease payments under terminated contracts	1,050	1,050	-	-
Other markets	654	321	475	236
Gain on sale of property, plant and equipment	568	185	328	10
Recovery of written-off receivables and expenses	204	123	-	-
Compensation for motor damage	196	74	311	162
Other cooperation	83	12	-	-
Re-billed costs of services and court fees	8	(22)	409	256
	9,053	8,033	1,525	664

In the reporting period, the Group companies received grants from the Labour Office paid out of the Guaranteed Employee Benefits Fund under the employment protection agreement to subsidise the remuneration of employees affected by economic downtime or reduced working hours as a result of the COVID-19 epidemic. Pursuant to IAS 20 Government grants and disclosure of information about government assistance, the Group applies the income method and recognizes the grant in profit as a separate item in



Other operating income after it is reasonably certain that the terms related to the grant will be met and the grant will be received.

### 10.3. Services

PLN '000

	Jan 1–Jun 30 2020 unaudited	Apr 1–Jun 30 2020 unaudited	Jan 1–Jun 30 2019 unaudited	Apr 1–Jun 30 2019 unaudited
Credit management services <sup>1</sup>	(19,605)	(10,222)	(13,972)	(7,127)
IT services	(8,720)	(4,631)	(5,993)	(3,683)
Legal assistance services <sup>2</sup>	(8,463)	(3,845)	(10,874)	(5,342)
Administrative and accounting support services	(7,816)	(4,103)	(5,444)	(3,843)
Banking services	(5,066)	(2,899)	(5,003)	(2,652)
Postal and courier services	(4,644)	(1,933)	(7,487)	(3,346)
Space rental and service charges	(3,789)	(1,601)	(3,775)	(2,213)
Communications services	(3,418)	(1,811)	(3,453)	(1,857)
Marketing and management services	(2,742)	(329)	(2,255)	(700)
Printing services	(1,073)	(443)	(1,579)	(718)
Other auxiliary services	(874)	(410)	(907)	(147)
Security	(773)	(333)	(843)	(406)
Repair of vehicles	(619)	(247)	(593)	(332)
Repair and maintenance services	(217)	(107)	(161)	(96)
Other rental	(167)	(167)	(519)	(169)
Recruitment services	(114)	(109)	(405)	(256)
Packing services	(80)	(22)	(196)	(98)
Transport services	(9)	(1)	(18)	(13)
	(68,189)	(33,213)	(63,477)	(32,998)

<sup>1</sup> Costs of debt management services provided by external service providers.

<sup>2</sup> Legal assistance mainly relates to debt portfolio management

### 10.4. Employee benefits expense

PLN '000

	Jan 1–Jun 30 2020 unaudited	Apr 1–Jun 30 2020 unaudited	Jan 1–Jun 30 2019 unaudited	Apr 1–Jun 30 2019 unaudited
Salaries and wages	(133,595)	(62,682)	(136,031)	(69,727)
Old-age and disability pension contributions	(10,185)	(4,814)	(10,407)	(5,261)
Other social security contributions	(22,946)	(10,143)	(21,891)	(12,628)
Contribution to the State Fund for the Disabled	(843)	(422)	(805)	(404)
Equity-settled cost of stock option plan*	3,660	(907)	(6,330)	(4,035)
	(163,909)	(78,968)	(175,464)	(92,055)

\* The item reflects a positive adjustment for inclusion in the valuation model of dividends paid of PLN 5,538 thousand.

## 10.5. Other expenses

PLN '000

	Jan 1–Jun 30 2020 unaudited	Apr 1–Jun 30 2020 unaudited	Jan 1–Jun 30 2019 unaudited	Apr 1–Jun 30 2019 unaudited
Court fees	(87,356)	(36,682)	(81,491)	(45,410)
Goodwill impairment	(25,051)	(25,051)	-	-
Taxes and charges	(18,415)	(8,756)	(25,478)	(14,339)
Provision for possible differences straight-line basis settlement	(12,343)	(7,447)	-	-
Raw materials and consumables used	(3,924)	(1,406)	(5,934)	(2,995)
Advertising	(3,725)	(149)	(7,073)	(6,274)
Business trips	(1,113)	(175)	(2,902)	(1,645)
Staff training	(883)	(170)	(1,875)	(1,022)
Motor insurance	(683)	(344)	(568)	(272)
Non-compete agreements	(545)	(130)	-	-
Costs of services and fees to be re-billed	(463)	(463)	(631)	847
Property insurance	(344)	(165)	(425)	(158)
Membership fees	(273)	(89)	-	-
Losses from damage caused by motor vehicles	(209)	(57)	(725)	(197)
Refund of litigation costs	(148)	(148)	(354)	-
Non-deductible VAT	(114)	-	(255)	(122)
Entertainment expenses	(111)	-	(848)	(614)
Impairment losses on receivables	(28)	(27)	(7)	-
Other consultancy services	-	-	(390)	-
Other markets	(2,037)	(654)	(2,010)	(1,104)
	(157,765)	(81,913)	(130,966)	(73,307)

## 10.6. Finance income

PLN '000

	Jan 1–Jun 30 2020 unaudited	Apr 1–Jun 30 2020 unaudited	Jan 1–Jun 30 2019 unaudited	Apr 1–Jun 30 2019 unaudited
Interest income on bank deposits	65	36	73	45
	65	36	73	45

## 10.7. Finance costs

PLN '000

	Jan 1–Jun 30 2020 unaudited	Apr 1–Jun 30 2020 unaudited	Jan 1–Jun 30 2019 unaudited	Apr 1–Jun 30 2019 unaudited
Interest and commission expense on financial liabilities measured at amortised cost	(57,165)	(28,089)	(55,278)	(31,412)
<i>including interest</i>	(49,474)	(23,381)	(49,933)	(25,273)
Net foreign exchange losses	(3,823)	861	(1,490)	7,338
Interest income/expense on derivative instruments – IRS	(760)	(1,242)	938	459
Interest income/expense on derivative instruments –FORWARD	(916)	-	-	-
Ineffective portion of remeasurement of instruments – CIRS	(7,366)	5,273	(190)	(190)
	(70,030)	(23,197)	(56,020)	(23,805)

**10.8. Effect of exchange rate movements on consolidated statement of profit or loss**

PLN '000	Note	Jan 1–Jun 30 2020 unaudited	Jan 1–Jun 30 2019 unaudited
Realised exchange gains/(losses)	10.7	4,350	(197)
Unrealised exchange gains/(losses)	10.7	(8,173)	(1,293)
Settlement of forward contracts	10.7	(916)	-
Revaluation of debt portfolios due to exchange rate movements	10.1	(7,135)	(10,295)
Remeasurement of loans due to exchange rate movements	10.1	44	-
		(11,830)	(11,785)

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

PLN '000	Jan 1–Jun 30 2020 unaudited	Apr 1–Jun 30 2020 unaudited	Jan 1–Jun 30 2019 unaudited	Apr 1–Jun 30 2019 unaudited
<b>Current income tax</b>				
Current income tax payable	(8,586)	(1,573)	13,224	11,631
Adjustment to income tax for 2014	-	-	-	-
<b>Deferred income tax</b>				
Related to temporary differences and their reversal	6,801	8,064	(4,154)	1,254
<b>Income tax recognised in profit or loss</b>	(1,785)	6,491	9,071	12,886
<b>Income tax recognised in other comprehensive income</b>	-	-	-	-
	(1,785)	6,491	9,071	12,886

**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 2020 unaudited	Jan 1–Jun 30 2019 unaudited
Profit before tax	(17,530)	176,055
Tax calculated at the Parent's rate (19%)	3,331	(33,450)
Effect of application of other tax rates abroad and effect of deferred tax	3,964	2,871
Effect of non-deductible expenses/non-taxable income	(9,080)	21,508

Income tax recognised in profit or loss	(1,785)	(9,071)
Effective tax rate (%)	-10.18%	5.15%

### 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		Liabilities		Net carrying amount	
	Jun 30 2020	Dec 31 2019	Jun 30 2020	Dec 31 2019	Jun 30 2020	Dec 31 2019
Property, plant and equipment	6,243	4,513	(6,351)	(4,909)	(108)	(396)
Intangible assets	-	-	(1,931)	(4,841)	(1,931)	(4,841)
Tax losses deductible in future periods	5,535	11,323	-	-	5,535	11,323
Trade and other receivables	-	121	(173)	(243)	(173)	(122)
Borrowings and other debt instruments	22,795	18,496	-	-	22,795	18,496
Employee benefit obligations	2,395	2,391	-	-	2,395	2,391
Provisions and liabilities	18	3,656	-	-	18	3,656
Investments	47,607	21,429	(75,835)	(58,435)	(28,228)	(37,006)
<b>Deferred tax assets/liabilities</b>	84,593	61,930	(84,290)	(68,428)	303	(6,498)
Deferred tax assets offset against liabilities	(84,290)	(61,930)	84,290	61,930	-	-
<b>Deferred tax assets/liabilities in the statement of financial position</b>	303	-	-	(6,498)	6,801	(6,498)

**Change in temporary differences in the period**

PLN '000

	As at Jan 1 2020	Change in temporary differences recognised in profit or loss for current period	As at Jun 30 2020	As at Jan 1 2019	Change in temporary differences recognised in profit or loss for current period	Change in temporary differences related to acquisition of Wonga.pl	As at Dec 31 2019
Property, plant and equipment	(396)	288	(108)	(421)	25	-	(396)
Intangible assets	(4,841)	2,910	(1,931)	(2,627)	(2,214)	-	(4,841)
Tax losses deductible in future periods	11,323	(5,788)	5,535	1,482	9,842	-	11,323
Trade and other receivables	(122)	(51)	(173)	(173)	51	-	(122)
Borrowings and other debt instruments	18,496	4,299	22,795	10,675	7,821	-	18,496
Employee benefit obligations	2,391	3	2,395	2,001	390	-	2,391
Provisions and liabilities	3,656	(3,638)	18	2,265	1,391	-	3,656
Investments	(37,006)	8,778	(28,228)	(22,384)	(22,861)	8,239	(37,006)
	(6,498)	6,801	303	(9,182)	(5,282)	8,239	(6,498)

The change due to temporary differences recognised in profit or loss for the period was PLN 6,801 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 in the foreseeable future 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 30st 2020 was PLN 1,475,671 thousand (as at December 31st 2019: PLN 1,250,455 thousand).

**10.10. Borrowings, finance lease liabilities and other financial liabilities**

PLN '000

	Jun 30 2020 unaudited	Dec 31 2019 restated	Jun 30 2019 unaudited restated
<b>Non-current liabilities</b>			
Secured borrowings	903,484	1,145,889	950,588
Liabilities under debt securities (unsecured)	912,642	1,267,601	1,316,211
Lease liabilities	57,959	44,779	42,417
	<u>1,874,085</u>	<u>2,458,269</u>	<u>2,309,216</u>
<b>Current liabilities</b>			
Current portion of secured borrowings	54,789	134,353	187,304
Liabilities under debt securities (unsecured)	441,023	93,575	178,405
Current portion of lease liabilities	14,521	19,530	28,143
	<u>510,333</u>	<u>247,458</u>	<u>393,852</u>

**Terms and repayment schedule of borrowings, debt securities and leases**

PLN '000	Currency	Nominal interest rate	Maturity of the last liability	Jun 30 2020 unaudited	Dec 31 2019 restated	Jun 30 2019 unaudited
Borrowings secured over the Group's assets	EUR/PLN	1M WIBOR + margin of 1.0-2.25pp; 1M EURIBOR + margin of 2.2-2.40pp; 3M EURIBOR + margin of 2.40pp	2024	958,273	1,280,242	1,137,892
Liabilities under debt securities (unsecured)	PLN EUR	3M WIBOR + margin of 2.9-4.0pp; 3,59%	2025	1,353,665	1,361,176	1,494,616
Lease liabilities	EUR/PLN CZK	3M WIBOR or 1M EURIBOR + margin of 1.6-3.2pp; 3.00 – 4.03%	2030	72,480	64,309	70,560
				<u>2,384,418</u>	<u>2,705,727</u>	<u>2,703,068</u>

### 10.11. 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.

Open outstanding CIRS contracts held by KRUKE Group companies as at June 30th 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.	KRUKE S.A.	CCIRS	100,000,000.00 PLN	buy	3.06%	3.1% + 3M WIBOR	January 9th 2017 to June 4th 2021
Santander Bank Polska S.A.	KRUKE S.A.	CCIRS	90,000,000.00 PLN	buy	2.97%	3.0% + 3M WIBOR	January 13th 2017 to November 10th 2021

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



### 10.12. Hedging instruments

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

Open outstanding IRS contracts held by KRUK Group companies as at June 30th 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.	IRS	150,000,000.00 PLN	buy	2.50%	3M WIBOR	November 7th 2017 to March 2nd 2022
Santander Bank Polska S.A.	KRUK S.A.	IRS	50,000,000.00 PLN	buy	2.50%	3M WIBOR	November 7th 2017 to May 4th 2022
Santander Bank Polska S.A.	KRUK S.A.	IRS	75,000,000.00 PLN	buy	1.67%	3M WIBOR	September 5th 2019 to October 18th 2022
Santander Bank Polska S.A.	KRUK S.A.	IRS	30,000,000.00 PLN	buy	1.65%	3M WIBOR	September 5th 2019 to November 27th 2023
Santander Bank Polska S.A.	KRUK S.A.	IRS	25,000,000.00 PLN	buy	1.65%	3M WIBOR	September 5th 2019 to February 6th 2024
DNB Bank Polska S.A.	KRUK S.A.	IRS	35,000,000.00 PLN	buy	1.6050%	3M WIBOR	September 4th 2019 to October 12th 2023
DNB Bank Polska S.A.	KRUK S.A.	IRS	115,000,000.00 PLN	buy	1.5775%	3M WIBOR	September 4th 2019 to September 27th 2024
DNB Bank Polska S.A.	KRUK S.A.	IRS	50,000,000.00 PLN	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

PLN '000

	Jun 30 2020				Dec 31 2019				Item in the statement of financial position	Type of security
	Assets	Liabilities	Nominal amount	Change in fair value used to determine ineffectiveness	Assets	Liabilities	Nominal amount	Change in fair value used to determine ineffectiveness		
Instrument type:										
IRS	-	10,215	275,000 (PLN)	6,291	-	3,924	275,000 (PLN)	3,924	Derivatives	Cash flow hedges

IRS	-	12,370	255,000 (PLN)	12,790	420	-	255,000 (PLN)	420	Derivatives	Cash flow hedges
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-	22,585	19,081	420	3,924	4,344
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PLN '000

## Nominal value as at Jun 30 2020

	Less than 6 months	6–12 months	1–2 years	2–5 years	Over 5 years
<b>Instrument type:</b>					
<b>IRS</b>					
fixed payment PLN sale	-	-	(200,000)	(330,000)	-
floating payment PLN	-	-	200,000	330,000	-

## Nominal amount as at Dec 31 2019

	Less than 6 months	6–12 months	1–2 years	2–5 years	Over 5 years
<b>Instrument type:</b>					
<b>IRS</b>					
fixed payment PLN sale	-	-	-	(530,000)	-
floating payment PLN	-	-	-	530,000	-

PLN '000

## Disclosure of the hedged item

	Nominal amount of the hedged item	Change in the fair value of the hedged item	Reserve for measurement of continuing hedges	Reserve (unsettled) for measurement of discontinued hedges
Cash flow hedges	530,000	22,675	(22,675)	3,603
Cash flow hedges	-	-	-	

PLN '000

Jan 1–Jun 30 2020

Cash flow hedge reserve	Hedge of future cash flows (interest rate risk)	Hedge of net investment in foreign operations	Total hedge reserve
Hedge reserve at beginning of the period	(3,525)	3,603	78
Measurement of instruments charged to capital reserves	(18,390)	-	(18,390)
Amount reclassified to profit or loss during the period	(760)	-	(760)
- Interest income	(760)	-	(760)
- Reclassification of exchange differences	-	-	-
Hedge reserve at end of the period	(22,675)	3,603	(19,072)

Jan 1–Jun 30 2019

Cash flow hedge reserve	Future cash flow hedges	Hedge of investments in net assets	Total hedge reserve
Hedge reserve at beginning of the period	(3,869)	-	(3,869)
Measurement of instruments charged to capital reserves	(1,130)	5,091	3,961
Amount reclassified to profit or loss during the period	733	-	733
- Interest income	733	-	
Hedge reserve at end of the period	(3,136)	5,091	825

PLN '000

Jan 1–Jun 30 2019

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	(3,869)	-	(3,869)
Measurement of instruments charged to capital reserves	(1,216)	4,477	3,261
Amount reclassified to profit or loss during the period	1,560	(874)	686
- Interest income	1,560	-	1,560
- Reclassification of exchange differences	-	(874)	(874)

**Hedge reserve at end of the period**

(3,525)	3,603	78
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**10.13. Earnings per share****Basic earnings per share**

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	Jan 1–Jun 30 2020 unaudited	Jan 1–Dec 31 2019	Jan 1–Jun 30 2019 unaudited
Number of ordinary shares as at Jan 1	18,972	18,887	18,887
Effect of cancellation and issue	-	29	15
Weighted average number of ordinary shares at end of reporting period	18,972	18,916	18,902
<i>PLN</i>			
Earnings per share	(1.02)	14.61	8.83

**Diluted earnings per share**

'000

	Jan 1–Jun 30 2020 unaudited	Jan 1–Dec 31 2019	Jan 1–Jun 30 2019 unaudited
Number of ordinary shares as at Jan 1	18,972	18,916	18,887
Effect of issue of unregistered shares not subscribed for	231	410	399
Weighted average number of ordinary shares at end of reporting period (diluted)	19,203	19,326	19,286
<i>PLN</i>			
Earnings per share (diluted)	(1.00)	14.30	8.65

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

PLN '000

		<b>Jun 30 2020 unaudited</b>	<b>Dec 31 2019 restated</b>	<b>Jun 30 2019 unaudited restated</b>
<b>Assets</b>				
<b>Non-current assets</b>				
	Property, plant and equipment	87,930	82,973	87,705
	Other intangible assets	49,820	50,252	50,512
	Goodwill	24,405	47,206	61,493
	Derivatives	-	3,799	3,404
	Hedging instruments	-	420	-
	Deferred tax asset	303	-	-
<b>Total non-current assets</b>		<b>162,458</b>	<b>184,650</b>	<b>203,114</b>
<b>Current assets</b>				
	Inventories	35,769	32,443	36,031
	Investments	4,075,556	4,411,438	4,204,988
	Trade receivables	24,956	23,988	26,240
	Other receivables	32,080	31,852	35,568
	Other assets	962	3,020	1,009
	Cash and cash equivalents	250,589	150,274	383,738
<b>Total current assets</b>		<b>4,419,912</b>	<b>4,653,015</b>	<b>4,687,574</b>
<b>Total assets</b>		<b>4,582,370</b>	<b>4,837,665</b>	<b>4,890,688</b>
<b>Equity and liabilities</b>				
<b>Equity</b>				
	Share capital	18,972	18,972	18,931
	Share premium	307,192	307,192	303,711
	Cash flow hedging reserve	(19,072)	78	825
	Translation reserve	42,754	(30,219)	(42,705)
	Other capital reserves	100,922	104,582	101,254
	Retained earnings	1,536,279	1,555,572	1,446,001
<b>Equity attributable to owners of the Parent</b>		<b>1,987,048</b>	<b>1,956,177</b>	<b>1,828,017</b>
<b>Non-controlling interests</b>		<b>430</b>	<b>667</b>	<b>164</b>
<b>Total equity</b>		<b>1,987,478</b>	<b>1,956,844</b>	<b>1,828,181</b>
<b>Non-current liabilities</b>				
	Non-current liabilities under borrowings and other debt instruments	1,874,085	2,458,269	2,309,216
	Deferred tax liability	-	6,498	19
	Derivatives	5,201	-	1,683
	Hedging instruments	22,585	3,924	4,619
<b>Total non-current liabilities</b>		<b>1,901,871</b>	<b>2,468,691</b>	<b>2,315,537</b>
<b>Current liabilities</b>				
	Current liabilities under borrowings and other debt instruments	510,333	247,458	393,852
	Trade and other payables	109,791	101,303	297,368
	Income tax payable	2,700	6,673	5,258
	Employee benefit obligations	50,697	49,539	50,492
	Provisions	19,500	7,156	-

<b>Total current liabilities</b>	693,021	412,130	746,971
<b>Total liabilities</b>	2,594,892	2,880,821	3,062,508
<b>Total equity and liabilities</b>	4,587,370	4,837,665	4,890,688

Current and non-current items of the statement of financial position are presented based on contractual cash flows. Investments in debt portfolios are overdue debt claims that the KRUK Group presents under current assets.

**10.15. Right of use**

PLN '000

	Jun 30 2020	Dec 31 2019
<b>Carrying amount of right-of-use assets at end of reporting period, by class of underlying asset at beginning of period</b>		
Buildings and structures	48,598	56,079
Plant and equipment	308	492
Vehicles	16,423	18,788
	<u>65,329</u>	<u>75,359</u>
<b>Cost of amortisation of right-of-use assets, by class of underlying asset</b>		
Buildings and structures	(8,215)	(16,063)
Plant and equipment	(84)	(182)
Vehicles	(3,570)	(8,872)
	<u>(11,869)</u>	<u>(25,118)</u>
Increase in right-of-use assets	16,739	11,097
Right-of-use assets as at acquisition of Wonga.pl	-	3,734
Decrease in right-of-use assets	(835)	(254)
Translation differences	(1,050)	(511)
<b>Carrying amount of right-of-use assets at end of reporting period, by class of underlying asset at end of period</b>		
Buildings and structures	57,921	48,598
Plant and equipment	167	308
Vehicles	12,327	16,423
	<u>70,415</u>	<u>65,329</u>
Interest expense relating to lease liabilities	1,312	2,767
Cost relating to variable lease payments not included in the measurement of lease liabilities	8	33
Total cash outflow in connection with leases	11,342	18,593

## 10.16. Goodwill

PLN '000

	Kancelaria Prawna RAVEN	KRUK Italia S.r.l	KRUK Espana S.L.	ERIF BIG S.A.	AgeCredit S.r.l	Total
<b>Gross carrying amount as at Jan 1 2019</b>	299	5,002	47,977	725	8,007	62,010
Increase	-	-	-	-	-	-
Decrease	-	-	-	-	-	-
Translation differences	-	(81)	(1,795)	-	184	(1,692)
<b>Gross carrying amount as at Dec 31 2019</b>	299	4,921	46,182	725	8,191	60,318
<b>Gross carrying amount as at Jan 1 2020</b>	299	4,921	46,182	725	8,191	60,318
Increase	-	-	-	-	-	-
Decrease	-	-	-	-	-	-
Translation differences	-	-	2,250	-	-	2,250
<b>Gross value as at Jun 30 2020</b>	299	4,921	48,432	725	8,191	62,568
<b>Impairment losses</b>						
Impairment loss as at Jan 1 2019	-	-	-	-	-	-
Increase	-	(4,921)	-	-	(8,191)	(13,112)
Decrease	-	-	-	-	-	-
Impairment loss as at Dec 31 2019	-	(4,921)	-	-	(8,191)	(13,112)
Impairment loss as at Jan 1 2020	-	(4,921)	-	-	(8,191)	(13,112)
Increase	-	-	(25,051)	-	-	(25,051)
Decrease	-	-	-	-	-	-
Impairment loss as at Jun 30 2020	-	(4,921)	(25,051)	-	(8,191)	(38,163)
<b>Net carrying amount</b>						
As at Jan 1 2019	299	5,002	47,977	725	8,007	62,010
As at Dec 31 2019	299	-	46,182	725	-	47,206
As at Jan 1 2020	299	-	46,182	725	-	47,206
As at Jun 30 2020	299	-	23,381	725	-	24,405

## Impairment testing of cash-generating units which include goodwill

Recoverable amount of goodwill associated with the cash-generating units specified above is assessed based on their value in use. Value in use is an estimated present value of future cash flows generated by such units. In order to perform goodwill tests, cash-generating units associated with given goodwill were defined first. In the case of Espand Soluciones de Gestion S.L., which was acquired in 2016 and subsequently merged with KRUK España S.L., the cash-generating unit in 2017 was the credit management business (debt collection services for unrelated undertakings), as such was the company's business profile prior to the acquisition and these activities were continued. The key assumption underlying the calculation of recoverable amount is the



level of margin earned on the credit management services provided to clients. The assumptions adopted are based on historical performance, current knowledge of the credit management market and the potential of operating structures.

Next, a four-and-a-half-year forecast of cash flows related to this activity was made. To calculate the discount rate, the Group uses the weighted average cost of capital for the debt collection industry. To calculate the cost of equity, the Group applied the Capital Asset Pricing Model (CAPM) based on financial data of debt collection companies operating on global markets (the weighted average cost of capital for the debt collection industry was 6.56% as at June 30th 2020 and 6.82% as at December 31st 2019). The residual value was calculated using a growth rate equal to the average of projected inflation rates during the forecast period, of 1.06% for Spain (as at December 31st 2019: 1.49%).

The estimated amount of the gross profit affects the present value of future cash flows of cash-generating units. In H1 2020, following a decrease in projected future cash flows from the credit management business (cash-generating unit), an impairment loss of PLN 25,051 thousand was recorded on Espand's goodwill.

## 10.17. Trade and other receivables

### Trade receivables

PLN '000

Long-term  
Short-term

	Jun 30 2020	Dec 31 2019
	-	-
	24,956	23,988
	24,956	23,988

### Other receivables

PLN '000

Taxes receivable (other than income tax)  
Receivables under security deposits and bid bonds  
Receivables under collected debts  
Other receivables  
Receivables for court fees and stamp duty

	Jun 30 2020	Dec 31 2019
Taxes receivable (other than income tax)	17,462	16,341
Receivables under security deposits and bid bonds	8,233	9,488
Receivables under collected debts	5,655	5,365
Other receivables	643	573
Receivables for court fees and stamp duty	87	85
	32,080	31,852

**10.18. Cash and cash equivalents**

PLN '000

	Jun 30 2020	Dec 31 2019
Cash in hand	691	233
Cash in current accounts	249,898	150,041
	250,589	150,274

**10.19. Employee benefit obligations and provisions**

PLN '000

	Jun 30 2020	Dec 31 2019
Salaries and wages payable	15,642	17,110
Social benefit obligations	11,212	11,866
Provisions for retirement gratuity payments	11,749	10,196
Accrued holiday entitlements	8,424	7,719
Personal income tax	3,374	2,350
Special accounts	296	189
Accrued gratuity payments	-	109
	50,697	49,539

**10.20. Trade and other payables**

PLN '000

	Jun 30 2020	Dec 31 2019
Trade payables	24,859	45,671
Other liabilities	48,968	16,829
Deferred income	17,034	13,490
Accrued expenses	9,467	10,246
Tax and duties payable	9,462	15,067
	109,791	101,303

**10.21. Provisions**

PLN '000

	Other provisions
Carrying amount as at Jan 1 2019	-
Provision for possible differences straight-line basis settlement	7,156
Carrying amount as at Dec 31 2019	7,156
Carrying amount as at Jan 1 2020	7,156
Provision for possible differences straight-line basis settlement	12,343
Amount as at Jun 30 2020	19,500

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.

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 method of reimbursement and the straight-line method.

## 11. Related-party transactions

### *Remuneration of the management personnel - Management Board*

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

<i>PLN '000</i>	<b>Jan 1-Jun 30 2020</b>	<b>Jan 1-Jun 30 2019</b>
Base pay/ managerial contract (gross)	3,011	2,859
Share based payments	1,878	6,330
	<b>4,889</b>	<b>9,189</b>

### *Remuneration of members of the Supervisory Board*

Below is presented information on the remuneration payable to the members of the Company's members of the Supervisory Board:

<i>PLN '000</i>	<b>Jan 1-Jun 30 2020</b>	<b>Jan 1-Jun 30 2019</b>
Base pay (gross)	427	400
	<b>427</b>	<b>400</b>

### *Other transactions with management personnel*

As at June 30st 2020, members of the Management Board and persons closely related to them jointly held 10.71% of the total voting rights at the Parent's General Meeting (December 31st 2019: 11.09%).

## 12. 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 trading partner, debtor 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**

For each loan, the Group assesses the client's creditworthiness.

As the loans are measured at amortised cost, the credit risk related to the loans is reflected in their valuations at the end of each reporting period. As at each valuation date, the Group estimates credit risk based on past inflows from loans. In H1 2020, the Group adjusted the delinquency ratio resulting in a loan impairment write-off of PLN 7,428 thousand for the impact of COVID-19 due to the likely deterioration of the borrowers' financial condition. The credit risk assessment also takes into account the period of delinquency of the loans being valued. For detailed information, see section 2 in: *Directors' Report on the KRUK Group's operations*.

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**

Over 60% of trading 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 trading partners.

The Group's exposure to credit risk mainly results from individual characteristics of each trading partner. The Group's largest trading partner generates 1.4% (2019: 2%) of the Group's revenue. Receivables from the Group's largest trading partner represented 1.4% of total gross trade receivables as at June 30th 2020 (December 31st 2019: 4.2%). Therefore, there is no significant concentration of credit risk at the Group.

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

### 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 takes account of factors related to the COVID-19 pandemic, which have an impact on future cash inflows, as detailed in section 2 of: *Directors' Report on the KRUK Group's operations*.

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 2020	Dec 31 2019
Investments in debt portfolios	3,873,135	4,196,821
Loans	202,421	214,617
Trade and other receivables	57,036	55,840
	<u>4,132,592</u>	<u>4,467,278</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 2020	Dec 31 2019
Poland	1,972,082	2,117,848
Romania	926,565	1,009,917
Italy	752,405	820,505
Other foreign markets	481,540	519,008
	<u>4,132,592</u>	<u>4,467,278</u>

**Quality of trade and other receivables and loans**

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 2020	Carrying amount as at Dec 31 2019
<b>Trade and other receivables</b>			
	Basket 1	58,708	57,483
	Basket 2	32	32
	Basket 3	-	-
		<u>58,740</u>	<u>57,515</u>
<b>Impairment losses</b>			
	Basket 1	1,671	1,643
	Basket 2	32	32
	Basket 3	-	-
		<u>1,703</u>	<u>1,675</u>
<b>Net carrying amount</b>			
		57,036	55,840

Changes of impairment losses on receivables are presented below:

PLN '000

	Jan 1–Jun 30 2020			Jan 1–Dec 31 2019		
	Basket 1	Basket 2	Basket 3	Basket 1	Basket 2	Basket 3
Loss allowance as at Jan 1	1,643	32	-	1,496	109	-
Loss allowance recognised in the period	28	-	-	147	-	-
Reversal of loss allowance	-	-	-	-	(77)	-
Use of loss allowance	-	-	-	-	-	-
Loss allowance at end of the period	<u>1,671</u>	<u>32</u>	<u>-</u>	<u>1,643</u>	<u>32</u>	<u>-</u>

The analysis of loans as at the end of the reporting periods is presented below.

	IFRS 9 classification	Carrying amount as at Jun 30 2020	Carrying amount as at Dec 31 2019
<b>Loans</b>			
	Basket 1	164,019	186,183
	Basket 2	43,004	34,789
	Basket 3	64,147	52,556
	POCI loans	1,403	2,408
		<u>272,572</u>	<u>275,937</u>
<b>Impairment losses</b>			
	Basket 1	23,086	21,298
	Basket 2	8,876	6,730
	Basket 3	38,189	33,293
	POCI loans	-	-

	70,151	61,320
<b>Net carrying amount</b>	202,421	214,617

Below are presented changes in gross carrying amount of loans:

PLN '000	Jan 1–Jun 30 2020				Jan 1–Dec 31 2019			
	Basket 1	Basket 2	Basket 3	POCI loans	Basket 1	Basket 2	Basket 3	
Gross carrying amount as at Jan 1	186,183	34,789	52,556	2,408	-	38,577	19,845	-
Purchase	-	-	-	-	-	-	-	5,046
Disbursements/repayments	15,699	(5,285)	(12,773)	(1,005)	233,055	(1,678)	(16,270)	(2,638)
Transfer from basket 1 to basket 2	(26,249)	26,249	-	-	(31,349)	31,349	-	-
Transfer from basket 1 to basket 3	(12,815)	-	12,815	-	(15,523)	-	15,523	-
Transfer from basket 2 to basket 1	1,076	(1,076)	-	-	-	-	-	-
Transfer from basket 2 to basket 3	-	(11,681)	11,681	-	-	(33,458)	33,458	-
Transfer from basket 3 to basket 1	123	-	(123)	-	-	-	-	-
Transfer from basket 3 to basket 2	-	9	(9)	-	-	-	-	-
Gross carrying amount at end of the period	<b>164,018</b>	<b>43,004</b>	<b>64,147</b>	<b>1,403</b>	<b>186,183</b>	<b>34,789</b>	<b>52,556</b>	<b>2,408</b>

Below are presented changes in impairment losses on loans.

PLN '000	Jan 1–Jun 30 2020			Jan 1–Dec 31 2019		
	Basket 1	Basket 2	Basket 3	Basket 1	Basket 2	Basket 3
Loss allowance as at Jan 1	21,298	6,730	33,293	-	3,480	10,878
Loss allowance recognised in the reporting period	12,971	3,024	-	33,556	19,175	-
Transfer from basket 1 to basket 2	(4,412)	4,412	-	(4,967)	4,967	-
Transfer from basket 1 to basket 3	(6,783)	-	6,783	(7,291)	-	7,291
Transfer from basket 2 to basket 1	24	(24)	-	-	-	-
Transfer from basket 2 to basket 3	-	(5,263)	5,263	-	(20,893)	20,893
Transfer from basket 3 to basket 1	(12)	-	12	-	-	-
Transfer from basket 3 to basket 2	-	(2)	2	-	-	-
Reversal of allowance for expected credit losses	-	-	(7,164)	-	-	(5,769)
Use of loss allowance	-	-	-	-	-	-
Loss allowance at end of the period	<b>23,086</b>	<b>8,876</b>	<b>38,189</b>	<b>21,298</b>	<b>6,730</b>	<b>33,293</b>

As at June 30th 2020, the gross value of consumer loans was PLN 272,572 thousand (December 31st 2019: PLN 275,937 thousand). The Group recognised an impairment allowance for expected credit losses on loans of PLN 70,151 thousand as at June 30th 2020 (December 31st 2019: PLN 61,320 thousand). The amount of the impairment loss is determined for individual expected loss recognition baskets, based on estimates that reflect the risk of incurring the expected loss, made taking into account the stage of delinquency. The amount of impairment loss covers 25.7% of the gross carrying amount of the loans.

### 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 2020**

PLN '000

	Carrying amount	Contractual cash flows	Less than 6 months	6–12 months	1–2 years	2–5 years	Over 5 years
<b>Non-derivative financial assets and liabilities</b>							
Investments in debt portfolios	3,873,135	7,016,714	714,578	788,385	1,459,687	2,741,564	1,312,499
Loans	202,421	418,158	193,951	133,665	88,608	1,933	-
Secured borrowings	(958,273)	(1,059,950)	(19,338)	(15,607)	(24,963)	(1,000,041)	-



Unsecured bonds in issue	(1,353,665)	(1,461,359)	(96,869)	(390,523)	(590,554)	(383,413)	-
Lease liabilities	(72,480)	(75,343)	(11,722)	(10,979)	(18,270)	(31,322)	(3,050)
Trade and other payables	(109,791)	(109,791)	(109,791)	-	-	-	-
	1,581,347	4,728,429	670,809	504,941	914,509	1,328,721	1,309,449

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 2019

PLN '000

	Carrying amount	Contractual cash flows	Less than 6 months	6–12 months	1–2 years	2–5 years	Over 5 years
<b>Non-derivative financial assets and liabilities</b>							
Investments in debt portfolios	4,196,821	7,563,217	822,785	839,968	1,585,210	2,922,388	1,392,865
Loans	214,617	295,526	145,903	63,957	51,102	27,336	7,228
Secured borrowings	(1,280,242)	(1,305,176)	(26,634)	(53,769)	(40,814)	(1,183,959)	-
Unsecured bonds in issue	(1,361,176)	(1,536,673)	(49,368)	(107,724)	(590,729)	(586,767)	(202,085)
Lease liabilities	(64,309)	(66,761)	(12,100)	(12,594)	(18,930)	(19,429)	(3,707)
Trade and other payables	(101,303)	(101,303)	(101,303)	-	-	-	-
	1,604,408	4,848,830	779,283	729,837	985,839	1,159,570	1,194,301

For information on the impact of COVID-19 on the KRUK Group's liquidity, see section 2 in: *Directors' Report on the KRUK Group's operations*.

Contractual cash flows were determined based on interest rates effective as at June 30th 2020 and December 31st 2019, 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 2020, the undrawn revolving credit facility limit available to the Group was PLN 910,161 thousand (2019: PLN 556,254 thousand). The limit is available until December 20th 2023.

#### 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 2020, financial assets denominated in foreign currencies accounted for 51% of total assets, while liabilities denominated in foreign currencies represented 7% of total equity and liabilities (December 31st 2019: 52% and 22%, respectively).

**Exposure to currency risk and sensitivity analysis**

The Group's exposure to currency risk attributable to financial instruments denominated in foreign currencies, calculated based on the exchange rates effective at the end of the reporting period, is presented below.

PLN '000

	Jun 30 2020					Jun 30 2020				
	Exposure to currency risk					Effect on net profit/(loss) / OCI if exchange rate changes by +10%				
	PLN	EUR	RON	CZK	TOTAL	PLN	EUR	RON	CZK	TOTAL
<b>Effect on profit/loss for period</b>										
Receivables	142	1,312	5,955	-	<b>7,409</b>	14	131	596	-	<b>741</b>
Financial assets	-	47,280	732,527	44,394	<b>824,202</b>	-	4,728	73,253	4,439	<b>82,420</b>
Cash	469	9,547	23,271	1,295	<b>34,583</b>	47	955	2,327	130	<b>3,458</b>
Liabilities under borrowings and other debt instruments	-	(244,469)	-	-	<b>(244,469)</b>	-	(24,447)	-	-	<b>(24,447)</b>
Trade and other payables	(136)	267	(623)	(97)	<b>(588)</b>	(14)	27	(62)	(10)	<b>(59)</b>
<b>Effect on profit/loss for period</b>	<b>475</b>	<b>(186,063)</b>	<b>761,131</b>	<b>45,593</b>	<b>621,136</b>	<b>47</b>	<b>(18,606)</b>	<b>76,113</b>	<b>4,559</b>	<b>62,114</b>
<b>Effect on other comprehensive income</b>										
Receivables	-	11,362	4,421	6	<b>15,789</b>	-	1,136	442	1	<b>1,579</b>
Financial assets	-	1,144,867	204,585	29,653	<b>1,379,106</b>	-	114,487	20,459	2,965	<b>137,911</b>
Cash	-	67,420	25,482	5,261	<b>98,163</b>	-	6,742	2,548	526	<b>9,816</b>
Liabilities under borrowings and other debt instruments	-	(21,774)	(29,225)	(1,876)	<b>(52,875)</b>	-	(2,177)	(2,923)	(188)	<b>(5,288)</b>
Trade and other payables	-	(21,416)	(17,882)	(3,950)	<b>(43,249)</b>	-	(2,142)	(1,788)	(395)	<b>(4,325)</b>
<b>Effect on other comprehensive income</b>	<b>-</b>	<b>1,180,459</b>	<b>187,380</b>	<b>29,094</b>	<b>1,396,933</b>	<b>-</b>	<b>118,046</b>	<b>18,738</b>	<b>2,909</b>	<b>139,693</b>
<b>Exposure to currency risk</b>	<b>475</b>	<b>994,396</b>	<b>948,511</b>	<b>74,687</b>	<b>2,018,069</b>	<b>47</b>	<b>99,440</b>	<b>94,851</b>	<b>7,469</b>	<b>201,807</b>

## Half-year report – Interim condensed consolidated financial statements

Risk mitigation effect	-	(190,000)	-	-	(190,000)	-	(19,000)	-	-	(19,000)
Exposure to currency risk after hedging	475	804,396	668,151	74,687	1,828,069	47	80,440	66,815	7,469	182,807

PLN '000	Dec 31 2019					Dec 31 2019				
	Exposure to currency risk					Effect on net profit/(loss) / OCI if exchange rate changes by +10%				
	PLN	EUR	RON	CZK	TOTAL	PLN	EUR	RON	CZK	TOTAL
<b>Effect on profit/loss for period</b>										
Receivables	9	731	-	-	740	1	73	-	-	74
Financial assets	-	49,745	771,219	38,623	859,587	-	4,974	77,122	3,862	85,959
Cash	234	12,704	18,605	742	32,285	23	1,270	1,861	74	3,229
Liabilities under borrowings and other debt instruments	-	(284,621)	-	-	(284,621)	-	(28,462)	-	-	(28,462)
Trade and other payables	227	799	(4,323)	(92)	(3,389)	23	80	(432)	(9)	(339)
<b>Effect on profit/loss for period</b>	470	(220,643)	785,502	39,273	604,602	47	(22,064)	78,550	3,927	60,460
<b>Effect on other comprehensive income</b>										
Receivables	-	22,010	18,178	11	40,199	-	2,201	1,818	1	4,020
Financial assets	-	1,197,592	303,650	34,698	1,535,941	-	119,759	30,365	3,470	153,594
Cash	-	56,002	12,839	4,507	73,349	-	5,600	1,284	451	7,335
Liabilities under borrowings and other debt instruments	-	(675,684)	(28,752)	(2,442)	(706,878)	-	(67,568)	(2,874)	(244)	(70,687)
Trade and other payables	-	(41,852)	(13,202)	(3,929)	(58,982)	-	(4,185)	(1,320)	(393)	(5,898)
<b>Effect on other comprehensive income</b>	-	558,070	292,714	32,845	883,629	-	55,807	29,272	3,285	88,364
<b>Exposure to currency risk</b>	470	337,427	1,078,216	72,118	1,488,230	47	33,743	107,823	7,212	148,824
Risk mitigation effect	-	(190,000)	-	-	(190,000)	-	(19,000)	-	-	(19,000)
<b>Exposure to currency risk after hedging</b>	470	147,427	1,078,216	72,118	1,298,230	47	14,743	107,823	7,212	129,824

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 2020 unaudited	Jan 1–Jun 30 2019 unaudited	Jun 30 2020 unaudited	Dec 31 2019
1 EUR	4.4413	4.2880	4.4660	4.2585
1 USD	4.0214	3.7936	3.9806	3.7977
1 RON	0.9205	0.9031	0.9220	0.8901
1 CZK	0.1677	0.1669	0.1666	0.1676

\*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 2020 unaudited	Dec 31 2019
<b>Fixed-rate financial instruments</b>		
Financial assets	4,132,592	4,467,278
Financial liabilities	288,486	(315,003)
	4,421,078	4,152,275
Risk mitigation effect	(530,000)	(530,000)
	3,891,078	3,622,275
<b>Variable-rate financial instruments</b>		
Financial assets	-	-
Financial liabilities	(2,205,723)	(2,492,027)
	(2,205,723)	(2,492,027)
Risk mitigation effect	530,000	530,000
	(1,675,723)	(1,962,027)

### Sensitivity analysis of fair value of fixed-rate financial instruments

The Group does not hold any fixed rate financial instruments measured at fair value through profit or loss, nor does it execute transactions with derivatives (IRSs) serving as security for fair value. 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 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
<b>Jun 30 2020</b>				
Variable rate financial assets	-	-	-	-
Variable rate financial liabilities	(22,057)	22,057	-	-
<b>Dec 31 2019</b>				
Variable rate financial assets	-	-	-	-
Variable rate financial liabilities	(24,920)	24,920	-	-

**Fair value**

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

PLN '000

	Jun 30 2020 unaudited		Dec 31 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets and liabilities measured at fair value</b>				
Derivatives	(5,201)	(5,201)	3,799	3,799
Hedging instruments	(22,585)	(22,585)	(3,504)	(3,504)
	(27,786)	(27,786)	295	295
<b>Financial assets and liabilities not measured at fair value</b>				
Investments in debt portfolios	3,908,899	3,654,113	4,196,821	3,820,966
Loans	202,421	202,777	214,617	219,549
Secured bank borrowings	(958,273)	(958,273)	(1,280,242)	(1,280,242)
Unsecured bonds in issue	(1,353,665)	(1,360,911)	(1,361,176)	(1,372,989)
	1,799,382	1,537,706	1,705,711	1,322,976

Interest rates used for fair value estimation:

	Jun 30 2020 unaudited	Dec 31 2019
Investments in debt portfolios	-0,03% - 216.23%	-0,03% - 216.23%
Loans	2.97% - 3.82%	2.97% - 3.82%
Borrowings	0.23% - 3.23%	1.76% - 3.71%
Unsecured bonds in issue	3.26% - 4.26%	4.71% - 5.71%

## 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 (e.g. as prices) or indirectly (e.g. as provisions derivative),
- Level 3: inputs that are not based on observable market prices (unobservable inputs).

In 2019 and 2020, no transfers were made between the fair value hierarchy levels.

### Hierarchy of financial instruments – Level 2

PLN '000

	Level 2	
	Carrying amount	Fair value
<b>As at Dec 31 2019</b>		
Derivatives	3,799	3,799
Hedging instruments	(3,504)	(3,504)
<b>As at Jun 30 2020</b>		
Derivatives	(5,201)	(5,201)
Hedging instruments	(22,585)	(22,585)

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.

### Hierarchy of financial instruments – Level 3

PLN '000

	Level 3	
	Carrying amount	Fair value
<b>As at Dec 31 2019</b>		
Investments in debt portfolios	4,196,821	3,820,966
Loans	214,617	219,549
<b>As at Jun 30 2020</b>		
Investments in debt portfolios	3,908,899	3,654,113
Loans	202,421	202,777

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

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

#### Investment in new debt portfolios

Investment in debt portfolios purchased by the Group in H1 2020 totalled PLN 80m. The 74% year-on-year decline in investment was brought about by the global coronavirus pandemic, which made the Group scale down its investing activity. In the first half of the year, KRUK invested primarily in retail debt portfolios in Poland and Romania. The total nominal value of the purchased portfolios was PLN 692m, down 79% year on year.

#### Recoveries and revaluation of portfolios

In H1 2020, recoveries from portfolios purchased by the KRUK Group totalled PLN 894m, up 2.3% year on year. The KRUK Group reviewed the accounting estimate of recoveries to reflect the expected impact of COVID-19, and as a result recognised a PLN -200m write-down on the portfolios in H1 2020 (of which PLN -125m was booked in Q1 2020 and PLN -74m in Q2 2020).

#### H1 2020 performance

The KRUK Group's performance figures for H1 2020 reflect its best knowledge at the time of their preparation, with the reservation that the spreading COVID-19 pandemic and its consequences carry a number of risks and uncertainties which the KRUK Group may not have been able to predict at the time of preparing its H1 2020 results. The write-down on debt portfolios and impairment loss on the company providing credit management services on the Spanish market translated directly into the H1 2020 net result, which came in at PLN -14m, down PLN 181m year on year. At the same time, cash EBITDA (i.e. EBITDA less revenues from purchased portfolios and increased by repayments from purchased portfolios) for H1 came in at PLN 591m, having improved 5% on H1 2019.

The positive H1 2020 performance was a combined result of a loss of PLN -62m posted for Q1 and a profit of PLN +48m earned in Q2. The quarterly performance was affected by the write-downs on debt portfolios, recognised largely in the first quarter. In the second quarter, an impairment loss was recognised for the company providing credit management services on the Spanish market, reducing the Q2 2020 result by PLN 25m. At the same time, the savings plan implemented by the Group in response to the pandemic since April 2020 buoyed up its performance in the second quarter. Total operating and administrative expenses in Q2 2020 fell PLN 26m relative to the previous quarter (excluding the impairment loss on the credit management company active on the Spanish market). The difference was achieved partly on the back of savings and partly on costs being moved forward to future periods. One of the many savings is a 25% reduction in the salaries of Management and Supervisory Board members, and a 20% reduction in the salaries of senior managers for May–July 2020.



#### 14. Issue, redemption and repayment of non-equity and equity securities

In the period from January 1st to June 30th 2020, Series W1 bonds were redeemed on June 8th 2020 in accordance with their terms and conditions at the nominal value of PLN 13,360 thousand.

In H1 2020, the Group did not issue any new bonds.

On March 9th 2020, KRUK S.A. launched the issue of Series AJ2 bonds under the 6th Public Bond Issue Programme, but on March 18th 2020 the Parent abandoned the offering due to the pandemic. The issue was discontinued.

On April 1st 2020, the Management Board of KRUK S.A. passed a resolution to purchase some of the Company's bonds in book-entry form with a nominal value of PLN 100 or PLN 1,000, depending on the series. Pursuant to the resolution, the objective is to redeem purchased bonds, and the bond purchasing will continue until September 30th 2020, with the total value of transactions to not exceed PLN 25m.

On April 21st 2020, the Management Board of KRUK S.A. passed a resolution to establish the 7th Bond Issue Programme with a total nominal value of up to PLN 700m, under which the Parent may issue public bonds. In connection with the Programme, the Issuer drew up a base prospectus. 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. Cash proceeds raised under the Programme will be used to finance general corporate needs, the primary objective of which is to generate profit.

#### 15. Dividends paid (or declared)

On July 27th 2020, the Management Board of KRUK S.A. passed a resolution on its proposal for the Supervisory Board regarding allocation of the Parent's net profit for 2019 and on its recommendation for the Parent's General Meeting to allocate a portion of the Parent's net profit earned in 2019 either to buyback of shares or to dividend distribution, and to statutory reserve funds.

#### 16. 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 21st 2020, the Management Board of KRUK S.A. passed a resolution to establish the 1st Bond Issue Programme without a Prospectus (the "Programme") with a total nominal value of up to PLN 700m, under which the Parent may issue unsecured bearer bonds in PLN or EUR. Bonds issued under the Programme will be offered without the obligation to draw up a prospectus or a base prospectus, and without the intermediation of an investment firm. The detailed terms and conditions of each series of Bonds will be defined in the relevant terms and conditions.
- On August 24, 2020, the Management Board of KRUK S.A. received information on the approval on August 24, 2020 by the Polish Financial Supervision Authority of the Issuer's prospectus drawn up in connection with the implementation of the 7th Public Bond Issue Program.

## 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, beyond the expiry of the warranty in accordance with the indicated dates.

Security interests created over the Group's assets as at June 30, 2020 are presented below:

Type	Beneficiary	Amount	Expiry date	Terms and conditions
Surety for Prokura NS FIZ's liabilities towards Bank Powszechna Kasa Oszczędności BP S.A. (PKO BP S.A.) under the credit facility granted to Prokura NS FIZ	PKO BP S.A.	PLN 52.97m	By December 19th 2022	Prokura NS FIZ's failure to pay amounts owed to the bank under the credit facility agreement
Surety for Prokura NS FIZ's liabilities towards Bank Powszechna Kasa Oszczędności BP S.A. (PKO BP S.A.) under the credit facility granted to Prokura NS FIZ	PKO BP S.A.	PLN 40.14m	By June 4th 2024	Prokura NS FIZ's failure to pay amounts owed to the bank under the credit facility agreement
Surety for Prokura NS FIZ's liabilities towards mBank under the credit facility granted to Prokura NS FIZ	mBank S.A.	PLN 210m	By July 1st 2026	Prokura NS FIZ's failure to pay amounts owed to the bank under the credit facility agreement
Blank promissory note	Santander Bank Polska S.A.	PLN 162.40m	Until the derivative transactions are settled and the bank's claims thereunder are satisfied.	KRUK S.A.'s failure to repay its liabilities under treasury transactions made on the basis of the master agreement on the procedure for execution and settlement of treasury transactions of June 13th 2013, as amended
Surety for InvestCapital LTD's liabilities under the transactions executed under the master agreement between KRUK S.A., InvestCapital LTD and Santander Bank Polska S.A.	Santander Bank Polska S.A.	PLN 162.40m	By October 31st 2021	InvestCapital LTD's failure to repay its liabilities under treasury transactions made on the basis of Annex 3 of June 21st 2018 to the master agreement on the procedure for execution and settlement of treasury transactions

Guarantee issued by KRUK S.A. for KRUK România s.r.l.'s liabilities under lease contracts	Piraeus Leasing Romania IFN S.A.	EUR 0.5m	Until all obligations under the lease contracts executed by KRUK România s.r.l. with Piraeus Leasing Romania IFN S.A. are fulfilled	KRUK România s.r.l.'s failure to repay its liabilities under the lease contracts secured with the Guarantee
Type	Beneficiary	Amount	Expiry date	Terms and conditions
Guarantee issued by Santander Bank Polska S.A. for KRUK S.A.'s liabilities under the rental agreement	DEVCo Sp. z o.o.	EUR 287,637.26 and 192,958.93 PLN	By December 30th 2020	KRUK S.A.'s failure to repay its liabilities under the rental agreement secured with the guarantee
Surety for Prokura NS FIZ's liabilities towards ING Bank Śląski S.A. under the credit facility granted to Prokura NS FIZ	ING Bank Śląski S.A.	PLN 240m	By December 20th 2026	Prokura NS FIZ's failure to pay amounts owed to the bank under the credit facility agreement
Surety for InvestCapital Ltd, Kruk Romania S. R. L., Kruk Espana S. L. U. and PROKURA NS FIZ's liabilities under the revolving multi-currency credit facility agreement of July 3rd 2017, as amended, between KRUK S.A., InvestCapital Ltd, Kruk Romania S. R. L., Kruk Espana S.L.U. and PROKURA NS FIZ (the Borrowers) and DNB Bank ASA, ING Bank Śląski S.A. and Santander Bank Polska S.A.,	DNB Bank ASA, ING Bank Śląski S.A., Santander Bank Polska S.A.	EUR 390m	Until all obligations under the credit facility agreement are satisfied.	The Borrower's failure to pay amounts owed under the credit facility agreement
Blank promissory note	mBank S.A.	PLN 7.5m	Until the transactions are settled and the bank's claims thereunder are satisfied.	KRUK S.A.'s failure to pay its liabilities under financial market transactions executed under the master agreement of February 7th 2019

Surety for InvestCapital LTD's liabilities under financial market transactions in pursuant to the master agreement between InvestCapital LTD and DNB Bank Polska S.A.	DNB Bank Polska S.A.	EUR 15.3m	Until the transactions are settled and the bank's claims thereunder are satisfied.	InvestCapital LTD's failure to satisfy its obligations under financial market transactions executed pursuant to the master agreement of February 28th 2019.
Corporate guarantee issued by Kruk S.A. to InvestCapital Ltd.	InvestCapital Ltd	PLN 200m	No later than July 14, 2021	The purpose of the guarantee is to secure the interests of InvestCapital Ltd's creditors who may challenge the redemption of capital in InvestCapital Ltd., which took place on March 30, 2020.

### Credit sureties or guarantees, security pledges

In connection with a revolving multi-currency credit facility agreement between InvestCapital LTD, Kruk Romania S.R.L., PROKURA NS FIZ and Kruk España S.L.U (the Borrowers) and KRUUK S.A., and DNB Bank ASA, ING Bank Śląski S.A. and Santander Bank Polska S.A., dated July 3rd 2017, to secure liabilities under the agreement:

- On April 16th 2020 InvestCapital Ltd and DNB Bank ASA signed an agreement under Romanian law to create a pledge over portfolios purchased by InvestCapital Ltd on the Romanian market.
- On May 18th 2020, InvestCapital Ltd and DNB Bank ASA signed an agreement under Romanian law to create a pledge over the borrower's bank account into which repayments relating to certain debt portfolios purchased on the Romanian market will be made.

As at June 30th 2020, 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 1,502,289 thousand.

**Piotr Krupa**

*CEO and President of the Management Board*

**Piotr Kowalewski**

*Member of the Management Board*

**Urszula Okarma**

*Member of the Management Board*

**Michał Zasępa**

*Member of the Management Board*

**Monika Grudzień-Wiśniewska**

*Person keeping  
the accounting records*

**Hanna Stempień**

*Prepared by*

*Wrocław, August 27th 2020*