



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

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1. Financial highlights

Financial highlights	PLN '000		EUR '000	
For the period	Jan 1–Mar 31 2020 unaudited	Jan 1–Mar 31 2019 unaudited	Jan 1–Mar 31 2020 unaudited	Jan 1–Mar 31 2019 unaudited
Revenue	38,442	38,826	8,744	9,034
Operating profit/(loss)	(11,496)	(17,366)	(2,615)	(4,041)
Profit/(loss) before tax	(158,222)	(33,530)	(35,990)	(7,802)
Net profit/(loss) for owners of the Parent	(134,876)	(37,934)	(30,680)	(8,826)
Net cash from operating activities	(9,003)	(26,536)	(2,048)	(6,174)
Cash recoveries	(9,634)	(10,836)	(2,191)	(2,521)
Net cash from investing activities	27,303	(48,292)	6,211	(11,236)
Net cash from financing activities	8,548	73,775	1,944	17,166
Net change in cash	26,848	(1,052)	6,107	(245)
Diluted earnings per share	(6.99)	(1.97)	(1.59)	(0.46)
Average number of shares ('000)	18,972	18,744	18,972	18,744
Earnings per share	(7.11)	(2.01)	(1.62)	(0.47)
As at	Mar 31 2020 unaudited	Dec 31 2019	Mar 31 2020 unaudited	Dec 31 2019
Total assets	2,677,261	2,766,876	588,112	649,730
Non-current liabilities	1,568,522	1,597,907	344,556	375,228
Current liabilities	377,512	286,518	82,928	67,281
Equity	731,226	882,452	160,628	207,221
Share capital	18,972	18,972	4,168	4,455
Book value per ordinary share	38.54	46.51	8.47	10.92

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

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

for the reporting period	4.3963
for the comparative period	4.2978

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

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

2. Statement of financial position

As at March 31st 2020

PLN '000

	Note	Mar 31 2020 unaudited	Dec 31 2019	Mar 31 2019 unaudited
Assets				
Cash and cash equivalents	8.13	40,661	13,812	8,099
Trade receivables from related entities	8.12	24,854	28,198	25,462
Trade receivables from other entities	8.12	2,984	3,365	3,645
Investments	7	389,391	361,544	171,311
Investment property	7	31,086	30,279	26,396
Other receivables	8.12	234,024	54,597	14,774
Inventories		7	15	17
Property, plant and equipment		43,162	34,944	31,559
Intangible assets		14,950	15,084	16,186
Deferred tax asset	8.7	30,619	3,877	-
Other derivatives	8.9	-	4,219	2,034
Investments in subsidiaries	8.10	1,861,230	2,212,258	2,165,240
Other assets		4,292	4,683	4,041
Total assets		2,677,261	2,766,876	2,468,764
Equity and liabilities				
Liabilities				
Other derivatives	8.9	24,194	3,924	4,304
Trade and other payables	8.15	59,332	73,882	65,226
Employee benefit obligations and provisions	8.14	22,154	21,323	20,704
Income tax payable		397	690	1,062
Borrowings, other debt securities and leases	8.8	1,839,957	1,784,605	1,839,083
Deferred tax liability	8.7	-	-	3,939
Total liabilities		1,946,035	1,884,424	1,934,319
Equity				
Share capital		18,972	18,972	18,887
Share premium		307,107	307,107	300,097
Cash flow hedging reserve		(11,706)	78	(3,674)
Other capital reserves		100,015	104,582	97,219
Retained earnings		316,838	451,714	121,916
Total equity		731,226	882,452	534,445
Equity and liabilities		2,677,261	2,766,876	2,468,764

3. Statement of profit or loss

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

PLN '000	Note	Jan 1–Mar 31 2020 unaudited	Jan 1–Mar 31 2019 unaudited
Revenue	8.1	38,442	38,826
including interest income calculated using the effective interest rate method		5,110	5,158
Other income	8.2	569	1,074
		39,010	39,900
Employee benefits expense	8.3	(30,989)	(35,887)
Depreciation and amortisation		(4,646)	(4,698)
Services		(8,434)	(8,006)
Other expenses	8.4	(6,438)	(8,676)
		(50,507)	(57,267)
Operating loss		(11,496)	(17,366)
Finance income	8.5	39,751	2,901
Finance costs	8.6	(186,478)	(19,066)
Net finance costs		(146,726)	(16,164)
Profit/(Loss) before tax		(158,222)	(33,530)
	8.7		
Income tax		23,347	(4,403)
Net profit/(loss) for period		(134,876)	(37,934)
Earnings/(loss) per share			
Basic (PLN)		(7.11)	(2.01)
Diluted (PLN)		(6.99)	(1.97)

4. Statement of comprehensive income

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

PLN '000

	Jan 1–Mar 31 2020 unaudited	Jan 1–Mar 31 2019 unaudited
Net profit/(loss) for period	(134,876)	(37,934)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges	(11,784)	195
Income tax on derivatives	-	-
Items that will not be reclassified subsequently to profit or loss		
Income tax on other comprehensive income	-	-
Other comprehensive income for the period, net	(11,784)	195
Total comprehensive income for the period	(146,660)	(37,739)
Total earnings per share		
Basic (PLN)	(7.73)	(4.16)
Diluted (PLN)	(7.60)	(4.06)

5. Statement of changes in equity

For the reporting period ended March 31st 2019

PLN '000

	Share capital	Share premium	Capital hedging reserve	Other capital reserves	Retained earnings	Total equity
Total equity as at Jan 1 2019	18,887	300,097	(3,869)	94,924	159,850	569,889
Comprehensive income for the period						
Net profit/(loss) for period	-	-	-	-	(37,934)	(37,934)
Other comprehensive income						
- Valuation of hedging instruments	-	-	195	-	-	195
Total other comprehensive income	-	-	195	-	-	195
Total comprehensive income for the period	-	-	195	-	(37,934)	(37,738)
Contributions from and distributions to owners						
- Share-based payments	-	-	-	2,295	-	2,295
- Issue of shares	-	-	-	-	-	-
Total contributions from and distributions to owners	-	-	-	2,295	-	2,295
Total equity as at Mar 31 2019	18,887	300,097	(3,674)	97,219	121,916	534,445

For the reporting period ended December 31st 2019

PLN '000

	Share capital	Share premium	Capital hedging reserve	Other capital reserves	Retained earnings	Total equity
Equity as at Jan 1 2019	18,887	300,097	(3,869)	94,924	159,850	569,889
Comprehensive income for the period						
Net profit/(loss) for period	-	-	-	-	386,517	386,517
- Measurement of hedging instruments			3,947		-	3,947
Total comprehensive income for the period	-	-	3,947	-	386,517	390,464
Contributions from and distributions to owners						
- Payment of dividends	-	-	-	-	(94,653)	(94,653)
- Share-based payments	-	-	-	9,658	-	9,658
- Issue of shares	85	7,010	-	-	-	7,095
Total contributions from and distributions to owners	85	7,010	-	9,658	(94,653)	(77,901)
Total equity as at Dec 31 2019	18,972	307,107	78	104,582	451,714	882,452

For the reporting period ended March 31st 2020

PLN '000

	Share capital	Share premium	Capital hedging reserve	Other capital reserves	Retained earnings	Total equity
Equity as at Jan 1 2020	18,972	307,107	78	104,582	451,714	882,452
Comprehensive income for the period						
Net profit/(loss) for period	-	-	-	-	(134,876)	(134,876)
- Measurement of hedging instruments			(11,784)		-	(11,784)
Total comprehensive income for the period	-		(11,784)	-	(134,876)	(146,660)
Contributions from and distributions to owners						
- Payment of dividends					-	
- Share-based payments				(4,567)		(4,567)
Total contributions from and distributions to owners	-	-	-	(4,567)	-	(4,567)
Total equity as at Mar 31 2020	18,972	307,107	(11,706)	100,015	316,838	731,226

6. Statement of cash flows

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

PLN '000

	Jan 1–Mar 31 2020 unaudited	Jan 1–Mar 31 2019 unaudited
Cash flows from operating activities		
Net profit/(loss) for period	(134,876)	(37,934)
<i>Adjustments</i>		
Depreciation of property, plant and equipment	3,280	3,090
Amortisation of intangible assets	1,365	1,344
Net finance income/costs	146,300	16,342
(Gain)/loss on sale of property, plant and equipment	-	(58)
Equity-settled share-based payments	(4,567)	2,295
Income tax	(23,345)	4,403
Change in investments	1,919	3,403
Change in inventories	8	5
Change in trade and other receivables	17,923	(12,033)
Change in other assets	390	132
Change in trade and other payables, excluding financial liabilities	(14,550)	2,204
Change in employee benefit obligations	831	1,505
Income tax paid	(3,683)	(11,233)
Net cash from operating activities	(9,003)	(26,536)
Cash flows from investing activities		
Interest received	15	113
Loans	(23,000)	(29,209)
Sale of intangible assets and property, plant and equipment	540	367
Dividends received	10,711	-
Disposal of financial assets	50,000	3,078
Purchase of intangible assets and property, plant and equipment	(1,787)	(2,616)
Acquisition of shares in subsidiaries	(12,620)	(24,208)
Repayments	3,445	4,183
Net cash from investing activities	27,303	(48,292)
Cash flows from financing activities		
Redemption of debt securities	-	140,000
Increase in borrowings	136,466	134,973
Repayment of borrowings	(107,990)	(182,951)
Payments under finance lease contracts	(1,931)	(2,513)
Interest paid	(17,995)	(15,734)
Net cash from financing activities	8,548	73,775
Total net cash flows	26,848	(1,052)
Cash and cash equivalents at beginning of period	13,812	9,151
Cash and cash equivalents at end of period	40,661	8,099

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1. Company details

Name

KRUK Spółka Akcyjna ("KRUK S.A." or "the Company")

Registered office

ul. Wołowska 8
51-116 Wrocław, Poland

Registration in the National Court Register:

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

Date of registration: September 7th 2005

Registration number: KRS NO. 0000240829

Principal business activity

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

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

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

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

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

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

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

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

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

2. Reporting period

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

3. Statement of compliance

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

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

These interim condensed financial statements were authorised for issue by the Company's Management Board (the „Management Board”) on May 28th 2020.

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

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

4. Significant accounting policies

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

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

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

5. Accounting estimates and judgements

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

Item	Amount estimated		Note	Assumptions and estimate calculation
	Mar 31 2020 (PLN '000)	Mar 31 2019 (PLN '000)		
Investments in subsidiaries	2,004,291	2,165,240	8.10.	<p>Investments in subsidiaries are measured at cost less impairment losses.</p> <p>Investments in subsidiaries for which impairment indications were identified were tested for impairment.</p> <p>As part of the tests, the Company estimated the recoverable amount of the investments based on the value in use of the respective cash-generating units, using the discounted cash flow method.</p> <p>Due to the COVID-19 pandemic, the value in use was estimated for three scenarios to verify the recoverable amount.</p> <p>The valuation of investments in subsidiaries is based on a number of assumptions and estimates, in particular with respect to the amount of future cash flows and the adopted discount rate. The projected cash flows of the subsidiaries engaged in management of purchased debt portfolios depend primarily on the assumed consideration for collection services and cost of the collection process. The correctness of the underlying assumptions involves a considerable risk given the significant uncertainty as to the effectiveness of debt collection activities in the future.</p> <p>The discount rate used to test investments in subsidiaries for impairment reflects the current market assessment of the asset risk for the debt collection industry.</p>
Investments in debt portfolios	34,224	36,238	7	<p>The value of purchased debt portfolios as at the measurement date is determined using an estimation model relying on expected discounted cash flows.</p> <p>The expected cash flows were estimated with the use of analytical methods or based on a legal and economic analysis of individual claims or debtors (case-by-case analysis). The method of estimating cash flows</p>

Item	Amount estimated		Note	Assumptions and estimate calculation
	Mar 31 2020 (PLN '000)	Mar 31 2019 (PLN '000)		
				<p>under a debt portfolio is selected based on the available data on the portfolio, debt profiles as well as historical data collected in the course of managing the portfolio.</p> <p>KRUK S.A. prepares projections of collections from debt portfolios separately for individual markets. The projections account for, among other things, historical performance of the process of debt portfolio recovery, legal regulations currently in force and planned, type and nature of debt and security, and current collection strategy.</p>
Deferred tax assets/liabilities	30,619	(3,939)		<p>As the Company is able to control the timing of temporary differences, it recognises deferred tax liabilities at amounts of income tax to be paid in the future (three years). Taxable temporary differences will increase taxable income in the future.</p>
Lease liabilities and right-of-use assets	34,277	31,197		<p>The implementation of IFRS 16 required making certain estimates and calculations that affected the measurement of lease liabilities and right-of-use assets. These include:</p> <ul style="list-style-type: none"> • reviewing long-term lease contracts and identifying contracts covered by IFRS 16, • determining the remaining lease term for contracts concluded before January 1st 2019 (including for contracts with indefinite term or with the possibility of extension), • determining the marginal interest rates to be used to discount future cash flows, • identifying useful lives and determining amortisation rates for the right-of-use assets.

6. Other information

These financial statements comply with the requirements of all International Accounting Standards, International Financial Reporting Standards and related interpretations endorsed by the European

Union, which have been issued and are effective for annual periods beginning on or after January 1st 2019.

Enhancing comparability

To improve data presentation, the Company changed the presentation of assets in the statement of financial position by separating investment property from the Investments item and disclosing the investment property as a separate item. The presentation of the data in the published financial statements for the year ended December 31st 2018 was adjusted to ensure comparability. The effect of the change on the statement of financial position is presented below.

	Mar 31 2019 Published data unaudited	Change of presentation	Mar 31 2019 Data adjusted to ensure comparability unaudited
Assets			
Investments	197,707	(26,396)	171,311
Investment property	-		26,396

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

Investments measured at amortised cost

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

PLN '000	Mar 31 2020 unaudited	Dec 31 2019	Mar 31 2019 unaudited
Investments measured at amortised cost			
Investments in debt portfolios	34,224	36,949	36,238
Loans advanced to related entities	355,167	324,595	135,073
	389,391	361,544	171,311

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

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

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

* Applicable to 99% of debt portfolios.

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

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

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

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

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

PLN '000

Value of purchased debt portfolios as at Jan 1 2019	38,800
Cash recoveries	(41,415)
Revenue from purchased debt portfolios (interest and revaluation)	39,565
Carrying amount of purchased debt portfolios as at Dec 31 2019	36,949

Value of purchased debt portfolios as at Jan 1 2019	38,800
Cash recoveries	(10,836)
Value of property	(272)
Revenue from purchased debt portfolios (interest and revaluation)	8,547
Value of purchased debt portfolios as at Mar 31 2019	36,238

Value of purchased debt portfolios as at Jan 1 2020	36,949
Purchase of debt portfolios	(16)
Cash recoveries	(9,634)
Revenue from purchased debt portfolios (interest and revaluation)	6,925
Value of purchased debt portfolios as at Mar 31 2020	34,224

Sensitivity analysis – revision of projections

PLN '000

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

Sensitivity analysis – time horizon

PLN '000

	Profit or loss for the current period		Equity excluding profit or loss for current period	
	extension by one year	shortening by one year	extension by one year	shortening by one year
March 31st 2020				
Investments in debt portfolios	2	(81)	-	-
Dec 31 2019				
Investments in debt portfolios	5	(154)	-	-

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

Investment property

PLN '000

	Mar 31 2020 unaudited	Dec 31 2019	Mar 31 2019 unaudited
Investment property	31,086	30,279	26,396
	31,086	30,279	26,396

Carrying amount of property held as at Jan 1 2019	27,238
Value of foreclosed property	21,397
Proceeds from sale of property	(17,957)
Income from sale of property	(398)
Carrying amount of property held as at Dec 31 2019	30,279
Carrying amount of property held as at Jan 1 2019	27,238
Value of foreclosed property	2,869
Proceeds from sale of property	(3,585)
Income from sale of property	(126)
Carrying amount of property held as at Mar 31 2019	26,396
Carrying amount of property held as at Jan 1 2020	30,279
Value of foreclosed property	3,076
Proceeds from sale of property	(2,122)
Income from sale of property	(146)
Carrying amount of property held as at Dec 31 2020	31,086

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

8.1. Revenue

PLN '000

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

Revenue from purchased debt portfolios

PLN '000

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

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

Revaluation of debt portfolios

PLN '000

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

8.2. Other income

PLN '000

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

8.3. Employee benefits expense

PLN '000

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

8.4. Other expenses

PLN '000

	Jan 1–Mar 31 2020 unaudited	Jan 1–Mar 31 2019 unaudited
Taxes and charges	(2,908)	(2,793)
Raw materials and consumables used	(1,026)	(1,512)
Other markets	(467)	(231)
Staff training	(351)	(694)
Motor insurance	(297)	(227)
Re-billed costs of services	(221)	(1,479)
Business trips	(213)	(326)
Advertising	(186)	(159)
Non-competition	(181)	(77)
Losses caused by motor damage	(152)	(144)
Court fees	(140)	(71)
Refund of litigation costs	(73)	(153)
VAT on rental payments (leases and rents)	(63)	(133)
Property insurance	(57)	(37)
Membership fees	(38)	(550)
Entertainment expenses	(33)	(47)
Impairment losses on receivables	(21)	(0)
Donations	(12)	-
Loss on sale of property, plant and equipment	-	(58)
Accumulated amortisation of receivables	-	(7)
Other consultancy services	-	(342)
	(6,438)	(9,040)

8.5. Finance income

PLN '000

	Jan 1–Mar 31 2020 unaudited	Jan 1–Mar 31 2020 unaudited
Gain/(loss) on retirement of equity in subsidiaries	29,412	1,608
Interest income on loans advanced and receivables	5,968	1,281
Dividend income	4,336	-
Gain/(loss) on settlement of discount	21	-
Interest income on bank deposits	15	12
Net foreign exchange losses	-	-
	39,751	2,901

8.6. Finance costs

PLN '000	Jan 1–Mar 31 2020 unaudited	Jan 1–Mar 31 2020 unaudited
Interest expense on financial liabilities measured at amortised cost	(20,486)	(18,722)
Measurement of derivatives – CIRS	(12,639)	584
Net foreign exchange losses	(10,774)	(1,406)
Interest income/expense on hedging instruments	482	479
Revaluation of investments in subsidiaries	(143,060)	-
	(186,478)	(19,066)

Effect of exchange rate movements on statement of profit or loss

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

8.7. Income tax

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

Reconciliation of effective tax rate

PLN '000	Jan 1–Mar 31 2020 unaudited	Jan 1–Mar 31 2019 unaudited
Profit/(loss) before tax	(158,222)	(33,530)
Income tax recognised in profit or loss	23,347	(4,403)
Profit/(loss) before tax for the period (at 19% tax rate)	(158,222)	(33,530)
Tax calculated at the tax rate applicable in Poland (19%)	30,062	6,371
Effect of non-deductible expenses	(6,716)	(10,774)
	23,347	(4,403)

Tax risk

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

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

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

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

Deferred tax assets and liabilities

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

PLN '000

	Assets		Provisions		Net carrying amount	
	Mar 31 2020 unaudited	Dec 31 2019	Mar 31 2020 unaudited	Dec 31 2019	Mar 31 2020 unaudited	Dec 31 2019
Property, plant and equipment	6,322	4,513	(6,455)	(4,775)	(133)	(253)
Intangible assets	-	-	(2,095)	(2,263)	(2,095)	(2,627)
Trade and other receivables	-	-	(156)	(243)	(156)	(142)
Borrowings and other debt instruments	20,720	18,496	-	-	20,720	10,684
Employee benefit obligations	2,260	2,342	-	-	2,260	2,001
Provisions and liabilities	-	112	-	-	-	2,265
Investments in debt portfolios	-	-	(6,699)	(7,108)	(6,699)	(6,282)
Investments in subsidiaries	23,259	-	(6,536)	(7,197)	16,723	(5,194)
Hedge derivatives	-	-	-	-	-	-
Deferred tax assets/liabilities	52,561	25,463	(21,942)	(21,586)	30,619	453
Deferred tax assets offset against liabilities	(21,942)	(21,586)	-	21,586	-	-
Deferred tax assets/liabilities in the statement of financial position	30,619	3,877	-	-	30,619	453

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

Change in temporary differences in the period

PLN '000

	As at January 1st 2019	Change in temporary differences recognised in profit or loss for current period	As at December 31st 2019	As at January 1st 2020	Change in temporary differences recognised in profit or loss for current period	As at March 31st 2020 unaudited
Property, plant and equipment	(253)	(10)	(263)	(263)	130	(133)
Intangible assets	(2,627)	364	(2,263)	(2,263)	168	(2,095)
Trade and other receivables	(142)	(101)	(243)	(243)	87	(156)
Borrowings and other debt instruments	10,684	7,812	18,496	18,496	2,224	20,720
Employee benefit obligations	2,001	341	2,342	2,342	(82)	2,260
Provisions and liabilities	2,265	(2,153)	112	112	(112)	-
Investments in debt portfolios	(6,282)	(826)	(7,108)	(7,108)	409	(6,699)
Investments in subsidiaries	(5,194)	(2,003)	(7,197)	(7,197)	23,920	16,723
	453	3,425	3,877	3,877	26,743	30,619

8.8. Borrowings and finance lease liabilities

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

Liabilities repayment schedule

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

8.9. Derivatives

Derivatives designated for hedge accounting

Interest rate risk hedges

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

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

The interest rate risk management policy covers the following:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Currency risk hedges

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

The currency risk management policy outlines:

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

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

Transaction date	Settlement date	Amount in EUR	Value in PLN:
2019-02-28	2019-03-29	- 65,000,000	280,325,500
2019-03-29	2019-04-30	- 60,000,000	258,462,000
2019-04-30	2019-05-31	- 82,000,000	351,853,800
2019-05-31	2019-06-28	- 60,000,000	257,496,000
2019-05-31	2019-06-28	- 23,000,000	98,573,400
2019-06-28	2019-07-31	- 21,000,000	89,434,800
2019-06-28	2019-07-31	- 60,000,000	255,372,000
2019-07-31	2019-08-30	- 55,000,000	236,434,000
2019-07-31	2019-08-30	- 21,000,000	90,241,200
2019-08-30	2019-09-30	- 32,000,000	140,409,600
2019-08-30	2019-09-30	- 31,000,000	135,987,700
2019-09-30	2019-10-31	- 29,000,000	127,104,100
2019-09-30	2019-10-31	- 30,000,000	131,383,500
2019-10-31	2019-11-29	- 30,000,000	128,083,500
2019-10-31	2019-11-29	- 29,000,000	123,757,500
2019-11-29	2019-12-31	- 30,000,000	129,937,500
2019-11-29	2019-12-31	- 25,000,000	108,310,000

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

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

Amounts related to items designated as hedging instruments

PLN '000

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

PLN '000

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

PLN '000

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

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

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

Other derivative instruments not designated for hedge accounting

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

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

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

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

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

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

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

8.10. Investments in subsidiaries

PLN '000

	Mar 31 2020 unaudited	Dec 31 2019	Mar 31 2019 unaudited
Investments in subsidiaries			
Gross value of shares in subsidiaries	2,120,196	2,328,164	2,374,861
Impairment loss on shares	(258,965)	(115,905)	(209,621)
Net value of shares in subsidiaries	1,861,230	2,212,258	2,165,240

PLN '000

	Country	Gross value of investment Mar 31 2020 unaudited	Impairment loss	Gross value of investment Dec 31 2019	Impairment loss	Gross value of investment Mar 31 2019 unaudited	Impairment loss
InvestCapital Ltd ¹	Malta	613,377	-	847,154	-	744,881	-
Prokura NS FIZ ¹	Poland	591,401	-	591,401	-	731,983	-
Presco Investments S.a.r.l.	Luxembourg	198,294	(122,416)	198,294	-	198,294	-
KRUK Italia S.r.l.	Italy	152,892	-	145,649	-	106,197	(50,703)
KRUK Česká a Slovenská republika s.r.o.	Czech Republic	142,940	(68,885)	142,940	(48,683)	102,578	(86,697)
KRUK Espana S.L.	Spain	109,064	-	103,687	-	98,560	-
KRUK Romania S.r.l.	Romania	79,732	-	79,732	-	79,732	-
SeCapital S.à r.l. ¹	Luxembourg	90,959	-	77,770	-	171,942	-
KRUK Deutschland GmbH	Germany	57,365	(45,642)	57,365	(45,642)	65,327	(65,327)
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	Poland	28,500	-	28,500	-	18,500	-
AgeCredit S.r.l.	Italy	21,428	(13,112)	21,428	(13,112)	15,292	-
RoCapital IFN S.A. ¹	Romania	13,888	(6,701)	13,888	(6,258)	13,888	(3,403)
BISON NS FIZ (CLOSED-END INVESTMENT FUND)	Poland	9,720	-	9,720	-	11,542	-
ERIF Biuro Informacji Gospodarczej S.A.	Poland	3,104	-	3,104	-	3,104	-
ItaCapital S.r.l.	Italy	2,191	-	2,191	-	1,766	-
Novum Finance Sp. z o.o.	Poland	2,100	-	2,100	-	2,100	-
ERIF Business Solutions Sp. z o.o.	Poland	1,402	(1,302)	1,402	(1,302)	1,402	(1,302)
Wonga.pl Sp. z o.o.	Poland	835	(835)	835	(835)	-	-
ProsperoCapital S.a.r.l. ²	Luxembourg	655	(22)	655	(22)	649	-
Kancelaria Prawna RAVEN P.Krupa Sp. k.	Poland	300	-	300	-	300	-
Secapital Polska Sp. z o.o.	Poland	50	(50)	50	(50)	50	(50)
ProsperoCapital Sp. z o.o. (in liquidation)	Poland	-	-	-	-	5	(22)
P.R.E.S.C.O INVESTMENT I NS FIZ ¹	Poland	-	-	-	-	-	-
Elleffe Capital S.r.l. ¹	Italy	-	-	-	-	-	-
Corbul S.r.l. ³	Romania	-	-	-	-	-	-
Zielona Perła Sp. z o.o. ⁴	Poland	-	-	-	-	6,769	(2,117)
		2,120,196	(258,965)	2,328,164	(115,905)	2,374,861	(209,621)

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

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

³ The Parent controls the company through a personal link.

⁴ On July 15th 2019, a transaction to sell the subsidiary Zielona Perła Sp. z o.o. was executed.

In Q1 2020, impairment losses were recognised on Presco Investments S.a.r.l. of PLN 122,416 thousand, KRUK Česká a Slovenská republika s.r.o of PLN 20,202 thousand and ROCAPITAL IFN S.A. of PLN 442 thousand.

The PLN 122,416 thousand impairment loss on Presco Investments S.a.r.l. was recognised following the company's decision to pay dividend of PLN 116,942 thousand.

The PLN 20,202 thousand impairment loss on KRUK Česká a Slovenská was recognised due to a COVID-related change in the estimated amount of future cash flows.

The PLN 442 thousand impairment loss on ROCAPITAL IFN S.A. was recognised due to a COVID-related change in the estimated amount of future cash flows.

8.11. Right of use

PLN '000

Mar 31 2020
unaudited

Carrying amount of right-of-use assets at end of the reporting period, by class of underlying asset, as at January 1st 2020

Buildings and structures	15,768
Plant and equipment	251
Vehicles	9,553
	<u>25,571</u>

Cost of amortisation of right-of-use assets, by class of underlying asset

Buildings and structures	(1,373)
Plant and equipment	(42)
Vehicles	(715)
	<u>(2,129)</u>

Increase in right-of-use assets	11,393
Decrease in right-of-use assets	(428)

Carrying amount of right-of-use assets at end of the reporting period, by class of underlying asset, as at March 31st 2020

Buildings and structures	25,466
Plant and equipment	209
Vehicles	8,731
	<u>34,406</u>

Interest expense relating to lease liabilities	187
Cost relating to variable lease payments not included in the measurement of lease liabilities	
Total cash outflow in connection with leases	2,113

8.12. Trade and other receivables

PLN '000

	Mar 31 2020 unaudited	Dec 31 2019	Mar 31 2019 unaudited
Trade receivables from related entities	24,854	28,198	25,462
Trade receivables from non-related entities	2,984	3,365	3,645
	27,838	31,563	29,107

PLN '000

	Mar 31 2020 unaudited	Dec 31 2019	Mar 31 2019 unaudited
Other receivables from related entities	228,839	49,565	6,389
Other receivables from non-related entities	5,185	5,032	8,385
	234,024	54,597	14,774

8.13. Cash and cash equivalents

PLN '000

	Mar 31 2020 unaudited	Dec 31 2019	Mar 31 2019 unaudited
Cash in hand	67	24	101
Cash in current accounts	40,595	13,789	7,998
	40,661	13,812	8,099

8.14. Employee benefit obligations and provisions

PLN '000

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

8.15. Trade and other payables

PLN '000

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

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

As at March 31st 2020

PLN '000

	Mar 31 2020 unaudited	Dec 31 2019	Mar 31 2019 unaudited
Assets			
Non-current assets			
Property, plant and equipment	43,162	34,944	31,559
Intangible assets	14,950	15,084	16,186
Other derivatives	-	3,799	2,034
Investments in subsidiaries	1,861,230	2,212,258	2,165,240
Investments in loans	344,499	310,598	
Deferred tax asset	30,619	3,877	-
Total non-current assets	2,294,460	2,580,561	2,215,019
Current assets			
Inventories	7	15	17
Investments in debt portfolios and loans	44,892	50,946	171,311
Investment property	31,086	30,279	26,396
Trade receivables from related entities	24,854	28,198	25,462
Trade receivables from other entities	2,984	3,365	3,645
Other receivables	234,024	54,597	14,774
Cash and cash equivalents	40,661	13,812	8,099
Other assets	4,292	4,683	4,041
Total current assets	382,801	185,896	253,745
Total assets	2,677,261	2,766,876	2,468,764
Equity and liabilities			
Equity			
Share capital	18,972	18,972	18,887
Share premium	307,107	307,107	300,097
Hedging reserve	(11,706)	78	(3,674)
Other capital reserves	100,015	104,582	97,219
Retained earnings	316,838	451,714	104,582
Total equity	731,226	882,452	517,111
Non-current liabilities			
Deferred tax liability	-	-	3,939
	1,544,329	1,593,983	1,535,523
Borrowings, other debt securities and leases			
Other derivatives	24,194	3,924	4,304
Total non-current liabilities	1,568,522	1,597,907	1,543,766
Current liabilities			
	295,629	190,623	303,560
Borrowings, other debt securities and leases			
Trade and other payables	59,332	73,882	65,226
Income tax payable	397	690	1,062
Employee benefit obligations and provisions	22,154	21,323	20,704
Total current liabilities	377,512	286,518	390,552
Total liabilities	1,946,035	1,884,424	1,934,318
Total equity and liabilities	2,677,261	2,766,876	2,468,764

10. Management of risk arising from financial instruments

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

- credit risk
- liquidity risk
- market risk.

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

Key policies of risk management

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

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

10.1. Credit risk

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

Trade and other receivables

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

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

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

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

Purchased debt portfolios

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

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

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

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

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

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

Guarantees

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

Exposure to credit risk

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

PLN '000	Mar 31 2020 unaudited	Dec 31 2019	Mar 31 2019 unaudited
Financial assets measured at amortised cost			
	34,224	36,949	36,238
Loans	355,167	324,595	135,073
Receivables	261,862	86,160	43,881
	651,253	447,704	215,191

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

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

Impairment losses

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

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

Changes of impairment losses on receivables are presented below:

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

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

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

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

10.2. Liquidity risk

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

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

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

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

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

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

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

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

**As at March 31st
2020**

PLN '000

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

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

**As at December
31st 2019**

PLN '000

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

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

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

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

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

10.3. Market risk

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

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

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

The currency risk management policy outlines:

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

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

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

10.4. Currency risk

Exposure to currency risk

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

'000	Mar 31 2020 unaudited			Mar 31 2019 unaudited		
	EUR	RON	CZK	EUR	RON	CZK
Trade receivables	90	-	-	82	-	1
Cash	605	10,224	1,622	14	1,397	61
Investments in debt portfolios	234	25,149	1,954	-	26,795	418
Liabilities under borrowings and other debt instruments	(270,946)	-	-	(372,388)	-	-
Trade payables	(39,186)	(312)	(29)	-	-	-
Exposure to currency risk	(309,204)	35,062	3,548	(372,291)	28,192	480

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

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

PLN '000

	Other comprehensive income	Profit or loss for the current period
March 31st 2020		
EUR (10% appreciation of PLN)	-	(30,920)
RON (10% appreciation of PLN)	-	3,506
CZK (10% appreciation of PLN)	-	355
Dec 31 2019		
EUR (10% appreciation of PLN)	-	(21,203)
RON (10% appreciation of PLN)	-	2,965
CZK (10% appreciation of PLN)	-	197

10.5. Interest rate risk

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

Sensitivity analysis of fair value of fixed-rate financial instruments

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

Sensitivity analysis of cash flows from variable-rate financial instruments

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

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

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

Fair values**Comparison of fair values and carrying amounts**

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

PLN '000	March 31st 2020 unaudited		Dec 31 2019		Mar 31 2019 unaudited	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets and liabilities measured at fair value						
Other derivatives	(24,194)	(24,194)	295	295	(2,270)	(2,270)
	(24,194)	(24,194)	295	295	(2,270)	(2,270)
Financial assets and liabilities not measured at fair value						
Investments in debt portfolios	34,224	31,485	36,949	34,030	36,238	33,791
Loans and receivables	355,167	355,167	324,595	324,595	135,073	135,073
Secured bank borrowings	(430,071)	(430,071)	(399,717)	(399,717)	(306,794)	(306,794)
Unsecured bonds in issue	(1,375,610)	(1,383,782)	(1,361,175)	(1,372,989)	(1,501,093)	(1,511,688)
Lease liabilities	(34,277)	(34,277)	(23,713)	(23,713)	(31,197)	(31,197)
Trade and other payables	(59,332)	(59,332)	(73,882)	(73,882)	(1,839,083)	(1,839,083)
	(1,509,899)	(1,520,809)	(1,496,943)	(1,511,675)	(1,511,675)	(1,511,675)

Interest rates used for fair value estimation

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

Hierarchy of financial instruments at fair value

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

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

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

PLN '000

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

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

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

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

11. Related-party transactions concluded by the Parent

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

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

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

Revenue from mutual transactions

PLN '000	Revenue from sale of materials and services	Revenue from credit management services	Interest and dividends
SeCapital S.à. r.l	-	137	-
ERIF Business Solutions Sp. z o.o.	29	-	12
Novum Finance Sp. z o.o.	202	276	192
Secapital Polska Sp. z o.o.	3	-	1
Kancelaria Prawna RAVEN P.Krupa Sp. k.	1,427	19	-
KRUK Romania S.r.l.	568	5	797
ERIF BIG S.A.	246	16	-
NSFIZ PROKURA	-	-	-
KRUK Česká a Slovenská republika s.r.o.	291	-	220
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	239	22,333	-
InvestCapital Ltd.	398	45	-
KRUK Deutschland GmbH	-	-	-
KRUK Deutschland (Branch)	8	-	-
Rocapital IFN S.A.	-	-	56
KRUK Italia S.r.l	235	-	-
ItaCapital S.r.l	98	-	-
KRUK Espana S.L.	174	-	-
Presco Investments S.a.r.l.	-	742	-
P.R.E.S.C.O INVESTMENT I NS FIZ	-	-	-
ProsperoCapital S.a.r.l.	-	-	-
Corbul Capital S.r.l	-	-	-
Elleffe Capital S.r.l.	-	-	-
Zielona Perła Sp. z o.o.	-	-	-
NSFIZ BISON	3	-	-
AgeCredit S.r.l.	-	-	3
Wonga.pl Sp. z o.o.	-	-	-
	3,919	23,573	1,281

Costs of mutual transactions

PLN '000	Purchase of services
ERIF Business Solutions Sp. z o.o.	197
Kancelaria Prawna RAVEN P.Krupa Sp. k.	1,679
KRUK Romania S.r.l.	59
ERIF BIG S.A.	-
KRUK Česká a Slovenská republika s.r.o.	92
	2,027

**Transactions with subsidiaries as at and for the period ended
December 31st 2019**
**Balance of liabilities, receivables and loans as at the
reporting date**

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

Revenue from mutual transactions

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

Costs of mutual transactions

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

Transactions with subsidiaries as at and for the period ended March 31st 2020
Balance of liabilities, receivables and loans as at the reporting date

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

Revenue from mutual transactions

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

Costs of mutual transactions

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

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

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

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

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

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

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

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

14. Dividends paid (or declared)

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

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

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

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

On April 30th 2020, Ms Agnieszka Kułton - Member of the Management Board, Chief Debt Management Officer, resigned as Member of the Management Board with effect as of May 28th 2020, citing health reasons. Accordingly, the President of the Management Board of KRUK S.A. requested that the Supervisory Board of KRUK S.A. appoints Mr Piotr Kowalewski as Member of the Management Board, Chief Debt Management Officer, with effect as of May 29th 2020. Mr Piotr Kowalewski has worked at KRUK S.A. since 2004. Currently employed as Head of Debt Management at KRUK S.A., he is responsible for the debt collection strategy in the consumer segment and its implementation at KRUK S.A., oversees out-of-court collection and court processes, and is responsible for international cooperation in the purchased debt portfolios segment.

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

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

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

The security interest established in assets of Kruk S.A. are presented below.

Rodzaj	Beneficjent	Kwota	Termin obowiązywania	Warunki realizacji
Poręczenie za zobowiązania PROKURA NS FIZ wobec Banku Powszechna Kasa Oszczędności BP S.A. (PKO BP S.A.) wynikające z tytułu Umowy Kredytowej udzielonej funduszowi PROKURA NS FIZ	PKO BP S.A.	52,97 mln PLN	Nie później niż do dnia 19.12.2022 r.	Niezapłacenie przez PROKURA NS FIZ kwot należnych bankowi na podstawie Umowy Kredytu
Poręczenie za zobowiązania PROKURA NS FIZ wobec Banku Powszechna Kasa Oszczędności BP S.A. (PKO BP S.A.) wynikające z tytułu Umowy Kredytowej udzielonej funduszowi PROKURA NS FIZ	PKO BP S.A.	40,14 mln PLN	Nie później niż do dnia 04.06.2024 r.	Niezapłacenie przez PROKURA NS FIZ kwot należnych bankowi na podstawie Umowy Kredytu
Poręczenie za zobowiązania PROKURA NS FIZ wobec Banku mBank z tytułu Umowy Kredytowej udzielonej PROKURA NS FIZ	mBank S.A.	210 mln PLN	Nie później niż do dnia 01.07.2026 r.	Niezapłacenie przez PROKURA NS FIZ kwot należnych bankowi na podstawie Umowy Kredytu
Weksel in blanco	Santander Bank Polska S.A.	162,40 mln PLN	Do momentu rozliczenia zawartych transakcji pochodnych i zaspokojenia wszelkich roszczeń banku z nich wynikających	Niewywiązanie się Kruk S.A. ze spłaty zobowiązań wynikających z transakcji skarbowych zawieranych na podstawie Umowy ramowej o trybie zawierania oraz rozliczania transakcji, zawartej w dniu 13 czerwca 2013r. z późn. zm.
Poręczenie za zobowiązania InvestCapital LTD wynikające z Transakcji zawartych na podstawie Umowy Ramowej zawartej pomiędzy Kruk S.A., InvestCapital LTD oraz Santander Bank Polska S.A.	Santander Bank Polska S.A.	162,40 mln PLN	Nie później niż do dnia 31.10.2021 r.	Niewywiązanie się InvestCapital LTD ze spłaty zobowiązań wynikających z transakcji skarbowych zawieranych na podstawie Aneksu nr 3 do Umowy ramowej o trybie zawierania oraz rozliczania transakcji, zawartego w dniu 21.06.2018r.
Gwarancja wystawiona przez Kruk S.A. za zobowiązania Kruk România s.r.l. z tytułu umów leasingowych	Piraeus Leasing Romania IFN S.A.	0,5 mln EUR	Do czasu spełnienia wszystkich zobowiązań wynikających z umów leasingowych zawartych przez Kruk România s.r.l. z Piraeus Leasing Romania IFN S.A.	Niewywiązanie się Kruk România s.r.l. ze spłaty zobowiązań wynikających z umów leasingowych zabezpieczonych wymienioną Gwarancją

Gwarancja wystawiona przez Santander Bank Polska S.A. za zobowiązania KRUK S.A. z tytułu Umowy Najmu	DEVCo Sp. Z o.o.	287 637,26 EUR oraz 192 958,93 PLN	Nie później niż do dnia 30 grudnia 2020 r.	Niewywiązanie się KRUK S.A. ze spłaty zobowiązań wynikających z umowy najmu zabezpieczonej wymienioną Gwarancją
Poręczenie za zobowiązania PROKURA NS FIZ wobec ING Bank Śląski SA wynikające z tytułu Umowy Kredytowej udzielonej funduszowi PROKURA NS FIZ	ING Bank Śląski SA	240 mln PLN	Nie później niż do dnia 20 grudnia 2026 r.	Niezapłacenie przez PROKURA NS FIZ kwot należnych bankowi na podstawie Umowy Kredytu
Poręczenie za zobowiązania InvestCapital Ltd, Kruk Romania S.R.L., Kruk Espana S.L.U. oraz PROKURA NS FIZ wynikające z Umowy wielowalutowego kredytu rewolwingowego zawartej w dniu 3 lipca 2017 r., wraz z późn. zmianami, pomiędzy KRUK S.A., InvestCapital Ltd, Kruk Romania S.R.L., Kruk Espana S.L.U. i PROKURA NS FIZ (Kredytobiorcy) a DNB Bank ASA, ING Bank Śląski S.A. oraz Santander Bank Polska S.A.	DNB Bank ASA, ING Bank Śląski S.A. oraz Santander Bank Polska S.A.	390 mln EUR	Do czasu spełnienia wszystkich zobowiązań wynikających z Umowy Kredytowej.	Niezapłacenie przez Kredytobiorcę kwot należnych na podstawie Umowy Kredytu
Weksel in blanco	mBank S.A.	7,5 mln PLN	Do momentu rozliczenia zawartych transakcji rynku finansowego i zaspokojenia wszelkich roszczeń banku z nich wynikających	Niewywiązanie się KRUK S.A. ze spłaty zobowiązań wynikających z transakcji rynku finansowego zawieranych na podstawie Umowy ramowej zawartej w dniu 7 lutego 2019 r.
Poręczenie za zobowiązania InvestCapital LTD wynikające z Transakcji rynku finansowego na podstawie Umowy Ramowej zawartej pomiędzy InvestCapital LTD oraz DNB Bank Polska S.A.	DNB Bank Polska S.A.	15,3 mln EUR	Do momentu rozliczenia zawartych transakcji rynku finansowego i zaspokojenia wszelkich roszczeń banku z nich wynikających	Niewywiązanie się InvestCapital LTD ze spłaty zobowiązań wynikających z transakcji rynku finansowego zawieranych na podstawie Umowy Ramowej zawartej dnia 28 lutego 2019 r.
Gwarancja korporacyjna wystawiona przez Kruk S.A. na rzecz InvestCapital Ltd.	InvestCapital Ltd	50 mln PLN	Nie później niż do 12 czerwca 2020 r.	Celem udzielonej gwarancji jest zabezpieczenie interesów wierzycieli InvestCapital Ltd, którzy mogą zakwestionować umorzenie kapitału w spółce InvestCapital Ltd., które miało miejsce 4 marca 2020 r.
Gwarancja korporacyjna wystawiona przez Kruk S.A. na rzecz InvestCapital Ltd.	InvestCapital Ltd	200 mln PLN	Nie później niż do 14 lipca 2020 r.	Celem udzielonej gwarancji jest zabezpieczenie interesów wierzycieli InvestCapital Ltd, którzy mogą zakwestionować umorzenie kapitału w spółce InvestCapital Ltd., które miało miejsce 30 marca 2020 r.

Piotr Krupa
*President of the
Management Board*

Agnieszka Kulon
*Member of the
Management Board*

Urszula Okarma
*Member of the
Management Board*

Iwona Słomska
*Member of the
Management Board*

Michał Zasępa
*Member of the
Management Board*

Katarzyna Racziewicz
*Person responsible for
maintaining the accounting
records*

Hanna Stempień
*Person preparing the financial
statements*

Wrocław, May 28th 2020