



**Financial highlights of KRUK S.A.
for the period
from January 1st to June 30th 2020**

Financial highlights

Financial highlights	PLN '000		EUR '000	
	Jan 1–Jun 30	Jan 1–Jun 30	Jan 1–Jun 30	Jan 1–Jun 30
For the period	2020	2019	2020	2019
	unaudited	unaudited restarted	unaudited	unaudited restarted
Revenue	60,023	79,614	13,515	18,567
Operating profit/(loss)	(33,190)	(37,089)	(7,473)	(8,649)
Profit/(loss) before tax	(18,305)	175,471	(4,122)	40,921
Net profit/(loss) for owners of the Parent	(19,293)	166,819	(4,344)	38,904
Net cash from operating activities	(10,010)	(97,265)	(2,254)	(22,683)
Cash recoveries	(17,686)	(21,321)	(3,982)	(5,007)
Net cash from investing activities	268,608	(34,561)	60,480	(8,060)
Net cash from financing activities	(252,290)	187,111	(56,806)	43,636
Net change in cash	6,308	55,285	1,420	12,893
Diluted earnings per share	(1.00)	8.65	(0.23)	2.02
Average number of shares ('000)	18,972	18,931	18,972	4,415
Earnings per share	(1.02)	8.83	(0.23)	2.06
As at	Jun 30 2020	Dec 31 2019	Jun 30 2020	Dec 31 2019
	unaudited	restarted	unaudited	restarted
Total assets	3,735,871	3,880,855	836,514	649,730
Non-current liabilities	1,176,541	1,638,160	263,444	384,680
Current liabilities	572,281	286,518	128,142	67,281
Equity	1,987,048	1,956,177	444,928	459,358
Share capital	18,972	18,972	4,248	4,455
Book value per ordinary share	104.74	103.11	23.45	24.21

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 financial statements
of KRUK S.A.
for the period
from January 1st to June 30th 2020**

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I. 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	Jan 1 2019 Restated
Assets					
Cash and cash equivalents	9.14.	20,119	13,812	64,437	9,151
Trade receivables from related entities	9.13.	14,575	28,198	22,163	21,814
Trade receivables from other entities	9.12.	3,626	3,365	3,105	2,811
Investments	7.	333,970	346,330	281,574	149,667
Other receivables	9.13.	30,816	51,834	159,150	7,223
Inventories		28,760	28,046	27,283	25,011
Property, plant and equipment		41,953	34,944	30,872	16,169
Intangible assets		14,619	15,084	15,966	16,547
Derivatives	9.10.	-	3,799	3,554	1,450
Hedging instruments	9.9.	-	420	-	-
Equity-accounted investments in subsidiaries	9.11.	3,244,551	3,350,341	3,406,376	3,320,121
Other assets		2,882	4,683	2,547	4,173
Total assets		3,735,871	3,880,855	4,017,027	3,574,137
Equity and liabilities					
Liabilities					
Derivatives	9.10.	5,201	-	-	-
Hedging instruments	9.9.	22,585	3,924	4,619	3,870
Trade and other payables	9.15.	69,233	73,882	171,449	62,948
Employee benefit obligations and provisions	9.16.	20,706	21,323	22,389	19,199
Income tax payable		-	690	2,303	12,295
Borrowings, other debt securities and leases	9.8.	1,594,902	1,784,605	1,971,647	1,731,998
Deferred tax liability	9.7.	36,196	40,254	16,602	13,722
Total liabilities		1,748,822	1,924,678	2,189,009	1,844,032
Equity					
Share capital		18,972	18,972	18,931	18,887
Share premium		307,107	307,107	303,711	300,097
Cash flow hedging reserve		(19,072)	78	826	(3,869)
Exchange differences on translating foreign operations		42,754	(30,219)	(42,705)	(53,769)
Other capital reserves		100,922	104,582	101,254	94,924
Retained earnings		1,536,280	1,555,572	1,446,000	1,373,836
Total equity		1,987,048	2,136,029	1,828,017	1,730,105
Equity and liabilities		3,735,871	3,880,855	4,017,027	3,574,137

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

II. 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 Restated	Apr 1–Jun 30 2019 unaudited Restated
Revenue	9.1.	60,023	21,582	79,614	40,788
including interest income calculated using the effective interest rate method		9,665	4,555	10,016	4,859
Other income	9.2.	7,818	7,249	1,231	156
		67,841	28,830	80,845	40,944
Employee benefits expense	9.3.	(63,628)	(32,639)	(75,672)	(39,785)
Depreciation and amortisation		(9,154)	(4,508)	(9,480)	(4,782)
Services		(16,805)	(8,371)	(16,764)	(8,757)
Other expenses	9.4.	(11,445)	(5,006)	(16,019)	(7,343)
		(101,031)	(50,524)	(117,935)	(60,667)
Operating loss		(33,190)	(21,694)	(37,089)	(19,722)
Finance income	9.5.	11,509	5,505	7,439	6,145
Finance costs	9.6.	(55,101)	(11,684)	(37,116)	(18,050)
Net finance costs		(43,592)	(6,179)	(29,677)	(11,904)
Share of profit/(loss) of equity-accounted investees		58,477	77,840	242,236	110,595
Profit/(loss) before tax		(18,305)	49,968	175,471	78,968
Income tax	9.7.	(987)	(7,105)	(8,651)	(9,980)
Net profit/(loss) for period		(19,293)	42,863	166,819	68,987
Earnings/(loss) per share					
Basic (PLN)		(1.02)	2.26	8.83	3.65
Diluted (PLN)		(1.00)	2.23	8.65	3.58

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

III. Statement of comprehensive income

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
Net profit/(loss) for period	(19,293)	(172,175)	54,771	9,115
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss				
Cash flow hedges	(19,150)	(7,366)	4,695	4,499
Exchange differences on translating foreign operations	72,973	(473)	11,064	16,328
Other comprehensive income for period, net	53,823	(7,839)	15,759	20,827
Total comprehensive income for period	34,531	35,024	182,578	89,814

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

IV. Statement of changes in equity

For the reporting period ended June 30th 2020

PLN '000	Share capital	Share premium	Capital hedging reserve	Exchange differences on translating foreign operations	Other capital reserves	Retained earnings	Total equity
Equity as at Jan 1 2020 (restated)	18,972	307,192	78	(30,219)	104,582	1,555,658	1,956,177
Comprehensive income for period							
Net profit/(loss) for period	-	-	-	-	-	(19,293)	(19,293)
-Exchange differences on translating foreign operations	-	-	-	72,973	-	-	72,973
- Measurement of hedging instruments	-	-	(19,150)	-	-	-	(19,150)
Total comprehensive income for period	-	-	(19,150)	72 973	-	(19,293)	34,531
Contributions from and distributions to owners							
- Share-based payments	-	-	-	-	(3,660)	-	(3,660)
Total contributions from and distributions to owners	-	-	-	-	(3,660)	-	(3,660)
Total equity as at Jun 30 2020	18,972	307,192	(19,072)	42,754	100,922	1,536,365	1,987,048

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

For the reporting period ended June 30th 2019

PLN '000

	Share capital	Share premium	Capital hedging reserve	Exchange differences on translating foreign operations	Other capital reserves	Retained earnings	Total equity
Total equity as at Jan 1 2019 (restated)	18,887	300,097	(3,869)	(53,769)	94,924	1,373,835	1,730,104
Comprehensive income for period							
Net profit/(loss) for period	-	-	-	-	-	166,819	166,819
-Exchange differences on translating foreign operations	-	-	-	11,064	-	-	11,064
- Valuation of hedging instruments	-	-	4,695	-	-	-	4,695
Total comprehensive income for period	-	-	4,695	11,064	-	166,819	182,578
Contributions from and distributions to owners	-	-	-	-	-	-	-
- Payment of dividends	-	-	-	-	-	(94,653)	(94,653)
- Share-based payments	-	-	-	-	6,330	-	6,330
- Issue of shares	44	3,614	-	-	-	-	3,658
Total contributions from and distributions to owners	44	3,614	-	-	6,330	(94,653)	(84,665)
Total equity as at Jun 30 2019 (restated)	18,931	303,711	826	(42,705)	101,254	1,446,002	1,828,017

For the reporting period ended December 31st 2019

PLN '000

	Share capital	Share premium	Capital hedging reserve	Exchange differences on translating foreign operations	Other capital reserves	Retained earnings	Total equity
Total equity as at Jan 1 2019 (restated)	18,887	300,097	(3,869)	(53,769)	94,924	1,373,835	1,730,104
Comprehensive income for period							
Net profit/(loss) for period	-	-	-	-	-	276,475	276,475
-Exchange differences on translating foreign operations	-	-	-	23,550	-	-	23,550
- Measurement of hedging instruments	-	-	3,947	-	-	-	3,947
Total comprehensive income for period	-	-	3,947	23,550	-	276,475	303,972
Contributions from and distributions to owners							
- Payment of dividends	-	-	-	-	-	(94,653)	(94,653)
- Share-based payments	-	-	-	-	9,658	-	9,658
- Issue of shares	85	7,095	-	-	-	-	7,180
Total contributions from and distributions to owners	85	7,095	-	-	9,658	(94,653)	(77,901)
Total equity as at Dec 31 2019 (restated)	18,972	307,192	78	(30,219)	104,582	1,555,658	1,956,177

V. 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
Cash flows from operating activities				
Net profit/(loss) for period	(19,293)	42,863	166,819	68,987
<i>Adjustments</i>				
Depreciation of property, plant and equipment	6,439	3,159	6,163	3,073
Amortisation of intangible assets	2,715	1,349	2,713	1,368
Net finance income/costs	43,208	6,218	106,338	88,387
Share of profit/(loss) of equity-accounted investees	(58,477)	(77,840)	(242,236)	(110,595)
(Gain)/loss on sale of property, plant and equipment	(534)	(534)	(45)	12
Equity-settled share-based payments	(3,660)	907	6,330	4,035
Income tax	987	7,103	8,651	9,980
Change in investments	6,187	3,469	(75)	(2,631)
Change in inventories	(714)	76	(2,252)	(3,104)
Change in trade and other receivables	22,769	4,846	(153,789)	(141,756)
Change in prepayments and accrued income	1,801	1,411	1,626	1,494
Change in trade and other payables, excluding financial liabilities	(3,873)	10,677	15,066	12,863
Change in employee benefit obligations	(618)	(1,449)	3,190	1,685
Income tax paid	(6,948)	(3,265)	(15,763)	(4,529)
Net cash from operating activities	(10,010)	(1,009)	(97,265)	(70,729)
Cash flows from investing activities				
Interest received	27	13	44	(68)
Loans	(29,700)	(6,700)	(164,092)	(134,882)
Sale of intangible assets and property, plant and equipment	1,715	1,175	1,634	1,267
Dividends received	23,428	12,717	9,500	9,500
Disposal of financial assets	249,095	199,095	152,966	149,887
Purchase of intangible assets and property, plant and equipment	(3,608)	(1,822)	(6,995)	(4,379)
Acquisition of shares in subsidiaries	(16,360)	(3,740)	(47,511)	(23,303)
Repayments	44,011	40,567	19,893	15,710
Net cash from investing activities	268,608	241,305	(34,561)	13,731
Cash flows from financing activities				
Net proceeds from issue of shares	-	-	3,594	3,594
Redemption of debt securities	-	-	190,000	50,000
Increase in borrowings	229,338	92,872	494,107	359,134
Repayment of borrowings	(424,470)	(316,480)	(399,294)	(216,343)
Payments under finance lease contracts	(3,096)	(1,165)	(5,632)	(3,120)
Redemption of debt securities	(13,360)	(13,360)	(50,000)	(50,000)
Interest paid	(40,703)	(22,707)	(45,664)	(29,930)
Net cash from financing activities	(252,290)	(260,839)	187,111	113,336

Total net cash flows	6,308	(20,543)	55,285	56,337
Cash and cash equivalents at beginning of period	13,812	40,662	9,151	8,099
Cash and cash equivalents at end of period	20,119	20,119	64,437	64,437

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

VI. Notes to the interim condensed financial statements

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.

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

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

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 Company’s Management Board was composed of the following persons:

Piotr Krupa	President of the Management Board
Piotr Kowalewski	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

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

Piotr Krupa	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

As at June 30th 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 Stępiak	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

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.

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 separate 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 separate 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.

3. Statement of compliance

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

These financial statements do not contain all the information required to prepare full-year financial statements and therefore they should be read in conjunction with the interim condensed consolidated financial statements of the Group for the period from 1 January to June 30th 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 August 27th 2020.

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

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.

The Company reviewed the going concern assumption in the face of the COVID-19 outbreak. The assessment of the pandemic's impact on the Company's operations is presented in the Directors' Report on the KRUK Group's operations.

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

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

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 Entity 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"> 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. 	The amendments have no significant effect on the separate 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"> requirement that flows are 'highly probable' risk components prospective evaluation retrospective effectiveness test (for IAS 39) reclassification of cash flow hedge reserve. <p>The amendments also require that entities disclose to investors additional information on hedging relationships that affect the above uncertainties.</p>	The Entity 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

Standards and interpretations endorsed by the EU	Type of expected change in accounting policies	Possible effect on the financial statements	Effective for the periods beginning on or after
Amendments to IFRS 3 <i>Business Combinations</i>	The amendments narrow and clarify the definition of a business, and also provide for a simplified evaluation of whether a set of assets and activities is an asset group rather than a business.	The Standard has no significant effect on the separate financial statements.	January 1st 2020
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 separate 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"> the gain or loss is recognised in full where the contributed assets meet the definition of a business (irrespective of whether such business has the form of a subsidiary or not), the partial gain or loss is recognised when the transaction involves assets that do not constitute a business, even if those assets were part of a subsidiary. 	The Entity does not expect the amendments to have a significant impact on its separate 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 Entity does not expect the amendments to have a significant impact on its separate 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 Entity does not expect the amendments to have a significant impact on its separate 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 Entity is currently analyzing the impact of the changes on its separate 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 Entity does not expect the amendments to have a significant impact on its separate 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 Entity does not expect the amendments to have a significant impact on its separate 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 Entity does not expect the amendments to have a significant impact on its separate 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 separate financial statements.	June 1st 2023
IFRS 17 <i>Insurance Contracts</i>	<p>IFRS 17 replaces the transitional IFRS 4 <i>Insurance Contracts</i> introduced in 2004. IFRS 4 allowed entities to continue the recognition of insurance contracts in accordance with the local accounting policies based on national standards, which resulted in the application of many different solutions.</p> <p>IFRS 17 solves the comparability problem created by IFRS 4 by requiring consistent recognition of all insurance contracts, to the benefit of both investors and insurers. Contractual obligations will be recognised at present value rather than historical cost.</p>	The Entity does not expect the amendments to have a significant impact on its separate financial statements	January 1st 2023

Changes in accounting policies

Implementation of the equity accounting method for investments in subsidiaries

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

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

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

Change in the measurement principle resulting from reclassification

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

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

Effect of the change on statement of financial position

As at Jun 30 2020
PLN '000

	Note	Jun 30 2020 unaudited	Dec 31 2019 Restated	Implementa tion of the equity accounting method	Property reclassificati on and valuation effect	Dec 31 2019 Originally reported	Jun 30 2019 unaudited Restated	Implementa tion of the equity accounting method	Property reclassificati on and valuation effect	Jun 30 2019 unaudited Originally reported	Jan 1 2019 Restated	Implementa tion of the equity accounting method	Property reclassificati on and valuation effect	Dec 31 2018 Originally reported
Assets														
Cash and cash equivalents	9.14.	20,119	13,812	-	-	13,812	64,437	-	-	64,437	9,151	-	-	9,151
Trade receivables from related entities	9.13.	14,575	28,198	-	-	28,198	22,163	-	-	22,163	21,814	-	-	21,814
Trade receivables from other entities	9.12.	3,626	3,365	-	-	3,365	3,105	-	-	3,105	2,811	-	-	2,811
Investments	7.	333,970	346,330	(15,215)	-	361,544	281,574	-	-	281,574	149,667	-	-	149,667
Investment property	7.	-	-	-	(30,279)	30,279	-	-	(29,520)	29,520	-	-	(27,238)	27,238
Other receivables	9.13.	30,816	51,834	(2,763)	-	54,597	159,150	-	-	159,150	7,223	-	-	7,223
Inventories		28,760	28,046	-	28,031	15	27,283	-	27,271	12	25,011	-	24,989	22
Property, plant and equipment		41,953	34,944	-	-	34,944	30,872	-	-	30,872	16,169	-	-	16,169
Intangible assets		14,619	15,084	-	-	15,084	15,966	-	-	15,966	16,547	-	-	16,547
Deferred tax asset	9.8.	-	-	(3,877)	-	3,877	-	(2,648)	-	2,648	-	(453)	-	453
Derivatives	9.11.	-	3,799	-	-	3,799	3,554	-	-	3,554	1,450	-	-	1,450
Hedging instruments	9.10.	-	420	-	-	420	-	-	-	-	-	-	-	-
Equity-accounted investments in subsidiaries	9.12.	3,244,551	3,350,341	3,350,341	-	-	3,406,376	3,406,376	-	-	3,320,121	3,320,121	-	-
Investments in subsidiaries measured at cost	9.12.	-	-	(2,212,258)	-	2,212,258	-	(1,976,559)	-	1,976,559	-	(2,143,481)	-	2,143,481
Other assets		2,882	4,683	-	-	4,683	2,547	-	-	2,547	4,173	-	-	4,173
Total assets		3,735,871	3,880,855	1,116,227	(2,249)	2,766,876	4,017,027	1,427,169	(2,249)	2,592,107	3,574,137	1,176,187	(2,249)	2,400,199
Equity and liabilities														
Liabilities														
Derivatives	9.11.	5,201	-	-	-	-	-	-	-	-	-	-	-	-
Hedging instruments	9.10.	22,585	3,924	-	-	3,924	4,619	-	-	4,619	3,870	-	-	3,870
Trade and other payables	9.17.	69,233	73,882	-	-	73,882	171,449	-	-	171,449	62,948	-	-	62,948
Employee benefit obligations and provisions	9.16.	20,706	21,323	-	-	21,323	22,389	-	-	22,389	19,199	-	-	19,199
Income tax payable		-	690	-	-	690	2,303	-	-	2,303	12,295	-	-	12,295
Borrowings, other debt securities and leases	9.9.	1,594,902	1,784,605	-	-	1,784,605	1,971,647	-	-	1,971,647	1,731,998	-	-	1,731,998
Deferred tax liability	9.8.	36,196	40,254	40,254	-	-	16,602	16,602	-	-	13,722	13,722	-	-

Half-year report – Interim condensed separate financial statements

Total liabilities	1,748,822	1,924,678	40,254	-	1,884,424	2,189,009	16,602	-	2,172,407	1,844,032	13,722	-	1,830,310
Equity													
Share capital	18,972	18,972	-	-	18,972	18,931	-	-	18,931	18,887	-	-	18,887
Share premium	307,192	307,192	-	-	307,107	303,711	-	-	303,711	300,097	-	-	300,097
Cash flow hedging reserve	(19,072)	78	-	-	78	826	-	-	826	(3,869)	-	-	(3,869)
Exchange differences on translating foreign operations	42,754	(30,219)	(30,219)	-	-	(42,705)	(42,705)	-	-	(53,769)	(53,769)	-	-
Other capital reserves	100,922	104,582	-	-	104,582	101,254	-	-	101,254	94,924	-	-	94,924
Retained earnings	1,536,280	1,555,572	1,106,193	(2,249)	451,629	1,446,000	1,453,272	(2,249)	(5,023)	1,373,836	1,216,234	(2,249)	159,850
Total equity	1,987,048	1,956,177	1,075,974	(2,249)	882,452	1,828,017	1,410,567	(2,249)	419,699	1,730,105	1,162,465	(2,249)	569,889
Equity and liabilities	3,735,871	3,880,855	1,116,227	(2,249)	2,766,876	4,017,027	1,427,169	(2,249)	2,592,107	3,574,137	1,176,187	(2,249)	2,400,199

Effect of the change on statement of profit or loss

For the reporting period 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 Restated	Implement ation of the equity accounting method	Jan 1–Jun 30 2019 unaudited Originally reported	Apr 1–Jun 30 2019 unaudited Restated	Implementation of the equity accounting method	Apr 1–Jun 30 2019 unaudited Originally reported
Revenue	9.1.	60,023	21,582	79,614	-	79,614	40,788	-	40,788
including interest income calculated using the effective interest rate method		9,665	4,555	10,016	-	10,016	4,859	-	4,859
Other income	9.2.	7,818	7,249	1,231	-	1,231	156	-	156
		67,841	28,830	80,845	-	80,845	40,944	-	40,944
Employee benefits expense	9.3.	(63,628)	(32,639)	(75,672)	-	(75,672)	(39,785)	-	(39,785)
Depreciation and amortisation		(9,154)	(4,508)	(9,480)	-	(9,480)	(4,782)	-	(4,782)
Services		(16,805)	(8,371)	(16,764)	-	(16,764)	(8,757)	-	(8,757)
Other expenses	9.4.	(11,445)	(5,006)	(16,019)	-	(16,019)	(7,343)	-	(7,343)
		(101,031)	(50,524)	(117,935)	-	(117,933)	(60,667)	-	(60,667)
Operating loss		(33,190)	(21,694)	(37,089)	-	(37,089)	(19,722)	-	(19,722)
Finance income	9.5.	11,509	5,505	7,439	(80,526)	87,965	6,145	(78,918)	85,063
Finance costs	9.6.	(55,101)	(11,684)	(37,116)	80,403	(117,519)	(18,050)	80,403	(98,453)
Net finance costs		(43,592)	(6,179)	(29,677)	(123)	(29,554)	(11,904)	1,486	(13,390)
Share of profit/(loss) of equity-accounted investees	9.7.	58,477	77,840	242,236	242,236	-	110,595	110,595	-
Profit/(loss) before tax		(18,305)	49,968	175,471	242,114	(66,643)	78,968	112,080	(33,113)
Income tax	9.8.	(987)	(7,105)	(8,651)	(5,075)	(3,576)	(9,980)	(10,807)	827
Net profit/(loss) for period		(19,293)	42,863	166,819	237,038	(70,219)	68,987	101,273	(32,286)

Earnings/(loss) per share

Basic (PLN)	(1.02)	2.26	8.83	(3.72)	3.65	(1.71)
Diluted (PLN)	(1.00)	2.23	8.65	(3.65)	3.58	(1.68)

Effect of the change on statement of comprehensive income

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	Implementat ion of the equity accounting method	Jan 1–Jun 30 2019 unaudited Originally reported	Apr 1–Jun 30 2019 unaudited Restated	Implem entation of the equity accounti ng method	Apr 1–Jun 30 2019 unaudited Originally reported
Net profit/(loss) for period	(19,293)	42,863	166,819	237,038	(70,219)	68,987	101,273	(32,286)
Other comprehensive income								
Items that may be reclassified subsequently to profit or loss								
Cash flow hedges	(19,150)	(7,366)	4,695	-	4,695	4,499	-	4,499
Exchange differences on translating foreign operations	72,973	(473)	11,064	11,064	-	16,328	16,328	-
Items that will not be reclassified subsequently to profit or loss	53,823	(7,839)	15,759	11,064	4,695	20,827	16,328	4,499
Other comprehensive income for period, net	34,531	35,024	182,578	248,102	(65,525)	89,814	117,601	(27,786)

Effect of the change on statement of changes in equity**For the reporting period ended June 30th 2019**

PLN '000	Share capital	Share premium	Hedging reserve	Exchange differences on translating foreign operations	Other capital reserves	Retained earnings	Total equity
Total equity as at Jan 1 2019	18,887	300,097	(3,869)	-	94,924	159,850	569,889
Implementation of the equity accounting method	-	-	-	(53,769)	-	1,216,234	1,162,465
Change in the measurement principles resulting from reclassification	-	-	-	-	-	(2,249)	(2,249)
Total equity as at Jan 1 2019 (restated)	18,887	300,097	(3,869)	(53,769)	94,924	1,373,835	1,730,104
Comprehensive income for period							
Net profit/(loss) for period	-	-	-	-	-	(70,219)	(70,219)
Implementation of the equity accounting method						237,038	237,038
- Exchange differences on translating foreign operations				11,064			11,064
- Valuation of hedging instruments	-	-	4,695	-	-	-	4,695
Total comprehensive income for period	-	-	4,695	11,064	-	166,819	182,578
Contributions from and distributions to owners							
- Payment of dividends	-	-	-	-	-	(94,653)	(94,653)
- Share-based payments	-	-	-	-	6,330	-	6,330
- Issue of shares	44	3,614	-	-	-	-	3,658
Total contributions from and distributions to owners	44	3,614	-	-	6,330	(94,653)	(84,665)
Total equity as at Jun 30 2019 (restated)	18,931	303,711	826	(42,705)	101,254	1,446,002	1,828,017

For the reporting period ended June 30th 2019

PLN '000	Share capital	Share premium	Hedging reserve	Exchange differences on translating foreign operations	Other capital reserves	Retained earnings	Total equity
Total equity as at Jan 1 2019	18,887	300,097	(3,869)	-	94,924	159,850	569,889
Implementation of the equity accounting method	-	-	-	(53,769)	-	1,216,234	1,162,465
Change in the measurement principles resulting from reclassification	-	-	-	-	-	(2,249)	(2,249)
Total equity as at Jan 1 2019 (restated)	18,887	300,097	(3,869)	(53,769)	94,924	1,373,835	1,730,104
Comprehensive income for period							
Net profit/(loss) for period	-	-	-	-	-	(70,219)	(70,219)
Implementation of the equity accounting method						237,038	237,038
- Exchange differences on translating foreign operations				11,064			11,064
- Valuation of hedging instruments	-	-	4,695	-	-	-	4,695
Total comprehensive income for period	-	-	4,695	11,064	-	166,819	182,578
Contributions from and distributions to owners							
- Payment of dividends	-	-	-	-	-	(94,653)	(94,653)
- Share-based payments	-	-	-	-	6,330	-	6,330
- Issue of shares	44	3,614	-	-	-	-	3,658
Total contributions from and distributions to owners	44	3,614	-	-	6,330	(94,653)	(84,665)
Total equity as at Jun 30 2019 (restated)	18,931	303,711	826	(42,705)	101,254	1,446,002	1,828,017

For the reporting period ended December 31st 2019

PLN '000

	Share capital	Share premium	Hedging reserve	Exchange differences on translating foreign operations	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
Implementation of the equity accounting method	-	-	-	(53,769)	-	1,216,234	1,162,465
Change in the measurement principles resulting from reclassification	-	-	-		-	(2,249)	(2,249)
Total equity as at Jan 1 2019 (restated)	18,887	300,097	(3,869)	(53,769)	94,924	1,373,835	1,730,104
Comprehensive income for period							
Net profit/(loss) for period	-	-	-	-	-	386,517	386,517
Implementation of the equity accounting method	-	-	-		-	(110,042)	(110,042)
- Exchange differences on translating foreign operations				23 550			23 550
- Measurement of hedging instruments	-	-	3,947		-	-	3,947
Total comprehensive income for period	-	-	3,947	23 550	-	276,475	303,972
Contributions from and distributions to owners							
- Payment of dividends	-	-	-	-	-	(94,653)	(94,653)
- Share-based payments	-	-	-	-	9,658	-	9,658
- Issue of shares	85	7,095	-	-	-	-	7,095
Total contributions from and distributions to owners	85	7,095	-	-	9,658	(94,653)	(77,901)
Total equity as at Dec 31 2019 (restated)	18,972	307,192	78	(30,219)	104,582	1,555,658	1,956,177

Effect of the change on 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	Implementation of the equity accounting method	Change of presentation	Jan 1–Jun 30 2019 unaudited Originally reported	Apr 1–Jun 30 2019 unaudited Restated	Implementation of the equity accounting method	Change of presentation	Apr 1–Jun 30 2019 unaudited Originally reported
Cash flows from operating activities										
Net profit/(loss) for period	(19,293)	42,863	166,819	237,038	-	(70,219)	9,115	101,273	-	(32,286)
<i>Adjustments</i>					-					
Depreciation of property, plant and equipment	6,439	3,159	6,163	-	-	6,163	3,073	-	-	3,073
Amortisation of intangible assets	2,715	1,349	2,713	-	-	2,713	1,368	-	-	1,368
Net finance income/costs	43,208	6,218	106,338	123	-	106,215	88,387	(1,486)	-	89,873
Share of profit/(loss) of equity-accounted investees	(58,477)	(77,840)	(242,236)	(242,236)	-	-	(110,595)	(110,595)	-	-
(Gain)/loss on sale of property, plant and equipment	(534)	(534)	(45)	-	-	(45)	12	-	-	12
Equity-settled share-based payments	(3,660)	907	6,330	-	-	6,330	4,035	-	-	4,035
Income tax	987	7,103	8,651	5,075	-	3,576	9,980	10,807	-	(827)
Change in investments	6,187	3,469	(75)	-	2,262	(2,337)	(2,631)	-	3,109	(5,740)
Change in inventories	(714)	76	(2,252)	-	(2,262)	10	(3,104)	-	(3,109)	5
Change in trade and other receivables	22,769	4,846	(153,789)	-	-	(153,789)	(141,756)	-	-	(141,756)
Change in prepayments and accrued income	1,801	1,411	1,626	-	-	1,626	1,494	-	-	1,494
Change in trade and other payables, excluding financial liabilities	(3,873)	10,677	15,066	-	-	15,066	12,863	-	-	12,863
Change in employee benefit obligations	(618)	(1,449)	3,190	-	-	3,190	1,685	-	-	1,685
Income tax paid	(6,948)	(3,265)	(15,763)	-	-	(15,763)	(4,529)	-	-	(4,529)
Net cash from operating activities	(10,010)	(1,009)	(97,265)	-	-	(97,265)	(70,729)	-	-	(70,729)
Cash flows from investing activities					-					
Interest received	27	13	44	-	-	44	(68)	-	-	(68)
Loans	(29,700)	(6,700)	(164,092)	-	-	(164,092)	(134,882)	-	-	(134,882)
Sale of intangible assets and property, plant and equipment	1,715	1,175	1,634	-	-	1,634	1,267	-	-	1,267
Dividends received	23,428	12,717	9,500	-	-	9,500	9,500	-	-	9,500

Disposal of financial assets	249,095	199,095	152,966	-	-	152,966	149,887	-	-	149,887
Purchase of intangible assets and property, plant and equipment	(3,608)	(1,822)	(6,995)	-	-	(6,995)	(4,379)	-	-	(4,379)
Acquisition of shares in subsidiaries	(16,360)	(3,740)	(47,511)	-	-	(47,511)	(23,303)	-	-	(23,303)
Repayments	44,011	40,567	19,893	-	-	19,893	15,710	-	-	15,710
Net cash from investing activities	268,608	241,305	(34,561)	-	-	(34,561)	13,731	-	-	13,731
Cash flows from financing activities										
Net proceeds from issue of shares	-	-	3,594	-	-	3,594	3,594	-	-	3,594
Redemption of debt securities	-	-	190,000	-	-	190,000	50,000	-	-	50,000
Increase in borrowings	229,338	92,872	494,107	-	-	494,107	359,134	-	-	359,134
Repayment of borrowings	(424,470)	(316,480)	(399,294)	-	-	(399,294)	(216,343)	-	-	(216,343)
Payments under finance lease contracts	(3,096)	(1,165)	(5,632)	-	-	(5,632)	(3,120)	-	-	(3,120)
Redemption of debt securities	(13,360)	(13,360)	(50,000)	-	-	(50,000)	(50,000)	-	-	(50,000)
Interest paid	(40,703)	(22,707)	(45,664)	-	-	(45,664)	(29,930)	-	-	(29,930)
Net cash from financing activities	(252,290)	(260,839)	187,111	-	-	187,111	113,336	-	-	113,336
Total net cash flows	6,306	(20,543)	55,285	-	-	55,286	56,338	-	-	56,338
Cash and cash equivalents at beginning of period	13,812	40,662	9,151	-	-	9,151	8,099	-	-	8,099
Cash and cash equivalents at end of period	20,119	20,119	64,437	-	-	64,437	64,437	-	-	64,437

Enhancing comparability

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

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

<i>PLN '000</i>	Jun 30 2019		Jun 30 2019
	Originally reported	Change of presentation	Data restated to ensure comparability
	unaudited		unaudited
Assets			
Derivatives	3,400	154	3,554
Hedging instruments	-	-	-
Liabilities			
Derivatives	4,465	(4,465)	-
Hedging instruments	-	4,619	4,619

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

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.

The estimates and assumptions are reviewed by the Company on an ongoing basis, based on past experience and other factors, including expectations as to future events, which seem justified in given circumstances. In particular, the Company's estimates as at June 30th 2020 reflected the impact of COVID-19 on the Company'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 Company's estimates as at June 30th 2020 relates mainly to:

Item	Amount estimated		Note	Assumptions and estimate calculation
	Jun 30 2020 (PLN '000)	Dec 31 2019 (PLN '000) <i>restarted</i>		
Equity-accounted investments in subsidiaries	3,244,551	3,350,341	9.12.	<p>Equity-accounted investments in subsidiaries are subject to impairment testing. Investments in subsidiaries for which impairment indications were identified were tested for impairment.</p> <p>As part of the tests, the Company estimated the recoverable amount of the investments based on the value in use of the respective cash-generating units, using the discounted cash flow method.</p> <p>The valuation of investments in subsidiaries is based on a number of assumptions and estimates, in particular with respect to the amount of future cash flows and the adopted discount rate. The projected cash flows of subsidiaries investing in debt portfolios or debt-related assets depend primarily on the assumed expenditure on new portfolios and amount of recoveries. The correctness of the underlying</p>

Item	Amount estimated		Note	Assumptions and estimate calculation
	Jun 30 2020 (PLN '000)	Dec 31 2019 (PLN '000)		
				<p>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	31,367	36,949	7	<p>The value of purchased debt portfolios as at the valuation date is determined using an estimation model relying on expected discounted cash flows.</p> <p>The expected cash flows were estimated with the use of analytical methods or based on a legal and economic analysis of individual claims or debtors (case-by-case analysis). The method of estimating cash flows under a debt portfolio is selected based on the available data on the portfolio, debt profiles as well as historical data collected in the course of managing the portfolio. KRUK S.A. prepares projections of collections from debt portfolios separately for individual markets. The projections account for, among other things, historical performance of the process of debt portfolio recovery, legal regulations currently in force and planned, type and nature of debt and security, and current collection strategy.</p>
Deferred tax liability	(36,196)	(40,254)	9.8.	<p>As the Company is able to control the timing of temporary differences with respect to investments in subsidiaries, it recognises deferred tax liabilities at amounts of income tax to be paid in the future (three years). The Company assesses the recoverability of deferred tax assets.</p>
Lease liabilities and right-of-use assets	33,453	19,430	9.13.	<p>The application of IFRS 16 requires certain estimates and calculations to be made that affect the measurement of lease liabilities and right-of-use assets. These include:</p> <ul style="list-style-type: none"> • reviewing the lease contracts, • determining the lease term, • 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 period beginning at January 1st, 2020.

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 17,686 thousand (H1 2019: PLN 21,321 thousand). Changes in the estimated value of debt portfolios are presented below.

PLN '000	Jun 30 2020 unaudited	Dec 31 2019	Jun 30 2019 unaudited
Investments measured at amortised cost			
Investments in debt portfolios	31,367	36,949	38,855
Loans advanced to related entities	302,602	324,595	242,719
	<u>333,970</u>	<u>361,544</u>	<u>281,574</u>

PLN '000	Jun 30 2020 unaudited	Dec 31 2019	Jun 30 2019 unaudited
Purchased debt portfolios			
Unsecured portfolios	30,962	36,545	37,621
Secured portfolios	406	405	943
	<u>31,367</u>	<u>36,949</u>	<u>38,564</u>

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

	Jun 30 2020 unaudited	Dec 31 2019	Jun 30 2019 unaudited
Discount rate			
- risk premium*	28.11% - 170.19%	23.65% - 170.19%	19.67% - 170.19%
Period for which collections have been estimated	Jul 2020–Dec 2029	January 2020 - December 2032	Jul 2019–Dec 2032
Undiscounted value of future recoveries	67,616	80,919	83,624

* Applicable to 99% of debt portfolios.

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

PLN '000	Jun 30 2020 unaudited	Dec 31 2019	Jun 30 2019 unaudited
Period			
Up to 12 months	25,590	29,942	31,141
From 1 to 2 years	16,928	20,192	21,091

From 2 to 5 years	21,144	24,914	26,414
Over 5 years	3,955	5,872	4,978
	<u>67,616</u>	<u>80,919</u>	<u>83,624</u>

In the case of debt portfolios at amortised cost remeasured at the end of every 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

Carrying amount 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
Carrying amount of purchased debt portfolios as at Jan 1 2019	38,800
Cash recoveries	(21,321)
Revenue from purchased debt portfolios (interest and revaluation)	21,377
Value of purchased debt portfolios as at Jun 30 2019	38,855
Value of purchased debt portfolios as at Jan 1 2020	36,949
Purchase price adjustment for discount	(16)
Cash recoveries	(17,686)
Carrying amount of property sold	65
Revenue from purchased debt portfolios (interest and revaluation)	12,055
Carrying amount of purchased debt portfolios as at Jun 30 2020	31,367

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
Jun 30 2020				
Investments in debt portfolios	236	(236)		
Dec 31 2019				
Investments in debt portfolios	303	(303)	-	-

An increase in all recoveries by 1% will increase the value of the packages and thus the net result for the current period by PLN 236 thousand. PLN, while a decrease in all recoveries by 1% will reduce the value of packages and thus lower the net result by PLN 236 thousand. PLN for data as at 30/06/2020 (for data as at 31/12/2019, increase / decrease by PLN 303 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
Jun 30 2020				
Investments in debt portfolios	261	(75)		
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 261 thousand, while for one-year shortening projected collections decreased by PLN 75 thousand; 2019: PLN 5 thousand and PLN 154 thousand, respectively).

Inventories (incl. Property)

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

PLN '000

	Jun 30 2020 unaudited	Dec 31 2019	Jun 30 2019 unaudited
Real property	28,750	28,031	27,271
Other inventories	10	15	12
	<u>28,760</u>	<u>28,046</u>	<u>27,283</u>

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

PLN '000

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	6,466
Proceeds from sale of property	(3,683)
Income from sale of property	(500)
Carrying amount of property held as at Jun 30 2019	29,520
Carrying amount of property held as at Jan 1 2020	30,279
Value of foreclosed property	6,670
Proceeds from sale of property	(7,270)
Income from sale of property	935
Carrying amount of property held as at Jun 30 2020	30,614

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

8. Reporting and geographical segments

Below, the Company presents its principal reportable segments. The division into segments presented below is based on the criteria of materiality of revenue and share of investments in the separate financial statements. The Management Board reviews internal management reports relating to each business segment at least quarterly. The Company'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 metric for each reportable segment is gross profit, which is disclosed in the internal management reports reviewed by the President of the Management Board. A segment's gross profit is used to measure the segment's performance, as the management believes the gross profit to be the most appropriate metric 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 segments: Poland, Romania, the Czech Republic and Slovakia.

The Group's operations are divided into four segments based on the scale and place of operations:

- Poland,
- Romania,
- other foreign markets. Revenue from credit management and revenue from other products represent external revenue.

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

	Poland	Romania	Other foreign markets	TOTAL
Revenue	49,304	9,408	1,311	60,023
Purchased debt portfolios	3,032	8,499	523	12,055
Credit management services	39,541	-	-	39,541
Other products	6,730	909	788	8,427
Direct and indirect costs				(41,769)
Purchased debt portfolios	-	-	-	(4,934)
Credit management services	-	-	-	(35,447)
Other products	-	-	-	(1,388)
Gross profit				18,254
Purchased debt portfolios	-	-	-	7,121
Credit management services	-	-	-	4,094
Other products	-	-	-	7,039
Administrative expenses	-	-	-	(38,663)
EBITDA²	-	-	-	(20,409)
Depreciation and amortisation	-	-	-	(9,154)
Other income/expenses	-	-	-	(3,627)
Finance income/costs	-	-	-	(43,592)
Share of profit/(loss) of equity-accounted investees				58,477

Profit before tax	-	-	-	(18,305)
Income tax	-	-	-	(987)
Net profit	-	-	-	(19,293)
Carrying amount of debt portfolios	6,420	23,204	1,454	31,078
Cash recoveries	3,288	13,391	942	17,621

For the reporting period January 1st – June 30th 2019

	Poland	Romania	Other foreign markets	TOTAL
Revenue	59,938	17,463	2,213	79,614
Purchased debt portfolios	4,511	16,055	616	21,182
Credit management services	53,348	-	-	53,348
Other products	2,079	1,408	1,597	5,084
Direct and indirect costs				(58,017)
Purchased debt portfolios	-	-	-	(5,146)
Credit management services	-	-	-	(51,264)
Other products	-	-	-	(1,606)
Gross profit				21,597
Purchased debt portfolios	-	-	-	16,035
Credit management services	-	-	-	2,084
Other products	-	-	-	3,478
Administrative expenses	-	-	-	(47,127)

EBITDA²	-	-	-	(25,530)
Depreciation and amortisation	-	-	-	(9,480)
Other income/expenses	-	-	-	(2,078)
Finance income/costs	-	-	-	(29,554)
Profit before tax	-	-	-	(66,643)
Income tax	-	-	-	(3,576)
Net profit	-	-	-	(70,219)
Carrying amount of debt portfolios	8,303	28,408	1,853	38,564
Cash recoveries	3,974	16,273	880	21,126

¹ Gross profit = operating income - operating expenses ² EBITDA = operating profit - amortisation/depreciation - other income - other expenses (unallocated)

9. 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

9.1. 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 credit management services	39,547	12,910	53,348	27,241
Revenue from purchased debt portfolios	12,055	5,131	21,182	12,906
Revenue from other services	9,129	3,229	8,439	3,163
Revenue from sale of merchandise and materials	136	44	343	197
Gain/(loss) on sale/valuation of investment property	(844)	268	(3,698)	(2,720)
	60,023	21,582	79,614	40,788

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	9,665	4,555	10,016	4,859
Other income from purchased debt portfolios (*)	2,112	847	3,639	1,805
Revaluation of debt portfolios	277	(271)	7,529	6,246
Foreclosure of property	-	-	272	-
Sale of property	-	-	195	150
Carrying amount of property sold	-	-	(275)	(230)
	12,055	5,131	21,377	12,830

* 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–Jun 30 2020 unaudited	Apr 1–Jun 30 2020 unaudited	Jan 1–Jun 30 2019 unaudited	Apr 1–Jun 30 2019 unaudited
Foreign exchange gains/(losses)	948	(524)	(725)	(135)
Revision of repayment projections	(671)	253	8,254	6,381
	277	(271)	7,529	6,246

9.2. 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 ¹	5,972	5,972	-	-
Settlement of lease payments under terminated contracts	1,050	1,050	-	-
Gain/(loss) on sale of property, plant and equipment	534	124	45	(12)
Compensation for motor damage	196	73	234	100
Other markets	66	29	142	57
Receivables written off	-	-	798	-
Reversal of impairment losses on receivables	-	-	12	12
	7,818	7,249	1,231	156

¹ In the reporting period, Kruk S.A. 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. In accordance with IAS 2 - Government Grants and Disclosure of Government Assistance, the Company applies the income method and recognizes the subsidy in profit as a separate item in Other operating income after it is reasonably certain that the conditions related to the subsidy will be met and the subsidy will be received.

9.3. 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	(54,514)	(25,828)	(55,884)	(28,528)
Old-age and disability pension contributions (defined contribution plans)	(8,451)	(3,990)	(8,662)	(4,400)
Other social security contributions	(3,759)	(1,631)	(4,206)	(2,527)
Contribution to the State Fund for the Disabled	(563)	(283)	(589)	(295)
Equity-settled cost of stock option plan ¹	3,660	(907)	(6,330)	(4,035)
	(63,628)	(32,639)	(75,672)	(39,785)

¹ The cost of the management stock option plan reflects an adjustment of PLN 5,538 thousand for inclusion in the model of dividends paid. The adjustment amount, considered immaterial, affected profit for the current period.

9.4. 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
Taxes and charges	(5,537)	(2,628)	(6,087)	(3,294)
Raw materials and consumables used	(1,552)	(526)	(2,974)	(1,462)
Other markets	(1,149)	(682)	(845)	(225)
Motor insurance	(593)	(296)	(452)	(225)
Staff training	(447)	(96)	(1,397)	(703)
Re-billed costs of services	(315)	(94)	(631)	849
Court fees	(328)	(188)	(219)	(148)
Non-competition	(310)	(128)	(152)	(76)
Advertising	(248)	(62)	(725)	(566)
Business trips	(234)	(20)	(901)	(575)
Losses from damage caused by motor vehicles	(209)	(57)	(342)	(197)
Refund of litigation costs	(148)	(75)	(354)	(213)
VAT on rental payments (leases and rents)	(111)	(48)	-	-
Property insurance	(111)	(55)	(76)	(39)
Membership fees	(75)	(38)	-	-
Entertainment expenses	(39)	(7)	(463)	(416)
Impairment losses on receivables	(28)	(6)	-	-
Donations	(12)	-	-	-
Accumulated amortisation of receivables	-	-	(7)	-
Other consultancy services	-	-	(390)	(48)
	(11,445)	(5,006)	(16,014)	(7,338)

9.5. 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
Gain/(loss) on equity cancellation at subsidiaries	-	-	-	-
Interest income on loans advanced and receivables	11,389	5,421	3,366	2,085
Gain/(loss) on settlement of discount	93	72	-	-
Interest income on bank deposits	27	13	44	32
Net foreign exchange losses	-	-	4,029	4,029
	11,509	5,505	7,439	6,146

9.6. 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 expense on financial liabilities measured at amortised cost	(38,121)	(17,635)	(39,995)	(21,273)
<i>including interest</i>	(35,714)	(16,306)	(37,924)	(19,693)
Net foreign exchange losses	(8,854)	1,920	-	1,406
Measurement of derivatives – CIRS	(7,366)	5,273	1,941	1,357
Interest income/expense on hedging instruments	(760)	(1,242)	938	459
	(55,101)	(11,684)	(37,116)	(18,051)

Effect of exchange rate movements on statement of profit or loss

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
Realised exchange gains/(losses)	9.6.	(5,412)	(4,793)	(887)	5,072
Unrealised exchange gains/(losses)	9.6.	(3,643)	6,512	4,917	363
Revaluation of debt portfolios due to exchange rate movements	9.1.	948	(524)	(725)	(135)
		(8,106)	1,196	3,304	5,300

9.7. Income tax

PLN '000

	Jan 1–Jun 30 2020 unaudited	Jan 1–Jun 30 2019 unaudited
Income tax (current portion recognised in profit or loss)		
Income tax	5,044	5,771
Income tax (deferred portion recognised in profit or loss)		
Temporary differences/reversal of temporary differences	(6,031)	(14,422)
Income tax recognised in profit or loss	(987)	(8,651)
Income tax (deferred portion recognised in other comprehensive income)		
Temporary differences/reversal of temporary differences	-	-
Income tax recognised in other comprehensive income	(987)	(8,651)

Reconciliation of effective tax rate

PLN '000

	Jan 1–Jun 30 2020 unaudited	Jan 1–Jun 30 2019 unaudited
Profit/(loss) before tax	(18,305)	175,471
Income tax recognised in profit or loss	(987)	(8,651)
Profit/(loss) before tax for the period (at 19% tax rate)	(18,305)	175,471
Tax calculated at the tax rate applicable in Poland (19%)	3,478	(33,339)
Effect of non-deductible expenses	(4,465)	24,688
	(987)	(8,651)
Effective tax rate	-5.39%	4.93%

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		Liabilities		Net carrying amount	
	Jun 30 2020 unaudited	Dec 31 2019	Jun 30 2020 unaudited	Dec 31 2019	Jun 30 2020 unaudited	Dec 31 2019
Property, plant and equipment	6,243	4,513	(6,351)	(4,775)	(108)	(263)
Intangible assets	-	-	(1,931)	(2,263)	(1,931)	(2,263)
Trade and other receivables	-	-	(173)	(243)	(173)	(243)
Borrowings and other debt instruments	22,795	18,496	-	-	22,795	18,496
Employee benefit obligations	2,329	2,342	-	-	2,329	2,342
Provisions and liabilities	18	112	-	-	18	112
Investments in debt portfolios	-	-	(6,310)	(7,108)	(6,310)	(7,108)
Investments in subsidiaries	-	-	(52,816)	(51,328)	(52,816)	(51,328)
Deferred tax assets/liabilities	31,385	25,463	(67,581)	(65,717)	(36,196)	(40,254)
Deferred tax assets offset against liabilities	(31,385)	(25,463)	31,385	25,463	-	-
Deferred tax assets/liabilities in the statement of financial position	-	-	-	-	(36,196)	(40,254)

Change in temporary differences in the period

PLN '000

	As at Jan 1 2019	Change in temporary differences recognised in profit or loss for current period	As at Dec 31 2019	As at Jan 1 2020	Change in temporary differences recognised in profit or loss for current period	As at Jun 30 2020 unaudited
Property, plant and equipment	(253)	(10)	(263)	(263)	155	(108)
Intangible assets	(2,627)	364	(2,263)	(2,263)	332	(1,931)
Trade and other receivables	(142)	(101)	(243)	(243)	70	(173)
Borrowings and other debt instruments	10,684	7,812	18,496	18,496	4,299	22,795
Employee benefit obligations	2,001	341	2,342	2,342	(13)	2,329
Provisions and liabilities	2,265	(2,153)	112	112	(94)	18
Investments in debt portfolios	(6,282)	(826)	(7,108)	(7,108)	798	(6,310)
Investments in subsidiaries	(19,367)	(31,960)	(51,327)	(51,327)	(1,489)	(52,816)
	(13,722)	(26,533)	(40,254)	(40,254)	4,058	(36,196)

The Company 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 the temporary differences constituting the basis for the unrecognized deferred tax liability on retained earnings as at June 30, 2020 is PLN 1,475,671 thousand. PLN (as at December 31, 2019: PLN 1,250,455 thousand).

9.8. Borrowings and finance lease liabilities

PLN '000

	Jun 30 2020 unaudited	Dec 31 2019	Jun 30 2019 unaudited
Non-current liabilities			
Secured borrowings	174,152	314,231	348,205
Liabilities under debt securities (unsecured)	912,804	1,267,601	1,329,571
Lease liabilities	25,602	12,151	9,041
	<u>1,112,559</u>	<u>1,593,983</u>	<u>1,686,817</u>
Current liabilities			
Current portion of secured borrowings	33,632	85,486	109,395
Liabilities under debt securities (unsecured)	440,861	93,575	165,045
Current portion of lease liabilities	7,851	11,562	10,389
	<u>482,343</u>	<u>190,623</u>	<u>284,830</u>

Liabilities repayment schedule

	Currency	Nominal interest rate	Maturity ¹	Jun 30 2020 unaudited	Dec 31 2019	Jun 30 2019 unaudited
PLN '000						
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	207,784	399,717	457,600
Liabilities under debt securities, (unsecured)	PLN	3M WIBOR + margin of 2.9-4.0pp	2025	1,353,665	1,361,175	1,494,616
	EUR	3.59%				
Lease liabilities	PLN	3M WIBOR or 1M EURIBOR + margin of 1.6-3.2pp	2023	33,453	23,713	19,430
				<u>1,594,902</u>	<u>1,784,605</u>	<u>1,971,646</u>

¹ Maturity of the last liability

9.9. Hedging instruments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Currency risk hedges

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

The currency risk management policy outlines:

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

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

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

As at June 30th 2020, the Entity did not carry any unsettled forward contracts.

Due to reduced capital increases at subsidiaries, Kruk S.A. is not entering into any new 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

	Jun 30 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	-	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
		22,585		19,081	420	3,924		4,344		

PLN '000

	Nominal value as at Jun 30 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	-	-	(200,000)	(330,000)	-
floating payment PLN	-	-	200,000	330,000	-

PLN '000

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

PLN '000

Disclosure of the hedged item as at Dec 31 2019				
	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	330,000	22,675	(22,675)	-
Cash flow hedges	-	-	-	3,603

PLN '000

Disclosure of the hedged item as at Dec 31 2019

	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	3,525	(3,525)	-
Cash flow hedges	-	4,477	-	3,603

	Jan 1–Jun 30 2020 unaudited		Total hedge reserve
Cash flow hedge reserve	Hedge of future cash flows (interest rate risk)	Hedge of future cash flows (currency risk)	
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)

9.10. Derivatives

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.

9.11. Investments in subsidiaries

PLN '000

	Jun 30 2020 unaudited	Dec 31 2019	Jun 30 2019 unaudited
Net value of shares in equity-accounted subsidiaries	3,244,551	3,350,341	3,406,376

9.12. Right of use

PLN '000

	Jun 30 2020 unaudited	Dec 31 2019
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	16,748
Plant and equipment	251	418
Vehicles	9,553	8,681
	<u>25,571</u>	<u>25,847</u>
Cost of amortisation of right-of-use assets, by class of underlying asset		
Buildings and structures	(2,769)	(5,590)
Plant and equipment	(84)	(167)
Vehicles	(1,302)	(3,778)
	<u>(4,155)</u>	<u>(9,535)</u>
Increase in right-of-use assets	13,343	8,995
Decrease in right-of-use assets	(835)	(171)
Carrying amount of right-of-use assets at end of the reporting period, by class of underlying asset, as at June 30th 2020		
Buildings and structures	25,858	15,333
Plant and equipment	167	251
Vehicles	7,900	9,553
	<u>33,925</u>	<u>25,136</u>
Interest expense relating to lease liabilities	422	628
Cost relating to variable lease payments not included in the measurement of lease liabilities	8	33
Total cash outflow in connection with leases	3,518	9,434

9.13. Trade and other receivables

PLN '000

	Jun 30 2020 unaudited	Dec 31 2019	Jun 30 2019 unaudited
Trade receivables from related entities	14,575	28,198	22,163
Trade receivables from non-related entities	3,626	3,365	3,105
	<u>18,201</u>	<u>31,563</u>	<u>25,268</u>

PLN '000

	Jun 30 2020 unaudited	Dec 31 2019	Jun 30 2019 unaudited
Other receivables from related entities	25,210	49,565	151,811
Other receivables from non-related entities	5,606	5,032	7,340
	<u>30,816</u>	<u>54,597</u>	<u>159,150</u>

9.14. Cash and cash equivalents

PLN '000

	Jun 30 2020 unaudited	Dec 31 2019	Jun 30 2019 unaudited
Cash in hand	76	24	8
Cash in current accounts	20,043	13,789	64,429
	<u>20,119</u>	<u>13,812</u>	<u>64,437</u>

9.15. Trade and other payables

PLN '000

	Jun 30 2020 unaudited	Dec 31 2019	Jun 30 2019 unaudited
Trade and other payables to related entities	40,099	42,988	46,491
Trade payables to other entities	8,822	13,469	14,441
Deferred income	16,405	12,120	12,614
Taxes, customs duties, insurance and other benefits payable	626	1,234	(9,174)
Accrued expenses	462	1,380	349
Other liabilities	2,819	2,690	96,736
	<u>69,233</u>	<u>73,882</u>	<u>161,457</u>

9.16. Employee benefit obligations and provisions

PLN '000

	Jun 30 2020 unaudited	Dec 31 2019	Jun 30 2019 unaudited
Salaries and wages payable	6,056	6,868	6,700
Social benefit obligations	5,582	6,391	6,608
Personal income tax	1,463	1,800	1,751
Liabilities under employee savings plans	10	-	-
Accrued holidays	6,796	5,421	6,545
Accrued salaries and wages (bonuses)	-	-	250
Accrued retirement gratuity payments	628	628	425
Accrued gratuity payments	-	109	-
Special accounts	171	106	110
	20,706	21,323	22,389

9.17. Earnings per share

Basic earnings per share

As at June 30th 2020, basic earnings per share were calculated based on net profit/loss attributable to owners of the Company (holding ordinary shares) of PLN 19,293 thousand (June 30th 2019: PLN 166,819 thousand) and the weighted average number of shares in the period covered by the financial statements of 18,972 thousand (2019: 18,902 thousand). The amounts were determined as follows:

Separate net profit attributable to owners of the Company

PLN '000

	Jan 1–Jun 30 2020 unaudited	Jan 1–Dec 31 2019	Jan 1–Jun 30 2019 unaudited
Net profit for period	(19,293)	276,475	166,819
Net profit attributable to owners of the Company	(19,293)	276,475	166,819

Weighted average number of ordinary shares

'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	18,887	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
PLN			
Earnings per share	(1.02)	14.62	8.83

Diluted separate earnings per share

As at June 30th 2020, diluted earnings per share were calculated based on net profit/loss attributable to owners of the Company (holding ordinary shares) of PLN -19,293 thousand (June 30th 2019: PLN 166,819 thousand) and the diluted weighted average number of shares in the period covered by the financial statements of 19,203 thousand (2019: 19,286 thousand). The amounts were determined as follows:

	Jan 1–Jun 30 2020 unaudited	Jan 1–Dec 31 2019	Jan 1–Jun 30 2019 unaudited
<i>'000</i>			
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)	14.31	8.65

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

As at Jun 30 2020

PLN '000

	Jun 30 2020 unaudited	Dec 31 2019	Jun 30 2019 unaudited	Jan 1 2019
Assets				
Non-current assets				
Property, plant and equipment	41,953	34,944	30,872	16,169
Intangible assets	14,619	15,084	15,966	16,547
Derivatives	-	3,799	3,554	1,450
Hedging instruments	-	420	-	-
Equity-accounted investments in subsidiaries	3,244,551	3,350,341	3,406,376	3,320,121
Investments in loans	302,907	295,383	-	-
Total non-current assets	3,604,029	3,699,971	3,456,768	3,354,287
Current assets				
Inventories	28,760	28,046	27,283	25,011
Investments in debt portfolios and loans	31,063	50,946	281,574	149,667
Trade receivables from related entities	14,575	28,198	22,163	21,814
Trade receivables from other entities	3,626	3,365	3,105	2,811
Other receivables	30,816	54,597	159,150	7,223
Cash and cash equivalents	20,119	13,812	64,437	9,151
Other assets	2,882	4,683	2,547	4,173
Total current assets	131,841	183,647	560,259	219,850
Total assets	3,735,871	3,880,855	4,017,027	3,574,137
Equity and liabilities				
Equity				
Share capital	18,972	18,972	18,931	18,887
Share premium	307,107	307,107	303,711	300,097
Hedging reserve	(19,072)	78	826	(3,869)
Exchange differences on translating foreign operations	42,754	(30,219)	(42,705)	(53,769)
Other capital reserves	100,922	104,582	101,254	94,924
Retained earnings	1,536,280	1,555,572	1,446,000	1,373,836
Total equity	1,987,048	1,956,177	1,828,017	1,730,105
Non-current liabilities				
Deferred tax liability	36,196	40,254	16,602	13,722
Borrowings, other debt securities and leases	1,112,559	1,593,983	1,686,817	1,458,736
Derivatives	5,201	3,924	-	-
Hedging instruments	22,585	-	4,619	3,870
Total non-current liabilities	1,176,541	1,638,160	1,708,038	1,476,328
Current liabilities				
Borrowings, other debt securities and leases	482,343	190,623	284,830	273,262
Trade and other payables	69,233	73,882	171,449	62,948
Income tax payable	-	690	2,303	12,295
Employee benefit obligations and provisions	20,706	21,323	22,389	19,199
Total current liabilities	572,281	286,518	480,971	367,704
Total liabilities	1,748,822	1,924,678	2,189,009	1,844,032
Total equity and liabilities	3,735,871	3,880,855	4,017,027	3,574,137

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 Company presents under current assets.

11. 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.

11.1. 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 2.4% of the Company's revenue (December 31st 2019: 2.0%),

and the respective percentages for the Company's related entities are 95.3% and 86.9%. Receivables from the Company's largest third-party trading partner accounted for 1.9% of total gross trade receivables as at June 30th 2020 (December 31th 2019: 3.2%), and the respective percentages for the Company's related entities were: 62.5% and 29.4%. 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 data concerning a group of portfolios 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 the 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 Company minimises the risk by performing a valuation of each portfolio before and after it is purchased, taking into account the likelihood of recovery of invested capital and the estimated costs of the collection process.

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

Guarantees

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

Exposure to credit risk

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

<i>PLN '000</i>	Jun 30 2020 unaudited	Dec 31 2019	Jun 30 2019 unaudited
Investments in debt portfolios	31,367	36,949	38,855
Loans advanced to related entities	302,602	309,380	242,719
Trade receivables	49,017	86,160	184,418
	382,987	432,489	465,992

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

<i>PLN '000</i>	Jun 30 2020 unaudited	Dec 31 2019	Jun 30 2019 unaudited
Poland	271,777	317,389	308,064
Romania	96,801	91,746	100,480
Czech Republic and Slovakia	14,410	23,374	56,802
Italy	-	-	646
	382,987	432,489	465,992

Quality of trade and other receivables

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 (IFRS 9) unaudited	Carrying amount as at Dec 31 2019 (IFRS 9)
Trade and other receivables	Basket 1	49,874	86,240
	Basket 2	80	80
	Basket 3	-	-
		49,954	86,320
Impairment losses	Basket 1	-	-
	Basket 2	80	80
	Basket 3	-	-
		80	80

Changes of impairment losses on receivables are presented below:

	Jan 1–Jun 30 2020 unaudited	Jan 1–Dec 31 2019 unaudited
PLN '000		
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/Jun 30	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.

11.2. 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 Jun 30 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	31,367	67,616	13,477	12,113	16,928	21,144	3,955
Secured borrowings	(207,784)	(209,008)	(1,286)	(1,265)	(2,441)	(204,016)	-
Unsecured bonds in issue	(1,353,665)	(1,461,359)	(96,869)	(390,523)	(590,554)	(383,413)	-
Lease liabilities	(33,453)	(34,093)	(4,483)	(4,057)	(7,813)	(16,417)	(1,323)
Trade and other payables	(69,233)	(69,233)	(69,233)	-	-	-	-
	<u>(1,632,767)</u>	<u>(1,706,077)</u>	<u>(158,394)</u>	<u>(383,732)</u>	<u>(583,880)</u>	<u>(582,702)</u>	<u>2,632</u>

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

As at Dec 31 2019

PLN '000

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

For information on the impact of COVID-19 on KRUK S.A.'s liquidity, see the Directors' Report on the KRUK Group's operations.

Contractual cash flows were determined based on interest rates effective as at December 31st 2019 and June 30th 2020, respectively.

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 June 30th 2020, the undrawn revolving credit facility limit available to the Company was PLN 271,385 thousand (2019: PLN 95,337 thousand). The limit is available until December 19th 2023.

11.3. 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 Company's objectives in terms of interest rate risk,
- methods of interest rate risk monitoring;
- 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 June 30th 2020, assets denominated in foreign currencies accounted for 0.7% of total assets, while liabilities denominated in foreign currencies represented 5.2% of total equity and liabilities (December 31st 2019: 1.2% and 7.6%, respectively).

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

11.4. 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	Jun 30 2020 unaudited			Dec 31 2019 unaudited			Jun 30 2019 unaudited		
	EUR	RON	CZK	EUR	RON	CZK	EUR	RON	CZK
Trade receivables	-	-	-	-	-	-	109	-	-
Cash	-	966	209	190	1,537	296	26	-	-
Investments in debt portfolios	-	23,204	1,195	194	28,112	1,679	251	28,408	1,602
Liabilities under borrowings and other debt instruments	(194,019)	-	-	(212,412)	-	-	(389,151)	690	118
Trade payables	-	-	-	-	-	-	-	-	-
Exposure to currency risk	(194,019)	24,170	1,404	(388,766)	29,649	1,721	(388,766)	29,098	1,721

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

PLN	Average exchange rates ¹		End of period (spot rates)	
	Jan 1–Jun 30 2020 unaudited	Jan 1–Dec 31 2019 unaudited	Jun 30 2020 unaudited	Dec 31 2019 unaudited
1 EUR	4.4413	4.3018	4.4660	4.2585
1 USD	4.0214	3.8440	3.9806	3.7977
1 RON	0.9205	0.9053	0.9220	0.8901
1 CZK	0.1677	0.1676	0.1666	0.1676

¹ average exchange rates were determined as the arithmetic mean of average exchange rates announced by the National Bank of Poland, valid on the last day of each month of a given period

As at June 30th 2020, an appreciation of the Polish złoty against EUR, RON and CZK would have resulted in an increase (decrease) of profit for the current period by the amounts shown below. The analysis is based on the assumption that other variables, in particular interest rates, remain unchanged.

PLN '000	Other comprehensive income	Profit or loss for current period
Jun 30 2020		
EUR (10% appreciation of PLN)	-	(19,402)
RON (10% appreciation of PLN)	-	2,417
CZK (10% appreciation of PLN)	-	140

Dec 31 2019

EUR (10% appreciation of PLN)	-	(21,203)
RON (10% appreciation of PLN)	-	2,965
CZK (10% appreciation of PLN)	-	197

11.5. Interest rate risk

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

PLN '000

	Carrying amount	
	Jun 30 2020 unaudited	Dec 31 2019
Fixed-rate financial instruments		
Financial assets	80,385	123,109
Financial liabilities	(267,624)	(287,582)
	(187,239)	(164,472)
Risk mitigation effect	(330,000)	(530,000)
	(517,239)	(694,472)
Variable-rate financial instruments		
Financial assets	302,602	324,595
Financial liabilities	(1,396,511)	(1,570,905)
	(1,093,909)	(1,246,310)
Risk mitigation effect	330,000	530,000
	(763,909)	(716,310)

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 current period		Equity excluding profit or loss for current period	
	up by 100 bps	down by 100 bps	up by 100 bps	down by 100 bps
Jun 30 2020				
Variable rate financial assets	3,249	3,249	-	-
Variable rate financial liabilities	(13,965)	13,965	-	-
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	Jun 30 2020 unaudited		Dec 31 2019		Jun 30 2019 unaudited	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets and liabilities measured at fair value						
Derivatives	(5,201)	(5,201)	3,799	3,799	3,554	3,554
Hedging instruments	(22,585)	(22,585)	(3,504)	(3,504)	(4,619)	(4,619)
	(27,786)	(27,786)	295	295	(1,065)	(1,065)
Financial assets and liabilities not measured at fair value						
Investments in debt portfolios	31,367	29,033	36,949	34,030	38,855	35,923
Loans advanced to related entities	302,602	302,602	309,380	309,380	242,719	242,719
Secured bank borrowings	(207,784)	(207,784)	(399,717)	(399,717)	(457,600)	(457,600)
Unsecured bonds in issue	(1,353,665)	(1,360,911)	(1,361,175)	(1,372,989)	(1,494,616)	(1,495,913)
	(1,227,479)	(1,237,060)	(1,414,563)	(1,429,295)	(1,690,072)	(1,694,301)

Interest rates used for fair value estimation

	Jun 30 2020 unaudited	Dec 31 2019 unaudited
Investments in debt portfolios	0.11% - 55.14%	0.11% - 55.14%
Borrowings	1.23% - 2.26%	1.76% - 3.71%
Unsecured bonds in issue	3.26% - 4.26%	4.71% - 5.71%
Lease liabilities	1.09% - 3.46%	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 2019–2020, no transfers were made between the levels.

Hierarchy of financial instruments – Level 2

PLN '000	Level 2	
	Carrying amount	Fair value
As at Jun 30 2020		
Derivatives	(5,201)	(5,201)
Hedging instruments	(22,585)	(22,585)
As at Dec 31 2019		
Derivatives	3,799	3,799
Hedging instruments	(3,504)	(3,504)

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 Entity uses a 3M WIBOR forecast provided by an external company.

PLN '000

Level 3

	Carrying amount	Fair value
As at Jun 30 2020		
Investments in debt portfolios	31,367	29,033
As at Dec 31 2019		
Investments in debt portfolios	36,949	34,030

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.

For bank borrowings, notes in issue, lease liabilities and trade payables, the Company determines fair value using Level 3 inputs.

12. 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:

PLN '000

Jan 1-Jun 30 2020 Jan 1-Jun 30 2019

Base pay/ managerial contract (gross)	2,881	2,736
Share based payments	1,878	6,330
	4,759	9,066

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:

PLN '000

Jan 1-Jun 30 2020 Jan 1-Jun 30 2019

Base pay (gross)	427	400
	427	400

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%).

Other transactions with related entities**Transactions with subsidiaries as at and for the period ended June 30th 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	9,024	1,423	-	-
ERIF Business Solutions Sp. z o.o.	-	171	172	12
Novum Finance Sp. z o.o.	-	207	33,742	-
SeCapital Polska Sp. z o.o.	-	1	150	-
Kancelaria Prawna RAVEN P.Krupa Sp. k.	637	469	-	-
KRUK Romania S.r.l	589	1,173	67,576	639
ERIF BIG S.A.	24	121	-	-
NSFIZ PROKURA	5,163	6,244	-	-
KRUK Česká a Slovenská republika s.r.o.	84	197	13,674	-
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	-	4,842	-	-
InvestCapital Ltd.	217	491	-	-
KRUK Deutschland GmbH	-	366	-	-
KRUK Deutschland (Branch)	-	-	-	-
Rocapital IFN S.A.	-	-	4,610	52
KRUK Italia S.r.l	-	201	-	-
ItaCapital S.r.l	-	-	-	-
KRUK Espana S.L.	-	126	-	-
Presco Investments S.a.r.l.	24,353	21,653	-	-
P.R.E.S.C.O INVESTMENT I NS FIZ	9	178	-	-
ProsperoCapital S.à r.l.	-	15	-	-
Corbul Capital S.r.l	-	-	-	-
Elleffe Capital S.r.l.	-	-	-	-
Zielona Perła Sp. z o.o.	-	0	-	-
NSFIZ BISON	-	1,866	-	-
AgeCredit S.r.l.	-	-	-	-
Wonga.pl Sp. z o.o.	-	42	204,301	-
	40,099	39,785	324,226	703

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	8	36	-
ERIF Business Solutions Sp. z o.o.	53	-	26
Novum Finance Sp. z o.o.	645	556	2,053
Secapital Polska Sp. z o.o.	5	-	2
Kancelaria Prawna RAVEN P.Krupa Sp. k.	2,496	-	10,470
KRUK Romania S.r.l	864	-	1,371
ERIF BIG S.A.	337	-	-
NSFIZ PROKURA	1,785	-	-
KRUK Česká a Slovenská republika s.r.o.	439	-	220
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	71	37,995	-
InvestCapital Ltd.	530	-	-
KRUK Deutschland GmbH	-	-	-
KRUK Deutschland (Branch)	-	-	-
Rocapital IFN S.A.	-	-	113
KRUK Italia S.r.l	667	-	-
ItaCapital S.r.l	-	-	-
KRUK Espana S.L.	761	-	-
Presco Investments S.a.r.l.	6	841	-
P.R.E.S.C.O INVESTMENT I NS FIZ	-	-	-
ProsperoCapital S.à r.l.	6	-	-
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	34	8,433
	8,679	39,463	22,689

Costs of mutual transactions

PLN '000	Purchase of services
Kancelaria Prawna RAVEN P.Krupa Sp. k.	713
KRUK Romania S.r.l	2,314
ERIF BIG S.A.	99
	3,126

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

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

	Liabilities	Receivables	Loans	Interest accrued on loans
<i>PLN '000</i>				
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	1	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.à 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.à r.l.	-	-	-
ProsperoCapital Sp. z o.o.	-	-	-
(in liquidation)	-	-	-
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 June 30th 2019**Balance of liabilities, receivables and loans as at the reporting date**

<i>PLN '000</i>	Liabilities	Receivables	Loans	Interest accrued on loans
SeCapital S.à. r.l	7,374	1,506	-	-
ERIF Business Solutions Sp. z o.o.	0	180	-	12
Novum Finance Sp. z o.o.	-	206	25,542	-
SeCapital Polska Sp. z o.o.	-	1	130	0
Kancelaria Prawna RAVEN P.Krupa Sp. k.	6,084	784	-	-
KRUK Romania S.r.l	440	5,429	62,665	753
ERIF BIG S.A.	24	179	-	-
NSFIZ PROKURA	8,337	155,339	-	-
KRUK Česká a Slovenská republika s.r.o.	81	515	28,232	1,323
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	-	8,736	-	-
InvestCapital Ltd.	-	141	-	-
KRUK Deutschland GmbH	-	365	-	-
KRUK Deutschland (Branch)	-	-	-	-
Rocapital IFN S.A.	-	-	4,488	70
KRUK Italia S.r.l	1	318	-	-
ItaCapital S.r.l	-	7	-	-
KRUK Espana S.L.	-	117	-	-
Presco Investments S.a.r.l.	23,161	-	-	-
P.R.E.S.C.O INVESTMENT I NS FIZ	208	106	-	-
ProsperoCapital S.à r.l.	-	4	-	-
ProsperoCapital Sp. z.o.o. (in liquidation)	-	-	-	-
Corbul Capital S.r.l	-	-	-	-
Elleffe Capital S.r.l.	-	-	-	-
Zielona Perła Sp. z o.o.	-	-	-	-
NSFIZ BISON	779	-	-	-
AgeCredit S.r.l.	-	-	638	0
Wonga.pl Sp. z o.o.	-	41	118,227	639
	46,491	173,974	239,922	2,797

Revenue from mutual transactions	Revenue from sale of materials and services	Revenue from credit management services	Interest and dividends
<i>PLN '000</i>			
SeCapital S.à. r.l	-	302	-
ERIF Business Solutions Sp. z o.o.	56	-	25
Novum Finance Sp. z o.o.	401	572	412
SeCapital Polska Sp. z o.o.	5	-	2
Kancelaria Prawna RAVEN P.Krupa Sp. k.	2,859	24	-
KRUK Romania S.r.l	1,172	10	1,552
ERIF BIG S.A.	462	(22)	-
NSFIZ PROKURA	-	-	-
KRUK Česká a Slovenská republika s.r.o.	696	-	616
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	847	45,838	-
InvestCapital Ltd.	823	83	-
KRUK Deutschland GmbH	-	-	-
KRUK Deutschland (Branch)	10	(89)	-
Rocapital IFN S.A.	-	-	114
KRUK Italia S.r.l	469	-	-
ItaCapital S.r.l	144	-	-
KRUK Espana S.L.	347	-	-
Presco Investments S.a.r.l.	-	1,375	9,500
P.R.E.S.C.O INVESTMENT I NS FIZ	-	-	-
ProsperoCapital S.à r.l.	-	-	-
ProsperoCapital Sp. z.o.o.	-	-	-
(in liquidation)	-	-	-
Corbul Capital S.r.l	-	-	-
Elleffe Capital S.r.l.	-	-	-
Zielona Perła Sp. z o.o.	6	-	-
NSFIZ BISON	-	-	-
AgeCredit S.r.l.	-	-	6
Wonga.pl Sp. z o.o.	-	33	639
	8,297	48,125	12,866

Costs of mutual transactions*PLN '000***Purchase of services**

Kancelaria Prawna RAVEN P.Krupa Sp. k.	405
KRUK Romania S.r.l	3,211
ERIF BIG S.A.	119
KRUK Česká a Slovenská republika s.r.o.	177
	3,912

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

In Q2 2020, collections from portfolios purchased by KRUK S.A. were PLN 8,052 thousand, having decreased by 23.2% year on year and by 16.4% on Q1 2020.

As at June 30th 2020, the Group's investments in debt portfolios accounted for 0.84% of its assets. Equity accounted for 53.2% of the financing for the Group's operations. As at December 31st 2019, the respective percentages were 0.95% and 50.4%.

For the assessment on the impact of COVID-19 on KRUK S.A.'s position, see the Directors' Report on the KRUK Group's operations.

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 13,359,900.00 thousand. In H1 2020, the Entity 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 Company abandoned pulled 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 Company 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 Company's Management Board passed a resolution on its proposal for the Supervisory Board regarding allocation of the Company's net profit for 2019 and on its recommendation for the General Meeting to allocate a portion of the Company'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 700,000 thousand, under which the Company 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. 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, except for the corporate guarantee issued by Kruk S.A. to InvestCapital Ltd., which expired on July 14, 2020.

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

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

Guarantee issued by KRUK S.A. for KRUK România s.r.l.'s liabilities under lease contracts	Piraeus Leasing Romania IFN S.A.	EUR 0.5m	Until all obligations under the lease contracts executed by KRUK România s.r.l. with Piraeus Leasing Romania IFN S.A. are fulfilled	KRUK România s.r.l.'s failure to repay its liabilities under the lease contracts secured with the Guarantee
Guarantee issued by Santander Bank Polska S.A. for KRUK S.A.'s liabilities under the rental agreement	DEVCo Sp. z o.o.	EUR 287,637.26 and 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.

Piotr Krupa

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

Katarzyna Raczkiewicz

Person responsible for keeping accounting records

Hanna Stempień

Person responsible for preparation of the financial statements

Wrocław, August 27th 2020