



**Financial highlights of KRUK S.A.
for the period
from January 1st to September 30th 2021**

Financial highlights

Financial highlights	PLN '000		EUR '000	
	Jan 1–Sep 30 2021 unaudited	Jan 1–Sep 30 2020 unaudited	Jan 1–Sep 30 2021 unaudited	Jan 1–Sep 30 2020 unaudited
For the period				
Revenue	139,067	94,845	30,507	21,352
Operating profit/(loss)	-37,947	-45,846	-8,324	-10,321
Profit/(loss) before tax	638,823	98,241	140,139	22,116
Net profit/(loss) for owners of the Parent	565,475	34,551	124,049	7,778
Net cash from operating activities	-10,320	-3,275	-2,264	-737
Cash recoveries	28,858	26,935	6,331	6,064
Net cash from investing activities	264,271	375,133	57,973	84,450
Net cash from financing activities	-249,804	-367,892	-54,800	-82,820
Net change in cash	4,147	3,966	910	893
Diluted earnings per share	29.33	1.79	6.43	0.40
Average number of shares ('000)	19,011	18,972	19,011	18,972
Earnings per share	29.74	1.82	6.53	0.41
As at	Sep 30 2021 unaudited	Dec 31 2020	Sep 30 2021 unaudited	Dec 31 2020
Total assets	4,158,648	3,758,750	897,634	814,499
Non-current liabilities	1,291,019	1,059,173	278,663	229,517
Current liabilities	441,490	655,806	95,294	142,109
Equity	2,426,138	2,043,771	523,676	442,873
Share capital	19,011	19,011	4,103	4,120
Book value per ordinary share	127.62	107.70	27.55	23.34

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 4.5585
for the comparative period 4.4420

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 4.6329
at end of the comparative period 4.6148



**Interim condensed financial statements
of KRUK S.A.
for the period
from January 1st to September 30th 2021**

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I. Statement of financial position

As at Sep 30 2021

PLN '000	Note	Sep 30 2021 unaudited	Jun 30 2021 unaudited	Dec 31 2020	Sep 30 2020 unaudited restated
Assets					
Cash and cash equivalents	8.12	10,743	367,950	6,595	17,778
Trade receivables from related entities	8.11	27,035	22,847	20,594	18,106
Trade receivables from other entities	8.11	2,597	2,102	2,640	3,828
Other receivables	8.11	6,483	15,957	7,869	98,989
Inventories	7	27,677	24,791	28,755	28,079
Investments	7	348,593	301,998	320,520	322,020
Equity-accounted investments in subsidiaries	8.10,5	3,682,056	3,296,971	3,315,459	3,216,352
Property, plant and equipment		37,596	34,469	37,521	39,943
Intangible assets		10,558	11,536	12,841	13,715
Other assets		5,310	3,387	5,956	4,282
Total assets		4,158,648	4,082,008	3,758,750	3,763,092
Equity and liabilities					
Liabilities					
Trade and other payables	8.13, 5	33,761	27,936	51,863	49,191
Liabilities under dividend		-	206,140	-	-
Derivatives	8.9	5,374	3,176	11,236	21,045
Hedging instruments	8.8	5,006	8,403	18,386	6,932
Employee benefit obligations	8.14, 5	21,676	22,749	21,464	20,058
Income tax payable		18,611	24,504	4,358	6,074
Borrowings, other debt securities and leases	8.7	1,457,642	1,414,046	1,462,143	1,496,652
Provisions	8.15, 5	11,999	11,599	11,280	11,220
Deferred tax liability	8.6	178,442	156,822	134,249	88,333
Total liabilities		1,732,509	1,875,377	1,714,979	1,699,504
Equity					
Share capital		19,011	19,011	19,011	18,972
Share premium		310,430	310,430	310,430	307,192
Cash flow hedging reserve		(2,269)	(4,800)	(14,783)	(17,441)
Translation reserve	5	77,891	37,431	81,360	60,333
Other capital reserves		117,613	110,790	103,626	197,210
Retained earnings		1,903,462	1,733,770	1,544,127	1,497,322
Total equity		2,426,138	2,206,632	2,043,771	2,063,587
Equity and liabilities		4,158,648	4,082,008	3,758,750	3,763,092

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

II. Statement of profit or loss

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

PLN '000

	Note	Jan 1–Sep 30 2021 unaudited	Jul 1–Sep 30 2021 unaudited	Jan 1–Sep 30 2020 unaudited restated	Jul 1–Sep 30 2020 unaudited restated
Continuing operations					
Interest income on debt portfolios measured at amortised cost	8.1, 5	12,855	2,123	13,883	4,218
Other income/expenses from purchased debt portfolios	8.1, 5	(305)	488	1,110	162
Revenue from the provision of other services	8.1, 5	107,832	34,360	78,252	29,440
Other income	8.1, 5	453	77	16,189	8,371
Gain/(loss) on expected credit losses	8.1, 5	18,685	9,680	1,600	1,003
Operating income including gain/(loss) on expected credit losses and other income/expenses from purchased debt portfolios		139,520	46,728	111,034	43,193
Employee benefits expense	8.2	(119,134)	(41,299)	(101,116)	(37,488)
Depreciation and amortisation		(12,576)	(4,259)	(13,586)	(4,432)
Services		(28,431)	(12,004)	(24,910)	(8,105)
Other expenses	8.3	(17,326)	(7,514)	(17,268)	(5,824)
		(177,467)	(65,076)	(156,879)	(55,848)
Operating profit/(loss)		(37,947)	(18,347)	(45,846)	(12,656)
Finance income	8.4	13,882	4,990	16,050	4,541
Finance costs	8.5	(42,449)	(21,529)	(75,515)	(20,414)
<i>including interest expense relating to lease liabilities</i>		(596)	(195)	(648)	(226)
Net finance costs		(28,567)	(16,539)	(59,465)	(15,873)
Share of profit/(loss) of equity-accounted investees	8.10	705,337	224,372	203,552	145,075
Profit/(loss) before tax		638,823	189,485	98,241	116,547
Income tax	8.6	(73,348)	(19,793)	(63,690)	(62,703)
Net profit/(loss) for period		565,475	169,692	34,551	53,844
Earnings/(loss) per share					
Basic (PLN)	8.16	29.74	8.92	1.82	2.84
Diluted (PLN)	8.16	29.33	9.06	1.79	2.80

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

III. Statement of comprehensive income

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

PLN '000	Jan 1–Sep 30 2021 unaudited	Jul 1–Sep 30 2021 unaudited	Jan 1–Sep 30 2020 unaudited restated	Jul 1–Sep 30 2020 unaudited restated
Net profit/(loss) for period	565,475	169,692	34,551	53,844
Other comprehensive income				
Items that may be reclassified				
subsequently to profit or loss				
Exchange differences on translating foreign operations	⁵ (3,469)	40,460	90,552	17,579
Cash flow hedges	^{8.8} 12,513	2,531	(17,519)	1,630
Other comprehensive income for the period, net	9,044	42,991	73,033	19,210
Total comprehensive income for period	574,519	212,683	107,583	73,053

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

IV. Statement of changes in equity

For the nine months ended September 30th 2020

PLN '000	Share capital	Share premium	Cash flow hedging reserve	Translation reserve	Other capital reserves	Retained earnings	Total equity
Equity as at Jan 1 2020 (restated)	18,972	307,192	78	(30,219)	104,582	1,557,821	1,958,426
Comprehensive income for the period							
Net profit/(loss) for period	-	-	-	-	-	34,551	34,551
Exchange differences on translating foreign operations, restated	-	-	-	90,552	-	-	90,552
Measurement of hedging instruments	-	-	(17,519)	-	-	-	(17,519)
Total comprehensive income for period, restated	-	-	(17,519)	90,552	-	34,551	107,583
Contributions from and distributions to owners							
- Share-based payments	-	-	-	-	(2,422)	-	(2,422)
- Allocation of profit to capital reserve for buyback of shares	-	-	-	-	95,050	(95,050)	-
Total contributions from and distributions to owners	-	-	-	-	92,628	(95,050)	(2,422)
Total equity as at Sep 30 2020, restated	18,972	307,192	(17,441)	60,333	197,210	1,497,322	2,063,587

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

For the reporting period ended December 31st 2020

PLN '000

	Share capital	Share premium	Cash flow hedging reserve	Translation reserve	Other capital reserves	Retained earnings	Total equity
Equity as at Jan 1 2020 (restated)	18,972	307,192	78	(30,219)	104,582	1,557,821	1,958,426
Comprehensive income for the period							
Net profit/(loss) for period	-	-	-	-	-	81,356	81,356
Exchange differences on translating foreign operations	-	-	-	111,579	-	-	111,579
Measurement of hedging instruments	-	-	(14,861)	-	-	-	(14,861)
Total comprehensive income for period	-	-	(14,861)	111,579	-	81,356	178,074
Contributions from and distributions to owners							
- Share-based payments	-	-	-	-	(1,156)	-	(1,156)
- Issue of shares	39	3,238	-	-	-	-	3,277
- Allocation of profit to capital reserve for buyback of shares	-	-	-	-	95,050	(95,050)	-
- Share buyback	-	-	-	-	(94,850)	-	(94,850)
Total contributions from and distributions to owners	39	3,238	-	-	(956)	(95,050)	(92,729)
Total equity as at Dec 31 2020	19,011	310,430	(14,783)	81,360	103,626	1,544,127	2,043,771

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

For the nine months ended September 30th 2021

PLN '000

	Share capital	Share premium	Cash flow hedging reserve	Translation reserve	Other capital reserves	Retained earnings	Total equity
Equity as at Jan 1 2021	19,011	310,430	(14,783)	81,360	103,626	1,544,127	2,043,771
Comprehensive income for the period							
Net profit/(loss) for period	-	-	-	-	-	565,475	565,475
Exchange differences on translating foreign operations	-	-	-	(3,469)	-	-	(3,469)
Measurement of hedging instruments	-	-	12,513	-	-	-	12,513
Total comprehensive income for period	-	-	12,513	(3,469)	-	565,475	574,519
Contributions from and distributions to owners							
- Payment of dividends	-	-	-	-	-	(206,140)	(206,140)
- Share-based payments	-	-	-	-	13,987	-	13,987
- Issue of shares	-	-	-	-	-	-	-
Total contributions from and distributions to owners	-	-	-	-	13,987	(206,140)	(192,153)
Total equity as at Sep 30 2021	19,011	310,430	(2,269)	77,891	117,613	1,903,462	2,426,138

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

V. Statement of cash flows

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

PLN '000

		Jan 1–Sep 30 2021	Jul 1–Sep 30 2021	Jan 1–Sep 30 2020	Jul 1–Sep 30 2020
		unaudited	unaudited	unaudited restated	unaudited restated
Cash flows from operating activities					
Net profit/(loss) for period		565,475	169,692	34,551	53,844
<i>Adjustments</i>					
Depreciation of property, plant and equipment		8,996	3,097	9,529	3,090
Amortisation of intangible assets		3,580	1,162	4,056	1,341
Net finance income/costs	8.4, 8.5	28,144	15,925	65,992	22,784
Share of profit/(loss) of equity-accounted investees	8.10	(705,337)	(224,372)	(203,552)	(145,075)
(Gain)/loss on sale of property, plant and equipment		(273)	(49)	(759)	(225)
Equity-settled share-based payments		13,987	6,823	(2,422)	1,238
Income tax		73,348	19,793	63,690	62,703
Change in debt portfolios purchased	7	204	(1,326)	7,190	1,003
Change in inventories	7	1,077	(2,886)	2,215	2,929
Change in trade and other receivables	8.11	14,175	17,492	41,221	18,452
Change in other assets		646	(1,923)	401	(1,400)
Change in trade and other payables, excluding financial liabilities	8.13	(381)	1,951	(18,304)	(22,512)
Change in employee benefit obligations	8.14	212	(1,074)	(637)	608
Change in provisions	8.15	719	400	3,766	11,220
Income tax paid		(14,894)	(4,058)	(10,213)	(3,265)
Net cash from operating activities		(10,320)	647	(3,275)	6,735
Cash flows from investing activities					
Interest received	7	5	-	36	9
Loans	7	(69,974)	(40,842)	(32,700)	(3,000)
Sale of intangible assets and property, plant and equipment		1,487	254	2,238	523
Dividends received		28,089	9,541	18,918	(4,510)
Disposal of financial assets		459,969	32,365	350,141	101,045
Purchase of intangible assets and property, plant and equipment		(3,790)	(811)	(5,424)	(1,816)
Acquisition of shares in subsidiaries	8.10	(190,867)	(186,693)	(20,764)	(4,404)
Repayments	7	39,351	801	62,688	18,677
Net cash from investing activities		264,271	(185,386)	375,133	106,524
Cash flows from financing activities					
Proceeds from issue of debt securities	8.7	485,000	65,000	-	-
Net proceeds from issue of shares		-	-	25,000	25,000
Increase in borrowings	8.7	622,704	30,000	202,419	(26,919)
Repayment of borrowings	8.7	(690,566)	(7,043)	(523,915)	(99,445)
Payments under finance lease contracts (principal)	8.7	(6,338)	(1,721)	(6,005)	(2,909)
Dividends paid		(206,140)	(206,140)	-	-
Redemption of debt securities	8.7	(400,000)	(35,001)	(13,360)	-
Interest paid		(54,465)	(17,563)	(52,031)	(11,329)
Net cash from financing activities		(249,804)	(172,468)	(367,892)	(115,601)
Total net cash flows		4,147	(357,208)	3,966	(2,342)
Cash and cash equivalents at beginning of period		6,595	367,950	13,812	20,119
Cash and cash equivalents at end of period		10,743	10,743	17,778	17,778

The separate statement of cash flows should be read in conjunction with the notes to these 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. Poznańska 16-17, 53-230 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 separate financial statements it prepares consolidated financial statements containing the data of the Company and its subsidiaries, approved on the same day as these separate financial statements.

In the three months ended September 30th 2021 and by the issue date of this interim report, the composition of the Management Board of KRUK S.A. did not change and was as follows:

Piotr Krupa	President of the Management Board
Piotr Kowalewski	Member of the Management Board
Adam Łodygowski	Member of the Management Board
Urszula Okarma	Member of the Management Board
Michał Zasepa	Member of the Management Board

As at September 30th 2021 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 Stępniaak	Chairman of the Supervisory Board
Katarzyna Beuch	Member of the Supervisory Board
Tomasz Bieske	Member of the Supervisory Board
Krzysztof Kawalec,	Member of the Supervisory Board
Mateusz Melich	Member of the Supervisory Board
Ewa Radkowska-Świętoń	Member of the Supervisory Board
Piotr Szczepiórkowski	Member of the Supervisory Board

In the three months to September 30th 2021 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 2021 to September 30th 2021 and the comparative period is the period from January 1st 2020 to September 30th 2020. The separate statement of financial position was prepared as at September 30th 2021 and the comparative data was presented as at June 30th 2021, December 31st 2020 and September 30th 2020. The separate statement of changes in equity was prepared for the period from January 1st 2021 to September 30th 2021 and the comparative periods are from January 1st 2020 to September 30th 2020 and from January 1st 2020 to December 31st 2020.

The quarterly financial data is presented for the periods from July 1st 2021 to September 30th 2021 and from July 1st 2020 to September 30th 2020.

The data presented were 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 September 30th 2021, 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 2020.

These interim condensed financial statements were authorised for issue by the Company's Management Board (the "Management Board") on November 2nd 2021.

All amounts in these interim condensed financial statements are presented in the Polish złoty, 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 ongoing COVID-19 pandemic.

4. Significant accounting policies

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

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

These financial statements comply with the requirements of International Accounting Standards, International Financial Reporting Standards and related interpretations endorsed by the European Union, which have been issued and are effective for the period beginning on January 1st 2021.

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

The following amendments to International Financial Reporting Standards and their interpretations, endorsed by the European Union (the “EU IFRS”) apply to reporting periods beginning on or after January 1st 2021:

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

Standards and Interpretations that have been published, but have not yet been endorsed by the European Union

Standards and Interpretations not yet endorsed by the EU	Type of expected change in accounting policies	Possible effect on the financial statements	Effective for 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 Company does not expect the amendments to have any significant effect on its separate financial statements.	<i>The European Commission has decided to indefinitely postpone endorsement of these amendments</i>
IFRS 17 <i>Insurance Contracts</i>	<p>IFRS 17 replaces the transitional IFRS 4 Insurance Contracts 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</p>	The Company does not expect the amendments to have any significant effect on its separate financial statements.	January 1st 2023r.

Standards and Interpretations not yet endorsed by the EU	Type of expected change in accounting policies	Possible effect on the financial statements	Effective for periods beginning on or after
	investors and insurers. Contractual obligations will be recognised at present value rather than historical cost.		
Amendments to IFRS 3 <i>Business Combinations</i> , IAS 16 <i>Property, Plant and Equipment</i> , and IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i> , as well as Annual Improvements to IFRSs 2018-2020 Cycle.	<p>The package of amendments includes narrow-scope amendments to three standards:</p> <ul style="list-style-type: none"> • Amendments to IFRS 3 <i>Business Combinations</i>, which update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations; • Amendments to IAS 16 <i>Property, Plant and Equipment</i>, which prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use; Instead, the company will recognise such sale proceeds and related cost in profit or loss for the period, • Amendments to IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i>, which specify which costs a company should include when assessing whether a contract will be loss-making. <p>The package also contains Annual Improvements to IFRSs 2018-2020 Cycle, which explain the terminology used and correct minor inconsistencies, omissions or contradictions between the requirements of IFRS 1 <i>First-time Adoption of International Financial</i></p>	The Company does not expect the amendments to have any significant effect 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 periods beginning on or after
	<i>Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture, and Illustrative Examples in IFRS 16 Leases.</i>		
Amendments to IAS 1 <i>Presentation of Financial Statements</i>	The amendments affect the requirements of IAS 1 concerning the presentation of liabilities. In particular, they explain one of the criteria for classifying a liability as non-current.	The Company does not expect the amendments to have any significant effect on its separate financial statements.	January 1st 2023
Amendments to IAS 1 Presentation of Financial Statements and the IASB Practice Statement on Disclosure of Accounting Policies	The amendment to IAS 1 requires entities to disclose their material accounting policy information, which is defined in the Standard. It clarifies that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements. In addition, the IASB's guidance was amended with respect to the application of the materiality concept in practice, to provide guidance on the application of the materiality concept to accounting policy disclosures.	The Company does not expect the amendments to have any significant effect on its separate financial statements.	January 1st 2023
Amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	The amendment clarifies how entities should distinguish changes in accounting policies from changes in accounting estimates.	The Company does not expect the amendments to have any significant effect on its separate financial statements.	January 1st 2023

Standards and Interpretations not yet endorsed by the EU	Type of expected change in accounting policies	Possible effect on the financial statements	Effective for periods beginning on or after
Amendments to IFRS 16 <i>Leases – extension</i>	The amendments provide for the possibility of exempting lessees from having to account for rent concessions as modifications in accordance with IFRS 16 if they meet certain conditions and are a direct consequence of the COVID-19 pandemic. Extension of the exemption by one year from June 30th 2021 (amendment of May 2020)	The Company does not expect the amendments to have any significant effect on its separate financial statements.	April 1st 2021
Amendments to IAS 12 Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	Changes in deferred tax on transactions such as leases and decommissioning obligations.	The Company does not expect the amendments to have any significant effect on its separate financial statements.	January 1st 2023

5. Restatement of previously reported financial data

The following restatements were made in the full-year statements financial statements for 2020. Accordingly, in these financial statements data as at September 30th 2020 and for the three and nine months ended September 30th 2020 were restated to ensure their comparability. The originally reported amounts, their changes, and restated figures are presented below as appropriate.

- The Company has broken down revenue items in the separate statement of profit or loss. The data presented in the separate financial statements issued for the period January 1st 2020–September 30th 2020 and July 1st 2020–September 30th 2020 was restated to ensure comparability. The effect of the change on the statement of profit or loss is presented below.

	Jan 1–Sep 30 2020 unaudited		
	Originally reported	Change	Restated
Revenue	94,845	(94,845)	-
Interest income on debt portfolios measured at amortised cost	-	13,883	13,883
Gain/(loss) on expected credit losses from purchased debt portfolios	-	1,600	1,600
Other income/expenses from purchased debt portfolios	-	1,110	1,110
Revenue from other services*	-	78,252	78,252
	94,845	-	94,845

	Jul 1–Sep 30 2020 unaudited		
	Originally reported	Change	Restated
Revenue	34,822	(34,822)	-
Interest income on debt portfolios measured at amortised cost	-	4,218	4,218
Gain/(loss) on expected credit losses from purchased debt portfolios	-	1,003	1,003
Other income/expenses from purchased debt portfolios	-	162	162
Revenue from other services*	-	29,440	29,440
	34,822	-	34,822

*Revenue from the provision of other services includes revenue from fee-based credit management services as well as revenue from other services and revenue from sale of merchandise and materials.

For better understanding of the effects of the restatement, the table below presents the restated data that was previously disclosed under Revenue as Revenue from purchased debt portfolios in Note 8.1:

Originally reported		Restated				
Jan 1–Sep 30 2020 unaudited	change	Interest income on debt portfolios measured at amortised cost*	Other income/expenses from purchased debt portfolios*	Gain/(loss) on expected credit losses*	of which: revaluation of recovery projections*	including deviation from actual recoveries, reductions due to early repayment of targets*
Revenue from purchased debt portfolios						
Interest income	13,883 (13,883)	13,883				
Other income from purchased debt	4,237 (4,237)			4,237		4,237
Foreclosure of property	256 (256)			256		256
<i>Revaluation of debt portfolios</i>						
Revaluation of recovery projections	64 (64)			64	64	
Foreign exchange gains/(losses)	1,110 (1,110)		1,110			
Gain/(loss) on sale/revaluation of property	(2,957) 2,957			(2,957)		(2,957)
	16,593 (16,593)	13,883	1,110	1,600	64	1,536

Originally reported		Restated				
Jul 1–Sep 30 2020 unaudited	change	Interest income on debt portfolios measured at amortised cost*	Other income/expenses from purchased debt portfolios*	Gain/(loss) on expected credit losses*	of which: revaluation of recovery projections*	including deviation from actual recoveries, reductions due to early repayment of targets*
Revenue from purchased debt portfolios						
Interest income	4,218 (4,218)	4,218				
Other income from purchased debt	2,125 (2,125)			2,125		2,125
Foreclosure of property	256 (256)			256		256
<i>Revaluation of debt portfolios</i>						
Revaluation of recovery projections	735 (735)			735	735	
Foreign exchange gains/(losses)	162 (162)		162			
Gain/(loss) on sale/revaluation of property	(2,114) 2,114			(2,114)		(2,114)
	5,382 (5,382)	4,218	162	1,003	735	267

*Data in the new format is presented in Note 8.1.

- In order to better reflect the relevant economic substance, the Company changed the presentation of provision for retirement gratuities by taking it from employee benefit obligations and provisions and disclosing it under Provisions and changed the presentation of loyalty scheme provision by taking it from trade and other payables and disclosing it under Provisions.

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

PLN '000	Sep 30 2020		Sep 30 2020
	Originally reported	Change	Restated
Liabilities			
Trade and other payables	59,783	(10,592)	49,191
Employee benefit obligations and provisions	20,686	(628)	20,058
Provisions	-	11,220	11,220

- As translation reserve was misstated in the interim condensed separate financial statements for the period January 1st – September 30th 2020, relevant data presented in the separate financial statements for the period January 1st 2020–September 30th 2020 was adjusted as follows:

PLN '000	Sep 30 2020		Sep 30 2020
	Originally reported	Change	Restated
Equity-accounted investments in subsidiaries	3,218,601	(2,249)	3,216,352
Translation reserve	62,582	(2,249)	60,333

For the nine months ended September 30th 2020

PLN '000	Share capital	Share premium	Cash flow hedging reserve	Translation reserve	Other capital reserves	Retained earnings	Total equity
Total equity as at Sep 30 2020, originally reported	18,972	307,192	(17,441)	62,582	197,210	1,497,322	2,065,837
Change	-	-	-	(2,249)	-	-	(2,249)
Total equity as at Sep 30 2020, restated	18,972	307,192	(17,441)	60,333	197,210	1,497,322	2,063,587

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

<i>PLN '000</i>	Jan 1–Sep 30 2020 unaudited restated	Change	Jan 1–Sep 30 2020 unaudited Originally reported	Jul 1–Sep 30 2020 unaudited restated	Change	Jul 1–Sep 30 2020 unaudited Originally reported
Net profit/(loss) for period	34,551		34,551	53,844		53,844
Other comprehensive income Items that may be reclassified subsequently to profit or loss						
Exchange differences on translating foreign operations	90,552	(2,249)	92,801	17,579	(2,249)	19,828
Cash flow hedges	8.8 (17,519)	-	(17,519)	1,630	-	1,630
Other comprehensive income for the period, net	73,033	(2,249)	75,282	19,210	(2,249)	21,458
Total comprehensive income for period	107,583	(2,249)	109,833	73,053	(2,249)	75,302

6. 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 2020. 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 projected 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 September 30th 2021 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 September 30th 2021 relates mainly to:

	Amount estimated		Note	Assumptions and estimate calculation
	Sep 30 2021 (PLN '000)	Dec 31 2020 (PLN '000)		
Equity-accounted investments in subsidiaries	3,682,056	3,315,459	8.10	<p>Equity-accounted investments in subsidiaries are subject to impairment testing. Investments in subsidiaries for which impairment indications were identified were tested for impairment. 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. 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</p> <p>depend primarily on the assumed expenditure on new portfolios and amount of recoveries. The correctness of the underlying assumptions involves a considerable risk given the significant uncertainty as to the effectiveness of debt collection activities in the future. 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	33,125	33,329	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. The expected cash flows were estimated with the use of analytical methods or based on a legal and economic analysis of individual claims or indebted persons (case-by-case analysis). The method of estimating cash flows under a debt portfolio is selected based on the available data on the portfolio, debt profiles as well as historical data collected in the course of managing the portfolio. KRUK S.A. prepares projections of collections from debt portfolios</p>

Item	Amount estimated		Note	Assumptions and estimate calculation
	Sep 30 2021 (PLN '000)	Dec 31 2020 (PLN '000)		
Deferred tax liability	(178,442)	(134,249)	8.6	<p>separately for individual markets. The projections account for historical performance of the process of debt portfolio recovery, legal regulations currently in force and planned, type and nature of debt and security, current collection strategy and macroeconomic considerations, among other factors. The effective interest rate, equal to the internal rate of return including an element that reflects credit risk, used for discounting estimated cash flows is calculated based on projections of expected cash receipts that take into account the initial value (purchase price plus directly allocated transaction costs), and as a rule remains unchanged throughout the life of a portfolio.</p> <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 asset based on its approved financial forecast for the following years.</p>
Right-of-use assets	28,493	27,693		<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,
Lease liabilities	(31,711)	(30,444)	8.7	<ul style="list-style-type: none"> • determining the marginal interest rates to be used to discount future cash flows, • identifying useful lives and determining depreciation rates for the right-of-use assets.

Item	Amount estimated		Note	Assumptions and estimate calculation
	Sep 30 2021 (PLN '000)	Dec 31 2020 (PLN '000)		
Derivatives	(5,374)	(11,236)	8.9	The Company estimates the fair value of derivative instruments as at each reporting date. Difference in discounted interest cash inflows and outflows in two different currencies, expressed in the valuation currency. The inputs include interest rate curves, basis spreads and the National Bank of Poland's fixing for the respective currencies, as provided by the Bank.
Hedging instruments	(5,006)	(18,386)	8.8	The Company estimates the fair value of its hedging instruments as at each reporting date. Difference in discounted interest cash flows based on floating and fixed interest rates. The inputs include the interest rate curve provided by the bank.

Item	Amount subject to judgement		Note	Assumptions and estimate calculation
	Sep 30 2021 (PLN '000)	Dec 31 2020 (PLN '000)		
Investments in debt portfolios	67,109	81,953	7	The Company determined that the agreement executed with the co-investor in 2016 for the purchase of debt portfolios at ProsperoCapital S.à r.l on the Romanian market was a transaction meeting the definition of a joint operation rather than a joint venture.

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

<i>PLN '000</i>	Sep 30 2021 unaudited	Dec 31 2020	Sep 30 2020 unaudited
Investments measured at amortised cost			
Investments in debt portfolios	33,125	33,329	29,760
Loans to related parties	315,468	287,191	292,261
	<u>348,593</u>	<u>320,520</u>	<u>322,020</u>

Investments in debt portfolios

Purchased debt portfolios are divided into the following main categories:

<i>PLN '000</i>	Sep 30 2021 unaudited	Dec 31 2020	Sep 30 2020 unaudited
Investments in debt portfolios			
Unsecured portfolios	32,937	32,956	29,393
Secured portfolios	188	373	366
	<u>33,125</u>	<u>33,329</u>	<u>29,760</u>

Unsecured portfolios are retail portfolios. Secured portfolios include mortgages as well as corporate portfolios. A portion of debt portfolios is secured with mortgages (mortgage loan portfolios) or registered pledges (car loan portfolios). For information on the assumptions made in the valuation of debt portfolios and the adopted schedule of cash receipts (undiscounted value), see Note 8.1.

Sensitivity analysis – revaluation of recovery projections

The 1% increase in all projected collections would result in an increase in the value of portfolios and thus in net profit/(loss) for the reporting period by PLN 242 thousand, while the 1% decrease in all projected collections would result in a decrease in the value of portfolios, thus reducing net profit/(loss) by PLN 242 thousand for the data as at September 30th 2021 (a PLN 243 thousand increase/decrease, respectively, for the data as at December 31st 2020).

PLN '000

	Profit or loss for the current period	
	increase in collections by 100 bps	decrease in collections by 100 bps
September 30th 2021		
Investments in debt portfolios	242	(242)
Dec 31 2020		
Investments in debt portfolios	243	(243)

Sensitivity analysis – time horizon

The sensitivity analysis below assumes extension or shortening of the projection period and a simultaneous increase or decrease in collection projections (for one-year extension projected collections increased by PLN 0.03 thousand, while for one-year shortening projected collections decreased by PLN 0.07 thousand; December 31st 2020: PLN 0.01 thousand, both for extension and shortening of the projection period).

PLN '000

	Profit or loss for the current period	
	extension by one year	reduction by one year
September 30th 2021		
Investments in debt portfolios	0.03	(0.07)
Dec 31 2020		
Investments in debt portfolios	0.01	(0.01)

In the reporting period, the Company did not invest any amounts in debt portfolios, while the amount of collections from indebted persons was PLN 18,311 thousand (same period of the year before: PLN 17,686 thousand). Changes in the estimated value of debt portfolios are presented below.

PLN '000

Value of purchased debt portfolios as at Jan 1 2020	36,949
Purchase price adjustment for discount	(16)
Cash recoveries	(26,935)
Carrying amount of property sold	211
Gain/(loss) on sale/revaluation of property	2,957
Interest income from debt portfolios, gain/(loss) on expected credit losses and other income/expenses from purchased debt portfolios	16,593
Value of purchased debt portfolios as at Sep 30 2020	29,760
Value of purchased debt portfolios as at Jan 1 2020	36,949
Purchase price adjustment for discount	(16)
Cash recoveries	(35,904)
Carrying amount of property sold	210
Interest income from debt portfolios, gain/(loss) on expected credit losses and other income/expenses from purchased debt portfolios	32,090
Value of purchased debt portfolios as at Dec 31 2020	33,329
Carrying amount of purchased debt portfolios as at Jan 1 2021	33,329
Cash recoveries	(28,858)
Gain/(loss) on sale/revaluation of property	(2,582)
Interest income from debt portfolios, gain/(loss) on expected credit losses and other income/expenses from purchased debt portfolios	31,235
Value of purchased debt portfolios as at Sep 30 2021	33,125

For a description of income from investments in debt portfolios, see Note 8.1.

Loans to related parties

As at September 30th 2021, the gross carrying amount of loans advanced to related parties was PLN 352,429 thousand, and the loss allowance was PLN 36,960 thousand (December 31st 2020: PLN 310,886 thousand and PLN 23,695 thousand, respectively). For information on the Company's exposure to credit, currency and interest rate risks associated with its investments, and on impairment losses on loans, see note 10.

Joint arrangements

ProsperoCapital is a party to a joint arrangement. As at September 30th 2021, the value of the Company's investment in the joint operation discussed above, disclosed in the statement of financial position, was PLN 67,109 thousand (PLN 81,953 thousand as at December 31st 2020), while profit shown in the statement of profit or loss was PLN 28,923 thousand (as at September 30th 2020: PLN 24,254 thousand).

Inventories (including property)

The Company classifies properties securing acquired debt under Inventories and measures them at cost.

<i>PLN '000</i>	Sep 30 2021 unaudited	Dec 31 2020	Sep 30 2020 unaudited
Real property	27,677	28,755	28,070
Other inventories	-	-	10
	<u>27,677</u>	<u>28,755</u>	<u>28,079</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.

As at September 30th 2021, no inventory write-down was recognised (December 31st 2020: PLN 148 thousand).

PLN '000

Carrying amount of property held as at Jan 1 2020	28,031
Carrying amount of foreclosed property	8,804
Proceeds from sale of property	(10,367)
Income from sale of property	1,602
Carrying amount of property held as at Sep 30 2020	<u>28,070</u>
Carrying amount of property held as at Jan 1 2021	28,755
Carrying amount of foreclosed property	9,038
Proceeds from sale of property	(12,697)
Income from sale of property	2,582
Carrying amount of property held as at Sep 30 2021	<u>27,677</u>

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

8.1. Operating income including gain/(loss) on expected credit losses and other income/expenses from purchased debt portfolios

By reportable segments

PLN '000	Jan 1–Sep 30 2021 unaudited	Jul 1–Sep 30 2021 unaudited	Jan 1–Sep 30 2020 unaudited restated	Jul 1–Sep 30 2020 unaudited restated
Revenue from credit management services	81,051	27,488	62,705	23,158
Revenue from other services	26,697	6,873	15,321	6,192
Revenue from purchased debt portfolios	31,235	12,291	16,593	5,382
Revenue from sale of merchandise and materials	85	-	226	90
	139,067	46,652	94,845	34,822

Revenue from purchased debt portfolios

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

PLN '000	Jan 1–Sep 30 2021 unaudited	Jul 1–Sep 30 2021 unaudited	Jan 1–Sep 30 2020 unaudited restated	Jul 1–Sep 30 2020 unaudited restated
Interest income on debt portfolios measured at amortised cost	12,855	2,123	13,883	4,218
Gain/(loss) on expected credit losses	18,685	9,680	1,600	1,003
Other income/expenses from purchased debt portfolios	(305)	488	1,110	162
	31,235	12,291	16,593	5,382

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

	Jan 1–Sep 30 2021 unaudited	Jul 1–Sep 30 2021 unaudited	Jan 1–Sep 30 2020 unaudited restated	Jul 1–Sep 30 2020 unaudited restated
Revaluation of recovery projections	9,434	4,689	64	735
Deviations from actual recoveries, decreases on early collections in collateralised cases*	9,250	4,991	1,536	267
	<u>18,685</u>	<u>9,680</u>	<u>1,600</u>	<u>1,003</u>

*In third quarter 2021, the Company made a reclassification of Gain/(loss) on sale/revaluation of property presented on the position Interest income on debt portfolios measured at amortised cost into position Deviations from actual recoveries, decreases on early collections in collateralised cases

In the previous reporting year, gain/(loss) on expected credit losses was significantly affected by risks associated with the onset and rapid development of the Covid-19 pandemic what resulted in lower cash recoveries and negative revaluation. This year, due to significant deviation from actual recoveries, the Company sees the potential for positive revaluation of recovery projections.

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

- discount rate in case of change in the outlay of the purchased debt portfolio,
- period for which cash flows have been estimated,
- the value of expected future cash flows estimated based on current data and currently used debt collection tools.

The Company analyses the impact of macroeconomic factors on projected recoveries; historically, no material correlation between recoveries from purchased debt portfolios and the macroeconomic situation has been found.

Assumptions adopted in the valuation of debt portfolios

	Sep 30 2021 unaudited	Dec 31 2020	Sep 30 2020 unaudited
Discount rate	28.11% - 170.19%	28.11% - 170.19%	28.11% - 170.19%
Period for which collections have been estimated	Oct 2021–Dec 2036	Jan 2021–Dec 2035	Oct 2020–Dec 2030
Undiscounted value of future recoveries	85,115	87,508	63,678

The forecast period was extended based on historical analyses of realised and expected recoveries from the oldest debt portfolios purchased by the Company.

Estimated schedule of future expected cashflows from debt portfolios

<i>PLN '000</i>	Sep 30 2021 unaudited	Dec 31 2020	Sep 30 2020 unaudited
Period			
Up to 12 months	26,656	25,554	24,428
From 1 to 2 years	15,905	17,715	15,450
From 2 to 3 years	11,427	12,592	9,711
From 3 to 4 years	8,374	8,936	6,178
From 4 to 5 years	6,197	6,372	3,613
From 5 to 6 years	4,622	4,569	1,972
From 6 to 7 years	3,412	3,276	960
From 7 to 8 years	2,468	2,337	450
From 8 to 9 years	1,785	1,640	641
From 9 to 10 years	1,299	1,195	249
From 10 to 11 years	959	920	26
From 11 to 12 years	711	759	-
From 12 to 13 years	531	639	-
From 13 to 14 years	398	543	-
From 14 to 15 years	305	464	-
Over 15 years	66	-	-
	85,115	87,508	63,678

Other income/expenses from purchased debt portfolios

	Jan 1–Sep 30 2021 unaudited	Jul 1–Sep 30 2021 unaudited	Jan 1–Sep 30 2020 unaudited restated	Jul 1–Sep 30 2020 unaudited restated
Foreign exchange gains/(losses)	(305)	488	1,110	162
	(305)	488	1,110	162

Revenue from the provision of other services

	Jan 1–Sep 30 2021 unaudited	Jul 1–Sep 30 2021 unaudited	Jan 1–Sep 30 2020 unaudited restated	Jul 1–Sep 30 2020 unaudited restated
Revenue from credit management services	81,051	27,488	62,705	23,158
Revenue from other services	26,697	6,873	15,321	6,192
Revenue from sale of merchandise and materials	85	-	226	90
	107,832	34,360	78,252	29,440

Revenue from credit management services

Revenue from fee-based credit management comprises commission fees ranging from 2% to 49% of the collected debts. Fee rates depend on delinquency periods, amounts outstanding, and on whether there have been any prior collection attempts. The Company's main third-party client accounts for 1.61% of revenue from credit management services, and in the group of related entities – for 67% (2020: 2% and 92.8%, respectively).

Revenue from other services

Revenue from other services comprises marketing support, human resources and IT support services. The performance obligation arises when a contract is executed and the data necessary to launch the debt recovery process is made available. Payment for services is made within 14-30 days of the respective invoice date.

Other income

PLN '000	Note	Jan 1–Sep 30 2021 unaudited	Jul 1–Sep 30 2021 unaudited	Jan 1–Sep 30 2020 unaudited	Jul 1–Sep 30 2020 unaudited
Compensation for motor damage		244	75	290	95
Re-billing income		202	120	-	-
Other markets		79	12	76	11
Reversal of impairment losses on receivables	10.1	62	8	-	-
Receivables written off		18	-	6	6
Grants		-	-	8,469	2,497
Adjustment to the management stock option valuation model		-	-	5,538	5,538
Gain/(loss) on sale of property, plant and equipment		(151)	(139)	759	225
Settlement of lease payments under terminated contracts		-	-	1,050	-
		453	77	16,189	8,371

8.2. Employee benefits expense

PLN '000	Jan 1–Sep 30 2021 unaudited	Jul 1–Sep 30 2021 unaudited	Jan 1–Sep 30 2020 unaudited	Jul 1–Sep 30 2020 unaudited
Salaries and wages	(84,771)	(27,840)	(79,854)	(25,340)
Equity-settled cost of stock option plan ¹	(13,987)	(6,823)	(3,116)	(6,776)
Old-age and disability pension contributions (defined contribution plans)	(13,117)	(4,362)	(12,379)	(3,928)
Other social security contributions	(6,452)	(2,005)	(4,915)	(1,156)
Contribution to the State Fund for the Disabled	(806)	(268)	(851)	(288)
	(119,134)	(41,299)	(101,116)	(37,488)

¹ On June 2nd 2021, the Management Board passed a resolution determining the second list of Management Board members eligible to acquire Tranche 5 subscription warrants for 2019 under the 2015–2019 Incentive Scheme. The resolution was approved by a resolution of the Supervisory Board of June 4th 2021, and on the basis of the resolution, 32,992 additional

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

8.3. Other expenses

PLN '000	Note	Jan 1–Sep	Jul 1–Sep	Jan 1–Sep	Jul 1–Sep
		30 2021	30 2021	30 2020	30 2020
		unaudited	unaudited	unaudited	unaudited
Taxes and charges		(7,231)	(2,872)	(8,656)	(3,120)
Raw materials and consumables used		(2,813)	(1,082)	(2,666)	(1,114)
Advertising		(2,552)	(1,263)	(492)	(244)
VAT on rental payments (leases and rents)		(958)	(576)	(140)	(29)
Motor insurance		(797)	(519)	(810)	(216)
Court fees		(524)	(234)	(501)	(173)
Other markets		(474)	(260)	(1,419)	(270)
Entertainment expenses		(464)	(287)	(49)	(10)
Refund of litigation costs		(433)	(198)	(177)	(29)
Losses caused by motor damage		(305)	(99)	(311)	(102)
Staff training		(216)	(107)	(528)	(81)
Property insurance		(198)	125	(167)	(55)
Non-competition		(178)	(64)	(325)	(15)
Business trips		(118)	(77)	(268)	(34)
Impairment losses on receivables	10.1	(37)	-	(27)	-
Membership fees		(28)	-	(113)	(38)
Donations		-	-	(12)	-
Re-billed costs of services		-	-	(607)	(292)
		(17,326)	(7,514)	(17,268)	(5,824)

8.4. Finance income

PLN '000	Jan 1–Sep	Jul 1–Sep	Jan 1–Sep	Jul 1–Sep
	30 2021	30 2021	30 2020	30 2020
	unaudited	unaudited	unaudited	unaudited
Interest income on loans advanced and receivables	13,876	4,990	16,023	4,634
Gain/(loss) on settlement of discount	-	-	-	(93)
Interest income on bank deposits	5	-	27	-
	13,882	4,990	16,050	4,541

8.5. Finance costs

<i>PLN '000</i>	Jan 1–Sep 30 2021 unaudited	Jul 1–Sep 30 2021 unaudited	Jan 1–Sep 30 2020 unaudited	Jul 1–Sep 30 2020 unaudited
Interest and commission expense on financial liabilities measured at amortised cost <i>including interest</i>	(40,662)	(14,920)	(52,552)	(14,431)
	<i>(37,558)</i>	<i>(13,766)</i>	<i>(49,072)</i>	<i>(13,358)</i>
Interest income/expense on hedging instruments – IRS	(6,855)	(2,327)	(2,144)	(1,384)
Net foreign exchange losses	1,217	(2,109)	(11,273)	(2,419)
Interest income/expense on derivative instruments – CIRS	3,851	(2,173)	(9,545)	(2,180)
	<u>(42,449)</u>	<u>(21,529)</u>	<u>(75,515)</u>	<u>(20,414)</u>

Effect of exchange rate movements on statement of profit or loss

<i>PLN '000</i>	<i>Note</i>	Jan 1–Sep 30 2020 unaudited	Jul 1–Sep 30 2021 unaudited	Jan 1–Sep 30 2020 unaudited	Jul 1–Sep 30 2020 unaudited
Realised exchange gains/(losses)	8.5	3,627	1,758	(3,561)	1,851
Revaluation of debt portfolios due to exchange rate movements	8.1	(305)	488	1,110	162
Unrealised exchange gains/(losses)	8.5	(2,410)	(3,867)	(7,713)	(4,070)
		<u>912</u>	<u>(1,621)</u>	<u>(10,163)</u>	<u>(2,057)</u>

8.6. Income tax

<i>PLN '000</i>	Jan 1–Sep 30 2021 unaudited	Jul 1–Sep 30 2021 unaudited	Jan 1–Sep 30 2020 unaudited	Jul 1–Sep 30 2020 unaudited
Income tax (current portion recognised in profit or loss)				
Income tax	(29,155)	1,827	(15,611)	(20,655)
Income tax (deferred portion recognised in profit or loss)				
Temporary differences/reversal of temporary differences	(44,193)	(21,620)	(48,079)	(42,048)
Income tax recognised in profit or loss	<u>(73,348)</u>	<u>(19,793)</u>	<u>(63,690)</u>	<u>(62,703)</u>

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

Reconciliation of effective tax rate

<i>PLN '000</i>	Jan 1–Sep 30 2021 unaudited	Jan 1–Sep 30 2020 unaudited
Profit/(loss) before tax	638,706	98,241
Income tax recognised in profit or loss	(73,348)	(63,690)
Profit/(loss) before tax for the period (at 19% tax rate)	<u>638,706</u>	<u>98,241</u>
Tax calculated at the tax rate applicable in Poland (19%)	<u>(121,354)</u>	<u>(18,666)</u>
Effect of non-deductible expenses and deferred tax changes	<u>48,006</u>	<u>(45,024)</u>
	<u>(73,348)</u>	<u>(63,690)</u>
Effective tax rate	11.48%	64.83%

Deferred tax assets and liabilities

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

PLN '000	Assets		Provisions		Net carrying amount	
	Sep 30 2021 unaudited	Dec 31 2020	Sep 30 2021 unaudited	Dec 31 2020	Sep 30 2021 unaudited	Dec 31 2020
Property, plant and equipment	6,025	5,581	(6,178)	(5,659)	(153)	(78)
Intangible assets	-	-	(1,805)	(1,540)	(1,805)	(1,540)
Trade and other receivables	-	-	(175)	(268)	(175)	(268)
Borrowings and other debt instruments, leases	6,457	21,112	-	-	6,457	21,112
Employee benefit obligations	2,060	2,309	-	-	2,060	2,309
Provisions and liabilities	(91)	56	-	-	(91)	56
Investments in debt portfolios	-	-	(7,107)	(6,984)	(7,107)	(6,984)
Equity-accounted investments in subsidiaries	-	23,259	(177,629)	(172,116)	(177,629)	(148,857)
Deferred tax assets/liabilities	14,452	52,317	(192,894)	(186,567)	(178,442)	(134,249)
Deferred tax assets offset against liabilities	(14,452)	(52,317)	14,452	52,317	-	-
Deferred tax assets/liabilities in the statement of financial position	-	-	(178,442)	(134,249)	(178,442)	(134,249)

Change in temporary differences in the period

PLN '000

	As at Jan 1 2021	Change in temporary differences recognised in profit or loss for current period	As at Sep 30 2021	As at Jan 1 2020	Change in temporary differences recognised in profit or loss for current period	As at Dec 31 2020
Property, plant and equipment	(78)	(75)	(153)	(263)	185	(78)
Intangible assets	(1,540)	(265)	(1,805)	(2,263)	723	(1,540)
Trade and other receivables	(268)	94	(175)	(243)	(25)	(268)
Borrowings and other debt instruments, leases**	21,112	(14,655)	6,457	18,496	2,616	21,112
Employee benefit obligations	2,309	(249)	2,060	2,342	(33)	2,309
Provisions and liabilities	56	(147)	(91)	112	(56)	56
Investments in debt portfolios	(6,984)	(124)	(7,107)	(7,108)	124	(6,984)
Equity-accounted investments in subsidiaries*	(148,857)	(28,772)	(177,629)	(51,327)	(97,530)	(148,857)
	(134,249)	(44,193)	(178,442)	(40,254)	(93,996)	(134,249)

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

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

The 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 next 36 months. The total amount of temporary differences underlying the unrecognised deferred tax liability on retained earnings as at September 30th 2021 was PLN 1,298,111 thousand (as at December 31st 2020: PLN 1,205,363 thousand).

8.7. Borrowings, other debt securities and leases

PLN '000	Sep 30 2021 unaudited	Dec 31 2020	Sep 30 2020 unaudited
Non-current liabilities			
Secured borrowings	31,052	94,300	46,852
Liabilities under debt securities (unsecured)	1,043,771	769,933	905,661
Lease liabilities	22,675	19,913	20,558
	<u>1,097,498</u>	<u>884,146</u>	<u>973,071</u>
Current liabilities			
Secured borrowings	336	23,152	34,811
Liabilities under debt securities (unsecured)	350,771	544,314	477,318
Lease liabilities	9,037	10,531	11,452
	<u>360,144</u>	<u>577,997</u>	<u>523,582</u>
	<u>1,457,642</u>	<u>1,462,143</u>	<u>1,496,652</u>

Liabilities repayment schedule

PLN '000	Currency	Nominal interest rate	Maturity periods	Sep 30 2021 unaudited	Dec 31 2020	Sep 30 2020 unaudited
Borrowings secured over the Company's assets	PLN	1M WIBOR + 1pp 3M WIBOR + 2pp	2021-2025	31,388	117,452	81,664
Liabilities under debt securities (unsecured)	PLN EUR	3M WIBOR + margin of 3.0-4.0pp 4.00-4.80% ¹ 3.59%	2021-2027	1,394,543	1,314,247	1,382,979
Lease liabilities	PLN	3M WIBOR or 1M EURIBOR + margin of 1.2-9.7pp	2021-2024	31,711	30,444	32,010
				<u>1,457,642</u>	<u>1,462,143</u>	<u>1,496,652</u>

¹fixed interest rate

8.8. 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 (Note 10.3).

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).

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.

Open outstanding IRS contracts held by the Company as at September 30th 2021 and December 31st 2020, with a total volume of PLN 530,000 thousand:

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

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

Currency risk hedges

The Company's exposure to currency risk arises mainly from investments in subsidiaries and financial liabilities measured in foreign currencies (note 10.3).

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 and 2021, 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
Aug 31 2021	Sep 30 2021	- 8,000,000	36,180,800

Aug 31 2021	Sep 30 2021 - 14,000,000	63,316,400
Sep 30 2021	Oct 31 2021 - 8,000,000	37,062,000
Sep 30 2021	Oct 31 2021 - 14,000,000	64,858,500

As at September 30th 2021, the Company had two outstanding transactions maturing on October 29th 2021.

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.

The Company does not expect the IBOR reform to have a material impact on hedging relationships in hedge accounting.

In order to increase the economic effectiveness of the hedge, the Company designated hedging relationships with a monthly frequency, i.e. each FX Forward transaction (EUR sale contract) with a one-month maturity was linked to a designated hedged item for one month (net assets of the investment in a subsidiary expressed in EUR).

Amounts related to items designated as hedging instruments

Sep 30 2021 unaudited				Dec 31 2020				Item in the statement of financial position	Type of security
Assets	Liabilities	Notional amount	Change in fair value used to determine ineffectiveness	Assets	Liabilities	Notional amount	Change in fair value used to determine ineffectiveness		
-	5,006	530,000 (PLN)	(13,380)	-	18,386	530,000 (PLN)	14,861	Hedging instruments	Cash flow hedges
-	5,006		(13,380)	-	18,386		14,861		

PLN '000

	Notional amount as at Sep 30 2021				
	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)	(75,000)	(255,000)	-
floating payment PLN	-	200,000	75,000	255,000	-

PLN '000

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

PLN '000

Disclosure of the hedged item as at Sep 30 2021

	Nominal amount of the hedged item	Change in the fair value of the hedged item	Reserve for measurement of continuing hedges	Reserve (unsettled) for measurement of discontinued hedges
Hedge of future cash flows(interest rate risk)	530,000	(13,380)	13,380	-
Hedging of a net investment in a foreign operation (currency risk)	-	-	-	3,603

PLN '000

Disclosure of the hedged item as at Dec 31 2020

	Nominal amount of the hedged item	Change in the fair value of the hedged item	Reserve for measurement of continuing hedges	Reserve (unsettled) for measurement of discontinued hedges
Hedge of future cash flows(interest rate risk)	530,000	18,386	(18,386)	-
Hedging of a net investment in a foreign operation (currency risk)	-	-	-	3,603

PLN '000

Jan 1–Sep 30 2021

Cash flow hedge reserve	Hedge of future cash flows (interest rate risk)	Hedge of future cash flows (currency risk)	Total hedge reserve
Hedge reserve as at Jan 1 2021	(18,386)	3,603	(14,783)
Measurement of instruments charged to capital reserves	20,235	(867)	19,368
Amount reclassified to profit or loss during the period	(6,855)	-	(6,855)
- Interest expense	(6,855)	-	(6,855)
- Reclassification of exchange differences	-	-	-
Hedge reserve as at September 30th 2021	(5,005)	2,736	(2,269)

PLN '000

Jan 1-Dec 31 2020

Cash flow hedge reserve	Hedge of future cash flows (interest rate risk)	Hedge of future cash flows (currency risk)	Total hedge reserve
Hedge reserve as at January 1st 2020	(3,525)	3,603	78
Measurement of instruments charged to capital reserves	(10,439)	-	(10,439)
Amount reclassified to profit or loss during the period	(4,422)	-	(4,422)
- Interest expense	(4,422)	-	(4,422)
- Reclassification of exchange differences	-	-	-
Hedge reserve as at Dec 31 2020	(18,386)	3,603	(14,783)

8.9. 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 zloty with euro-denominated liabilities.

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

Open outstanding CIRS contracts held by the Company as at September 30th 2021:

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

Open outstanding CIRS contracts held by the Company as at December 31st 2020:

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

Interest is paid on a three-monthly basis.

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

8.10. Investments in subsidiaries

Carrying amount of investments

PLN '000	Country	Sep 30 2021 unaudited	Dec 31 2020
InvestCapital Ltd ¹	Malta	2,074,146	1,780,511
Prokura NS FIZ ¹	Poland	970,449	936,579
SeCapital S.à r.l. ¹	Luxembourg	315,187	241,417
Presco Investments S.a.r.l. ³	Luxembourg	79,684	79,384
KRUK Česká a Slovenská republika s.r.o.	Czech Republic	66,541	59,707
KRUK Italia S.r.l. ⁴	Italy	27,209	36,339
KRUK Espana S.L.	Spain	36,874	39,772
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	Poland	32,313	31,713
Kancelaria Prawna RAVEN P.Krupa Sp. k.	Poland	9,120	22,838
KRUK Romania S.r.l.	Romania	24,878	20,186
BISON NS FIZ (CLOSED-END INVESTMENT FUND)	Poland	10,852	18,077
ERIF Biuro Informacji Gospodarczej S.A.	Poland	9,046	9,904
Kruk Deutschland GmbH	Germany	8,508	9,772
RoCapital IFN S.A. ¹	Romania	8,129	7,456
AgeCredit S.r.l.	Italy	5,815	9,303
ProsperoCapital S.à r.l. ²	Luxembourg	627	655
ERIF Business Solutions Sp. z o.o.	Poland	-	(252)
Novum Finance Sp. z o.o.	Poland	2,677	12,095
		3,682,056	3,315,459

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

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

³ The equity of P.R.E.S.C.O INVESTMENT I NS FIZ is consolidated within Presco Investments S.a.r.l.

⁴ The equity of Elleffe Capital S.r.l. is consolidated within Kruk Italia S.r.l.

	Sep 30 2021 unaudited	Dec 31 2020
Value of investments in subsidiaries at beginning of the period	3,315,459	3,352,745
Increase/(decrease) (dividends, in-kind contributions, cancellations, impairment losses)	(335,270)	(474,251)
Share of profit/(loss) of equity-accounted investees	705,337	325,386
Exchange differences on translating foreign operations	(3,469)	111,579
Value of investments in subsidiaries at end of the period	3,682,056	3,315,459

The share in profit/(loss) of equity-accounted investees for the period from January 1st to September 30th 2021 was PLN 705,337 thousand, reflecting mainly revenue from recoveries and revaluation of recovery projections for debt portfolios owned by the investees, net of costs.

PLN '000	Ownership interest and share in total voting rights (%)		
	Country	Sep 30 2021 unaudited	Dec 31 2020 unaudited
SeCapital S.à r.l. ¹	Luxembourg	100%	100%
ERIF Business Solutions Sp. z o.o.	Poland	100%	100%
Secapital Polska Sp. z o.o. (in liquidation) ⁵	Poland	-	100%
ERIF Biuro Informacji Gospodarczej S.A.	Poland	100%	100%
Novum Finance Sp. z o.o.	Poland	100%	100%
KRUK Romania S.r.l.	Romania	100%	100%
Kancelaria Prawna RAVEN P.Krupa Sp. k.	Poland	98%	98%
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	Poland	100%	100%
KRUK Česká a Slovenská republika s.r.o.	Czech Republic	100%	100%
Prokura NS FIZ ¹	Poland	100%	100%
InvestCapital Ltd ¹	Malta	100%	100%
RoCapital IFN S.A. ¹	Romania	100%	100%
Kruk Deutschland GmbH	Germany	100%	100%
KRUK Italia S.r.l.	Italy	100%	100%
ItaCapital S.r.l.	Italy	100%	100%
KRUK Espana S.L.	Spain	100%	100%
ProsperoCapital S.à r.l. ²	Luxembourg	100%	100%
Presco Investments S.a.r.l.	Luxembourg	100%	100%
P.R.E.S.C.O INVESTMENT I NS FIZ ¹	Poland	100%	100%
Elleffe Capital S.r.l. ¹	Italy	100%	100%
BISON NS FIZ (CLOSED-END INVESTMENT FUND)	Poland	100%	100%
Corbul S.r.l. ³	Romania	0%	0%
AgeCredit S.r.l.	Italy	100%	100%
Wonga.pl Sp. z o.o.	Poland	100%	100%
Gantoi, Furculita Si Asociatii S.p.a.r.l. ^{3,4}	Romania	0%	n/a
Kruk Investimenti s.r.l. ⁶	Italy	100%	n/a

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

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

³ The Parent controls the company through a personal link.

⁴ A law firm established on October 1st 2020, with its registered office in Bucharest.

⁵ On July 1st 2020, the Extraordinary General Meeting of Secapital Polska Sp. z o.o. of Wrocław decided to dissolve the company through liquidation. On February 25th 2021, the Extraordinary General Meeting of Secapital Polska Sp. z o.o. in liquidation passed a resolution on approval of the liquidation report and on completion of the liquidation. On March 9th 2021, the registry court issued a decision to delete Secapital Polska Sp. z o.o. in liquidation from the business register.

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

On September 9th 2021, the Articles of Association of Zielony Areal sp. z o.o. of Wrocław were executed. On October 4th 2021, the company was entered in the Business Register. Its principal business activities are buying and selling of own real estate, including farmland.

8.11. Trade and other receivables

<i>PLN '000</i>	Sep 30 2021 unaudited	Dec 31 2020
Trade receivables from related entities	27,035	20,594
Trade receivables from other entities	2,597	2,640
	<u>29,632</u>	<u>23,234</u>

<i>PLN '000</i>	Sep 30 2021 unaudited	Dec 31 2020
Other receivables from related entities	4,416	4,308
Other receivables from other entities	2,067	3,561
	<u>6,483</u>	<u>7,869</u>

8.12. Cash and cash equivalents

<i>PLN '000</i>	Sep 30 2021 unaudited	Dec 31 2020
Cash in hand	21	8
Cash in current accounts	10,722	6,588
	<u>10,743</u>	<u>6,595</u>

8.13. Trade and other payables

<i>PLN '000</i>	Sep 30 2021 unaudited	Dec 31 2020
Trade and other payables to related entities	14,311	32,231
Trade payables to other entities	11,788	9,994
Deferred income	5,433	5,296
Other liabilities	1,652	2,832
Accrued expenses	529	750
Taxes, customs duties, insurance and other benefits payable	49	760
	<u>33,761</u>	<u>51,863</u>

8.14. Employee benefit obligations and provisions

<i>PLN '000</i>	Sep 30 2021 unaudited	Dec 31 2020
Accrued holiday entitlements	5,550	5,909
Salaries and wages payable	6,954	6,855
Social benefit obligations	6,451	6,395
Personal income tax	2,175	1,953
Special accounts	294	97
Liabilities under employee savings plans	252	255
	<u>21,676</u>	<u>21,464</u>

8.15. Provisions

<i>PLN '000</i>	Sep 30 2021 unaudited	Dec 31 2020
Provision for the loyalty scheme	11,371	10,652
Provision for retirement gratuities	628	628
	<u>11,999</u>	<u>11,280</u>

Changes in provisions for retirement gratuities

Carrying amount as at Jan 1 2020	628
Increase	-
Use	-
Carrying amount as at Dec 31 2020	<u>628</u>

Carrying amount as at Jan 1 2021	628
Increase	-
Use	-
Carrying amount as at Sep 30 2021	<u>628</u>

Changes in provision for the loyalty scheme

Carrying amount as at Jan 1 2020	6,825
Increase	4,720
Use	(894)
Carrying amount as at Dec 31 2020	<u>10,652</u>

Carrying amount as at Jan 1 2021	10,652
Increase	1,400
Use	(681)
Carrying amount as at Sep 30 2021	<u>11,371</u>

8.16. Earnings per share

Basic earnings per share

As at September 30th 2021, basic separate and consolidated earnings per share were calculated based on net profit/loss attributable to owners of the Company (holding ordinary shares) of PLN 565,475 thousand (September 30th 2020: PLN 34,551 thousand) and the weighted average number of shares in the period covered by the financial statements of 19,011 thousand (September 30th 2020: 18,972 thousand). The amounts were determined as follows:

Separate net profit attributable to owners of the Company

<i>PLN '000</i>	Jan 1–Sep 30 2021 unaudited	Jan 1–Dec 31 2020	Jan 1–Sep 30 2020 unaudited
Net profit for period	565,475	81,356	34,551
Net profit attributable to owners of the Company	565,475	81,356	34,551

Consolidated net profit attributable to owners of the Parent

<i>PLN '000</i>	Jan 1–Sep 30 2021 unaudited	Jan 1–Dec 31 2020	Jan 1–Sep 30 2020 unaudited
Separate net profit attributable to owners of the Parent (basic)	565,475	81,356	34,551
Separate net profit attributable to owners of the Parent (diluted)	565,475	81,356	34,551

Weighted average number of ordinary shares

<i>'000</i>	Jan 1–Sep 30 2021 unaudited	Jan 1–Dec 31 2020	Jan 1–Sep 30 2020 unaudited
Number of ordinary shares as at Jan 1	19,011	18,972	18,972
Effect of cancellation and issue	-	5	-
Weighted average number of ordinary shares at end of reporting period	19,011	18,977	18,972
<i>PLN</i>			
Earnings per share	29.74	4.29	1.82

Diluted separate and consolidated earnings per share

As at September 30th 2021, diluted separate and consolidated earnings per share were calculated based on net profit/loss attributable to owners of the Company (holding ordinary shares) of PLN 565,475 thousand (September 30th 2020: PLN 34,551 thousand) and the diluted weighted average number of shares in the period covered by the financial statements of 19,278 thousand (September 30th 2020: 19,263 thousand). The amounts were determined as follows:

<i>'000</i>	Jan 1–Sep 30 2021 unaudited	Jan 1–Dec 31 2020	Jan 1–Sep 30 2020 unaudited
Weighted average number of ordinary shares in the period ended Dec 31	19,011	18,977	18,972
Effect of issue of unregistered shares not subscribed for	267	283	291
Weighted average number of ordinary shares at end of reporting period (diluted)	19,278	19,260	19,263
<i>PLN</i>			
Earnings per share (diluted)	29.33	4.22	1.79

Dividend per share paid

<i>PLN '000</i>	Jan 1–Sep 30 2021 unaudited	Jan 1–Dec 31 2020	Jan 1–Sep 30 2020 unaudited
Dividend paid from profit and retained earnings	206,140	-	-
<i>PLN</i>			
Dividend per share	11.00	-	-

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

As at Sep 30 2021

PLN '000

	Note	Sep 30 2021 unaudited	Jun 30 2021 unaudited	Dec 31 2020	Sep 30 2020 unaudited restated
Assets					
Non-current assets					
Property, plant and equipment		37,596	34,469	37,521	39,943
Intangible assets		10,558	11,536	12,841	13,715
Equity-accounted investments in subsidiaries	8.10	3,682,056	3,296,971	3,315,459	3,216,352
Investments in debt portfolios and loans	7	327,451	278,431	283,957	283,743
Total non-current assets		4,057,661	3,621,408	3,649,778	3,553,753
Current assets					
Inventories	7	27,677	24,791	28,755	28,079
Investments in debt portfolios and loans	7	21,142	23,568	36,563	38,277
Trade receivables from related entities	8.11	27,035	22,847	20,594	18,106
Trade receivables from other entities	8.11	2,597	2,102	2,640	3,828
Other receivables	8.11	6,483	15,957	7,869	98,989
Cash and cash equivalents	8.12	10,743	367,950	6,595	17,778
Other assets		5,310	3,387	5,956	4,282
Total current assets		100,987	460,601	108,972	209,339
Total assets		4,158,648	4,082,008	3,758,750	3,763,092
Equity and liabilities					
Equity					
Share capital		19,011	19,011	19,011	18,972
Share premium		310,430	310,430	310,430	307,192
Hedging reserve		(2,269)	(4,800)	(14,783)	(17,441)
Translation reserve		77,891	37,431	81,360	60,333
Other capital reserves		117,613	110,790	103,626	197,210
Retained earnings		1,903,462	1,733,770	1,544,127	1,497,322
Total equity		2,426,138	2,206,632	2,043,771	2,063,587
Non-current liabilities					
Deferred tax liability	8.6	178,442	156,822	134,249	88,333
Provisions		11,999	11,599	11,156	11,220
Borrowings, other debt securities and leases	8.7	1,097,498	1,013,115	884,146	973,071
Derivatives	8.9	-	-	11,236	17,180
Hedging instruments	8.8	3,081	5,304	18,386	6,932
Total non-current liabilities		1,291,019	1,186,840	1,059,173	1,096,735
Current liabilities					
Provisions	8.15, 5	-	-	124	-
Borrowings, other debt securities and leases	8.7	360,144	400,932	577,997	523,582
Derivatives		5,374	3,177	-	3,865
Hedging instruments		1,925	3,099	-	-
Trade and other payables	8.13, 5	33,761	27,936	51,863	49,191
Liabilities under dividend		-	206,140	-	-
Income tax payable		18,611	24,504	4,358	6,074
Employee benefit obligations	8.14, 5	21,676	22,749	21,464	20,058
Total current liabilities		441,490	688,537	655,806	602,769
Total liabilities		1,732,509	1,875,376	1,714,979	1,699,504
Total equity and liabilities		4,158,648	4,082,008	3,758,750	3,763,092

10. Management of risk arising from financial instruments

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

- credit risk
- liquidity risk
- market risk.

This note presents 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.

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.

Financial risk management

The principles of financial risk management were presented in the last annual separate financial statements prepared as at December 31, 2020 and for the financial year ending on that date. In the period from January 1 to September 30, 2021, there were no significant changes in the approach to financial risk management.

10.1. Credit risk

Credit risk is the risk of financial loss to the Company if a business 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.

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>	Sep 30 2021 unaudited	Dec 31 2020
Investments in debt portfolios	33,125	33,329
Loans to related parties	315,468	287,191
Trade and other receivables	36,115	31,103
	<u>384,708</u>	<u>351,623</u>

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

<i>PLN '000</i>	Sep 30 2021 unaudited	Dec 31 2020
Poland	315,576	260,099
Romania	52,924	82,724
Czech Republic and Slovakia	16,208	8,800
	<u>384,708</u>	<u>351,623</u>

Quality of trade and other receivables

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

IFRS 9 classification		Carrying amount as at Sep 30 2021 (IFRS 9)	Carrying amount as at Dec 31 2020 (IFRS 9)
Trade and other receivables	Basket 1	36,115	31,103
	Basket 2	358	436
	Basket 3	-	-
		<u>36,473</u>	<u>31,539</u>
Impairment losses	Basket 1	-	-
	Basket 2	358	436
	Basket 3	-	-
		<u>358</u>	<u>436</u>
Net carrying amount	Basket 1	36,115	31,103
	Basket 2	-	-
	Basket 3	-	-
		<u>36,115</u>	<u>31,103</u>

Changes of impairment losses on receivables are presented below:

PLN '000	Sep 30 2021 unaudited	Dec 31 2020 unaudited
Loss allowance as at Jan 1	436	80
Loss allowance recognised in the period	37	373
Reversal of loss allowance	(62)	(17)
Use of loss allowance	(54)	-
Loss allowance as at Sep/Dec 30	<u>358</u>	<u>436</u>

Below are presented changes in impairment losses on loans advanced to related parties:

IFRS 9 classification		Carrying amount as at Sep 30 2021 (IFRS 9)	Carrying amount as at Dec 31 2020 (IFRS 9)
Loans to related parties	Basket 1	42,600	96,080
	Basket 2	308,324	213,151
	Basket 3	1,505	1,655
		<u>352,429</u>	<u>310,886</u>
Impairment losses	Basket 1	-	-
	Basket 2	35,455	22,362
	Basket 3	1,505	1,333
		<u>36,960</u>	<u>23,695</u>
Net carrying amount	Basket 1	42,600	96,080
	Basket 2	272,868	190,790
	Basket 3	-	322
		<u>315,468</u>	<u>287,191</u>

10.2. Liquidity risk

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

Exposure to liquidity risk

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

As at Sep 30 2021

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	33,125	85,115	15,738	10,919	15,905	25,999	16,555
Secured borrowings	(31,388)	(31,848)	(144)	(145)	(6,889)	(24,669)	-
Liabilities under debt securities (unsecured)	(1,394,543)	(1,563,170)	(312,791)	(268,998)	(109,872)	(360,346)	(511,163)
Lease liabilities	(31,711)	(31,331)	(5,222)	(4,850)	(11,347)	(9,877)	(35)
Trade and other payables	(33,761)	(33,761)	(33,761)	-	-	-	-
	<u>(1,458,278)</u>	<u>(1,574,995)</u>	<u>(336,180)</u>	<u>(263,074)</u>	<u>(112,204)</u>	<u>(368,894)</u>	<u>(494,643)</u>

As at Dec 31 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	33,329	87,508	13,833	11,721	17,715	27,899	16,341
Secured borrowings	(117,452)	(99,196)	(573)	(582)	(1,155)	(96,886)	-
Liabilities under debt securities (unsecured)	(1,314,247)	(1,400,573)	(391,113)	(188,776)	(491,441)	(329,243)	-
Lease liabilities	(30,444)	(30,597)	(4,182)	(4,775)	(9,174)	(11,710)	(756)
Trade and other payables	(51,863)	(51,863)	(51,863)	-	-	-	-
	<u>(1,480,677)</u>	<u>(1,494,720)</u>	<u>(433,897)</u>	<u>(182,412)</u>	<u>(484,056)</u>	<u>(409,940)</u>	<u>15,585</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.

For risks specific to hedging instruments, see Note 8.8.

The liquidity concentration risk is defined by the Company as the risk arising from cash flows under individual financial instruments.

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

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

As at September 30th 2021, the undrawn revolving credit facility limit available to the Company was PLN 383,950 thousand (December 31st 2020: PLN 354,291 thousand). The limit is available until October 31st 2025.

10.3. Market risk

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

Exposure to currency risk

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

'000	Exposure to currency risk					
	Sep 30 2021 unaudited			Dec 31 2020		
	EUR	RON	CZK	EUR	RON	CZK
Trade receivables	-	-	-	2	-	-
Cash	2,409	982	57	150	642	407
Investments in debt portfolios	172	24,726	1,344	224	27,078	1,557
Borrowings, other debt securities and leases	(185,316)	-	-	(202,480)	-	-
Trade payables	(2,047)	-	-	-	(13)	-
Exposure to currency risk	(184,782)	25,708	1,402	(202,104)	27,707	1,964
Risk mitigation effect	101,921	-	-	-	-	-
Exposure to currency risk after hedging	(82, 862)	25,708	1,402	(202,104)	27,707	1,964

As at September 30th 2021, assets denominated in foreign currencies accounted for 0.7% of total assets, while liabilities denominated in foreign currencies represented 4.6% of total equity and liabilities (December 31st 2020: 0.8% and 5.4%, respectively).

As at September 30th 2021, a 10% 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.

Analysis of sensitivity of exposure to currency risk to +10% increase in exchange rates

'000

	Sep 30 2021 unaudited			Dec 31 2020		
	EUR	RON	CZK	EUR	RON	CZK
Trade receivables	-	-	-	-	-	-
Cash	241	98	6	15	64	41
Investments in debt portfolios	17	2,473	134	22	2,708	156
Borrowings, other debt securities and leases	(18,532)	-	-	(20,248)	-	-
Trade payables	(205)	-	-	-	(1)	-
Exposure to currency risk	<u>(18,478)</u>	<u>2,571</u>	<u>140</u>	<u>(20,210)</u>	<u>2,771</u>	<u>196</u>
Risk mitigation effect	10,192	-	-	-	-	-
Exposure to currency risk after hedging	<u>(8,286)</u>	<u>2,571</u>	<u>140</u>	<u>(20,210)</u>	<u>2,771</u>	<u>196</u>

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

	Average exchange rates*		End of period (spot rates)	
	Jan 1–Sep 30 2021 unaudited	Jan 1–Sep 30 2020 unaudited	Sep 30 2021 unaudited	Dec 31 2020
PLN				
EUR 1	4.5585	4.4420	4.6329	4.6148
USD 1	3.8179	3.9337	3.9925	3.7584
RON 1	0.9270	0.9191	0.9365	0.9479
CZK 1	0.1771	0.1677	0.1816	0.1753

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

Exposure to interest rate risk

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

PLN '000	Carrying amount	
	Sep 30 2021 unaudited	Dec 31 2020
Fixed-rate financial instruments¹		
Financial assets	69,240	64,432
Financial liabilities	(398,507)	(264,148)
	<u>(329,268)</u>	<u>(199,716)</u>
Hedge effect (nominal amount)	(530,000)	(530,000)
	<u>(859,268)</u>	<u>(729,716)</u>
Variable-rate financial instruments²		
Financial assets	315,468	287,191
Financial liabilities	(1,092,895)	(1,249,858)
	<u>(777,427)</u>	<u>(962,666)</u>
Hedge effect (nominal amount)	530,000	530,000
	<u>(247,427)</u>	<u>(432,666)</u>

¹ Fixed-rate financial assets comprise investments in debt portfolios and trade and other receivables. Fixed-rate financial liabilities comprise trade and other payables, as well as liabilities under fixed-rate debt securities.

² Variable-rate financial assets comprise loans advanced to related parties. Variable-rate financial liabilities comprise secured borrowings, liabilities under variable-rate debt securities and lease liabilities.

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 as fair value hedges. Therefore, a change of an interest rate would have no material effect on current period's profit or loss.

Sensitivity analysis of cash flows from variable-rate financial instruments

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

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

PLN '000	Profit or loss for the current period	
	increase by 100 bps	decrease by 100 bps
September 30th 2021		
Variable rate financial assets	3,155	(3,155)
Variable rate financial liabilities	(10,929)	10,929
Dec 31 2020		
Variable rate financial assets	2,872	(2,872)
Variable rate financial liabilities	(12,499)	12,499

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	Sep 30 2021 unaudited		Dec 31 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets and liabilities measured at fair value				
Derivatives	(5,374)	(5,374)	(11,236)	(11,236)
Hedging instruments	(5,006)	(5,006)	(18,386)	(18,386)
	<u>(10,379)</u>	<u>(10,379)</u>	<u>(29,622)</u>	<u>(29,622)</u>
Financial assets and liabilities not measured at fair value				
Investments in debt portfolios	33,125	31,425	33,329	32,112
Loans to related parties	315,468	315,468	287,191	283,360
Secured borrowings	(31,388)	(31,388)	(117,452)	(117,452)
Liabilities under debt securities (unsecured)	<u>(1,394,543)</u>	<u>(1,403,743)</u>	<u>(1,314,247)</u>	<u>(1,319,748)</u>
	<u>(1,077,338)</u>	<u>(1,088,238)</u>	<u>(1,111,179)</u>	<u>(1,121,728)</u>

Interest rates used for fair value estimation

	Sep 30 2021 unaudited	Dec 31 2020
Investments in debt portfolios	0.12% - 55.14%	5.77% - 273.80%
Secured borrowings	1.18% - 2.21%	1.19% - 2.19%
Liabilities under debt securities (unsecured)	3.23% - 4.80%	3.21% - 4.80%
Loans to related parties	1.51% - 6.81%	1.51% - 6.81%

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 or indirectly,
- Level 3: inputs that are not based on observable market prices (unobservable inputs).

In 2020–2021, no transfers were made between the levels.

<i>PLN '000</i>		Level 3
	Carrying amount	Fair value
As at Sep 30 2021		
Investments in debt portfolios	33,125	31,425
Loans to related parties	315,468	315,468
As at Dec 31 2020		
Investments in debt portfolios	33,329	32,112
Loans to related parties	287,191	283,360

The fair value of derivative and hedging instruments 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 Company uses a 3M WIBOR forecast provided by an external company.

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

PLN '000

	Level 2	
	Carrying amount	Fair value
Balance as at Sep 30 2021		
Derivatives	(5,374)	(5,374)
Hedging instruments	(5,006)	(5,006)
Secured borrowings	(31,388)	(31,388)
Liabilities under debt securities (unsecured)	(1,394,543)	(1,403,743)
As at Dec 31 2020		
Derivatives	(11,236)	(11,236)
Hedging instruments	(18,386)	(18,386)
Secured borrowings	(117,452)	(117,452)
Liabilities under debt securities (unsecured)	(1,314,247)	(1,319,748)

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

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

The Company does not identify Level 1 assets.

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

11. Related-party transactions

Remuneration of the Company's directors – Management Board

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

PLN '000

	Jan 1–Sep 30 2021 unaudited	Jul 1–Sep 30 2021 unaudited	Jan 1–Sep 30 2020 unaudited	Jul 1–Sep 30 2020 unaudited
Base pay/ managerial contract (gross)	4,381	1,565	4,356	1,475
Additional benefits	51	17	80	27
Share based payments ¹	13,987	6,823	3,116	1,238
	18,419	8,405	7,552	2,740

¹ On June 2nd 2021, the Management Board passed a resolution determining the second list of Management Board members eligible to acquire Tranche 5 subscription warrants for 2019 under the 2015–2019 Incentive Scheme. The resolution was

approved by a resolution of the Supervisory Board of June 4th 2021, and on the basis of the resolution, 32,992 additional subscription warrants were allotted to the Management Board members. On June 22nd 2021, the Company's Management Board passed a resolution to determine the third list of persons other than Management Board members who were eligible to acquire Tranche 5 subscription warrants for 2019 under the 2015–2019 Incentive Scheme. Under the resolution, 9,097 Subscription warrants were allotted to the eligible persons.

Remuneration of the Company's directors – Supervisory Board

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

<i>PLN '000</i>	Jan 1–Sep 30 2021 unaudited	Jul 1–Sep 30 2021 unaudited	Jan 1–Sep 30 2020 unaudited	Jul 1–Sep 30 2020 unaudited
Base pay/ managerial contract (gross)	699	233	641	214
Additional benefits	10	8	14	5
	709	241	655	219

Other transactions with the Company's directors

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

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

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

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

Other related-party transactions

Transactions with subsidiaries as at and for the period ended September 30th 2021

Balance of liabilities, receivables and loans as at September 30th 2021

PLN '000	Sep 30 2021 unaudited						Dec 31 2020					
	Liabilities	Receivables	Loans	Interest accrued on loans	Loans received	Interest accrued on loans received	Liabilities	Receivables	Loans	Interest accrued on loans	Loans received	Interest accrued on loans received
SeCapital S.à. r.l	3,014	9	-	-	-	-	7,838	2,080	-	-	-	-
ERIF Business Solutions Sp. z o.o.	-	78	-	-	-	-	-	59	172	-	-	-
Novum Finance Sp. z o.o.	99	636	31,903	-	-	-	-	239	31,242	-	-	-
SeCapital Polska Sp. z o.o.	-	-	-	-	-	-	-	-	150	-	-	-
Kancelaria Prawna RAVEN P.Krupa Sp. k.	285	718	-	-	-	-	2,976	1,560	-	-	-	-
KRUK Romania S.r.l.	810	2,362	22,982	203	-	-	520	751	52,494	535	-	-
ERIF BIG S.A.	-	208	-	-	6,600	-	24	230	-	-	7,100	-
NSFIZ PROKURA	2,153	8,602	-	-	-	-	5,552	7,511	-	-	-	-
KRUK Česká a Slovenská republika s.r.o.	35	462	14,692	-	-	-	65	240	7,020	-	-	-
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	-	8,389	-	-	-	-	-	9,980	-	-	-	-
InvestCapital Ltd.	-	6,889	-	-	-	-	531	245	-	-	-	-
KRUK Deutschland GmbH	-	16	-	-	-	-	-	21	-	-	-	-
Rocapital IFN S.A.	-	-	4,683	41	-	-	-	-	4,740	49	-	-
KRUK Italia S.r.l	69	-	-	-	234	1	-	152	-	-	14,209	1
ItaCapital S.r.l	-	-	-	-	-	-	-	5	-	-	-	-
KRUK Espana S.L.	-	127	-	-	-	-	-	102	-	-	-	-
Presco Investments S.a.r.l.	7,810	21	-	-	-	-	14,714	1,408	-	-	-	-
P.R.E.S.C.O INVESTMENT I NS FIZ	27	198	-	-	-	-	10	256	-	-	-	-
ProsperoCapital S.à r.l.	-	20	-	-	-	-	-	13	-	-	-	-
Corbul Capital S.r.l	-	-	-	-	-	-	-	-	-	-	-	-
Elleffe Capital S.r.l.	-	-	-	-	-	-	-	5	-	-	-	-
NSFIZ BISON	-	2,663	-	-	-	-	-	18	-	-	-	-
AgeCredit S.r.l.	7	52	-	-	-	-	-	20	-	-	-	-
Wonga.pl Sp. z o.o.	-	-	240,965	-	-	-	-	7	190,790	-	-	-
GANTOI, FURCULITA SI ASOCIATII-S.P.A.R.L.	2	-	-	-	-	-	-	-	-	-	-	-
Kruk Investimenti s.r.l.	-	-	-	-	-	-	-	-	-	-	-	-
	14,311	31,451	315,224	244	6,834	1	32,231	24,902	286,608	584	21,309	1

Revenue from mutual transactions for the period ended September 30th 2021 and September 30th 2020

PLN '000	Jan 1–Sep 30 2021 unaudited			Jan 1–Sep 30 2020 unaudited		
	Revenue from sale of materials and services	Revenue from credit management services	Interest	Revenue from sale of materials and services	Revenue from credit management services	Interest
SeCapital S.à. r.l	9	48	-	11	53	-
ERIF Business Solutions Sp. z o.o.	76	-	25	73	-	34
Novum Finance Sp. z o.o.	1,144	815	1,277	877	807	1,661
SeCapital Polska Sp. z o.o.	-	-	-	8	-	3
Kancelaria Prawna RAVEN P.Krupa Sp. k.	4,609	-	-	3,738	-	-
KRUK Romania S.r.l.	2,464	383	805	1,248	-	1,994
ERIF BIG S.A.	566	-	-	507	-	-
NSFIZ PROKURA	2,842	-	-	2,715	-	-
KRUK Česká a Slovenská republika s.r.o.	236	294	165	589	-	281
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	173	71,982	-	112	58,944	-
InvestCapital Ltd.	12,757	839	-	3,047	-	-
KRUK Deutschland GmbH	2	-	-	-	-	-
Rocapital IFN S.A.	-	-	130	-	-	162
KRUK Italia S.r.l	643	-	-	768	-	-
ItaCapital S.r.l	-	-	-	-	-	-
KRUK Espana S.L.	1,086	-	-	951	-	-
Presco Investments S.a.r.l.	9	1,358	-	9	1,270	-
P.R.E.S.C.O INVESTMENT I NS FIZ	-	-	-	-	-	-
ProsperoCapital S.à r.l.	9	-	-	9	-	-
Corbul Capital S.r.l	-	-	-	-	-	-
Elleffe Capital S.r.l.	-	-	-	-	-	-
NSFIZ BISON	-	-	-	-	-	-
AgeCredit S.r.l.	-	-	-	-	-	-
Wonga.pl Sp. z o.o.	-	5	11,474	6	54	11,878
GANTOI, FURCULITA SI ASOCIATII-S.P.A.R.L.	-	-	-	-	-	-
Kruk Investimenti s.r.l.	-	-	-	-	-	-
	26,626	75,725	13,876	14,667	61,128	16,013

Costs of mutual transactions for the period ended September 30th 2021 and September 30th 2020

PLN '000	Jan 1–Sep 30 2021 unaudited		Jan 1–Sep 30 2020 unaudited	
	Purchase of services	Interest	Purchase of services	Interest
Kancelaria Prawna RAVEN P.Krupa Sp. k.	995	-	1,095	-
KRUK Romania S.r.l.	4,755	-	3,604	-
ERIF BIG S.A.	107	126	178	172
SeCapital S.à. r.l	-	37	-	88
KRUK Česká a Slovenská republika s.r.o.	328	-	284	-
ERIF Business Solutions Sp. z o.o.	2	-	1	-
GANTOI, FURCULITA SI ASOCIATII-S.P.A.R.L.	19	-	-	-
KRUK Italia S.r.l	-	103	-	30
SeCapital S.à. r.l	-	37	-	-
	6,206	304	5,162	289

12. Seasonality or cyclicity of business

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

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

In the three months ended September 30th 2021, KRUK S.A. generated profit of PLN 169,692 thousand through its interests in subsidiaries (three months ended September 30th 2020: PLN 53,844 thousand).

In the three months ended September 30th 2021, collections from portfolios purchased by KRUK S.A. were PLN 10,547 thousand, having increased by 14% year on year and by 14% on the previous quarter.

As at September 30th 2021, the Company's investments in debt portfolios accounted for 0.80% of its assets. Equity accounted for 54% of the Company's financing sources. As at December 31st 2020, the respective percentages were 0.89% and 54.4%.

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

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

- Series AB1 bonds, with a nominal value of PLN 65,000 thousand, on March 24th 2021,
- Series AB2 bonds, with a nominal value of PLN 135,000 thousand, on May 19th 2021,
- Series Z1 bonds, with a nominal value of PLN 100,000 thousand, on June 8th 2021,
- Series AB3 bonds, with a nominal value of PLN 65,000 thousand, on June 29th 2021,
- Series AB4 bonds, with a nominal value of PLN 35,000 thousand, on September 30th 2021.

In the reporting period, the Company issued new bonds:

- on February 18th 2021 unsecured Series AK2 bonds were issued with a nominal value of PLN 20,000 thousand, bearing interest at a fixed rate of 4.20%, maturing on February 18th 2026,
- on June 10th 2021 unsecured Series AK3 bonds were issued with a nominal value of PLN 70,000 thousand, bearing interest at a fixed rate of 4.00%, maturing on June 10th 2026,
- on June 28th 2021 unsecured Series AL1 bonds were issued with a nominal value of PLN 330,000 thousand, bearing interest at a floating rate based on 3M WIBOR plus a margin of 3.70pp, maturing on June 28th 2027,
- on July 9th 2021 unsecured Series AK4 bonds were issued with a nominal value of PLN 65,000 thousand, bearing interest at a fixed rate of 4.00%, maturing on July 9th 2026.

On April 27th 2021, the Management Board of KRUK S.A. passed a resolution to establish the 8th Bond Issue Programme with a total nominal value of up to PLN 700,000 thousand, under which the Parent may issue public bonds. The Programme prospectus along with an application for its approval will be filed with the Polish Financial Supervision Authority.

Individual series of Bonds under the Programme will be issued during the 12 months from the prospectus approval by the Polish Financial Supervision Authority. The final terms of each Bond issue, particularly the rules for determining the interest rate and interest amount, may vary. The key terms of each Bond series will be provided in the prospectus and in the final terms of the relevant series.

On September 6th 2021, the Management Board of KRUK S.A. was notified of the approval on September 3rd 2021 by the Polish Financial Supervision Authority of the prospectus prepared in connection with the 8th Bond Issue Programme.

15. Dividends paid (or declared)

On March 17th 2021, the KRUK S.A. Management Board passed a resolution recommending that the Parent's Annual General Meeting approve dividend payment to the Parent's shareholders of PLN 8 per share. By a resolution of March 24th 2021, the Parent's Management Board recommended that the General Meeting allocate the Parent's net profit for 2020 of PLN 81,356 thousand in full to dividend payment of PLN 8.00 per share. The recommendation was endorsed by the Parent's Supervisory Board on March 25th 2021.

On May 5th 2021, the Parent's Management Board passed a resolution to amend the recommendation to the Parent's Annual General Meeting raising the dividend amount from PLN 8.00 to PLN 11.00 per share. The profit distribution would cover 18,740 shares. Excluded from the dividend payment would be 271 thousand treasury shares bought back by the Parent pursuant to Resolution No. 7/2020 of the Annual General Meeting of Kruk S.A. of August 31st 2020. On June 16th 2021, the Annual General Meeting of Kruk S.A. passed Resolution 7/2021 to approve the dividend payment as recommended by the Management Board.

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

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

Until the date of issue of this report, there were no movements in contingent liabilities or contingent assets, except for the expiry of guarantees on the stated dates.

Security created over KRUK S.A.'s assets as at September 30th 2021 is presented below:

Type	Beneficiary	Amount	Expiry date	Terms and conditions
Surety for Prokura NS FIZ's liabilities towards mBank under the credit facility granted to Prokura NS FIZ	mBank S.A.	PLN 210,000 thousand	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 162,397 thousand	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 162,397 thousand The amount relates to InvestCapital LTD and Kruk S.A.	By October 31st 2021	InvestCapital LTD's failure to repay its liabilities under treasury transactions made on the basis of Annex 3 of June 21st 2018 to the master agreement on the procedure for execution and settlement of treasury transactions
Guarantee issued by Santander Bank Polska S.A. for KRUK S.A.'s liabilities under the rental agreement	DEVCo Sp. z o.o.	EUR 291 thousand and PLN 197 thousand	By December 30th 2021	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 300,000 thousand	By December 20th 2029	Prokura NS FIZ's failure to pay amounts owed to the bank under the credit facility agreement

Surety for InvestCapital Ltd, Kruk Romania S. R. L., Kruk Espana S. L. U. and PROKURA NS FIZ's liabilities under the revolving multi-currency credit facility agreement of July 3rd 2017, as amended, between KRUK S.A., InvestCapital Ltd, Kruk Romania S. R. L., Kruk Espana S.L.U. and PROKURA NS FIZ (the Borrowers) and DNB Bank ASA, ING Bank Śląski S.A., Santander Bank Polska S.A. and PKO BP S.A.	DNB Bank ASA, ING Bank Śląski S.A., Santander Bank Polska S.A. and PKO BP S.A.	EUR 447,000 thousand	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 7,500 thousand	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 15,300 thousand	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.

Credit sureties or guarantees, security pledges

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

- on May 20th 2021, Supplementary Agreement No. 3 was executed whereby:
 - new availability end dates were set for:
 - the credit facility of up to PLN 175m – at December 20th 2025, and
 - the credit facility of up to PLN 25m – at December 20th 2026.
 - KRUK S.A. issued a surety for liabilities of the borrower Prokura NS FIZ under the agreement for up to PLN 240m and until December 20th 2029. In accordance with the agreement, Kruk S.A. (in connection with the surety provided) and Prokura NS FIZ made declarations on submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure for up to PLN 240m, which will expire on or before December 20th 2030.

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

As at September 30th 2021, the value of all debt portfolios pledged in favour of ING Bank Śląski S.A. totalled PLN 370,741 thousand.

On July 23rd 2021, in connection with the revolving credit facility agreement between KRUK S.A. and Santander Bank Polska S.A. dated April 8th 2011, Amendment 21 was executed, under which the amount of the credit limit granted was increased by PLN 35m. The existing credit limits are as follows:

- Credit facility – up to PLN 120m or its EUR equivalent, with the availability end date and final repayment date set for October 31st 2025,
- Additional credit facility – up to PLN 55m or its EUR equivalent, with the availability end date and final repayment date set for October 31st 2023.

Accordingly:

- on August 11th 2021, an amendment was executed to the agreement on registered pledge over investment certificates of November 20th 2017 between KRUK S.A. and Santander Bank Polska S.A. under which the maximum secured amount was increased to PLN 262.5m.
- on August 18th 2021, KRUK S.A. submitted a declaration of submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure, up to PLN 180m under the credit facility, until October 31st 2028, and up to PLN 82.5m under the additional credit facility, until October 31st 2016.

Following entry by Prokura NS FIZ and KRUK S.A. on September 21st 2021 into a non-revolving working capital facility agreement with Powszechna Kasa Oszczędności Bank Polski S.A., in order to secure the repayment of Prokura NS FIZ's liabilities under the agreement:

- On October 5th 2021, i.e. subsequent to the reporting date, Kruk S.A.:
 - entered into a surety agreement with Powszechna Kasa Oszczędności Bank Polski S.A. of Warsaw. Under the Surety Agreement, KRUK S.A. has provided a surety for any liabilities under the Facility Agreement towards the Bank existing at the time of providing the surety and such liabilities as may arise in the future, including, without

limitation, any interest and such litigation and enforcement costs and expenses as the Bank may incur in connection with the facility, thus becoming a joint and several debtor with respect to such liabilities. The surety has been issued for up to PLN 44.64, which is 150% of the amount of the outstanding debt under the credit facility, with the proviso that on each facility repayment date the amount of the surety shall be reduced by the amount of the actual repayment made. The surety will expire not later than on September 20th 2029;

- concluded with Powszechna Kasa Oszczędności Bank Polski S.A. of Warsaw an agreement for a financial pledge over a bank account held by KRUK S.A. with the Bank;
 - granted the Bank a power of attorney to exercise control over certain bank accounts held with the Bank.
- On October 5th 2021, i.e. subsequent to the reporting date, Prokura NS FIZ concluded with Powszechna Kasa Oszczędności Bank Polski S.A. of Warsaw an agreement for a financial pledge over a bank account held by Prokura NS FIZ with Polska Kasa Opieki Spółka Akcyjna and granted the Bank a power of attorney to exercise control over that account.
 - On October 8th 2021, i.e. subsequent to the reporting date, KRUK S.A. and Prokura NS FIZ made declarations on submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure for up to EUR 44.64m, which will expire on or before September 20th 2028.

17. 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 June 16th 2021, the Annual General Meeting of KRUK S.A. passed a resolution to cancel treasury shares bought back by the Company. The General Meeting resolved to voluntarily cancel 271 thousand book-entry ordinary bearer shares in the Company, with a par value of PLN 1.00 per share and the total par value of PLN 271 thousand, assigned ISIN code PLKRRK0000010 by the Central Securities Depository of Poland, which the Company had bought as part of a buy-back of shares for cancellation on the basis of Resolution No. 7/2020 of KRUK S.A.'s Annual General Meeting of August 31st 2020 concerning allocation of KRUK S.A.'s net profit, authorising the Management Board to buy back Company shares for cancellation, and creation of a capital reserve to finance the share buy-back, as well as the Management Board Resolution No. 187/2020 of October 13th 2020 concerning invitation to KRUK S.A. shareholders to tender shares. Following a resolution of the Annual General Meeting of KRUK S.A. of June 16th 2021 to cancel shares bought back by the Company, the Annual General Meeting of KRUK S.A. resolved to reduce the Company's share capital by PLN 271 thousand, i.e. from PLN 19,011 thousand to PLN 18,740 thousand, through voluntary cancellation of 271 thousand shares in KRUK S.A. with a par value of PLN 1 per share, having book-entry form and assigned ISIN code PLKRRK0000010, by way of amendments to the Company's Articles of Association. On October 1st 2021, i.e. subsequent to the reporting date, the competent registry court registered the reduction. By the decision of Krajowy Depozyt Papierów Wartościowych S.A in Warsaw on October 19th 2021, 271 thousand shares of Kruk S.A. has been withdrawn from the depository of securities.

Piotr Krupa

President of the Management Board

Urszula Okarma

Member of the Management Board

Piotr Kowalewski

Member of the Management Board

Adam Łodygowski

Member of the Management Board

Michał Zasepa

Member of the Management Board

Sylvia Bomba

Person keeping the accounting records

Hanna Stempień

Prepared by

Wrocław, November 2nd 2021