



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

Financial highlights

Financial highlights	PLN '000		EUR '000	
	Jan 1-Sep 30 2020 unaudited	Jan 1-Sep 30 2019 unaudited Restated	Jan 1-Sep 30 2020 unaudited	Jan 1-Sep 30 2019 unaudited Restated
For the period				
Revenue	94,845	128,314	21,352	29,781
Operating profit/(loss)	(45,846)	(45,247)	(10,321)	(10,502)
Profit/(loss) before tax	98,241	250,210	22,116	58,072
Net profit/(loss) for owners of the Parent	34,551	244,596	7,778	56,769
Net cash from operating activities	(3,275)	(23,788)	(737)	(5,521)
Cash recoveries	(26,935)	(31,450)	(6,064)	(7,299)
Net cash from investing activities	375,133	103,080	84,450	23,924
Net cash from financing activities	(367,892)	(80,631)	(82,820)	(18,714)
Net change in cash	3,966	(1,339)	893	(311)
Diluted earnings per share	1.79	12.66	0.40	2.94
Average number of shares ('000)	18,972	18,911	18,972	18,911
Earnings per share	1.82	12.93	0.41	3.00
As at	Sep 30 2020 unaudited	Dec 31 2019 Restated	Sep 30 2020 unaudited	Dec 31 2019 Restated
Total assets	3,765,341	3,883,104	831,789	911,848
Non-current liabilities	1,089,380	1,638,160	240,651	384,680
Current liabilities	610,125	286,518	134,781	67,281
Equity	2,065,837	1,958,426	456,357	459,886
Share capital	18,972	18,972	4,191	4,455
Book value per ordinary share	108.89	103.23	24.05	24.24

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 **4.4420**
for the comparative period **4.3086**

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 **4.5268**
at end of the comparative period **4.2585**



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

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I. Statement of financial position

As at Sep 30 2020

PLN '000

	Note	Sep 30 2020 unaudited	Dec 31 2019 Restated	Sep 30 2019 unaudited Restated	Jan 1 2019 Restated
Assets					
Cash and cash equivalents	8.14.	17,778	13,812	7,812	9,151
Trade receivables from related entities	8.13.	18,106	28,198	20,999	21,814
Trade receivables from other entities	8.13.	3,828	3,365	3,548	2,811
Investments	7.	322,020	346,330	327,592	149,667
Other receivables	8.13.	98,989	51,834	15,863	7,223
Derivatives	8.10.	-	3,799	32	1,450
Hedging instruments	8.9.	-	420	-	-
Inventories		28,079	30,294	30,831	27,260
Property, plant and equipment		39,943	34,944	32,463	16,169
Intangible assets		13,715	15,084	15,642	16,547
Equity-accounted investments in subsidiaries	8.11.	3,218,601	3,350,341	3,456,201	3,320,121
Other assets		4,282	4,683	4,293	4,173
Total assets		3,765,341	3,883,104	3,915,276	3,576,386
Equity and liabilities					
Liabilities					
Trade and other payables	8.15.	59,783	73,882	79,434	62,948
Derivatives	8.10.	21,045	-	6,901	-
Hedging instruments	8.9.	6,932	3,924	-	3,870
Employee benefit obligations and provisions	8.16.	20,686	21,323	20,076	19,199
Income tax payable		6,074	690	1,291	12,295
Borrowings, other debt securities and leases	8.8.	1,496,652	1,784,605	1,828,020	1,731,998
Deferred tax liability	8.7.	88,333	40,254	14,678	13,722
Total liabilities		1,699,504	1,924,678	1,950,400	1,844,032
Equity					
Share capital		18,972	18,972	18,931	18,887
Share premium		307,192	307,192	303,711	300,097
Hedging reserve		(17,441)	78	(8,840)	(3,869)
Translation reserve		62,582	(30,219)	21,189	(53,769)
Other capital reserves		197,210	104,582	103,633	94,924
Retained earnings		1,497,322	1,557,821	1,526,252	1,376,084
Total equity		2,065,837	1,958,426	1,964,876	1,732,354
Equity and liabilities		3,765,341	3,883,104	3,915,276	3,576,386

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
2020

PLN '000

	Note	Jan 1-Sep 30 2020 unaudited	Jul 1-Sep 30 2020 unaudited	Jan 1-Sep 30 2019 unaudited Restated	Jul 1-Sep 30 2019 unaudited Restated
Revenue	8.1.	94,845	34,822	128,314	48,700
<i>including interest income calculated using the effective interest rate method</i>		13,883	4,218	15,289	5,273
<i>including revaluation of debt portfolios</i>		1,174	897	10,455	2,925
Other income	8.2.	16,189	8,371	1,431	200
		111,034	43,193	129,745	48,900
Employee benefits expense	8.3.	(101,116)	(37,488)	(111,005)	(35,333)
Depreciation and amortisation		(13,586)	(4,432)	(14,208)	(4,728)
Services		(24,910)	(8,105)	(24,786)	(8,023)
Other expenses	8.4.	(17,268)	(5,824)	(24,994)	(8,976)
		(156,879)	(55,848)	(174,993)	(57,060)
Operating loss		(45,846)	(12,656)	(45,247)	(8,159)
Finance income	8.5.	16,050	4,541	6,295	(1,144)
Finance costs	8.6.	(75,515)	(20,414)	(65,285)	(28,168)
Net finance costs		(59,465)	(15,873)	(58,990)	(29,312)
Share of profit/(loss) of equity-accounted investees		203,552	145,075	354,447	117,285
Profit/(loss) before tax		98,241	116,547	250,210	79,814
Income tax	8.7.	(63,690)	(62,703)	(5,614)	(2,037)
Net profit/(loss) for period		34,551	53,844	244,596	77,777
Earnings/(loss) per share					
Basic (PLN)		1.82	2.84	12.93	4.11
Diluted (PLN)		1.79	2.80	12.66	4.03

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 2020

PLN '000

	Jan 1-Sep 30 2020 unaudited	Jul 1-Sep 30 2020 unaudited	Jan 1-Sep 30 2019 unaudited Restated	Jul 1-Sep 30 2019 unaudited Restated
Net profit/(loss) for period	34,551	53,844	244,596	77,777
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss				
Cash flow hedges	(17,519)	1,630	(4,971)	(9,666)
Exchange differences on translating foreign operations	92,801	19,828	74,958	63,894
Other comprehensive income for the period, net	75,282	21,458	69,987	54,228
Total comprehensive income for period	109,833	75,302	314,583	132,005

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 reporting period ended September 30th 2019

PLN '000

	Share capital	Share premium	Hedging reserve	Translation reserve	Other capital reserves	Retained earnings	Total equity
Total equity as at Jan 1 2019 (restated)	18,887	300,097	(3,869)	(53,769)	94,924	1,376,309	1,732,579
Comprehensive income for the period							
Net profit/(loss) for period	-	-	-	-	-	244,596	244,596
Exchange differences on translating foreign operations	-	-	-	74,958	-	-	74,958
Measurement of hedging instruments	-	-	(4,971)	-	-	-	(4,971)
Total comprehensive income for period	-	-	(4,971)	74,958	-	244,596	314,583
Contributions from and distributions to owners							
- Payment of dividends	-	-	-	-	-	(94,653)	(94,653)
- Share-based payments	-	-	-	-	8,709	-	8,709
- Issue of shares	44	3,614	-	-	-	-	3,658
Total contributions from and distributions to owners	44	3,614	-	-	8,709	(94,653)	(82,286)
Total equity as at Sep 30 2019, restated	18,931	303,711	(8,840)	21,189	103,633	1,526,252	1,964,876

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 2019

PLN '000

	Share capital	Share premium	Hedging reserve	Translation reserve	Other capital reserves	Retained earnings	Total equity
Total equity as at Jan 1 2019 (restated)	18,887	300,097	(3,869)	(53,769)	94,924	1,376,084	1,732,354
Comprehensive income for the period							
Net profit/(loss) for period	-	-	-	-	-	386,517	386,517
Exchange differences on translating foreign operations	-	-	-	23,550	-	(110,127)	(86,577)
Measurement of hedging instruments	-	-	3,947	-	-	-	3,947
Total comprehensive income for period	-	-	3,947	23,550	-	276,390	303,887
Contributions from and distributions to owners							
- Payment of dividends	-	-	-	-	-	(94,653)	(94,653)
- Share-based payments	-	-	-	-	9,658	-	9,658
- Issue of shares	85	7,095	-	-	-	-	7,180
Total contributions from and distributions to owners	85	7,095	-	-	9,658	(94,653)	(77,816)
Total equity as at Dec 31 2019 (restated)	18,972	307,192	78	(30,219)	104,582	1,557,821	1,958,426

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 September 30th 2020

PLN '000

	Share capital	Share premium	Hedging reserve	Exchange differences on translating foreign operations	Other capital reserves	Retained earnings	Total equity
Equity as at Jan 1 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	-	-	-	92,801	-	-	92,801
Measurement of hedging instruments	-	-	(17,519)	-	-	-	(17,519)
Total comprehensive income for period	-	-	(17,519)	92,801	-	34,551	109,833
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	18,972	307,192	(17,441)	62,582	197,210	1,497,322	2,065,837

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 2020

PLN '000

	Jan 1-Sep 30 2020 unaudited	Jul 1-Sep 30 2020 unaudited	Jan 1-Sep 30 2019 unaudited Restated	Jul 1-Sep 30 2019 unaudited Restated
Cash flows from operating activities				
Net profit/(loss) for period	34,551	53,844	244,596	77,777
<i>Adjustments</i>				
Depreciation of property, plant and equipment	9,529	3,090	9,174	3,011
Amortisation of intangible assets	4,056	1,341	4,017	1,304
Net finance income/costs	65,992	22,784	73,076	(33,263)
Share of profit/(loss) of equity-accounted investees	(203,552)	(145,075)	(354,447)	(117,285)
(Gain)/loss on sale of property, plant and equipment	(759)	(225)	6	51
Equity-settled share-based payments	(2,422)	1,238	8,709	2,379
Income tax	63,690	62,703	5,614	2,037
Change in investments	7,190	1,003	612	2,958
Change in inventories	2,215	2,929	(3,499)	(3,517)
Change in trade and other receivables	41,221	18,452	(8,562)	145,227
Change in prepayments and accrued income	401	(1,400)	(120)	(1,746)
Change in trade and other payables, excluding financial liabilities	(14,537)	(10,664)	16,486	1,420
Change in employee benefit obligations	(637)	(20)	877	(2,313)
Income tax paid	(10,213)	(3,265)	(20,325)	(4,562)
Net cash from operating activities	(3,275)	6,735	(23,788)	73,477
Cash flows from investing activities				
Interest received	36	9	71	26
Loans	(32,700)	(3,000)	(213,393)	(49,301)
Sale of intangible assets and property, plant and equipment	2,238	523	2,745	1,112
Dividends received	18,918	(4,510)	13,189	3,689
Disposal of financial assets	350,141	101,045	436,835	283,870
Purchase of intangible assets and property, plant and equipment	(5,424)	(1,816)	(9,546)	(2,552)
Acquisition of shares in subsidiaries	(20,764)	(4,404)	(155,241)	(107,730)
Repayments	62,688	18,677	28,420	8,527
Net cash from investing activities	375,133	106,524	103,080	137,640
Cash flows from financing activities				
Net proceeds from issue of shares	25,000	25,000	3,658	63
Redemption of debt securities	-	-	215,000	25,000
Increase in borrowings	202,419	(26,919)	664,730	170,622
Repayment of borrowings	(523,915)	(99,445)	(662,352)	(263,058)
Payments under finance lease contracts	(6,005)	(2,909)	(7,306)	(1,673)
Dividends paid	-	-	(94,653)	(94,653)
Redemption of debt securities	(13,360)	-	(136,388)	(86,388)
Interest paid	(52,031)	(11,329)	(63,320)	(17,656)
Net cash from financing activities	(367,892)	(115,601)	(80,631)	(267,743)
Total net cash flows	3,966	(2,342)	(1,339)	(56,626)
Cash and cash equivalents at beginning of period	13,812	20,119	9,151	64,437
Cash and cash equivalents at end of period	17,778	17,778	7,812	7,812

The separate statement of financial position 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. Grabiszyńska 269, 53-235 Wrocław, Poland

Date of registration: September 7th 2005

Registration number: KRS NO. 0000240829

Principal business activity

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

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

In the three months to September 30th 2020, there were changes in the composition of the Company's Management Board. Until July 31st 2020, the Management Board had consisted of:

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

On April 30th 2020, Ms Iwona Słomska - Member of the Management Board, Marketing, PR and Human Resources, resigned as Member of the Management Board with effect as of July 31st 2020. As a result, since August 1st 2020 the Parent's Management Board has consisted of four members.⁴

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

Piotr Krupa	President of the Management Board
Piotr Kowalewski	Member of the Management Board
Urszula Okarma	Member of the Management Board
Michał Zasępa	Member of the Management Board

As at September 30th 2020 and as at the date of authorisation of these financial statements for issue, the composition of the Company's Supervisory Board was as follows:

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

In the three months ended September 30th 2020 and by the issue date of this interim report, the composition of the Supervisory Board of KRUK S.A. did not change.

2. Reporting period

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

The financial data presented on a quarterly basis for the periods from July 1st to September 30th 2020 and from July 1st to September 30th 2019 was not subject to a separate review or audit by an auditor.

3. Statement of compliance

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

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

2019, the separate financial statements of KRUK S.A. and the consolidated financial statements of the Group prepared as at and for the financial year ended December 31st 2019.

These interim condensed financial statements were authorised for issue by the Company's Management Board (the "Management Board") on November 10th 2020.

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

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

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

4. Significant accounting policies

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

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

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

Amendments to current standards and interpretations

New standards, interpretations and amendments to published standards which were endorsed and published by the European Union and took effect as of/after January 1st 2020, applied by the Company in accordance with their effective periods:

Standards and interpretations endorsed by the EU	Type of expected change in accounting policies	Possible effect on the financial statements	Effective for the periods beginning on or after
Amendments to IAS 1 <i>Presentation of Financial Statements</i> and IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	The amendments align and clarify the definition of 'material' and set out guidelines intended to increase the consistency of application of this concept in international financial reporting standards.	The amendments have no significant effect on the interim condensed separate financial statements.	January 1st 2020
Amendments to IFRS 9 <i>Financial Instruments</i> , IAS 39 <i>Financial Instruments</i> and IFRS 7 <i>Financial Instruments: Disclosures</i>	<p>The amendments are mandatory and apply to all hedging relationships affected by uncertainty due to the reform of interest rate indices. The amendments introduce a temporary exemption from the application of certain hedge accounting requirements in such a way that the reform of interest rate indices does not result in hedge accounting. Key exemptions resulting from the Amendment relate to:</p> <ul style="list-style-type: none"> • requirement that flows are 'highly probable' • risk components • prospective evaluation • retrospective effectiveness test (for IAS 39) • reclassification of cash flow hedge reserve. <p>The amendments also require that entities disclose to investors additional information on hedging relationships that affect the above uncertainties.</p>	The amendments do not significantly affect the scope of information presented in the interim condensed separate financial statements.	January 1st 2020
Amendments to IFRS 3 <i>Business</i>	The amendments narrow and clarify the definition of a business,	The standard has no	January 1st 2020

Standards and interpretations endorsed by the EU	Type of expected change in accounting policies	Possible effect on the financial statements	Effective for the periods beginning on or after
<i>Combinations</i>	and also provide for a simplified evaluation of whether a set of assets and activities is an asset group rather than a business.	significant effect on the interim condensed separate financial statements.	
<i>Amendments to References to the Conceptual Framework in IFRS Standards</i>	The amendments were introduced after the <i>Conceptual Framework</i> had been renamed as the <i>Conceptual Framework for the Preparation and Presentation of Financial Statements</i> to replace references to the previous Framework, occurring in a number of standards and interpretations, with references to the amended Conceptual Framework.	The amendments have no significant effect on the interim condensed separate financial statements.	January 1st 2020

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

Standards and interpretations not yet endorsed by the EU	Type of expected change in accounting policies	Possible effect on the financial statements	Effective for the periods beginning on or after
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates)	<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.	January 1st 2016 <i>(The European Commission has decided to indefinitely postpone endorsement of these amendments)</i>
Amendments to IFRS 16 <i>Covid-19-Related Rent Concessions</i>	The amendments to IFRS 16 permit lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the Covid-19 pandemic and meeting relevant conditions are lease modifications and instead to account for those rent concessions as if they are not lease modifications.	The Company does not expect the amendments to have any significant effect on its separate financial statements.	June 1st 2020
Amendments to IAS 1 <i>Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current</i>	The amendments clarify that the classification of liabilities as current or non-current should be based solely on the entity's right that is in existence at the end of the reporting period to defer settlement of a given liability. The right to defer settlement of a liability by at least 12 months from the reporting date does not need to be unconditional, but must have substance. Such classification is not affected by the management's intentions or expectations	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 the periods beginning on or after
	about whether and when the entity will exercise its right. The amendments also provide clarifications as to events which are deemed settlement of a liability.		
Annual Improvements to IFRSs 2018 – 2020 Cycle	<p>The Annual Improvements to IFRSs include amendments to IFRS 1 <i>First-time Adoption of International Financial Standards</i>, IFRS 9 <i>Financial Instruments</i>, Illustrative Example to IFRS 16 <i>Leases</i>, and IAS 41 <i>Agriculture</i>.</p> <p>The amendment to IFRS 1 permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.</p> <p>The amendment to IFRS 9 clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.</p> <p>The amendment to IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives.</p> <p>The amendment to IAS 41 removes the requirement for entities to exclude taxation cash flows when measuring the fair value of a biological asset using the parent's technique. This is intended to ensure consistency with the requirements in IFRS 13 <i>Fair Value Measurement</i>.</p>	The Company is examining the impact of the amendments on its separate financial statements.	January 1st 2022
Amendments to IAS 16 <i>Property, Plant and Equipment – Proceeds before Intended Use</i>	The amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while preparing that asset for its intended use. Instead, the entity recognises the proceeds from selling such items, and the cost of producing	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 the periods beginning on or after
	those items, in profit or loss.		
Amendments to IAS 37 <i>Onerous Contracts – Cost of Fulfilling a Contract</i>	The amendments to IAS 37 clarify which costs to include in estimating the cost of fulfilling a contract for the purpose of assessing whether that contract is onerous.	The Company does not expect the amendments to have any significant effect on its separate financial statements.	January 1st 2022
Amendments to IFRS 3 <i>Reference to the Conceptual Framework</i>	The amendments to IFRS 3 replaced references to the Framework with references to the 2018 Conceptual Framework. The also add a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination. In addition, the standard adds an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.	The Company does not expect the amendments to have any significant effect on its separate financial statements.	January 1st 2022
Amendments to IFRS 4 <i>Extension of the Temporary Exemption from Applying IFRS 9</i>	The amendments to IFRS 4 grant a temporary exemption permitting an insurer to apply IAS 39 instead of IFRS 9 <i>Financial Instruments</i> . The extension maintains the alignment between the expiry date of the temporary exemption and the effective date of IFRS 17, which replaces IFRS 4.	The amendments will have no significant effect on the separate financial statements.	June 1st 2023
IFRS 17 <i>Insurance Contracts</i>	IFRS 17 replaces the transitional IFRS 4 <i>Insurance Contracts</i> introduced in 2004. IFRS 4 allowed entities to continue the recognition of insurance contracts in accordance with the local accounting policies based on national standards, which resulted in the application of many different solutions. IFRS 17 solves the comparability problem created by IFRS 4 by requiring consistent recognition of all insurance contracts, to the benefit of both investors and insurers. Contractual obligations will be recognised at present value rather than historical cost.	The Company does not expect the amendments to have any significant effect on its separate financial statements.	

Changes in accounting policies

Implementation of the equity accounting method for investments in subsidiaries

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

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

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

Change in accounting treatment due to reclassification

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

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

Effect of the change on statement of financial position**As at Sep 30 2020**

PLN '000	Note	Sep 30 2020 unaudited	Dec 31 2019 Restated	Implementa tion of the equity accounting method	Change of presentation	Dec 31 2019 Originally reported	Sep 30 2019 unaudited Restated	Implementa tion of the equity accounting method	Change of presentation	Sep 30 2019 unaudited Originally reported	Jan 1 2019 Restated	Implementa tion of the equity accounting method	Change of presentation	Dec 31 2018 Originally reported
Assets														
Cash and cash equivalents	8.14.	17,778	13,812	-	-	13,812	7,812	-	-	7,812	9,151	-	-	9,151
Trade receivables from related entities	8.13.	18,106	28,198	-	-	28,198	20,999	-	-	20,999	21,814	-	-	21,814
Trade receivables from other entities	8.13.	3,828	3,365	-	-	3,365	3,548	-	-	3,548	2,811	-	-	2,811
Investments	7.	322,020	346,330	(15,215)	-	361,544	327,592	-	-	327,592	149,667	-	-	149,667
Investment property	7.	-	-	-	(30,279)	30,279	-	-	(30,845)	30,845	-	-	(27,238)	27,238
Other receivables	8.13.	98,989	51,834	(2,763)	-	54,597	15,863	-	-	15,863	7,223	-	-	7,223
Derivatives	8.10.	-	3,799	-	-	3,799	32	-	-	32	1,450	-	-	1,450
Hedging instruments	8.9.	-	420	-	-	420	-	-	-	-	-	-	-	-
Inventories		28,079	30,294	-	30,279	15	30,831	-	30,845	(14)	27,260	-	27,238	22
Property, plant and equipment		39,943	34,944	-	-	34,944	32,463	-	-	32,463	16,169	-	-	16,169
Intangible assets		13,715	15,084	-	-	15,084	15,642	-	-	15,642	16,547	-	-	16,547
Deferred tax asset	8.7.	-	-	(3,877)	-	3,877	-	(4,160)	-	4,160	-	(453)	-	453
Equity-accounted investments in subsidiaries	8.11.	3,218,601	3,350,341	3,350,341	-	-	3,456,201	3,456,201	-	-	3,320,121	3,320,121	-	-
Investments in subsidiaries measured at cost		-	-	(2,212,258)	-	2,212,258	-	(1,899,001)	-	1,899,001	-	(2,143,481)	-	2,143,481
Other assets		4,282	4,683	-	-	4,683	4,293	-	-	4,293	4,173	-	-	4,173
Total assets		3,765,341	3,883,104	1,116,227	-	2,766,876	3,915,276	1,553,040	-	2,362,235	3,576,386	1,176,187	-	2,400,199

Equity and liabilities**Liabilities**

Trade and other payables	8.15.	59,783	73,882	-	-	73,882	79,434	-	-	79,434	62,948	-	-	62,948
Derivatives	8.10.	21,045	-	-	-	-	6,901	-	-	6,901	-	-	-	-
Hedging instruments	8.9.	6,932	3,924	-	-	3,924	-	-	-	-	3,870	-	-	3,870
Employee benefit obligations and provisions	8.16.	20,686	21,323	-	-	21,323	20,076	-	-	20,076	19,199	-	-	19,199
Income tax payable		6,074	690	-	-	690	1,291	-	-	1,291	12,295	-	-	12,295
Borrowings, other debt securities and leases	8.8.	1,496,652	1,784,605	-	-	1,784,605	1,828,020	-	-	1,828,020	1,731,998	-	-	1,731,998
Deferred tax liability	8.7.	88,333	40,254	40,254	-	-	14,678	14,678	-	-	13,722	13,722	-	-
Total liabilities		1,699,504	1,924,678	40,254	-	1,884,424	1,950,400	14,678	-	1,935,722	1,844,032	13,722	-	1,830,310
Equity														
Share capital		18,972	18,972	-	-	18,972	18,931	-	-	18,931	18,887	-	-	18,887
Share premium		307,192	307,192	-	-	307,192	303,711	-	-	303,711	300,097	-	-	300,097
Cash flow hedging reserve		(17,441)	78	-	-	78	(8,840)	-	-	(8,840)	(3,869)	-	-	(3,869)
Translation reserve		62,582	(30,219)	(30,219)	-	-	21,189	21,189	-	-	(53,769)	(53,769)	-	-
Other capital reserves		197,210	104,582	-	-	104,582	103,633	-	-	103,633	94,924	-	-	94,924
Retained earnings		1,497,322	1,557,821	1,106,193	-	451,629	1,526,252	1,517,173	-	9,079	1,376,084	1,216,234	-	159,850
Total equity		2,065,837	1,958,426	1,075,974	-	882,452	1,964,876	1,538,362	-	426,514	1,732,354	1,162,465	-	569,889
Equity and liabilities		3,765,341	3,883,104	1,116,227	-	2,766,876	3,915,276	1,553,040	-	2,362,235	3,576,386	1,176,187	-	2,400,199

Effect of the change on statement of profit or loss**For the reporting period January 1st – September 30th 2020**

PLN '000	Note	Jan 1-Sep 30 2020 unaudited	Jul 1-Sep 30 2020 unaudited	Jan 1-Sep 30 2019 unaudited Restated	Implementation of the equity accounting method	Jan 1-Sep 30 2019 unaudited Originally reported	Jul 1-Sep 30 2019 unaudited Restated	Implementation of the equity accounting method	Jul 1-Sep 30 2019 unaudited Originally reported
Revenue	8.1.	94,845	34,822	128,314	-	128,314	48,700	-	48,700
including interest income calculated using the effective interest rate method		13,883	4,218	15,289	-	15,289	5,273	-	5,273
including revaluation of debt portfolios		1,174	897	10,455		10,455	2,925		2,925
Other income	8.2.	16,189	8,371	1,431	-	1,431	200	-	200
		111,034	43,193	129,745	-	129,745	48,900	-	48,900
Employee benefits expense	8.3.	(101,116)	(37,488)	(111,005)	-	(111,005)	(35,333)	-	(35,333)
Depreciation and amortisation		(13,586)	(4,432)	(14,208)	-	(14,208)	(4,728)	-	(4,728)
Services		(24,910)	(8,105)	(24,786)	-	(24,786)	(8,023)	-	(8,023)
Other expenses	8.4.	(17,269)	(5,824)	(24,994)	-	(24,994)	(8,976)	-	(8,976)
		(156,879)	(55,848)	(174,993)	-	(174,993)	(57,060)		(57,060)
Operating loss		(45,846)	(12,656)	(45,247)	-	(45,247)	(8,159)	-	(8,159)
Finance income	8.5.	16,050	4,541	6,295	(134,136)	140,431	(1,144)	(53,610)	52,466
Finance costs	8.6.	(75,515)	(20,414)	(65,285)	80,402	(145,687)	(28,168)	-	(28,168)
Net finance costs		(59,465)	(15,873)	(58,990)	(53,734)	(5,256)	(29,312)	(53,610)	24,298
Share of profit/(loss) of equity-accounted investees	8.7.	203,552	145,075	354,447	354,447	-	117,285	117,285	-
Profit/(loss) before tax		98,241	116,547	250,210	300,713	(50,504)	79,814	63,675	16,139
Income tax		(63,690)	(62,703)	(5,614)	-	(5,614)	(2,037)	-	(2,037)
Net profit/(loss) for period		34,551	53,844	244,596	300,713	(56,117)	77,777	63,675	14,102
Earnings/(loss) per share									
Basic (PLN)		1.82	2.83	12.93		(2.97)	4.10		0.75
Diluted (PLN)		1.79	2.80	12.66		(2.91)	4.01		0.74

Effect of the change on statement of comprehensive income**For the reporting period January 1st – September 30th 2020**

PLN '000

	Jan 1-Sep 30 2020 unaudited	Jul 1-Sep 30 2020 unaudited	Jan 1-Sep 30 2019 unaudited Restated	Implementation of the equity accounting method	Jan 1-Sep 30 2019 unaudited Originally reported	Jul 1-Sep 30 2019 unaudited Restated	Implementation of the equity accounting method	Jul 1-Sep 30 2019 unaudited Originally reported
Net profit/(loss) for period	34,551	53,844	244,596	300,713	(56,117)	77,777	63,675	14,102
Other comprehensive income								
Items that may be reclassified subsequently to profit or loss								
Cash flow hedges	(17,519)	1,630	(4,971)	-	(4,971)	(9,666)	-	(9,666)
Exchange differences on translating foreign operations	92,801	19,828	74,958	-	74,958	63,894	-	63,894
Other comprehensive income for the period, net	75,282	21,458	69,987	-	69,987	54,228	-	54,228
Total comprehensive income for period	109,833	75,302	314,583	300,713	13,870	132,005	63,675	68,330

Effect of the change on statement of changes in equity

For the reporting period ended September 30th 2019

PLN '000

	Share capital	Share premium	Hedging reserve	Translation reserve	Other capital reserves	Retained earnings	Total equity
Total equity as at Jan 1 2019	18,887	300,097	(3,869)	-	94,924	159,850	569,889
Implementation of the equity accounting method	-	-	-	(53,769)	-	1,216,459	1,162,690
Total equity as at Jan 1 2019 after the change (restated)	18,887	300,097	(3,869)	(53,769)	94,924	1,376,309	1,732,579
Comprehensive income for the period							
Net profit/(loss) for period, originally reported	-	-	-	-	-	(56,117)	(56,117)
Implementation of the equity accounting method	-	-	-	-	-	300,713	300,713
Exchange differences on translating foreign operations	-	-	-	74,958	-	-	74,958
Measurement of hedging instruments	-	-	(4,971)	-	-	-	(4,971)
Total comprehensive income for period	-	-	(4,971)	74,958	-	244,596	314,583
Contributions from and distributions to owners							
- Payment of dividends	-	-	-	-	-	(94,653)	(94,653)
- Share-based payments	-	-	-	-	8,709	-	8,709
- Issue of shares	44	3,614	-	-	-	-	3,658
Total contributions from and distributions to owners	44	3,614	-	-	8,709	(94,653)	(82,286)
Total equity as at Sep 30 2019 after the change (restated)	18,931	303,711	(8,840)	21,189	103,633	1,526,252	1,964,876

For the reporting period ended December 31st 2019

PLN '000

	Share capital	Share premium	Hedging reserve	Translation reserve	Other capital reserves	Retained earnings	Total equity
Equity as at Jan 1 2019	18,887	300,097	(3,869)	-	94,924	159,850	569,889
Implementation of the equity accounting method	-	-	-	(53,769)	-	1,216,234	1,162,465
Total equity as at Jan 1 2019 after the change (restated)	18,887	300,097	(3,869)	(53,769)	94,924	1,376,084	1,732,354
Comprehensive income for the period							
Net profit/(loss) for period, originally reported	-	-	-	-	-	386,517	386,517
Implementation of the equity accounting method	-	-	-	-	-	(110,127)	(110,127)
Exchange differences on translating foreign operations	-	-	-	23,550	-	-	23,550
Measurement of hedging instruments	-	-	3,947	-	-	-	3,947
Total comprehensive income for period	-	-	3,947	23,550	-	276,390	303,887
Contributions from and distributions to owners							
- Payment of dividends	-	-	-	-	-	(94,653)	(94,653)
- Share-based payments	-	-	-	-	9,658	-	9,658
- Issue of shares	85	7,095	-	-	-	-	7,180
Total contributions from and distributions to owners	85	7,095	-	-	9,658	(94,653)	(77,816)
Total equity as at Dec 31 2019 after the change (restated)	18,972	307,192	78	(30,219)	104,582	1,557,821	1,958,426

For the reporting period ended September 30th 2020

PLN '000

Equity as at Jan 1 2020 (restated)**Comprehensive income for the period**

Net profit/(loss) for period

Exchange differences on translating foreign operations

Measurement of hedging instruments

Total comprehensive income for period**Contributions from and distributions to owners**

- Share-based payments

- Allocation of profit to capital reserve for buyback of shares

Total contributions from and distributions to owners**Total equity as at Sep 30 2020**

	Share capital	Share premium	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	-	-	-	92,801	-	-	92,801
Measurement of hedging instruments	-	-	(17,519)	-	-	-	(17,519)
Total comprehensive income for period	-	-	(17,519)	92,801	-	34,551	109,833
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	18,972	307,192	(17,441)	62,582	197,210	1,497,322	2,065,837

Effect of the change on statement of cash flows

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

PLN '000

	Jan 1-Sep 30 2020 unaudited	Jul 1-Sep 30 2020 unaudited	Jan 1-Sep 30 2019 unaudited Restated	Implementati on of the equity accounting method	Change of presentation	Jan 1-Sep 30 2019 unaudited Originally reported	Jul 1-Sep 30 2019 unaudited Restated	Implementati on of the equity accounting method	Change of presentation	Jul 1-Sep 30 2019 unaudited Originally reported
Cash flows from operating activities										
Net profit/(loss) for period	34,551	53,844	244,596	300,713	-	(56,117)	77,777	63,675		14,102
<i>Adjustments</i>										
Depreciation of property, plant and equipment	9,529	3,090	9,174	-	-	9,174	3,011	-	-	3,011
Amortisation of intangible assets	4,056	1,341	4,017	-	-	4,017	1,304	-	-	1,304
Net finance income/costs	65,992	22,784	73,076	53,734	-	19,342	(33,263)	53,610	-	(86,873)
Share of profit/(loss) of equity-accounted investees	(203,552)	(145,075)	(354,447)	(354,447)	-	-	(117,285)	(117,285)	-	-
(Gain)/loss on sale of property, plant and equipment	(759)	(225)	6	-	-	6	51	-	-	51
Equity-settled share-based payments	(2,422)	1,238	8,709	-	-	8,709	2,379	-	-	2,379
Income tax	63,690	62,703	5,614	-	-	5,614	2,037	-	-	2,037
Change in investments	7,190	1,003	612	-	3,535	(2,923)	2,958	-	3,543	(585)
Change in inventories	2,215	2,929	(3,499)	-	(3,535)	36	(3,517)	-	(3,543)	26
Change in trade and other receivables	41,221	18,452	(8,562)	-	-	(8,562)	145,227	-	-	145,227
Change in prepayments and accrued income	401	(1,400)	(120)	-	-	(120)	(1,746)	-	-	(1,746)
Change in trade and other payables, excluding financial liabilities	(14,537)	(10,664)	16,486	-	-	16,486	1,420	-	-	1,420
Change in employee benefit obligations	(637)	(20)	877	-	-	877	(2,313)	-	-	(2,313)
Income tax paid	(10,213)	(3,265)	(20,325)	-	-	(20,325)	(4,562)	-	-	(4,562)
Net cash from operating activities	(3,275)	6,735	(23,788)	-	-	(23,788)	73,477	-	-	73,477

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Cash flows from investing activities

Interest received	36	9	71	-	-	71	26	-	-	26
Loans	(32,700)	(3,000)	(213,393)	-	-	(213,393)	(49,301)	-	-	(49,301)
Sale of intangible assets and property, plant and equipment	2,238	523	2,745	-	-	2,745	1,112	-	-	1,112
Dividends received	18,918	(4,510)	13,189	-	-	13,189	3,689	-	-	3,689
Disposal of financial assets	350,141	101,045	436,835	-	-	436,835	283,870	-	-	283,870
Purchase of intangible assets and property, plant and equipment	(5,424)	(1,816)	(9,546)	-	-	(9,546)	(2,552)	-	-	(2,552)
Acquisition of shares in subsidiaries	(20,764)	(4,404)	(155,241)	-	-	(155,241)	(107,730)	-	-	(107,730)
Repayments	62,688	18,677	28,420	-	-	28,420	8,527	-	-	8,527
Net cash from investing activities	375,133	106,524	103,080	-	-	103,080	137,640	-	-	137,640
Cash flows from financing activities										
Net proceeds from issue of shares	25,000	25,000	3,658	-	-	3,658	63	-	-	63
Redemption of debt securities	-	-	215,000	-	-	215,000	25,000	-	-	25,000
Increase in borrowings	202,419	(26,919)	664,730	-	-	664,730	170,622	-	-	170,622
Repayment of borrowings	(523,915)	(99,445)	(662,352)	-	-	(662,352)	(263,058)	-	-	(263,058)
Payments under finance lease contracts	(6,005)	(2,909)	(7,306)	-	-	(7,306)	(1,673)	-	-	(1,673)
Dividends paid	-	-	(94,653)	-	-	(94,653)	(94,653)	-	-	(94,653)
Redemption of debt securities	(13,360)	-	(136,388)	-	-	(136,388)	(86,388)	-	-	(86,388)
Interest paid	(52,031)	(11,329)	(63,320)	-	-	(63,320)	(17,656)	-	-	(17,656)
Net cash from financing activities	(367,892)	(115,601)	(80,631)	-	-	(80,631)	(267,743)	-	-	(267,743)
Total net cash flows	3,966	(2,342)	(1,339)	-	-	(1,340)	(56,626)	-	-	(56,626)
Cash and cash equivalents at beginning of period	13,812	20,119	9,151	-	-	9,151	64,437	-	-	64,437
Cash and cash equivalents at end of period	17,778	17,778	7,812	-	-	7,812	7,812	-	-	7,812

Enhancing comparability

To better reflect the relevant economic substance, the Company changed the presentation of assets and liabilities in the separate statement of financial position by taking hedging instruments from the *Derivatives* item and disclosing them as a separate item. In the Management Board's opinion, the separate presentation of these line items will enhance the quality of data presented and its usefulness to readers. The data presented in the published separate financial statements for the year ended December 31st 2019 was restated to ensure comparability. The effect of the change on the statement of financial position is presented below.

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

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

5. Accounting estimates and judgements

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

The estimates and assumptions are reviewed by the Company on an ongoing basis, based on past experience and other factors, including expectations as to future events, which seem justified in given circumstances. In particular, the Company's estimates as at September 30th 2020 reflected the impact of Covid-19 on the Company's assets and liabilities. However, given a considerable degree of uncertainty regarding further economic developments, these estimates may be subject to change in the future. The uncertainty of the Company's estimates as at September 30th 2020 relates mainly to:

	Amount estimated		Note	Assumptions and estimate calculation
	Sep 30 2020 (PLN '000)	Dec 31 2019 (PLN '000) Restated		
Equity-accounted investments in subsidiaries	3,218,601	3,350,341	9.12.	<p>Equity-accounted investments in subsidiaries are subject to impairment testing. Investments in subsidiaries for which impairment indications were identified were tested for impairment.</p> <p>As part of the tests, the Company estimated the recoverable amount of the investments based on the value in use of the respective cash-generating units, using the discounted cash flow method.</p> <p>The valuation of investments in subsidiaries is based on a number of assumptions and estimates, in particular with respect to the amount of future cash flows and the adopted discount rate. The projected cash flows of subsidiaries</p>

Item	Amount estimated		Note	Assumptions and estimate calculation
	Sep 30 2020 (PLN '000)	Dec 31 2019 (PLN '000) Restated		
				<p>investing in debt portfolios or debt-related assets depend primarily ON the assumed expenditure on new portfolios and amount of recoveries. The correctness of the underlying assumptions involves a considerable risk given the significant uncertainty as to the effectiveness of debt collection activities in the future.</p> <p>The discount rate used to test investments in subsidiaries for impairment reflects the current market assessment of the asset risk for the debt collection industry.</p>
Investments in debt portfolios	29,760	36,949	7	<p>The value of purchased debt portfolios as at the valuation date is determined using an estimation model relying on expected discounted cash flows. 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. KRUUK S.A. prepares projections of collections from debt portfolios separately for individual markets. The projections account for, among other things, historical performance of the process of debt portfolio recovery, legal regulations currently in force and planned, type and nature of debt and security, and current collection strategy.</p>

Item	Amount estimated		Note	Assumptions and estimate calculation
	Sep 30 2020 (PLN '000)	Dec 31 2019 (PLN '000) Restated		
Deferred tax liability	(88,333)	(40,254)	8.7.	As the Company is able to control the timing of temporary differences with respect to investments in subsidiaries, it recognises deferred tax liabilities at amounts of income tax to be paid in the future (three years). The Company assesses the recoverability of deferred tax assets.
Lease liabilities and right-of-use assets	31,830	19,430	8.12.	<p>The application of IFRS 16 requires certain estimates and calculations to be made that affect the measurement of lease liabilities and right-of-use assets. These include:</p> <ul style="list-style-type: none"> • reviewing the lease contracts, • determining the lease term, • determining the marginal interest rates to be used to discount future cash flows, • identifying useful lives and determining amortisation rates for the right-of-use assets.

6. Other information

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

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

Investments measured at amortised cost

In the reporting period, the Company did not invest any amounts in debt portfolios, while the amount of collections from debtors was PLN 26,935 thousand (Q3 2019: PLN 31,450 thousand). Changes in the estimated value of debt portfolios are presented below.

PLN '000

	Sep 30 2020 unaudited	Dec 31 2019 Restated	Sep 30 2019 unaudited
Investments measured at amortised cost			
Investments in debt portfolios	29,760	36,949	38,116
Loans advanced to related entities	292,261	309,380	289,477
	<u>322,020</u>	<u>346,330</u>	<u>327,592</u>

PLN '000

	Sep 30 2020 unaudited	Dec 31 2019 Restated	Sep 30 2019 unaudited
Investments in debt portfolios			
Unsecured portfolios	29,393	36,545	37,395
Secured portfolios	366	405	720
	<u>29,760</u>	<u>36,949</u>	<u>38,116</u>

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

	Sep 30 2020 unaudited	Dec 31 2019	Sep 30 2019 unaudited
Discount rate			
- risk premium*	28.11% - 170.19%	23.65% - 170.19%	19.67% - 170.19%
Period for which collections have been estimated	Oct 2020-Dec 2030	January 2020 - December 2032	Oct 2020-Dec 2032
Undiscounted value of future recoveries	63,678	80,919	81,999

* Applicable to 99% of debt portfolios.

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

PLN '000

	Sep 30 2020 unaudited	Dec 31 2019	Sep 30 2019 unaudited
Period			
Up to 12 months	24,428	29,942	30,844
From 1 to 2 years	15,450	20,192	20,406
From 2 to 5 years	19,502	24,914	24,939
Over 5 years	4,298	5,872	5,810
	<u>63,678</u>	<u>80,919</u>	<u>81,999</u>

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

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

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

PLN '000

Value of purchased debt portfolios as at Jan 1 2019	38,800
Cash recoveries	(41,415)
Revenue from purchased debt portfolios (interest and revaluation)	39,565
Carrying amount of purchased debt portfolios as at Dec 31 2019	36,949
Value of purchased debt portfolios as at Jan 1 2019	38,800
Cash recoveries	(31,450)
Revenue from purchased debt portfolios (interest and revaluation)	30,766
Value of purchased debt portfolios as at Sep 30 2019	38,116
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
Revenue from purchased debt portfolios (interest and revaluation)	19,550
Value of purchased debt portfolios as at Sep 30 2020	29,760

Sensitivity analysis – revision of projections

PLN '000

	Profit or loss for the current period		Equity excluding profit or loss for current period	
	increase in collections by 100 bps	decrease in collections by 100 bps	increase in collections by 100 bps	decrease in collections by 100 bps
September 30th 2020				
Investments in debt portfolios	218	(218)		
Dec 31 2019				
Investments in debt portfolios	303	(303)	-	-

The 1% increase in all collections would result in an increase in the value of portfolios and thus in net profit/(loss) for the reporting period by PLN 218 thousand, while the 1% decrease in all collections would result in a decrease in the value of portfolios, thus reducing net profit/(loss) by PLN 218 thousand for the data as at September 30th 2020 (a PLN 303 thousand increase/decrease, respectively, for the data as at December 31st 2019).

Sensitivity analysis – time horizon

PLN '000

	Profit or loss for the current period		Equity excluding profit or loss for current period	
	extension by one year	reduction by one year	extension by one year	reduction by one year
September 30th 2020				
Investments in debt portfolios	-	(1)	-	-
Dec 31 2019				
Investments in debt portfolios	5	(154)	-	-

The sensitivity analysis assumes extension or shortening of the projection period and a simultaneous increase or decrease in collections projections (for one-year extension projected collections increased by PLN 0.2 thousand, while for one-year shortening projected collections decreased by PLN 0.8 thousand; 2019: PLN 5 thousand and PLN 154 thousand, respectively).

Inventories (including property)

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

PLN '000

	Sep 30 2020 unaudited	Dec 31 2019	Sep 30 2019 unaudited
Real property	28,070	30,279	30,845
Other inventories	10	15	(14)
	28,079	30,294	30,831

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

PLN '000

Carrying amount of property held as at Jan 1 2019 (after reclassification of property)	27,238
Carrying amount of foreclosed property	21,397
Proceeds from sale of property	(17,957)
Income from sale of property	(398)
Carrying amount of property held as at Dec 31 2019 (after reclassification of property)	30,279
 Carrying amount of property held as at Jan 1 2019 (after reclassification of property)	 27,238
Carrying amount of foreclosed property	20,668
Proceeds from sale of property	(16,731)
Income from sale of property	(330)
Carrying amount of property held as at Sep 30 2019 (after reclassification of property)	30,845
 Carrying amount of property held as at Jan 1 2020	 30,279
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	30,319

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

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

8.1. Revenue

PLN '000

	Jan 1-Sep 30 2020 unaudited	Jul 1-Sep 30 2020 unaudited	Jan 1-Sep 30 2019 unaudited	Jul 1-Sep 30 2019 unaudited
Revenue from credit management services	62,705	23,158	80,134	26,981
Revenue from purchased debt portfolios	19,550	7,495	30,767	9,391
Revenue from other services	15,321	6,192	22,590	14,151
Revenue from sale of merchandise and materials	226	90	474	132
Gain/(loss) on sale/revaluation of property	(2,957)	(2,114)	(5,652)	(1,954)
	94,845	34,822	128,314	48,700

Revenue from purchased debt portfolios

PLN '000

	Jan 1-Sep 30 2020 unaudited	Jul 1-Sep 30 2020 unaudited	Jan 1-Sep 30 2019 unaudited	Jul 1-Sep 30 2019 unaudited
Interest income	13,883	4,218	15,289	5,273
Other income from purchased debt portfolios (*)	4,237	2,125	4,832	1,193
Revaluation of debt portfolios	1,174	897	10,455	2,925
Foreclosure of property	256	256	272	-
Sale of property	-	-	195	-
Carrying amount of property sold	-	-	(275)	-
	19,550	7,495	30,767	9,391

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

Revaluation of debt portfolios

PLN '000

	Jan 1-Sep 30 2020 unaudited	Jul 1-Sep 30 2020 unaudited	Jan 1-Sep 30 2019 unaudited	Jul 1-Sep 30 2019 unaudited
Foreign exchange gains/(losses)	1,110	162	(20)	704
Revision of repayment projections	64	735	10,475	2,221
	1,174	897	10,455	2,925

8.2. Other income

PLN '000

	Jan 1-Sep 30 2020 unaudited	Jul 1-Sep 30 2020 unaudited	Jan 1-Sep 30 2019 unaudited	Jul 1-Sep 30 2019 unaudited
Grants ¹	8,469	2,497	-	-
Adjustment to the management stock option valuation model ²	5,538	5,538	-	-
Settlement of lease payments under terminated contracts	1,050	-	-	-
Gain/(loss) on sale of property, plant and equipment	759	225	-	(45)
Compensation for motor damage	290	95	504	270
Other	76	11	117	(25)
Receivables written off	6	6	798	-
Reversal of impairment losses on receivables	-	-	12	-
	16,189	8,371	1,431	200

¹ In the reporting period, Kruk S.A. received grants from the Labour Office paid out of the Guaranteed Employee Benefits Fund under the employment protection agreement to subsidise the remuneration of employees affected by economic downtime or reduced working hours as a result of the COVID-19 epidemic. In accordance with IAS 2 Accounting for Government Grants and Disclosure of Government Assistance, the Company applies the income approach, recognising grants as a separate item of other income when there is reasonable assurance that the condition for obtaining a grant will be fulfilled and the grant will be received.

² Other income reflects an adjustment of PLN 5,538 thousand for inclusion of dividends paid in the management stock option valuation model. The adjustment amount, considered immaterial, affected profit for the current period.

8.3. Employee benefits expense

PLN '000

	Jan 1-Sep 30 2020 unaudited	Jul 1-Sep 30 2020 unaudited	Jan 1-Sep 30 2019 unaudited	Jul 1-Sep 30 2019 unaudited
Salaries and wages	(79,854)	(25,340)	(82,172)	(26,288)
Old-age and disability pension contributions (defined contribution plans)	(12,379)	(3,928)	(8,662)	-
Other social security contributions	(4,915)	(1,156)	(10,580)	(6,374)
Equity-settled cost of stock option plan	(3,116)	(6,776)	(8,709)	(2,379)
Contribution to the State Fund for the Disabled	(851)	(288)	(883)	(294)
	(101,116)	(37,488)	(111,005)	(35,333)

8.4. Other expenses

PLN '000

	Jan 1-Sep 30 2020 unaudited	Jul 1-Sep 30 2020 unaudited	Jan 1-Sep 30 2019 unaudited	Jul 1-Sep 30 2019 unaudited
Taxes and charges	(8,656)	(3,120)	(9,559)	(3,472)
Raw materials and consumables used	(2,666)	(1,114)	(4,401)	(1,427)
Other	(1,419)	(270)	(1,189)	(340)
Motor insurance	(810)	(216)	(674)	(222)
Staff training	(528)	(81)	(1,667)	(270)
Re-billed costs of services	(607)	(292)	(2,081)	(1,450)
Court fees	(501)	(173)	(340)	(121)
Non-competition	(325)	(15)	(223)	(71)
Advertising	(492)	(244)	(1,265)	(540)
Business trips	(268)	(34)	(1,310)	(409)
Losses caused by motor damage	(311)	(102)	(587)	(245)
Refund of litigation costs	(177)	(29)	(556)	(202)
VAT on rental payments (leases and rents)	(140)	(29)	-	-
Property insurance	(167)	(55)	(190)	(114)
Membership fees	(113)	(38)	-	-
Entertainment expenses	(49)	(10)	(556)	(93)
Impairment losses on receivables	(27)	-	-	-
Donations	(12)	-	-	-
Accumulated amortisation of receivables	-	-	(7)	-
Other consultancy services	-	-	(390)	-
	(17,268)	(5,824)	(24,994)	(8,976)

8.5. Finance income

PLN '000

	Jan 1-Sep 30 2020 unaudited	Jul 1-Sep 30 2020 unaudited	Jan 1-Sep 30 2019 unaudited Restated	Jul 1-Sep 30 2019 unaudited Restated
Interest income on loans advanced and receivables	16,023	4,634	6,224	2,858
Gain/(loss) on settlement of discount	-	(93)	-	-
Interest income on bank deposits	27	-	71	27
Net foreign exchange losses	-	-	-	(4,029)
	16,050	4,541	6,295	(1,144)

8.6. Finance costs

PLN '000

	Jan 1-Sep 30 2020 unaudited	Jul 1-Sep 30 2020 unaudited	Jan 1-Sep 30 2019 unaudited Restated	Jul 1-Sep 30 2019 unaudited Restated
Interest and commission expense on financial liabilities measured at amortised cost	(52,552)	(14,431)	(60,741)	(20,746)
<i>including interest</i>	(49,072)	(13,358)	(58,279)	(20,105)
Net foreign exchange losses	(11,273)	(2,419)	(2,337)	(2,337)
Ineffective portion of remeasurement of instruments – CIRS	(9,545)	(2,180)	-	(1,941)
Interest income/expense on instruments – IRS	(2,144)	(1,384)	(2,207)	(3,145)
	(75,515)	(20,414)	(65,285)	(28,168)

Effect of exchange rate movements on statement of profit or loss

PLN '000

Note

		Jan 1-Sep 30 2020 unaudited	Jul 1-Sep 30 2020 unaudited	Jan 1-Sep 30 2019 unaudited	Jul 1-Sep 30 2019 unaudited
Unrealised exchange gains/(losses)	8.6.	(7,713)	(4,070)	(717)	(6,536)
Realised exchange gains/(losses)	8.6.	(3,561)	1,851	(1,621)	171
Revaluation of debt portfolios due to exchange rate movements	8.1.	1,110	162	(20)	704
		(10,163)	(2,057)	(2,357)	(5,662)

8.7. Income tax

PLN '000

	Jan 1-Sep 30 2020 unaudited	Jan 1-Sep 30 2019 unaudited Restated
Income tax (current portion recognised in profit or loss)		
Income tax	(15,611)	(9,321)
Income tax (deferred portion recognised in profit or loss)		
Temporary differences/reversal of temporary differences	(48,079)	3,707
Income tax recognised in profit or loss	(63,690)	(5,614)
Income tax (deferred portion recognised in other comprehensive income)		
Temporary differences/reversal of temporary differences	-	-
Income tax recognised in other comprehensive income	-	-
	(63,690)	(5,614)

Reconciliation of effective tax rate

PLN '000

	Jan 1-Sep 30 2020 unaudited	Jan 1-Sep 30 2019 unaudited Restated
Profit/(loss) before tax	98,241	250,210
Income tax recognised in profit or loss	(63,690)	(5,614)
Profit/(loss) before tax for the period (at 19% tax rate)	98,241	250,210
Tax calculated at the tax rate applicable in Poland (19%)	(18,666)	(47,540)
Effect of non-deductible expenses and changes in deferred tax ¹	(45,024)	41,926
	(63,690)	(5,614)
Effective tax rate	64.83%	2.24%

¹ including PLN 58,936 thousand of the established provision for deferred tax resulting from the changes in assumed payments of income in the next 36 months from subsidiaries to KRUK S.A. what accounts for 90% of the impact on the effective tax rate for the period 1st January 2020 - 30th September.

Tax risk

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

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

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

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

Deferred tax assets and liabilities

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

PLN '000

	Assets		Provisions		Net carrying amount	
	Sep 30 2020 unaudited	Dec 31 2019 Restated	Sep 30 2020 unaudited	Dec 31 2019 Restated	Sep 30 2020 unaudited	Dec 31 2019 Restated
Property, plant and equipment	5,936	4,513	(5,980)	(4,775)	(44)	(263)
Intangible assets	-	-	(1,721)	(2,263)	(1,721)	(2,263)
Trade and other receivables	-	-	(204)	(243)	(204)	(243)
Borrowings and other debt instruments	21,016	18,496	-	-	21,016	18,496
Employee benefit obligations	2,013	2,342	-	-	2,013	2,342
Provisions and liabilities	15	112	-	-	15	112
Investments in debt portfolios	-	-	(5,952)	(7,108)	(5,952)	(7,108)
Investments in subsidiaries	23,259	-	(126,716)	(51,328)	(103,457)	(51,328)
Deferred tax assets/liabilities	52,239	25,463	(140,572)	(65,717)	(88,333)	(40,254)
Deferred tax assets offset against liabilities	(52,239)	(25,463)	52,239	25,463	-	-
Deferred tax assets/liabilities in the statement of financial position	-	-	-	-	(88,333)	(40,254)

Change in temporary differences in the period

PLN '000

	As at Jan 1 2019 Restated	Change in temporary differences recognised in profit or loss for current period	As at Dec 31 2019 Restated	As at Jan 1 2020	Change in temporary differences recognised in profit or loss for current period	As at Sep 30 2020 unaudited
Property, plant and equipment	(253)	(10)	(263)	(263)	219	(44)
Intangible assets	(2,627)	364	(2,263)	(2,263)	542	(1,721)
Trade and other receivables	(142)	(101)	(243)	(243)	39	(204)
Borrowings and other debt instruments	10,684	7,812	18,496	18,496	2,520	21,016
Employee benefit obligations	2,001	341	2,342	2,342	(329)	2,013
Provisions and liabilities	2,265	(2,153)	112	112	(97)	15
Investments in debt portfolios	(6,282)	(826)	(7,108)	(7,108)	1,156	(5,952)
Investments in subsidiaries	(19,367)	(31,960)	(51,327)	(51,327)	(52,129)	(103,457)
	(13,722)	(26,533)	(40,254)	(40,254)	(48,078)	(88,333)

The Group benefits from the regulation provided in IAS 12 and does not recognise a deferred tax liability in respect of retained earnings at its related entities where it is able to control the timing of the reversal of temporary differences in the foreseeable future and it is probable that the temporary differences will not reverse in the next 36 months. The total amount of temporary differences underlying the unrecognised deferred tax liability on retained earnings as at September 30th 2020 was PLN 1,347,516 thousand (as at December 31st 2019: PLN 250,455 thousand).

8.8. Borrowings, other debt securities and leases

PLN '000

	Sep 30 2020 unaudited	Dec 31 2019	Sep 30 2019 unaudited
Non-current liabilities			
Secured borrowings	46,852	314,231	301,991
Liabilities under debt securities (unsecured)	905,661	1,267,601	1,346,252
Lease liabilities	20,558	12,151	12,190
	<u>973,071</u>	<u>1,593,983</u>	<u>1,660,433</u>
Current liabilities			
Current portion of secured borrowings	34,811	85,486	65,560
Liabilities under debt securities (unsecured)	477,318	93,575	92,647
Current portion of lease liabilities	11,452	11,562	9,380
	<u>523,582</u>	<u>190,623</u>	<u>167,587</u>
	<u>1,496,652</u>	<u>1,784,605</u>	<u>1,828,020</u>

Liabilities repayment schedule

PLN '000	Currency	Nominal interest rate	Maturity ¹	Sep 30 2020 unaudited	Dec 31 2019	Sep 30 2019 unaudited
Borrowings secured with the Company's assets	EUR/PLN	1M WIBOR + margin of 1.0-2pp 3M WIBOR + margin of 2pp 1M EURIBOR + margin of 2.2-2.4pp 3M EURIBOR + margin of 2.4pp	2024	81,664	399,717	367,551
Liabilities under debt securities, (unsecured)	PLN EUR	3M WIBOR + 2.9-4.0pp 3.59%-4.80%	2025	1,382,979	1,361,175	1,438,899
Lease liabilities	PLN	3M WIBOR or 1M EURIBOR + margin of 1.5-3.4pp;	2023	32,010	23,713	21,570
				<u>1,496,652</u>	<u>1,784,605</u>	<u>1,828,020</u>

¹ Maturity of the last liability

8.9. Hedging instruments

Derivatives designated for hedge accounting

Interest rate risk hedges

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

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

The interest rate risk management policy covers:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Currency risk hedges

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

The currency risk management policy outlines:

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

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

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

As at September 30th 2020, the Company did not carry any unsettled forward contracts.

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

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

Amounts related to items designated as hedging instruments

PLN '000

	Sep 30 2020 unaudited				Dec 31 2019				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		
Instrument type:										
IRS		11,596	PLN 275,000	6,291	-	3,924	PLN 275,000	3,924	Derivatives	Cash flow hedges
IRS		9,448	PLN 255,000	12,790	420	-	PLN 255,000	420	Derivatives	Cash flow hedges
		21,045		19,081	420	3,924		4,344		

PLN '000

	Notional amount as at Sep 30 2020 unaudited				
	Less than 6 months	6–12 months	1–2 years	2–5 years	Over 5 years
Instrument type:					
IRS					
fixed payment PLN sale	-	-	(200,000)	(330,000)	-
floating payment PLN	-	-	200,000	330,000	-

PLN '000

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

PLN '000

Disclosure of the hedged item as at Sep 30 2020				
	Nominal amount of the hedged item	Change in the fair value of the hedged item	Reserve for measurement of continuing hedges	Reserve (unsettled) for measurement of discontinued hedges
Cash flow hedges	330,000	21,045	(21,045)	-
Cash flow hedges	-	-	-	3,603

PLN '000

Disclosure of the hedged item as at Dec 31 2019

	Nominal amount of the hedged item	Change in the fair value of the hedged item	Reserve for measurement of continuing hedges	Reserve (unsettled) for measurement of discontinued hedges
Cash flow hedges	530,000	3,525	(3,525)	-
Cash flow hedges	-	4,477	-	3,603

PLN '000

Jan 1-Sep 30 2020
unaudited

	Hedge of future cash flows (interest rate risk)	Hedge of future cash flows (currency risk)	Total hedge reserve
Cash flow hedge reserve			
Hedge reserve as at January 1st 2020	(3,525)	3,603	78
Measurement of instruments charged to capital reserves	(16,303)	-	(16,303)
Amount reclassified to profit or loss during the period	(1,217)	-	(1,217)
- Interest income	(1,217)	-	(1,217)
- Reclassification of exchange differences	-	-	-
Hedge reserve as at September 30th 2020	(21,045)	3,603	(17,442)

8.10. Derivatives

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

In 2017, the Company entered into two foreign currency interest rate swaps (CIRS) to pay a coupon based on a fixed EUR interest rate and to receive a coupon based on a variable PLN interest rate.

The contracts hedge both currency risk and interest rate risk as they effectively change the debt contracted in the złoty with euro-denominated liabilities:

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

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

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

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

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

8.11. Investment in subsidiaries

PLN '000

	Sep 30 2020 unaudited	Dec 31 2019 unaudited Restated	Sep 30 2019 unaudited Restated
Net value of shares in equity-accounted subsidiaries	3,218,601	3,350,341	3,456,201

8.12. Right of use

PLN '000

	Sep 30 2020 unaudited	Dec 31 2019
Carrying amount of right-of-use assets at end of the reporting period, by class of underlying asset, as at January 1st 2020		
Buildings and structures	15,768	16,748
Plant and equipment	251	418
Vehicles	9,553	8,681
	<u>25,571</u>	<u>25,847</u>
Cost of amortisation of right-of-use assets, by class of underlying asset		
Buildings and structures	(4,225)	(5,590)
Plant and equipment	(125)	(167)
Vehicles	(1,749)	(3,778)
	<u>(6,099)</u>	<u>(9,535)</u>
Increase in right-of-use assets	13,343	8,995
Decrease in right-of-use assets	(984)	(171)
Carrying amount of right-of-use assets at end of the reporting period, by class of underlying asset, as at September 30th 2020		
Buildings and structures	24,401	15,333
Plant and equipment	125	251
Vehicles	7,304	9,553
	<u>31,830</u>	<u>25,136</u>
Interest expense relating to lease liabilities	648	628
Cost relating to variable lease payments not included in the measurement of lease liabilities	9	33
Total cash outflow in connection with leases	6,109	9,434

8.13. Trade and other receivables

PLN '000

	Sep 30 2020 unaudited	Dec 31 2019	Sep 30 2019 unaudited
Trade receivables from related entities	18,106	28,198	20,999
Trade receivables from other entities	3,828	3,365	3,548
	<u>21,934</u>	<u>31,563</u>	<u>24,547</u>

PLN '000

	Sep 30 2020 unaudited	Dec 31 2019 Restated	Sep 30 2019 unaudited
Other receivables from related entities	95,177	46,802	9,007
Other receivables from other entities	3,812	5,032	6,856
	<u>98,989</u>	<u>51,834</u>	<u>15,863</u>

8.14. Cash and cash equivalents

PLN '000

	Sep 30 2020 unaudited	Dec 31 2019	Sep 30 2019 unaudited
Cash in hand	94	24	65
Cash in current accounts	17,685	13,789	7,747
	<u>17,778</u>	<u>13,812</u>	<u>7,812</u>

8.15. Trade and other payables

PLN '000

	Sep 30 2020 unaudited	Dec 31 2019	Sep 30 2019 unaudited
Trade and other payables to related entities	26,559	42,988	39,533
Trade payables to other entities	12,969	13,469	22,759
Deferred income	16,046	12,120	12,421
Taxes, customs duties, insurance and other benefits payable	601	1,234	1,007
Accrued expenses	313	1,380	389
Other liabilities	3,295	2,690	3,325
	<u>59,783</u>	<u>73,882</u>	<u>79,434</u>

8.16. Employee benefit obligations and provisions

PLN '000

	Sep 30 2020 unaudited	Dec 31 2019	Sep 30 2019 unaudited
Salaries and wages payable	6,516	6,868	6,848
Social benefit obligations	6,218	6,391	6,306
Personal income tax	1,850	1,800	1,869
Liabilities under employee savings plans	246	-	-
Accrued holidays	5,134	5,421	4,309
Accrued salaries and wages (bonuses)	-	-	250
Accrued retirement gratuity payments	628	628	425
Accrued gratuity payments	-	109	-
Special accounts	93	106	68
	20,686	21,323	20,076

8.17. Earnings per share

Basic earnings per share

As at September 30th 2020, basic earnings per share were calculated based on net profit/loss attributable to owners of the Company (holding ordinary shares) of PLN 34,551 thousand (September 30th 2019: PLN 244,596 thousand) and the weighted average number of shares in the period covered by the financial statements of 18,972 thousand (September 30th 2019: 18,911 thousand). The amounts were determined as follows:

Separate net profit attributable to owners of the Company

PLN '000

	Jan 1-Sep 30 2020 unaudited	Jan 1-Dec 31 2019 Restated	Jan 1-Sep 30 2019 unaudited Restated
Net profit for period	34,551	276,390	244,596
Net profit attributable to owners of the Company	34,551	276,390	244,596

Weighted average number of ordinary shares

PLN'000

	Jan 1-Sep 30 2020 unaudited	Jan 1-Dec 31 2019 Restated	Jan 1-Sep 30 2019 unaudited Restated
Number of ordinary shares as at Jan 1	18,972	18,887	18,887
Effect of cancellation and issue	-	29	24
Weighted average number of ordinary shares at end of reporting period	18,972	18,916	18,911
PLN			
Earnings per share	1.82	14.61	12.93

Diluted separate earnings per share

As at September 30th 2020, diluted earnings per share were calculated based on net profit/loss attributable to owners of the Company (holding ordinary shares) of PLN 34,551 thousand (September 30th 2019: PLN 244,596 thousand) and the diluted weighted average number of shares in the period covered by the financial statements of 19,263 thousand (September 30th 2019: 19,317 thousand). The amounts were determined as follows:

<i>'000</i>	Jan 1-Sep 30 2020 unaudited	Jan 1-Dec 31 2019 Restated	Jan 1-Sep 30 2019 unaudited Restated
Number of ordinary shares as at Jan 1	18,972	18,916	18,911
Effect of issue of unregistered shares not subscribed for	291	410	406
Weighted average number of ordinary shares at end of reporting period (diluted)	19,263	19,326	19,317
<i>PLN</i>			
Earnings per share (diluted)	1.79	14.30	12.66

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

As at Sep 30 2020

PLN '000

	Sep 30 2020 unaudited	Dec 31 2019 Restated	Sep 30 2019 unaudited Restated	Jan 1 2019 Restated
Assets				
Non-current assets				
Property, plant and equipment	39,943	34,944	32,463	16,169
Intangible assets	13,715	15,084	15,642	16,547
Derivatives	-	3,799	32	1,450
Hedging instruments	-	420	-	-
Equity-accounted investments in subsidiaries	3,218,601	3,350,341	3,456,201	3,320,121
Investments in loans	295,763	295,383	1,000	-
Total non-current assets	3,568,022	3,699,971	3,505,338	3,354,287
Current assets				
Inventories	28,079	30,294	30,831	25,011
Investments in debt portfolios and loans	26,257	50,946	326,592	149,667
Trade receivables from related entities	18,106	28,198	20,999	21,814
Trade receivables from other entities	3,828	3,365	3,548	2,811
Other receivables	98,989	51,834	15,863	7,223
Cash and cash equivalents	17,778	13,812	7,812	9,151
Other assets	4,282	4,683	4,293	4,173
Total current assets	197,319	183,132	409,938	219,850
Total assets	3,765,341	3,883,104	3,915,276	3,574,137
Equity and liabilities				
Equity				
Share capital	18,972	18,972	18,931	18,887
Share premium	307,192	307,192	303,711	300,097
Hedging reserve	(17,441)	78	(8,840)	(3,869)
Translation reserve	62,582	(30,219)	21,189	(53,769)
Other capital reserves	197,210	104,582	103,633	94,924
Retained earnings	1,497,322	1,557,821	1,526,252	1,373,836
Total equity	2,065,837	1,958,426	1,964,876	1,730,105
Non-current liabilities				
Deferred tax liability	88,333	40,254	14,678	13,722
Derivatives	21,045	3,924	6,901	-
Hedging instruments	6,932	-	-	3,870
Total non-current liabilities	1,089,380	1,638,160	1,682,012	1,476,328
Current liabilities				
Borrowings, other debt securities and leases	523,582	190,623	167,587	273,262
Trade and other payables	59,783	73,882	79,434	62,948
Income tax payable	6,074	690	1,291	12,295
Employee benefit obligations and provisions	20,686	21,323	20,076	19,199
Total current liabilities	610,125	286,518	268,388	367,704
Total liabilities	1,699,504	1,924,678	1,950,400	1,844,032
Total equity and liabilities	3,765,341	3,883,104	3,915,276	3,574,137

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

10. Management of risk arising from financial instruments

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

- credit risk
- liquidity risk
- market risk.

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

Key policies of risk management

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

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

10.1. Credit risk

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

Trade and other receivables

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

The Company's exposure to credit risk results mainly from individual characteristics of each business partner. The Management Board believes that the Company's credit risk is low as its counterparties are mainly reputable financial institutions and companies. The Company's largest business partner (excluding the subsidiaries) accounts for 2.2% of the Company's revenue (December 31st 2019: 2.0%), and the respective percentages for the Company's related entities are 93.2% and 86.9%. Receivables from the Company's largest non-related business partner represented 1.7% of total gross trade receivables as at September 30th 2020 (December 31st 2019: 3.2%); among the related entities the figures were 31.7% and 29.4%, respectively.

Therefore, there is no significant concentration of credit risk.

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

Purchased debt portfolios

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

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

As at each valuation date, KRUK S.A. estimates the credit risk based on past data concerning a group of portfolios as well as other portfolios with similar characteristics. The risk assessment also took into account factors related to the Covid-19 pandemic, described in detail in the Directors' Report on the KRUK Group's operations.

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

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

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

Guarantees

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

Exposure to credit risk

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

PLN '000	Sep 30 2020 unaudited	Dec 31 2019 Restated	Sep 30 2019 unaudited
Investments in debt portfolios	29,760	36,949	38,116
Loans advanced to related entities	292,261	309,380	289,477
Trade receivables and other	120,923	83,397	40,410
	442,943	429,726	368,002

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

PLN '000	Sep 30 2020 unaudited	Dec 31 2019 Restated	Sep 30 2019 unaudited
Poland	342,794	314,606	205,970
Romania	88,126	91,746	98,377
Czech Republic and Slovakia	12,023	23,374	63,655
Italy		-	
	442,943	429,726	368,002

Quality of trade and other receivables

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

IFRS 9 classification	Carrying amount as at Sep 30 2020 (IFRS 9) unaudited	Carrying amount as at Dec 31 2019 (IFRS 9) Restated
Trade and other receivables		
Basket 1	121,003	83,477
Basket 2	80	80
Basket 3	-	-
	121,083	83,557
Impairment losses		
Basket 1	-	-
Basket 2	80	80
Basket 3	-	-
	80	80

Changes of impairment losses on receivables are presented below:

	Jan 1-Sep 30 2020 unaudited	Jan 1-Dec 31 2019 unaudited
<i>PLN '000</i>		
Loss allowance as at Jan 1	80	873
Loss allowance recognised in the period	-	18
Reversal of loss allowance	-	(798)
Use of loss allowance	-	(13)
Loss allowance as at Dec 31/Sep 30	80	80

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

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

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

10.2. Liquidity risk

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

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

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

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

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

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

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

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

As at Sep 30 2020

PLN '000

	Present value	Contractual cash flows	Less than 6 months	6–12 months	1–2 years	2–5 years	Over 5 years
Non-derivative financial assets and liabilities							
Investments in debt portfolios	29,760	63,678	13,322	11,106	15,450	19,502	4,298
Secured borrowings	(81,664)	(59,845)	(345)	(347)	(692)	(58,462)	-
Unsecured bonds in issue	(1,382,979)	(1,482,607)	(160,770)	(358,034)	(555,763)	(408,040)	-
Lease liabilities	(32,010)	(6,035)	(598)	(648)	(1,545)	(3,245)	-
Trade and other payables	(59,783)	(59,783)	(59,783)	-	-	-	-
	(1,526,676)	(1,544,593)	(208,174)	(347,923)	(542,550)	(450,244)	4,298

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

As at Dec 31 2019

PLN '000

	Present value	Contractual cash flows	Less than 6 months	6–12 months	1–2 years	2–5 years	Over 5 years
Non-derivative financial assets and liabilities							
Investments in debt portfolios	36,949	80,919	16,018	13,924	20,192	24,914	5,872
Secured borrowings	(399,717)	(420,994)	(5,272)	(33,096)	(10,014)	(372,612)	-
Unsecured bonds in issue	(1,361,175)	(1,536,673)	(49,368)	(107,724)	(590,729)	(586,767)	(202,085)
Lease liabilities	(23,713)	(25,572)	(7,476)	(8,098)	(12,982)	(19,995)	(2,930)
Trade and other payables	(73,882)	(73,882)	(73,882)	-	-	-	-
	(1,821,537)	(1,976,202)	(119,980)	(134,994)	(593,534)	(954,461)	(199,143)

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

Contractual cash flows were determined based on interest rates effective as at December 31st 2019 and September 30th 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 2020, the undrawn revolving credit facility limit available to the Company was PLN 406,139 thousand (2019: PLN 95,337 thousand). The limit is available until December 19th 2023.

10.3. Market risk

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

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

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

The currency risk management policy outlines:

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

As at September 30th 2020, assets denominated in foreign currencies accounted for 0.7% of total assets, while liabilities denominated in foreign currencies represented 4.8% of total equity and liabilities (December 31st 2019: 1.2% and 7.6%, respectively).

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

10.4. Currency risk

Exposure to currency risk

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

'000	Sep 30 2020 unaudited			Dec 31 2019 unaudited			Sep 30 2019 unaudited		
	EUR	RON	CZK	EUR	RON	CZK	EUR	RON	CZK
Trade receivables	-	-	-	-	-	-	366	2	16
Cash	48	3,697	531	190	1,537	296	281	1,012	347
Investments in debt portfolios	-	21,632	1,195	194	28,112	1,679	411	26,750	1,804
Liabilities under borrowings and other debt instruments	(181,072)	-	-	(212,412)	-	-	(255,379)	-	-
Trade payables	-	-	-	-	-	-	(78)	(13)	(63)
Exposure to currency risk	(181,024)	25,329	1,727	(212,028)	29,649	1,721	(254,399)	27,751	2,104

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

PLN	Average exchange rates*		End of period (spot rates)	
	Jan 1-Sep 30 2020 unaudited	Jan 1-Dec 31 2019 unaudited	Sep 30 2020 unaudited	Dec 31 2019 unaudited
1 EUR	4.4420	4.3018	4.5268	4.2585
1 USD	3.9337	3.8440	3.8658	3.7977
1 RON	0.9191	0.9053	0.9291	0.8901
1 CZK	0.1677	0.1676	0.1666	0.1676

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

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

PLN '000

	Other comprehensive income	Profit or loss for the current period
September 30th 2020		
EUR (10% appreciation of PLN)	-	(16,941)
RON (10% appreciation of PLN)	-	2,533
CZK (10% appreciation of PLN)	-	173
Dec 31 2019		
EUR (10% appreciation of PLN)	-	(21,203)
RON (10% appreciation of PLN)	-	2,965
CZK (10% appreciation of PLN)	-	197

10.5. Interest rate risk

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

PLN '000

	Carrying amount	
	Sep 30 2020 unaudited	Dec 31 2019 unaudited
Fixed-rate financial instruments		
Financial assets	150,683	123,109
Financial liabilities	(258,174)	(287,582)
	(107,491)	(164,472)
Risk mitigation effect	(530,000)	(530,000)
	(637,491)	(694,472)
Variable-rate financial instruments		
Financial assets	292,261	324,595
Financial liabilities	(1,298,261)	(1,570,905)
	(1,006,001)	(1,246,310)
Risk mitigation effect	530,000	530,000
	(476,001)	(716,310)

Sensitivity analysis of fair value of fixed-rate financial instruments

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

Sensitivity analysis of cash flows from variable-rate financial instruments

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

PLN '000	Profit or loss for the current period		Equity excluding profit or loss for current period	
	up by 100 bps	down by 100 bps	up by 100 bps	down by 100 bps
September 30th 2020				
Variable rate financial assets	2,923	2,923	-	-
Variable rate financial liabilities	(12,983)	12,983	-	-
Dec 31 2019				
Variable rate financial assets	3,246	(3,246)	-	-
Variable rate financial liabilities	(15,709)	15,709	-	-

Fair values

Comparison of fair values and carrying amounts

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

Interest rates used for fair value estimation

	Sep 30 2020 unaudited	Dec 31 2019 unaudited
Investments in debt portfolios	0.11% - 55.14%	0.11% - 55.14%
Borrowings	1.23% - 2.26%	1.76% - 3.71%
Unsecured bonds in issue	3.12% - 4.80%	4.71% - 5.71%
Lease liabilities	0.97% - 3.62%	1.64% - 3.97%

Hierarchy of financial instruments at fair value

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

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

In 2019–2020, no transfers were made between the levels.

Hierarchy of financial instruments – Level 2

PLN '000

		Level 2
	Carrying amount	Fair value
As at Sep 30 2020		
Derivatives	(21,045)	(21,045)
Hedging instruments	(6,932)	(6,932)
As at Dec 31 2019		
Derivatives	3,799	3,799
Hedging instruments	(3,504)	(3,504)

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

PLN '000

		Level 3
	Carrying amount	Fair value
As at Sep 30 2020		
Investments in debt portfolios	29,760	27,551
As at Dec 31 2019		
Investments in debt portfolios	36,949	34,030

The fair value of purchased debt portfolios is calculated based on the expected future cash flows related to the debt portfolios, discounted with a rate reflecting the credit risk associated with each

portfolio. The rate used for discounting is calculated as an internal rate of return on an investment as at the date of acquisition of a portfolio and is verified so that it includes the present risk free rate and the present risk premium associated with the credit risk for each portfolio.

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

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 2020 unaudited	Jan 1-Sep 30 2019 unaudited
Base pay/ managerial contract (gross)	4,356	4,104
Share based payments	3,116	8,709
	7,472	12,813

Remuneration of the Company's directors – Supervisory Board

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

PLN '000

	Jan 1-Sep 30 2020 unaudited	Jan 1-Sep 30 2019 unaudited
Base pay/ managerial contract (gross)	641	633
	641	633

Other transactions with the Company's directors

As at September 30th 2020, members of the Management Board and persons closely related to them jointly held 10.5% of the total voting rights at the Company's General Meeting (December 31st 2019: 11.09%).

Other related-party transactions

Transactions with subsidiaries as at and for the period ended September 30th 2020

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

PLN '000	Liabilities	Receivables	Loans	Interest accrued on loans
SeCapital S.à. r.l.	8,850	1,426	-	-
ERIF Business Solutions Sp. z o.o.	-	40	172	-
Novum Finance Sp. z o.o.	-	154	31,242	-
SeCapital Polska Sp. z o.o.	-	2	150	1
Kancelaria Prawna RAVEN P.Krupa Sp. k.	276	5,108	-	-
KRUK Romania S.r.l.	777	2,807	63,544	623
ERIF BIG S.A.	49	120	-	-
NSFIZ PROKURA	3,914	88,637	-	-
KRUK Česká a Slovenská republika s.r.o.	81	181	11,415	-
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	-	6,944	-	-
InvestCapital Ltd.	216	117	-	-
KRUK Deutschland GmbH	-	338	-	-
KRUK Deutschland (Branch)	-	-	-	-
Rocapital IFN S.A.	-	-	4,646	49
KRUK Italia S.r.l.	-	487	-	-
ItaCapital S.r.l.	-	-	-	-
KRUK Espana S.L.	-	17	-	-
Presco Investments S.a.r.l.	12,382	6,662	-	-
P.R.E.S.C.O INVESTMENT I NS FIZ	15	168	-	-
ProsperoCapital S.à r.l.	-	11	-	-
Corbul Capital S.r.l.	-	-	-	-
Elleffe Capital S.r.l.	-	-	-	-
Zielona Perła Sp. z o.o.	-	-	-	-
NSFIZ BISON	-	5	-	-
AgeCredit S.r.l.	-	45	-	-
Wonga.pl Sp. z o.o.	-	12	176,974	3,445
	26,559	113,283	288,142	4,119

Revenue from mutual transactions

PLN '000

	Revenue from sale of materials and services	Revenue from credit management services	Interest
SeCapital S.à. r.l	11	53	-
ERIF Business Solutions Sp. z o.o.	73	-	34
Novum Finance Sp. z o.o.	877	807	1,661
Secapital Polska Sp. z o.o.	8	-	3
Kancelaria Prawna RAVEN P.Krupa Sp. k.	3,738	-	-
KRUK Romania S.r.l	1,248	-	1,994
ERIF BIG S.A.	507	-	-
NSFIZ PROKURA	2,715	-	-
KRUK Česká a Slovenská republika s.r.o.	589	-	281
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	112	58,944	-
InvestCapital Ltd.	3,047	-	-
KRUK Deutschland GmbH	-	-	-
KRUK Deutschland (Branch)	-	-	-
Rocapital IFN S.A.	-	-	162
KRUK Italia S.r.l	768	-	-
ItaCapital S.r.l	-	-	-
KRUK Espana S.L.	951	-	-
Presco Investments S.a.r.l.	9	1,270	-
P.R.E.S.C.O INVESTMENT I NS FIZ	-	-	-
ProsperoCapital S.à r.l.	9	-	-
Corbul Capital S.r.l	-	-	-
Elleffe Capital S.r.l.	-	-	-
Zielona Perła Sp. z o.o.	-	-	-
NSFIZ BISON	-	-	-
AgeCredit S.r.l.	-	-	-
Wonga.pl Sp. z o.o.	6	54	11,878
	14,667	61,128	16,013

Costs of mutual transactions

PLN '000

	Purchase of services
KRUK Romania S.r.l	3,604
Kancelaria Prawna RAVEN P.Krupa Sp. k.	1,095
ERIF BIG S.A.	178
KRUK Česká a Slovenská republika s.r.o.	284
ERIF Business Solutions Sp. z o.o.	1
	5,162

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

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

Revenue from mutual transactions

PLN '000

	Revenue from sale of materials and services	Revenue from credit management services	Interest
SeCapital S.à. r.l	-	(222)	34
ERIF Business Solutions Sp. z o.o.	110	-	50
Novum Finance Sp. z o.o.	828	1,270	11,098
SeCapital Polska Sp. z o.o.	11	-	5
Kancelaria Prawna RAVEN P.Krupa Sp. k.	7,22	62	19,849
KRUK Romania S.r.l	4,820	153	17,642
ERIF BIG S.A.	815	21	3,002
NSFIZ PROKURA	269	6	-
KRUK Česká a Slovenská republika s.r.o.	1,390	137	1,473
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	2,422	93,747	-
InvestCapital Ltd.	9,512	821	-
KRUK Deutschland GmbH	-	-	-
KRUK Deutschland (Branch)	10	(89)	-
Rocapital IFN S.A.	-	31	232
KRUK Italia S.r.l	948	-	-
ItaCapital S.r.l	185	-	-
KRUK Espana S.L.	828	1	-
Presco Investments S.a.r.l.	-	2,514	48,513
P.R.E.S.C.O INVESTMENT I NS FIZ	-	-	-
ProsperoCapital S.à r.l.	-	-	-
Corbul Capital S.r.l	-	-	-
Elleffe Capital S.r.l.	-	-	-
Zielona Perła Sp. z o.o.	7	-	-
NSFIZ BISON	-	-	8
AgeCredit S.r.l.	-	-	-
Wonga.pl Sp. z o.o.	5	77	8,028
	29,385	98,530	109,932

Costs of mutual transactions

PLN '000

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

Transactions with subsidiaries as at and for the period ended September 30th 2019

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

	Liabilities	Receivables	Loans	Interest accrued on loans
<i>PLN '000</i>				
SeCapital S.à. r.l	-	1,506	-	-
ERIF Business Solutions Sp. z o.o.	-	216	-	-
Novum Finance Sp. z o.o.	-	230	27,242	-
SeCapital Polska Sp. z o.o.	-	1	130	-
Kancelaria Prawna RAVEN P.Krupa Sp. k.	45	7,649	-	-
KRUK Romania S.r.l	583	5,161	62,000	770
ERIF BIG S.A.	49	117	-	-
NSFIZ PROKURA	30	153,914	1,057	-
KRUK Česká a Slovenská republika s.r.o.	-	242	36,092	-
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	-	8,682	-	-
InvestCapital Ltd.	-	1,540	-	-
KRUK Deutschland GmbH	-	366	-	-
KRUK Deutschland (Branch)	-	-	-	-
Rocapital IFN S.A.	-	11	4,604	61
KRUK Italia S.r.l	-	147	-	-
ItaCapital S.r.l	-	27	-	-
KRUK Espana S.L.	-	68	-	-
Presco Investments S.a.r.l.	-	106	-	-
P.R.E.S.C.O INVESTMENT I NS FIZ	117	-	-	-
ProsperoCapital S.à r.l.	-	3	-	-
Corbul Capital S.r.l	-	-	-	-
Elleffe Capital S.r.l.	-	-	-	-
Zielona Perła Sp. z o.o.	-	-	-	-
NSFIZ BISON	771	-	-	-
AgeCredit S.r.l.	-	-	-	-
Wonga.pl Sp. z o.o.	-	21	156,227	1,293
	1,595	180,006	287,353	2,124

Revenue from mutual transactions

PLN '000

	Revenue from sale of materials and services	Revenue from credit management services	Interest
SeCapital S.à. r.l		427	-
ERIF Business Solutions Sp. z o.o.	83	-	37
Novum Finance Sp. z o.o.	604	902	664
SeCapital Polska Sp. z o.o.	8	-	4
Kancelaria Prawna RAVEN P.Krupa Sp. k.	4,286	38	17,085
KRUK Romania S.r.l	3,470	85	2,324
ERIF BIG S.A.	634	5	-
NSFIZ PROKURA	-	-	-
KRUK Česká a Slovenská republika s.r.o.	987	96	1,079
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	1,386	69,341	-
InvestCapital Ltd.	8,849	539	-
KRUK Deutschland GmbH	-	-	-
KRUK Deutschland (Branch)	10	(89)	-
Rocapital IFN S.A.	-	11	175
KRUK Italia S.r.l	704	-	-
ItaCapital S.r.l	165	-	-
KRUK Espana S.L.	521	-	-
Presco Investments S.a.r.l.	-	1,928	13,189
P.R.E.S.C.O INVESTMENT I NS FIZ	-	-	-
ProsperoCapital S.à r.l.	-	-	-
Corbul Capital S.r.l	-	-	-
Elleffe Capital S.r.l.	-	-	-
Zielona Perła Sp. z o.o.	7	-	-
NSFIZ BISON	-	-	-
AgeCredit S.r.l.	-	-	8
Wonga.pl Sp. z o.o.	-	60	1,933
	21,714	73,343	36,499

Costs of mutual transactions

PLN '000

	Purchase of services
Kancelaria Prawna RAVEN P.Krupa Sp. k.	603
KRUK Romania S.r.l	4,733
ERIF BIG S.A.	178
KRUK Česká a Slovenská republika s.r.o.	275
	5,788

12. 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 2020, collections from portfolios purchased by KRUK S.A. were PLN 9,249 thousand, down 8.7% year on year and up 14.9% on the previous quarter of 2020.

As at June 30th 2020, the Group's investments in debt portfolios accounted for 0.79% of its assets. Equity accounted for 54.9% of the Group's financing sources. As at December 31st 2019, the respective percentages were 0.95% and 50.4%.

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

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

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

On April 21st 2020, the Management Board of KRUK S.A. passed a resolution to establish the 7th Bond Issue Programme with a total nominal value of up to PLN 700m, under which the Company may issue public bonds. Under the Programme, on September 25th 2020 unsecured Series AK1 bonds were issued with a nominal value of PLN 25,000 thousand, bearing interest at a fixed rate of 4.80%, maturing on September 25th 2025.

14. Dividends paid (or declared)

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

On August 31st 2020, the Annual General Meeting of KRUK S.A. resolved not to distribute the Company's profit as dividend. Pursuant to a proposal of the Parent's Management Board concerning allocation of the Parent's net profit for 2019 and assessment of that proposal by the Parent's Supervisory Board, the Parent's net profit for 2019 was allocated to capital reserves created to finance the buyback of KRUK S.A. shares and to statutory reserve funds.

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

After the end of the third quarter of 2020, there were no events with a potentially material bearing on the Group's future performance.

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

By the date of issue of this report, contingent liabilities or contingent assets did not change except for the corporate guarantee issued by Kruk S.A. to InvestCapital Ltd., which expired on July 14th 2020.

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

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

Guarantee issued by KRUK S.A. for KRUK România s.r.l.'s liabilities under lease contracts	Piraeus Leasing Romania IFNS.A.	EUR 0.5m	Until all obligations under the lease contracts executed by KRUK România s.r.l. with Piraeus Leasing Romania IFN S.A. are fulfilled	KRUK România s.r.l.'s failure to repay its liabilities under the lease contracts secured with the Guarantee
Guarantee issued by Santander Bank Polska S.A. for KRUK S.A.'s liabilities under the rental agreement	DEVCo Sp. z o.o.	EUR 287,637.26 and PLN 192,958.93	By December 30th 2020	KRUK S.A.'s failure to repay its liabilities under the rental agreement secured with the guarantee
Surety for Prokura NS FIZ's liabilities towards ING Bank Śląski S.A. under the credit facility granted to Prokura NS FIZ	ING Bank Śląski S.A.	PLN 240m	By December 20th 2026	Prokura NS FIZ's failure to pay amounts owed to the bank under the credit facility agreement
Surety for InvestCapital Ltd, Kruk Romania S. R. L., Kruk Espana S.L.U. and PROKURA NS FIZ's liabilities under the revolving multi-currency credit facility agreement of July 3rd 2017, as amended, between KRUK S.A., InvestCapital Ltd, Kruk Romania S. R. L., Kruk Espana S.L.U. and PROKURA NS FIZ (the Borrowers) and DNB Bank ASA, ING Bank Śląski S.A. and Santander Bank Polska S.A.,	DNB Bank ASA, ING Bank Śląski S.A., Santander Bank Polska S.A.	EUR 390m	Until all obligations under the credit facility agreement are satisfied.	The Borrower's failure to pay amounts owed under the credit facility agreement
Blank promissory note	mBank S.A.	PLN 7.5m	Until the transactions are settled and the bank's claims thereunder are satisfied.	KRUK S.A.'s failure to pay its liabilities under financial market transactions executed under the master agreement of February 7th 2019
Surety for InvestCapital LTD's liabilities under financial market transactions in pursuant to the master agreement between InvestCapital LTD and DNB Bank Polska S.A.	DNB Bank Polska S.A.	EUR 15.3m	Until the transactions are settled and the bank's claims thereunder are satisfied.	InvestCapital LTD's failure to satisfy its obligations under financial market transactions executed pursuant to the master agreement of February 28th 2019.
Corporate guarantee provided by KRUK S.A. to InvestCapital Ltd.	InvestCapital Ltd.	PLN 200m	On July 14th 2020, the guarantee expired.	The purpose of the guarantee was to secure the interests of InvestCapital Ltd.'s creditors, who have the right under local law to challenge the cancellation of shares which took place on March 30th 2020.

Piotr Krupa

President of the Management Board

Piotr Kowalewski

Member of the Management Board

Urszula Okarma

Member of the Management Board

Michał Zasępa

Member of the Management Board

Katarzyna Raczkiewicz

Person responsible for keeping accounting records

Hanna Stempień

Person responsible for preparation of the financial statements

Wrocław, November 10th 2020