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FINANCIAL HIGHLIGHTS

OF THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS OF KRUK S.A.

for the period
January 1st–June 30th 2023

Financial highlights

Financial highlights	PLN '000		EUR '000	
	Jan 1–Jun 30 2023 unaudited	Jan 1–Jun 30 2022 unaudited	Jan 1–Jun 30 2023 unaudited	Jan 1–Jun 30 2022 unaudited
For the period				
Revenue	126,899	99,136	27,509	21,353
Operating profit/(loss)	(34,975)	(45,460)	(7,582)	(9,792)
Profit/(loss) before tax	570,297	507,863	123,628	109,390
Net profit/(loss)	528,042	488,838	114,468	105,292
Net cash from operating activities	(18,499)	(27,526)	(4,010)	(5,929)
Cash recoveries	16,937	18,794	3,672	4,048
Net cash from investing activities	(761,335)	103,610	(165,041)	22,317
Net cash from financing activities	770,515	(120,216)	167,031	(25,894)
Net change in cash	(9,319)	(44,132)	(2,020)	(9,506)
Diluted earnings per share (PLN/EUR)	26.13	24.78	5.66	5.34
Average number of shares ('000)	19,319	19,052	19,319	19,052
Earnings per share (PLN/EUR)	27.33	25.66	5.93	5.53
	Jun 30 2023 unaudited	Dec 31 2022	Jun 30 2023 unaudited	Dec 31 2022
As at				
Total assets	6,745,157	5,403,418	1,515,663	1,152,139
Non-current liabilities	2,589,311	1,788,174	581,828	381,282
Current liabilities	706,575	361,227	158,770	77,022
Equity	3,449,271	3,254,017	775,065	693,835
Share capital	19,319	19,319	4,341	4,119
Book value per ordinary share (PLN/EUR)	178.54	168.44	40.12	35.91

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 **4.6130**
for the comparative period **4.6427**

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 **4.4503**
at end of the comparative period **4.6899**



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INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS OF KRUK S.A.

**for the period
January 1st–June 30th 2023**

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I. Separate statement of financial position

PLN '000	Note	Jun 30 2023 unaudited	Dec 31 2022	Jun 30 2022 unaudited
Assets				
Cash and cash equivalents	8.12.	12,689	22,008	9,566
Hedging instruments	8.9.	105,424	30,335	29,316
Trade receivables from related entities	8.11.	30,571	27,523	20,792
Trade receivables from other entities	8.11.	3,647	3,339	3,219
Other receivables	8.11.	15,012	15,715	8,600
Income tax receivable		23,820	9,292	3,347
Inventories	7.	15,310	15,174	18,894
Investments	7.	1,192,608	464,743	439,182
Equity-accounted investments in subsidiaries	8.10.	5,274,313	4,735,762	4,314,622
Property, plant and equipment		36,144	39,774	37,702
Intangible assets		28,693	30,791	7,870
Other assets		6,926	8,962	6,672
Total assets		6,745,157	5,403,418	4,899,782
Equity and liabilities				
Liabilities				
Trade and other payables	8.13.	33,292	30,645	34,152
Liabilities under dividends	15.	289,782	-	-
Hedging instruments	8.9.	-	9,824	20,422
Employee benefit obligations	8.14.	29,699	28,974	26,899
Borrowings, other debt securities and leases	8.8.	2,671,928	1,865,886	1,739,156
Provisions	8.15.	12,263	12,653	13,855
Deferred tax liability	8.7.	258,922	201,419	182,623
Total liabilities		3,295,886	2,149,401	2,017,107
Equity				
Share capital		19,319	19,319	19,128
Share premium		358,506	358,506	342,740
Hedge reserve		85,277	16,871	12,158
Translation reserve		(23,123)	100,448	98,203
Share of other comprehensive income of equity-accounted investees	8.10.	22,782	19,911	-
Other capital reserves		159,184	149,896	137,524
Retained earnings		2,827,326	2,589,066	2,272,922
Total equity		3,449,271	3,254,017	2,882,675
Equity and liabilities		6,745,157	5,403,418	4,899,782

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

II. Separate statement of profit or loss

PLN '000

	Note	Jan 1–Jun 30 2023 unaudited	Apr 1–Jun 30 2023 unaudited	Jan 1–Jun 30 2022 unaudited	Apr 1–Jun 30 2022 unaudited
Interest income on debt portfolios measured at amortised cost	8.1.	8,222	3,973	8,615	4,344
Other income/(expenses) from purchased debt portfolios	8.1.	(1,202)	(1,202)	422	143
Revenue from other services	8.1.	110,638	56,655	78,536	38,853
Other income	8.1.	664	(371)	573	172
Gain/(loss) on expected credit losses	8.1.	8,577	5,493	10,990	5,793
Operating income including gain/(loss) on expected credit losses and other income/expenses from purchased debt portfolios		126,899	64,548	99,136	49,305
Employee benefits expense	8.2.	(104,267)	(52,872)	(97,017)	(51,034)
Depreciation and amortisation		(12,971)	(6,377)	(9,010)	(4,500)
Services	8.3.	(33,754)	(16,660)	(24,516)	(13,715)
Other expenses	8.4.	(10,882)	(5,979)	(14,053)	(7,839)
		(161,874)	(81,888)	(144,596)	(77,088)
Operating profit/(loss)		(34,975)	(17,340)	(45,460)	(27,783)
Finance income	8.5.	44,115	29,541	19,645	11,048
Finance costs including interest expense relating to lease liabilities	8.6.	(67,622)	(38,305)	(52,499)	(28,799)
		(1,122)	(524)	(569)	(304)
Net finance costs		(23,507)	(8,764)	(32,854)	(17,751)
Share of profit/(loss) of equity-accounted investees	8.10.	628,779	337,071	586,177	293,595
Profit/(loss) before tax		570,297	310,967	507,863	248,061
Income tax	8.7.	(42,255)	(17,326)	(19,025)	(3,156)
Net profit/(loss) for period		528,042	293,641	488,838	244,905
Earnings/(loss) per share					
Basic (PLN)	8.16.	27.33	15.20	25.66	12.83
Diluted (PLN)	8.16.	26.13	14.48	24.78	12.37

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

III. Separate statement of comprehensive income

PLN '000	Note	Jan 1–Jun 30 2023 unaudited	Apr 1–Jun 30 2023 unaudited	Jan 1–Jun 30 2022 unaudited	Apr 1–Jun 30 2022 unaudited
Net profit/(loss) for period		528,042	293,641	488,838	244,905
Other comprehensive income, gross					
Items that may be reclassified subsequently to profit or loss					
Instruments hedging cash flows and net investment in a foreign operation	8.9.	83,570	62,679	(5,727)	(13,743)
Exchange differences on translating foreign operations	8.10.	(123,571)	(121,007)	22,495	1,362
Share of other comprehensive income of equity-accounted investees	8.10.	2,871	8,644	-	-
Other comprehensive income for period, gross		(37,130)	(49,684)	16,768	(12,381)
Income tax on instruments hedging cash flows and net investment in a foreign operation	8.7.	(15,164)	(15,164)	-	-
Other comprehensive income for period, net		(52,294)	(64,848)	16,768	(12,381)
Total comprehensive income for period		475,748	228,793	505,606	232,524

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

IV. Separate statement of changes in equity

PLN '000	Note	Share capital	Share premium	Hedge reserve	Translation reserve	Share of other comprehensive income of equity-accounted investees	Other capital reserves	Retained earnings	Total equity
Equity as at Jan 1 2022		19,013	333,264	17,885	75,708	-	122,202	2,032,745	2,600,817
Comprehensive income for period									
Net profit/(loss) for period		-	-	-	-	-	-	488,838	488,838
Other comprehensive income									
- Exchange differences on translating foreign operations	8.10.	-	-	-	22,495	-	-	-	22,495
- Measurement of hedging instruments		-	-	(5,727)	-	-	-	-	(5,727)
Total other comprehensive income		-	-	(5,727)	22,495	-	-	-	16,768
Total comprehensive income for period		-	-	(5,727)	22,495	-	-	488,838	505,606
Contributions from and distributions to owners									
- Payment of dividends		-	-	-	-	-	-	(248,661)	(248,661)
- Share-based payments		-	-	-	-	-	15,322	-	15,322
- Issue of shares		115	9,476	-	-	-	-	-	9,591
Total contributions from and distributions to owners		115	9,476	-	-	-	15,322	(248,661)	(223,748)
Total equity as at Jun 30 2022		19,128	342,740	12,158	98,203	-	137,524	2,272,922	2,882,675

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.

PLN '000	Note	Share capital	Share premium	Hedge reserve	Translation reserve	Share of other comprehensive income of equity-accounted investees	Other capital reserves	Retained earnings	Total equity
Equity as at Jan 1 2022		19,013	333,264	17,885	75,708	-	122,202	2,032,745	2,600,817
Comprehensive income for period									
Net profit/(loss) for period		-	-	-	-	-	-	804,982	804,982
Other comprehensive income									
- Exchange differences on translating foreign operations	8.10.	-	-	-	24,740	-	-	-	24,740
- Share of other comprehensive income of equity-accounted investees	8.10.	-	-	-	-	19,911	-	-	19,911
- Measurement of hedging instruments	8.9.	-	-	(1,014)	-	-	-	-	(1,014)
Total other comprehensive income		-	-	(1,014)	24,740	19,911	-	-	43,637
Total comprehensive income for period		-	-	(1,014)	24,740	19,911	-	804,982	848,619
Contributions from and distributions to owners									
- Payment of dividends		-	-	-	-	-	-	(248,661)	(248,661)
- Share-based payments		-	-	-	-	-	27,694	-	27,694
- Issue of shares		306	25,242	-	-	-	-	-	25,548
Total contributions from and distributions to owners		306	25,242	-	-	-	27,694	(248,661)	(195,419)
Total equity as at Dec 31 2022		19,319	358,506	16,871	100,448	19,911	149,896	2,589,066	3,254,017

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.

PLN '000	Note	Share capital	Share premium	Hedge reserve	Translation reserve	Share of other comprehensive income of equity-accounted investees	Other capital reserves	Retained earnings	Total equity
Equity as at Jan 1 2023		19,319	358,506	16,871	100,448	19,911	149,896	2,589,066	3,254,017
Comprehensive income for period									
Net profit/(loss) for period		-	-	-	-	-	-	528,042	528,042
Other comprehensive income									
- Exchange differences on translating foreign operations	8.10.	-	-	-	(123,571)	-	-	-	(123,571)
- Share of other comprehensive income of equity-accounted investees	8.10.	-	-	-	-	2,871	-	-	2,871
- Measurement of hedging instruments	8.9.	-	-	68,406	-	-	-	-	68,406
Total other comprehensive income		-	-	68,406	(123,571)	2,871	-	-	(52,294)
Total comprehensive income for period		-	-	68,406	(123,571)	2,871	-	528,042	475,748
Contributions from and distributions to owners									
- Payment of dividends		-	-	-	-	-	-	(289,782)	(289,782)
- Share-based payments		-	-	-	-	-	9,288	-	9,288
- Issue of shares		-	-	-	-	-	-	-	-
Total contributions from and distributions to owners		-	-	-	-	-	9,288	(289,782)	(280,494)
Total equity as at Jun 30 2023		19,319	358,506	85,277	(23,123)	22,782	159,184	2,827,326	3,449,271

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. Separate statement of cash flows

PLN '000	Note	Jan 1–Jun 30 2023 unaudited	Jan 1–Apr 30 2023 unaudited	Jan 1–Jun 30 2022 unaudited	Jan 1–Apr 30 2022 unaudited
Cash flows from operating activities					
Net profit/(loss) for period		528,042	293,641	488,838	244,905
<i>Adjustments</i>					
Depreciation of property, plant and equipment		7,603	3,731	6,974	3,512
Amortisation of intangible assets		5,368	2,646	2,036	988
Net finance costs		23,838	9,116	32,849	17,856
Share of (profit)/loss of equity-accounted investees	8.10.	(628,779)	(337,071)	(586,177)	(293,595)
(Gain)/loss on sale of property, plant and equipment		(547)	(87)	(105)	37
Equity-settled share-based payments		9,288	4,670	15,322	7,703
Interest income	8.1.	(8,222)	(3,973)	(8,615)	(4,344)
Income tax	8.7.	42,255	17,326	19,025	3,156
Change in debt portfolios purchased	7.	932	(24)	(1,301)	(860)
Change in inventories	7.	(136)	(589)	76	615
Change in trade and other receivables		3,063	3,871	8,091	4,943
Change in other assets		2,036	2,000	(305)	(318)
Change in trade and other payables, excluding financial liabilities	8.13.	2,647	(796)	4,982	1,107
Change in employee benefit obligations	8.14.	725	1,826	2,746	3,473
Change in provisions	8.15.	(390)	(283)	1,198	390
Interest received	8.1.	8,222	3,973	8,615	4,344
Income tax paid		(14,444)	(7,895)	(21,775)	(17,728)
Net cash from operating activities		(18,499)	(7,918)	(27,526)	(23,816)
Cash flows from investing activities					
Interest received		34	7	390	201
Loans		(746,004)	(703,848)	(31,707)	(12,707)
Sale of intangible assets and property, plant and equipment		94	64	84	(73)
Dividends received		14,756	9,143	9,108	7,608
Proceeds from investments in subsidiaries		21,780	3,195	117,392	115,341
Purchase of intangible assets and property, plant and equipment		(7,326)	(5,460)	(5,179)	(1,122)
Acquisition of shares in subsidiaries		(105,421)	(49,987)	(20,380)	(8,860)
Repayments		60,752	30,371	33,902	20,981
Net cash from investing activities		(761,335)	(716,515)	103,610	121,369
Cash flows from financing activities					
Proceeds from issue of debt securities		902,320	732,320	450,000	50,000
Proceeds from issue of shares		-	-	9,591	9,591
Increase in borrowings		665,531	476,965	620,429	465,836
Repayment of borrowings		(716,439)	(445,780)	(498,510)	(225,722)
Payments under finance lease contracts (principal)		(9,205)	(4,586)	(5,068)	(2,615)
Dividends paid		-	-	(248,661)	(248,661)
Redemption of debt securities		-	-	(392,926)	(242,926)
Interest paid		(71,692)	(45,368)	(55,071)	(35,003)
Net cash from financing activities		770,515	713,551	(120,216)	(229,500)
Total net cash flows		(9,319)	(10,882)	(44,132)	(131,947)
Cash and cash equivalents at beginning of period		22,008	23,571	53,698	141,513
Cash and cash equivalents at end of period		12,689	12,689	9,566	9,566
- effect of exchange rate fluctuations on cash held		(1,010)	(1,001)	(539)	290

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

VI. Notes to the interim condensed separate financial statements

1. Company details

Name

KRUK Spółka Akcyjna (“KRUK S.A.” or “the Company”)

Registered office

ul. Wołowska 8
51-116 Wrocław, Poland

Registration in the National Court Register:

District Court for Wrocław-Fabryczna in Wrocław, 6th Commercial Division of the National Court Register, ul. Poznańska 16-17, 53-230 Wrocław, Poland

Date of registration: September 7th 2005

Registration number: KRS NO. 0000240829

Principal business activity

The Company's principal business consists in debt collection, including collection of receivables from purchased debt portfolios, fee-based credit management services, and investing in subsidiaries.

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

As at June 30th 2023, the composition of KRUK S.A.’s Management Board was as follows:

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

In the six months ended June 30th 2023 and until the issue date of this interim report, the composition of the Management Board of KRUK S.A. did not change.

As at June 30th 2023, the composition of KRUK S.A.'s Supervisory Board was as follows:

Piotr Stępnia	Chairman of the Supervisory Board
Krzysztof Kawalec	Deputy Chairman of the Supervisory Board
Katarzyna Beuch	Member of the Supervisory Board
Izabela Felczak-Poturnicka	Member of the Supervisory Board
Ewa Radkowska-Świętoń	Member of the Supervisory Board
Beata Stelmach	Member of the Supervisory Board
Piotr Szczepiórkowski	Member of the Supervisory Board

In the six months ended June 30th 2023 and until 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 to June 30th 2023 and the comparative period is the period from January 1st to June 30th 2022. The separate statement of financial position was prepared as at June 30th 2023 and the comparative data was presented as at June 30th 2022 and December 31st 2022. The separate statement of changes in equity was prepared for the period from January 1st to June 30th 2023 and the comparative periods are from January 1st to June 30th 2022 and from January 1st to December 31st 2022.

The financial data presented on a quarterly basis for the periods from April 1st 2023 to June 30th 2023 and from April 1st 2022 to June 30th 2022 was not subject to a separate review or audit by an auditor.

3. Statement of compliance

These interim condensed separate financial statements of the Company have been prepared in a condensed form in accordance with IAS 34 applicable to interim financial statements, as endorsed by the European Union, and should be read in conjunction with the consolidated financial statements of the Group as at June 30th 2023 and for the period from January 1st to June 30th 2023.

These financial statements do not contain all the information required to be included when preparing full-year financial statements and should therefore be read in conjunction with the separate financial statements of KRUK S.A. and consolidated financial statements of the Group prepared in accordance with International Financial Reporting Standards as at and for the year ended December 31st 2022. The separate and consolidated financial statements are available at:

<https://pl.kruk.eu/relacje-inwestorskie/raporty/raporty-okresowe> .

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.

These interim condensed financial statements were authorised for issue by the Company's Management Board (the "Management Board") on September 5th 2023.

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

The Polish złoty is the functional currency of the Company.

4. Significant accounting policies

These interim condensed separate financial statements have been prepared based on the following valuation concepts:

- measurement with the equity method – for investments in subsidiaries;
- measurement at amortised cost calculated using the effective interest rate method:
 - including allowance for expected credit losses – for credit-impaired assets (investments in debt portfolios);
 - for financial assets held as part of the business model whose objective is to hold financial assets in order to collect contractual cash flows (loans advanced); and
 - for other financial liabilities;
- measurement at fair value – for derivatives;
- measurement at historical cost for other non-financial assets and liabilities.

The accounting policies applied to prepare these interim condensed separate financial statements are consistent with those applied in the most recent full-year separate financial statements as at and for the year ended December 31st 2022.

The Company also applied the following amendments to standards and interpretations approved for use in the European Union as of January 1st 2023:

- Amendments to IAS 12 Deferred Tax on Assets and Liabilities Arising from a Single Transaction and International Tax Reform – Pillar Two Model Rules;
- IFRS 17 *Insurance Contracts*, amendments to IFRS 17,
- Amendment to IAS 8 *Definition of Accounting Estimates*,
- Amendments to IAS 1 and IFRS Practice statement 2 *Disclosure of Accounting Policies*,
- IFRS 17 *Insurance Contracts Initial Application of IFRS 17 and IFRS 9 – Comparative Information*

The amendments listed above had no material effect on the separate financial statements.

These financial statements comply with the requirements of International Accounting Standards, International Financial Reporting Standards and related interpretations endorsed by the European Union, which have been issued and are effective for annual periods beginning on or after January 1st 2023.

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

Standards and interpretations endorsed by the EU	Type of expected change in accounting policies	Possible effect on the financial statements	Effective for periods beginning on or after
Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments – Disclosures: Supplier Finance Arrangements	The amendments mandate the disclosure of information about how supply chain finance arrangements affect an entity's liabilities and cash flows and what is their effect on the entity's exposure to liquidity risk.	The Company is assessing the potential impact of the amendments on its separate financial statements.	January 1st 2024

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 periods beginning on or after
Amendments to IAS 1 <i>Presentation of Financial Statements</i> – Classification of Liabilities	The amendments concern the presentation of liabilities in the statement of financial position. In particular, they clarify that the classification of liabilities as current or non-current should be based on the rights existing at the end of the reporting period. The amendments will apply prospectively.	The Company does not expect the amendments to have any significant effect on its separate financial statements.	January 1st 2024
Amendments to IFRS 16 <i>Leases</i> : Lease Liability in a Sale and Leaseback	The amendments concern the measurement of lease liabilities in sale and leaseback transactions.	The Company does not expect the amendments to have any significant effect on its separate financial statements.	January 1st 2024

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 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. Any changes in accounting estimates are introduced prospectively, starting from the reporting period in which the estimate is revised.

Information on estimates and judgements concerning the application of accounting policies which most significantly affect the amounts presented in the financial statements:

Item	Amount estimated		Note	Assumptions and estimate calculation
	Jun 30 2023 (PLN '000)	Dec 31 2022 (PLN '000)		
Investments in subsidiaries equity-accounted	5,274,313	4,735,762	8.10.	Equity-accounted investments in subsidiaries are subject to impairment testing. Investments in subsidiaries for which impairment indications were identified were tested for impairment. As part of the tests, the Company estimated the recoverable amount of the investments based on the value in use of the respective cash-generating units, using the discounted cash flow method. The valuation of investments in subsidiaries is based on a number of assumptions and estimates, in particular with respect to the amount of future cash flows and the adopted discount rate. The projected cash flows of subsidiaries investing in debt portfolios or debt-related assets depend primarily on the assumed expenditure on new portfolios and amount of recoveries. The correctness of the underlying assumptions involves a considerable risk given the significant uncertainty as to the effectiveness of debt collection activities in the future. The discount rate used to test investments in subsidiaries for impairment reflects the current market assessment of the asset risk for the debt collection industry.
Investments in debt portfolios	30,259	31,191	7.	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 (portfolio analysis) or based on a legal and economic analysis of

individual claims or indebted persons (case-by-case analysis). The method of estimating cash flows from a debt portfolio is selected based on the available data on the portfolio, debt profiles as well as historical data collected in the course of managing the portfolio. KRUK S.A. prepares projections of recoveries from debt portfolios separately for individual markets. The projections account for historical performance of the process of debt portfolio recovery, legal regulations currently in force and planned, type and nature of debt and security, current collection strategy and macroeconomic considerations, among other factors. Initial projections of expected cash flows that take into account the initial value (purchase price) are the basis for calculating the effective interest rate, equal to the internal rate of return including an element that reflects credit risk, which is used for discounting estimated cash flows, and which, as a rule, remains unchanged throughout the life of a portfolio.

Item	Amount subject to judgement		Note	Assumptions and estimate calculation
	Jun 30 2023 (PLN '000)	Dec 31 2022 (PLN '000)		
Deferred tax liability	258,922	201,419	8.7.	<p>The Company exercises control over the timing of temporary differences regarding subsidiaries, and thus recognizes deferred tax liabilities. These liabilities are based on estimates of future income tax payments, which are derived from three-year plans. The Company assesses the recoverability of the deferred tax asset based on its approved projection of profits for the following years. The amount of deferred tax liabilities is affected by changes in expected future cash flows from investment companies to KRUK S.A. in the foreseeable future. The level of the cash flows depends on such factors as:</p> <ul style="list-style-type: none"> • KRUK S.A.'s liquidity needs and the amount of raised and projected new debt financing available to KRUK S.A., • raised and projected new debt financing available to the investment companies, • the planned expenditure on debt portfolios – its amount determines the projected liquidity position of the investment companies,

- planned recoveries from purchased debt portfolios at the investment companies.

Therefore, the amount of deferred tax liability for *expected future cash flows from subsidiaries* may be subject to material changes in individual reporting periods.

6. Financial risk management

The principles of financial risk management are presented in the most recent separate full-year financial statements prepared as at and for the financial year ended December 31st 2022. In the period from January 1st to June 30th 2023, there were no significant changes in the approach to financial risk management.

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

PLN '000	Jun 30 2023 unaudited	Dec 31 2022	Jun 30 2022 unaudited
Investments measured at amortised cost			
Investments in debt portfolios	30,259	31,191	33,088
Loans to related parties	1,162,349	433,552	406,094
	1,192,608	464,743	439,182

In the six months ended June 30th 2023, the Company advanced a EUR 150,000 thousand loan to its related company InvestCapital Ltd, which significantly increased the amount of loans to related parties.

Investments in debt portfolios

Investments in debt portfolios are divided into the following main categories:

PLN '000	Jun 30 2023 unaudited	Dec 31 2022	Jun 30 2022 unaudited
Investments in debt portfolios			
Unsecured portfolios	30,241	31,172	33,045
Secured portfolios	18	19	43
	30,259	31,191	33,088

For information on the assumptions made in the valuation of debt portfolios and the adopted schedule of cash receipts (undiscounted value), see Note 8.1.

Changes in carrying amounts of investments in debt portfolios

In the reporting period, the Company did not invest any amounts in debt portfolios, while the amount of recoveries from indebted persons was PLN 16,937 thousand (same period of the year before: PLN 18,794 thousand). Below are presented changes in the net carrying amount of investments in debt portfolios:

PLN '000

	Jun 30 2023 unaudited	Dec 31 2022	Jun 30 2022 unaudited
Carrying amount of investments in debt portfolios at beginning of period	31,191	31,787	31,787
Cash recoveries	(16,937)	(36,336)	(18,794)
Gain/(loss) on sale/revaluation of property	408	(1,028)	68
Revenue from purchased debt portfolios	15,597	36,768	20,027
Carrying amount of investments in debt portfolios at end of period	30,259	31,191	33,088

For a description of revenue from purchased debt portfolios, including interest income and allowance for expected credit losses, see Note 8.1.

Changes in expected credit losses

Below are presented changes in expected credit losses on purchased debt portfolios:

PLN '000

	Jun 30 2023 unaudited	Dec 31 2022	Jun 30 2022 unaudited
Cumulative expected credit losses on purchased debt portfolios at beginning of period	270,745	253,075	253,075
Revaluation of projected recoveries	5,197	11,712	7,664
Deviations from actual recoveries, decreases on early collections in collateralised cases	3,794	5,958	3,326
Cumulative expected credit losses on purchased debt portfolios at end of period	279,736	270,745	264,065

Changes in expected credit losses are reflected in the value of the debt portfolio.

Loans to related parties

As at June 30th 2023, the gross carrying amount of loans advanced to related parties was PLN 1,164,548 thousand, and the loss allowance was PLN 2,199 thousand (December 31st 2022: PLN 462,003 thousand and PLN 28,451 thousand, respectively).

Loans to related parties are provided on the following terms:

- 3M WIBOR + margin of 2-6.4pp;
- 3M EURIBOR/3M PRIBOR + margin of 2-2.09pp;
- 3M ROBOR + margin of 2-3pp;
- fixed interest rate – 9.76%.

For information on the balance of loans to related parties, see Note 11.

For information on the Company's exposure to credit, currency and interest rate risks associated with its investments, see note 10.

Inventories (including property foreclosed as part of investments in debt portfolios)

<i>PLN '000</i>	Jun 30 2023 unaudited	Dec 31 2022	Jun 30 2022 unaudited
Real property	15,116	15,049	18,774
Other inventories	194	125	120
	15,310	15,174	18,894

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

<i>PLN '000</i>	Jun 30 2023 unaudited	Dec 31 2022	Jun 30 2022 unaudited
Carrying amount of property held at beginning of period	15,049	18,970	18,970
Carrying amount of property foreclosed	2,788	4,880	3,568
Carrying amount of property sold	(1,374)	(5,562)	(2,041)
Impairment loss on property	(1,347)	(3,239)	(1,723)
Carrying amount of property held at end of period	15,116	15,049	18,774

As at June 30th 2023, the inventory write-down was PLN 1,347 thousand (December 31st 2022: PLN 3,239 thousand).

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

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

Breakdown by type of activity

PLN '000	Jan 1–Jun 30 2023 unaudited	Apr 1–Jun 30 2023 unaudited	Jan 1–Jun 30 2022 unaudited	Apr 1–Jun 30 2022 unaudited
Revenue from credit management services	74,578	36,450	58,460	28,696
Revenue from other services	36,041	20,197	20,072	10,153
Revenue from purchased debt portfolios	15,597	8,264	20,027	10,280
Other income	664	(371)	573	172
Revenue from sale of merchandise and materials	19	8	4	4
	126,899	64,548	99,136	49,305

Revenue from purchased debt portfolios

PLN '000	Jan 1–Jun 30 2023 unaudited	Apr 1–Jun 30 2023 unaudited	Jan 1–Jun 30 2022 unaudited	Apr 1–Jun 30 2022 unaudited
Gain/(loss) on expected credit losses	8,577	5,493	10,990	5,793
Interest income on debt portfolios measured at amortised cost	8,222	3,973	8,615	4,344
Other income/(expenses) from purchased debt portfolios	(1,202)	(1,202)	422	143
	15,597	8,264	20,027	10,280

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

PLN '000	Jan 1–Jun 30 2023 unaudited	Apr 1–Jun 30 2023 unaudited	Jan 1–Jun 30 2022 unaudited	Apr 1–Jun 30 2022 unaudited
Revaluation of projected recoveries	5,197	3,551	7,664	3,754
Deviations from actual recoveries, decreases on early collections in collateralised cases	3,380	1,942	3,326	2,039
	8,577	5,493	10,990	5,793

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

- discount rate in case of change in the amount of the purchased debt portfolio;

- cash flows estimation period;
- expected future cash flows estimated using the current data and debt collection processes.

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

Assumptions adopted in the valuation of debt portfolios

	Jun 30 2023 unaudited	Dec 31 2022	Jun 30 2022 unaudited
Discount rate	28.11–170.19%	28.11–170.19%	28.11–170.19%
Cash flows estimation period			
	Jul 2023–Jun 2038	Jan 2023–Dec 2037	Jul 2022–Jun 2037
Undiscounted value of future recoveries PLN '000	98,860	90,800	96,185

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

PLN '000	Jun 30 2023 unaudited	Dec 31 2022	Jun 30 2022 unaudited
Period			
Up to 12 months	21,748	23,721	25,518
From 1 to 2 years	16,625	16,546	17,261
From 2 to 3 years	13,244	12,396	13,040
From 3 to 4 years	10,451	9,405	9,923
From 4 to 5 years	8,286	7,158	7,598
From 5 to 6 years	6,637	5,458	5,808
From 6 to 7 years	5,324	4,144	4,404
From 7 to 8 years	4,131	3,183	3,347
From 8 to 9 years	3,256	2,428	2,559
From 9 to 10 years	2,583	1,868	1,966
From 10 to 11 years	2,063	1,442	1,519
From 11 to 12 years	1,624	1,106	1,165
From 12 to 13 years	1,249	829	882
From 13 to 14 years	955	632	664
From 14 to 15 years	684	484	531
Over 15 years	-	-	-
	98,860	90,800	96,185

PLN '000	Jun 30 2023 unaudited	Dec 31 2022	Jun 30 2022 unaudited
discount rate:			
< 25%	48	17	16
25–50%	12,931	12,950	12,855
> 50%	85,881	77,833	83,314
	98,860	90,800	96,185

The amounts of estimated remaining collections on debt portfolios as presented above for different discount rate ranges is subject to change for the comparative periods as a result of:

- acquisition of new debt portfolios,
- actual collections on existing debt portfolios,
- revaluation of estimated remaining collections.

Other income/(expenses) from purchased debt portfolios

PLN '000	Jan 1–Jun 30 2023 unaudited	Apr 1–Jun 30 2023 unaudited	Jan 1–Jun 30 2022 unaudited	Apr 1–Jun 30 2022 unaudited
Foreign exchange gains/(losses)	(1,202)	(1,202)	422	143
	(1,202)	(1,202)	422	143

Revenue from other services

PLN '000	Jan 1–Jun 30 2023 unaudited	Apr 1–Jun 30 2023 unaudited	Jan 1–Jun 30 2022 unaudited	Apr 1–Jun 30 2022 unaudited
Revenue from credit management services	74,578	36,450	58,460	28,696
Revenue from other services	36,041	20,197	20,072	10,153
Revenue from sale of merchandise and materials	19	8	4	4
	110,638	56,655	78,536	38,853

Revenue from credit management services

Revenue from fee-based credit management comprises commission fees ranging from 2% to 49% of the collected debts. Fee rates depend on delinquency periods, amounts outstanding, and on whether there have been any prior collection attempts. The Company's main client in the group of non-related entities accounts for 5.8% of revenue from credit management services, and in the group of related entities – for 87.3% (June 30th 2022: 3.16% and 87.66% respectively).

Revenue from other services

Revenue from other services includes income earned from the provision of support services and IT services as well as income from guarantee fees. Payment for services is made within 14-30 days of the respective invoice date.

Other income

PLN '000

	Jan 1–Jun 30 2023 unaudited	Apr 1–Jun 30 2023 unaudited	Jan 1–Jun 30 2022 unaudited	Apr 1–Jun 30 2022 unaudited
Gain/(loss) on sale of property, plant and equipment	547	87	105	(37)
Re-billing income	89	(482)	195	140
Other	28	24	31	(16)
Compensation for motor damage	-	-	242	85
	664	(371)	573	172

8.2. Employee benefits expense

PLN '000

	Jan 1–Jun 30 2023 unaudited	Apr 1–Jun 30 2023 unaudited	Jan 1–Jun 30 2022 unaudited	Apr 1–Jun 30 2022 unaudited
Salaries and wages	(76,037)	(38,643)	(65,893)	(34,723)
Old-age and disability pension contributions (defined contribution plans)	(11,863)	(6,065)	(10,148)	(5,353)
Equity-settled cost of stock option plan	(9,288)	(4,670)	(15,322)	(7,703)
Other employee expenses	(3,665)	(1,734)	(2,749)	(1,705)
Other social security contributions*	(2,756)	(1,431)	(2,347)	(1,267)
Contribution to the State Fund for the Disabled	(658)	(329)	(558)	(283)
	(104,267)	(52,872)	(97,017)	(51,034)

* Other social security contributions exclude the item presented separately as Other employee expenses.

8.3. Services

PLN '000	Jan 1–Jun 30 2023 unaudited	Apr 1–Jun 30 2023 unaudited	Jan 1–Jun 30 2022 unaudited	Apr 1–Jun 30 2022 unaudited
IT services*	(14,300)	(7,433)	(10,519)	(6,154)
Credit management services	(6,389)	(3,083)	(4,768)	(2,570)
Administrative and accounting support services*	(3,029)	(969)	(1,018)	(709)
Postal and courier services	(3,137)	(1,440)	(2,126)	(986)
Communications services	(1,613)	(1,030)	(1,367)	(719)
Space rental and service charges	(1,582)	(932)	(1,437)	(891)
Legal assistance services*	(1,256)	(426)	(779)	(475)
Security	(446)	(200)	(333)	(209)
Banking services	(440)	(254)	(520)	(269)
Recruitment services	(394)	(246)	(518)	(275)
Other auxiliary services	(324)	(144)	(286)	(156)
Repair of vehicles	(249)	(156)	(270)	(147)
Printing services	(167)	(79)	(166)	(59)
Other rental	(153)	(99)	(18)	(14)
Transport services	(95)	(64)	(67)	(42)
Repair and maintenance services	(91)	(60)	(231)	7
Packing services	(54)	(27)	(45)	(22)
Marketing and management services	(35)	(18)	(48)	(25)
	(33,754)	(16,660)	(24,516)	(13,715)

* Advisory services presented in the previous reporting period have been divided into Administrative and accounting support services, Legal assistance services and IT services.

8.4. Other expenses

PLN '000	Jan 1–Jun 30 2023 unaudited	Apr 1–Jun 30 2023 unaudited	Jan 1–Jun 30 2022 unaudited	Apr 1–Jun 30 2022 unaudited
Raw materials and consumables used	(2,937)	(1,537)	(2,747)	(1,753)
Advertising	(1,804)	(1,173)	(970)	(636)
Staff training	(1,212)	(737)	(939)	(667)
VAT on rental payments (leases and rents)	(1,147)	(681)	(1,151)	(709)
Entertainment expenses	(778)	(534)	(276)	(182)
Business trips	(771)	(476)	(325)	(274)
Court fees	(403)	(181)	(397)	(184)
Motor insurance	(372)	(181)	(585)	(293)
Other	(333)	(14)	(64)	137
Refund of litigation costs	(297)	(157)	(435)	(170)
Donations	(291)	(100)	(416)	(46)
Property insurance	(192)	(96)	(150)	(76)
Non-competition	(188)	(81)	(193)	(99)
Taxes and charges*	(90)	4	(5,296)	(2,835)
Losses caused by motor damage	(57)	(30)	(102)	(48)
Membership fees	(10)	(5)	(7)	(4)
	(10,882)	(5,979)	(14,053)	(7,839)

*Since January 1st 2023, the Company has presented undeducted VAT on a gross basis with the relevant service.

8.5. Finance income

PLN '000	Jan 1–Jun 30 2023 unaudited	Apr 1–Jun 30 2023 unaudited	Jan 1–Jun 30 2022 unaudited	Apr 1–Jun 30 2022 unaudited
Interest income on loans advanced and receivables	37,331	23,952	19,255	10,847
Net foreign exchange gains	6,750	5,582	-	-
Interest income on bank deposits	34	7	390	201
	44,115	29,541	19,645	11,048

8.6. Finance costs

PLN '000	Jan 1–Jun 30 2023 unaudited	Apr 1–Jun 30 2023 unaudited	Jan 1–Jun 30 2022 unaudited	Apr 1–Jun 30 2022 unaudited
Interest and commission expense on financial liabilities measured at amortised cost	(100,993)	(54,957)	(54,723)	(32,111)
<i>including interest</i>	<i>(97,086)</i>	<i>(53,996)</i>	<i>(53,002)</i>	<i>(31,345)</i>
Net foreign exchange gains	-	-	(81)	716
Interest income/expense on hedging instruments – CIRS	492	(3,036)	(6)	(6)
Interest income/expense on hedging instruments – IRS	6,916	6,539	1,487	1,778
Hedging costs	25,963	13,149	824	824
	(67,622)	(38,305)	(52,499)	(28,799)

The large increase in interest in the six months ended June 30th 2023 relative to the six months ended June 30th 2022 was attributable to a higher debt amount (borrowings and bonds) and significantly higher 1M/3M WIBOR rates in 2023.

Effect of exchange rate movements on statement of profit or loss

PLN '000	Note	Jan 1–Jun 30 2023 unaudited	Apr 1–Jun 30 2023 unaudited	Jan 1–Jun 30 2022 unaudited	Apr 1–Jun 30 2022 unaudited
Unrealised exchange gains/(losses)		3,626	2,540	(539)	290
Realised exchange gains/(losses)		3,124	3,042	458	426
Remeasurement of debt portfolios due to exchange rate movements	8.1.	(1,202)	(1,202)	422	143
		5,548	4,380	341	859

8.7. Income tax

PLN '000	Note	Jan 1–Jun 30 2023 unaudited	Apr 1–Jun 30 2023 unaudited	Jan 1–Jun 30 2022 unaudited	Apr 1–Jun 30 2022 unaudited
Current income tax recognised in profit or loss					
Current income tax payable		85	240	(3,479)	(3,457)
Deferred income tax recognised in profit or loss					
Temporary differences/reversal of temporary differences	8.7.	(42,340)	(17,566)	(15,546)	301
Income tax recognised in profit or loss		(42,255)	(17,326)	(19,025)	(3,156)
Deferred income tax recognised in other comprehensive income					
Temporary differences/reversal of temporary differences		(15,164)	(15,164)	-	-
Income tax recognised in other comprehensive income		(15,164)	(15,164)	-	-
Income tax recognised in comprehensive income		(57,419)	(32,490)	(19,025)	(3,156)

Reconciliation of effective tax rate

PLN '000	Jan 1–Jun 30 2023 unaudited	Jan 1–Jun 30 2022 unaudited
Profit/(loss) before tax	570,297	507,863
Income tax recognised in profit or loss	(42,255)	(19,025)
Tax calculated at the tax rate applicable in Poland (19%)	(108,356)	(96,494)
Differences resulting from ability to control the timing of reversal of temporary differences relating to the measurement of net assets of subsidiaries and the probability of their reversal in the foreseeable future, and other non-deductible expenses/non-taxable income	66,101	77,469
	(42,255)	(19,025)
Effective tax rate	7.41%	3.75%

The Company does not recognise CIT based on an estimated average annual effective rate as this would not eliminate tax fluctuations over a financial year.

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	
	Jun 30 2023 unaudited	Dec 31 2022	Jun 30 2023 unaudited	Dec 31 2022	Jun 30 2023 unaudited	Dec 31 2022
Property, plant and equipment	6,616	8,725	(4,888)	(4,983)	1,728	3,742
Intangible assets	-	-	(5,481)	(5,051)	(5,481)	(5,051)
Trade and other receivables	-	-	(343)	(413)	(343)	(413)
Borrowings and other debt instruments, leases	22,644	16,633	-	-	22,644	16,633
Employee benefit obligations	2,829	2,416	-	-	2,829	2,416
Provisions and liabilities	50	-	-	(109)	50	(109)
Investments in debt portfolios	-	-	(6,996)	(7,058)	(6,996)	(7,058)
Equity-accounted investments in subsidiaries	-	-	(254,895)	(208,285)	(254,895)	(208,285)
Derivative hedging instruments	-	-	(18,458)	(3,294)	(18,458)	(3,294)
Deferred tax assets/liability	32,139	27,774	(291,061)	(229,193)	(258,922)	(201,419)
Deferred tax assets offset against liabilities	(32,139)	(27,774)	32,139	27,774	-	-
Deferred tax assets/liabilities in the statement of financial position	-	-	(258,922)	(201,419)	(258,922)	(201,419)

Change in temporary differences in the period

PLN '000

	Net amount of deferred tax at Jan 1 2023	Change in temporary differences recognised in profit or loss for the period	Net amount of deferred tax at Jun 30 2023 unaudited	Net amount of deferred tax at Jan 1 2022	Change in temporary differences recognised in profit or loss for the period	Net amount of deferred tax at Dec 31 2022
Property, plant and equipment	3,742	(2,014)	1,728	81	3,661	3,742
Intangible assets	(5,051)	(430)	(5,481)	(1,712)	(3,339)	(5,051)
Trade and other receivables	(413)	70	(343)	(245)	(168)	(413)
Borrowings and other debt instruments, leases	16,633	6,011	22,644	7,775	8,858	16,633
Employee benefit obligations	2,416	413	2,829	2,282	134	2,416
Provisions and liabilities	(109)	159	50	40	(149)	(109)
Investments in debt portfolios	(7,058)	62	(6,996)	(6,974)	(84)	(7,058)
Equity-accounted investments in subsidiaries	(208,285)	(46,610)	(254,895)	(168,325)	(39,960)	(208,285)
	(198,125)	(42,340)	(240,464)	(167,077)	(31,048)	(198,125)

PLN '000

	Net amount of deferred tax at Jan 1 2023	Change in temporary differences recognised in other comprehensive income	Net amount of deferred tax at Jun 30 2023 unaudited	Net amount of deferred tax at Jan 1 2022	Change in temporary differences recognised in other comprehensive income	Net amount of deferred tax at Dec 31 2022
Derivative hedging instruments	(3,294)	(15,164)	(18,458)	-	(3,294)	(3,294)
	(3,294)	(15,164)	(18,458)	-	(3,294)	(3,294)

The Company assesses the recoverability of the deferred tax asset based on its approved projection of profits for the following years.

The amount of deferred tax liabilities is affected by changes in expected future cash flows from investment companies to KRUK S.A. in the foreseeable future. The level of the cash flows depends on such factors as:

- KRUK S.A.'s liquidity needs and the amount of raised and projected new debt financing available to KRUK S.A.,
- raised and projected new debt financing available to the investment companies,
- the planned expenditure on debt portfolios – its amount determines the projected liquidity position of the investment companies,
- planned recoveries from purchased debt portfolios at the investment companies.

Therefore, the amount of deferred tax liability for expected future cash flows from subsidiaries may be subject to material changes in individual reporting periods.

The Company benefits from the exemption provided in IAS 12 and does not recognise a deferred tax liability in respect of retained earnings in 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 June 30th 2023 was PLN 4,381,811 thousand (as at December 31st 2022: PLN 3,676,475 thousand).

8.8. Borrowings, other debt securities and leases

Liabilities repayment schedule

PLN '000	Jun 30 2023 unaudited	Dec 31 2022	Jun 30 2022 unaudited
Non-current liabilities			
Secured borrowings	142,615	229,516	230,467
Liabilities under debt securities (unsecured)	2,159,093	1,308,234	1,279,201
Lease liabilities	16,469	26,579	17,825
	<u>2,318,177</u>	<u>1,564,329</u>	<u>1,527,493</u>
Current liabilities			
Secured borrowings	227,091	208,432	118,706
Liabilities under debt securities (unsecured)	108,311	73,781	82,684
Lease liabilities	18,349	19,344	10,273
	<u>353,751</u>	<u>301,557</u>	<u>211,663</u>
	<u>2,671,928</u>	<u>1,865,886</u>	<u>1,739,156</u>

PLN '000	Currency	Nominal interest rate	Maturity periods ¹	Jun 30 2023 unaudited	Dec 31 2022	Jun 30 2022 unaudited
Borrowings secured over the Company's assets	PLN/EUR	1M WIBOR + margin of 1.0-2.5pp 3M WIBOR + margin of 2.7pp 1M EURIBOR + margin of 2.2-2.4pp 3M EURIBOR + margin of 0.5-2pp	2023-2028	369,706	437,948	349,173
Liabilities under debt securities (unsecured)	PLN/EUR	3M WIBOR + margin of 3.2-4.5pp; 4.00-4.80% ² 3M EURIBOR + margin of 6.5pp;	2023-2029	2,267,404	1,382,015	1,361,885
Lease liabilities	PLN/EUR	3M WIBOR or 1M EURIBOR + margin of 0.8-9.7pp; 3.3%–6.8%	2023-2026	34,818	45,923	28,098
				<u>2,671,928</u>	<u>1,865,886</u>	<u>1,739,156</u>

¹ Maturity of the last liability.

² Fixed interest rate.

Impact of IBOR reform

The Company does not anticipate a material impact from IBOR reform on its financial obligations, but cannot conclusively determine its effect as not all systemic and regulatory solutions have been finalised. The Company takes measures to prepare for a change in the benchmarks underlying concluded financial instruments in the event 3M WIBOR ceases to be published. The Company

continuously monitors regulatory changes in benchmarks, and negotiates amendments to the Master and Credit Agreements governing the hedging instruments and bank loans used by the Group companies, to ensure optimal transition to an alternative benchmark when the WIBOR is replaced. The individual items for which WIBOR is used as the benchmark are presented below:

PLN '000

	Jun 30 2023 unaudited	Dec 31 2022
Carrying amount of financial liabilities for which WIBOR is used as the benchmark		
Borrowings secured over the Company's assets	132,061	291,220
Liabilities under debt securities (unsecured)	1,605,257	1,382,015
Lease liabilities	10,267	13,771
Notional amount of hedging instruments for which WIBOR is used as the benchmark		
CIRS	1,135,000	940,000
IRS	255,000	255,000

8.9. Hedging instruments

Interest rate risk hedges

The Company's exposure to interest rate risk arises mainly from borrowings and debt securities issued (Note 10.3).

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

The interest rate risk management policy covers:

- the Company's objectives in terms of interest rate risk,
- principles of interest rate risk management at the Company;
- acceptable impact of interest rate risk on the Company's results (interest rate risk appetite);
- methods of measuring and monitoring interest rate risk and interest rate risk exposure;
- procedures in case of exceeding the Company's interest rate risk appetite;
- interest rate risk hedging policies.

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

Open outstanding IRS contracts held by the Company as at June 30th 2023, with a total notional amount of PLN 255,000 thousand and EUR 150,000 thousand:

Bank	Type of transaction	Notional amount	Fixed rate	Variable rate	Term
Santander Bank Polska S.A.	IRS	PLN 30,000,000.00	1.65%	3M WIBOR	Sep 5 2019 to Nov 27 2023
Santander Bank Polska S.A.	IRS	PLN 25,000,000.00	1.65%	3M WIBOR	Sep 5 2019 to Feb 6 2024
ING Bank Śląski S.A.*	IRS	PLN 35,000,000.00	1.6050%	3M WIBOR	Sep 4 2019 to Oct 12 2023
ING Bank Śląski S.A.*	IRS	PLN 115,000,000.00	1.5775%	3M WIBOR	Sep 4 2019 to Sep 27 2024
ING Bank Śląski S.A.*	IRS	PLN 50,000,000.00	1.5775%	3M WIBOR	Sep 4 2019 to Sep 28 2024
DNB Bank ASA	IRS	EUR 150,000,000.00	2.9640%	3M EURIBOR	May 10 2023 to May 10 2028

* The contracts were transferred from DNB Polska S.A. to ING Bank Śląski S.A. without changing their terms.

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

As at June 30th 2023, KRUK S.A. held the following open outstanding CIRS contracts with a total nominal amount of PLN 1,135,000 thousand:

Bank	Type of transaction	Notional amount	Fixed rate [EUR]	Variable rate [PLN]	Transaction date	Transaction maturity date
ING Bank Śląski S.A.	CCIRS	PLN 330,000,000	2.13%	3M WIBOR	Jun 14 2022	May 24 2027
ING Bank Śląski S.A.	CCIRS	PLN 140,000,000	1.90%	3M WIBOR	Jun 23 2022	Mar 24 2027
Santander Bank Polska S.A.	CCIRS	PLN 50,000,000	1.72%	3M WIBOR	Jun 20 2022	Mar 16 2026

Santander Bank Polska S.A.	CCIRS	PLN 50,000,000	1.56%	3M WIBOR	Jun 21 2022	Mar 16 2026
ING Bank Śląski S.A.	CCIRS	PLN 105,000,000	1.21%	3M WIBOR	Jul 15 2022	Jan 23 2026
ING Bank Śląski S.A.	CCIRS	PLN 52,500,000	0.96%	3M WIBOR	Jul 15 2022	Jan 22 2025
ING Bank Śląski S.A.	CCIRS	PLN 52,500,000	0.955%	3M WIBOR	Jul 18 2022	Jan 23 2024
ING Bank Śląski S.A.	CCIRS	PLN 50,000,000	1.40%	3M WIBOR	Jul 20 2022	Mar 2 2026
ING Bank Śląski S.A.	CCIRS	PLN 25,000,000	0.90%	3M WIBOR	Jul 20 2022	Mar 2 2024
DNB Bank ASA	CCIRS	PLN 60,000,000	1.96%	3M WIBOR	Dec 12 2022	Jul 27 2027
DNB Bank ASA	CCIRS	PLN 25,000,000	2.05%	3M WIBOR	Dec 21 2022	Nov 27 2026
DNB Bank ASA	CCIRS	PLN 75,000,000	2.49%	3M WIBOR	Jan 10 2023	Mar 26 2025
DNB Bank ASA	CCIRS	PLN 120,000,000	2.02%	3M WIBOR	Jan 27 2023	Jan 26 2028

The purpose of the transactions is to:

- hedge against interest rate risk, understood as volatility of interest expense due to changes in the 3M WIBOR rate – exchange of floating interest rate for a fixed rate;
- hedge against currency risk, understood as volatility of the net value of EUR-denominated assets due to EUR/PLN exchange rate movements – offsetting exchange differences.

Currency risk hedges

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

The currency risk management policy outlines:

- the Company's currency risk management objectives,
- the key principles of currency risk management at the Company;
- acceptable impact of currency risk on the Company'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 2019–2022, 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 mitigate the effect of exchange differences on cash flows from subsidiaries. The transactions were entered into by KRUK S.A. and settled on a net basis, with no physical delivery. For details of the executed and settled transactions, see the separate full-year financial statements.

Currency risk is also hedged with the use of currency interest rate swaps (CIRS), described in the section above: *Interest rate risk hedges*.

Amounts related to items designated as hedging instruments

PLN '000

	Jun 30 2023 unaudited				Dec 31 2022					
	Assets	Liabilities	Nominal amount	Change in fair value used to determine ineffectiveness	Assets	Liabilities	Nominal amount	Change in fair value used to determine ineffectiveness	Item in the statement of financial position	Hedge type
Instrument type:										
IRS	11,030	-	255,000 (PLN)	(7,776)	18,806	-	255,000 (PLN)	5,003	Hedging instruments	Hedge of future cash flows
IRS	5,095		150,000 (EUR)	5,095	-	-	-	-	Hedging instruments	Hedge of future cash flows
CIRS	89,299	-	1,135,000 (PLN)	87,594	11,529	9,824	940,000 (PLN)	1,705	Hedging instruments	Hedge of future cash flows/Hedge of net investment in a foreign operation
	105,424	-		84,913	30,335	9,824		6,708		

PLN '000

Disclosure of the hedged item as at Jun 30 2023 unaudited

	Nominal amount of the hedged item	Change in the fair value of the hedged item	Reserve on measurement of continuing hedges	Reserve (unreleased) on measurement of discontinued hedges
Hedge of future cash flows (interest rate risk)	255,000 (PLN)	(7,776)	12,507	-
Hedge of future cash flows (interest rate risk)	150,000 (EUR)	5,095	5,095	-
Hedge of net investment in a foreign operation (currency risk)	-	-	-	4,082
Hedge of future cash flows/Hedge of investment in a subsidiary (currency risk/interest rate risk)	1,135,000 (PLN)	87,594	63,593	-

PLN '000

Disclosure of the hedged item as at Dec 31 2022

	Nominal amount of the hedged item	Change in the fair value of the hedged item	Reserve on measurement of continuing hedges	Reserve (unreleased) on measurement of discontinued hedges
Hedge of future cash flows (interest rate risk)	255,000 (PLN)	5,003	18,806	-
Hedge of net investment in a foreign operation (currency risk)	-	-	-	4,082
Hedge of future cash flows/Hedge of investment in a subsidiary (currency risk/interest rate risk)	940,000 (PLN)	1,705	(6,017)	-

PLN '000

Amount of future cash flows as at Jun 30 2023 unaudited

	Less than 6 months	6–12 months	1–2 years	2–5 years	Over 5 years
Instrument type:					
IRS					
fixed payment PLN sale	(66,555)	(26,409)	(165,656)	-	-
variable payment PLN	66,555	26,409	165,656	-	-
IRS					
fixed payment EUR sale	(10,113)	(10,003)	(20,171)	(727,673)	-
variable payment EUR	10,113	10,003	20,171	727,673	-
CIRS					
fixed payment	(34,597)	(110,395)	(109,201)	(1,079,196)	-
variable payment	14,742	88,327	148,935	1,394,331	-

PLN '000

Amount of future cash flows as at Dec 31 2022

	Less than 6 months	6–12 months	1–2 years	2–5 years	Over 5 years
Instrument type:					
IRS					
fixed payment PLN sale	(7,663)	(73,879)	(198,211)	-	-
variable payment PLN	7,663	73,879	198,211	-	-
CIRS					
fixed payment	(33,706)	(32,546)	(136,073)	(966,860)	-
variable payment	8,125	7,790	91,652	998,585	-

PLN '000

Jan 1–Jun 30 2023 unaudited

Hedge reserve	Hedge of future cash flows (interest rate risk)	Hedge of future cash flows (currency risk)	Hedge of future cash flows/Hedge of investment in a subsidiary (currency risk/interest rate risk)	Total hedge reserve
Hedge reserve as at Jan 1 2023	18,806	4,082	(6,017)	16,871
Measurement of instruments charged to capital reserves	4,235	-	32,295	36,530
Cost of hedging	-	-	80,411	80,411
Temporary differences/reversal of temporary differences	1,477		(16,641)	(15,164)
Amount reclassified to profit or loss during the period	(6,916)	-	(26,455)	(33,371)
- Interest expense/income	(6,916)	-	(492)	(7,408)
- Cost of hedging	-	-	(25,963)	(25,963)
Hedge reserve as at Jun 30 2023	17,602	4,082	63,593	85,277

PLN '000

Jan 1–Dec 31 2022

Hedge reserve	Hedge of future cash flows (interest rate risk)	Hedge of future cash flows (currency risk)	Hedge of future cash flows/Hedge of investment in a subsidiary (currency risk/interest rate risk)	Total hedge reserve
Hedge reserve as at Jan 1 2022	13,803	4,082	-	17,885
Measurement of instruments charged to capital reserves	14,897	-	(19,995)	(5,098)
Cost of hedging	-	-	37,109	37,109
Temporary differences/reversal of temporary differences	-	-	(3,294)	(3,294)
Amount reclassified to profit or loss during the period	(9,894)	-	(19,837)	(29,731)
- Interest expense/income	(9,894)	-	(67)	(9,961)
- Cost of hedging	-	-	(19,770)	(19,770)
Hedge reserve as at Dec 31 2022	18,806	4,082	(6,017)	16,871

8.10. Equity-accounted investments in subsidiaries

PLN '000	Country	Carrying amount		
		Jun 30 2023 unaudited	Dec 31 2022	Jun 30 2022 unaudited
InvestCapital Ltd ¹	Malta	3,031,031	2,717,866	2,391,779
Prokura NS FIZ ¹	Poland	1,372,348	1,212,018	1,164,735
SeCapital S.à r.l. ¹	Luxembourg	520,279	449,912	406,817
KRUK Česká a Slovenská republika s.r.o.	Czech Republic	71,350	85,543	81,693
Presco Investments S.a.r.l. ³	Luxembourg	70,006	66,441	78,907
KRUK Espana S.L.	Spain	53,959	51,256	42,352
KRUK Italia S.r.l. ⁴	Italy	44,233	35,513	31,568
KRUK Romania S.r.l.	Romania	38,453	38,751	35,786
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	Poland	35,920	34,432	33,358
BISON NS FIZ (CLOSED-END INVESTMENT FUND)	Poland	14,948	8,529	9,351
RoCapital IFN S.A. ¹	Romania	6,940	7,013	7,859
Kruk Deutschland GmbH	Germany	5,174	6,520	7,474
Kancelaria Prawna RAVEN P.Krupa Sp. k.	Poland	4,709	7,557	7,168
AgeCredit S.r.l.	Italy	4,581	5,552	5,624
KRUK TECH s.r.l. ¹	Romania	335	(86)	-
Kruk Immobiliare S.r.l. ⁶	Italy	47	-	-
ERIF Biuro Informacji Gospodarczej S.A. ⁵	Poland	-	8,313	9,519
ProsperoCapital S.a.r.l. (in liquidation) ²	Luxembourg	-	632	632
ERIF Business Solutions Sp. z o.o. ⁵	Poland	-	-	-
Novum Finance Sp. z o.o. ¹	Poland	-	-	-
Wonga.pl Sp. z o.o.	Poland	-	-	-
Kruk Investimenti s.r.l.	Italy	-	-	-
Zielony Areał Sp. z o.o.	Poland	-	-	-
		5,274,313	4,735,762	4,314,622

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

² Company dissolved through liquidation on March 31st 2023.

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

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

⁵ On January 24th 2023, the subsidiaries were sold.

⁶ Company established in the six months ended June 30th 2023.

PLN '000	Jun 30 2023 unaudited	Dec 31 2022	Jun 30 2022 unaudited
Carrying amount of investments in subsidiaries at beginning of period	4,735,762	3,814,418	3,814,418
Share of profit/(loss) of equity-accounted investees	628,779	1,002,707	586,177
Translation reserve	(123,571)	24,740	22,495
Share of other comprehensive income of equity-accounted investees	2,871	19,911	-
Increase/(decrease) (dividends, in-kind contributions, redemptions, impairment losses, sale)	30,472	(126,014)	(108,468)
Carrying amount of investments in subsidiaries at end of period	5,274,313	4,735,762	4,314,622

The share in profit/(loss) of equity-accounted investees for the period from January 1st to June 30th 2023 was PLN 628,779 thousand, reflecting mainly revenue from recoveries and revaluation of projected recoveries for debt portfolios owned by the investees, net of costs (from January 1st to June 30th 2023: PLN 586,177 thousand).

PLN '000	Ownership interest and share in total voting rights (%)			
	Country	Jun 30 2023 unaudited	Dec 31 2022	Jun 30 2022 unaudited
SeCapital S.à r.l. ¹	Luxembourg	100%	100%	100%
ERIF Business Solutions Sp. z o.o. ⁴	Poland	-	100%	100%
ERIF Biuro Informacji Gospodarczej S.A. ⁴	Poland	-	100%	100%
Novum Finance Sp. z o.o. ¹	Poland	100%	100%	100%
KRUK Romania S.r.l.	Romania	100%	100%	100%
Kancelaria Prawna RAVEN P.Krupa Sp. k.	Poland	98%	98%	98%
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	Poland	100%	100%	100%
KRUK Česká a Slovenská republika s.r.o.	Czech Republic	100%	100%	100%
Prokura NS FIZ ¹	Poland	100%	100%	100%
InvestCapital Ltd ¹	Malta	100%	100%	100%
RoCapital IFN S.A. ¹	Romania	100%	100%	100%
Kruk Deutschland GmbH	Germany	100%	100%	100%
KRUK Italia S.r.l.	Italy	100%	100%	100%
ItaCapital S.r.l.	Italy	100%	100%	100%
KRUK Espana S.L.	Spain	100%	100%	100%
ProsperoCapital S.a.r.l. (in liquidation) ²	Luxembourg	-	100%	100%
Presco Investments S.a.r.l.	Luxembourg	100%	100%	100%
P.R.E.S.C.O INVESTMENT I NS FIZ ¹	Poland	100%	100%	100%
Elleffe Capital S.r.l. ¹	Italy	100%	100%	100%
BISON NS FIZ (CLOSED-END INVESTMENT FUND)	Poland	100%	100%	100%
Corbul S.r.l. ³	Romania	n/a	n/a	n/a
AgeCredit S.r.l.	Italy	100%	100%	100%
Wonga.pl Sp. z o.o.	Poland	100%	100%	100%
Gantoi, Furculita Si Asociatii S.p.a.r.l. ³	Romania	n/a	n/a	n/a
Kruk Investimenti s.r.l.	Italy	100%	100%	100%
Zielony Areał Sp. z o.o.	Poland	100%	100%	100%
KRUK TECH s.r.l. ¹	Romania	100%	100%	100%
Kruk Immobiliare S.r.l. ⁵	Italy	100%	-	-

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

² Company dissolved through liquidation on March 31st 2023.

³ KRUK S.A. controls the company through a personal link.

⁴ On January 24th 2023, the subsidiaries were sold.

⁵ Company established in the six months ended June 30th 2023.

On January 3rd 2023, an agreement was signed for sale by the Company of all shares in ERIF Biuro Informacji Gospodarczej S.A. and ERIF Business Solutions Sp. z o.o. The ownership title to the shares was transferred, and control was lost, on the date on which the Company's bank account was credited with the sale price, i.e., on January 24th 2023. KRUK S.A. sold the companies for PLN 23,416 thousand. The amount of PLN 16,776 thousand was paid in cash, while the balance of PLN 6,639 thousand was offset against the outstanding liability under a loan from ERIF Biuro Informacji Gospodarczej S.A.

Below are presented the amounts of assets and liabilities over which control was lost:

PLN '000	ERIF Biuro Informacji Gospodarczej S.A.	ERIF Business Solutions Sp. z o.o.
	Final data at the loss of control date January 24th 2023	Final data at the loss of control date January 24th 2023
ASSETS		
Cash and cash equivalents	7,430	62
Trade receivables	937	21
Deferred tax asset	26	-
Investments	201	-
Property, plant and equipment	82	-
Goodwill	725	-
Other intangible assets	143	55
Other assets	20	9
TOTAL ASSETS	9,564	147
	Final data at the loss of control date January 24th 2023	Final data at the loss of control date January 24th 2023
LIABILITIES		
Trade and other payables	280	231
Employee benefit obligations	825	63
TOTAL LIABILITIES	1,105	294

Following the liquidation process launched on December 30th 2022, ProsperoCapital S.à.r.l. of Luxembourg was effectively liquidated on March 31st 2023.

On May 17th 2023, the articles of association of KRUK Immobiliare S.r.l. of Milan were executed, and on May 19th 2023 the company was entered in the commercial register. The principal business activities of KRUK Immobiliare S.r.l. consist in buying and managing of real estate. KRUK S.A. holds 100% of shares in the newly incorporated company.

8.11. Trade and other receivables

PLN '000	Jun 30 2023 unaudited	Dec 31 2022
Trade receivables from related entities	30,571	27,523
Trade receivables from other entities	3,647	3,339
	34,218	30,862
	Jun 30 2023 unaudited	Dec 31 2022
Other receivables from related entities	9,025	11,510
Other receivables from other entities	5,927	4,139
Employee loans	60	66
	15,012	15,715

8.12. Cash and cash equivalents

<i>PLN '000</i>	Jun 30 2023 unaudited	Dec 31 2022
Cash in hand	51	3
Cash in current accounts	12,638	16,314
Cash proceeds from bond issues deposited in brokerage account	-	5,691
	12,689	22,008

8.13. Trade and other payables

<i>PLN '000</i>	Jun 30 2023 unaudited	Dec 31 2022
Trade and other payables to related entities	12,489	9,446
Deferred income	6,255	5,296
Trade payables to other entities	8,359	8,584
Other liabilities	4,898	6,344
Accrued expenses	1,174	864
Taxes, customs duties, insurance and other benefits payable	117	111
	33,292	30,645

8.14. Employee benefit obligations

<i>PLN '000</i>	Jun 30 2023 unaudited	Dec 31 2022
Salaries and wages payable	8,828	8,596
Social benefit obligations	9,342	10,027
Provision for accrued holiday entitlements	8,120	6,213
Personal income tax	2,333	3,209
Special accounts	540	515
Liabilities under employee savings plans	536	414
	29,699	28,974

Change in provisions for accrued holiday entitlements

<i>PLN '000</i>	Jan 1–Jun 30 2023 unaudited	Jan 1–Dec 31 2022
At beginning of period	6,213	5,569
Increase	6,268	6,922
Use	(4,361)	(6,278)
At end of period	8,120	6,213

8.15. Provisions

PLN '000

	Jun 30 2023 unaudited	Dec 31 2022
Provision for the loyalty scheme	11,356	11,746
Provision for retirement gratuities	907	907
	12,263	12,653

PLN '000

	Provision for retirement gratuities	Provision for the loyalty scheme
Carrying amount as at Jan 1 2022	907	11,750
Increase	-	1,865
Use	-	(1,869)
Carrying amount as at Dec 31 2022	907	11,746
Carrying amount as at Jan 1 2023	907	11,746
Increase	-	165
Use	-	(555)
Carrying amount as at Jun 30 2023	907	11,356

8.16. Earnings per share

Separate net profit attributable to owners of the Company

PLN '000

	Jan 1–Jun 30 2023 unaudited	Jan 1–Dec 31 2022	Jan 1–Jun 30 2022 unaudited
Net profit for period	528,042	804,982	488,838
Net profit attributable to owners of the Company	528,042	804,982	488,838

Basic earnings per share

thousands of shares

	Jan 1–Jun 30 2023 unaudited	Jan 1–Dec 31 2022	Jan 1–Jun 30 2022 unaudited
Number of ordinary shares as at Jan 1	19,319	19,013	19,013
Effect of cancellation and issue	-	123	39
Weighted average number of ordinary shares at end of reporting period	19,319	19,136	19,052
PLN			
Earnings per share	27.33	42.07	25.66

Diluted separate earnings per share*thousands of shares*

	Jan 1–Jun 30 2023 unaudited	Jan 1–Dec 31 2022	Jan 1–Jun 30 2022 unaudited
Weighted average number of ordinary shares at end of reporting period	19,319	19,136	19,052
Effect of issue of unregistered shares not subscribed for	889	636	679
Weighted average number of ordinary shares at end of reporting period (diluted)	20,208	19,772	19,731
<i>PLN</i>			
Earnings per share (diluted)	26.13	40.71	24.78

Dividend per share paid*PLN '000*

	Jan 1–Jun 30 2023 unaudited	Jan 1–Dec 31 2022	Jan 1–Jun 30 2022 unaudited
Dividend paid from profit and retained earnings	-	248,661	248,661
<i>PLN</i>			
Dividend per share	-	13.00	13.00

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

		Jun 30 2023 unaudited	Dec 31 2022	Jun 30 2022 unaudited
Property, plant and equipment		36,144	39,774	37,702
Intangible assets		28,693	30,791	7,870
Hedging instruments	8.9.	103,158	27,006	29,316
Equity-accounted investments in subsidiaries	8.10.	5,274,313	4,735,762	4,314,622
Investments	7.	1,151,150	418,008	373,880
		6,593,458	5,251,341	4,763,390
Inventories	7.	15,310	15,174	18,894
Investments	7.	41,458	46,735	65,302
Trade receivables from related entities	8.11.	30,571	27,523	20,792
Trade receivables from other entities	8.11.	3,647	3,339	3,219
Other receivables	8.11.	15,012	15,715	8,600
Income tax receivable		23,820	9,292	3,347
Hedging instruments	8.9.	2,266	3,329	-
Cash and cash equivalents	8.12.	12,689	22,008	9,566
Other assets		6,926	8,962	6,672
		151,699	152,077	136,392
		6,745,157	5,403,418	4,899,782
Share capital		19,319	19,319	19,128
Share premium		358,506	358,506	342,740
Hedge reserve		85,277	16,871	12,158
Translation reserve		(23,123)	100,448	98,203
Share of other comprehensive income of equity-accounted investees	8.10.	22,782	19,911	-
Other capital reserves		159,184	149,896	137,524
Retained earnings		2,827,326	2,589,066	2,272,922
		3,449,271	3,254,017	2,882,675
Deferred tax liability	8.7.	258,922	201,419	182,623
Provisions	8.15.	12,212	12,602	13,804
Borrowings, other debt securities and leases	8.8.	2,318,177	1,564,329	1,527,493
Hedging instruments		-	9,824	20,422
		2,589,311	1,788,174	1,744,342
Provisions	8.15.	51	51	51
Borrowings, other debt securities and leases	8.8.	353,751	301,557	211,663
Trade and other payables	8.13.	33,292	30,645	34,152
Liabilities under dividends	15.	289,782	-	-
Employee benefit obligations	8.14.	29,699	28,974	26,899
		706,575	361,227	272,765
		3,295,886	2,149,401	2,017,107
		6,745,157	5,403,418	4,899,782

Current and non-current items of the statement of financial position are presented based on cash flows expected as at the reporting date.

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. For a full description of the risk management, see the Company's most recent full-year separate financial statements.

Key risk management policies

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.

Credit risk exposure

Carrying amounts of financial assets reflect the maximum exposure to credit risk. Maximum exposure to credit risk as at the end of the reporting periods:

PLN '000	Jun 30 2023 unaudited	Dec 31 2022
Investments in debt portfolios	30,259	31,191
Loans to related parties	1,162,349	433,552
Trade and other receivables, net of tax receivable	47,394	45,996
Cash and cash equivalents	12,689	22,008
Hedging instruments	105,424	30,335
	1,358,115	563,082

Maximum exposure to credit risk by geographical segment as at the end of the reporting periods:

PLN '000	Jun 30 2023 unaudited	Dec 31 2022
Poland	556,650	442,758
Romania	63,726	66,145
Czech Republic and Slovakia	74,667	54,179
Malta	663,072	-
	1,358,115	563,082

Credit risk exposure – Investments in debt portfolios

PLN '000	Jun 30 2023 unaudited	Dec 31 2022
Portfolio type		
Unsecured retail portfolios	29,964	30,748
Secured retail portfolios	-	-
Unsecured corporate portfolios	277	424
Secured corporate portfolios	18	19
	30,259	31,191

Allowance for expected credit losses

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

IFRS 9 classification

PLN '000

	Days past due	Expected credit losses as % of gross carrying amount	Carrying amount as at Jun 30 2023 (IFRS 9) unaudited	Carrying amount as at Dec 31 2022 (IFRS 9)
Trade and other receivables, net of tax receivable	<1 days		47,394	45,996
	1-90 days		172	156
	>90 days			-
			<u>47,566</u>	<u>46,152</u>
Allowance for expected credit losses	<1 days	0.0%	-	-
	1-90 days	0.7%	172	156
	>90 days	100.0%	-	-
			<u>172</u>	<u>156</u>
Net carrying amount	<1 days		47,394	45,996
	1-90 days		-	-
	>90 days		-	-
			<u>47,394</u>	<u>45,996</u>

Changes in allowances for expected credit losses on receivables:

PLN '000

	Jun 30 2023 unaudited	Dec 31 2022
Loss allowance at beginning of period	156	216
Allowance for expected credit losses recognised in the reporting period	16	64
Reversal of allowance for expected credit losses	-	(104)
Use of allowance for expected credit losses	-	(20)
Loss allowance at end of period	<u>172</u>	<u>156</u>

Breakdown of loans to related parties into quality baskets as at the end of the reporting periods:

PLN '000	Bucket 1	Bucket 2	Bucket 3	TOTAL
Gross carrying amount of loans to related parties as at Jan 1 2022	87,773	338,057	-	425,829
Disbursements	33,379	84,435	-	117,814
Repayments	(26,031)	(55,610)	-	(81,641)
Gross carrying amount of loans to related parties as at Dec 31 2022	95,121	366,882	-	462,003
Disbursements	701,977	59,715	-	761,692
Repayments	(20,368)	(38,779)	-	(59,147)
Gross carrying amount of loans to related parties as at Jun 30 2023	776,730	387,818	-	1,164,548

PLN '000	Bucket 1	Bucket 2	Bucket 3	TOTAL
Allowance for expected credit losses as at Jan 1 2022	-	37,635	-	37,635
Recognised	-	52,225	-	52,225
Reversed	-	(61,409)	-	(61,409)
Allowance for expected credit losses as at Dec 31 2022	-	28,451	-	28,451
Recognised	-	-	-	-
Reversed	-	(26,252)	-	(26,252)
Allowance for expected credit losses as at Jun 30 2023	-	2,199	-	2,199

PLN '000	Bucket 1	Bucket 2	Bucket 3	TOTAL
Net carrying amount of loans to related parties as at Dec 31 2022	95,121	338,431	-	433,552
Net carrying amount of loans to related parties as at Jun 30 2023	776,730	385,619	-	1,162,349

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 recoveries 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.

Exposure to liquidity risk

As at Jun 30 2023

unaudited

PLN '000

	Present value	Undiscounted contractual/estimated cash flows	Less than 6 months	6–12 months	1–2 years	2–5 years	Over 5 years
Non-derivative financial assets and liabilities							
Cash and cash equivalents	12,689	12,689	12,689	-	-	-	-
Trade and other receivables, net of tax receivable	47,394	47,394	47,394	-	-	-	-
Investments in debt portfolios*	30,259	98,860	11,821	9,927	16,625	31,981	28,506
Loans to related parties	1,162,349	1,488,415	47,821	34,453	107,389	1,298,752	-
Secured borrowings	(369,706)	(409,137)	(13,059)	(46,795)	(56,907)	(292,376)	-
Liabilities under debt securities (unsecured)	(2,267,404)	(3,213,620)	(177,689)	(133,521)	(401,026)	(2,371,078)	(130,306)
Lease liabilities	(34,818)	(36,425)	(10,474)	(9,896)	(13,207)	(2,848)	-
Trade and other payables	(25,746)	(25,746)	(25,746)	-	-	-	-
	(1,444,983)	(2,037,570)	(107,243)	(145,832)	(347,126)	(1,335,569)	(101,800)
Off-balance-sheet contingent liabilities							
Off-balance-sheet contingent liabilities under sureties/guarantees provided to subsidiaries**	(3,667,115)	(3,667,115)	(3,605,095)	-	-	(54,900)	(7,120)
	(5,112,098)	(5,704,685)	(3,712,338)	(145,832)	(347,126)	(1,390,469)	(108,920)

As at Dec 31 2022
PLN '000

	Present value	Undiscounted contractual/estimated cash flows	Less than 6 months	6–12 months	1–2 years	2–5 years	Over 5 years
Non-derivative financial assets and liabilities							
Cash and cash equivalents	22,008	22,008	22,008	-	-	-	-
Trade and other receivables, net of tax receivable	45,996	45,996	45,996	-	-	-	-
Investments in debt portfolios*	31,191	90,800	12,879	10,844	16,546	28,958	21,573
Loans to related parties	433,552	462,002	10,793	18,040	54,094	379,075	-
Secured borrowings	(437,948)	(519,134)	(86,249)	(13,155)	(111,797)	(303,786)	(4,147)
Liabilities under debt securities (unsecured)	(1,382,015)	(1,928,811)	(67,451)	(132,349)	(175,021)	(1,195,002)	(358,988)
Lease liabilities	(45,923)	(44,348)	(10,298)	(10,006)	(16,280)	(7,764)	-
Trade and other payables	(24,374)	(24,374)	(24,374)	-	-	-	-
	(1,357,513)	(1,895,861)	(96,696)	(126,626)	(232,458)	(1,098,519)	(341,562)
Off-balance-sheet contingent liabilities							
Off-balance-sheet contingent liabilities under sureties/guarantees provided to subsidiaries**	(3,714,058)	(3,714,058)	(459,758)	-	(2,764,696)	(62,400)	(427,204)
	(5,071,571)	(5,609,919)	(556,454)	(126,626)	(2,997,154)	(1,160,919)	(768,766)

* Estimated cash flows.

** Off-balance-sheet contingent liabilities under sureties/guarantees provided to subsidiaries have been disclosed in nominal amounts. The surety amounts are equal to 150% of the respective debt amounts. The contingent liabilities will become actual liabilities at the time of failure to meet the respective covenants, default in payment of the debt. As at June 30th 2023 and December 31st 2022, KRUK S.A. saw nothing to indicate that its contingent liabilities under guarantees/sureties could become actual liabilities.

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

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

The contractual/estimated cash flows were determined based on interest rates effective as at June 30th 2023 and December 31st 2022, as appropriate.

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

As at June 30th 2023, the undrawn revolving credit facility limit available to the Company was PLN 151,782 thousand (December 31st 2022: PLN 78,588 thousand). The limit is available until January 30th 2028.

10.3. Market risk

Market risk is the risk of impact of changes in market prices, such as foreign exchange rates and interest rates on the Company's results or on the value of financial instruments held and investments made by the Company. The objective behind market risk management is to maintain and control the Company's exposure to currency and interest rate risks within assumed limits so as to:

- maintain a stable financial position in the long-term;
- mitigate the liquidity risk;
- reduce the impacts of market risk on profit or loss;
- mitigate the risk of non-compliance with financial covenants under credit agreements and bond issue prospectuses.

Exposure to currency risk

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

PLN '000	Exposure to currency risk					
	Jun 30 2023 unaudited			Dec 31 2022		
	EUR	RON	CZK	EUR	RON	CZK
Cash	155	541	794	221	407	2,018
Investments in debt portfolios	161	23,781	832	131	24,046	1,060
Loans to related parties	730,872	17,454	28,406	37,067	18,495	39,559
Borrowings, other debt securities and leases	(914,957)	-	-	(166,979)	-	-
Exposure to currency risk	(183,769)	41,776	30,032	(129,560)	42,948	42,637

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

PLN '000	Jun 30 2023 unaudited			Dec 31 2022		
	EUR	RON	CZK	EUR	RON	CZK
	EUR	RON	CZK	EUR	RON	CZK
Cash	16	54	79	22	41	202
Investments in debt portfolios	16	2,378	83	13	2,405	106
Loans to related parties	73,087	1,745	2,841	3,707	1,850	3,956
Borrowings, other debt securities and leases	(91,496)	-	-	(16,698)	-	-
Exposure to currency risk	(18,377)	4,178	3,003	(12,956)	4,296	4,264

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

PLN '000	Jun 30 2023 unaudited			Dec 31 2022		
	EUR	RON	CZK	EUR	RON	CZK
Cash	(16)	(54)	(79)	(22)	(41)	(202)
Investments in debt portfolios	(16)	(2,378)	(83)	(13)	(2,405)	(106)
Loans to related parties	(73,087)	(1,745)	(2,841)	(3,707)	(1,850)	(3,956)
Borrowings, other debt securities and leases	91,496	-	-	16,698	-	-
Exposure to currency risk	18,377	(4,178)	(3,003)	12,956	(4,296)	(4,264)

Currency concentration risk is defined by the Company as the risk arising from significant exposure to individual financial instruments denominated in RON, CZK, and EUR.

As at June 30th 2023, financial assets denominated in foreign currencies accounted for 11.9% of total assets, while liabilities denominated in foreign currencies represented 13.6% of total equity and liabilities (December 31st 2022: 2.3% and 3.1%, respectively).

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

PLN	Average exchange rates*		End of period (spot rates)	
	Jan 1–Jun 30 2023 unaudited	Jan 1–Jun 30 2022 unaudited	Jun 30 2023 unaudited	Dec 31 2022
EUR 1	4.6130	4.6427	4.4503	4.6899
USD 1	4.2711	4.2744	4.1066	4.4018
RON 1	0.9332	0.9385	0.8967	0.9475
CZK 1	0.1951	0.1884	0.1875	0.1942

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

Exposure to interest rate risk

Structure of interest-bearing financial instruments as at the reporting date:

PLN '000	Carrying amount	
	Jun 30 2023 unaudited	Dec 31 2022
Fixed-rate financial instruments¹		
Financial assets	753,413	99,195
Financial liabilities	(204,654)	(202,487)
Fixed-rate financial instruments before hedging	548,759	(103,292)
Hedge effect (nominal amount)	(2,057,545)	(1,195,000)
Fixed-rate financial instruments after hedging	(1,508,786)	(1,298,292)
Variable-rate financial instruments²		
Financial assets	604,702	463,887
Financial liabilities	(2,493,020)	(1,697,597)
Variable-rate financial instruments before hedging	(1,888,318)	(1,233,710)
Hedge effect (nominal amount)	2,057,545	1,195,000
Variable-rate financial instruments after hedging	169,227	(38,710)

¹ Fixed-rate financial assets comprise investments in debt portfolios, trade and other receivables less tax receivables, cash and cash equivalents as well as a fixed-rate loan advanced to a related entity. Fixed-rate financial liabilities comprise trade and other payables, as well as liabilities under fixed-rate debt securities.

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

Derivatives and hedging instruments are presented as variable interest rate financial instruments.

Sensitivity analysis of fair value of fixed-rate financial instruments

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

Sensitivity analysis of cash flows from variable-rate financial instruments

The Company purchases derivative instruments in order to hedge interest rate risk. A change of an interest rate by 100 basis points would increase (decrease) equity and pre-tax profit over a year 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	
	increase by 100 bps	decrease by 100 bps
Jun 30 2023		
Variable-rate financial assets	6,047	(6,047)
Variable-rate financial liabilities	(24,930)	24,930
Dec 31 2022		
Variable-rate financial assets	4,639	(4,639)
Variable-rate financial liabilities	(16,976)	16,976

Fair values

Comparison of fair values and carrying amounts

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

PLN '000	Jun 30 2023 unaudited		Dec 31 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets and liabilities measured at fair value				
Hedging instruments (IRS)	16,125	16,125	18,806	18,806
Hedging instruments (CIRS)	89,299	89,299	11,529	11,529
Hedging instruments (CIRS)	-	-	(9,824)	(9,824)
	105,424	105,424	20,511	20,511
Financial assets and liabilities not measured at fair value				
Investments in debt portfolios	30,259	31,084	31,191	29,008
Loans to related parties	1,162,349	1,162,349	433,552	433,552
Trade and other receivables, net of tax receivable	47,394	47,394	45,996	45,996
Trade and other payables	(25,746)	(25,746)	(24,374)	(24,374)
Secured borrowings	(369,706)	(369,706)	(437,948)	(437,948)
Liabilities under debt securities (unsecured)	(2,267,404)	(2,288,512)	(1,382,015)	(1,366,416)
	(1,422,854)	(1,443,137)	(1,333,598)	(1,320,182)

Interest rates used for fair value estimation

	Jun 30 2023 unaudited	Dec 31 2022
Investments in debt portfolios	0.43–55.14%	0.81–55.14%
Secured borrowings	4.08–9.60%	4.08–9.72%
Loans to related parties	5.05–13.30%	3.19–13.71%

Hierarchy of financial instruments at fair value

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

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

In 2023–2022, no transfers were made between the levels.

PLN '000	Level 1	
	Carrying amount	Fair value
As at Jun 30 2023		
Liabilities under debt securities (unsecured)	(2,267,404)	(2,288,512)
As at Dec 31 2022		
Liabilities under debt securities (unsecured)	(1,382,015)	(1,366,416)

The fair value of financial liabilities under debt securities is determined based on their prices on the Catalyst market as at the last day of the reporting period.

PLN '000	Level 2	
	Carrying amount	Fair value
As at Jun 30 2023		
Hedging instruments (IRS)	16,125	16,125
Hedging instruments (CIRS)	89,299	89,299
Secured borrowings	(369,706)	(369,706)
As at Dec 31 2022		
Hedging instruments (IRS)	18,806	18,806
Hedging instruments (CIRS)	11,529	11,529
Hedging instruments (CIRS)	(9,824)	(9,824)
Secured borrowings	(437,948)	(437,948)

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

The fair value of financial liabilities under borrowings is determined on the basis of future cash flows from the executed transactions, calculated based on the difference between the margin applicable to the financial liabilities as at the reporting date and the margin as at the transaction date. For the

purpose of fair value calculation the Company uses margin rates from the most recent credit facility agreement.

PLN '000

	Level 3	
	Carrying amount	Fair value
As at Jun 30 2023		
Investments in debt portfolios	30,259	31,084
Loans to related parties	1,162,349	1,162,349
Trade and other receivables, net of tax receivable	47,394	47,394
Trade and other payables	(25,746)	(25,746)
As at Dec 31 2022		
Investments in debt portfolios	31,191	29,008
Loans to related parties	433,552	433,552
Trade and other receivables, net of tax receivable	45,996	45,996
Trade and other payables	(24,374)	(24,374)

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

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

The Company uses Level 3 inputs to determine the fair value of trade and other receivables, excluding receivables on account of taxes as well as trade and other payables.

11. Related-party transactions

Remuneration of the Company's directors – Management Board

Remuneration of members of the Company's key management personnel:

PLN '000

	Jan 1–Jun 30 2023 unaudited	Apr 1–Jun 30 2023 unaudited	Jan 1–Jun 30 2022 unaudited	Apr 1–Jun 30 2022 unaudited
Base pay/ managerial contract (gross)	3,499	1,749	3,253	1,688
Additional benefits	62	24	42	22
Share-based payments	9,288	4,670	15,322	7,703
	12,849	6,443	18,617	9,413

Remuneration of the Company's directors – Supervisory Board

Remuneration of members of the Supervisory Board was as follows:

PLN '000

	Jan 1–Jun 30 2023 unaudited	Apr 1–Jun 30 2023 unaudited	Jan 1–Jun 30 2022 unaudited	Apr 1–Jun 30 2022 unaudited
Base pay/ managerial contract (gross)	601	301	526	293
Additional benefits	8	4	4	3
	609	305	530	296

Other transactions with the Company's directors

As at June 30th 2023, members of the Management Board and persons closely related to them jointly held 10.2% of the total voting rights at the Company's General Meeting (December 31st 2022: 10.55%).

Other related-party transactions

Transactions with subsidiaries as at June 30th 2023 and December 31st 2022, and for the periods ended June 30th 2023 and June 30th 2022

Balance of receivables, liabilities and loans from and to subsidiaries as at June 30th 2023 and December 31st 2022

	Jun 30 2023 unaudited						Dec 31 2022							
PLN '000	Liabilities	Receivables	Loans advanced	Interest accrued on loans advanced	Allowance for expected credit losses	Loans received	Interest accrued on loans received	Liabilities	Receivables	Loans advanced	Interest accrued on loans advanced	Allowance for expected credit losses	Loans received	Interest accrued on loans received
SeCapital S.à. r.l	3,510	58	-	-	-	-	-	3,759	66	-	-	-	-	-
ERIF Business Solutions Sp. z o.o.*	-	-	-	-	-	-	-	-	20	-	-	-	-	-
Novum Finance Sp. z o.o.	276	569	51,742	-	(1,290)	-	-	228	442	45,342	-	(3,160)	-	-
Kancelaria Prawna RAVEN P.Krupa Sp. k.	411	2,220	-	-	-	-	-	272	2,965	-	-	-	-	-
KRUK Romania S.r.l.	395	5,635	34,841	558	-	-	-	402	3,309	36,753	524	-	-	-
ERIF BIG S.A.*	-	-	-	-	-	-	-	-	140	-	-	-	6,600	-
NSFIZ PROKURA	3,334	7,069	-	-	-	-	-	1,848	11,221	-	-	-	-	-
KRUK Česká a Slovenská republika s.r.o.	33	2,613	72,419	1,255	-	-	-	20	1,847	52,237	751	-	-	-
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	-	11,145	-	-	-	-	-	-	7,721	-	-	-	-	-
InvestCapital Ltd.	-	1,454	654,018	9,053	-	-	-	726	-	-	-	-	-	-
KRUK Deutschland GmbH	-	10	-	-	-	-	-	-	19	-	-	-	-	-
Rocapital IFN S.A.	-	-	4,484	103	-	-	-	-	6	4,738	118	-	-	-
KRUK Italia S.r.l.	25	1,275	-	-	-	22,252	-	-	770	-	-	-	-	-
ItaCapital S.r.l.	-	1	-	-	-	-	-	-	8	-	-	-	-	-
KRUK Espana S.L.	-	1,573	-	-	-	12,461	-	-	1,255	-	-	-	-	-
Presco Investments S.a.r.l.	4,202	4,972	-	-	-	-	-	2,146	6,934	-	-	-	-	-
P.R.E.S.C.O INVESTMENT I NS FIZ	34	211	-	-	-	-	-	43	326	-	-	-	-	-
ProsperoCapital S.a.r.l. (in liquidation)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corbul Capital S.r.l	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Elleffe Capital S.r.l.	-	-	-	-	-	-	-	-	7	-	-	-	-	-
NSFIZ BISON	-	754	-	-	-	-	-	-	1,809	-	-	-	-	-
AgeCredit S.r.l.	-	17	-	-	-	-	-	-	45	-	-	-	-	-
Wonga.pl Sp. z o.o.	267	16	335,125	-	(897)	-	-	-	92	320,640	-	(24,903)	-	-
GANTOI, FURCULITA SI ASOCIATII-S.P.A.R.L.	2	-	-	-	-	-	-	2	-	-	-	-	-	-
Kruk Investimenti s.r.l.	-	1	-	-	-	-	-	-	8	-	-	-	-	-
Zielony Areal Sp. z o.o.	-	3	950	-	(12)	-	-	-	8	900	-	(388)	-	-
KRUK TECH s.r.l.	-	-	-	-	-	-	-	-	15	-	-	-	-	-
Kruk Immobiliare S.r.l.	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	12,489	39,596	1,153,579	10,969	(2,199)	34,713	-	9,446	39,033	460,610	1,393	(28,451)	6,600	-

Revenue from intra-group transactions in the periods ended June 30th 2023 and June 30th 2022

PLN '000	Jan 1–Jun 30 2023 unaudited			Jan 1–Jun 30 2022 unaudited		
	Revenue from sale of materials and services	Revenue from credit management services	Interest	Revenue from sale of materials and services	Revenue from credit management services	Interest
SeCapital S.à. r.l	5	25	-	2	27	-
ERIF Business Solutions Sp. z o.o. *	9	-	-	89	-	-
Novum Finance Sp. z o.o.	1,099	872	2,734	951	756	1,571
Kancelaria Prawna RAVEN P.Krupa Sp. k.	7,307	-	16	4,236	-	-
KRUK Romania S.r.l.	3,576	-	1,111	1,054	-	722
ERIF BIG S.A.*	67	-	-	444	-	-
NSFIZ PROKURA	2,742	-	-	4,278	-	-
KRUK Česká a Slovenská republika s.r.o.	1,356	-	2,381	723	-	921
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	138	65,103	-	135	51,248	-
InvestCapital Ltd.	14,332	-	10,344	6,799	-	-
KRUK Deutschland GmbH	-	-	-	3	-	-
Rocapital IFN S.A.	-	-	214	-	-	158
KRUK Italia S.r.l.	2,553	-	-	1,235	-	-
ItaCapital S.r.l.	-	-	-	-	-	-
KRUK Espana S.L.	2,360	-	-	1,386	-	-
Presco Investments S.a.r.l.	5	480	-	2	703	-
P.R.E.S.C.O INVESTMENT I NS FIZ	-	-	-	-	-	-
ProsperoCapital S.a.r.l. (in liquidation)	-	-	-	2	-	-
Corbul Capital S.r.l	-	-	-	-	-	-
Elleffe Capital S.r.l.	-	-	-	-	-	-
NSFIZ BISON	-	-	-	-	-	-
AgeCredit S.r.l.	35	-	-	-	-	-
Wonga.pl Sp. z o.o.	-	32	20,485	-	-	15,866
GANTOI, FURCULITA SI ASOCIATII-S.P.A.R.L.	-	-	-	-	-	-
Kruk Investimenti s.r.l.	-	-	-	-	-	-
Zielony Areał Sp. z o.o.	15	-	46	8	-	17
KRUK TECH s.r.l.	-	-	-	-	-	-
Kruk Immobiliare S.r.l.	-	-	-	-	-	-
	35,599	66,512	37,331	21,347	52,734	19,255

Expenses on intra-group transactions in the periods ended June 30th 2023 and June 30th 2022

	Jan 1–Jun 30 2023 unaudited		Jan 1–Jun 30 2022 unaudited	
PLN '000	Purchase of services	Interest	Purchase of services	Interest
Kancelaria Prawna RAVEN P. Krupa Sp. k.	1,685	-	765	-
KRUK Romania S.r.l.	2,673	-	2,804	-
ERIF BIG S.A.*	20	39	119	215
SeCapital S.à. r.l	-	-	-	4
KRUK Česká a Slovenská republika s.r.o.	157	-	180	-
GANTOI, FURCULITA SI ASOCIATII-S.P.A.R.L.	11	-	11	-
KRUK Italia S.r.l.	78	186	1	-
KRUK Espana S.L.	-	174	24	-
Wonga.pl Sp. z o.o.	217	-	147	-
	4,841	399	4,051	219

* On January 24th 2023, the subsidiaries were sold.

12. Seasonality or cyclicity of business

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

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

In the six months ended June 30th 2023, KRUK S.A. generated a profit of PLN 628,779 thousand through its interests in subsidiaries (six months ended June 30th 2022: PLN 586,177 thousand).

As at June 30th 2023, recoveries from portfolios purchased by KRUK S.A. were PLN 16,937 thousand, a decrease of 10% year on year and an increase of 2% quarter on quarter.

As at June 30th 2023, the Company's investments in debt portfolios accounted for 0.4% of its assets. Equity accounted for 51.1% of the Company's financing sources. As at December 31st 2022, the respective percentages were 0.6% and 60.2%.

Impact of inflation on KRUK S.A.'s business

Inflation has an effect on KRUK S.A.'s costs, in particular on labour costs and indirectly, through higher interest rates, on debt service costs. The impact of inflation on revenues is difficult to assess and can be:

- positive, if indebted persons earn regular income its nominal amount increases, enabling them to repay a larger portion of their debt to Company; inflation also causes the nominal amount of the debt to increase,
- negative, if inflation leads to an economic downturn, lower incomes, higher unemployment, and debtors ceasing to repay their debt.

Effect of Russia's aggression on Ukraine on KRUK S.A.'s business

Russia's aggression against Ukraine started on February 24th 2022. KRUK S.A. does not possess any assets in Ukraine or Russia, nor does it engage in any business activities in these countries. Therefore, the Company anticipates that any impact of the conflict on its operations will be indirect and minimal.

The situation in Ukraine does not affect the financial statements as at the reporting date or the recognition and measurement of individual items of the statements after the reporting date.

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

In the period between January 1st and June 30th 2023, the Company issued new bonds:

- on January 4th 2023 – unsecured Series AL3 bonds with a nominal value of PLN 120,000 thousand, bearing interest at a floating rate based on 3M WIBOR plus a margin of 4.50pp, maturing on January 4th 2029;
- on February 20th 2023 – unsecured Series AN3 bonds with a nominal value of PLN 50,000 thousand issued in a public offering, bearing interest at a floating rate based on 3M WIBOR plus a margin of 4.00pp, maturing on February 20th 2028;
- on June 12th 2023 – unsecured Series AN4 bonds with a nominal value of PLN 50,000 thousand (issued in a public offering), bearing interest at a variable rate based on 3M WIBOR plus a margin of 4.00pp, maturing on June 13th 2028;
- on May 10th 2023 – unsecured Series NO0012903444 bonds with a nominal value of EUR 150,000 thousand issued in a public offering, bearing interest at a floating rate based on 3M EURIBOR plus a margin of 6.50pp, maturing on May 10th 2028;

After the end of the reporting period, on August 8th 2023 – unsecured AO1 bonds with a nominal value of PLN 75,000 thousand, bearing interest at a variable rate based on 3M WIBOR plus a margin of 4.00pp, maturing on August 8th 2028.

No bonds were redeemed in the reporting period.

15. Dividends paid (or declared)

On May 17th 2023, KRUK S.A.'s Management Board passed a resolution recommending that the Annual General Meeting approve dividend payments of PLN 15.00 per share. The dividend would be distributed from the Company's net profit earned in 2022. The dividend recommendation is consistent with the dividend policy adopted by the Management Board on December 2nd 2021. The recommendation was endorsed by the Company's Supervisory Board on May 22nd 2023.

The recommendation took into account the current financial condition of the KRUK Group, further implementation of the strategy, as well as the Group's plans and growth prospects.

On June 20th 2023, the General Meeting of KRUK S.A. passed a resolution to distribute a dividend of PLN 15.00 per share to the Company's shareholders. The dividend of PLN 289,782 will be distributed from the Company's net profit earned in 2022. The dividend record date is September 7th 2023, while the dividend payment date has been set for September 28th 2023.

As at June 30th 2023, the related liability was disclosed as *Liabilities under dividend*.

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

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

Security created over KRUK S.A.'s assets as at June 30th 2023 is presented below:

Type	Beneficiary	Amount	Expiry date	Terms and conditions
Guarantees provided/promissory notes issued				
Surety for PROKURA NS FIZ's liabilities under the revolving credit facility of July 2nd 2015, as amended, between PROKURA NS FIZ, KRUK S.A. and mBank S.A.	mBank S.A.	PLN 180,000 thousand	No later than July 3rd 2030	Prokura NS FIZ's failure to pay amounts owed to the bank under the revolving credit facility agreement
Blank promissory note	Santander Bank Polska S.A.	PLN 162,398 thousand	Until the derivative transactions are settled and the bank's claims thereunder are satisfied	KRUK S.A.'s failure to repay its liabilities under treasury transactions made on the basis of the master agreement on the procedure for execution and settlement of treasury transactions of June 13th 2013, as amended
Surety for InvestCapital LTD's liabilities under the transactions executed under the master agreement between KRUK S.A., InvestCapital LTD and Santander Bank Polska S.A.	Santander Bank Polska S.A.	PLN 54,900 thousand*	No later than July 31st 2027	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
Surety for liabilities of InvestCapital Ltd, Kruk Romania S. R. L., Kruk Espana S. L. U. and PROKURA NS FIZ under the revolving multi-currency credit facility agreement of July 3rd 2017, as amended, between KRUK S.A., InvestCapital Ltd, Kruk Romania S. R. L., Kruk Espana S.L.U. and PROKURA NS FIZ (the borrowers) and DNB Bank ASA, ING Bank Śląski S.A., Santander Bank Polska S.A. and PKO BP S.A. and Bank Handlowy w Warszawie S.A.	DNB Bank ASA, ING Bank Śląski S.A., Santander Bank Polska S.A., PKO BP S.A., Bank Handlowy w Warszawie S.A.	EUR 669,000 thousand	Until all obligations under the multi-currency revolving credit facility agreement are satisfied	Borrower's failure to pay amounts due under the multicurrency revolving credit facility agreement

Blank promissory note	mBank S.A.	PLN 7,500 thousand	Until the transactions are settled and the bank's claims thereunder are satisfied	KRUK S.A.'s failure to pay its liabilities under financial market transactions executed under the master agreement of February 7th 2019
Surety for PROKURA NS FIZ's liabilities towards PKO BP S.A. under the non-renewable working capital facility agreement of September 21st 2021 between PROKURA NS FIZ, KRUK S.A. and PKO BP S.A.	PKO BP S.A.	PLN 29,016 thousand	No later than September 20th 2029	PROKURA NS FIZ's failure to pay amounts owed to the bank under the non-renewable working capital facility agreement
Surety for PROKURA NS FIZ's liabilities towards PKO BP S.A. under the non-renewable working capital facility agreement of December 14th 2021 between PROKURA NS FIZ, KRUK S.A. and PKO BP S.A.	PKO BP S.A.	PLN 60,060 thousand	No later than December 13th 2029	PROKURA NS FIZ's failure to pay amounts owed to the bank under the non-renewable working capital facility agreement
Surety for PROKURA NS FIZ's liabilities towards Pekao S.A. under the overdraft facility agreement of February 1st 2022 between PROKURA NS FIZ, KRUK S.A. and Pekao S.A.	Pekao S.A.	PLN 120,000 thousand	No later than January 31st 2031	Prokura NS FIZ's failure to pay amounts owed to the bank under the overdraft facility agreement
Surety for PROKURA NS FIZ's liabilities towards PKO BP S.A. under the non-renewable working capital facility agreement of August 22nd 2022 between PROKURA NS FIZ, KRUK S.A. and PKO BP S.A.	PKO BP S.A.	PLN 67,320 thousand	No later than August 21st 2030	PROKURA NS FIZ's failure to pay amounts owed to the bank under the non-renewable working capital facility agreement
Surety for InvestCapital Ltd's obligations to BANKINTER S.A. of Madrid, under the direct debit collection management contract between BANKINTER S.A. and InvestCapital Ltd. dated July 7th 2022.	BANKINTER S.A.	EUR 1,600 thousand	Until all obligations under the direct debit collection management contract of July 7th 2022 are satisfied.	InvestCapital Ltd's failure to pay amounts due to the Bank under the direct debit collection management contract of July 7th 2022.
Guarantees obtained				
Guarantee issued by Santander Bank Polska S.A. for KRUK S.A.'s liabilities under the rental agreement	DEVCo Sp. z o.o.	EUR 300 thousand and PLN 215 thousand	No later than December 30th 2023	KRUK S.A.'s failure to repay its liabilities under the rental agreement secured with the guarantee

* The surety amount depends on the limit available to InvestCapital Ltd; as at June 30th 2023, the limit was 0.

Credit sureties or guarantees, security pledges

In order to secure the repayment of Prokura NS FIZ's liabilities under the up to PLN 52,800 thousand non-revolving working capital facility agreement of August 22nd 2022 between Prokura NS FIZ, KRUK S.A. and PKO BP S.A.:

- On February 10th 2023, PROKURA NS FIZ and PKO BP S.A. signed an agreement to create a registered pledge over a set of rights (debt portfolios owned by PROKURA NS FIZ). The pledge was created up to the maximum amount of PLN 79,200 thousand.

As at June 30th 2023, the value of all portfolios pledged in favour of PKO BP S.A. was PLN 143,528 thousand.

In order to secure the repayment of Prokura NS FIZ's liabilities under the PLN 120,000 thousand revolving credit facility agreement of July 2nd 2015, as amended, between Prokura NS FIZ, KRUK S.A. and mBank S.A. of Warsaw:

- On March 20th 2023, PROKURA NS FIZ entered into an agreement with mBank S.A. to create a registered pledge over a set of rights (debt portfolios owned by PROKURA NS FIZ). The pledge was created up to the maximum amount of PLN 180,000 thousand.

As at June 30th 2023, the value of all portfolios pledged in favour of mBank S.A. was PLN 182,420 thousand.

On February 27th 2023, the credit facility agreement between KRUK S.A., its subsidiary PROKURA NS FIZ and ING Bank Śląski S.A. of December 20th 2018, as amended, was terminated by mutual agreement between the parties. Following the termination of the credit facility agreement:

- on February 27th 2023, the surety for up to PLN 300,000 thousand provided by KRUK S.A. to secure repayment of the borrower's (Prokura NS FIZ's) liabilities expired;
- on February 27th 2023, the following pledge agreements were terminated by mutual agreement between the parties:
 - the agreement of January 4th 2019 between PROKURA NS FIZ and ING Bank Śląski S.A. creating a registered and financial pledge over receivables under a bank account agreement;
 - the agreement of December 20th 2018 between KRUK S.A. and ING Bank Śląski S.A. creating a financial pledge over receivables under a bank account agreement.
- on June 2nd and June 6th 2023, based on decisions issued by the District Court for Wrocław–Fabryczna in Wrocław, 7th Commercial Division, the registered pledges created over debt portfolios held by PROKURA NS FIZ and over PROKURA NS FIZ's bank account were deleted from the pledge register.

In order to secure the repayment of KRUK S.A.'s liabilities under the revolving credit facility agreement of June 2nd 2023 between KRUK S.A. and Alior Bank S.A.:

- on June 21st 2023, the Company made a declaration on voluntary submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure for up to PLN 75,000 thousand, which will expire on or before June 1st 2028.

- After the reporting date, on July 21st 2023, an agreement was executed between KRUK S.A. and Alior Bank S.A. creating a financial and registered pledge over investment certificates. The pledge was created up to the maximum amount of PLN 75,000 thousand.

17. Representation by the Management Board

These interim condensed financial statements and comparative data have been prepared in accordance with the applicable accounting standards and give a true and fair view of the financial position and assets of KRUK S.A., as well as the Company's development, achievements and situation, including a description of key risks and threats.

The statutory auditor which reviewed these interim condensed financial statements was selected in compliance with applicable laws and regulations and met the conditions for issuing an objective and independent review report in accordance with applicable laws and professional standards.

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

After the end of the first half of 2023, there were no events with potential material bearing on the Company's future performance.

Piotr Krupa

President of the Management Board

Urszula Okarma

Member of the Management Board

Piotr Kowalewski

Member of the Management Board

Adam Łodygowski

Member of the Management Board

Michał Zasępa

Member of the Management Board

Sylwia Bomba

Person keeping the accounting records

Hanna Stempień

Prepared by

Wrocław, September 5th 2023