



**Financial highlights of KRUK S.A.
for the period
from January 1st to September 30th 2022**

Financial highlights

Financial highlights	PLN '000		EUR '000	
	Jan 1–Sep 30 2022	Jan 1–Sep 30 2021	Jan 1–Sep 30 2022	Jan 1–Sep 30 2021
For the period	unaudited	unaudited	unaudited	unaudited
Revenue	149,486	139,520	31,887	30,607
Operating profit/(loss)	(70,404)	(37,947)	(15,018)	(8,324)
Profit/(loss) before tax	690,460	638,823	147,282	140,139
Net profit/(loss)	676,858	565,475	144,381	124,049
Net cash from operating activities	(37,526)	(10,320)	(8,005)	(2,264)
Cash recoveries	27,595	28,858	5,886	6,331
Net cash from investing activities	119,515	264,271	25,494	57,973
Net cash from financing activities	(123,448)	(249,804)	(26,333)	(54,800)
Net change in cash	(41,459)	4,147	(8,844)	910
Diluted earnings per share (PLN/EUR)	34.36	29.33	7.33	6.43
Average number of shares ('000)	19,077	19,011	19,077	19,011
Earnings per share (PLN/EUR)	35.48	29.74	7.57	6.53
As at	Sep 30 2022	Dec 31 2021	Sep 30 2022	Dec 31 2021
	unaudited		unaudited	
Total assets	5,210,085	4,414,079	1,069,877	959,708
Non-current liabilities	1,818,593	1,231,645	373,443	267,784
Current liabilities	259,505	581,617	53,289	126,455
Equity	3,131,987	2,600,817	643,145	565,469
Share capital	19,128	19,013	3,928	4,134
Book value per ordinary share (PLN/EUR)	163,74	137,13	33,62	29,82

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	4.6880
for the comparative period	4.5585

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	4.8698
at end of the comparative period	4.5994



**Interim condensed financial statements of KRUK
S.A.
for the period
from January 1st to September 30th 2022**

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I. Statement of financial position

As at Sep 30, Jun 30, and Dec 31

PLN '000	Note	Sep 30 2022 unaudited	Jun 30 2022 unaudited	Dec 31 2021	Sep 30 2021 unaudited
Assets					
Cash and cash equivalents	7.12.	12,239	9,566	53,698	10,743
Hedging instruments	7.9.	24,710	29,316	13,803	-
Trade receivables from related entities	7.11.	22,383	20,792	27,331	27,035
Trade receivables from other entities	7.11.	3,047	3,219	2,870	2,597
Other receivables	7.11.	9,610	8,600	7,255	6,483
Income tax receivable		8,891	3,347	-	-
Inventories	6.	15,512	18,894	18,970	27,677
Investments	6.	447,444	439,182	419,983	348,593
Equity-accounted investments in subsidiaries	7.10.	4,595,849	4,314,622	3,814,418	3,682,056
Property, plant and equipment		35,344	37,702	39,882	37,596
Intangible assets		28,787	7,870	9,502	10,558
Other assets		6,269	6,672	6,367	5,310
Total assets		5,210,085	4,899,782	4,414,079	4,158,648
Equity and liabilities					
Liabilities					
Trade and other payables	7.13.	37,817	34,152	29,170	33,760
Derivatives		-	-	-	5,374
Hedging instruments	7.9.	29,088	20,422	-	5,006
Employee benefit obligations	7.14.	24,590	26,899	24,153	21,676
Income tax payable		-	-	14,995	18,611
Borrowings, other debt securities and leases	7.8.	1,794,669	1,739,156	1,565,210	1,457,642
Provisions	7.15.	13,253	13,855	12,657	11,999
Deferred tax liability	7.7.	178,681	182,623	167,077	178,442
Total liabilities		2,078,098	2,017,107	1,813,262	1,732,510
Equity					
Share capital		19,128	19,128	19,013	19,011
Share premium		342,740	342,740	333,264	310,430
Hedge reserve	7.9.	(5,432)	12,158	17,885	(2,269)
Translation reserve		169,297	98,203	75,708	77,891
Other capital reserves		145,312	137,524	122,202	117,613
Retained earnings		2,460,942	2,272,922	2,032,745	1,903,462
Total equity		3,131,987	2,882,675	2,600,817	2,426,138
Equity and liabilities		5,210,085	4,899,782	4,414,079	4,158,648

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. Statement of profit or loss

For the reporting period January 1st – September 30th

PLN '000

	Note	Jan 1–Sep 30 2022 unaudited	Jul 1–Sep 30 2022 unaudited	Jan 1–Sep 30 2021 unaudited	Jul 1–Sep 30 2021 unaudited
Continuing operations					
Interest income on debt portfolios measured at amortised cost	7.1.	13,220	4,605	12,855	2,123
Other income/(expenses) from purchased debt portfolios	7.1.	1,433	1,011	(305)	488
Revenue from other services	7.1.	118,770	40,234	107,832	34,360
Other income	7.1.	1,048	475	453	77
Gain/(loss) on expected credit losses	7.1.	15,015	4,025	18,685	9,680
Operating income including gain/(loss) on expected credit losses and other income/expenses from purchased debt portfolios		149,486	50,350	139,520	46,728
Employee benefits expense	7.2.	(145,483)	(48,466)	(119,134)	(41,299)
Depreciation and amortisation		(14,734)	(5,724)	(12,576)	(4,259)
Services	7.3.	(37,131)	(12,615)	(28,431)	(12,004)
Other expenses	7.4.	(22,542)	(8,489)	(17,326)	(7,514)
		(219,890)	(75,294)	(177,467)	(65,076)
Operating profit/(loss)		(70,404)	(24,944)	(37,947)	(18,347)
Finance income	7.5.	32,767	13,122	13,882	4,990
Finance costs	7.6.	(81,755)	(29,256)	(42,449)	(21,529)
<i>including interest expense relating to lease liabilities</i>		<i>(1,066)</i>	<i>(497)</i>	<i>(596)</i>	<i>(195)</i>
Net finance costs		(48,988)	(16,134)	(28,567)	(16,539)
Share of profit/(loss) of equity-accounted investees	7.10.	809,852	223,675	705,337	224,372
Profit/(loss) before tax		690,460	182,597	638,823	189,485
Income tax	7.7.	(13,602)	5,423	(73,348)	(19,793)
Net profit/(loss) for period		676,858	188,020	565,475	169,692
Earnings/(loss) per share					
Basic (PLN)	7.16.	35.48	9.82	29.74	8.92
Diluted (PLN)	7.16.	34.36	9.59	29.33	9.06

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. Statement of comprehensive income

For the reporting period January 1st – September 30th

PLN '000

	Note	Jan 1–Sep 30 2022 unaudited	Jul 1–Sep 30 2022 unaudited	Jan 1–Sep 30 2021 unaudited	Jul 1–Sep 30 2021 unaudited
Net profit/(loss) for period		676,858	188,020	565,475	169,692
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translating foreign operations		93,589	71,094	(3,469)	40,460
Instruments hedging cash flows and net investment in a foreign operation	7.9.	(23,317)	(17,590)	12,513	2,531
Other comprehensive income for period, net		70,272	53,504	9,044	42,991
Total comprehensive income for period		747,130	241,524	574,519	212,683

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

IV. Separate statement of changes in equity

For the reporting period ended September 30th 2021

PLN '000	Note	Share capital	Share premium	Hedge reserve	Translation reserve	Other capital reserves	Retained earnings	Total equity
Equity as at Jan 1 2021		19,011	310,430	(14,783)	81,360	103,626	1,544,127	2,043,771
Comprehensive income for period								
Net profit/(loss) for period		-	-	-	-	-	565,475	565,475
Exchange differences on translating foreign operations		-	-	-	(3,469)	-	-	(3,469)
Measurement of hedging instruments		-	-	12,513	-	-	-	12,513
Total comprehensive income for period		-	-	12,513	(3,469)	-	565,475	574,519
Contributions from and distributions to owners								
- Payment of dividends		-	-	-	-	-	(206,140)	(206,140)
- Share-based payments		-	-	-	-	13,987	-	13,987
Total contributions from and distributions to owners		-	-	-	-	13,987	(206,140)	(192,153)
Total equity as at Sep 30 2021		19,011	310,430	(2,269)	77,891	117,613	1,903,462	2,426,138

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

For the reporting period ended December 31st 2021

PLN '000	Note	Share capital	Share premium	Hedge reserve	Translation reserve	Other capital reserves	Retained earnings	Total equity
Equity as at Jan 1 2021		19,011	310,430	(14,783)	81,360	103,626	1,544,127	2,043,771
Comprehensive income for period								
Net profit/(loss) for period		-	-	-	-	-	694,758	694,758
Exchange differences on translating foreign operations		-		-	(5,652)	-	-	(5,652)
Measurement of hedging instruments	7.9.	-	-	32,668	-	-	-	32,668
Total comprehensive income for period		-	-	32,668	(5,652)	-	694,758	721,774
Contributions from and distributions to owners								
- Payment of dividends		-	-	-	-	-	(206,140)	(206,140)
- Share-based payments		-	-	-	-	18,576	-	18,576
- Issue of shares		273	22,834	-	-	-	-	23,107
- Cancellation of treasury shares		(271)	-	-	-	-	-	(271)
Total contributions from and distributions to owners		2	22,834	-	-	18,576	(206,140)	(164,728)
Total equity as at Dec 31 2021		19,013	333,264	17,885	75,708	122,202	2,032,745	2,600,817

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

For the reporting period ended September 30th 2022

PLN '000	Note	Share capital	Share premium	Hedge reserve	Translation reserve	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		-	-	-	-	-	676,858	676,858
Exchange differences on translating foreign operations		-	-		93,589	-	-	93,589
Measurement of hedging instruments	7.9.	-	-	(23,317)		-	-	(23,317)
Total comprehensive income for period		-	-	(23,317)	93,589	-	676,858	747,130
Contributions from and distributions to owners								
- Payment of dividends		-	-	-	-		(248,661)	(248,661)
- Share-based payments		-	-	-	-	23,110	-	23,110
- Issue of shares		115	9,476	-	-	-	-	9,591
Total contributions from and distributions to owners		115	9,476	-	-	23,110	(248,661)	(215,960)
Total equity as at Sep 30 2022		19,128	342,740	(5,432)	169,297	145,312	2,460,942	3,131,987

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

V. Statement of cash flows

For the reporting period January 1st – September 30th

PLN '000

	Note	Jan 1–Sep 30 2022 unaudited	Jul 1–Sep 30 2022 unaudited	Jan 1–Sep 30 2021 unaudited	Jul 1–Sep 30 2021 unaudited
Cash flows from operating activities					
Net profit/(loss) for period		676,858	188,020	565,475	169,692
<i>Adjustments</i>					
Depreciation of property, plant and equipment		10,515	3,541	8,996	3,097
Amortisation of intangible assets		4,219	2,183	3,580	1,162
Net finance costs		49,477	16,628	28,144	15,925
Share of (profit)/loss of equity-accounted investees	7.10.	(809,852)	(223,675)	(705,337)	(224,372)
(Gain)/loss on sale of property, plant and equipment		(305)	(200)	(273)	(49)
Equity-settled share-based payments		23,110	7,788	13,987	6,823
Income tax	7.7.	13,602	(5,423)	73,348	19,793
Change in debt portfolios purchased	6.	(829)	472	204	(1,326)
Change in inventories	6.	3,458	3,382	1,077	(2,886)
Change in trade and other receivables	7.11.	5,349	(2,742)	14,175	17,492
Change in other assets		98	403	646	(1,923)
Change in trade and other payables, excluding financial liabilities	7.13.	11,552	6,570	(379)	1,951
Change in employee benefit obligations	7.14.	437	(2,309)	212	(1,074)
Change in provisions	7.15.	596	(602)	719	400
Income tax paid		(25,811)	(4,036)	(14,894)	(4,058)
Net cash from operating activities		(37,526)	(10,000)	(10,320)	647
Cash flows from investing activities					
Interest received	7.5.	392	2	5	-
Loans	6.	(40,007)	(8,300)	(69,974)	(40,842)
Sale of intangible assets and property, plant and equipment		349	265	1,487	254
Dividends received		14,953	5,845	28,089	9,541
Disposal of financial assets	7.10.	119,185	1,793	459,969	32,365
Purchase of intangible assets and property, plant and equipment		(7,999)	(2,820)	(3,790)	(811)
Acquisition of shares in subsidiaries	7.10.	(24,666)	(4,286)	(190,867)	(186,693)
Repayments	6.	57,308	23,406	39,351	801
Net cash from investing activities		119,515	15,905	264,271	(185,386)
Cash flows from financing activities					
Proceeds from issue of debt securities	7.8.	510,000	60,000	485,000	65,000
Net proceeds from issue of shares		9,591	-	-	-
Increase in borrowings	7.8.	708,547	88,118	622,704	30,000
Repayment of borrowings	7.8.	(615,043)	(116,533)	(690,566)	(7,043)
Payments under finance lease contracts (principal)	7.8.	(8,745)	(3,677)	(6,338)	(1,721)
Dividends paid		(248,661)	-	(206,140)	(206,140)
Redemption of debt securities	7.8.	(392,926)	-	(400,000)	(35,001)
Interest paid		(86,211)	(31,140)	(54,465)	(17,563)
Net cash from financing activities		(123,448)	(3,232)	(249,804)	(172,468)
Total net cash flows		(41,459)	2,673	4,147	(357,208)
Cash and cash equivalents at beginning of period		53,698	9,566	6,595	367,950
Cash and cash equivalents at end of period		12,239	12,239	10,743	10,743

- effect of exchange rate fluctuations on cash held (1,914) (1,376) (2,410) (3,867)

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

VI. Notes to the interim condensed financial statements

1. Company details

Name

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

Registered office

ul. Wołowska 8
51-116 Wrocław, Poland

Registration in the National Court Register:

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

Date of registration: September 7th 2005

Registration number: KRS NO. 0000240829

Principal business activity

The Company'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 September 30th 2022, KRUK S.A.'s Management Board was composed of the following persons:

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 three months ended September 30th 2022 and by the issue date of this interim report, the composition of the Management Board of KRUK S.A. did not change.

As at September 30th 2022, the composition of the 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 three months to September 30th 2022 and by the issue date of this interim report, the composition of the Supervisory Board of KRUK S.A. did not change.

2. Reporting period

The reporting period is the period from January 1st to September 30th 2022 and the comparative period is the period from January 1st to September 30th 2021. The separate statement of financial position was prepared as at September 30th 2022 and the comparative data was presented as at June 30th 2022, December 31st 2021 and September 30th 2021. The separate statement of changes in equity was prepared for the period from January 1st to September 30th 2022 and the comparative periods are from January 1st to September 30th 2021 and from January 1st to December 31st 2021.

The quarterly financial data is presented for the periods from July 1st to September 30th 2022 and from July 1st to September 30th 2021.

The data presented were 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 September 30th 2022 and for the period from January 1st to September 30th 2022.

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 2021. 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 November 7th 2022.

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.

KRUK S.A. prepares its separate financial statements in accordance with International Financial Reporting Standards as endorsed by the European Union (the "EU-IFRS").

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 2021.

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
IFRS 17 Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information	The amendments provide a transition option for comparative information on financial assets presented on initial application of IFRS 17. The amendment is intended to help entities avoid temporary accounting mismatches between financial assets and insurance contract liabilities, thereby improving the usefulness of comparative information for users of financial statements.	The Company does not expect the amendments to have any significant effect on its separate financial statements.	January 1st 2023
Amendments to IAS 12 Deferred tax on assets and liabilities arising from a single transaction	The amendments are intended to clarify how companies should account for deferred taxes on leases and extinguished liabilities.	The Company does not expect the amendments to have any significant effect on its separate financial statements.	January 1st 2023
IFRS 17 Insurance Contracts, amendments to IFRS 17	IFRS 17 Insurance Contracts will replace IFRS 4 Insurance Contracts, which currently allows continued recognition of insurance contracts in accordance with the accounting policies applicable in national standards and which, as a result, implies a number of different solutions. IFRS 17 requires consistent accounting for all insurance contracts. Contractual obligations will be recognised at present value rather than historical cost. The standard is to be applied on a full retrospective basis (if that	The amendments have no effect on the separate financial statements.	January 1st 2023

	<p>is not practicable, the entity should use either the modified retrospective approach or the fair value approach).</p> <p>The purpose of the amendments is to:</p> <ul style="list-style-type: none"> • reduce costs by simplifying some of the standard requirements; • facilitate clarification of financial results; and • facilitate transition to the new standard by deferring the effective date of the standard until 2023 and introducing additional expedients to facilitate the first implementation of IFRS 17. 		
Amendment to IAS 8 – Definition of Accounting Estimates	In the amendment to IAS 8 – Definition of Accounting Estimates the definition of change in accounting estimates was replaced by the definition of accounting estimates. Under the new definition, accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. The Board also clarified the new definition through additional guidance and examples of how accounting principles and accounting estimates are related and how a change in valuation technique constitutes a change in accounting estimate. The introduction of the definition of accounting estimates and other amendments to IAS 8 were intended to help entities distinguish changes in accounting policies from changes in accounting estimates.	The Company does not expect the amendments to have any significant effect on its separate financial statements.	January 1st 2023
Amendments to IAS 1 and IFRS Practice statement 2 – Disclosure of Accounting Policies	The amendments to IAS 1 and IFRS Practice statement 2 are intended to help preparers decide which accounting policies to disclose in their financial statements. The amendments require companies to disclose their material accounting policy information rather than their significant accounting policies. Guidance was provided on how an entity can identify material accounting policy information. The amendments clarify that	The Company does not expect the amendments to have any significant effect on its separate financial statements.	January 1st 2023

	accounting policy information may be material by its nature even if the amounts are immaterial and if users of financial statements would need it to understand other relevant information in the financial statements.		
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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 2023
Amendments to IFRS 16 Leases – 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 material assumptions adopted by the Company when making the estimates and the accounting policies are presented in the most recent full-year financial statements prepared as at and for the year ended December 31st 2021.

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
	Sep 30 2022 (PLN '000)	Dec 31 2021 (PLN '000)		
Investments in subsidiaries equity-accounted	4,595,849	3,814,418	7.10.	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	32,616	31,787	6.	<p>The value of purchased debt portfolios as at the valuation date is determined using an estimation model relying on expected discounted cash flows. The expected cash flows were estimated with the use of analytical methods (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 plus directly allocated transaction costs) 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.</p>
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Item	Amount subject to judgement		Note	Assumptions underlying judgements
	Sep 30 2022 (PLN '000)	Dec 31 2021 (PLN '000)		
Deferred tax liability	(178,681)	(167,077)	7.7.	<p>As the Company is able to control the timing of temporary differences with respect to investments in subsidiaries, it recognises deferred tax liabilities at amounts of income tax to be paid in the future (three years). The Company assesses the recoverability of the deferred tax asset based on its approved projection of profits for the following years.</p> <p>The value of the deferred tax liability is affected by the change in the level of estimated future cash flows from subsidiaries to KRUK S.A. for the foreseeable future. The level of these flows depends on, among others:</p>

- liquidity needs of KRUK S.A. and the acquired and forecasted available new debt financing for KRUK S.A.,
- acquired and forecasted available new debt financing in subsidiaries,
- planned outlays for debt portfolios – among others, their level affects the forecasted liquidity situation in subsidiaries,
- planned payments from purchased debt portfolios in subsidiaries.

In connection with the above, the item of the deferred tax liability for the *Expected future outflows of income from investments in subsidiaries* may be subject to significant changes in individual reporting periods.

Investments in subsidiaries equity-accounted	-	61,474	7.10.	<p>On August 31st 2022, KRUK S.A., acting through its subsidiary ProsperoCapital, a party to a joint arrangement, cancelled the entire 33% interest then held by an unrelated party in the joint investment in a debt portfolio.</p> <p>As a result, since 31st August 2022 KRUK S.A. through its subsidiary InvestCapital Ltd holds 100% rights to ProsperoCapital's assets and liabilities.</p>
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6. 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

	Sep 30 2022 unaudited	Dec 31 2021	Sep 30 2021 unaudited
Investments measured at amortised cost			
Investments in debt portfolios	32,616	31,787	33,125
Loans to related parties	414,828	388,195	315,468
	<u>447,444</u>	<u>419,983</u>	<u>348,593</u>

Investments in debt portfolios

Purchased debt portfolios are divided into the following main categories:

PLN '000

	Sep 30 2022 unaudited	Dec 31 2021	Sep 30 2021 unaudited
Investments in debt portfolios			
Unsecured portfolios	32,596	31,661	32,937
Secured portfolios	20	126	188
	<u>32,616</u>	<u>31,787</u>	<u>33,125</u>

Unsecured portfolios are retail portfolios. Secured portfolios include mortgages as well as corporate portfolios. A portion of debt portfolios is secured with mortgages (mortgage loan portfolios) or registered pledges (car loan portfolios).

For information on the assumptions made in the valuation of debt portfolios and the schedule of estimated remaining collections (ERC) from debt portfolios (undiscounted value), see Note 7.1.

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 27,595 thousand (same period of the year before: PLN 28,858 thousand). Below are presented changes in the net carrying amount of investments in debt portfolios:

PLN '000

	Sep 30 2022 unaudited	Dec 31 2021	Sep 30 2021 unaudited
Carrying amount of investments in debt portfolios at beginning of period	31,787	33,329	33,329
Cash recoveries	(27,595)	(38,239)	(28,858)
Gain/(loss) on sale/revaluation of property	(1,244)	3,261	(2,582)
Revenue from purchased debt portfolios	29,668	33,436	31,235
Carrying amount of investments in debt portfolios at end of period	32,616	31,787	33,125

For a description of income from investments in debt portfolios, see Note 7.1.

Changes in expected credit losses

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

PLN '000

	Sep 30 2022 unaudited	Dec 31 2021	Sep 30 2021 unaudited
Cumulative expected credit losses on purchased debt portfolios at beginning of period	253,075	232,859	232,859
Revaluation of projected recoveries	8,907	12,555	9,434
Deviations from actual recoveries, decreases on early collections in collateralised cases	6,108	7,661	9,250
Cumulative expected credit losses on purchased debt portfolios at end of period	268,090	253,075	251,544

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

Loans to related parties

As at September 30th 2022, the gross carrying amount of loans advanced to related parties was PLN 445,680 thousand, and the loss allowance was PLN 30,852 thousand (December 31st 2021: PLN 425,829 thousand and PLN 37,635 thousand, respectively). For information on the Company's exposure to credit, currency and interest rate risks associated with its investments, and on allowance for expected credit losses on loans, see note 9.

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

<i>PLN '000</i>	Sep 30 2022 unaudited	Dec 31 2021	Sep 30 2021 unaudited
Real property	15,409	18,970	27,677
Other inventories	103	-	-
	<u>15,512</u>	<u>18,970</u>	<u>27,677</u>

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.

As at September 30th 2022, the inventory write-down was PLN 1,839 thousand (December 31st 2021: PLN 5,628 thousand).

<i>PLN '000</i>	Sep 30 2022 unaudited	Dec 31 2021	Sep 30 2021 unaudited
Carrying amount of property held at beginning of period	18,970	28,755	28,755
Carrying amount of property foreclosed	3,719	6,136	9,038
Carrying amount of property sold	(5,441)	(10,292)	(10,116)
Impairment loss on property	(1,839)	(5,628)	-
Carrying amount of property held at end of period	15,409	18,970	27,677

7. 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

7.1. 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–Sep 30 2022 unaudited	Jul 1–Sep 30 2022 unaudited	Jan 1–Sep 30 2021 unaudited	Jul 1–Sep 30 2021 unaudited
Revenue from credit management services	87,323	28,863	81,051	27,488
Revenue from other services	31,435	11,363	26,697	6,873
Revenue from purchased debt portfolios	29,668	9,641	31,235	12,291
Other income	1,048	475	453	77
Revenue from sale of merchandise and materials	12	8	85	-
	149,486	50,350	139,520	46,728

Revenue from purchased debt portfolios

PLN '000

	Jan 1–Sep 30 2022 unaudited	Jul 1–Sep 30 2022 unaudited	Jan 1–Sep 30 2021 unaudited	Jul 1–Sep 30 2021 unaudited
Gain/(loss) on expected credit losses	15,015	4,025	18,685	9,680
Interest income on debt portfolios measured at amortised cost	13,220	4,605	12,855	2,123
Other income/(expenses) from purchased debt portfolios	1,433	1,011	(305)	488
	29,668	9,641	31,235	12,291

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

PLN '000

	Jan 1–Sep 30 2022 unaudited	Jul 1–Sep 30 2022 unaudited	Jan 1–Sep 30 2021 unaudited	Jul 1–Sep 30 2021 unaudited
Revaluation of projected recoveries	8,907	1,243	9,434	4,689
Deviations from actual recoveries, decreases on early collections in collateralised cases	6,108	2,782	9,250	4,991
	15,015	4,025	18,685	9,680

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

	Sep 30 2022 unaudited	Dec 31 2021	Sep 30 2021 unaudited
Discount rate	28.11–170.19%	28.11–170.19%	28.11–170.19%
Cash flows estimation period	Oct 2022–Jun 2037	Jan 2022–Dec 2036	Oct 2021–Dec 2036
Undiscounted value of future recoveries	93,499	86,162	85,115

Schedule of estimated remaining collections (ERC) from debt portfolios (undiscounted value)

PLN '000	Sep 30 2022 unaudited	Dec 31 2021	Sep 30 2021 unaudited
Period			
Up to 12 months	25,121	24,708	26,656
From 1 to 2 years	16,702	16,200	15,905
From 2 to 3 years	12,642	11,863	11,427
From 3 to 4 years	9,636	8,749	8,374
From 4 to 5 years	7,382	6,516	6,197
From 5 to 6 years	5,633	4,882	4,622
From 6 to 7 years	4,268	3,629	3,412
From 7 to 8 years	3,254	2,672	2,468
From 8 to 9 years	2,484	1,996	1,785
From 9 to 10 years	1,907	1,496	1,299
From 10 to 11 years	1,468	1,133	959
From 11 to 12 years	1,121	859	711
From 12 to 13 years	843	639	531
From 13 to 14 years	642	468	398
From 14 to 15 years	396	351	305
Over 15 years	-	-	66
	93,499	86,162	85,115

PLN '000	Sep 30 2022 unaudited	Dec 31 2021	Sep 30 2021 unaudited
discount rate:			
< 25%	15	37	22
25–50%	12,860	12,590	11,322
> 50%	80,624	73,535	73,771
	93,499	86,162	85,115

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:

- purchase 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–Sep 30 2022 unaudited	Jul 1–Sep 30 2022 unaudited	Jan 1–Sep 30 2021 unaudited	Jul 1–Sep 30 2021 unaudited
Foreign exchange gains/(losses)	1,433	1,011	(305)	488
	1,433	1,011	(305)	488

Revenue from other services

PLN '000	Jan 1–Sep 30 2022 unaudited	Jul 1–Sep 30 2022 unaudited	Jan 1–Sep 30 2021 unaudited	Jul 1–Sep 30 2021 unaudited
Revenue from credit management services	87,323	28,863	81,051	27,488
Revenue from other services	31,435	11,363	26,697	6,873
Revenue from sale of merchandise and materials	12	8	85	-
	118,770	40,234	107,832	34,360

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 3.77% of revenue from credit management services, and in the group of related entities – for 85.24% (September 30th 2021: 1.61% and 67% 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-Sep 30 2022 unaudited	Jul 1-Sep 30 2022 unaudited	Jan 1-Sep 30 2021 unaudited	Jul 1-Sep 30 2021 unaudited
Re-billing income	475	280	202	120
Gain/(loss) on sale of property, plant and equipment	305	200	(151)	(139)
Compensation for motor damage	242	-	244	75
Other	26	(5)	79	12
Reversal of allowance for expected credit losses	-	-	62	8
Receivables written off	-	-	18	-
	1,048	475	453	77

7.2. Employee benefits expense

PLN '000

	Jan 1-Sep 30 2022 unaudited	Jul 1-Sep 30 2022 unaudited	Jan 1-Sep 30 2021 unaudited	Jul 1-Sep 30 2021 unaudited
Salaries and wages	(98,720)	(32,827)	(84,771)	(27,840)
Equity-settled cost of stock option plan	(23,110)	(7,788)	(13,987)	(6,823)
Old-age and disability pension contributions (defined contribution plans)	(15,216)	(5,068)	(13,117)	(4,362)
Other social security contributions	(7,591)	(2,495)	(6,452)	(2,005)
Contribution to the State Fund for the Disabled	(846)	(288)	(806)	(268)
	(145,483)	(48,466)	(119,134)	(41,299)

7.3. Services

PLN '000

	Jan 1–Sep 30 2022 unaudited	Jul 1–Sep 30 2022 unaudited	Jan 1–Sep 30 2021 unaudited	Jul 1–Sep 30 2021 unaudited
IT services	(9,999)	(2,876)	(8,100)	(3,410)
Consultancy services	(8,786)	(3,593)	(1,901)	(798)
Credit management services	(7,389)	(2,621)	(7,211)	(2,920)
Postal and courier services	(3,101)	(975)	(4,086)	(2,374)
Communications services	(2,082)	(715)	(1,832)	(687)
Space rental and service charges	(2,028)	(591)	(1,928)	(670)
Banking services	(808)	(288)	(814)	(349)
Recruitment services	(788)	(270)	(142)	79
Security	(468)	(135)	(483)	(213)
Other auxiliary services	(438)	(152)	(343)	(156)
Repair of vehicles	(394)	(124)	(679)	(198)
Repair and maintenance services	(345)	(114)	(327)	(80)
Printing services	(236)	(70)	(78)	(45)
Transport services	(86)	(19)	(29)	(22)
Marketing and management services	(74)	(26)	(139)	(17)
Packing services	(67)	(22)	(163)	(27)
Other rental	(42)	(24)	(176)	(117)
	(37,131)	(12,615)	(28,431)	(12,004)

7.4. Other expenses

PLN '000

	Jan 1–Sep 30 2022 unaudited	Jul 1–Sep 30 2022 unaudited	Jan 1–Sep 30 2021 unaudited	Jul 1–Sep 30 2021 unaudited
Taxes and charges	(8,252)	(2,956)	(7,231)	(2,872)
Raw materials and consumables used	(4,817)	(2,070)	(2,813)	(1,082)
VAT on rental payments (leases and rents)	(1,820)	(669)	(958)	(576)
Advertising	(1,679)	(709)	(2,552)	(1,263)
Staff training	(1,472)	(533)	(216)	(107)
Motor insurance	(873)	(288)	(797)	(519)
Refund of litigation costs	(625)	(190)	(433)	(198)
Court fees	(623)	(226)	(524)	(234)
Entertainment expenses	(514)	(238)	(464)	(287)
Business trips	(473)	(148)	(118)	(77)
Donations	(436)	(20)	-	-
Non-competition	(275)	(82)	(178)	(64)
Property insurance	(230)	(80)	(198)	125
Other	(172)	(108)	(474)	(260)
Losses caused by motor damage	(144)	(42)	(305)	(99)
Membership fees	(137)	(130)	(28)	-
Allowance for expected credit losses on receivables	-	-	(37)	-
	(22,542)	(8,489)	(17,326)	(7,514)

7.5. Finance income

PLN '000	Jan 1–Sep 30 2022 unaudited	Jul 1–Sep 30 2022 unaudited	Jan 1–Sep 30 2021 unaudited	Jul 1–Sep 30 2021 unaudited
Interest income on loans advanced and receivables	32,375	13,120	13,876	4,990
Interest income on bank deposits	392	2	5	-
	<u>32,767</u>	<u>13,122</u>	<u>13,882</u>	<u>4,990</u>

7.6. Finance costs

PLN '000	Jan 1–Sep 30 2022 unaudited	Jul 1–Sep 30 2022 unaudited	Jan 1–Sep 30 2021 unaudited	Jul 1–Sep 30 2021 unaudited
Interest and commission expense on financial liabilities measured at amortised cost	(95,216)	(40,493)	(40,662)	(14,920)
<i>including interest</i>	(92,914)	(39,912)	(37,558)	(13,766)
Net foreign exchange gains	(998)	(917)	1,217	(2,109)
Interest income/expense on hedging instruments – CIRS	(177)	(171)	-	-
Interest income/expense on derivative instruments – CIRS	-	-	3,851	(2,173)
Interest income/expense on hedging instruments – IRS	5,363	3,876	(6,855)	(2,327)
Hedging costs	9,273	8,449	-	-
	<u>(81,755)</u>	<u>(29,256)</u>	<u>(42,449)</u>	<u>(21,529)</u>

The large increase in interest in the three months ended September 30th 2022 relative to the three months ended September 30th 2021 was attributable to higher debt amount (borrowings and bonds) and significantly higher 1M/3M WIBOR rates in 2022.

Effect of exchange rate movements on statement of profit or loss

PLN '000	Jan 1–Sep 30 2022 unaudited	Jul 1–Sep 30 2022 unaudited	Jan 1–Sep 30 2021 unaudited	Jul 1–Sep 30 2021 unaudited
Remeasurement of debt portfolios due to exchange rate movements	1,433	1,011	(305)	488
Realised exchange gains/(losses)	916	458	3,627	1,758
Unrealised exchange gains/(losses)	(1,914)	(1,375)	(2,410)	(3,867)
	<u>435</u>	<u>94</u>	<u>912</u>	<u>(1,621)</u>

7.7. Income tax

PLN '000	Jan 1–Sep 30 2022 unaudited	Jul 1–Sep 30 2022 unaudited	Jan 1–Sep 30 2021 unaudited	Jul 1–Sep 30 2021 unaudited
Income tax (current portion recognised in profit or loss)				
Income tax ¹	(1,998)	1,481	(29,155)	1,827
Income tax (deferred portion recognised in profit or loss)				
Temporary differences/reversal of temporary differences	(11,604)	3,942	(44,193)	(21,620)
Income tax recognised in profit or loss	(13,602)	5,423	(73,348)	(19,793)

¹ The amount of tax disclosed in these financial statements includes income tax, withholding tax, and CFC tax.

Reconciliation of effective tax rate

PLN '000	Jan 1–Sep 30 2022 unaudited	Jan 1–Sep 30 2021 unaudited
Profit/(loss) before tax	690,460	638,823
Income tax recognised in profit or loss	(13,602)	(73,348)
Tax calculated at the tax rate applicable in Poland (19%)	(131,187)	(121,376)
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	117,585	48,028
	(13,602)	(73,348)
Effective tax rate	1.97%	11.48%

Deferred tax assets and liabilities

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

PLN '000	Assets		Provisions		Net carrying amount	
	Sep 30 2022 unaudited	Dec 31 2021	Sep 30 2022 unaudited	Dec 31 2021	Sep 30 2022 unaudited	Dec 31 2021
Property, plant and equipment	8,935	6,279	(4,498)	(6,198)	4,437	81
Intangible assets	-	-	(5,390)	(1,712)	(5,390)	(1,712)
Trade and other receivables	-	-	(402)	(245)	(402)	(245)
Borrowings and other debt instruments, leases	14,559	7,775	-	-	14,559	7,775
Employee benefit obligations	2,105	2,282	-	-	2,105	2,282
Provisions and liabilities	-	40	(58)	-	(58)	40
Investments in debt portfolios	-	-	(7,339)	(6,974)	(7,339)	(6,974)
Equity-accounted investments in subsidiaries	-	-	(186,593)	(168,325)	(186,593)	(168,325)
Deferred tax assets/liabilities	25,599	16,376	(204,280)	(183,453)	(178,681)	(167,077)
Deferred tax assets offset against liabilities	(25,599)	(16,376)	25,599	16,376	-	-
Deferred tax assets/liabilities in the statement of financial position	-	-	(178,681)	(167,077)	(178,681)	(167,077)

Change in temporary differences in the period

PLN '000

	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 Sep 30 2022 unaudited	Net amount of deferred tax at Jan 1 2021	Change in temporary differences recognised in profit or loss for the period	Net amount of deferred tax at Dec 31 2021
Property, plant and equipment	81	4,356	4,437	(78)	159	81
Intangible assets	(1,712)	(3,678)	(5,390)	(1,540)	(172)	(1,712)
Trade and other receivables	(245)	(157)	(402)	(268)	24	(245)
Borrowings and other debt instruments, leases	7,775	6,784	14,559	21,112	(13,337)	7,775
Employee benefit obligations	2,282	(177)	2,105	2,309	(27)	2,282
Provisions and liabilities	40	(98)	(58)	56	(16)	40
Investments in debt portfolios	(6,974)	(365)	(7,339)	(6,984)	10	(6,974)
Equity-accounted investments in subsidiaries	(168,325)	(18,268)	(186,593)	(148,857)	(19,468)	(168,325)
	(167,077)	(11,604)	(178,681)	(134,249)	(32,828)	(167,077)

The Company benefits from the regulation 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 September 30th 2022 was PLN 3,493,559 thousand (as at December 31st 2021: PLN 2,332,410 thousand).

The value of the deferred tax liability is affected by the change in the level of estimated future cash flows from subsidiaries to KRUK S.A. for the foreseeable future. The level of these flows depends on, among others:

- liquidity needs of KRUK S.A. and the acquired and forecasted available new debt financing for KRUK S.A.,
- acquired and forecasted available new debt financing in subsidiaries,
- planned outlays for debt portfolios – among others, their level affects the forecasted liquidity situation in subsidiaries,
- planned payments from purchased debt portfolios in subsidiaries.

In connection with the above, the item of the deferred tax liability for the *Expected future outflows of income from investments in subsidiaries* may be subject to significant changes in individual reporting periods.

7.8. Borrowings, other debt securities and leases

PLN '000

	Sep 30 2022 unaudited	Dec 31 2021	Sep 30 2021 unaudited
Non-current liabilities			
Secured borrowings	229,467	196,000	31,052
Liabilities under debt securities (unsecured)	1,338,617	833,032	1,043,771
Lease liabilities	29,538	22,929	22,675
	<u>1,597,622</u>	<u>1,051,962</u>	<u>1,097,498</u>
Current liabilities			
Secured borrowings	94,955	31,465	336
Liabilities under debt securities (unsecured)	84,606	471,727	350,771
Lease liabilities	17,486	10,057	9,037
	<u>197,047</u>	<u>513,249</u>	<u>360,144</u>
	<u>1,794,669</u>	<u>1,565,210</u>	<u>1,457,642</u>

Liabilities repayment schedule

PLN '000	Currency	Nominal interest rate	Maturity periods ¹	Sep 30 2022 unaudited	Dec 31 2021	Sep 30 2021 unaudited
Borrowings secured over the Company's assets	PLN/EUR	1M WIBOR + margin of 1.0–2.5pp 3M WIBOR + margin of 2.0–2.7pp 1M EURIBOR + margin of 2.2–2.4pp	2022-2028	324,422	227,465	31,388
Liabilities under debt securities (unsecured)	PLN	3M WIBOR + margin of 3.2–4.0pp 4.00–4.80% ²	2022-2028	1,423,223	1,304,759	1,394,543
Lease liabilities	PLN/EUR	3M WIBOR or 1M EURIBOR + margin of 0.8–9.7pp 3.3-4.7%	2022-2026	47,024	32,986	31,711
				<u>1,794,669</u>	<u>1,565,210</u>	<u>1,457,642</u>

¹ Maturity of the last liability.

² Fixed interest rate.

7.9. Hedging instruments

Interest rate risk hedges

The Company's exposure to interest rate risk arises mainly from borrowings and debt securities issued (Note 9.3).

It has been concluded that effective management of interest risk requires, among other elements, a proper interest rate risk management policy.

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 contracts.

Open outstanding IRS contracts held by the Company as at September 30th 2022, with a total volume of PLN 330,000 thousand:

Bank	Group company	Type of transaction	Volume	Side of transaction - Buy /Sale of fixed rate	Fixed rate	Variable rate	Term
Santander Bank Polska S.A.	KRUK S.A.	IRS	PLN 75,000,000.00	buy	1.67%	3M WIBOR	Sep 5 2019 to Oct 18 2022
Santander Bank Polska S.A.	KRUK S.A.	IRS	PLN 30,000,000.00	buy	1.65%	3M WIBOR	Sep 5 2019 to Nov 27 2023
Santander Bank Polska S.A.	KRUK S.A.	IRS	PLN 25,000,000.00	buy	1.65%	3M WIBOR	Sep 5 2019 to Feb 6 2024
ING Bank Śląski S.A.*	KRUK S.A.	IRS	PLN 35,000,000.00	buy	1.6050%	3M WIBOR	Sep 4 2019 to Oct 12 2023
ING Bank Śląski S.A.*	KRUK S.A.	IRS	PLN 115,000,000.00	buy	1.5775%	3M WIBOR	Sep 4 2019 to Sep 27 2024

ING Bank Śląski S.A.*	KRUK S.A.	IRS	PLN 50,000,000.00	buy	1.5775%	3M WIBOR	Sep 4 2019 to Sep 28 2024
TOTAL as at Jun 30 2022	KRUK S.A.	IRS	PLN 330,000,000.00				

* In the three months to June 30th 2022, 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.

In the three months ended September 30th 2022, the Company entered into currency interest rate swaps (CIRS) with a total nominal amount of PLN 285,000 thousand, under which the Company pays a coupon based on a fixed EUR interest rate and receives a coupon based on a variable PLN interest rate. The purpose of the CIRS contracts 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.

As at September 30th 2022, the Company held the following open outstanding CIRS contracts with a total nominal amount of PLN 855,000 thousand:

Bank	Group company	Type of transaction	Volume	Side of transaction - Buy /Sale of fixed rate	Fixed rate [EUR]	Variable rate [PLN]	Transaction date	Transaction maturity date
ING Bank Śląski S.A.	KRUK S.A.	CCIRS	PLN 330,000,000	buy	2.13%	3M WIBOR	Jun 14 2022	May 24 2027
ING Bank Śląski S.A.	KRUK S.A.	CCIRS	PLN 140,000,000	buy	1.90%	3M WIBOR	Jun 23 2022	Mar 24 2027
Santander Bank Polska S.A.	KRUK S.A.	CCIRS	PLN 50,000,000	buy	1.72%	3M WIBOR	Jun 20 2022	Mar 16 2026
Santander Bank Polska S.A.	KRUK S.A.	CCIRS	PLN 50,000,000	buy	1.56%	3M WIBOR	Jun 21 2022	Mar 16 2026

ING Bank Śląski S.A.	KRUK S.A.	CCIRS	PLN 105,000,000	buy	1.21%	3M WIBOR	Jul 15 2022	Jan 23 2026
ING Bank Śląski S.A.	KRUK S.A.	CCIRS	PLN 52,500,000	buy	0.96%	3M WIBOR	Jul 15 2022	Jan 22 2025
ING Bank Śląski S.A.	KRUK S.A.	CCIRS	PLN 52,500,000	buy	0.955%	3M WIBOR	Jul 18 2022	Jan 23 2024
ING Bank Śląski S.A.	KRUK S.A.	CCIRS	PLN 50,000,000	buy	1.40%	3M WIBOR	Jul 20 2022	Mar 2 2026
ING Bank Śląski S.A.	KRUK S.A.	CCIRS	PLN 25,000,000	buy	0.90%	3M WIBOR	Jul 20 2022	Mar 2 2024
TOTAL as at Sep 30 2022	KRUK S.A.	CCIRS	855,000,000 PLN					

The transactions were designated for hedge accounting.

Currency risk hedges

The Company's exposure to currency risk arises mainly from investments in subsidiaries and financial liabilities measured in foreign currencies (Note 9.3).

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 2021 and 2019, the Company took steps to hedge currency risk arising from cash flows from foreign subsidiaries by entering into hedging transactions. The Company's objective is to 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.

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

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

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

	Sep 30 2022 unaudited				Dec 31 2021				Item in the statement of financial position	Hedge type
	Assets	Liabilities	Nominal amount	Change in fair value used to determine ineffectiveness	Assets	Liabilities	Nominal amount	Change in fair value used to determine ineffectiveness		
Instrument type:										
IRS	24,710	-	330,000 (PLN)	10,907	13,803	-	530,000 (PLN)	32,189	Hedging instruments	Hedge of future cash flows
CIRS	-	29,088	855,000 (PLN)	(29,088)	-	-	- PLN	-	Hedging instruments	Hedge of future cash flows/Hedge of net investment in a foreign operation
	24,710	29,088		(18,181)	13,803	-		32,189		

PLN '000

Disclosure of the hedged item as at Sep 30 2022
unaudited

	Nominal amount of the hedged item	Change in the fair value of the hedged item	Reserve for measurement of continuing hedges	Reserve (unsettled) for measurement of discontinued hedges
Hedge of future cash flows (interest rate risk)	330,000	10,907	24,710	-
Hedging of a 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)	855,000	(29,088)	(34,224)	-

PLN '000

Disclosure of the hedged item as at Dec 31 2021

	Nominal amount of the hedged item	Change in the fair value of the hedged item	Reserve for measurement of continuing hedges	Reserve (unsettled) for measurement of discontinued hedges
Hedge of future cash flows (interest rate risk)	530,000	32,189	13,803	-
Hedging of a net investment in a foreign operation (currency risk)	-	-	-	4,082

PLN '000

Amount of future cash flows as at Sep 30 2022
unaudited

	Less than 6 months	6–12 months	1–2 years	2–5 years	Over 5 years
Instrument type:					
IRS					
fixed payment PLN sale	(83,432)	(9,912)	(269,556)	-	-
variable payment PLN	83,432	9,912	269,556	-	-
CIRS					
interest payments	(31,055)	(33,194)	(136,029)	(881,576)	-

PLN '000

Amount of future cash flows as at Dec 31 2021

	Less than 6 months	6–12 months	1–2 years	2–5 years	Over 5 years
Instrument type:					
IRS					
fixed payment PLN sale	(203,479)	(77,672)	(69,721)	(191,613)	-
variable payment PLN	203,479	77,672	69,721	191,613	-

PLN '000

Jan 1–Sep 30 2022
unaudited

	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				
Hedge reserve as at Jan 1 2022	13,803	4,082	-	17,885
Measurement of instruments recognised in reserves	16,270	-	(28,903)	(12,633)
Cost of hedging	-	-	3,754	3,754
Amount reclassified to profit or loss during the period	(5,363)	-	(9,075)	(14,438)
- Interest expense/income	(5,363)	-	198	(5,165)
- Cost of hedging	-	-	(9,273)	(9,273)
Hedge reserve as at Sep 30 2022	24,710	4,082	(34,224)	(5,432)

PLN '000

	Jan 1–Dec 31 2021		
	Hedge of future cash flows (interest rate risk)	Hedge of future cash flows (currency risk)	Total hedge reserve
Hedge reserve			
Hedge reserve as at Jan 1 2021	(18,386)	3,603	(14,783)
Measurement of instruments recognised in reserves	41,368	479	41,846
Amount reclassified to profit or loss during the period	(9,179)	-	(9,179)
- Interest expense/income	(9,179)	-	(9,179)
Hedge reserve as at Dec 31 2021	13,803	4,082	17,885

7.10. Equity-accounted investments in subsidiaries

PLN '000	Country	Carrying amount	
		Sep 30 2022 unaudited	Dec 31 2021
InvestCapital Ltd ¹	Malta	2,583,998	2,160,283
Prokura NS FIZ ¹	Poland	1,218,894	1,008,030
SeCapital S.à r.l. ¹	Luxembourg	428,329	340,837
KRUK Česká a Slovenská republika s.r.o.	Czech Republic	89,588	73,351
Presco Investments S.a.r.l. ³	Luxembourg	80,934	65,341
KRUK Espana S.L.	Spain	40,390	38,751
KRUK Romania S.r.l.	Romania	38,950	28,412
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	Poland	33,789	32,579
KRUK Italia S.r.l. ⁴	Italy	31,458	16,089
BISON NS FIZ (CLOSED-END INVESTMENT FUND)	Poland	9,383	10,704
Kancelaria Prawna RAVEN P.Krupa Sp. k.	Poland	9,330	7,824
ERIF Biuro Informacji Gospodarczej S.A.	Poland	8,469	9,324
RoCapital IFN S.A. ¹	Romania	8,241	7,851
Kruk Deutschland GmbH	Germany	7,225	8,305
AgeCredit S.r.l.	Italy	5,870	6,105
ProsperoCapital S.a.r.l. ²	Luxembourg	632	632
KRUK TECH s.r.l. ^{1,5}	Romania	369	-
ERIF Business Solutions Sp. z o.o.	Poland	-	-
Novum Finance Sp. z o.o. ¹	Poland	-	-
Wonga.pl Sp. z o.o.	Poland	-	-
Kruk Investimenti s.r.l.	Italy	-	-
Zielony Areal Sp. z o.o.	Poland	-	-
		4,595,849	3,814,418

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

² ProsperoCapital S.a.r.l. was a party to a joint arrangement until August 2022.

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 Effective January 31st 2022, KRUK S.A. became the holder of 99% of shares in KRUK Tech s.r.l. of Bucharest. The principal business activity of the company is the provision of IT services and software development.

PLN '000	Sep 30 2022 unaudited	Dec 31 2021
Carrying amount of investments in subsidiaries at beginning of period	3,814,418	3,315,459
Share of profit/(loss) of subsidiaries	809,852	864,412
Translation reserve	93,589	(5,652)
Increase/(decrease) (dividends, in-kind contributions, cancellations, impairment losses)	(122,010)	(359,802)
Carrying amount of investments in subsidiaries at end of period	4,595,849	3,814,418

The share in profit/(loss) of equity-accounted investees for the period from January 1st to September 30th 2022 was PLN 809,852 thousand, reflecting mainly revenue from recoveries and revaluation of recovery projections for debt portfolios owned by the investees, net of costs (from January 1st to September 30th 2021: PLN 705,337 thousand).

PLN '000	Country	Ownership interest and share in total voting rights (%)	
		Sep 30 2022 unaudited	Dec 31 2021
SeCapital S.à r.l. ¹	Luxembourg	100%	100%
ERIF Business Solutions Sp. z o.o.	Poland	100%	100%
ERIF Biuro Informacji Gospodarczej S.A.	Poland	100%	100%
Novum Finance Sp. z o.o. ¹	Poland	100%	100%
KRUK Romania S.r.l.	Romania	100%	100%
Kancelaria Prawna RAVEN P.Krupa Sp. k.	Poland	98%	98%
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	Poland	100%	100%
KRUK Česká a Slovenská republika s.r.o.	Czech Republic	100%	100%
Prokura NS FIZ ¹	Poland	100%	100%
InvestCapital Ltd ¹	Malta	100%	100%
RoCapital IFN S.A. ¹	Romania	100%	100%
Kruk Deutschland GmbH	Germany	100%	100%
KRUK Italia S.r.l.	Italy	100%	100%
ItaCapital S.r.l.	Italy	100%	100%
KRUK Espana S.L.	Spain	100%	100%
ProsperoCapital S.a.r.l. ²	Luxembourg	100%	100%
Presco Investments S.a.r.l.	Luxembourg	100%	100%
P.R.E.S.C.O INVESTMENT I NS FIZ ¹	Poland	100%	100%
Elleffe Capital S.r.l. ¹	Italy	100%	100%
BISON NS FIZ (CLOSED-END INVESTMENT FUND)	Poland	100%	100%
Corbul S.r.l. ³	Romania	0%	0%
AgeCredit S.r.l.	Italy	100%	100%
Wonga.pl Sp. z o.o.	Poland	100%	100%
Gantoi, Furculita Si Asociatii S.p.a.r.l. ³	Romania	0%	0%
Kruk Investimenti s.r.l.	Italy	100%	100%
Zielony Areał Sp. z o.o.	Poland	100%	100%
KRUK TECH s.r.l. ^{1,4}	Romania	100%	n/a

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

² ProsperoCapital S.a.r.l. was a party to a joint arrangement until August 2022.

³ The Parent controls the company through a personal link.

⁴ Effective January 31st 2022, KRUK S.A. became the holder of 99% of shares in KRUK Tech s.r.l. of Bucharest. The principal business activity of the company is the provision of IT services and software development.

Joint arrangements

On August 31st 2022, KRUK S.A., acting through its subsidiary ProsperoCapital, a party to a joint arrangement, cancelled the entire 33% interest then held by International Finance Corporation (an entity related to the World Bank; "IFC") in the joint investment in a debt portfolio. As a result, since 31st August 2022 KRUK S.A. through its subsidiary InvestCapital Ltd holds 100% rights to ProsperoCapital's assets and liabilities.

7.11. Trade and other receivables

PLN '000

	Sep 30 2022 unaudited	Dec 31 2021
Trade receivables from related entities	22,383	27,331
Trade receivables from other entities	3,047	2,870
	<u>25,430</u>	<u>30,200</u>

PLN '000

	Sep 30 2022 unaudited	Dec 31 2021
Other receivables from related entities	6,465	4,954
Other receivables from other entities	3,076	2,223
Employee loans	69	78
	<u>9,610</u>	<u>7,255</u>

7.12. Cash and cash equivalents

PLN '000

	Sep 30 2022 unaudited	Dec 31 2021
Cash in hand	43	1
Cash in current accounts	12,196	14,766
Cash proceeds from bond issues deposited in brokerage account ¹	-	38,931
	<u>12,239</u>	<u>53,698</u>

¹ Cash raised from the issue of Series AM1 bonds, credited to the Company's bank account after the reporting date, on January 4th 2022.

7.13. Trade and other payables

PLN '000

	Sep 30 2022 unaudited	Dec 31 2021
Trade and other payables to related entities	17,832	8,145
Deferred income	5,754	5,296
Trade payables to other entities	7,447	10,302
Other liabilities	5,725	2,758
Accrued expenses	962	1,751
Taxes, customs duties, insurance and other benefits payable	97	918
	<u>37,817</u>	<u>29,170</u>

7.14. Employee benefit obligations

PLN '000

	Sep 30 2022 unaudited	Dec 31 2021
Salaries and wages payable	7,993	6,892
Social benefit obligations	7,905	8,172
Provision for accrued holiday entitlements	5,359	5,569
Personal income tax	2,488	2,855
Special accounts	522	340
Liabilities under employee savings plans	323	326
	<u>24,590</u>	<u>24,153</u>

Change in provisions for accrued holiday entitlements

PLN '000

	Sep 30 2022 unaudited	Dec 31 2021
At beginning of period	5,569	5,909
Increase	5,913	5,778
Use	(6,123)	(6,118)
At end of period	<u>5,359</u>	<u>5,569</u>

7.15. Provisions

PLN '000

	Sep 30 2022 unaudited	Dec 31 2021
Provision for the loyalty scheme	12,346	11,750
Provision for retirement gratuities	907	907
	<u>13,253</u>	<u>12,657</u>

PLN '000

	Provision for retirement gratuities	Provision for the loyalty scheme
Carrying amount as at Jan 1 2021	628	10,652
Increase	279	1,779
Use	-	(681)
Carrying amount as at Dec 31 2021	907	11,750
Carrying amount as at Jan 1 2022	907	11,750
Increase	-	1,865
Use	-	(1,269)
Carrying amount as at Sep 30 2022	907	12,346

7.16. Earnings per share

Basic earnings per share

As at September 30th 2022, basic earnings per share were calculated based on net profit attributable to owners of the Company (holding ordinary shares) of PLN 676,858 thousand (September 30th 2021: PLN 565,475 thousand) and the weighted average number of shares in the period covered by the financial statements of 19,077 thousand (September 30th 2021: 19,011 thousand). The amounts were determined as follows:

Separate net profit attributable to owners of the Company

PLN '000

	Jan 1–Sep 30 2022 unaudited	Jan 1–Dec 31 2021	Jan 1–Sep 30 2021 unaudited
Net profit for period	676,858	694,758	565,475
Net profit attributable to owners of the Company	676,858	694,758	565,475

Weighted average number of ordinary shares

'000	Jan 1–Sep 30 2022 unaudited	Jan 1–Dec 31 2021	Jan 1–Sep 30 2021 unaudited
Number of ordinary shares as at Jan 1	19,013	19,011	19,011
Effect of cancellation and issue	65	(45)	-
Weighted average number of ordinary shares at end of reporting period	19,077	18,966	19,011
PLN			
Earnings per share	35.48	36.63	29.74

Diluted separate earnings per share

As at September 30th 2022, diluted earnings per share were calculated based on net profit attributable to owners of the Company (holding ordinary shares) of PLN 676,858 thousand (September 30th 2021: PLN 565,475 thousand) and the diluted weighted average number of shares in the period covered by the financial statements of 19,697 thousand (September 30th 2021: 19,278 thousand). The amounts were determined as follows:

'000	Jan 1–Sep 30 2022 unaudited	Jan 1–Dec 31 2021	Jan 1–Sep 30 2021 unaudited
Weighted average number of ordinary shares at end of reporting period	19,077	18,966	19,011
Effect of issue of unregistered shares not subscribed for	620	441	267
Weighted average number of ordinary shares at end of reporting period (diluted)	19,697	19,407	19,278
PLN			
Earnings per share (diluted)	34.36	35.80	29.33

Dividend per share paid

PLN '000	Jan 1–Sep 30 2022 unaudited	Jan 1–Dec 31 2021	Jan 1–Sep 30 2021 unaudited
Dividend paid from profit and retained earnings	248,661	206,140	206,140
PLN			
Dividend per share	13,00	11,00	11,00

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

As at Sep 30, Jun 30 and Dec 31

PLN '000

	Note	Sep 30 2022 unaudited	Jun 30 2022 unaudited	Dec 31 2021	Jun 30 2021 unaudited
Assets					
Non-current assets					
Property, plant and equipment		35,344	37,702	39,882	37,596
Intangible assets		28,787	7,870	9,502	10,558
Hedging instruments	7.9.	24,710	29,316	12,804	-
Equity-accounted investments in subsidiaries	7.10.	4,595,849	4,314,622	3,814,418	3,682,056
Investments in debt portfolios and loans	6.	376,574	373,880	361,879	327,451
Total non-current assets		5,061,264	4,763,390	4,238,485	4,057,661
Current assets					
Inventories		15,512	18,894	18,970	27,677
Investments in debt portfolios and loans	6.	70,870	65,302	58,104	21,142
Trade receivables from related entities	7.11.	22,383	20,792	27,331	27,035
Trade receivables from other entities	7.11.	3,047	3,219	2,870	2,597
Other receivables	7.11.	9,610	8,600	7,255	6,483
Income tax receivable		8,891	3,347	-	-
Hedging instruments	7.9.	-	-	999	-
Cash and cash equivalents	7.12.	12,239	9,566	53,698	10,743
Other assets		6,269	6,672	6,367	5,310
Total current assets		148,821	136,392	175,594	100,987
Total assets		5,210,085	4,899,782	4,414,079	4,158,648
Equity and liabilities					
Equity					
Share capital		19,128	19,128	19,013	19,011
Share premium		342,740	342,740	333,264	310,430
Hedge reserve	7.9.	(5,432)	12,158	17,885	(2,269)
Translation reserve		169,297	98,203	75,708	77,891
Other capital reserves		145,312	137,524	122,202	117,613
Retained earnings		2,460,942	2,272,922	2,032,745	1,903,462
Total equity		3,131,987	2,882,675	2,600,817	2,426,138
Non-current liabilities					
Deferred tax liability	7.7.	178,681	182,623	167,077	178,442
Provisions	7.15.	13,202	13,804	12,606	11,999
Borrowings, other debt securities and leases	7.8.	1,597,622	1,527,493	1,051,962	1,097,498
Hedging instruments	7.9.	29,088	20,422	-	3,081
Total non-current liabilities		1,818,593	1,744,342	1,231,645	1,291,020
Current liabilities					
Provisions	7.15.	51	51	51	-
Borrowings, other debt securities and leases	7.8.	197,047	211,663	513,249	360,144
Derivatives		-	-	-	5,374
Hedging instruments		-	-	-	1,925
Trade and other payables	7.13.	37,817	34,152	29,170	33,760
Income tax payable		-	-	14,995	18,611
Employee benefit obligations	7.14.	24,590	26,899	24,153	21,676
Total current liabilities		259,505	272,765	581,617	441,490
Total liabilities		2,078,098	2,017,107	1,813,262	1,732,510
Total equity and liabilities		5,210,085	4,899,782	4,414,079	4,158,648

9. Management of risk arising from financial instruments

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

- credit risk
- liquidity risk
- market risk.

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

Key policies of risk management

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

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

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 2021. In the period from January 1st 2022 to September 30th 2022, there were no significant changes in the approach to financial risk management.

9.1. Credit risk

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

Exposure to credit risk

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

<i>PLN '000</i>	Sep 30 2022 unaudited	Dec 31 2021
Investments in debt portfolios	32,616	31,787
Loans to related parties	414,828	388,195
Trade and other receivables, net of tax receivable	34,623	37,407
Cash and cash equivalents	12,239	53,698
Hedging instruments	24,710	13,803
	519,016	524,890

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

<i>PLN '000</i>	Sep 30 2022 unaudited	Dec 31 2021
Poland	416,708	411,824
Romania	69,104	68,135
Czech Republic and Slovakia	33,204	44,931
	519,016	524,890

Credit risk exposure – Investments in debt portfolios

<i>PLN '000</i>	Sep 30 2022 unaudited	Dec 31 2021
Portfolio type		
Unsecured retail portfolios	32,596	31,661
Secured retail portfolios	-	40
Unsecured corporate portfolios	-	-
Secured corporate portfolios	20	86
	32,616	31,787

Allowance for expected credit losses

Breakdown of trade and other receivables net of tax receivable into baskets as at the end of the reporting periods:

IFRS 9 classification PLN '000	Days past due	Carrying amount as at Sep 30 2022 (IFRS 9) unaudited	Carrying amount as at Dec 31 2021 (IFRS 9)
	Basket 1 <0 <0;90> Basket 2 >90 Basket 3 >90		
Trade and other receivables, net of tax receivable	Basket 1	34,623	37,407
	Basket 2	171	216
	Basket 3	-	-
		<u>34,794</u>	<u>37,623</u>
Allowance for expected credit losses	Basket 1	-	-
	Basket 2	171	216
	Basket 3	-	-
		<u>171</u>	<u>216</u>
Net carrying amount	Basket 1	34,623	37,407
	Basket 2	-	-
	Basket 3	-	-
		<u>34,623</u>	<u>37,407</u>

Changes in allowances for expected credit losses on receivables:

PLN '000	Sep 30 2022 unaudited	Dec 31 2021
Loss allowance as at Jan 1	216	436
Allowance for expected credit losses recognised in the reporting period	63	23
Reversal of allowance for expected credit losses	-	(243)
Use of allowance for expected credit losses	(108)	-
Loss allowance as at Sep 30/Dec 31	<u>171</u>	<u>216</u>

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

IFRS 9 classification <i>PLN '000</i>	Days past due Basket 1 <0 Basket 2 <0;90> Basket 3 >90	Carrying amount as	Carrying amount as
		at Sep 30 2022 (IFRS 9) unaudited	at Dec 31 2021 (IFRS 9)
Loans to related parties	Basket 1	76,068	88,073
	Basket 2	369,612	337,757
	Basket 3	-	-
		<u>445,680</u>	<u>425,829</u>
Allowance for expected credit losses	Basket 1	-	-
	Basket 2	30,852	37,635
	Basket 3	-	-
		<u>30,852</u>	<u>37,635</u>
Net carrying amount	Basket 1	76,068	88,073
	Basket 2	338,760	300,122
	Basket 3	-	-
		<u>414,828</u>	<u>388,195</u>

9.2. 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 Sep 30 2022 unaudited**

PLN '000

	Present value	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	12,239	12,239	12,239	-	-	-	-
Trade and other receivables, net of tax receivable	34,623	34,623	34,623	-	-	-	-
Investments in debt portfolios	32,616	93,499	14,494	10,627	16,702	29,659	22,017
Secured borrowings	(324,422)	(374,419)	(18,440)	(74,709)	(97,531)	(177,332)	(6,407)
Liabilities under debt securities (unsecured)	(1,423,223)	(1,986,207)	(142,924)	(66,452)	(240,970)	(1,167,493)	(368,368)
Lease liabilities	(47,024)	(49,329)	(13,002)	(9,232)	(17,481)	(9,614)	-
Trade and other payables	(31,004)	(31,004)	(31,004)	-	-	-	-
	<u>(1,746,195)</u>	<u>(2,300,598)</u>	<u>(144,014)</u>	<u>(139,766)</u>	<u>(339,280)</u>	<u>(1,324,780)</u>	<u>(352,758)</u>

As at Dec 31 2021

PLN '000

	Present value	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	53,698	53,698	53,698	-	-	-	-
Trade and other receivables, net of tax receivable	37,407	37,407	37,407	-	-	-	-
Investments in debt portfolios	31,787	86,162	14,454	10,254	16,200	27,129	18,124
Secured borrowings	(227,465)	(238,490)	(68,286)	(9,185)	(69,724)	(91,295)	-
Liabilities under debt securities (unsecured)	(1,304,759)	(1,528,742)	(427,331)	(101,969)	(114,327)	(527,527)	(357,588)
Lease liabilities	(32,986)	(32,804)	(5,831)	(7,098)	(11,420)	(8,455)	-
Trade and other payables	(21,205)	(21,205)	(21,205)	-	-	-	-
	<u>(1,463,523)</u>	<u>(1,643,975)</u>	<u>(417,094)</u>	<u>(107,998)</u>	<u>(179,271)</u>	<u>(600,148)</u>	<u>(339,464)</u>

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.

Contractual/estimated cash flows were determined based on interest rates effective as at September 30th 2022 and December 31st 2021, 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 September 30th 2022, the undrawn revolving credit facility limit available to the Company was PLN 146,081 thousand (December 31st 2021: PLN 280,932 thousand). The limit is available until January 31st 2028.

9.3. 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:

'000	Exposure to currency risk					
	Sep 30 2022 unaudited			Dec 31 2021		
	EUR	RON	CZK	EUR	RON	CZK
Cash	65	947	98	741	844	397
Investments in debt portfolios	158	24,999	1,082	310	23,417	1,609
Borrowings, other debt securities and leases	(101,138)	-	-	(191,780)	-	-
Trade payables	-	-	-	(255)	-	-
Exposure to currency risk	(100,915)	25,946	1,180	(190,984)	24,261	2,006
Hedge effect	855,000	-	-	-	-	-
Currency risk exposure after hedging	754,085	25,946	1,180	(190,984)	24,261	2,006

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

'000	Sep 30 2022 unaudited			Dec 31 2021		
	EUR	RON	CZK	EUR	RON	CZK
Cash	7	95	10	74	84	40
Investments in debt portfolios	16	2,500	108	31	2,342	161
Borrowings, other debt securities and leases	(10,114)	-	-	(19,178)	-	-
Trade payables	-	-	-	(26)	-	-
Exposure to currency risk	(10,092)	2,595	118	(19,098)	2,426	201
Hedge effect	85,500	-	-	-	-	-
Currency risk exposure after hedging	75,409	2,595	118	(19,098)	2,426	201

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 September 30th 2022, assets denominated in foreign currencies accounted for 0.5% of total assets, while liabilities denominated in foreign currencies represented 1.9% of total equity and liabilities (December 31st 2021: 0.6% and 10.6%, respectively).

The following exchange rates of the key foreign currencies were adopted when preparing these financial statements:

PLN	Average exchange rates*		End of period (spot rates)	
	Jan 1–Sep 30 2022	Jan 1–Sep 30 2021	Sep 30 2022	Dec 31 2021
EUR 1	4.6880	4.5585	4.8698	4.5994
1 USD	4.4413	3.8179	4.9533	4.0600
RON 1	0.9497	0.9270	0.9838	0.9293
CZK 1	0.1904	0.1771	0.1980	0.1850

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

As at September 30th 2022, a 10% appreciation of the Polish złoty against EUR, RON and CZK would have resulted in an increase (decrease) of profit for the current period by the amounts shown below. The analysis is based on the assumption that other variables, in particular interest rates, remain unchanged.

PLN '000

	Other comprehensive income	Profit or loss for the current period
Sep 30 2022		
EUR (10% appreciation of PLN)	-	(10,092)
RON (10% appreciation of PLN)	-	2,595
CZK (10% appreciation of PLN)	-	118
Dec 31 2021		
EUR (10% appreciation of PLN)	-	(19,098)
RON (10% appreciation of PLN)	-	2,426
CZK (10% appreciation of PLN)	-	201

Exposure to interest rate risk

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

	Carrying amount	
PLN '000	Sep 30 2022 unaudited	Dec 31 2021
Fixed-rate financial instruments¹		
Financial assets	79,478	122,892
Financial liabilities	(209,027)	(386,477)
	(129,549)	(263,585)
Hedge effect (nominal amount)	(1,185,000)	(530,000)
	(1,314,549)	(793,585)
Variable-rate financial instruments²		
Financial assets	439,538	401,998
Financial liabilities	(1,645,734)	(1,199,938)
	(1,206,196)	(797,940)
Hedge effect (nominal amount)	1,185,000	530,000
	(21,196)	(267,940)

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

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

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 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
Sep 30 2022		
Variable-rate financial assets	4,395	(4,395)
Variable-rate financial liabilities	(16,457)	16,457
Dec 31 2021		
Variable-rate financial assets	4,020	(4,020)
Variable-rate financial liabilities	(11,999)	11,999

Fair values*Comparison of fair values and carrying amounts*

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

PLN '000	Sep 30 2022 unaudited		Dec 31 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets and liabilities measured at fair value				
Hedging instruments (IRS)	24,710	24,710	13,803	13,803
Hedging instruments (CIRS)	(29,088)	(29,088)	-	-
	(4,378)	(4,378)	13,803	13,803
Financial assets and liabilities not measured at fair value				
Investments in debt portfolios	32,616	30,508	31,787	30,285
Loans to related parties	414,828	414,828	388,195	388,195
Secured borrowings	(324,422)	(324,422)	(227,465)	(225,158)
Liabilities under debt securities (unsecured)	(1,423,223)	(1,412,870)	(1,304,759)	(1,330,251)
	(1,300,201)	(1,291,956)	(1,112,241)	(1,136,929)

Interest rates used for fair value estimation

	Sep 30 2022 unaudited	Dec 31 2021
Investments in debt portfolios	0.59–55.14%	0.32–55.14%
Secured borrowings	2.88–9.91%	4.54–5.04%
Loans to related parties	2.00–13.61%	2.00–8.94%

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).

PLN '000

Level 3

	Carrying amount	Fair value
As at Sep 30 2022		
Investments in debt portfolios	32,616	30,508
Loans to related parties	414,828	414,828
As at Dec 31 2021		
Investments in debt portfolios	31,787	30,285
Loans to related parties	388,195	388,195

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.

PLN '000

		Level 2
	Carrying amount	Fair value
As at Sep 30 2022		
Hedging instruments (IRS)	24,710	24,710
Hedging instruments (CIRS)	(29,088)	(29,088)
Secured borrowings	(324,422)	(324,422)
As at Dec 31 2021		
Hedging instruments (IRS)	13,803	13,803
Secured borrowings	(227,465)	(225,158)

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.

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

PLN '000

Level 1

	Carrying amount	Fair value
As at Sep 30 2022		
Liabilities under debt securities (unsecured)	(1,423,223)	(1,412,870)
As at Dec 31 2021		
Liabilities under debt securities (unsecured)	(1,304,759)	(1,330,251)

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.

10. 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–Sep 30 2022 unaudited	Jul 1–Sep 30 2022 unaudited	Jan 1–Sep 30 2021 unaudited	Jul 1–Sep 30 2021 unaudited
Base pay/ managerial contract (gross)	5,002	1,749	4,381	1,565
Additional benefits	64	22	51	17
Share-based payments	23,110	7,788	13,987	6,823
	28,176	9,559	18,419	8,405

Remuneration of the Company's directors – Supervisory Board

Remuneration of members of the Supervisory Board was as follows:

PLN '000

	Jan 1–Sep 30 2022 unaudited	Jul 1–Sep 30 2022 unaudited	Jan 1–Sep 30 2021 unaudited	Jul 1–Sep 30 2021 unaudited
Base pay/ managerial contract (gross)	827	301	699	233
Additional benefits	14	10	10	8
	841	311	709	241

Other transactions with the Company's directors

As at September 30th 2022, members of the Management Board and persons closely related to them jointly held 10.67% of the total voting rights at the Company's General Meeting (December 31st 2021: 10.05%).

Other related-party transactions

Transactions with subsidiaries as at and for the period ended September 30th 2022, December 31st 2021 and September 30th 2021

Balance of receivables, liabilities and loans from and to subsidiaries as at September 30th 2022 and December 31st 2021

	Sep 30 2022 unaudited							Dec 31 2021						
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.	3,324	49	-	-	-	-	-	3,456	23	-	-	-	-	-
ERIF Business Solutions Sp. z o.o.	-	67	-	-	-	-	-	-	17	-	8	-	-	-
Novum Finance Sp. z o.o.	195	465	42,042	1,222	(30)	-	-	141	545	33,742	119	(96)	-	-
Kancelaria Prawna RAVEN P.Krupa Sp. k.	131	1,144	-	-	-	-	-	71	2,496	-	-	-	-	-
KRUK Romania S.r.l.	431	2,432	38,653	428	-	-	-	459	1,230	39,762	300	-	-	-
ERIF BIG S.A.	-	123	-	-	-	6,600	157	24	177	-	-	-	7,600	-
NSFIZ PROKURA	1,848	10,215	-	-	-	-	-	2,334	10,907	-	-	-	-	-
KRUK Česká a Slovenská republika s.r.o.	20	1,541	31,456	507	-	-	-	27	745	43,013	-	-	-	-
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	-	7,570	-	-	-	-	-	-	10,464	-	-	-	-	-
InvestCapital Ltd.	-	335	-	-	-	-	-	-	316	-	-	-	-	-
KRUK Deutschland GmbH	-	12	-	-	-	-	-	-	14	-	-	-	-	-
Rocapital IFN S.A.	-	-	4,919	105	-	-	-	-	1	4,647	44	-	-	-
KRUK Italia S.r.l.	-	369	-	-	-	-	-	-	228	-	-	-	-	-
ItaCapital S.r.l.	-	1	-	-	-	-	-	-	1	-	-	-	-	-
KRUK Espana S.L.	-	1,340	-	-	-	-	-	-	1,292	-	-	-	-	-
Presco Investments S.a.r.l.	11,785	1,445	-	-	-	-	-	1,604	2,142	-	-	-	-	-
P.R.E.S.C.O INVESTMENT I NS FIZ	36	229	-	-	-	-	-	26	255	-	-	-	-	-
ProsperoCapital S.à. r.l.	-	-	-	-	-	-	-	-	23	-	-	-	-	-
Corbul Capital S.r.l.	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Elleffe Capital S.r.l.	-	-	-	-	-	-	-	-	1	-	-	-	-	-
NSFIZ BISON	-	1,496	-	-	-	-	-	-	1,383	-	-	-	-	-
AgeCredit S.r.l.	-	12	-	-	-	-	-	-	19	-	-	-	-	-
Wonga.pl Sp. z o.o.	60	-	325,548	-	(30,484)	-	-	-	2	303,895	-	(37,527)	-	-
GANTOI, FURCULITA SI ASOCIATII S.P.A.R.L.	2	-	-	-	-	-	-	2	-	-	-	-	-	-
Kruk Investimenti s.r.l.	-	1	-	-	-	-	-	-	1	-	-	-	-	-
Zielony Areał Sp. z o.o.	-	2	800	-	(338)	-	-	-	2	300	-	(11)	-	-
	17,832	28,848	443,418	2,262	(30,852)	6,600	157	8,145	32,284	425,358	472	(37,635)	7,600	-

Revenue from intra-group transactions in the periods ended September 30th 2022 and September 30th 2021

PLN '000	Jan 1–Sep 30 2022 unaudited			Jan 1–Sep 30 2021 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	3	41	-	9	48	-
ERIF Business Solutions Sp. z o.o.	132	-	-	76	-	25
Novum Finance Sp. z o.o.	1,345	1,216	2,794	1,144	815	1,277
Kancelaria Prawna RAVEN P.Krupa Sp. k.	6,252	-	-	4,609	-	-
KRUK Romania S.r.l.	1,850	-	1,150	2,464	383	805
ERIF BIG S.A.	674	-	-	566	-	-
NSFIZ PROKURA	6,301	-	-	2,842	-	-
KRUK Česká a Slovenská republika s.r.o.	1,139	-	1,454	236	294	165
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	191	74,430	-	173	71,982	-
InvestCapital Ltd.	11,108	-	-	12,757	839	-
KRUK Deutschland GmbH	6	-	-	2	-	-
Rocapital IFN S.A.	-	-	286	-	-	130
KRUK Italia S.r.l.	1,971	-	-	643	-	-
ItaCapital S.r.l.	-	-	-	-	-	-
KRUK Espana S.L.	2,260	-	-	1,086	-	-
Presco Investments S.a.r.l.	3	974	-	9	1,358	-
P.R.E.S.C.O INVESTMENT I NS FIZ	-	-	-	-	-	-
ProsperoCapital S.à r.l.	3	-	-	9	-	-
Corbul Capital S.r.l	-	-	-	-	-	-
Elleffe Capital S.r.l.	-	-	-	-	-	-
NSFIZ BISON	-	-	-	-	-	-
AgeCredit S.r.l.	12	-	-	-	-	-
Wonga.pl Sp. z o.o.	-	-	26,655	-	5	11,474
GANTOI, FURCULITA SI ASOCIATII-S.P.A.R.L.	-	-	-	-	-	-
Kruk Investimenti s.r.l.	-	-	-	-	-	-
Zielony Areał Sp. z o.o.	12	-	36	-	-	-
	33,262	76,661	32,375	26,626	75,725	13,876

Expenses on intra-group transactions in the periods ended September 30th 2022 and September 30th 2021

	Jan 1–Sep 30 2022 unaudited		Jan 1–Sep 30 2021 unaudited	
PLN '000	Purchase of services	Interest	Purchase of services	Interest
Kancelaria Prawna RAVEN P.Krupa Sp. k.	1,129	-	995	-
KRUK Romania S.r.l.	4,080	-	4,755	-
ERIF BIG S.A.	178	372	107	126
SeCapital S.à. r.l	-	4	-	37
KRUK Česká a Slovenská republika s.r.o.	248	-	328	-
ERIF Business Solutions Sp. z o.o.	1	-	2	-
GANTOI, FURCULITA SI ASOCIATII-S.P.A.R.L.	17	-	19	-
KRUK Italia S.r.l.	-	-	-	103
KRUK Espana S.L.	24	-	-	-
Wonga.pl Sp. z o.o.	294	-	-	-
	5,971	376	6,206	266

11. Seasonality or cyclical nature of business

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

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

In the nine months ended September 30th 2022, KRUK S.A. generated a profit of PLN 676,858 thousand through its interests in subsidiaries (nine months ended September 30th 2021: PLN 565,475 thousand). As at September 30th 2022, recoveries from portfolios purchased by KRUK S.A. were PLN 27,595 thousand, having decreased by 4% year on year and by 9% on the second quarter of 2022. As at September 30th 2022, the Company's investments in debt portfolios accounted for 0.63% of its assets. Equity accounted for 60.1% of the Company's financing sources. As at December 31st 2021, the respective percentages were 0.72% and 58.9%.

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

Inflation contributes to an increase in KRUK S.A.'s costs. In particular on labour costs and indirectly through an increase in interest rates on financial costs. The potential impact of inflation on the KRUK S.A.'s revenues is deferred and difficult to assess at the moment.

Impact of the COVID-19 pandemic on KRUK S.A.'s business

The coronavirus pandemic has had an impact on many aspects of KRUK S.A.'s operations. The key aspects in the nine months ended September 30th 2022 are discussed below:

- Most of our employees can and continue to work from home. In 2020, we smoothly and swiftly switched to remote working.
- We took care of the employees' safety by adapting the rooms or providing the required sanitisers and disinfectants; we reduced the need for and frequency of face-to-face meetings.
- The field advisors did meet with clients observing the applicable sanitary requirements.
- We keep developing our existing online tools (e-KRUK, e-payments, e-signature, online settlement, self-service process) to enable efficient process management and to enable our clients to pay their liabilities safely and comfortably, regardless of any restrictions on the free movement.

The pandemic has increased uncertainty. Its consequences for the global economy and the measures taken by governments and regulatory authorities have had an effect on KRUK S.A.'s financial performance and condition. In the six months ended September 30th 2022, the Company did not identify any additional adverse effects related to the pandemic. The Company monitors the developments on an ongoing basis and takes them into account in the current period.

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 hold any assets in Ukraine or Russia, nor does it carry out any business activity in those countries. With no operations

conducted in Ukraine or Russia, the Company expects the implications of the conflict for the Company's operations will be indirect and limited. Provided below is an assessment of the possible impact of the conflict in Ukraine on selected areas of operations.

Recoveries from purchased debt portfolios

The Company has not seen any changes in customers' repayment behaviour after the conflict started. Although prices in Poland and Romania are rising, there has been a strong increase in wages and salaries and the unemployment rate is stable, therefore the Company does not expect the trend in recoveries to deteriorate.

Investments in debt portfolios

So far, the Company has not seen any impact of the conflict on either portfolio supply or portfolio prices.

Access to debt financing

The Company has not identified any impact of the conflict on the availability of financing.

Liquidity management

The Company believes the current situation in Ukraine does not and should not have a material adverse effect on the following areas of the Company's operations:

- 1) maintaining the required level of debt ratios in relation to contractual obligations— currently the ratios are at levels significantly lower than their limits resulting from loan agreements or bond issue conditions.
- 2) Liquidity position – the Group maintains its liquidity ratios at high levels, therefore an increase in financing costs or EUR/PLN exchange rates has no material impact on the Group's current liquidity. The Group's exposure to fluctuations in foreign exchange rates and the WIBOR rate is further mitigated by the fact that the Group funds its investments in EUR-denominated assets with bank loans in EUR and own funds in EUR, and by the execution of contracts hedging the currency and interest rate risks. Also, the Group's WIBOR-sensitive debt represents only 18% of total debt (as at September 30th 2022), as part of the debt bears interest at fixed or EURIBOR rates or is hedged under IRS or CIRS contracts.

Digital security

All systems are running smoothly and are subject to routine and, given the current situation, enhanced testing and safeguards. The Company has undertaken a number of digital security measures:

- 1) Business relationship has been established with CERT.PL (a team appointed to respond to security incidents in the Internet), and CERT recommendations issued in connection with the conflict have been implemented;
- 2) Special level of protection has been provided for backup copies of our critical systems;
- 3) Steps have been taken to establish a permanent relationship with an external Security Operations Centre.

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.

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

In the period from January 1st to September 30th 2022, the following series of bonds were redeemed in accordance with their respective terms and conditions:

- Series AA2 bonds, with a nominal value of PLN 150,000 thousand, on March 7th 2022;
- Series AC1 bonds, with a nominal value of PLN 57,900 thousand, on May 9th 2022;
- Series AE1 bonds, with a nominal value of EUR 20,000 thousand, on May 10th 2022;
- Series AE2 bonds, with a nominal value of EUR 20,000 thousand, on June 8th 2022.

In the reporting period, the Company issued new bonds:

- on February 2nd 2022 – unsecured Series AL2 bonds with a nominal value of PLN 350,000 thousand, bearing interest at a variable rate based on 3M WIBOR plus a margin of 3.20pp, maturing on February 2nd 2028;
- on February 8th 2022 – unsecured Series AM2 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 3.30pp, maturing on February 8th 2027;
- on June 2nd 2022 – unsecured Series AM3 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 3.30pp, maturing on June 2nd 2027;
- on August 12th 2022 – unsecured AM4 bonds with a nominal value of PLN 60,000 thousand (issued in a public offering), bearing interest at a variable rate based on 3M WIBOR plus a margin of 3.30pp, maturing on August 12th 2027.

On May 13th 2022, the Management Board of KRUK S.A. passed a resolution to establish the 9th Bond Issue Programme with a total nominal value of up to PLN 700,000 thousand, under which the Parent may issue public bonds. The Programme prospectus along with an application for its approval will be filed with the Polish Financial Supervision Authority. Individual series of Bonds under the Programme will be issued during the 12 months from the prospectus approval by the Polish Financial Supervision Authority. The final terms of each Bond issue, particularly the rules for determining the interest rate and interest amount, may vary. The key terms of each Bond series will be provided in the prospectus and in the final terms of the relevant series.

On August 24th 2022, the Management Board of KRUK S.A. was notified of the approval on August 23rd 2022 by the Polish Financial Supervision Authority of the prospectus prepared in connection with the 9th Bond Issue Programme.

14. Dividends paid (or declared)

On March 4th 2022, the Management Board of KRUK S.A. passed a resolution recommending that the Annual General Meeting approves dividend of PLN 13.00 per share. The dividend would be distributed from the Company's net profit earned in 2021. 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 March 15th 2022.

The recommendation took into account the current financial condition, future implementation of the strategy, as well as plans and growth prospects of KRUK S.A.

On April 14th 2022, the General Meeting of KRUK S.A. passed a resolution to distribute a dividend of PLN 13.00 per share to the Company's shareholders. The dividend of PLN 248,660,490.00 was distributed from the Company's net profit earned in 2021. The dividend was paid on April 28th 2022 on 19,127,730 KRUK S.A. shares.

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

Until the date of issue of this report, there were no movements in contingent liabilities or contingent assets, except for the expiry of guarantees on the stated dates. Security created over KRUK S.A.'s assets as at September 30th 2022 is presented below:

Type	Beneficiary	Amount	Expiry date	Terms and conditions
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 119,700 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
Guarantee issued by Santander Bank Polska S.A. for KRUK S.A.'s liabilities under the rental agreement	DEVCo Sp. z o.o.	EUR 292 thousand and PLN 204 thousand	No later than December 30th 2022	KRUK S.A.'s failure to repay its liabilities under the rental agreement secured with the guarantee

Surety for PROKURA NS FIZ's liabilities towards ING Bank Śląski S.A. under the credit facility agreement of December 20th 2018, as amended, between PROKURA NS FIZ, KRUK S.A. and ING Bank Śląski S.A.	ING Bank Śląski S.A.	PLN 300,000 thousand	No later than May 20th 2031	Prokura NS FIZ's failure to pay amounts owed to the bank under the credit facility agreement
Surety for InvestCapital Ltd, Kruk Romania S. R. L., Kruk Espana S. L. U. and PROKURA NS FIZ's liabilities under the revolving multi-currency credit facility agreement of July 3rd 2017, as amended, between KRUK S.A., InvestCapital Ltd, Kruk Romania S. R. L., Kruk Espana S.L.U. and PROKURA NS FIZ (the Borrowers) and DNB Bank ASA, ING Bank Śląski S.A., Santander Bank Polska S.A., 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 589,500 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 37,944 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 77,220 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 79,200 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

Credit sureties or guarantees, security pledges

On September 14th and December 21st 2021, PROKURA NS FIZ and KRUK S.A. entered into credit facility agreements with PKO BP S.A. In order to secure liabilities arising under the agreements:

- on January 10th 2022 PROKURA NS FIZ and PKO BP S.A. signed two agreements to create registered pledges over a set of rights (debt portfolios owned by PROKURA NS FIZ). On January 12th 2022, applications were filed with the court to enter the pledges in the pledge register. According to relevant notifications, the pledge pertaining to the credit facility agreement of September 14th 2021 was created up to the maximum amount of PLN 44,640 thousand, whereas the pledge pertaining to the credit facility agreement of December 21st 2021 was created up to the maximum amount of PLN 85,800 thousand.

As at September 30th 2022, the value of all portfolios pledged in favour of PKO BP S.A. was PLN 100,180 thousand.

On February 1st 2022, an overdraft facility agreement was concluded between PROKURA NS FIZ as the borrower, KRUK S.A. as the surety provider, and Bank Polska Kasa Opieki S.A. The maximum facility amount is PLN 80,000. In order to secure liabilities arising under the agreement:

- on February 8th 2022, PROKURA NS FIZ and the lender executed an agreement creating a financial pledge over the former's bank account held with Polska Kasa Opieki Spółka Akcyjna and granted the lender a power of attorney over that account;
- on February 8th 2022, KRUK S.A. issued a surety for liabilities of the borrower PROKURA NS FIZ arising under the credit facility agreement. The surety was provided for up to PLN 120,000 thousand and will expire on or before January 31st 2031. In connection with the surety, KRUK S.A. made a declaration on voluntary submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure for up to PLN 120,000 thousand, which will expire on or before January 31st 2031;

- on February 21st 2022, PROKURA NS FIZ made a declaration on voluntary submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure for up to PLN 120,000 thousand, which will expire on or before January 31st 2030;
- on May 18th and August 16th 2022 PROKURA NS FIZ and the lender signed agreements to create registered pledges over sets of rights (debt portfolios owned by PROKURA NS FIZ) The pledges were created up to the maximum amount of PLN 120,000 thousand.

As at September 30th 2022, the value of all debt portfolios pledged in favour of Bank Polska Kasa Opieki S.A. totalled PLN 71,132 thousand.

On February 1st 2022, an overdraft facility agreement was concluded between KRUK S.A. as the borrower and Bank Polska Kasa Opieki S.A. The maximum facility amount is PLN 40,000. In order to secure liabilities arising under the agreement:

- on February 4th 2022, KRUK S.A. granted a power of attorney to the lender over its bank account held with Polska Kasa Opieki S.A.;
- on February 21st 2022, KRUK S.A. made a declaration on voluntary submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure for up to PLN 60,000 thousand, which will expire on or before January 31st 2030;
- on July 1st 2022, KRUK S.A. entered into an agreement with Bank Polska Kasa Opieki S.A. to create a financial and registered pledge over investment certificates issued by PROKURA NS FIZ and acquired by KRUK S.A. The registered pledge was created up to the maximum amount of PLN 60,000 thousand. As at September 30th 2022, the value of the certificates pledged under the agreement was PLN 63,954 thousand.

In connection with the credit facility agreement of December 22nd 2021 between Getin Noble Bank S.A. and KRUK S.A., in order to secure liabilities arising under the agreement:

- on February 15th 2022, KRUK S.A. made a declaration on voluntary submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure for up to PLN 150,000 thousand, which will expire on or before December 31st 2029;
- on April 21st 2022, KRUK S.A. entered into an agreement with Getin Noble Bank S.A. to create a financial and registered pledge over investment certificates issued by PROKURA NS FIZ and acquired by KRUK S.A. The registered pledge was created up to the maximum amount of PLN 150,000 thousand. As at September 30th 2022, the value of the certificates pledged under the agreement was PLN 139,900 thousand.

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

- 1) in order to secure liabilities arising under the agreement:
 - on March 28th and on March 29th 2022, PROKURA NS FIZ entered into an agreement with ING Bank Śląski S.A. to create registered pledges over a set of rights (debt portfolios owned by PROKURA NS FIZ). The pledges were created up to the maximum amount of PLN 300,000 thousand.

As at September 30th 2022, the value of all debt portfolios pledged in favour of ING Bank Śląski S.A. totalled PLN 394,119 thousand.

- 2) on May 23rd 2022, Supplementary Agreement No. 5 was executed whereby:
- new availability end dates were set for:
 - the credit facility of up to PLN 225m – at May 20th 2027, and
 - the credit facility of up to PLN 25m – at May 20th 2028;
 - KRUK S.A. issued a surety for liabilities of the borrower Prokura NS FIZ under the agreement for up to PLN 300,000 thousand and until May 20th 2031. In accordance with the agreement, Kruk S.A. (in connection with the surety provided) and Prokura NS FIZ made declarations on submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure for up to 300,000 thousand, which will expire on or before May 20th 2032.

On August 22nd 2022, Prokura NS FIZ and KRUK S.A. entered into an up to PLN 52,800 thousand non-revolving working capital facility agreement with Powszechna Kasa Oszczędności Bank Polski S.A. of Warsaw (PKO BP S.A.). In order to secure the repayment of Prokura NS FIZ's liabilities under the agreement:

- on August 22nd 2022, Kruk S.A.:
 - entered into a surety agreement with PKO BP S.A. The surety was issued for up to PLN 79,200 thousand, with the proviso that its amount will decrease in proportion to repayments made under the facility so as to represent 150% of the amount of the outstanding debt under the facility. The surety will expire on or before September 21st 2030,
 - executed with PKO BP S.A. an agreement amending the agreement of October 5th 2021 for a financial pledge over a bank account held by KRUK S.A. with PKO BP S.A.,
 - granted PKO BP S.A. a power of attorney over certain bank accounts held by KRUK S.A. with PKO BP S.A.;
- on August 22nd 2022, Prokura NS FIZ concluded with PKO BP S.A. an agreement amending the agreement of October 5th 2021 for a financial pledge over a bank account held by Prokura NS FIZ with Polska Kasa Opieki Spółka Akcyjna and granted the bank a power of attorney over that account;
- on August 30th 2022, KRUK S.A., acting in connection with the surety provided, and Prokura NS FIZ made declarations on submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure for up to PLN 79,200 thousand, which will expire on or before August 21st 2029.

On September 15th 2022, Prokura NS FIZ and KRUK S.A. executed with mBank S.A. of Warsaw an agreement amending the revolving credit facility agreement of July 2nd 2015, as amended. Under the Amendment Agreement, the facility limit was increased to PLN 120,000 thousand and the availability period of the facility was extended until September 15th 2027. In order to secure Prokura NS FIZ's liabilities arising under the amended facility:

- on September 15th 2022, Kruk S.A. and mBank S.A. executed an agreement amending surety agreement of July 2nd 2015, as amended. The surety was issued for up to PLN 180,000 thousand, with the proviso that its amount will decrease in proportion to repayments made under the facility so as to represent 150% of the amount of the outstanding debt under the facility. The surety will expire on or before July 3rd 2030;

- on September 15th 2022, Prokura NS FIZ executed with mBank S.A. an agreement amending the agreement of July 2nd 2015 for a financial pledge over a bank account held by Prokura NS FIZ with Polska Kasa Opieki Spółka Akcyjna, as amended. The financial pledge will expire on or before July 3rd 2030;
- on September 27th 2022, KRUK S.A., acting in connection with the surety provided, and Prokura NS FIZ made declarations on submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure for up to PLN 180,000 thousand, which will expire on or before December 31st 2030.

In connection with a PLN 110,000 thousand share capital cancellation at InvestCapital Ltd., carried out on May 25th 2022 which became final by September 9th 2022, on May 24th 2022 KRUK S.A. issued a corporate guarantee of up to PLN 110,000 thousand for the benefit of InvestCapital Ltd. The guarantee expired on September 9th 2022. The purpose of the guarantee was to secure the interests of InvestCapital Ltd.'s creditors, who have the right to challenge the share cancellation by September 9th 2022.

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

On October 5th 2022, the KRUK S.A.'s share capital was increased. The increase was effected as part of the conditional share capital increase through the issue of 191,060 Series F shares with a par value of PLN 1.00 per share. The increase was registered by the District Court for Wrocław-Fabryczna of Wrocław, 6th Commercial Division of the National Court Register, on October 20th 2022. Following the registration, KRUK S.A.'s share capital amounts to PLN 19,318,790 and consists of 19,318,790 shares

After the reporting period, on October 3rd 2022, the draft of Act on debt collection activities and the debt collector profession was published. KRUK.S.A. is currently analysing the project and its potential impact on the Company.

After the end of the third quarter of 2022, there were no other events with a potentially 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

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Prepared by

Wrocław, November 7th 2022