



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

## Financial highlights

Financial highlights	PLN '000		EUR '000	
	Jan 1–Jun 30 2021 unaudited	Jan 1–Jun 30 2020 unaudited	Jan 1–Jun 30 2021 unaudited	Jan 1–Jun 30 2020 unaudited
<b>For the period</b>				
Revenue	92,416	60,023	20,324	13,515
Operating profit/(loss)	-19,599	-33,190	-4,310	-7,473
Profit/(loss) before tax	449,337	-18,305	98,817	-4,122
Net profit/(loss) for owners of the Parent	395,783	-19,293	87,039	-4,344
Net cash from operating activities	-10,967	-10,010	-2,412	-2,254
Cash recoveries	18,311	17,686	4,027	3,982
Net cash from investing activities	449,657	268,608	98,887	60,480
Net cash from financing activities	-77,336	-252,290	-17,007	-56,806
Net change in cash	361,355	6,308	79,468	1,420
Diluted earnings per share	20.28	-1.00	4.46	-0.23
Average number of shares ('000)	19,011	18,972	19,011	18,972
Earnings per share	20.82	-1.02	4.58	-0.23
<b>As at</b>	<b>Jun 30 2021 unaudited</b>	<b>Dec 31 2020</b>	<b>Jun 30 2021 unaudited</b>	<b>Dec 31 2020</b>
Total assets	4,082,008	3,758,750	902,939	814,499
Non-current liabilities	1,186,840	1,059,173	262,529	229,517
Current liabilities	688,537	655,806	152,304	142,109
Equity	2,206,632	2,043,771	488,106	442,873
Share capital	19,011	19,011	4,205	4,120
Book value per ordinary share	116.07	107.70	25.67	23.34

### The financial highlights have been translated into the euro as follows:

items of or related to the statement of profit or loss and the statement of cash flows have been translated using the arithmetic mean of mid rates quoted by the National Bank of Poland for the last day of each month in the period; the exchange rates thus calculated are:

**for the reporting period** **4.5472**  
**for the comparative period** **4.4413**

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** **4.5208**  
**at end of the comparative period** **4.6148**



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

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## I. Statement of financial position

As at Jun 30 2021

PLN '000		Note	Jun 30 2021 unaudited	Dec 31 2020	Jun 30 2020 unaudited restated
<b>Assets</b>					
	Cash and cash equivalents	8.13	367,950	6,595	20,119
	Trade receivables from related entities	8.12	22,847	20,594	14,575
	Trade receivables from other entities	8.12	2,102	2,640	3,626
	Other receivables	8.12	15,957	7,869	30,816
	Inventories	7	24,791	28,755	28,760
	Investments	7	301,998	320,520	333,970
	Equity-accounted investments in subsidiaries	8.10	3,296,971	3,315,459	3,244,551
	Property, plant and equipment		34,469	37,521	41,953
	Intangible assets		11,536	12,841	14,619
	Other assets		3,387	5,956	2,882
<b>Total assets</b>			<b>4,082,008</b>	<b>3,758,750</b>	<b>3,735,871</b>
<b>Equity and liabilities</b>					
<b>Liabilities</b>					
	Trade and other payables	8.14, 5	27,936	51,863	58,437
	Liabilities under dividend		206,140	-	-
	Derivatives	8.9	3,176	11,236	5,201
	Hedging instruments	8.8	8,403	18,386	22,585
	Employee benefit obligations	8.15, 5	22,749	21,464	20,078
	Income tax payable		24,504	4,358	-
	Borrowings, other debt securities and leases	8.7	1,414,046	1,462,143	1,594,902
	Provisions	5	11,599	11,280	11,424
	Deferred tax liability	8.6	156,822	134,249	36,196
<b>Total liabilities</b>			<b>1,875,377</b>	<b>1,714,979</b>	<b>1,748,822</b>
<b>Equity</b>					
	Share capital		19,011	19,011	18,972
	Share premium		310,430	310,430	307,192
	Cash flow hedging reserve		(4,800)	(14,783)	(19,072)
	Translation reserve		37,431	81,360	42,754
	Other capital reserves		110,790	103,626	100,922
	Retained earnings		1,733,770	1,544,127	1,536,280
<b>Total equity</b>			<b>2,206,632</b>	<b>2,043,771</b>	<b>1,987,048</b>
<b>Equity and liabilities</b>			<b>4,082,008</b>	<b>3,758,750</b>	<b>3,735,871</b>

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

## II. Statement of profit or loss

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

PLN '000

	Note	Jan 1–Jun 30 2021 unaudited	Apr 1–Jun 30 2021 unaudited	Jan 1–Jun 30 2020 unaudited restated	Apr 1–Jun 30 2020 unaudited restated
<b>Continuing operations</b>					
Interest income on debt portfolios measured at amortised cost	8.1, 5	10,732	6,345	9,665	4,555
Other income/expenses from purchased debt portfolios	8.1, 5	(793)	(727)	948	(524)
Revenue from the provision of other services	8.1, 5	73,472	39,178	48,812	16,183
Other income	8.1, 5	376	1,628	7,818	7,249
Gain/(loss) on expected credit losses	8.1, 5	9,005	3,830	598	1,369
<b>Operating income including gain/(loss) on expected credit losses and other income/expenses from purchased debt portfolios</b>		<b>92,792</b>	<b>50,253</b>	<b>67,841</b>	<b>28,830</b>
Employee benefits expense	8.2	(77,835)	(42,393)	(63,628)	(32,639)
Depreciation and amortisation		(8,318)	(4,157)	(9,154)	(4,508)
Services		(16,427)	(8,669)	(16,805)	(8,371)
Other expenses	8.3	(9,812)	(4,798)	(11,445)	(5,006)
		(112,391)	(60,017)	(101,031)	(50,524)
<b>Operating loss</b>		<b>(19,599)</b>	<b>(9,763)</b>	<b>(33,190)</b>	<b>(21,694)</b>
Finance income	8.4	8,892	4,482	11,509	5,505
Finance costs	8.5	(20,920)	(1,083)	(55,101)	(11,684)
<i>including interest expense relating to lease liabilities</i>		(401)	(198)	(422)	(235)
<b>Net finance costs</b>		<b>(12,028)</b>	<b>3,399</b>	<b>(43,592)</b>	<b>(6,179)</b>
<b>Share of profit/(loss) of equity-accounted investees</b>	8.10	<b>480,965</b>	<b>308,817</b>	<b>58,477</b>	<b>77,840</b>
<b>Profit/(loss) before tax</b>		<b>449,337</b>	<b>302,453</b>	<b>(18,305)</b>	<b>49,968</b>
Income tax	8.6	(53,555)	(34,025)	(987)	(7,105)
<b>Net profit/(loss) for period</b>		<b>395,783</b>	<b>268,428</b>	<b>(19,293)</b>	<b>42,863</b>
<b>Earnings/(loss) per share</b>					
Basic (PLN)	8.16	20.82	14.12	(1.02)	2.26
Diluted (PLN)	8.16	20.28	13.74	(1.00)	2.23

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

### III. Statement of comprehensive income

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

PLN '000

	Jan 1–Jun 30 2021 unaudited	Apr 1–Jun 30 2021 unaudited	Jan 1–Jun 30 2020 unaudited	Apr 1–Jun 30 2020 unaudited
<b>Net profit/(loss) for period</b>	<b>395,783</b>	<b>268,428</b>	<b>(19,293)</b>	<b>42,863</b>
<b>Other comprehensive income</b>				
<b>Items that may be reclassified subsequently to profit or loss</b>				
Exchange differences on translating foreign operations	(43,929)	(53,777)	72,973	(473)
Cash flow hedges	8.8 9,982	3,774	(19,150)	(7,366)
<b>Other comprehensive income for the period, net</b>	<b>(33,947)</b>	<b>(50,003)</b>	<b>53,823</b>	<b>(7,839)</b>
<b>Total comprehensive income for period</b>	<b>361,836</b>	<b>218,425</b>	<b>34,531</b>	<b>35,024</b>

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



## IV. Statement of changes in equity

For the period of 6 months ended June 30th 2021

PLN '000	Share capital	Share premium	Cash flow hedging reserve	Translation reserve	Other capital reserves	Retained earnings	Total equity
<b>Equity as at Jan 1 2021</b>	19,011	310,430	(14,783)	81,360	103,626	1,544,127	2,043,771
<b>Comprehensive income for the period</b>							
Net profit/(loss) for period	-	-	-	-	-	395,783	395,783
Translation reserve	-	-	-	(43,929)	-	-	(43,929)
Measurement of hedging instruments	-	-	9,982	-	-	-	9,982
<b>Total comprehensive income for period</b>	-	-	9,982	(43,929)	-	395,783	361,836
<b>Contributions from and distributions to owners</b>							
- Payment of dividends	-	-	-	-	-	(206,140)	(206,140)
- Share-based payments	-	-	-	-	7,164	-	7,164
<b>Total contributions from and distributions to owners</b>	-	-	-	-	7,164	(206,140)	(198,976)
<b>Total equity as at Jun 30 2021</b>	19,011	310,430	(4,800)	37,431	110,790	1,733,770	2,206,632

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 period of 6 months ended June 30th 2020**

PLN '000	Share capital	Share premium	Cash flow hedging reserve	Translation reserve	Other capital reserves	Retained earnings	Total equity
<b>Equity as at Jan 1 2020 (restated)</b>	18,972	307,192	78	(30,219)	104,582	1,555,572	1,956,177
<b>Comprehensive income for the period</b>							
Net profit/(loss) for period	-	-	-	-	-	(19,293)	(19,293)
Translation reserve	-	-	-	72,973	-	-	72,973
Measurement of hedging instruments	-	-	(19,150)	-	-	-	(19,150)
<b>Total comprehensive income for period</b>	-	-	(19,150)	72,973	-	(19,293)	34,531
<b>Contributions from and distributions to owners</b>							
- Share-based payments	-	-	-	-	(3,660)	-	(3,660)
<b>Total contributions from and distributions to owners</b>	-	-	-	-	(3,660)	-	(3,660)
<b>Total equity as at Jun 30 2020</b>	18,972	307,192	(19,072)	42,754	100,922	1,536,280	1,987,048

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 – June 30th 2021

PLN '000

	Jan 1–Jun 30 2021 unaudited	Apr 1–Jun 30 2021 unaudited	Jan 1–Jun 30 2020 unaudited restated	Apr 1–Jun 30 2020 unaudited restated
<b>Cash flows from operating activities</b>				
<b>Net profit/(loss) for period</b>	395,783	268,428	(19,293)	42,863
<i>Adjustments</i>				
Depreciation of property, plant and equipment	5,899	2,920	6,439	3,159
Amortisation of intangible assets	2,419	1,238	2,715	1,349
Net finance income/costs	8.4 8.5 12,219	(2,925)	43,208	6,218
Share of profit/(loss) of equity-accounted investees	8.10 (480,965)	(308,817)	(58,477)	(77,840)
(Gain)/loss on sale of property, plant and equipment	(223)	27	(534)	(534)
Equity-settled share-based payments	7,164	7,164	(3,660)	907
Income tax	53,555	34,025	987	7,103
Change in debt portfolios purchased	7 1,530	140	6,187	3,469
Change in inventories	7 3,964	(268)	(714)	76
Change in trade and other receivables	8.12 (3,317)	(2,631)	22,769	4,846
Change in other assets	2,569	1,662	1,801	1,411
Change in trade and other payables, excluding financial liabilities	8.14 (2,332)	(4,093)	4,208	18,633
Change in employee benefit obligations	8.15 1,285	664	(1,245)	(2,076)
Change in provisions	319	1,000	(7,454)	(7,329)
Income tax paid	(10,836)	(6,795)	(6,948)	(3,265)
<b>Net cash from operating activities</b>	(10,967)	(8,260)	(10,010)	(1,009)
<b>Cash flows from investing activities</b>				
Interest received	7 5	-	27	13
Loans	7 (29,131)	(5,338)	(29,700)	(6,700)
Sale of intangible assets and property, plant and equipment	1,234	1,062	1,715	1,175
Dividends received	18,548	18,548	23,428	12,717
Disposal of financial assets	427,604	427,604	249,095	199,095
Purchase of intangible assets and property, plant and equipment	(2,979)	(1,212)	(3,608)	(1,822)
Acquisition of shares in subsidiaries	8.10 (4,173)	8,551	(16,360)	(3,740)
Repayments	7 38,549	9,148	44,011	40,567
<b>Net cash from investing activities</b>	449,657	458,363	268,608	241,305
<b>Cash flows from financing activities</b>				
Proceeds from issue of debt securities	8.7 420,000	400,000	-	-
Increase in borrowings	8.7 592,704	418,427	229,338	92,872
Repayment of borrowings	8.7 (683,522)	(583,424)	(424,470)	(316,480)
Payments under finance lease contracts (principal)	8.7 (4,617)	(2,745)	(3,096)	(1,165)
Redemption of debt securities	8.7 (364,999)	(299,999)	(13,360)	(13,360)
Interest paid	(36,902)	(23,996)	(40,703)	(22,707)
<b>Net cash from financing activities</b>	(77,336)	(91,737)	(252,290)	(260,839)
<b>Total net cash flows</b>	361,355	358,365	6,308	(20,543)
Cash and cash equivalents at beginning of period	6,595	9,585	13,812	40,662
Cash and cash equivalents at end of period	367,950	367,950	20,119	20,119

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. Grabiszyńska 269, 53-235 Wrocław, Poland

Date of registration: September 7th 2005

Registration number: KRS NO. 0000240829

*Principal business activity*

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

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

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

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

As at June 30th 2021 and as at the date of authorisation of these financial statements for issue, the composition of the Company's Supervisory Board was as follows:

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

In the three months ended June 30th 2021 and by the issue date of this interim report, the composition of the Supervisory Board of KRUK S.A. did not change.

## 2. Reporting period

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

## 3. Statement of compliance

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

These financial statements do not contain all the information required to prepare full-year financial statements and therefore they should be read in conjunction with the interim condensed consolidated financial statements of the Group for the period from 1 January to June 30th 2021, the separate financial statements of Kruk S.A. and the consolidated financial statements of the Group prepared as at and for the financial year ended December 31st 2020.

These interim condensed financial statements were authorised for issue by the Company's Management Board (the "Management Board") on September 7th 2021.

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

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

The Company reviewed the going concern assumption in the face of duration of the Covid-19.

#### 4. Significant accounting policies

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

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

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



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

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

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

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

Standards and Interpretations not yet endorsed by the EU	Type of expected change in accounting policies	Possible effect on the financial statements	Effective for periods beginning on or after
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates</i> )	<p>The amendments clarify that in the case of a transaction with an associate or joint venture, the extent to which the gain or loss related to the transaction should be recognised depends on whether the assets sold or contributed to an associate or joint venture constituted a business:</p> <ul style="list-style-type: none"> <li>the gain or loss is recognised in full where the contributed assets meet the definition of a business (irrespective of whether such business has the form of a subsidiary or not),</li> <li>the partial gain or loss is recognised when the transaction involves assets that do not constitute a business, even if those assets were part of a subsidiary.</li> </ul>	The Company does not expect the amendments to have any significant effect on its separate financial statements.	<i>The European Commission has decided to indefinitely postpone endorsement of these amendments</i>
IFRS 17 <i>Insurance Contracts</i>	<p>IFRS 17 replaces the transitional IFRS 4 Insurance Contracts introduced in 2004. IFRS 4 allowed entities to continue the recognition of insurance contracts in accordance with the local accounting policies based on national standards, which resulted in the application of many different solutions.</p> <p>IFRS 17 solves the comparability problem created by IFRS 4 by requiring consistent recognition of all insurance contracts, to the benefit of both</p>	The Company does not expect the amendments to have any significant effect on its separate financial statements.	January 1st 2023r.

Standards and Interpretations not yet endorsed by the EU	Type of expected change in accounting policies	Possible effect on the financial statements	Effective for periods beginning on or after
	investors and insurers. Contractual obligations will be recognised at present value rather than historical cost.		
Amendments to IFRS 3 <i>Business Combinations</i> , IAS 16 <i>Property, Plant and Equipment</i> , and IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i> , as well as Annual Improvements to IFRSs 2018-2020 Cycle.	<p>The package of amendments includes narrow-scope amendments to three standards:</p> <ul style="list-style-type: none"> <li>• Amendments to IFRS 3 <i>Business Combinations</i>, which update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations;</li> <li>• Amendments to IAS 16 <i>Property, Plant and Equipment</i>, which prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use; Instead, the company will recognise such sale proceeds and related cost in profit or loss for the period,</li> <li>• Amendments to IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i>, which specify which costs a company should include when assessing whether a contract will be loss-making.</li> </ul> <p>The package also contains Annual Improvements to IFRSs 2018-2020 Cycle, which explain the terminology used and correct minor inconsistencies, omissions or contradictions between the requirements of IFRS 1 <i>First-time Adoption of International Financial</i></p>	The Company does not expect the amendments to have any significant effect on its separate financial statements.	January 1st 2022

Standards and Interpretations not yet endorsed by the EU	Type of expected change in accounting policies	Possible effect on the financial statements	Effective for periods beginning on or after
	<i>Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture, and Illustrative Examples in IFRS 16 Leases.</i>		
Amendments to IAS 1 <i>Presentation of Financial Statements</i>	The amendments affect the requirements of IAS 1 concerning the presentation of liabilities. In particular, they explain one of the criteria for classifying a liability as non-current.	The Company does not expect the amendments to have any significant effect on its separate financial statements.	January 1st 2023
Amendments to IAS 1 Presentation of Financial Statements and the IASB Practice Statement on Disclosure of Accounting Policies	The amendment to IAS 1 requires entities to disclose their material accounting policy information, which is defined in the Standard. It clarifies that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements. In addition, the IASB's guidance was amended with respect to the application of the materiality concept in practice, to provide guidance on the application of the materiality concept to accounting policy disclosures.	The Company does not expect the amendments to have any significant effect on its separate financial statements.	January 1st 2023
Amendment to IAS 8 Accounting Policies,	The amendment clarifies how entities should distinguish changes in accounting policies from changes in accounting estimates.	The Company does not expect the amendments to have any	January 1st 2023

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

## 5. Changes to the previously published financial data

The following changes were made in the separate financial statements for 2020. In connection with the above, in these financial statements the data as at June 30th 2020 and for the period of 3 and 6 months ended June 30th 2020 has been made comparable. The details presenting the originally published values, change and balances after the change are presented on the following pages.

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

	Jan 1–Jun 30 2020 unaudited		
	Originally reported	Change	Restated
<b>Revenue</b>	<b>60,023</b>	(60,023)	-
Interest income on debt portfolios measured at amortised cost	-	9,665	9,665
Gain/(loss) on expected credit losses from purchased debt portfolios	-	598	598
Other income/expenses from purchased debt portfolios	-	948	948
Revenue from the provision of other services*	-	48,812	48,812
	<b>60,023</b>	-	<b>60,023</b>
	Apr 1–Jun 30 2020 unaudited		
	Originally reported	Change	Restated
<b>Revenue</b>	<b>21,582</b>	(21,582)	-
Interest income on debt portfolios measured at amortised cost	-	4,555	4,555
Gain/(loss) on expected credit losses from purchased debt portfolios	-	1,369	1,369
Other income/expenses from purchased debt portfolios	-	(524)	(524)
Revenue from the provision of other services*	-	16,183	16,183
	<b>21,582</b>	-	<b>21,582</b>

\*In the position Revenue from the provision of other services there are presented revenue from fee-based credit management services as well as revenue from other services and revenue from sale of merchandise and materials.



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

Originally reported		Restated				
Jan 1–Jun 30 2020 unaudited	change	Interest income on debt portfolios measured at amortised cost*	Other income/expenses from purchased debt portfolios*	Gain/(loss) on expected credit losses*	of which: revaluation of recovery projections*	including deviation from actual recoveries, reductions due to early repayment of targets*
<b>Revenue from purchased debt portfolios</b>						
Interest income	9,665 (9,665)	9,665				
Other income from purchased debt	2,112 (2,112)			2,112		2,112
<i>Revaluation of debt portfolios</i>						
Revaluation of repayment projections	(671) 671			(671)	(671)	
Foreign exchange gains/(losses)	948 (948)		948			
Gain/(loss) on sale/revaluation of property	(844) 844			(844)		(844)
	11,211 (11,211)	9,665	948	598	(671)	1,268

<i>Originally reported</i>		<i>Restated</i>				
<b>Apr 1–Jun 30 2020 unaudited</b>	<b>change</b>	<b>Interest income on debt portfolios measured at amortised cost*</b>	<b>Other income/expenses from purchased debt portfolios*</b>	<b>Gain/(loss) on expected credit losses*</b>	<i>of which: revaluation of recovery projections*</i>	<i>including deviation from actual recoveries, reductions due to early repayment of targets*</i>
<b>Revenue from purchased debt portfolios</b>						
Interest income	<b>4,555</b>	(4,555)	<b>4,555</b>			
Other income from purchased debt	<b>847</b>	(847)		<b>847</b>		847
<i>Revaluation of debt portfolios</i>						
Revaluation of repayment projections	<b>253</b>	(253)		<b>253</b>	253	
Foreign exchange gains/(losses)	<b>(524)</b>	524		<b>(524)</b>		
<b>Gain/(loss) on sale/revaluation of property</b>	<b>268</b>	(268)		<b>268</b>		268
	<b>5,399</b>	(5,399)	<b>4,555</b>	<b>(524)</b>	<b>1,369</b>	253
						1,115

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

- In order to better reflect the relevant economic substance, the Company changed the presentation of the provision for retirement gratuities transferring it from employee benefit obligations and provisions to position Provision as well as changed the presentation of loyalty scheme provision transferring it from trade and other payables to position Provision.

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

PLN '000	Jun 30 2020		Jun 30 2020
	Originally reported	Change	Restated
<b>Liabilities</b>			
Trade and other payables	69,233	(10,796)	58,437
Employee benefit obligations and provisions	20,706	(628)	20,078
Provisions	-	11,424	11,424

## 6. Accounting estimates and judgements

In order to prepare interim financial statements, the Management Board is required to make judgements, estimates and assumptions which affect the application of adopted accounting policies and the reported amounts of assets, liabilities, revenue and expenses, whose actual values may differ from estimates. The material assumptions adopted by the Company when making the estimates and the accounting policies are presented in the most recent full-year financial statements prepared as at and for the year ended December 31st 2020. The estimates and the underlying assumptions are reviewed on an ongoing basis. Any changes in accounting estimates are introduced prospectively, starting from the reporting period in which the estimate is revised. The effect of changes in estimates of forecast repayments recoveries is presented below.

The estimates and assumptions are reviewed by the Company on an ongoing basis, based on past experience and other factors, including expectations as to future events, which seem justified in given circumstances. In particular, the Company's estimates as at June 30th 2021 reflected the impact of COVID-19 on the Company's assets and liabilities. However, given a considerable degree of uncertainty regarding further economic developments, these estimates may be subject to change in the future. The uncertainty of the Company's estimates as at June 30th 2021 relates mainly to:

	Amount estimated		Note	Assumptions and estimate calculation
	Jun 30 2021 (PLN '000)	Dec 31 2020 (PLN '000)		
Equity-accounted investments in subsidiaries	3,296,971	3,315,459	8.10	Equity-accounted investments in subsidiaries are subject to impairment testing. Investments in subsidiaries for which impairment indications were identified were tested for impairment. As part of the tests, the Company estimated the recoverable amount of the investments based on the value in use of the respective cash-generating units, using the discounted cash flow method. The valuation of investments in subsidiaries is based on a number of assumptions and estimates, in particular with respect to the amount of future cash flows and the adopted discount rate. The projected cash flows of subsidiaries investing in debt portfolios or debt-related assets

Item	Amount estimated		Note	Assumptions and estimate calculation
	Jun 30 2021 (PLN '000)	Dec 31 2020 (PLN '000)		
Investments in debt portfolios	31,799	33,329	7	<p>depend primarily on the assumed expenditure on new portfolios and amount of recoveries. The correctness of the underlying assumptions involves a considerable risk given the significant uncertainty as to the effectiveness of debt collection activities in the future. The discount rate used to test investments in subsidiaries for impairment reflects the current market assessment of the asset risk for the debt collection industry.</p> <p>The value of purchased debt portfolios as at the valuation date is determined using an estimation model relying on expected discounted cash flows. The expected cash flows were estimated with the use of analytical methods or based on a legal and economic analysis of individual claims or indebted persons (case-by-case analysis). The method of estimating cash flows under a debt portfolio is selected based on the available data on the portfolio, debt profiles as well as historical data collected in the course of managing the portfolio. KRUK S.A. prepares projections of collections from debt portfolios separately for individual markets. The projections account for historical performance of the process of debt portfolio recovery, legal regulations currently in force and planned, type and nature of debt and security, current collection strategy and macroeconomic considerations, among other factors. The effective interest rate, equal to the internal rate of return including an element that reflects credit risk, used for discounting estimated cash flows is calculated based on projections of expected cash receipts that take into account the initial value (purchase price plus directly allocated transaction costs), and as a rule remains unchanged throughout the life of a portfolio.</p>

Item	Amount estimated		Note	Assumptions and estimate calculation
	Jun 30 2021 (PLN '000)	Dec 31 2020 (PLN '000)		
Deferred tax liability	(156,822)	(134,249)	8.6	As the Company is able to control the timing of temporary differences with respect to investments in subsidiaries, it recognises deferred tax liabilities at amounts of income tax to be paid in the future (three years). The Company assesses the recoverability of deferred tax asset based on its approved financial forecast for the following years.
Right-of-use assets	24,849	27,693	8.11	The application of IFRS 16 requires certain estimates and calculations to be made that affect the measurement of lease liabilities and right-of-use assets. These include: <ul style="list-style-type: none"> <li>• reviewing the lease contracts,</li> <li>• determining the lease term,</li> <li>• determining the marginal interest rates to be used to discount future cash flows,</li> <li>• identifying useful lives and determining depreciation rates for the right-of-use assets.</li> </ul>
Lease liabilities	(27,324)	(30,444)	8.7	
Derivatives	(3,176)	(11,236)	8.9	The Company estimates the fair value of derivative instruments as at each reporting date. Difference in discounted interest cash inflows and outflows in two different currencies, expressed in the valuation currency. The inputs include interest rate curves, basis spreads and the National Bank of Poland's fixing for the respective currencies, as provided by the Bank.
Hedging instruments	(8,403)	(18,386)	8.8	The Company estimates the fair value of its hedging instruments as at each reporting date. Difference in discounted interest cash flows based on floating and fixed interest rates. The inputs include the interest rate curve provided by the bank.



Item	Amount subject to judgement		Note	Assumptions and estimate calculation
	Jun 30 2021 (PLN '000)	Dec 31 2020 (PLN '000)		
Investments in debt portfolios	77,109	81,953	7	The Company determined that the agreement executed with the co-investor in 2016 for the purchase of debt portfolios at ProsperoCapital S.à r.l on the Romanian market was a transaction meeting the definition of a joint operation rather than a joint venture.

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

### Investments measured at amortised cost

<i>PLN '000</i>	<b>Jun 30 2021 unaudited</b>	<b>Dec 31 2020</b>	<b>Jun 30 2020 unaudited</b>
<b>Investments measured at amortised cost</b>			
Investments in debt portfolios	31,799	33,329	31,367
Loans to related parties	270,199	287,191	302,602
	<u>301,998</u>	<u>320,520</u>	<u>333,970</u>

### Investments in debt portfolios

Purchased debt portfolios are divided into the following main categories:

<i>PLN '000</i>	<b>Jun 30 2021 unaudited</b>	<b>Dec 31 2020</b>	<b>Jun 30 2020 unaudited</b>
<b>Investments in debt portfolios</b>			
Unsecured portfolios	31,457	32,956	30,962
Secured portfolios	341	373	406
	<u>31,799</u>	<u>33,329</u>	<u>31,367</u>

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

Sensitivity analysis – revaluation of projections

The 1% increase in all projected collections would result in an increase in the value of portfolios and thus in net profit/(loss) for the reporting period by PLN 236 thousand, while the 1% decrease in all projected collections would result in a decrease in the value of portfolios, thus reducing net profit/(loss) by PLN 236 thousand for the data as at June 30th 2021 (a PLN 243 thousand increase/decrease, respectively, for the data as at December 31st 2020).

PLN '000

	Profit or loss for the current period	
	increase in collections by 100 bps	decrease in collections by 100 bps
<b>Jun 30 2021</b>		
Investments in debt portfolios	236.41	(236.41)
<b>Dec 31 2020</b>		
Investments in debt portfolios	243.00	(243.00)

Sensitivity analysis – time horizon

The sensitivity analysis below assumes extension or shortening of the projection period and a simultaneous increase or decrease in collection projections (for one-year extension projected collections increased by PLN 0.01 thousand, while for one-year shortening projected collections decreased by PLN 0.04 thousand; December 31st 2020: PLN 0.01 thousand, both for extension and shortening of the projection period).

PLN '000

	Profit or loss for the current period	
	extension by one year	reduction by one year
<b>Jun 30 2021</b>		
Investments in debt portfolios	0.01	(0.04)
<b>Dec 31 2020</b>		
Investments in debt portfolios	0.01	(0.01)

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

PLN '000

<b>Value of purchased debt portfolios as at Jan 1 2020</b>	36,949
Purchase price adjustment for discount	(16)
Cash recoveries	(17,686)
Carrying amount of property sold	65
Gain/(loss) on sale/revaluation of property	(844)
Interest income from debt portfolios, gain/(loss) on expected credit losses and other income/expenses from purchased debt portfolios	12,899
<b>Carrying amount of purchased debt portfolios as at Jun 30 2020</b>	<b>31,367</b>
<b>Value of purchased debt portfolios as at Jan 1 2020</b>	36,949
Purchase price adjustment for discount	(16)
Cash recoveries	(35,904)
Carrying amount of property sold	210
Interest income from debt portfolios, gain/(loss) on expected credit losses and other income/expenses from purchased debt portfolios	32,090
<b>Value of purchased debt portfolios as at Dec 31 2020</b>	<b>33,329</b>
<b>Carrying amount of purchased debt portfolios as at Jan 1 2021</b>	33,329
Cash recoveries	(18,311)
Gain/(loss) on sale/revaluation of property	(2,163)
Interest income from debt portfolios, gain/(loss) on expected credit losses and other income/expenses from purchased debt portfolios	18,944
<b>Value of purchased debt portfolios as at Jun 30 2021</b>	<b>31,799</b>

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

### Loans to related parties

As at June 30th 2021, the gross carrying amount of loans advanced to related parties was PLN 308,431 thousand, and the loss allowance was PLN 38,231 thousand (December 31st 2020: PLN 310,886 thousand and PLN 23,695 thousand, respectively). For information on the Company's exposure to credit, currency and interest rate risks associated with its investments, and on impairment losses on loans, see note 10.

### Joint arrangements

On July 29th 2016, the Company, acting through its related entities ProsperoCapital S.à.r.l of Luxembourg ("ProsperoCapital") and Invest Capital Ltd. of Malta ("ICM"), entered into an agreement with International Finance Corporation ("IFC") (an entity related to the World Bank) concerning joint purchase of debt portfolios in the Romanian market and outsourcing of their management to a jointly selected entity in accordance with a debt portfolio management strategy approved by both parties. The agreement is effective until August 3rd 2022, but may be extended by another four years. It is a significant agreement for the Company as it has enabled a considerable increase in market share in Romania. The agreement meets the criteria to be classified as a joint arrangement and is performed in

the form of a joint operation; as such it is subject to disclosure in the consolidated financial statements based on a proportional share in assets and liabilities. In making an assessment whether the agreement meets the criteria of joint control, the Company did not rely on subjective judgement. The rules governing joint control of ProsperoCapital were provided for in the agreements signed between the jointly-controlling parties:

- the Company and IFC hold respectively 67% and 33% of the rights to the assets and liabilities of ProsperoCapital;
- The debt portfolio purchase was financed through an issue of bonds by ProsperoCapital, 67% of which were acquired by ICM and 33% – by IFC; all the risks and benefits are allocated to the entity acquiring the bonds;
- a unanimous consent of both parties is required to make any material decision:
  - both parties must approve the debt management strategy (updated on a semi-annual basis) and the business plan,
  - neither of the parties may unilaterally make any material changes in the company's structure or its managing bodies.
- Any recoveries from the debt portfolio, which are used to finance redemption of the bonds, are distributed pro-rata to the parties' rights to assets;
- After expiry of the contractual term, the parties share the purchased debt (measured as at the agreement termination date) in accordance with the strategy.

In making an assessment that the agreement meets the criteria to be classified as a joint operation rather than a joint venture, the Company took into consideration:

- The economic substance of the transaction, according to which the Company invested in the purchase of debt portfolios and not in bonds of ProsperoCapital;
- The nature of payments under the bonds, which indicates that this is a 'pass through' transaction, as the redemption of the bonds is closely related to cash flows from the purchased debt portfolios;
- Under the executed agreement, the parties to the joint operation do not have the right to net assets but to assignment of the claims incorporated in the purchased debt portfolio for the purpose of satisfaction of any amounts that remain unpaid under the bonds after expiry of the agreement term.

As at June 30th 2021, the value of the Company's investment in the joint operation discussed above, disclosed in the statement of financial position, was PLN 77,110 thousand (PLN 81,953 thousand as at December 31st 2020), while profit shown in the statement of profit or loss was PLN 20,063 thousand (2020: PLN 33,425 thousand).

**Inventories (including property)**

The Company classifies property securing acquired debt as Inventories and measured it at cost.

<i>PLN '000</i>	<b>Jun 30 2021 unaudited</b>	<b>Dec 31 2020</b>	<b>Jun 30 2020 unaudited restated</b>
Real property	24,791	28,755	28 750
Other inventories	-	-	10
	<u>24,791</u>	<u>28,755</u>	<u>28 760</u>

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

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

*PLN '000*

<b>Carrying amount of property held as at Jan 1 2020</b>	<b>28,031</b>
Carrying amount of foreclosed property	7,054
Proceeds from sale of property	(7,270)
Income from sale of property	935
<b>Carrying amount of property held as at Jun 30 2020</b>	<b><u>28,750</u></b>
<b>Carrying amount of property held as at Jan 1 2021</b>	<b>28,755</b>
Carrying amount of foreclosed property	3,943
Proceeds from sale of property	(10,070)
Income from sale of property	2,163
<b>Carrying amount of property held as at Jun 30 2021</b>	<b><u>24,791</u></b>



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

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

#### By reportable segments

<i>PLN '000</i>	<b>Jan 1–Jun 30 2021 unaudited</b>	<b>Apr 1–Jun 30 2021 unaudited</b>	<b>Jan 1–Jun 30 2020 unaudited restated</b>	<b>Apr 1–Jun 30 2020 unaudited restated</b>
Revenue from credit management services	53,563	27,172	39,547	12,910
Revenue from other services	19,824	12,006	9,129	3,229
Revenue from purchased debt portfolios	18,944	9,448	11,211	5,399
Revenue from sale of merchandise and materials	85	-	136	44
	<b>92,416</b>	<b>48,626</b>	<b>60,023</b>	<b>21,582</b>

#### Revenue from purchased debt portfolios

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

<i>PLN '000</i>	<b>Jan 1–Jun 30 2021 unaudited</b>	<b>Apr 1–Jun 30 2021 unaudited</b>	<b>Jan 1–Jun 30 2020 unaudited restated</b>	<b>Apr 1–Jun 30 2020 unaudited restated</b>
Interest income on debt portfolios measured at amortised cost	10,732	6,345	9,665	4,555
Gain/(loss) on expected credit losses	9,005	3,830	598	1,369
Other income/expenses from purchased debt portfolios	(793)	(727)	948	(524)
	<b>18,944</b>	<b>9,448</b>	<b>11,211</b>	<b>5,399</b>

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

	<b>Jan 1–Jun 30 2021 unaudited restated</b>	<b>Apr 1–Jun 30 2021 unaudited restated</b>	<b>Jan 1–Jun 30 2020 unaudited restated</b>	<b>Apr 1–Jun 30 2020 unaudited restated</b>
Revaluation of recovery projections	4,745	3,242	(671)	253
Deviations from actual recoveries, decreases on early collections in collateralised cases	4,259	588	1,268	1,115
	<u>9,005</u>	<u>3,830</u>	<u>598</u>	<u>1,369</u>

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,
- period for which cash flows have been estimated,
- the value of expected future cash flows estimated based on current data and currently used debt collection tools.

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

*Assumptions adopted in the valuation of debt portfolios*

	<b>Jun 30 2021 unaudited</b>	<b>Dec 31 2020</b>	<b>Jun 30 2020 unaudited</b>
Discount rate	28.11% - 170.19%	28.11% - 170.19%	28.11% - 170.19%
Period for which collections have been estimated	Jul 2021–Jun 2036	Jan 2021–Dec 2035	Jul 2020–Dec 2029
Undiscounted value of future recoveries	83,022	87,508	67,616

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

*Estimated schedule of future expected cashflows from debt portfolios*

<i>PLN '000</i>	<b>Jun 30 2021 unaudited</b>	<b>Dec 31 2020</b>	<b>Jun 30 2020 unaudited</b>
<b>Period</b>			
Up to 12 months	25,150	25,554	25,590
From 1 to 2 years	15,789	17,715	16,928
From 2 to 3 years	11,415	12,592	10,559
From 3 to 4 years	8,338	8,936	6,669
From 4 to 5 years	6,144	6,372	3,916
From 5 to 6 years	4,541	4,569	2,150
From 6 to 7 years	3,352	3,276	1,084
From 7 to 8 years	2,462	2,337	522
From 8 to 9 years	1,779	1,640	181
From 9 to 10 years	1,292	1,195	18
From 10 to 11 years	952	920	-
From 11 to 12 years	710	759	-
From 12 to 13 years	532	639	-
From 13 to 14 years	401	543	-
From 14 to 15 years	164	464	-
Over 15 years	-	-	-
	<b>83,022</b>	<b>87,508</b>	<b>67,616</b>

*Other income/expenses from purchased debt portfolios*

	<b>Jan 1–Jun 30 2021 unaudited</b>	<b>Apr 1–Jun 30 2021 unaudited</b>	<b>Jan 1–Jun 30 2020 unaudited restated</b>	<b>Apr 1–Jun 30 2020 unaudited restated</b>
Foreign exchange gains/(losses)	(793)	(727)	948	(524)
	<b>(793)</b>	<b>(727)</b>	<b>948</b>	<b>(524)</b>

*Revenue from the provision of other services*

	<b>Jan 1–Jun 30 2021 unaudited</b>	<b>Apr 1–Jun 30 2021 unaudited</b>	<b>Jan 1–Jun 30 2020 unaudited restated</b>	<b>Apr 1–Jun 30 2020 unaudited restated</b>
Revenue from credit management services	53,563	27,172	39,547	12,910
Revenue from other services	19,824	12,006	9,129	3,229
Revenue from sale of merchandise and materials	85	-	136	44
	<b>73,472</b>	<b>39,178</b>	<b>48,812</b>	<b>16,183</b>

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 1.25% of revenue from credit management services, and in the group of related entities – for 86.2% (2020: 2% and 92.8% respectively).

Revenue from other services

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

Other income

PLN '000	Note	Jan 1–Jun	Apr 1–Jun	Jan 1–Jun	Apr 1–Jun
		30 2021	30 2021	30 2020	30 2020
		unaudited	unaudited	unaudited	unaudited
Compensation for motor damage		168	60	196	73
Re-billing income		82	1,615	-	-
Other markets		67	54	66	29
Reversal of impairment losses on receivables	10.1	53	-	-	-
Receivables written off		18	-	-	-
Donation		-	-	5,972	5,972
Gain/(loss) on sale of property, plant and equipment		(13)	(101)	534	124
Settlement of lease payments under terminated contracts		-	-	1,050	1,050
		376	1,628	7,818	7,249

8.2. Employee benefits expense

PLN '000	Jan 1–Jun	Apr 1–Jun	Jan 1–Jun	Apr 1–Jun
	30 2021	30 2021	30 2020	30 2020
		unaudited	unaudited	unaudited
Salaries and wages	(56,931)	(28,038)	(54,514)	(25,828)
Old-age and disability pension contributions (defined contribution plans)	(8,755)	(4,327)	(8,451)	(3,990)
Equity-settled cost of stock option plan <sup>1</sup>	(7,164)	(7,164)	3,660	(907)
Other social security contributions	(4,447)	(2,493)	(3,759)	(1,631)
Contribution to the State Fund for the Disabled	(538)	(370)	(563)	(283)
	(77,835)	(42,393)	(63,628)	(32,639)

<sup>1</sup> On June 2nd 2021, the Management Board passed a resolution determining the second list of Management Board members eligible to acquire Tranche 5 subscription warrants for 2019 under the 2015–2019 Incentive Scheme. The resolution was approved by a resolution of the Supervisory Board of June 4th 2021, and on the basis of the resolution, 32,992 additional subscription warrants were allotted to the Management Board members. On June 22nd 2021, the Company's Management Board passed a resolution to determine the third list of persons other than Management Board members who were eligible

to acquire Tranche 5 subscription warrants for 2019 under the 2015–2019 Incentive Scheme. Under the resolution, 9,097 Subscription warrants were allotted to the eligible persons.

### 8.3. Other expenses

PLN '000	Note	Jan 1–Jun	Apr 1–Jun	Jan 1–Jun	Apr 1–Jun
		30 2021	30 2021	30 2020	30 2020
		unaudited	unaudited	unaudited	unaudited
Taxes and charges		(4,359)	(1,659)	(5,537)	(2,628)
Raw materials and consumables used		(1,731)	(808)	(1,552)	(526)
Advertising		(1,288)	(1,011)	(248)	(62)
VAT on rental payments (leases and rents)		(381)	(340)	(111)	(48)
Property insurance		(323)	(210)	(111)	(55)
Court fees		(290)	(229)	(328)	(188)
Motor insurance		(278)	(90)	(593)	(296)
Refund of litigation costs		(236)	(74)	(148)	(75)
Other markets		(214)	(39)	(1,149)	(682)
Losses caused by motor damage		(206)	(73)	(209)	(57)
Entertainment expenses		(177)	(103)	(39)	(7)
Non-competition		(113)	(72)	(310)	(128)
Staff training		(109)	(74)	(447)	(96)
Donations		-	-	(12)	-
Business trips		(41)	(18)	(234)	(20)
Impairment losses on receivables	10.1	(37)	-	(28)	(6)
Membership fees		(28)	-	(75)	(38)
Re-billed costs of services		-	-	(315)	(94)
		<u>(9,812)</u>	<u>(4,798)</u>	<u>(11,445)</u>	<u>(5,006)</u>

### 8.4. Finance income

PLN '000	Jan 1–Jun	Apr 1–Jun	Jan 1–Jun	Apr 1–Jun
	30 2021	30 2021	30 2020	30 2020
	unaudited	unaudited	unaudited	unaudited
Interest income on loans advanced and receivables	8,886	4,482	11,389	5,421
Gain/(loss) on settlement of discount	-	-	93	72
Interest income on bank deposits	5	-	27	13
	<u>8,892</u>	<u>4,482</u>	<u>11,509</u>	<u>5,505</u>

## 8.5. Finance costs

PLN '000	Jan 1–Jun 30 2021 unaudited	Apr 1–Jun 30 2021 unaudited	Jan 1–Jun 30 2020 unaudited	Apr 1–Jun 30 2020 unaudited
Interest and commission expense on financial liabilities measured at amortised cost	(25,742)	(12,249)	(38,121)	(17,635)
<i>including interest</i>	(23,792)	(11,624)	(35,714)	(16,306)
Interest income/expense on derivative instruments – CIRS	6,024	7,536	(7,366)	5,273
Net foreign exchange losses	3,326	5,918	(8,854)	1,920
	(4,528)	(2,288)	(760)	(1,242)
Interest income/expense on hedging instruments – IRS	(20,920)	(1,083)	(55,101)	(11,684)

## Effect of exchange rate movements on statement of profit or loss

PLN '000	Note	Jan 1–Jun 30 2021 unaudited	Apr 1–Jun 30 2021 unaudited	Jan 1–Jun 30 2020 unaudited	Apr 1–Jun 30 2020 unaudited
Realised exchange gains/(losses)	8.5	1,868	1,373	(5,412)	(4,793)
Unrealised exchange gains/(losses)	8.5	1,457	4,545	(3,643)	6,512
Revaluation of debt portfolios due to exchange rate movements	8.1	(793)	(727)	948	(524)
		2,533	5,191	(8,106)	1,196

## 8.6. Income tax

PLN '000	Jan 1–Jun 30 2021 unaudited	Jan 1–Jun 30 2020 unaudited
<b>Income tax (current portion recognised in profit or loss)</b>		
Income tax	(30,982)	5,044
<b>Income tax (deferred portion recognised in profit or loss)</b>		
Temporary differences/reversal of temporary differences	(22,573)	(6,031)
<b>Income tax recognised in profit or loss</b>	<b>(53,555)</b>	<b>(987)</b>

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

**Reconciliation of effective tax rate**

<i>PLN '000</i>	<b>Jan 1–Jun 30 2021 unaudited</b>	<b>Jan 1–Jun 30 2020 unaudited</b>
Profit/(loss) before tax	449,337	(18,305)
Income tax recognised in profit or loss	(53,555)	(987)
Profit/(loss) before tax for the period (at 19% tax rate)	449,337	(18,305)
Tax calculated at the tax rate applicable in Poland (19%)	(85,374)	3,478
Effect of non-deductible expenses and deferred tax changes	31,820	(4,465)
	(53,555)	(987)
Effective tax rate	11.92%	-5.39%

**Tax risk**

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

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

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

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

### Deferred tax assets and liabilities

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

PLN '000	Assets		Provisions		Net carrying amount	
	Jun 30 2021 unaudited	Dec 31 2020	Jun 30 2021 unaudited	Dec 31 2020	Jun 30 2021 unaudited	Dec 31 2020
Property, plant and equipment	5,192	5,581	(5,080)	(5,659)	111	(78)
Intangible assets	-	-	(1,865)	(1,540)	(1,865)	(1,540)
Trade and other receivables	-	-	(158)	(268)	(158)	(268)
Borrowings and other debt instruments, leases	4,998	21,112	-	-	4,998	21,112
Employee benefit obligations	2,316	2,309	-	-	2,316	2,309
Provisions and liabilities	52	56	-	-	52	56
Investments in debt portfolios	-	-	(6,945)	(6,984)	(6,945)	(6,984)
Equity-accounted investments in subsidiaries	-	23,259	(155,331)	(172,116)	(155,331)	(148,857)
<b>Deferred tax assets/liabilities</b>	<b>12,557</b>	<b>52,317</b>	<b>(169,379)</b>	<b>(186,567)</b>	<b>(156,822)</b>	<b>(134,249)</b>
Deferred tax assets offset against liabilities	(12,557)	(52,317)	12,557	52,317	-	-
<b>Deferred tax assets/liabilities in the statement of financial position</b>	<b>-</b>	<b>-</b>	<b>(156,822)</b>	<b>(134,249)</b>	<b>(156,822)</b>	<b>(134,249)</b>



**Change in temporary differences in the period**

PLN '000

	As at Jan 1 2021	Change in temporary differences recognised in profit or loss for current period	As at Jun 30 2021	As at Jan 1 2020	Change in temporary differences recognised in profit or loss for current period Restated	As at Dec 31 2020
Property, plant and equipment	(78)	189	111	(263)	185	(78)
Intangible assets	(1,540)	(324)	(1,865)	(2,263)	723	(1,540)
Trade and other receivables	(268)	111	(158)	(243)	(25)	(268)
Borrowings and other debt instruments, leases**	21,112	(16,114)	4,998	18,496	2,616	21,112
Employee benefit obligations	2,309	7	2,316	2,342	(33)	2,309
Provisions and liabilities	56	(4)	52	112	(56)	56
Investments in debt portfolios	(6,984)	38	(6,945)	(7,108)	124	(6,984)
Equity-accounted investments in subsidiaries*	(148,857)	(6,474)	(155,331)	(51,327)	(97,530)	(148,857)
	(134,249)	(22,573)	(156,822)	(40,254)	(93,996)	(134,249)

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

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

The Company benefits from the regulation provided in IAS 12 and does not recognise a deferred tax liability in respect of retained earnings at its related entities where it is able to control the timing of the reversal of temporary differences in the foreseeable future and it is probable that the temporary differences will not reverse in the next 36 months. The total amount of temporary differences underlying the unrecognised deferred tax liability on retained earnings as at June 30th 2021 was PLN 1,304,196 thousand (as at December 31st 2020: PLN 1,205,363 thousand).

## 8.7. Borrowings, other debt securities and leases

PLN '000	Jun 30 2021 unaudited	Dec 31 2020	Jun 30 2020 unaudited
<b>Non-current liabilities</b>			
Secured borrowings	13,525	94,300	174,152
Liabilities under debt securities (unsecured)	975,838	769,933	912,804
Lease liabilities	23,752	19,913	25,602
	<u>1,013,115</u>	<u>884,146</u>	<u>1,112,559</u>
<b>Current liabilities</b>			
Secured borrowings	13,126	23,152	33,632
Liabilities under debt securities (unsecured)	384,234	544,314	440,861
Lease liabilities	3,572	10,531	7,851
	<u>400,932</u>	<u>577,997</u>	<u>482,343</u>
	<u>1,414,046</u>	<u>1,462,143</u>	<u>1,594,902</u>

### Liabilities repayment schedule

PLN '000	Currency	Nominal interest rate	Maturity periods	Jun 30 2021 unaudited	Dec 31 2020	Jun 30 2020 unaudited
Borrowings secured with the Company's assets	EUR/PLN	3M WIBOR + 2pp 3M EURIBOR + 0.5pp/1%	2021-2025	26,651	117,452	207,784
Liabilities under debt securities, (unsecured)	PLN	3M WIBOR + margin of 3.0-4.0pp	2021-2027	1,360,071	1,314,247	1,353,665
	EUR	4.00-4.80% <sup>1</sup> 3.59%				
Lease liabilities	PLN	3M WIBOR or 1M EURIBOR + margin of 1.5-9.7pp	2021-2024	27,324	30,444	33,453
				<u>1,414,046</u>	<u>1,462,143</u>	<u>1,594,902</u>

<sup>1</sup> fixed interest rate

## 8.8. Hedging instruments

### *Derivatives designated for hedge accounting*

#### Interest rate risk hedges

The Company's exposure to interest rate risk arises mainly from borrowings and debt securities issued (Note 10.5).

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

The interest rate risk management policy covers:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### Currency risk hedges

The Company's exposure to currency risk arises mainly from investments in subsidiaries and financial liabilities measured in foreign currencies (note 10.4).

The currency risk management policy outlines:

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

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

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

As at June 30th 2021, the Group companies did not carry any unsettled forward contracts.

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

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

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

**Amounts related to items designated as hedging instruments**

PLN '000

Jun 30 2021  
unaudited

Dec 31 2020

	Assets	Liabilities	Notional amount	Change in fair value used to determine ineffectiveness	Assets	Liabilities	Notional amount	Change in fair value used to determine ineffectiveness	Item in the statement of financial position	Type of security
<b>Instrument type:</b>										
IRS	-	8,403	530,000 (PLN)	(9,982)		18,386	530,000 (PLN)	14,861	Hedging instruments	Cash flow hedges
	-	<b>8,403</b>		<b>(9,982)</b>	-	<b>18,386</b>		<b>14,861</b>		



PLN '000

	Nominal value as at Jun 30 2021				
	Less than 6 months	6–12 months	1–2 years	2–5 years	Over 5 years
<b>Instrument type:</b>					
<b>IRS</b>					
fixed payment PLN sale	-	(200,000)	(75,000)	(255,000)	-
floating payment PLN	-	200,000	75,000	255,000	-

PLN '000

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

PLN '000

## Disclosure of the hedged item as at Jun 30 2021

	Nominal amount of the hedged item	Change in the fair value of the hedged item	Reserve for measurement of continuing hedges	Reserve (unsettled) for measurement of discontinued hedges
Cash flow hedges (interest rate risk)	530,000	8,403	(8,403)	-
Hedging of a net investment in a foreign operation (currency risk)	-	-	-	3,603

PLN '000

## Disclosure of the hedged item as at Dec 31 2020

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

## Jan 1–Jun 30 2021

PLN '000

Cash flow hedge reserve	Hedge of future cash flows (interest rate risk)	Hedge of future cash flows (currency risk)	Total hedge reserve
Hedge reserve as at Jan 1 2021	(18,386)	3,603	(14,783)
Measurement of instruments charged to capital reserves	14,511	-	14,511
Amount reclassified to profit or loss during the period	(4,528)	-	(4,528)
- Interest expense	(4,528)	-	(4,528)
- Reclassification of exchange differences			-
Hedge reserve as at Jun 30 2021	(8,403)	3,603	(4,800)

PLN '000

Jan 1-Dec 31 2020

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

## 8.9. Derivatives

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

In 2017, the Company entered into two foreign currency interest rate swaps (CIRS) to pay a coupon based on a fixed EUR interest rate and to receive a coupon based on a variable PLN interest rate. The contracts hedge both currency risk and interest rate risk as they effectively change the debt contracted in the złoty with euro-denominated liabilities:

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

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

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

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

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

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

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

Interest is paid on a three-monthly basis.

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

## 8.10. Investments in subsidiaries

PLN '000	Country	Jun 30 2021 unaudited	Dec 31 2020
InvestCapital Ltd <sup>1</sup>	Malta	1,759,595	1,780,511
Prokura NS FIZ <sup>1</sup>	Poland	905,459	936,579
SeCapital S.à r.l. <sup>1</sup>	Luxembourg	289,858	241,417
Presco Investments S.a.r.l. <sup>3</sup>	Luxembourg	73,884	79,384
KRUK Česká a Slovenská republika s.r.o.	Czech Republic	63,776	59,707
KRUK Italia S.r.l. <sup>4</sup>	Italy	41,487	36,339
KRUK Espana S.L.	Spain	36,491	39,772
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	Poland	31,948	31,713
Kancelaria Prawna RAVEN P.Krupa Sp. k.	Poland	21,486	22,838
KRUK Romania S.r.l.	Romania	25,936	20,186
BISON NS FIZ (CLOSED-END INVESTMENT FUND)	Poland	12,450	18,077
ERIF Biuro Informacji Gospodarczej S.A.	Poland	10,654	9,904
Kruk Deutschland GmbH	Germany	9,596	9,772
RoCapital IFN S.A. <sup>1</sup>	Romania	7,813	7,456
AgeCredit S.r.l.	Italy	5,913	9,303
ProsperoCapital S.à r.l. <sup>2</sup>	Luxembourg	627	655
ERIF Business Solutions Sp. z o.o.	Poland	-	(252)
Novum Finance Sp. z o.o.	Poland	-	12,095
		3,296,971	3,315,459

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

<sup>2</sup> ProsperoCapital S.a.r.l. is a party to a joint arrangement.

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

<sup>4</sup> The equity of Elleffe Capital S.r.l. is consolidated within Kruk Italia S.r.l.

	Jun 30 2021 unaudited	Dec 31 2020
<b>Value of investments in subsidiaries at beginning of the period</b>	3,315,459	3,352,745
Increase/(decrease) (dividends, in-kind contributions, cancellations, write-off)	(455,524)	(474 251)
Share of profit/(loss) of equity-accounted investees	480 965	325 386
Translation reserve	(43,929)	111,579
<b>Value of investments in subsidiaries at end of the period</b>	3,296,971	3,315,459

The value of share of profit/(loss) of equity-accounted investees for the period from January 1st to June 30th 2021 amounted to PLN 480,965 thousand and resulted mainly from income from purchased debt portfolios and revaluation of recovery projections from debt portfolios owned by above listed companies.

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

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

<sup>2</sup> ProsperoCapital S.a.r.l is a party to a joint arrangement.

<sup>3</sup> The Parent controls the company through a personal link.

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

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

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

**8.11. Right of use**

PLN '000

	Jun 30 2021 unaudited	Dec 31 2020	Jun 30 2020 unaudited
<b>Carrying amount of right-of-use assets, by class of underlying asset at beginning of period</b>			
Buildings and structures	22,945	15,768	15,768
Plant and equipment	83	251	251
Vehicles	4,665	5,975	9,553
	<u>27,693</u>	<u>21,994</u>	<u>25,571</u>
<b>Cost of depreciation of right-of-use assets, by class of underlying asset</b>			
Buildings and structures	(2,829)	(5,682)	(2,769)
Plant and equipment	(83)	(167)	(84)
Vehicles	(922)	(2,192)	(1,302)
	<u>(3,834)</u>	<u>(8,041)</u>	<u>(4,155)</u>
Increase in right-of-use assets	2,229	13,685	13,343
Decrease in right-of-use assets due to liquidation/termination of contract	(1,239)	300	(835)
<b>Carrying amount of right-of-use assets, by class of underlying asset at the end of the reporting period</b>			
Buildings and structures	18,877	22,945	25,858
Plant and equipment	-	83	167
Vehicles	5,972	4,665	7,900
	<u>24,849</u>	<u>27,693</u>	<u>33,925</u>
Interest expense relating to lease liabilities	401	865	422
Cost relating to variable lease payments not included in the measurement of lease liabilities	-	11	8
Total cash outflow in connection with leases	3,065	8,054	3,518

**8.12. Trade and other receivables**

<i>PLN '000</i>	<b>Jun 30 2021 unaudited</b>	<b>Dec 31 2020</b>	<b>Jun 30 2020 unaudited</b>
Trade receivables from related entities	22,847	20,594	14,575
Trade receivables from other entities	2,102	2,640	3,626
	<u>24,949</u>	<u>23,234</u>	<u>18,201</u>

<i>PLN '000</i>	<b>Jun 30 2021 unaudited</b>	<b>Dec 31 2020</b>	<b>Jun 30 2020 unaudited</b>
Other receivables from related entities	14,027	4,308	25,210
Other receivables from other entities	1,930	3,561	5,606
	<u>15,957</u>	<u>7,869</u>	<u>30,816</u>

**8.13. Cash and cash equivalents**

<i>PLN '000</i>	<b>Jun 30 2021 unaudited</b>	<b>Dec 31 2020</b>	<b>Jun 30 2020 unaudited</b>
Cash in hand	19	8	76
Cash in current accounts	367,931	6,588	20,043
	<u>367,950</u>	<u>6,595</u>	<u>20,119</u>

**8.14. Trade and other payables**

<i>PLN '000</i>	<b>Jun 30 2021 unaudited</b>	<b>Dec 31 2020</b>	<b>Jun 30 2020 unaudited restated</b>
Trade and other payables to related entities	13,557	32,231	40,099
Trade payables to other entities	6,870	9,994	8,822
Deferred income	5,573	5,296	5,609
Other liabilities	1,593	2,832	2,819
Accrued expenses	322	750	462
Taxes, customs duties, insurance and other benefits payable	21	760	626
	<u>27,936</u>	<u>51,863</u>	<u>58,437</u>



**8.15. Employee benefit obligations and provisions**

<i>PLN '000</i>	<b>Jun 30 2021 unaudited</b>	<b>Dec 31 2020</b>	<b>Jun 30 2020 unaudited restated</b>
Accrued holiday entitlements	7,784	5,909	6,796
Salaries and wages payable	6,585	6,855	6,056
Social benefit obligations	6,177	6,395	5,582
Personal income tax	1,652	1,953	1,463
Special accounts	299	97	171
Liabilities under employee savings plans	252	255	10
	<b>22,749</b>	<b>21,464</b>	<b>20,078</b>

**8.16. Earnings per share****Basic earnings per share**

As at June 30th 2021, basic earnings per share were calculated based on net profit/loss attributable to owners of the Company (holding ordinary shares) of PLN 395,783 thousand (June 30th 2020: PLN - 19,293) and the weighted average number of shares in the period covered by the financial statements of 19,011 thousand (June 30th 2020: 18,972 thousand). The amounts were determined as follows:

**Separate net profit attributable to owners of the Company**

<i>PLN '000</i>	<b>Jan 1–Jun 30 2021 unaudited</b>	<b>Jan 1–Dec 31 2020</b>	<b>Jan 1–Jun 30 2020 unaudited</b>
Net profit for period	395,783	81,356	(19,293)
Net profit attributable to owners of the Company	395,783	81,356	(19,293)

**Weighted average number of ordinary shares**

<i>'000</i>	<b>Jan 1–Jun 30 2021 unaudited</b>	<b>Jan 1–Dec 31 2020</b>	<b>Jan 1–Jun 30 2020 unaudited</b>
Number of ordinary shares as at Jan 1	19,011	18,972	18,972
Effect of cancellation and issue	-	5	
Number of ordinary shares as at Jan 1	19,011	18,977	18,972
<i>PLN</i>			
Earnings per share	20.82	4.29	(1.02)

**Consolidated net profit attributable to owners of the Parent**

As at June 30th 2021, basic consolidated earnings per share were calculated based on net profit attributable to owners of the Company (holding ordinary shares) of PLN 395,783 thousand (June 30th 2020: PLN -19,293) and the weighted average number of shares in the period covered by the financial statements of 19,011 thousand (June 30th 2020: 18,972 thousand).

**Consolidated net profit attributable to owners of the Parent**

<i>PLN '000</i>	<b>Jan 1–Jun 30 2021 unaudited</b>	<b>Jan 1–Dec 31 2020</b>	<b>Jan 1–Jun 30 2020 unaudited</b>
Separate net profit attributable to owners of the Parent (basic)	395,783	81,356	(19,293)
Separate net profit attributable to owners of the Parent (diluted)	395,783	81,356	(19,293)

**Weighted average number of ordinary shares**

<i>'000</i>	<b>Jan 1–Jun 30 2021 unaudited</b>	<b>Jan 1–Dec 31 2020</b>	<b>Jan 1–Jun 30 2020 unaudited</b>
Number of ordinary shares as at Jan 1	19,011	18,972	18,972
Effect of cancellation and issue of shares	-	5	-
Weighted average number of ordinary shares in the period ended Dec 31	19,011	18,977	18,972
<i>PLN</i>			
Earnings per share	20.82	4.29	(1.02)

**Dividend per share paid**

<i>PLN '000</i>	<b>Jan 1–Jun 30 2021 unaudited</b>	<b>Jan 1–Dec 31 2020</b>	<b>Jan 1–Jun 30 2020 unaudited</b>
Dividend paid from profit and retained earnings	206,140	-	94,653
<i>PLN</i>			
Dividend per share	11.00	-	4.99

**Diluted separate earnings per share**

As at June 30th 2021, diluted earnings per share were calculated based on net profit attributable to owners of the Company (holding ordinary shares) of PLN 395,783 thousand (June 30th 2020: PLN -19,293) and the weighted average diluted number of shares in the period covered by the financial statements of 19,520 thousand (June 30th 2020: 19,203 thousand). The amounts were determined as follows:

'000	Jan 1–Jun 30 2021 unaudited	Jan 1–Dec 31 2020	Jan 1–Jun 30 2020 unaudited
Weighted average number of ordinary shares in the period ended Dec 31	19,011	18,977	18,972
Effect of issue of unregistered shares not subscribed for	509	283	231
Weighted average number of ordinary shares at end of reporting period (diluted)	19,520	19,260	19,203
<i>PLN</i>			
Earnings per share (diluted)	20.28	4.22	(1.00)

**Diluted consolidated earnings per share**

As at March 31st 2021, diluted consolidated earnings per share were calculated based on net profit attributable to owners of the Company (holding ordinary shares) of PLN 395,783 thousand (June 30th 2020: PLN -19,293) and the weighted average diluted number of shares in the period covered by the financial statements of 19,520 thousand (June 30th 2020: 19,203 thousand). The amounts were determined as follows:

'000	Jan 1–Jun 30 2021 unaudited	Jan 1–Dec 31 2020	Jan 1–Jun 30 2020 unaudited
Weighted average number of ordinary shares in the period ended Dec 31	19,011	18,977	18,972
Effect of issue of unregistered shares not subscribed for	509	283	231
Weighted average number of ordinary shares at end of reporting period (diluted)	19,520	19,260	19,203
<i>PLN</i>			
Earnings per share (diluted)	20.28	4.22	(1.00)

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

As at Jun 30 2021

PLN '000

	Note	Jun 30 2021 unaudited	Dec 31 2020	Jun 30 2020 unaudited
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment		34,469	37,521	41,953
Intangible assets		11,536	12,841	14,619
Equity-accounted investments in subsidiaries	8.10	3,296,971	3,315,459	3,244,551
Investments in debt portfolios and loans	7	278,431	283,957	314,751
<b>Total non-current assets</b>		<b>3,621,408</b>	<b>3,649,778</b>	<b>3,615,874</b>
<b>Current assets</b>				
Inventories	7	24,791	28,755	28,760
Investments in debt portfolios and loans	7	23,568	36,563	19,218
Trade receivables from related entities	8.12	22,847	20,594	14,575
Trade receivables from other entities	8.12	2,102	2,640	3,626
Other receivables	8.12	15,957	7,869	30,816
Cash and cash equivalents	8.13	367,950	6,595	20,119
Other assets		3,387	5,956	2,882
<b>Total current assets</b>		<b>460,601</b>	<b>108,972</b>	<b>119,996</b>
<b>Total assets</b>		<b>4,082,008</b>	<b>3,758,750</b>	<b>3,735,871</b>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Share capital		19,011	19,011	18,972
Share premium		310,430	310,430	307,192
Hedging reserve		(4,800)	(14,783)	(19,072)
Translation reserve		37,431	81,360	42,754
Other capital reserves		110,790	103,626	100,922
Retained earnings		1,733,770	1,544,127	1,536,280
<b>Total equity</b>		<b>2,206,632</b>	<b>2,043,771</b>	<b>1,987,048</b>
<b>Non-current liabilities</b>				
Deferred tax liability	8.6.	156,822	134,249	36,196
Provisions		11,599	11,156	11,301
Borrowings, other debt securities and leases	8.7	1,013,115	884,146	1,112,559
Derivatives	8.9	-	11,236	5,201
Hedging instruments	8.8	5,304	18,386	22,585
<b>Total non-current liabilities</b>		<b>1,186,840</b>	<b>1,059,173</b>	<b>1,187,842</b>
<b>Current liabilities</b>				
Provisions	5	-	124	124
Borrowings, other debt securities and leases	8.7	400,932	577,997	482,343
Derivatives		3,177	-	-
Hedging instruments		3,099	-	-
Trade and other payables	8.14,5	27,936	51,863	58,437
Liabilities under dividend		206,140	-	-
Income tax payable		24,504	4,358	-
Employee benefit obligations	8.15,5	22,749	21,464	20,078
<b>Total current liabilities</b>		<b>688,537</b>	<b>655,806</b>	<b>560,981</b>
<b>Total liabilities</b>		<b>1,875,376</b>	<b>1,714,979</b>	<b>1,748,823</b>
<b>Total equity and liabilities</b>		<b>4,082,008</b>	<b>3,758,750</b>	<b>3,735,871</b>

## 10. Management of risk arising from financial instruments

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

- credit risk
- liquidity risk
- market risk.

This note presents information on the Company's exposure to each type of the above risks, the Company's objectives, policies and procedures for measuring and managing the risks, and the Company's management of capital.

### *Key policies of risk management*

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

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

## 10.1. Credit risk

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

The risk of credit concentration is defined by the Company as the risk of significant exposure to individual entities or indebted persons whose ability to repay debt depends on a common risk factor. The Company analyses the concentration risk with respect to:

- indebted persons as part of its investments in debt portfolios;
- borrowers under loans advanced;
- business partners;
- geographical regions.

### *Trade and other receivables*

The Management Board has established a credit policy whereby each creditworthiness of each business partner is evaluated before any payment and other contract terms are offered. The evaluation includes external ratings of the business partner, when available, and in some cases bank references. Each business partner is assigned a transaction limit which represents the maximum transaction amount for which no approval from the Management Board is required.

The Company regularly monitors whether payments are made when due, and if any delays are identified, the following actions are taken:

- - notices are sent to business partners
- - email messages are sent to business partners
- - telephone calls are made to business partners.

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

The Company's exposure to credit risk results mainly from individual characteristics of each business partner. The Management Board believes that the Company's credit risk is low as its counterparties are mainly reputable financial institutions and companies. The Company's exposure to credit risk results mainly from individual characteristics of each client. The Company's largest business partner (excluding the subsidiaries) accounts for 1.46% of the Company's revenue (2020: 2%), and the respective percentages for the Company's related entities are 68.6% and 92.8%. Receivables from the Company's largest third-party business partner accounted for 0.6% of total gross trade receivables as at June 30th 2021 (December 31st 2020: 1.2%); among the related entities the figures were 19.9% and 43%, respectively. Therefore, there is no significant concentration of credit risk.

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

### Investments in debt portfolios

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

A change in credit risk during the lifetime of an instrument is presented as an allowance for expected credit losses.

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

As at each valuation date, KRUK S.A. estimates the credit risk based on past data concerning a group of portfolios as well as other portfolios with similar characteristics.

As at each valuation date, the Company estimates the credit risk based on past inflows from a given portfolio as well as other portfolios with similar characteristics. The following parameters are taken into account in the credit risk assessment:

- Debt:
  - outstanding amount
  - principal
  - principal to debt ratio
  - amount of credit granted / total amount of invoices
  - type of product
  - debt past due (DPD)
  - contract's term
  - time elapsed from contract execution
  - collateral (existence, type, amount)
  
- Indebted person:
  - credit amount repaid so far / amount of invoices repaid so far
  - time elapsed from the last payment made by the indebted person
  - region
  - indebted person's form of incorporation
  - indebted person's death or bankruptcy
  - indebted person's employment
  
- Debt processing by the previous creditor:
  - availability of the indebted person's correct contact data
  - in-house collection – by the previous creditor's own resources
  - outsourced collection – debt management by third parties

- court collection
- bailiff collection

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

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

The Company minimises the risk by performing a valuation of each portfolio before and after it is purchased, taking into account the likelihood of recovery of invested capital and the estimated costs of the collection process. Debt portfolios are purchased at official auctions and prices offered by the Company in most of such auctions do not differ significantly from prices offered by the Company's competitors. A similar valuation of a debt portfolio by several specialist companies at the same time reduces the risk of an incorrect valuation.

The market value of a portfolio and its maximum purchase price are determined based on a statistical and economic analysis. Initially, portfolios are divided into sub-portfolios based on debt amount and type of security. This is done to select debts which can be valued using statistical methods. Other sub-portfolios are valued on a case-by-case basis in a due diligence process as at the time of their purchase.

Recoveries are estimated based on a statistical model developed on the basis of available selected reference data matching the valuation data. The reference data are derived from a database containing information on portfolios previously purchased and collected by the Company.

Once the evaluation of effectiveness and debt collection tools is completed, all parameters and comparative data for the reference portfolio, collection process, efficiency curve and risk are gathered. Also at this stage additional parameter reviews are considered, based on expert opinions. A single document (business plan) is then drafted, containing a summary of adopted assumptions and the resultant projection of expected cash flows from a portfolio, and a financial model is structured. The business plan serves to define the maximum purchase price that can be offered.

The maximum price is set based on the expected investment yield (mainly the internal rate of return, payback period, and nominal return). The expected return on investment largely depends on the risk inherent in a given project, which in turn depends, inter alia, on the quality of data provided by the business partner for valuation, reference data matching, and the number and quality of both macro- and microeconomic expert indicators used to prepare the cash flow projection.

Moreover, the Company diversifies the risk by purchasing various types of debt, with varying degrees of collection difficulty and delinquency periods.

The key tool used by the Company in order to mitigate credit risk is pursuing an appropriate credit policy vis à vis its business partners and indebted persons, which includes, among other things:

- assessment of a business partner's and indebted person's creditworthiness prior to proposing payment dates and other terms of cooperation;



- regular monitoring of timely payment of debt;
- maintaining a diversified client base.

The Company analyses the risk attached to the debt portfolios it purchases using economic and statistical tools and relying on its long-standing experience in this respect. It purchases debts of various types, with different degrees of difficulty and delinquency statuses. Debt portfolio valuations are revised on a quarterly basis.

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

Debt collection tools used include:

- letters
- telephone calls
- text messages
- partial debt cancellation
- intermediation in securing an alternative source of financing
- doorstep collection (at home or workplace)
- detective activities
- amicable settlements
- court collection
- enforcement against collateral
- loyalty scheme

### *Loans to related parties*

Loans advanced to related parties are not secured, but because they are granted to entities over which the Company has control their repayment does not involve a material credit risk. The Company recognises impairment losses which represent its estimates of incurred expected credit losses on loans. Impairment losses comprise specific losses related to individually significant exposures.

### *Guarantees*

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

### *Exposure to credit risk*

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

<i>PLN '000</i>	<b>Jun 30 2021 unaudited</b>	<b>Dec 31 2020</b>	<b>Jun 30 2020 unaudited</b>
Investments in debt portfolios	31,799	33,329	31,367
Loans to related parties	270,199	287,191	302,602
Trade and other receivables	40,906	31,103	49,017
	<b>342,904</b>	<b>351,623</b>	<b>382,987</b>

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

<i>PLN '000</i>	<b>Jun 30 2021 unaudited</b>	<b>Dec 31 2020</b>	<b>Jun 30 2020 unaudited</b>
Poland	278,273	260,099	271,777
Romania	51,221	82,724	96,801
Czech Republic and Slovakia	13,410	8,800	14,410
	<b>342,904</b>	<b>351,623</b>	<b>382,987</b>

### Quality of trade and other receivables

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

<b>IFRS 9 classification</b>		<b>Carrying amount as at Jun 30 2021 (IFRS 9)</b>	<b>Carrying amount as at Dec 31 2020 (IFRS 9)</b>
Trade and other receivables	Basket 1	40,906	31,103
	Basket 2	366	436
	Basket 3	-	-
		<b>41,272</b>	<b>31,539</b>
Impairment losses	Basket 1	-	-
	Basket 2	366	436
	Basket 3	-	-
		<b>366</b>	<b>436</b>
Net carrying amount	Basket 1	40,906	31,103
	Basket 2	-	-
	Basket 3	-	-
		<b>40,906</b>	<b>31,103</b>

Changes of impairment losses on receivables are presented below:

<i>PLN '000</i>	<b>Jun 30 2021 unaudited</b>	<b>Dec 31 2020 unaudited</b>
Loss allowance as at Jan 1	436	80
Loss allowance recognised in the period	37	373
Reversal of loss allowance	(53)	(17)
Use of loss allowance	(54)	-
Loss allowance as at Jun/Dec 30	<u>366</u>	<u>436</u>

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

In 2021–2020, the Company did not recognise any general impairment losses on receivables.

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

<b>IFRS 9 classification</b>		<b>Carrying amount as at Jun 30 2021 (IFRS 9)</b>	<b>Carrying amount as at Dec 31 2020 (IFRS 9)</b>
Loans to related parties	Basket 1	39,328	64,838
	Basket 2	267,597	244,394
	Basket 3	1,505	1,655
		<u>308,431</u>	<u>310,886</u>
Impairment losses	Basket 1	-	-
	Basket 2	(36,726)	(22,362)
	Basket 3	(1,505)	(1,333)
		<u>(38,231)</u>	<u>(23,695)</u>
Net carrying amount	Basket 1	39,328	64,838
	Basket 2	230,872	222,032
	Basket 3	-	322
		<u>270,199</u>	<u>287,191</u>

## 10.2. Liquidity risk

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

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.

Below are presented the contractual terms of financial liabilities:

#### As at Jun 30 2021

PLN '000

	Present value	Contractual cash flows	Less than 6 months	6–12 months	1–2 years	2–5 years	Over 5 years
<b>Non-derivative financial assets and liabilities</b>							
Investments in debt portfolios	31,799	83,022	14,812	10,338	15,789	25,897	16,186
Secured borrowings	(26,651)	(26,636)	(13,111)	-	(12,525)	(1,000)	-
Liabilities under debt securities (unsecured)	(1,360,071)	(1,507,819)	(196,354)	(413,211)	(105,266)	(356,639)	(436,349)
Lease liabilities	(27,324)	(26,947)	(4,477)	(3,830)	(9,329)	(9,112)	(198)
Trade and other payables	(27,936)	(27,936)	(27,936)	-	-	-	-
	<u>(1,410,183)</u>	<u>(1,506,316)</u>	<u>(227,067)</u>	<u>(406,703)</u>	<u>(111,331)</u>	<u>(340,854)</u>	<u>(420,361)</u>

#### As at Dec 31 2020

PLN '000

	Present value	Contractual cash flows	Less than 6 months	6–12 months	1–2 years	2–5 years	Over 5 years
<b>Non-derivative financial assets and liabilities</b>							
Investments in debt portfolios	33,329	87,508	13,833	11,721	17,715	27,899	16,341
Secured borrowings	(117,452)	(99,196)	(573)	(582)	(1,155)	(96,886)	-
Liabilities under debt securities (unsecured)	(1,314,247)	(1,400,573)	(391,113)	(188,776)	(491,441)	(329,243)	-
Lease liabilities	(30,444)	(30,597)	(4,182)	(4,775)	(9,174)	(11,710)	(756)
Trade and other payables	(51,863)	(51,863)	(51,863)	-	-	-	-
	<u>(1,480,677)</u>	<u>(1,494,720)</u>	<u>(433,897)</u>	<u>(182,412)</u>	<u>(484,056)</u>	<u>(409,940)</u>	<u>15,585</u>

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

For risks specific to hedging instruments, see Note 8.8.

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

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

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

As at June 30th 2021, the undrawn revolving credit facility limit available to the Company was PLN 373,450 thousand (December 31st 2020: PLN 354,291 thousand). The limit is available until October 31st 2024.

### 10.3. Market risk

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

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

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

The currency risk management policy outlines:

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

As at June 30th 2021, assets denominated in foreign currencies accounted for 0.7% of total assets, while liabilities denominated in foreign currencies represented 4.4% of total equity and liabilities (December 31st 2020: 0.8% and 5.4%, respectively).

Cash recoveries in foreign currencies are reinvested to purchase debt portfolios in the same currency.

#### 10.4. Currency risk

##### 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					
	Jun 30 2021 unaudited			Dec 31 2020		
	EUR	RON	CZK	EUR	RON	CZK
Trade receivables	-	-	-	2	-	-
Cash	546	1,004	76	150	642	407
Investments in debt portfolios	205	23,841	1,257	224	27,078	1,557
Borrowings, other debt securities and leases	(180,763)	-	-	(202,480)	-	-
Trade payables	(174)	-	-	-	(13)	-
Exposure to currency risk	(180,187)	24,845	1,333	(202,104)	27,707	1,964

As at June 30th 2021, a 10% appreciation of the Polish zloty 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.

'000	Analysis of sensitivity of exposure to currency risk to +10% increase in exchange rates					
	Jun 30 2021 unaudited			Dec 31 2020		
	EUR	RON	CZK	EUR	RON	CZK
Trade receivables	-	-	-	-	-	-
Cash	55	100	8	15	64	41
Investments in debt portfolios	20	2,384	126	22	2,708	156
Borrowings, other debt securities and leases	(18,076)	-	-	(20,248)	-	-
Trade payables	(17)	-	-	-	(1)	-
Exposure to currency risk	(18,019)	2,485	133	(20,210)	2,771	196

The exposure is designated as the net carrying amount of financial instruments.

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

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

PLN	Average exchange rates*		End of period (spot rates)	
	Jan 1–Jun 30 2021 unaudited	Jan 1–Jun 30 2020 unaudited	Jun 30 2021 unaudited	Dec 31 2020
EUR 1	4.5472	4.4413	4.5208	4.6148
USD 1	3.7815	4.0214	3.8035	3.7584
RON 1	0.9264	0.9205	0.9174	0.9479
CZK 1	0.1758	0.1677	0.1773	0.1753

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

## 10.5. Interest rate risk

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

PLN '000	Carrying amount	
	Jun 30 2021 unaudited	Dec 31 2020
<b>Fixed-rate financial instruments<sup>1</sup></b>		
Financial assets	72,704	64,432
Financial liabilities	(528,217)	(264,148)
	(455,512)	(199,716)
Hedge effect (nominal amount)	(530,000)	(530,000)
	(985,512)	(729,716)
<b>Variable-rate financial instruments<sup>2</sup></b>		
Financial assets	270,199	287,191
Financial liabilities	(1,119,906)	(1,249,858)
	(849,707)	(962,666)
Hedge effect (nominal amount)	530,000	530,000
	(319,707)	(432,666)

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

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

### Sensitivity analysis of fair value of fixed-rate financial instruments

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

### Sensitivity analysis of cash flows from variable-rate financial instruments

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

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

PLN '000	Profit or loss for the current period		Equity excluding profit or loss for current period	
	up by 100 bps	down by 100 bps	up by 100 bps	down by 100 bps
<b>Jun 30 2021</b>				
Variable rate financial assets	2,702	(2,702)	-	-
Variable rate financial liabilities	(11,199)	11,199	-	-
<b>Dec 31 2020</b>				
Variable rate financial assets	2,872	(2,872)	-	-
Variable rate financial liabilities	(12,499)	12,499	-	-

### Fair values

#### Comparison of fair values and carrying amounts

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



PLN '000	Jun 30 2021 unaudited		Dec 31 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets and liabilities measured at fair value</b>				
Derivatives	(3,176)	(3,176)	(11,236)	(11,236)
Hedging instruments	(8,403)	(8,403)	(18,386)	(18,386)
	<u>(11,580)</u>	<u>(11,580)</u>	<u>(29,622)</u>	<u>(29,622)</u>
<b>Financial assets and liabilities not measured at fair value</b>				
Investments in debt portfolios	31,799	30,315	33,329	32,112
Loans to related parties	270,199	270,199	287,191	283,360
Secured borrowings	(26,651)	(26,651)	(117,452)	(117,452)
Liabilities under debt securities (unsecured)	<u>(1,360,071)</u>	<u>(1,366,959)</u>	<u>(1,314,247)</u>	<u>(1,319,748)</u>
	<u>(1,084,724)</u>	<u>(1,093,095)</u>	<u>(1,111,179)</u>	<u>(1,121,728)</u>

#### Interest rates used for fair value estimation

	Jun 30 2021 unaudited	Dec 31 2020
Investments in debt portfolios	0.09% - 55.14%	5.77% - 273.80%
Secured borrowings	1.00% - 2.21%	1.19% - 2.19%
Liabilities under debt securities (unsecured)	3.21% - 4.80%	3.21% - 4.80%
Loans to related parties	1.51% - 6.81%	1.51% - 6.81%

#### Hierarchy of financial instruments at fair value

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

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

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

PLN '000	Level 3	
	Carrying amount	Fair value
<b>As at Jun 30 2021</b>		
Investments in debt portfolios	31,799	30,315
Loans to related parties	270,199	270,199
<b>As at Dec 31 2020</b>		
Investments in debt portfolios	33,329	32,112
Loans to related parties	287,191	283,360

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

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

PLN '000	Level 2	
	Carrying amount	Fair value
<b>As at Jun 30 2021</b>		
Derivatives	(3,176)	(3,176)
Hedging instruments	(8,403)	(8,403)
Secured borrowings	(26,651)	(26,651)
Liabilities under debt securities (unsecured)	(1,360,071)	(1,366,959)
<b>As at Dec 31 2020</b>		
Derivatives	(11,236)	(11,236)
Hedging instruments	(18,386)	(18,386)
Secured borrowings	(117,452)	(117,452)
Liabilities under debt securities (unsecured)	(1,314,247)	(1,319,748)

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

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

The Company does not identify Level 1 assets.

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

## 11. Related-party transactions

### Remuneration of the Company's directors – Management Board

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

<i>PLN '000</i>	<b>Jan 1–Jun 30 2021 unaudited</b>	<b>Apr 1–Jun 30 2021 unaudited</b>	<b>Jan 1–Jun 30 2020 unaudited</b>	<b>Apr 1–Jun 30 2020 unaudited</b>
Base pay/ managerial contract (gross)	2,816	1,367	2,881	1,504
Additional benefits	33	14	127	100
Share based payments	7,164	7,164	1,878	907
	<u>10,014</u>	<u>8,546</u>	<u>4,886</u>	<u>2,511</u>

<sup>1</sup> On June 2nd 2021, the Management Board passed a resolution determining the second list of Management Board members eligible to acquire Tranche 5 subscription warrants for 2019 under the 2015–2019 Incentive Scheme. The resolution was approved by a resolution of the Supervisory Board of June 4th 2021, and on the basis of the resolution, 32,992 additional subscription warrants were allotted to the Management Board members. On June 22nd 2021, the Company's Management Board passed a resolution to determine the third list of persons other than Management Board members who were eligible to acquire Tranche 5 subscription warrants for 2019 under the 2015–2019 Incentive Scheme. Under the resolution, 9,097 Subscription warrants were allotted to the eligible persons.

### Remuneration of the Company's directors – Supervisory Board

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

<i>PLN '000</i>	<b>Jan 1–Jun 30 2021 unaudited</b>	<b>Apr 1–Jun 30 2021 unaudited</b>	<b>Jan 1–Jun 30 2020 unaudited</b>	<b>Apr 1–Jun 30 2020 unaudited</b>
Base pay/ managerial contract (gross)	466	233	427	194
Additional benefits	2	1	74	64
	<u>468</u>	<u>234</u>	<u>501</u>	<u>258</u>

### **Other transactions with the Company's directors**

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

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

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

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

**Other related-party transactions***Transactions with subsidiaries as at and for the period ended June 30th 2021***Balance of liabilities, receivables and loans as at the reporting date**

PLN '000	Liabilities	Receivables	Loans	Interest accrued on loans	Loans received	Interest accrued on loans received
SeCapital S.à. r.l	2,528	-	-	-	-	-
ERIF Business Solutions Sp. z o.o.	-	51	-	-	-	-
Novum Finance Sp. z o.o.	102	393	32,403	-	-	-
Kancelaria Prawna RAVEN P.Krupa Sp. k.	38	680	-	-	-	-
KRUK Romania S.r.l.	572	1,958	22,513	238	-	-
ERIF BIG S.A.	-	152	-	-	8,100	-
NSFIZ PROKURA	4,406	6,721	-	-	-	-
KRUK Česká a Slovenská republika s.r.o.	28	224	11,945	3	-	-
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	-	8,134	-	-	-	-
InvestCapital Ltd.	-	5,285	-	-	-	-
KRUK Deutschland GmbH	-	17	-	-	-	-
Rocapital IFN S.A.	-	-	4,587	42	-	-
KRUK Italia S.r.l	-	97	-	-	18,535	1
ItaCapital S.r.l	-	-	-	-	-	-
KRUK Espana S.L.	-	139	-	-	-	-
Presco Investments S.a.r.l.	5,872	6,504	-	-	-	-
P.R.E.S.C.O INVESTMENT I NS FIZ	9	153	-	-	-	-
ProsperoCapital S.à r.l.	-	18	-	-	-	-
Corbul Capital S.r.l	-	-	-	-	-	-
Elleffe Capital S.r.l.	-	-	-	-	-	-
NSFIZ BISON	-	6,341	-	-	-	-
AgeCredit S.r.l.	-	8	-	-	-	-
Wonga.pl Sp. z o.o.	-	-	194,765	3,704	-	-
GANTOI, FURCULITA SI ASOCIATII-S.P.A.R.L.	2	-	-	-	-	-
Kruk Investimenti s.r.l	-	-	-	-	-	-
	13,557	36,874	266,213	3,987	26,635	1

**Revenue from mutual transactions**

PLN '000	Revenue from credit		
	Revenue from other services	management services	Interest
SeCapital S.à. r.l	6	33	-
ERIF Business Solutions Sp. z o.o.	45	-	16
Novum Finance Sp. z o.o.	588	544	843
Kancelaria Prawna RAVEN P.Krupa Sp. k.	3,012	-	-
KRUK Romania S.r.l.	2,140	356	603
ERIF BIG S.A.	366	-	-
NSFIZ PROKURA	1,811	-	-
KRUK Česká a Slovenská republika s.r.o.	223	234	88
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	134	47,362	-
InvestCapital Ltd.	10,059	605	-
KRUK Deutschland GmbH	1	-	-
Rocapital IFN S.A.	-	-	89
KRUK Italia S.r.l	503	-	-
ItaCapital S.r.l	-	-	-
KRUK Espana S.L.	873	-	-
Presco Investments S.a.r.l.	6	858	-
P.R.E.S.C.O INVESTMENT I NS FIZ	-	-	-
ProsperoCapital S.à r.l.	6	-	-
Corbul Capital S.r.l	-	-	-
Elleffe Capital S.r.l.	-	-	-
NSFIZ BISON	-	-	-
AgeCredit S.r.l.	-	-	-
Wonga.pl Sp. z o.o.	-	4	7,247
GANTOI, FURCULITA SI ASOCIATII-S.P.A.R.L.	-	-	-
Kruk Investimenti s.r.l	-	-	-
	19,774	49,996	8,886

**Costs of mutual transactions**

PLN '000	Purchase of services		Interest
Kancelaria Prawna RAVEN P.Krupa Sp. k.	576	-	
ERIF BIG S.A.	25	87	
ERIF Business Solutions Sp. z o.o.	2	-	
KRUK Romania S.r.l.	2,842	-	
KRUK Česká a Slovenská republika s.r.o.	218	-	
GANTOI, FURCULITA SI ASOCIATII-S.P.A.R.L.	2	-	
KRUK Italia S.r.l	-	73	
SeCapital S.à. r.l	-	27	
	3,666	187	

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

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

PLN '000	Liabilities	Receivables	Loans	Interest accrued on loans	Loans received	Interest accrued on loans received
SeCapital S.à. r.l	9,024	1,423	-	-	-	-
ERIF Business Solutions Sp. z o.o.	-	171	172	12	-	-
Novum Finance Sp. z o.o.	-	207	33,742	-	-	-
SeCapital Polska Sp. z o.o.	-	1	150	-	-	-
Kancelaria Prawna RAVEN P.Krupa Sp. k.	637	469	-	-	-	-
KRUK Romania S.r.l.	589	1,173	67,576	639	-	-
ERIF BIG S.A.	24	121	-	-	7,600	-
NSFIZ PROKURA	5,163	6,244	-	-	-	-
KRUK Česká a Slovenská republika s.r.o.	84	197	13,674	-	-	-
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	-	4,842	-	-	-	-
InvestCapital Ltd.	217	491	-	-	-	-
KRUK Deutschland GmbH	-	366	-	-	-	-
KRUK Deutschland (Branch)	-	-	-	-	-	-
Rocapital IFN S.A.	-	-	4,610	52	-	-
KRUK Italia S.r.l	-	201	-	-	-	-
ItaCapital S.r.l	-	-	-	-	-	-
KRUK Espana S.L.	-	126	-	-	-	-
Presco Investments S.a.r.l.	24,353	21,653	-	-	-	-
P.R.E.S.C.O INVESTMENT I NS FIZ	9	178	-	-	-	-
ProsperoCapital S.à r.l.	-	15	-	-	-	-
Corbul Capital S.r.l	-	-	-	-	-	-
Elleffe Capital S.r.l.	-	-	-	-	-	-
Zielona Perła Sp. z o.o.	-	-	-	-	-	-
NSFIZ BISON	-	1,866	-	-	-	-
AgeCredit S.r.l.	-	-	-	-	-	-
Wonga.pl Sp. z o.o.	-	42	181,974	-	-	-
	40,099	39,785	301,899	703	7,600	-

**Revenue from mutual transactions**

<i>PLN '000</i>	Revenue from sale of materials and services	Revenue from credit management services	Interest
SeCapital S.à. r.l	8	36	-
ERIF Business Solutions Sp. z o.o.	53	-	26
Novum Finance Sp. z o.o.	645	556	1,223
SeCapital Polska Sp. z o.o.	5	-	2
Kancelaria Prawna RAVEN P.Krupa Sp. k.	2,496	-	-
KRUK Romania S.r.l.	864	-	1,371
ERIF BIG S.A.	337	-	-
NSFIZ PROKURA	1,785	-	-
KRUK Česká a Slovenská republika s.r.o.	439	-	220
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	71	37,995	-
InvestCapital Ltd.	530	-	-
KRUK Deutschland GmbH	-	-	-
KRUK Deutschland (Branch)	-	-	-
Rocapital IFN S.A.	-	-	113
KRUK Italia S.r.l	667	-	-
ItaCapital S.r.l	-	-	-
KRUK Espana S.L.	761	-	-
Presco Investments S.a.r.l.	6	841	-
P.R.E.S.C.O INVESTMENT I NS FIZ	-	-	-
ProsperoCapital S.à r.l.	6	-	-
Corbul Capital S.r.l	-	-	-
Elleffe Capital S.r.l.	-	-	-
Zielona Perła Sp. z o.o.	-	-	-
NSFIZ BISON	-	-	-
AgeCredit S.r.l.	-	-	-
Wonga.pl Sp. z o.o.	6	34	8,433
	<b>8,679</b>	<b>39,463</b>	<b>11,389</b>

**Costs of mutual transactions**

<i>PLN '000</i>	Purchase of services	Interest
Kancelaria Prawna RAVEN P.Krupa Sp. k.	713	-
KRUK Romania S.r.l.	2,314	130
ERIF BIG S.A.	99	62
SeCapital S.à. r.l	<b>3,126</b>	<b>192</b>

**12. Seasonality or cyclicity of business**

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



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

In the three months ended June 30th 2021, KRUK S.A. generated profit of PLN 268,428 thousand through its interests in subsidiaries (three months ended June 30th 2020: PLN 58,477 thousand).

In the three months ended June 30th 2021, collections from portfolios purchased by KRUK S.A. were PLN 9,254 thousand, having increased by 2% year on year and by 2% on the previous quarter.

As at June 30th 2021, the Group's investments in debt portfolios accounted for 0.8% of its assets. Equity accounted for 54% of the Group's financing sources. As at December 31st 2020, the respective percentages were 0.89% and 54.4%.

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

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

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

In the reporting period, the Company issued new bonds:

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

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

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

On September 6th 2021, the Management Board of KRUK S.A. received information about the approval of the prospectus drawn up in connection with the implementation of the the 8th Bond Issue Programme by the Polish Financial Supervision Authority.

Subsequent to the end of the reporting period, on July 9th 2021 unsecured Series AK4 bonds were issued with a nominal value of PLN 65,000 thousand, bearing interest at a fixed rate of 4.00%, maturing on July 9th 2026.

### 15. Dividends paid (or declared)

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

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

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

As at June 30th 2021, the related liability was disclosed under *Liabilities under dividend*.

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

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

Type	Beneficiary	Amount	Expiry date	Terms and conditions
Surety for Prokura NS FIZ's liabilities towards mBank under the credit facility granted to Prokura NS FIZ	mBank S.A.	PLN 210m	By July 1st 2026	Prokura NS FIZ's failure to pay amounts owed to the bank under the credit facility agreement
Blank promissory note	Santander Bank Polska S.A.	PLN 162.40m	Until the derivative transactions are settled and the bank's claims thereunder are satisfied.	KRUK S.A.'s failure to repay its liabilities under treasury transactions made on the basis of the master agreement on the procedure for execution and settlement of treasury transactions of June 13th 2013, as amended
Surety for InvestCapital LTD's liabilities under the transactions executed under the master agreement between KRUK S.A., InvestCapital LTD and Santander Bank Polska S.A.	Santander Bank Polska S.A.	PLN 162.40m The amount applies to the companies InvestCapital LTD And Kruk SA	By October 31st 2021	InvestCapital LTD's failure to repay its liabilities under treasury transactions made on the basis of Annex 3 of June 21st 2018 to the master agreement on the procedure for execution and settlement of treasury transactions
Guarantee issued by KRUK S.A. for KRUK România s.r.l.'s liabilities under lease contracts	Piraeus Leasing Romania IFN S.A.	EUR 0.5m	Until all obligations under the lease contracts executed by KRUK România s.r.l. with Piraeus Leasing Romania IFN S.A. are fulfilled	KRUK România s.r.l.'s failure to repay its liabilities under the lease contracts secured with the Guarantee

Guarantee issued by Santander Bank Polska S.A. for KRUK S.A.'s liabilities under the rental agreement	DEVCo Sp. z o.o.	EUR 291,076.65 and PLN 197,482.17	By December 30th 2021	KRUK S.A.'s failure to repay its liabilities under the rental agreement secured with the guarantee
Surety for Prokura NS FIZ's liabilities towards ING Bank Śląski S.A. under the credit facility granted to Prokura NS FIZ	ING Bank Śląski S.A.	PLN 240m	By December 20th 2029	Prokura NS FIZ's failure to pay amounts owed to the bank under the credit facility agreement
Surety for InvestCapital Ltd, Kruk Romania S. R. L., Kruk Espana S. L. U. and PROKURA NS FIZ's liabilities under the revolving multi-currency credit facility agreement of July 3rd 2017, as amended, between KRUK S.A., InvestCapital Ltd, Kruk Romania S. R. L., Kruk Espana S.L.U. and PROKURA NS FIZ (the Borrowers) and DNB Bank ASA, ING Bank Śląski S.A. and Santander Bank Polska S.A.,	DNB Bank ASA, ING Bank Śląski S.A., Santander Bank Polska S.A.	EUR 352.5m	Until all obligations under the credit facility agreement are satisfied.	The Borrower's failure to pay amounts owed under the credit facility agreement
Blank promissory note	mBank S.A.	PLN 7.5m	Until the transactions are settled and the bank's claims thereunder are satisfied.	KRUK S.A.'s failure to pay its liabilities under financial market transactions executed under the master agreement of February 7th 2019.

Surety for InvestCapital LTD's liabilities under financial market transactions in pursuant to the master agreement between InvestCapital LTD and DNB Bank Polska S.A.	DNB Bank Polska S.A.	EUR 15.3m	Until the transactions are settled and the bank's claims thereunder are satisfied.	InvestCapital LTD's failure to satisfy its obligations under financial market transactions executed pursuant to the master agreement of February 28th 2019.
Corporate guarantee provided by KRUK S.A. to InvestCapital Ltd.	InvestCapital Ltd.	PLN 250m	By September 24th 2021	The purpose of the guarantee is to secure the interests of InvestCapital Ltd.'s creditors, who have the right to challenge the cancellation of shares which took place on June 10th 2021.

Until the date of issue of this report, there were no movements in contingent liabilities or contingent assets.

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

- On July 23rd 2021, in connection with the revolving credit facility agreement between KRUK S.A. and Santander Bank Polska S.A. dated April 8th 2011, as amended, Amendment 21 was executed, under which the amount of the credit limit granted was increased by PLN 35,000 thousand. The existing credit limits are as follows:
  - Credit facility – up to PLN 120,000 thousand or its EUR equivalent, with the availability end date and final repayment date set for October 31st 2025,
  - Additional credit facility – up to PLN 55,000 thousand or its EUR equivalent, with the availability end date and final repayment date set for October 31st 2023.

**Piotr Krupa**  
*President of the  
Management Board*

**Piotr Kowalewski**  
*Member of the  
Management Board*

**Urszula Okarma**  
*Member of the  
Management Board*

**Adam Łodygowski**  
*Member of the  
Management Board*

**Michał Zasępa**  
*Member of the  
Management Board*

**Sylwia Bomba**  
*Person keeping the accounting  
records*

**Hanna Stempień**  
*Prepared by*

Wrocław, September 7th 2021