



QUARTERLY REPORT – PART III
ADDITIONAL INFORMATION ON THE
OPERATIONS OF THE KRUK GROUP

for the period from January 1st to March 31st 2021

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KEY ACHIEVEMENTS IN THE FIRST QUARTER OF 2021



Portfolio investments

PLN 159m

+180%.



Recoveries

PLN 512m

+7%



Net profit

PLN 127m

+305%



Cash EBITDA

PLN 364m

+12%



Net interest-bearing
debt to equity

0.9

-

EUR

PLNm	Mar 31 2021	Mar 31 2020	change	Mar 31 2021	Mar 31 2020
Expenditure on debt portfolios	159	57	180%	35	13
Gross recoveries	512	477	7%	112	109
Carrying amount of purchased portfolios	3,997	4,075	-2%	858	883
Gross estimated remaining collections	7,911	7,396	7%	1,698	1,603
Total revenue ¹	382	200	92%	84	46
Revenue from purchased portfolios	341	156	119%	75	35
EBIT	181	-7	2,686%	40	-2
EBITDA ²	193	5	4,071%	42	1
Cash EBITDA ³	364	326	12%	80	74
Net profit	127	-62	305%	28	-14
Basic EPS (PLN)	6.70	-3,27	305%	1.47	-0,74
Diluted EPS (PLN)	6.54	-3,22	303%	1.43	-0,73
ROE ⁴	6%	-3%	-	-	-
Interest-bearing net debt to equity ratio	0.9	1.2	-	-	-
Interest-bearing net debt to cash EBITDA ratio	1.5	2.1	-	-	-

¹ Operating income including gain or loss on expected credit losses, fair value measurement, and other income/expenses from purchased debt portfolios excluding other income

² EBITDA = EBIT + depreciation and amortisation

³ Cash EBITDA = EBITDA – revenue from purchased portfolios + purchased portfolio collections

⁴ ROE = (net profit)/(equity at end of period)

Source: Company



**Business Superbrands
2021**
for KRUK S.A.



7 markets
of operational presence



Poland's Best Employer
for KRUK S.A.
15. Forbes ranking position



108 million
cases in
ERIF BIGdatabase



PLN 11 per share
dividend payment in 2021, as
recommended by the KRUK
Management Board



PLN 7,911m
gross estimated
remaining collections



Growing share of
online payments
(in Poland 30% of all recoveries
in March 2021)



Development
of e-KRUK platform



Up to
**93% of settlement
agreements
signed in paperless form**
(in Spain)



Issue of PLN 20m
of five-year bonds
bearing a
fixed coupon of 4.2%



PLN 65m
Value of bonds redeemed in Q1
2021



52 thousand
loans advanced in
Q1 2021

1 The Group's material achievements or failures in the reporting period, along with the most significant events related to those achievements or failures

1.1 Results after Q1 2021

Net profit and return on equity (ROE)

The amount posted by the KRUK Group in net profit for the first quarter of 2021 was PLN 127m, up PLN 190m year on year. Net profit earned in the first quarter of 2021 was the best ever quarterly bottom-line result of the Group.

As at March 31st 2021, return on equity was 6%, compared with -3% the year before.

Revenue and revaluation of projected recoveries

In the first quarter of 2021, the KRUK Group generated PLN 382m in revenue, up 92% year on year. Revenue from purchased debt portfolios in the period was PLN 341m, up 119% on the first quarter of 2020. Its increase was driven by recoveries from debt portfolios coming in above the target and by an upward revaluation of the projected recoveries of PLN 18m, relative to PLN -121m in the first quarter of 2020. Revenue was negatively affected by exchange rate movements (PLN -7m).

Costs of operations

Costs of operations (direct, indirect and administrative expenses) amounted to PLN 145m, having decreased by PLN 11m (7%) year on year on lower costs of advertising, among other factors.

Purchased debt portfolios

Recoveries from purchased portfolios

In the first quarter of 2021, recoveries from purchased debt portfolios were record-high at PLN 512m, up 7% year on year. Recoveries remained on a growing trend seen in the third and fourth quarters of 2020, when they reached PLN 452m and PLN 488m, respectively.

The amounts recovered in Poland and Romania accounted for the largest part of the KRUK Group's total recoveries, having remained stable year on year.

The level of recoveries on unsecured retail portfolios was influenced by changes in the operational process related to the consistent implementation of the strategy in the area of operational excellence and the outlined mission, vision and values. A number of actions taken by the KRUK Group in 2020 and Q1 2021 improve the efficiency of the court and amicable process in each of the markets (including the development of online tools, improvement of scoring and analytical models, working on the effectiveness of negotiations, continuous improvement of processes).

Table 1. Recoveries from purchased portfolios, by market

	Q1 2021 recoveries PLNm	Share in total recoveries	Q1 2020 recoveries PLNm	Share in total recoveries	Change y/y
Poland	250	49%	219	46%	14%
Romania	140	27%	137	29%	2%
Italy	66	13%	68	14%	-3%
Other markets	56	11%	53	11%	7%
KRUK Group	512	100%	477	100%	7%

New portfolio purchases

Over the first quarter of 2021, the Group invested PLN 159m in debt portfolios, a year-on-year increase in investments of 180%, as debt auctions, suspended or cancelled in previous months of 2020 due to the pandemic, were resumed by banks and financial institutions in the third quarter of 2020. The Group invested mainly in retail portfolios on the Polish, Romanian and Czech markets.

Credit management services

Revenue from fee-based credit management services in the first quarter of 2021 was PLN 14.8m, up 4% year on year. The highest revenue growth was recorded in Spain.

Credit reference (ERIF BIG)

In the first quarter of 2021, revenue from ERIF BIG's credit reference services came to PLN 2.1m, down 15% year on year. As at April 1st 2021, the ERIF database contained 108m cases (including 105.2m positive credit information reports), showing debts with a total nominal amount of more than PLN 53.7bn. To compare, at the end of the first quarter of 2020 the database contained 86.7m records (including 83.0m positive credit information reports), showing debts with a total nominal amount of PLN 50.3bn. More than 2.98m reports from the ERIF BIG database were made available in the first quarter of 2021.

Consumer loans (Novum and Wonga)

In the first quarter of 2021, the KRUK Group companies advanced 52 thousand cash loans, compared with 48 thousand the year before. In that period, the principal amount of loans advanced was PLN 134m (first quarter of 2020: PLN 110m). The number of Novum cash loans advanced in Poland and Romania was 2 thousand, with a principal amount of PLN 9m. As for Wonga.pl, it disbursed 50 thousand cash loans in Poland, with a net amount of PLN 125m.

Novum's revenue was PLN 5m, up 40% year on year, whereas Wonga's revenue was PLN 20m, down 14% on the first quarter of 2020.

1.2 KRUK Group's performance by geographical segment

Discussed below are the Group's results by geographical segment (presentation).

KRUK Group by segment in Q1 2021

(PLNm)	Poland		Romania		Italy		Other markets		Head Office	TOTAL	
	Q1 2021	Q1 2020	Q1 2021	Q1 2020	Q1 2021	Q1 2020	Q1 2021	Q1 2020		Q1 2021	Q1 2020
Expenditure on debt portfolios	130	46	20	11	0	0	10	0	N/A	159	57
Recoveries	250	219	140	137	66	68	56	53	N/A	512	477
Carrying amount of purchased debt portfolios (PLNbn)	1.9	1.9	0.9	1.0	0.7	0.8	0.5	0.4	N/A	4.0	4.1
Revenue	199	128	90	47	54	16	39	9	N/A	382	199
Purchased debt portfolios	166	93	86	43	52	13	36	6	N/A	341	156
Credit management services	6	6	3	3	2	3	3	3	N/A	15	14
Wonga	20	23							N/A	20	23
Other activities	6	6	1	1	0	0	0	0	N/A	7	6
EBITDA	122	41	63	23	12	-31	10	-16	-15 -12	193	5
Cash EBITDA	205	167	116	117	26	24	31	30	-15 -12	364	326

Poland

The KRUK Group's expenditure on portfolio purchases in Poland reached PLN 130m, representing 82% of all funds invested by the Group in the first quarter of 2021. The nominal value of the purchased portfolios is over PLN 2.5bn. In Poland, KRUK invested both in unsecured retail portfolios and in mortgage portfolios.

Recoveries on the Polish market amounted to PLN 250m, up PLN 31m (14%) on the same period of 2020, accounting for 49% of the Group's total recoveries.

Compared with the first quarter of 2020, the Group's revenue on the Polish market went up by nearly PLN 71m. The revenue growth was achieved by the purchased debt segment, where the year-on-year increase was 79%. The increase was mainly attributable to a positive deviation of actual recoveries from the target and a revaluation of projected recoveries, which delivered a positive figure of PLN 5m as at March 31st 2021, compared with a negative revaluation of PLN 31m the year before. The revaluation of projected recoveries from unsecured retail portfolios was positive at PLN 13m, while the revaluation of projected recoveries from secured portfolios delivered a negative total figure of PLN -7m.

As at the date of issue of this report, the KRUK Group was not aware of any new or proposed regulations related to COVID-19 that could affect the value of its debt portfolios. The regulations enacted earlier, discussed in the annual report, still remained in force – their possible impact on recoveries reflected in the earlier accounting estimates.

Revenue from credit management services on the Polish market came to PLN 6m, up 3% on the first quarter of 2020.

EBITDA on the Polish market was booked at PLN 122m, up 198% year on year, on account of a positive deviation of actual recoveries from unsecured portfolios from the target and an upward revaluation of projected recoveries. At the same time, cash EBITDA stood at PLN 205m, up 23% on the same period of the year before, mainly on higher year-on-year recoveries.

Given the factors discussed above, the carrying amount of purchased debt portfolios as at March 31st 2021 was PLN 1,929m, relative to PLN 1,852m the year before. Polish portfolios accounted in total for 48% of the carrying amount of all debt portfolios held by the KRUK Group.

Romania

In the first quarter of 2021, expenditure on portfolio purchases on the Romanian market reached PLN 20m, compared with PLN 11m a year earlier. As in the same quarter of the previous year, all the funds were invested in unsecured retail debt. Purchases made in Romania accounted for 12% of the Group's total investments in the first quarter of 2021.

Recoveries from portfolios in Romania amounted to PLN 140m, up 2% year on year. They accounted for 27% of the Group's total recoveries.

Total revenue from the Romanian market amounted to PLN 90m, up PLN 43m (92%) on the first quarter of 2020. The major part of revenue from the Romanian market (96%) was generated by the purchased debt segment. The Group's revenue from credit management services was over PLN 3m, up 4% year on year. In the first quarter of 2021, an upward revaluation of the projected recoveries of PLN 11m was booked, compared with a downward revaluation of PLN -28m the year before. The revaluation of projected recoveries from unsecured retail portfolios was positive at PLN 15m, while the revaluation of projected recoveries from secured portfolios delivered a negative total figure of PLN -3m.

As at the date of issue of the full-year report, no material legislative changes related to COVID-19 were identified by the KRUK Group, likely to affect the value of the Group's debt portfolios.

Given the factors discussed above, the carrying amount of purchased debt portfolios as at March 31st 2021 was PLN 861m, down 12% year on year. Romanian portfolios account in total for 22% of the carrying amount of all debt portfolios held by the KRUK Group.

EBITDA on the Romanian market came in at PLN 63m, up 175% on the corresponding period of the year before, driven by a positive deviation of actual recoveries from the target and the upward revaluation of projected recoveries. Cash EBITDA remained comparable year on year, at PLN 116m.

Italy

In the first quarter of 2021, the KRUK Group did not purchase any new portfolios in Italy, but is ready for new investments on the Italian market in the coming quarters.

Recoveries from portfolios in Italy amounted to PLN 66m, down 3% year on year. They accounted for 13% of the Group's total recoveries.

Revenue generated in Italy was PLN 54m, compared with PLN 16m in the first quarter of 2020 (up nearly 2.5x). In the business line of purchased portfolios, revenue amounted to PLN 52m, up from PLN 13m in the corresponding period of the year before (up nearly 3x).

In the first quarter of 2021, the Group did not recognise any material aggregate revaluation of projected recoveries from Italian portfolios, compared with a downward revaluation of PLN -34m booked in the first quarter of 2020.

As at the date of issue of this report, the KRUK Group did not identify any material legislative changes attributable to the COVID-19 pandemic that could affect the value of the Group's debt portfolios.

The business of credit management services posted revenue of PLN 2m, down 9% year on year.

In Italy, EBITDA was PLN 12m, up from an EBITDA loss of PLN -31m posted the year before. At the same time, on account of the revenue growth recorded in the first quarter of 2021, cash EBITDA came in at PLN 26m, compared with PLN 24m the year before.

As at March 31st 2021, the carrying amount of purchased debt portfolios was PLN 727m, down 10% on March 31st 2020. Italian portfolios accounted in total for 18% of the carrying amount of all debt portfolios held by the KRUK Group.

Other markets

The other markets are the Czech Republic, Slovakia, Germany and Spain.

Investments in the other markets amounted to PLN 10m, and were made to purchase unsecured retail portfolios in the Czech Republic. In the comparative period of the year before, the Group did not invest in that segment.

Recoveries from the other markets amounted to PLN 56m, up 7% year on year, accounting for 11% of the Group's total recoveries.

In the first quarter of 2021, the segment's revenue was PLN 39m, up more than three times year on year. Revenue from purchased portfolios was PLN 36m, compared with PLN 6m in the first quarter of 2020. In Spain, revenue from the credit management business came to PLN 3m, up 17% year on year.

In the first quarter of 2021, the KRUK Group recognised more than PLN 1.5m in upward revaluation of projected recoveries from the other markets, compared with a negative figure of PLN -29m in the corresponding period of the previous year. Upward revaluations were recorded on portfolios in each country of the 'Other markets' segment.

As at the date of issue of this report, the KRUK Group did not identify any material legislative changes attributable to the coronavirus pandemic in Germany, the Czech Republic and Slovakia that could affect the value of the Group's debt portfolios. In Spain, the prohibition on business bankruptcies was extended until the end of 2021, which was reflected in the accounting estimate as at March 31st 2021.

EBITDA posted on the other markets was PLN 10m, up from PLN -16m the year before, driven mainly by higher revenue. Cash EBITDA on the other markets was PLN 31m, having remained largely unchanged year on year (PLN 30m).

As at the end of the year, the carrying amount of debt portfolios in the other markets was PLN 480m, representing 12% of the Group's total debt portfolios.

1.3 Financial and liquidity position

The Group's financial and liquidity position remained stable as at the end of the reporting period and the date of issue of this report.

As at March 31st 2021, the KRUK Group's cash and cash equivalents amounted to PLN 170m, up by PLN 24m on December 31st 2020. The undrawn amount of lines of credit was PLN 1,132m as at March 31st 2021, having grown by PLN 86m compared with December 31st 2020. As at March 31st 2021, the carrying amount of the Group's investments in debt portfolios accounted for 85% of its assets. The Group's equity accounted for 46% of its financing sources.

The KRUK Group's liquidity risk is managed by pursuing the following objectives:

- to protect the KRUK Group against the loss of ability to pay its liabilities,
- to secure funds to finance the Group's day-to-day operations and growth,
- to effectively manage the available financing sources.

As at March 31st 2021, defined financial ratios were as follows:

0.9x – Net Debt / Equity Ratio

1.5x – Net Debt / Cash EBITDA Ratio;

where:

Net Debt represents the KRUK Group's Financial Liabilities less the KRUK Group's cash;

Financial Liabilities means total financial liabilities under:

- bonds or other similar debt securities; or
- non-bank borrowings; or
- bank borrowings; or
- finance leases; or
- promissory notes issued by way of security for liabilities of non-KRUK Group entities; or
- guarantees or sureties provided in respect of liabilities of non-KRUK Group entities under bank or non-bank borrowings, finance leases, bonds or other similar debt securities; or
- accession to debt owed by non-KRUK Group entities under bank non-bank borrowings, finance leases, bonds or other similar debt securities; or
- assumption of liabilities of non-KRUK Group entities under bank or non-bank borrowings, finance leases, bonds or other similar debt securities; or
- concluded derivative transactions.

Equity means the KRUK Group's equity;

Cash EBITDA represents profit (/loss) before tax plus finance costs, amortisation, depreciation and cash recoveries from purchased debt, less revenue from purchased debt and revaluation gains on assets other than purchased debt and consumer loans advanced, if their total amount in the last 12 months exceeds PLN 5m. Cash EBITDA is computed for the KRUK Group for the last 12 months.

The Group's objective is to maintain a solid capital base to ensure business growth, while retaining the trust of its investors, lenders, bondholders and other external partners. In order to control and keep safe the Group's exposure to financial debt, the Management Board of KRUK S.A. monitors the debt ratios on an ongoing basis.

In the first quarter of 2021, the ratios changed negligibly and, in the Management Board's opinion, remained at safe levels. For instance, the debt ratios measured for the entire Group, specified in the terms and conditions of bonds, were as follows: the net debt to equity ratio stood at 0.9x (the maximum level being 3.0x in the case of issues for which financial debt limits have been defined), and the net debt to cash EBITDA ratio was 1.5x (the maximum level being 4.0x).

The liquidity ratios are determined by the nature of assets under purchased debt portfolios, which are presented as current assets, and will be used as part of operating activities for a period longer than 12 months.

1.4 Related-party transactions concluded by KRUK S.A.

In the period January 1st–March 31st 2021, the Parent executed related-party transactions. For details, see the condensed interim separate financial statements for the period January 1st–March 31st 2021, section 11. *Related-party transactions*

All transactions in the first quarter of 2021 between the Group companies were executed at arm's length.

1.5 Sureties for repayment of loans and guarantees issued by KRUK S.A. or its subsidiary

In the reporting period, KRUK S.A. and the Group companies issued sureties for repayment of loans and guarantees. For details, see the condensed interim separate financial statements for the period January 1st–March 31st 2021, section 16 *Information on changes in contingent liabilities or contingent assets subsequent to the end of the previous financial year*

1.6 Significant agreements executed by companies of the KRUK Group

On May 7th 2021, an agreement for purchase of unsecured retail debt portfolios was concluded between InvestCapital Ltd. based in Malta and Cofidis S.A. Sucural en Espana branch in Spain, with its registered office in Barcelona. The agreement provides for the purchase of debt portfolios by InvestCapital Ltd. The total nominal value of the purchased portfolios is close to EUR 91m (PLN 415m at the mid rate quoted by the National Bank of Poland for May 7th 2021), and the terms and conditions of the agreement do not differ from those commonly applied in such contracts.

1.7 Operations – COVID-19 and measures taken in connection with the pandemic

The coronavirus pandemic has had an impact on many aspects of the KRUK Group's operations. The key aspects in the first quarter of 2021 are discussed below:

- In 2020, we smoothly and swiftly switched to remote working; most of our employees can and continue to work from home.
- We took care of the employees' safety by adapting the rooms or providing the required sanitisers and disinfectants; we reduced the need for and frequency of face-to-face meetings.
- The field advisors did meet with clients observing the applicable sanitary requirements.
- We keep developing our existing online tools (e-KRUK, e-payments, e-signature, online settlement, self-service process) to enable efficient process management and to enable our clients to pay their liabilities safely and comfortably, regardless of any restrictions on the free movement. In Poland the share of online payments in total recoveries was 30% in March, while in Spain 93% of all settlement agreements were concluded in paperless form.

2 Assessment of financial resources management

2.1 Financial forecasts

KRUK did not published financial forecasts, however on May 5th 2021, the Management Board passed a resolution concerning the KRUK Group's preliminary earnings estimates for the first quarter of 2021. Pursuant to the resolution, the preliminary estimated consolidated net profit of the KRUK Group for the three months ended March 31st 2021 is PLN 127m, and its preliminary estimated cash EBITDA for the period is PLN 364m. Both the estimated net profit and estimated cash EBITDA announced in Current Report No. 13/2021 of May 5th 2021 are consistent with the final financial performance figures published in this report.

2.2 Assessment of future financial condition

The Group mitigates risks associated with management of financial resources through a continuous debt management process, which ensures an uninterrupted inflow of cash. The Group partly relies on external financing, but it monitors and ensures proper performance under its credit facility agreements and fulfilment of its other financial liabilities.

In the opinion of the Management Board, given the Group's current and projected financial position there are no significant risks related to its management of financial resources. The Company is able to control and service its debt and manages its financial resources in a prudent manner.

3 Risk factors and their management

The risk management policies operated by the KRUK Group are designed to:

- identify and analyse the Group's risk exposures;
- define appropriate limits and procedures;
- control and monitor the risk level and suitability of the risk management tools.

The risk management policies in place at the Group are regularly reviewed to ensure that they reflect the market trends and developments at a given time, as well as changes within the Group. The Management Board is responsible for defining risk management procedures and overseeing their implementation.

Using such tools as training, management standards and procedures, the Group seeks to build a stimulating and constructive control environment, in which all employees understand their respective roles and responsibilities.

In the period from January 1st to March 31st 2021, there were no material changes to the risk management approach, therefore the Management Board of KRUK S.A. identified the same risks as those specified in the full-year Directors' Report on the Group operations in 2020, in: 7 Significant risk factors and their management. The report is available at https://en.kruk.eu/media/article/file/eng_kruk_group_directors_report_2020.pdf.

4 Shareholders

4.1 Shareholding structure

The table below presents the shareholders holding directly or indirectly major holdings of KRUK S.A. shares as at the date of filing its previous periodic report, i.e. March 25th 2021, and as at the date of issue of this report.

Table 2. Shareholders with major holdings

Shareholder	Number of shares/voting rights	Ownership interest (%)
NN PTE	2,457,398	12.93
PZU OFE	1,856,437	9.77
Piotr Krupa	1,827,613	9.61
Aviva OFE*	1,788,000	9.41
Allianz OFE	1,009,299	5.31

(*) Data based on the list of shareholders holding 5% or more of total voting rights at the Annual General Meeting of KRUK S.A. held on August 31st 2020.

Source: Company

4.2 Management or supervisory board members holding shares or rights to shares

The table below presents the holdings of Company shares or rights to Company shares by members of KRUK S.A.'s management and supervisory personnel as at the date of filing its previous periodic report, i.e. March 25th 2021.

Table 3. KRUK S.A. shares held by management and supervisory personnel

Name and surname	Position	Number of shares held	Total par value (PLN)
Piotr Krupa	President of the Management Board	1,827,613	1,827,613
Adam Łodygowski	Member of the Management Board	-	-
Michał Zasępa	Member of the Management Board	19,687	19,687
Piotr Kowalewski	Member of the Management Board	7,875	7,875
Urszula Okarma	Member of the Management Board	105,325	105,325
Tomasz Bieske	Member of the Supervisory Board	733	733

Source: Company

The table below presents the holdings of Company shares or rights to Company shares by members of KRUK S.A.'s management and supervisory personnel as at the date of issue of this report.

Table 4. KRUK S.A. shares held by management and supervisory personnel

Name and surname	Position	Number of shares held	Total par value (PLN)
Piotr Krupa	President of the Management Board	1,827,613	1,827,613
Adam Łodygowski	Member of the Management Board	-	-
Michał Zasępa	Member of the Management Board	19,687	19,687
Piotr Kowalewski	Member of the Management Board	7,875	7,875
Urszula Okarma	Member of the Management Board	105,325	105,325
Tomasz Bieske	Member of the Supervisory Board	1,133	1,133

On March 31st 2021, the Company received a notification from Tomasz Bieske, given under Article 19 of the MAR. According to the notification, on March 31st 2021 Mr Bieske had bought, in ordinary session trades on the Warsaw Stock Exchange, 400 shares in KRUK S.A. at the average price of PLN 182 per share.

4.3 Incentive Scheme

Incentive scheme for 2015–2019

The 2015–2019 incentive scheme was adopted by Resolution No. 26/2014 of the Annual General Meeting of KRUK S.A. of May 28th 2014 (the 2015–2019 Incentive Scheme).

It is the second incentive scheme operated by the KRUK Group. Details of the 2015–2019 Incentive Scheme can be found in the Directors' Report on the operations of the KRUK Group in 2019.

On August 31st 2020, the Annual General Meeting of KRUK S.A. passed Resolution No. 23/2020 to amend Resolution No. 26/2014 of the Annual General Meeting of KRUK S.A. of Wrocław, dated May 28th 2014, on setting the rules of an incentive scheme for 2015–2019, conditional increase of the Company's share capital and issue of subscription warrants with the Company existing shareholders' pre-emptive rights waived in whole with respect to shares to be issued as part of the conditional share capital increase and subscription warrants, and amendments to the Articles of Association. Under the resolution, the shareholders decided to extend the validity period of the subscription warrants, and thus the period in which the warrant holders may exercise their rights, until December 31st 2022. The General Meeting also resolved that Tranche 5 warrants may be granted in 2020 and 2021.

Table 5. Tranches under the Incentive Scheme

Tranche	Number of subscription warrants acquired by members of KRUK S.A.'s Management Board	Number of subscription warrants acquired by other eligible persons	Number of warrants converted into series F shares	Number of warrants held by eligible persons, entitling them to subscribe for series F shares
Tranche 1 for 2015	20,000	86,435	82,574	23,861
Tranche 2 for 2016	50,480	91,467	95,461	46,486
Tranche 3 for 2017	54,344	85,853	55,035	85,162
Tranche 4 for 2018	89,768	115,528	33,759	171,537
Tranche 5 for 2019	91,596	120,390	0	211,986
TOTAL	306,188	499,673	266,829	539,032

Subscription warrants outstanding under Tranche 5 and not yet granted to eligible persons under the Management Board's resolutions of October 13th 2020 and October 23rd 2020 may be granted to eligible persons until the end of 2021 in accordance with Section 2.2 (e) of the Incentive Scheme, as adopted by Resolution No. 23/2020 of the Annual General Meeting of KRUK S.A. of August 31st 2020.

As at March 31st 2021 and the issue date of this report, members of the Parent's Management Board held no rights to KRUK S.A. shares other than those under the subscription warrants presented below.

Table 6. Number of subscription warrants held by present and former Management Board members as at March 31st 2021

Name and surname	Number of warrants held under Tranche 1 for 2015	Number of warrants held under Tranche 2 for 2016	Number of warrants held under Tranche 3 for 2017	Number of warrants held under Tranche 4 for 2018	Number of warrants held under Tranche 5 for 2019
Piotr Krupa	7,000	10,820	14,556	20,564	20,000
Adam Łodygowski*	-	-	-	-	-
Michał Zasępa	-	-	9,947	17,301	16,250
Piotr Kowalewski**	2,003	2,003	2,003	2,003	6,596
Urszula Okarma	3,250	9,915	9,947	17,301	16,250
Agnieszka Kułton***	3,250	9,915	9,947	17,301	16,250
Iwona Słomska****	-	-	9,947	17,301	16,250

**Adam Łodygowski became a member of the Management Board of KRUK S.A. on November 6th 2020.*

*** Piotr Kowalewski had been covered by the Incentive Scheme for 2015–2019 as an eligible person other than a member of the Management Board until May 28th 2020. Since May 29th 2020, when he assumed the position of member of the KRUK S.A. Management Board, Piotr Kowalewski has become entitled to acquire Tranche 5 subscription warrants as an eligible person being a member of the Management Board.*

**** Agnieszka Kułton, listed among the Incentive Scheme participants who are members of the Management Board, had served as a member of the KRUK S.A. Management Board until May 28th 2020.*

***** Iwona Słomska, listed among the Incentive Scheme participants who are members of the Management Board, had served as a member of the KRUK S.A. Management Board until July 31st 2020.*

4.4 Dividends paid (or declared)

The Company does not have any defined dividend policy at the moment, but does not rule out implementing one in future. The Management Board may propose payment of dividends or distribution of income in other forms in the future, but the decision in this respect will be made on a case by case basis with due regard to the Group's strategic plans, growth prospects, investment financing requirements, as well as its current debt level and overall financial standing.

On March 17th 2021, the KRUK S.A. Management Board passed a resolution recommending that the Annual General Meeting approves dividend of PLN 8 per share. By a resolution of March 24th 2021, the Company's Management Board recommended that the General Meeting allocate the Company's net profit for 2020 of PLN 81,355,730.59 (eighty-one million, three hundred and fifty-five thousand, seven hundred and thirty, 59/100) in full to dividend payment of PLN 8.00 per share. The recommendation was endorsed by the Company's Supervisory Board on March 24th 2021.

On May 5th 2021, the Company's Management Board passed a resolution to amend the recommendation to the Company's Annual General Meeting raising the dividend amount from PLN 8.00 to PLN 11.00 per share. The profit distribution would cover 18,740,045 shares. Excluded from the dividend payment would be 271,000 treasury shares bought back by the Company pursuant to Resolution No. 7/2020 of the Annual General Meeting of Kruk S.A. of August 31st 2020. The dividend would be distributed from the Company's net profit earned in 2020, increased by amounts transferred from statutory reserve funds created from retained earnings. On May 6th 2021, the Company's Supervisory Board passed a resolution in which it assessed the Management Board's proposal to amend its earlier recommendation regarding allocation of the Company's net profit for 2020 to dividend payment. The Supervisory Board gave a favourable assessment of the proposal.

The recommendation took into account the current financial condition of the KRUK Group, future implementation of the strategy, as well as the Group's plans and growth prospects. The Management Board may propose distribution of dividends in the future, but in each case the final decision in this respect will be made with due regard to strategic plans, growth prospects, investment financing requirements, as well as the current debt level and overall financial position of the KRUK Group.

4.5 Performance of Company shares on the Warsaw Stock Exchange

4.5.1 Share price

Over the first quarter of 2021, the KRUK share price on the stock exchange rose by 29.01%, to PLN 183.20 per share, which is higher from the level at which the shares traded in January 2020, just before the outbreak of the pandemic. Our stock outperformed in relation to the WIG and mWIG40 indices, which reached rates of return of +1.85% and +9.66%, respectively.

On the last trading day in the first quarter of 2021, the Company's market capitalisation was PLN 3.5bn (compared with PLN 1.2bn at the end of the first quarter of the previous year). On March 31st 2021, KRUK ranked 31st in terms of market capitalisation on the WSE.

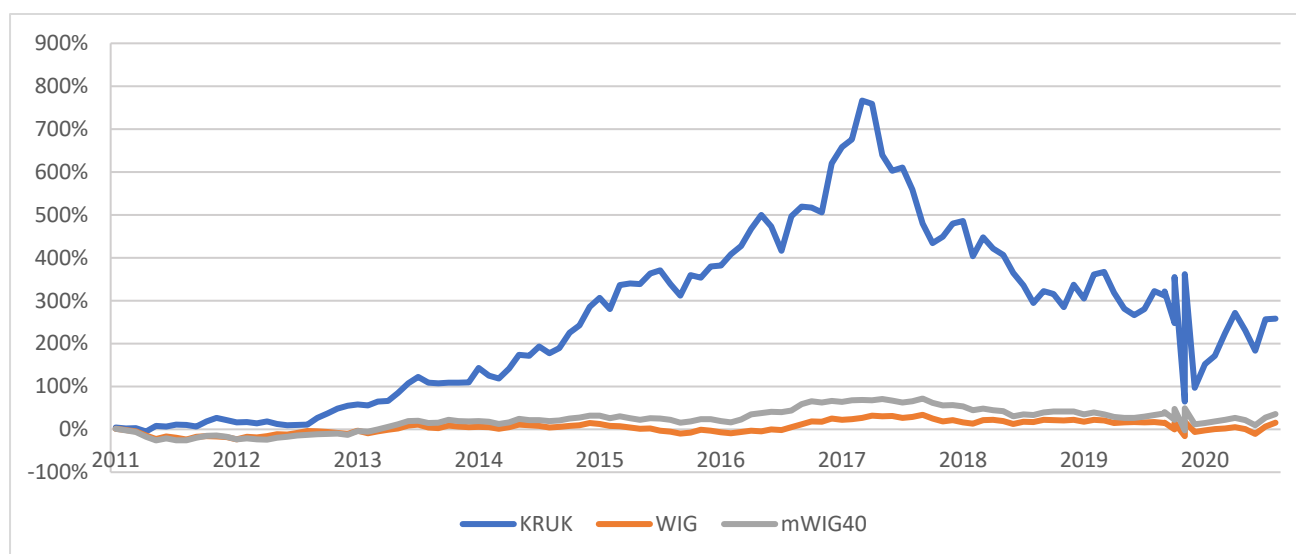
Table 7. Rates of return on KRUK S.A. stock, WIG and mWIG40 in the first quarter of 2021 – at close

Date	KRUK	WIG	mWIG40
Rate of return	29.01%	1.85%	9.66%

Source: GPW.pl

From the IPO on the Warsaw Stock Exchange in May 2011 to the end of 2020, the rate of return on KRUK shares was 346.72%. Over the same period, the all-cap WIG index rose by 17.73%, While the mid-cap mWIG40 index gained 49.07%.

Performance of KRUK stock against WIG and mWIG40 from the Company's IPO on the WSE in May 2011 to March 31st 2021

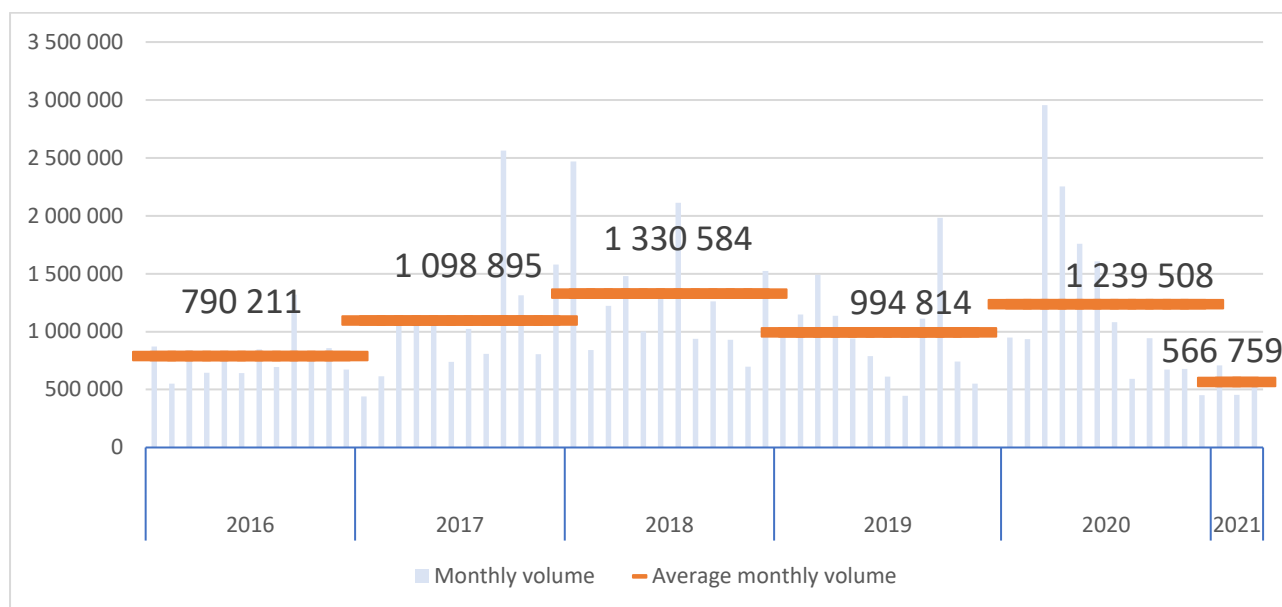


Source: in-house analysis, based on stooq.pl

4.5.2 Stock liquidity

The total volume of KRUK S.A. shares traded in the first quarter of 2021 was 1.7m, and the total value of trading reached PLN 296m. To compare, the total volume of KRUK S.A. shares traded the year before was 4.8m, and the total value of trading was PLN 545m. The average daily volume of trading in KRUK shares in the first quarter of 2021 was 27 thousand, and the average daily trading value amounted to PLN 4.8m. In the first quarter of 2021, KRUK was the 35th most liquid stock on the WSE (in terms of the total annual value of trading).

Monthly volume in individual months and the year's average monthly volume of trading in KRUK shares in 2016–March 31st 2021



Source: in-house analysis based on www.gpw.pl

4.5.3 Ownership interests of open-end pension funds (OFE) in KRUK S.A.

KRUK S.A. is one of the WSE-listed companies in which OFE's ownership interest exceeds 50%. OFE's aggregate ownership interest in KRUK S.A. was 57%.

Table 8. Ownership interests of individual OFE in the Company:

Shareholder	Ownership interest	Number of votes
OFE Nationale-Nederlanden	13.63%	2,591,056
OFE PZU Złota Jesień	9.37%	1,781,523
OFE Aviva Santander	8.95%	1,701,554
OFE Allianz Polska	5.30%	1,007,673
OFE MetLife	4.91%	933,238
OFE Generali	4.52%	859,481
OFE Aegon	4.09%	778,480
OFE AXA	3.63%	689,865
OFE PKO BP Bankowy	1.64%	312,290
OFE Pocztylion Arka	0.89%	169,674

Source: in-house analysis, based on stooq.pl as at March 31st 2021

5 Company bonds

5.1 Bond issue

In the first quarter of 2021, the Company carried out one bond issue with a nominal value of PLN 20m. The retail bond issue was carried out as part of the Seventh Bond Programme. The issue price of each bond was equal to its nominal value of PLN 100.

Table 9. Bond issues in the first quarter of 2021

Series	Nominal value	Issue date	Due date	Interest	Interest payment
AK2	PLN 20m	February 2021	February 2026	fixed 4.20%	every 3 months

Source: Company

The Prospectus for the Seventh Bond Programme, under which the Company may issue further series of bonds with a total amount of up to PLN 655m, expires in August 2021.

In the first quarter of 2021, the Company did not issue any series of bonds under the First Bond Issue Programme without a Prospectus.

On April 27th 2021, the Management Board of KRUK S.A. passed a resolution on the 8th Bond Issue Programme dedicated primarily to all retail investors. For the purposes of the Programme, the Company produced a bond issue prospectus, which on April 28th 2021 was submitted to the PFSA along with an application for its approval.

5.2 Redemption of bonds

In the first quarter of 2021, the Company redeemed debt securities with a nominal value of PLN 65m, on the maturity dates set forth in the terms and conditions of the relevant series.

Table 10. Bonds redeemed by the Company in the first quarter of 2021

Series	Due date	Number of bonds redeemed	Nominal value
AB1	March 2021	650,000	PLN 65m

Source: Company

5.3 Liabilities under bonds

As at March 31st 2021, the nominal value of outstanding bonds issued by the Company was PLN 1,269m.

Financial ratios monitored pursuant to the terms and conditions of the bonds

As at March 31st 2021:

- **Debt Ratio** stood at 0.9x
- **Net Debt to Cash EBITDA ratio** was 1.5x

where:

- **Cash EBITDA** is defined in the Glossary of terms
- **Equity** means the KRUK Group's equity;
- **Debt Ratio** means: Net Debt to Equity;
- **Net Debt** represents the KRUK Group's Financial Liabilities less the KRUK Group's cash;
- **Financial Liabilities** are defined in the Glossary of terms

6 Governing bodies

Management Board

6.1 Composition of the Management Board, changes therein and rules of appointment

The Management Board is the Company's management body. The composition of the Management Board of KRUK S.A. did not change in the reporting period, as on March 25th 2021 the Company's Supervisory Board passed resolutions, effective from March 25th 2021, reappointing all the Company's Management Board for a new joint three-year term.

Hence, from January 1st 2021 to the date of issue of this report, the composition of the Management Board was as follows:

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

6.2 Changes in the KRUK Group's structure

On July 1st 2020, the Extraordinary General Meeting of Secapital Polska Sp. z o.o. of Wrocław decided to dissolve the company through liquidation. Piotr Krupa, an existing member of the company's Management Board, was appointed its liquidator. On February 25th 2021, the Extraordinary General Meeting of Secapital Polska Sp. z o.o. in liquidation passed resolutions 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.

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.

As at the issue date of this report, the KRUK Group structure was as follows:



7 Material court, arbitration or administrative proceedings

No material court, arbitration or administrative proceedings are pending against the Company or its subsidiaries in relation to their liabilities or claims.

8 Social responsibility

Concern for the health and safety of both the Group's clients and its employees remains at the core of objectives pursued by the KRUK Group's CSR activities and Sustainable Development Goals. In order to ensure client safety, the Group continued to encourage indebted individuals to communicate with it remotely, via dedicated digital tools. For KRUK, it is also important to plan and prepare the process for the staff's safe return to the office environment after the pandemic has ended, as well as to revise the existing work model.

Support for medical professionals in the fight against COVID-19

Within the framework of its corporate social responsibility, KRUK implemented the 'Energy for Medical Personnel' initiative in the Czech Republic to thank the local frontline healthcare staff for engaging in the fight against COVID-19. In this campaign, the personnel of the infectious disease ward of the hospital in Hradec Králové received fresh fruit.

Financial education of people

As part of the Group's educational agenda, in the first quarter of this year ERIF BIG S.A., having partnered with the Aquila Association of lawyers providing free consumer advice, organised a free online conference entitled 'Consumer During COVID-19'. The initiative was organised as part of the World Consumer Day. Each participant could receive practical tips and guidance on where to seek free legal assistance, how to check whether a firm with which they make online purchases is reliable and how to verify their records in BIG in the context of personal data protection.

In the Czech Republic and Spain, online campaigns were run to provide financial education to indebted individuals.

As part of its efforts to ensure the safety and health of indebted persons, in the first quarter of 2021 KRUK continued its marketing campaigns aimed at encouraging and enabling repayment of debts via online tools. KRUK continued to educate its clients on how to remotely communicate with KRUK, including through the e-KRUK online platform, and how to use electronic banking solutions for debt repayment.

As part of those activities:

- in Poland, an online marketing campaign was run with 'It is good to speak up' as its main slogan,
- in Italy, a marketing campaign was carried out to encourage indebted individuals to register and manage debt repayment on their own via the e-KRUK online platform,
- in Spain, LiveChat was promoted as a new tool supporting clients' remote contact with KRUK,
- in Romania, an online campaign was launched to encourage clients to make online payments.

Employees

Care for the wellbeing of staff gained particular importance during the pandemic, which is why, as part of the KRUK Group's CSR activities, employees of the Polish Group companies were invited to take part in an online team-building fun event. Its primary objective was to build and foster team relations, while boosting the staff's motivation. Similar activities are planned to be continued by KRUK in the near future to ensure good health and mental condition of its employees.

At Wonga, an 'Active Wonga' campaign was carried out to encourage employees to engage in everyday physical activity through individual and group rankings of distances covered daily.

KRUK S.A. also took steps to develop a new, optimal work model, which would enable employees to perform their professional duties on a hybrid basis once the pandemic is over. The solution also assumes rearrangement of office space to achieve more comfortable working conditions both for those who prefer to work from home and for staff members who would rather return to the office.

Natural environment

In the first quarter of 2021, KRUK S.A. launched a car fleet replacement process. The Company completed the purchase of new cars for field advisors. This will increase the safety of staff using the new cars, but also, which is equally important, the new vehicles will consume less fuel and thus will emit less carbon dioxide into the atmosphere (121g/km).

In March, Wonga collected waste electronic equipment from its employees.

Additional activities

The first quarter of 2021 was also a period of intensive work on communicating the KRUK Group's new mission, vision and core values.

Changes associated with the new strategy of communicating with indebted persons required the provision of training to KRUK's client advisors and changes to the overall system of client communication by letters, emails and text messages.

Furthermore, in Spain KRUK Espana became gold sponsor of the B2B 'Credit Forum: Risk, Fraud & Collections' virtual conference.

Additionally, as part of media relations, each local company prepared press materials dealing, among other things, with the public's approach to the issue of household budget management and its changes driven by the ongoing pandemic.

Awards and distinctions

Listed below are the awards and distinctions received by KRUK Group companies in the first quarter of 2021:

Business Superbrands 2021 for KRUK S.A. A title awarded to companies that, following a vote held among members of the Lewiatan Confederation – a Polish business organisation representing the interests of employers in Poland and the European Union – have been recognised for their service quality, relations with business partners, innovation and CSR efforts. Business Superbrands nominees include corporate brands, B2B firms and companies listed on the WSE.

Trusted Brand for KRUK S.A. For another consecutive year, KRUK was awarded by members of the business community covered by an independent survey of the *MyCompany Polska* magazine.

Poland's Best Employer for KRUK S.A. KRUK emerged 15th in the 'Banks and Financial Services' category. This was the first edition in Poland of the independent ranking compiled by Forbes in association with Statista, a research firm, co-organiser of the Best Employers ranking in the world.

Distinction from UNIREC for KRUK Italia distinction from the Italian trade association of credit management companies, which places a strong emphasis on the ethical approach of creditors to clients. KRUK Italia was appreciated for supporting clients during the pandemic and enabling them to repay their debts remotely via e-KRUK.

9 Glossary of terms

Auditor	KPMG Audyt Spółka z ograniczoną odpowiedzialnością Sp.k. of Warsaw
CAGR	Compound Annual Growth Rate
Catalyst	Bond market operated by the Warsaw Stock Exchange
CZK	Czech koruna
EBIT	Operating profit
EBITDA	Operating profit before depreciation and amortisation
Cash EBITDA	represents profit (/loss) before tax plus finance costs, amortisation, depreciation and cash recoveries from purchased debt, less revenue from purchased debt and revaluation gains on assets other than purchased debt and consumer loans advanced, if their total amount in the last 12 months exceeds PLN 5m. Cash EBITDA is computed for the KRUK Group for the last 12 months.
EPS	Earnings per share
ERIF BIG, ERIF	ERIF Biuro Informacji Gospodarczej S.A.
EUR	Euro
FMCG	Fast Moving Consumer Goods
WSE	Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.)
Group The KRUK Group	The Company as the Parent along with its subsidiaries and Non-Standard Securitisation Closed-End Investment Funds
ItaCapital	ItaCapital S.r.l of Milan, Italy
Kancelaria Prawna RAVEN	Kancelaria Prawna RAVEN P. Krupa Spółka komandytowa of Wrocław
CSDP	Central Securities Depository of Poland (Krajowy Depozyt Papierów Wartościowych S.A. of Warsaw)
PFSA	Polish Financial Supervision Authority (Komisja Nadzoru Finansowego)
KRS	Polish National Court Register (Krajowy Rejestr Sądowy)
KRUK Česká a Slovenská republika	KRUK Česká a Slovenská republika s.r.o. of Hradec Králové
KRUK España	KRUK España S.L. of Madrid, Spain
KRUK Italia	KRUK Italia S.r.l of Milan, Italy
KRUK ROMANIA	KRUK Romania s.r.l of Bucharest, Romania
KRUK TFI	KRUK Towarzystwo Funduszy Inwestycyjnych S.A. of Wrocław
IAS	International Accounting Standards as endorsed by the European Union
IFRS	International Financial Reporting Standards endorsed by the European Union, including International Accounting Standards, International Financial Reporting Standards and related Interpretations endorsed by the European Union
NBP	National Bank of Poland
Non-Standard Securitisation Closed-End Investment Funds	Prokura NS FIZ, P.R.E.S.C.O. Investment I NS FIZ, BISON NS FIZ

GDP	Gross Domestic Product
PLN	Polish złoty
UOKiK President	President of the Office of Competition and Consumer Protection
2015-2019 Scheme	An incentive scheme for 2015–2019 implemented by the Company for the Management Board members, selected employees of the Company and selected members of the management boards and employees of the subsidiaries, under which up to 847,950 registered subscription warrants will be issued, conferring the right to subscribe for a total of 847,950 ordinary bearer shares issued as part of a conditional share capital increase.
Prokura NS FIZ	Prokura Niestandaryzowany Sekurytyzacyjny Fundusz Inwestycyjny Zamknięty (Prokura Non-standard securitisation closed-end investment fund)
Total revenue	Operating income including gain or loss on expected credit losses, fair value measurement, and other income/expenses from purchased debt portfolios excluding other income
Supervisory Board	The Company's Supervisory Board
ROE	Return on Equity, computed as the ratio of consolidated net profit to equity as at the end of period
RON	Romanian leu
Regulation on current and periodic information	The Polish Minister of Finance's Regulation on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated February 19th 2009 (Dz.U. of 2009, No. 209, item 1744, as amended)
SeCapital Luksemburg	SeCapital S.à.r.l. (Luxembourg)
SeCapital Polska w likwidacji (in liquidation)	SeCapital Polska Sp. z o.o. w likwidacji (in liquidation) of Warsaw
Consolidated financial statements	The Group's consolidated financial statements for the reporting period ended March 31st 2021, prepared in accordance with the IFRS
Company KRUK Issuer	KRUK S.A. of Wrocław
Subsidiaries	The Company's subsidiaries, as defined in the Polish Accounting Act, and Kancelaria Prawna RAVEN
Articles of Association	The Company's Articles of Association
UOKiK	The Polish Office of Competition and Consumer Protection (Urząd Ochrony Konkurencji i Konsumentów)
USD	US dollar
General Meeting	General Meeting
Wonga	Wonga.pl Sp. z o.o. of Warsaw
Management Board	The Management Board of KRUK S.A.

Financial Liabilities

Total financial liabilities under:

- bonds or other similar debt securities; or
- non-bank borrowings; or
- bank borrowings; or
- finance leases; or
- promissory notes issued by way of security for liabilities of non-KRUK Group entities; or
- guarantees or sureties provided in respect of liabilities of non-KRUK Group entities under bank or non-bank borrowings, finance leases, bonds or other similar debt securities; or
- accession to debt owed by non-KRUK Group entities under bank non-bank borrowings, finance leases, bonds or other similar debt securities; or
- assumption of liabilities of non-KRUK Group entities under bank or non-bank borrowings, finance leases, bonds or other similar debt securities; or
- concluded derivative transactions.

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

Wrocław, May 21st 2021