



## **QUARTERLY REPORT – part III**

Additional Information  
on the Operations of  
the KRUK Group and KRUK S.A.

in the period from January 1st to September 30th 2022

## Table of contents

<b>1</b>	<b>The Group's material achievements or failures in the reporting period, along with the most significant events related to those achievements or failures.....</b>	<b>5</b>
1.1	KRUK's performance for the nine months ended September 30th 2022 .....	5
1.2	KRUK Group's performance by geographical segment.....	8
1.3	Financial and liquidity position .....	11
1.4	Related-party transactions concluded by KRUK S.A.....	12
1.5	Sureties for repayment of loans and guarantees issued by KRUK S.A. or its subsidiary .....	12
1.6	Significant agreements executed by companies of the KRUK Group .....	12
1.7	Operations – technology development .....	13
1.8	Operations – COVID-19 and measures taken in connection with the pandemic.....	14
1.9	Operations – conflict in Ukraine.....	14
<b>2</b>	<b>Assessment of financial resources management .....</b>	<b>15</b>
2.1	Financial forecasts .....	15
2.2	Assessment of future financial condition.....	16
<b>3</b>	<b>Risk factors and risk management .....</b>	<b>16</b>
<b>4</b>	<b>Shareholders.....</b>	<b>16</b>
4.1	Shareholding structure.....	16
4.2	Treasury shares .....	17
4.3	Management or Supervisory Board members holding shares or rights to shares .....	17
4.4	Incentive Scheme .....	19
4.5	Dividends paid (or declared) .....	22
4.5.1	Share price .....	23
4.5.2	Stock liquidity .....	24
4.5.3	Ownership interests of open-end pension funds (OFE) in KRUK S.A.....	24
<b>5</b>	<b>Company bonds.....</b>	<b>25</b>
5.1	Issue.....	25
5.2	Redemption of bonds.....	25
5.3	Liabilities under bonds.....	26
<b>6</b>	<b>Governing bodies .....</b>	<b>26</b>
6.1	The Management Board – members, changes in composition and rules of appointment.....	26
6.2	Supervisory Board – members, changes in composition and rules of appointment .....	27
6.3	General Meeting .....	28
6.4	Changes in the KRUK Group's structure .....	28
<b>7</b>	<b>Material court, arbitration or administrative proceedings .....</b>	<b>29</b>
<b>8</b>	<b>Non-financial information .....</b>	<b>29</b>
<b>9</b>	<b>Management Board representations .....</b>	<b>33</b>
<b>10</b>	<b>Glossary of terms .....</b>	<b>33</b>

## KEY ACHIEVEMENTS IN THE NINE MONTHS TO SEPTEMBER 30TH 2022



New portfolio purchases

PLN 1,351m

+45%



Recoveries

PLN 1,928m

+19%



Cash EBITDA

PLN 1,363m

+18%



Net profit

PLN 677m

+20%



ROE

26%

(26%)



Profit margin

42%

(42%)



Net debt/cash EBITDA

1.8

(1.5)



Net debt/equity

1.0

(0.9)

	Sep 30 2022	Sep 30 2021	change	Sep 30 2022	Sep 30 2021
	(PLNm)	(PLNm)		(EURm)	(EURm)
Expenditure on debt portfolios	1,351	933	45%	288	205
Gross recoveries	1,928	1,615	19%	411	354
Carrying amount of purchased portfolios	6,158	4,535	36%	1265	986
Estimated remaining collections	12,122	8,946	35%	2,489	1,945
Total revenue <sup>1</sup>	1,611	1,341	20%	344	294
Revenue from purchased portfolios	1,439	1,208	19%	307	265
EBIT	838	707	18%	179	155
EBITDA <sup>2</sup>	875	744	18%	187	163
Cash EBITDA <sup>3</sup>	1,363	1,151	18%	291	252
Net profit	677	565	20%	144	124
Basic EPS (PLN   EUR)	35.48	29.74	19%	7.57	6.52
Diluted EPS (PLN   EUR)	34.36	29.33	17%	7.33	6.43
ROE <sup>4</sup>	26%	26%	-	-	-
Interest-bearing net debt to equity ratio	1.0	0.9	-	-	-
Interest-bearing net debt to cash EBITDA ratio	1.8	1.5	-	-	-
Cash EBITDA to interest on debt <sup>5</sup>	10,4	15.3			

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

<sup>2</sup> EBITDA = EBIT + depreciation and amortisation. <sup>3</sup> Cash EBITDA = EBITDA - revenue from purchased debt portfolios + recoveries from purchased portfolios. <sup>4</sup> ROE = (net profit)/(equity) LTM.

<sup>5</sup> As of 2022, the definition of the ratio also includes cash flows from CIRS/IRS (i.e. it takes account of interest rate hedges). All calculations are based on the ratio as defined in 2022.

Source: Company.



### mWIG40 Company of the Year

for KRUK S.A. in the Bulls and Bears awards of Parkiet daily



### Listed Company of the Year

#7  
in Puls Biznesu Survey



2nd main prize  
in the Banks and Financial Institutions category  
for **the 2021 annual report**  
in the Best Annual Report 2021 competition



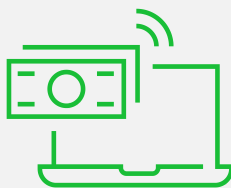
63% of senior managerial positions held by women at KRUK Group



Presence in 7 geographical markets with operating history of six years or longer



PLN 249m or PLN 13/share dividend paid in April 2022



Growing share of online payments  
(41% of out-of-court recoveries at KRUK Group in September 2022)



e-KRUK growth  
(26% increase in number of users since December 2021)



89% of settlement agreements signed in paperless form at KRUK Group in September 2022

# 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 KRUK's performance for the nine months ended September 30th 2022

### Net profit and return on equity (ROE)

Net profit for the nine months to September 30th 2022 was PLN 677m, up by 20% on the figure posted for the same period last year (PLN 565m). The increase was primarily driven by higher revenue from purchased debt portfolios (up PLN 231m, or 19%, year on year), which translated into a 17% year-on-year growth in EBITDA (up PLN 130m). At the same time, cash EBITDA for the nine months ended September 30th 2022 came in at PLN 1,363m, having improved 18% on the corresponding period of 2021. The improvement was mainly attributable to higher recoveries from purchased debt portfolios (up PLN 313m, or 19%, from the year before).

As at September 30th 2022, return on equity for the last 12 months was 26%, having remained largely unchanged year on year.

### Revenue

In the nine months ended September 30th 2022, the KRUK Group generated PLN 1,611m in revenue, i.e. 20% more than a year earlier. Revenue from purchased debt portfolios amounted to PLN 1,439m, up by 19% year on year. The year-on-year growth was largely driven by higher interest income on purchased debt portfolios (up PLN 120m year on year) and an upward revaluation of projected recoveries of PLN 305m, compared with PLN 224m the year before. Upward revaluations of projected recoveries were booked on unsecured retail portfolios across all markets. 70% of the total revaluation of projected recoveries from unsecured retail portfolios as at September 30th 2022 was attributable to the revaluation of projected recoveries for the next 6 months.

### Costs of operations

In the nine months to September 30th 2022, costs of operations excluding depreciation and amortisation (direct and indirect costs, administrative expenses and other expenses) amounted to PLN 736m, having increased by PLN 139m (23%) on the corresponding period of the previous year. The year-on-year increase was driven mainly by a rise in employee costs and salaries (up PLN 58m or 21%), court and bailiff fees (up PLN 38m or 24%), costs of operating processes (up PLN 15m or 35%), and costs of the incentive scheme (up PLN 9m or 65%).

### Finance costs

Net finance costs in the three months to September 30th 2022 amounted to PLN 127m, having increased by PLN 70m year on year, primarily as a result of higher debt (the carrying amount of bank borrowings and bonds rose by PLN 1,011m) and significantly higher 1M/3M WIBOR rates in the first nine months of 2022 (a rise from 0.18%/0.23% in September 2021 to 7.11%/7.21% in September 2022, respectively). To hedge against the interest rate and currency risks resulting from the effect of EUR/PLN rate movements on EUR-denominated net assets, in the nine months ended September 30th 2022 the Group entered into currency interest rate swaps (CIRS) with a total nominal amount of PLN 855m. IRS and CIRS contracts used for hedging purposes and fixed-rate bonds (a total of PLN 1,365m) represent 40% of the Group's total debt as at September 30th 2022. WIBOR-sensitive debt accounted for 18% (PLN 613m<sup>1</sup>) of the Group's total debt as at September 30th 2022.

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<sup>1</sup> amounts of debt (PLN 1,365m and PLN 613m) reported at nominal values

## Purchased debt portfolios

### Recoveries from purchased portfolios

In the nine months ended September 30th 2022, recoveries from debt portfolios purchased by the KRUK Group rose by 19% year on year, to PLN 1,928m, which is the highest figure ever recorded by the Group for the first three quarters of a year. More than half of this amount was collected in the KRUK Group's foreign markets. The PLN 313m year-on-year increase in total recoveries from purchased debt portfolios in the nine months to September 30th 2022 was mainly attributable to a PLN 150m increase in recoveries in Poland, a PLN 90m increase in recoveries in Italy, and a PLN 47m increase in recoveries in Spain.

**Table 1. Recoveries from purchased portfolios, by market**

	Recoveries in Jan-Sep 2022	Share of total recoveries	Recoveries in Jan- Sep 2021	Share of total recoveries	Change y/y
	PLNm		PLNm		
Poland	933	48%	783	48%	19%
Romania	439	23%	422	26%	4%
Italy	316	16%	226	14%	40%
Spain	165	9%	118	7%	40%
Other markets	75	4%	66	4%	14%
KRUK Group	1,928	100%	1,615	100%	19%

### Deviation between actual and planned recoveries and remeasurement of purchased debt portfolios

In the nine months to September 30th 2022, the KRUK Group posted a PLN 263m excess of actual recoveries over budgeted figures.<sup>2</sup> Actual recoveries exceeded targets across all of the Group's markets in the reporting period, with the largest variance recorded in Poland, Romania, and Italy.

In the nine months ended September 30th 2022, the Group recognised an upward revaluation of projected recoveries of PLN 305m. The revaluation was positive across all geographies except Spain, which saw a downward revaluation of PLN 39m, largely due to a negative revaluation of projected recoveries from secured debt portfolios in the first half of 2022. In the third quarter of 2022 alone, the Group recorded an upward revaluation of projected recoveries in all of its markets. In the corresponding period of 2021, the revaluation was PLN 224m. The PLN 81m year-on-year increase in the first nine months of 2022 was mainly attributable to an upward revaluation of projected recoveries from Romanian portfolios (up by PLN 58m), Polish portfolios (up by PLN 38m), and Italian portfolios (up by PLN 18m).

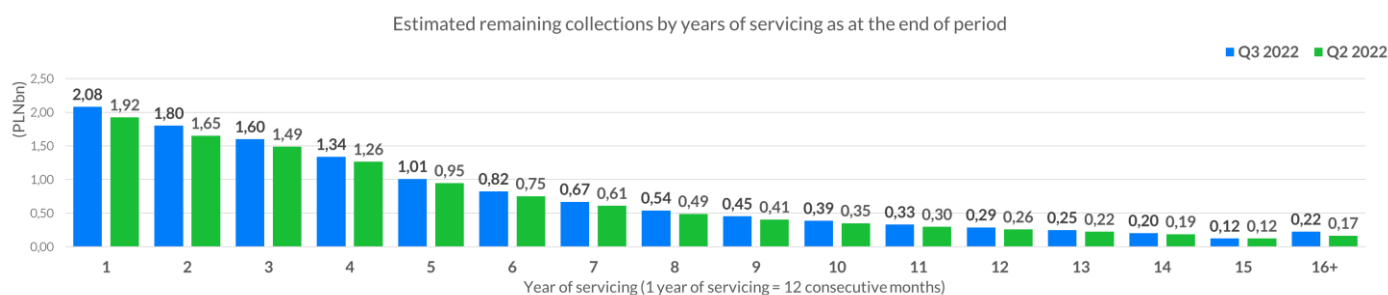
### New portfolio purchases

The amount spent on debt portfolios was the highest amount of investments in debt portfolios made in the first nine months of a year in the KRUK Group's history. Total expenditure on debt portfolios in the nine months ended September 30th 2022 was PLN 1,351m, up 45% year on year. In the reporting period, the Group invested primarily in unsecured retail debt, which represented as much as 87% of new portfolios, with foreign markets, Italy and Spain in particular, accounting for most (82%) of total new investment in debt. The aggregate nominal value of purchased debt portfolios was PLN 7,751m, 51% more than in the same period of 2021.

<sup>2</sup>the amount of deviation between actual and planned recoveries includes decreases on early collections in collateralised cases

## Estimated remaining collections

Estimated remaining collections as at September 30th 2022 were PLN 12.1bn, up by over PLN 0.9bn, or 9%, on June 30th 2021. The increase was driven, among other factors, by investments of PLN 594m in debt portfolios with a nominal value of close to PLN 3.1bn made in the third quarter of 2022, and a revaluation of projected recoveries as at September 30th 2022, with a discounted value of PLN 61m. A detailed ERC timing for debt portfolios is presented in the charts below.



## Credit management services

Revenue from fee-based credit management services in the nine months to September 30th 2022 was PLN 49m, up 8% year on year. The fastest revenue growth, of PLN 3m, was recorded in Poland. The share of fee-based credit management services in the Group's total revenue in the reporting period was 3%.

## Consumer loans (Novum and Wonga)

In the nine months to September 30th 2022, the KRUK Group companies advanced 162 thousand cash loans, compared with 177 thousand the year before. In that period, the principal amount of loans advanced was PLN 449m (first nine months of 2021: PLN 486m). Wonga.pl disbursed 152 thousand cash loans in Poland, with a net amount of PLN 399m. The number of Novum cash loans advanced in Poland and Romania was 10 thousand, with a principal amount of PLN 50m.

Wonga's revenue was PLN 94m, up by 51% on the first nine months of 2021. Novum's consolidated revenue in Poland and Romania amounted to PLN 17m, up 6% year on year.

In the nine months ended September 30th 2022, Wonga delivered PLN 51.7m in EBITDA, up PLN 27m, or 107%, year on year.

## Credit reference (ERIF BIG)

In the nine months ended September 30th 2022, revenue from ERIF BIG's credit reference services came in at close to PLN 7m, up 4% year on year. As at October 1st 2022, the ERIF database contained 154.5m cases (including 151m positive credit information reports), showing debts with a total nominal amount of more than PLN 63bn. To compare, at October 3rd 2021 the database contained 126m records (including 123m positive credit information reports), showing debts with a total nominal amount of PLN 56.2bn. More than 9.4m reports were downloaded from the ERIF BIG database during the nine months to September 30th 2022.

## 1.2 KRUK Group's performance by geographical segment

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

(PLNm)	Poland		Romania		Italy		Spain		Other markets		Head Office		Total	
	Q1-Q3 2022	Q1-Q3 2021	Q1-Q3 2022	Q1-Q3 2021	Q1-Q3 2022	Q1-Q3 2021	Q1-Q3 2022	Q1-Q3 2021	Q1-Q3 2022	Q1-Q3 2021	Q1-Q3 2022	Q1-Q3 2021	Q1-Q3 2022	Q1-Q3 2021
Expenditure on debt portfolios	247	461	250	118	445	204	388	131	20	19	N/A	N/A	1,351	933
Recoveries	933	783	439	422	316	226	165	118	75	66	N/A	N/A	1,928	1,615
Carrying amount of purchased debt portfolios (PLNbn)	2,7	2,1	1,2	0,9	1,4	0,9	0,7	0,5	0,2	0,1	N/A	N/A	6,2	4,5
Revenue	803	682	416	329	267	203	75	81	46	45	N/A	N/A	1,611	1,341
Purchased debt portfolios	666	581	403	316	261	196	63	70	46	45	N/A	N/A	1,439	1,208
Credit management services	21	18	10	10	6	7	12	11	N/A	N/A	N/A	N/A	49	45
Wonga	94	63	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	94	63
Other activities	21	20	3	3	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	24	23
EBITDA	512	442	317	244	116	77	-10	17	22	22	-79	-55	875	744
Cash EBITDA	779	644	353	350	171	107	92	66	50	43	-79	-55	1,363	1,151

### Poland

KRUK's investments in Poland amounted to PLN 247m (down 46% year on year), representing 18% of the Group's total investments in the first three quarters of 2022. The nominal value of purchased debt was close to PLN 1.3bn. KRUK invested primarily in unsecured retail portfolios.

In the nine months to September 30th 2022, recoveries on the Polish market reached PLN 933m, up 19% on the same period of 2021, accounting for 48% of the Group's total recoveries.

Compared with January-September 2021, the Group's revenue on the Polish market went up by nearly PLN 121m, to PLN 803m. Revenue increased across all operating segments in Poland. Revenue from purchased debt portfolios was 15% higher than a year earlier, with the increase attributable primarily to actual recoveries coming in above the target and to an upward revaluation of projected recoveries. The revaluation totalled PLN 133m, compared with PLN 96m in the nine months to September 30th 2021.

Revenue from credit management services on the Polish market was close to PLN 21m, up 17% year on year.

EBITDA on the Polish market was booked at PLN 512m (PLN 460m excluding Wonga), up 16% year on year (up 10% excluding Wonga), mainly on account of the actual recoveries from unsecured portfolios coming in above the target and an upward revaluation of projected recoveries. Cash EBITDA stood at PLN 779m, up 21% on the same period the year before, mainly on higher year-on-year recoveries.

The carrying amount of purchased debt portfolios as at September 30th 2022 was PLN 2.7bn, relative to PLN 2.1bn the year before. Polish portfolios accounted for 43% of the carrying amount of all debt portfolios held by the KRUK Group.

As at the date of issue of this report, the KRUK Group was not aware of any new or proposed regulations related to the war in Ukraine that could affect the value of its debt portfolios. The KRUK Management Board consistently pursues the Group's strategy, focused primarily on purchased debt portfolios, taking into account various scenarios. On October 3rd 2022, i.e. subsequent to the reporting period, the proposed *Bill on debt collection activities and the profession of a debt collector* was published. KRUK is currently analysing the bill and its potential impact on the Company.



## Romania

Investments in Romania amounted to PLN 250m (up 112% year on year), representing 19% of the Group's total investments in the first three quarters of 2022. The nominal value of purchased debt was close to PLN 2bn. KRUK invested primarily in unsecured retail portfolios.

Recoveries on the Romanian market reached PLN 439m, up 4% year on year, and accounted for 23% of the Group's total recoveries.

Revenue from the Romanian market amounted to PLN 416m, up 27% on the nine months to September 30th 2021. The major part of revenue from the Romanian market (97%) was generated by the purchased debt segment. Revenue from credit management services was more than PLN 10m, up by 9% year on year. In the nine months to September 30th 2022, the Group recorded a PLN 161m upward revaluation of projected recoveries, compared with PLN 103m in the corresponding period of 2021.

EBITDA on the Romanian market came in at PLN 317m, up 30% on the corresponding period of the year before, driven by an excess of the actual recoveries over the target amount and the upward revaluation of projected recoveries. Cash EBITDA came in at PLN 353m, up by 1% year on year due to the upward revaluation of projected recoveries.

The carrying amount of purchased debt portfolios as at September 30th 2022 was close to PLN 1.2bn, up 28% year on year. Romanian portfolios accounted in total for 19% of the carrying amount of all debt portfolios held by the KRUK Group.

As at the date of issue of this report, no material legislative changes related to the armed conflict in Ukraine were identified by the KRUK Group that could affect the value of the Group's debt portfolios. The KRUK Management Board consistently pursues the Group's strategy, focused primarily on purchased debt portfolios, taking into account various scenarios.

## Italy

Investments in Italy amounted to PLN 445m (up 118% year on year), representing 33% of the Group's total investments in the first three quarters of 2022. The nominal value of purchased debt was PLN 2.3bn. KRUK invested mostly in unsecured retail portfolios as well as in corporate portfolios.

Recoveries on the Italian market amounted to PLN 316m, up 40% year on year, and accounted for 16% of the Group's total recoveries.

Revenue generated in Italy was PLN 267m, compared with PLN 203m in the same period of 2021 (a 32% increase). Revenue from the purchased debt portfolio business accounted for 98% of total revenue, having increased to PLN 261m from PLN 196m the year before.

In the nine months to September 30th 2022, the Group recognised a PLN 43m revaluation of projected recoveries for the Italian portfolios, compared with a PLN 25m revaluation booked a year earlier.

In the credit management business, revenue came in at PLN 6m, down 11% year on year.

In Italy, KRUK reported PLN 116m in EBITDA, up 50% year on year. Given higher revenue and recoveries, cash EBITDA came in at PLN 171m, compared with PLN 107m the year before.

As at September 30th 2022, the carrying amount of purchased debt portfolios was PLN 1.4bn, up 57% on September 30th 2021. The Italian portfolios accounted for a total of 23% of the carrying amount of all debt portfolios owned by the KRUK Group.

## Spain

Investments in Spain amounted to PLN 388m (up 300% year on year), representing 29% of the Group's total investments in the first three quarters of 2022. The nominal value of purchased debt was close to PLN 2.1bn. On the Spanish market, KRUK invested exclusively in retail portfolios.

Recoveries from portfolios in Spain amounted to PLN 165m, up 40% year on year, accounting for 9% of the Group's total recoveries.

In the nine months to September 30th 2022, revenue generated in Spain was PLN 75m, down 7% on the corresponding period of 2021. Revenue from purchased portfolios was PLN 63m, a decrease of 9% year on year. The KRUK Group recognised close to PLN 39m in a negative revaluation of projected recoveries in Spain, compared with a PLN 7m negative revaluation posted a year earlier. The negative revaluation was a net effect of an upward revaluation of unsecured retail portfolios and a downward revaluation of corporate debt portfolios. In the third quarter of 2022 alone, the total revaluation of projected recoveries from Spanish portfolios was positive at PLN 3.7m.

Revenue from the credit management business in Spain came to PLN 12m, up 4% year on year.

On the Spanish market, the Group reported negative EBITDA, of PLN -10m, compared with positive EBITDA of PLN 17m for the nine months to September 30th 2021. The fall was led by lower revenue in the purchased debt segment, reflecting a downward revaluation of projected recoveries from corporate debt portfolios. Cash EBITDA was booked at PLN 92m, having increased from PLN 66m posted the year before, largely on the back of a year-on-year growth in recoveries.

As at September 30th 2022, the carrying amount of debt portfolios in Spain was PLN 743m (up 65%), representing 12% of the Group's total debt portfolios.

## Other markets (Czech Republic, Slovakia and Germany)

In the Czech Republic and Slovakia, the Group invested a total of PLN 19.5m (up 3% year on year) exclusively in unsecured retail portfolios.

Recoveries in the other markets segment amounted to PLN 75m, up 14% year on year, accounting for 4% of the Group's total recoveries.

In the nine months to September 30th 2022, the segment's revenue, comprising solely revenue from purchased portfolios, was PLN 46m, up 3% on the corresponding period of 2021.

In the reporting period, the KRUK Group recognised a close to PLN 7m upward revaluation of projected recoveries in the other markets segment, compared with PLN 7.5m in the corresponding period of the previous year.

EBITDA on the other markets was PLN 22m, having remained largely unchanged year on year. Cash EBITDA posted by the segment was PLN 50m, up 19% year on year.

As at September 30th 2022, the carrying amount of debt portfolios in the other markets segment was PLN 154m, representing 2.5% of the Group's total debt portfolios.

As at the date of issue of this report, no material legislative changes relating to the military conflict in Ukraine were identified by the KRUK Group in Germany, the Czech Republic or Slovakia that could affect the value of its 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.

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

As at September 30th 2022, the KRUK Group's cash and cash equivalents amounted to PLN 197m, up by 11% on September 30th 2021. As at September 30th 2022, the Company had undrawn lines of credit of PLN 967m. As at September 30th 2022, the carrying amount of the Group's investments in debt portfolios accounted for 87% of its assets. The Group's equity accounted for 44% 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 September 30th 2022, the financial ratios defined below were as follows:**

1.0x – Net Debt / Equity Ratio (maximum level at 3.0x)

1.8x – Net Debt / Cash EBITDA Ratio (maximum level at 4.0x)

10.4x - Cash EBITDA to interest-on-debt ratio (minimum level at 4.0x);

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 portfolios, less revenue from purchased debt portfolios 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.

**Interest on debt** means the total accrued interest on debt for a given reporting period, payable in cash by KRUK Group companies, including:

- interest portion of finance lease payments;
- payments made by KRUK Group companies (less payments received) under interest rate hedging instruments.

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 third quarter of 2022, the net debt to equity and net debt to cash EBITDA ratios changed only negligibly and remained far below their maximum limits. 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 1.0x (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 1.8x (the maximum level being 4.0x). The year-on-year decline in the cash EBITDA to interest-on-debt ratio is due to several factors, including: The Group's average debt was higher than a year earlier, with interest accruing on it at higher rates (EURIBOR and WIBOR rose by 1.72pp and 6.98pp, respectively, which had a direct effect on the unsecured portion of the debt). The ratio remains comfortably above the required minimum of 4.0x. The Group mitigates any potential decrease in this ratio by entering into fixed-rate contracts.

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–September 30th 2022, the Parent executed related-party transactions. For details, see the condensed interim separate financial statements for the period January 1st–September 30th 2022, section 10. *Related-party transactions*.

All transactions in the first nine months of 2022 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–September 30th 2022, section 15. *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 September 27th 2022, the Company was notified that its subsidiary Kruk Investimenti s.r.l. of Milan (the Buyer) had entered into agreements (the Agreements) with Findomestic Banca S.P.A., Autoflorence 1 S.R.L. and Florence SPV S.R.L., companies of the BNP Paribas Group, for the acquisition of three unsecured retail debt portfolios with a total nominal value of approximately EUR 85.2m (or PLN 405.7bn as translated at the mid exchange rate quoted by the National Bank of Poland for September 27th 2022), which was announced by the Company in Current Report No. 66/2022. The Agreements were signed following submission by the Company of the winning bid in an auction to purchase the three unsecured retail debt portfolios from the BNP Paribas Group entities (for details, see Current Report No. 62/2021).

## 1.7 Operations – technology development

Besides investment and operational excellence, one of the KRUK Group's strategic directions is further progress in digital transformation. KRUK is advancing its technology on multiple levels across many business lines, with a special focus placed on the purchased debt business line. The Group utilises in-house resources and solutions, as well as uses and adopts solutions and resources available on the market, to create functionalities for business.

### Rollout of online solutions

KRUK has continued work to develop various online customer service channels and promote digital self-service tools and solutions among customers (e.g. e-KRUK, e-payments, digital signature, online settlement agreements, etc.) across all its markets. In Poland, we have offered customers an option to set up a standing order to repay instalment products at regular intervals. In Spain, our customers can define their own plans to repay their debts in instalments. On the Czech market, we launched an online debt repayment tool. We are also continuously working to expand and improve the e-KRUK system: we have already launched its new version in Poland, and efforts are underway to implement it in Italy and to upgrade its existing version in Romania.

Depending on the market, apart from conventional solutions, the Group's customers have the choice of the following methods to repay debt: Google Pay, Apple Pay, BLIK, Direct Debit, pay-by-link, debit card payments and Visa Checkout. Customers may repay debt in the e-KRUK system, using a link (received by email or text message) and via a dedicated website (payment without registration). Throughout the reporting period, the share of online payments in all geographies remained high, reaching 41% in September 2022. As at September 30th 2022, online payments as a percentage of total amicable collections were 60% in Spain, 42% in Italy, 41% in Poland, and 29% in Romania.

In the nine months to September 30th 2022, a vast majority of settlement agreements at the KRUK Group continued to be signed in paperless form, in particular in Spain, where their share stood at 97%. In September 2022 alone, paperless settlement agreements represented as much as 89% of all settlement agreements entered into by the Group.

KRUK offers customers an option to manage their debt (including debt monitoring, signing settlement agreements online, making payments) through the e-KRUK platform in Poland, Romania and Italy. The number of e-KRUK users continues to grow and in September 2022, it increased by 26% relative to December 2021.

### Automation, machine learning and artificial intelligence

Since its inception, KRUK has purchased almost 10.7m debt cases, translating into large volumes of data. The Group processes approximately 2.5 TB of data every day. With the deployment of automation and machine learning solutions, some processes can be accelerated and specific solutions can be used to analyse data and improve operational decision making. About one thousand machines process data with no human involvement every day.

The Group employs highly-qualified analysts and statisticians who work on models that help make optimal business decisions. Where necessary, KRUK leveraged third party IT resources to implement priority projects.

As regards artificial intelligence, KRUK employs a number of algorithms to perform various tasks, including to identify keywords in correspondence, which significantly accelerates and facilitates the handling of cases.

### Development of cloud-based solutions

Cloud-based solutions are developing at a fast pace, and cloud-based applications are becoming more and more common. KRUK acknowledges and understands their importance, as well as the challenges around their implementation. Accordingly, since the second quarter of 2022 the Group has run a function dedicated to building a strategy for the development of cloud-based solutions as well as to the application of the best solutions of this type available on the market and to managing any related risks.

Cooperation with Microsoft was enhanced to obtain best-in-class applications with advanced security, compatibility, voice communication and analysis functionalities.

## Digital security

The significant technology advancements at the KRUK Group go hand in hand with digital security, which has become particularly important in the context of the conflict in Ukraine. The KRUK Group invests in state-of-the-art solutions to ensure digital security, and its systems are monitored on a continuous basis. The Group is also engaged in extensive collaboration with third parties in the area of cybersecurity. Furthermore, cybersecurity education has been provided within the Group for several years.

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

The coronavirus pandemic has affected the KRUK Group's operations in many dimensions. The key aspects in the nine months to September 30th 2022 are discussed below.

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

## 1.9 Operations – conflict in Ukraine

Russia's aggression against Ukraine started on February 24th 2022. The KRUK Group does not hold any assets in Ukraine or Russia, nor does it carry out any business activity in those countries. A Ukrainian company is one of the suppliers of IT development services to Wonga, a subsidiary. Given the circumstances, the cooperation with the Ukrainian supplier is continued to a limited extent. This does not affect Wonga's ongoing operations, and it is possible to source the services in Poland.

With no operations conducted in Ukraine or Russia, the Company expects the implications of the conflict for the Group's operations will be indirect and limited. Provided below is an assessment of the possible impact of the conflict in Ukraine on selected areas of operations.

### *Recoveries from purchased debt portfolios*

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

### *Investments in debt portfolios*

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

### *Access to debt financing*

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



## Liquidity management

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

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

## Loans

As the war in Ukraine is pushing up prices of energy carriers and causing a strong depreciation of the złoty, further interest rate hikes are expected. The consequences for households would be rising costs of living including the cost of servicing existing loans.

We have identified the risk that the quality of Wonga's loan portfolio may deteriorate due to borrowers' lack of liquidity. Wonga has carried out creditworthiness assessments as part of its lending process since 2019. Approximately 90% of loans are made to customers with the highest credit score, therefore the aforementioned risk is marginal. The recorded delays in payments have been stable, also in the months following the implemented interest rate hikes.

## Digital security

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

1. Business relationship has been established with CERT.PL, which specialises in computer security, and CERT recommendations issued in connection with the conflict have been implemented
2. Special level of protection has been provided for backup copies of our critical systems
3. Steps have been taken to establish a permanent relationship with an external Security Operations Centre.

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

For KRUK, sustainable business also means not being indifferent to the humanitarian crisis caused by Russia's aggression against Ukraine. Therefore, the KRUK Group will donate a total of EUR 320,000 (approximately PLN 1.5m) to support Ukrainian refugees in the countries bordering Ukraine where the KRUK Group operates. For more information, see Section 8 *Non-financial information*.

## 2 Assessment of financial resources management

### 2.1 Financial forecasts

KRUK S.A. does not issue any performance forecasts.

## 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 risk management

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

- identify and analyse the Group's risk exposures;
- identify appropriate controls, including limits and procedures;
- enable control and monitoring of risk levels and the progress on implementing the risk management strategy.

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 in the Group's legal and regulatory environment. The Management Board is responsible for defining risk management procedures and overseeing their implementation.

Using such tools as training, management standards and procedures, and well-defined internal controls, 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 September 30th 2022, 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 2021, in: *7 Risk factors and their management*. The report is available in pdf format at <https://en.kruk.eu/media/article/file/enkrukgroup2021.pdf>.

## 4 Shareholders

### 4.1 Shareholding structure

The table below lists the shareholders holding, directly or indirectly, major holdings of KRUK S.A. shares as at the date of issue of the previous periodic report, i.e. September 7th 2022.

Table 2. Major holdings of KRUK S.A shares as at the issue date of the previous periodic report

Shareholder	Number of shares/voting rights	Ownership interest (%)
NN PTE*	2,763,000	14.44
Piotr Krupa	1,763,463	9.22
PZU OFE*	1,507,723	7.88
Aviva OFE*	1,390,000	7.27
Aegon OFE*	1,140,500	5.96

(\* ) 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 April 14th 2022. Source: Company.



On September 29th 2022, the Company received a notification from Piotr Krupa, given under Article 19 of the MAR. According to the notification, Mr Krupa placed, outside a trading system, an order to convert subscription warrants into 83,942 KRUK S.A. shares at the average strike price of PLN 83.52 under the 2015–2019 Incentive Scheme (see Current Report No. 67/2022).

On September 30th and October 3rd 2022, the Company received notifications from Piotr Krupa, given under Article 19 of the MAR. According to the notifications, Mr Krupa had sold, in ordinary session trades on the Warsaw Stock Exchange, 261 shares in KRUK S.A. for the average price of PLN 239.87 per share, 14,000 shares in KRUK S.A. for the average price of PLN 228.89 per share, and 1,094 shares in KRUK S.A. for the average price of PLN 230.66 per share (see Current Report No. 68/2022).

On October 5th 2022, 191,060 Series F shares in the Company (the Shares) were registered in eligible securities accounts. The Shares were acquired in exchange for subscription warrants under the 2015–2019 Incentive Scheme as approved by the Annual General Meeting’s Resolution No. 26/2014 of May 28th 2014 (for more details on the Incentive Scheme, see Section 4.4). Pursuant to Art. 452.1 of the Commercial Companies Code, the Company’s share capital was increased from PLN 19,127,730.00 to PLN 19,318,790.00, or by PLN 191,060.00, upon registration of the Shares in the securities accounts (see Current Report No. 69/2022).

The table below lists the shareholders holding, directly or indirectly, major holdings of KRUK S.A. shares as at the date of issue of the this periodic report, i.e. November 8th 2022.

**Table 3. Major holdings of KRUK S.A shares as at the issue date of this periodic report**

Shareholder	Number of shares/voting rights	Ownership interest (%)
NN PTE*	2,763,000	14.30
Piotr Krupa	1,832,050	9.48
PZU OFE*	1,507,723	7.80
Aviva OFE*	1,390,000	7.20
Aegon OFE*	1,140,500	5.90

(\* 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 April 14th 2022.

## 4.2 Treasury shares

The Company holds no treasury shares.

## 4.3 Management or Supervisory Board members holding shares or rights to shares

The table below presents the holdings of Company shares of members of KRUK S.A.’s management and supervisory personnel as at the date of issue of the previous periodic report, i.e. September 7th 2022.

**Table 4. KRUK S.A. shares held by management and supervisory personnel as at September 7th 2022**

Name and surname	Position	Number of shares held	Total par value (PLN)
Piotr Krupa	President of the Management Board	1,763,463	1,763,463
Piotr Kowalewski	Member of the Management Board	17,471	17,471

Adam Łodygowski	Member of the Management Board	-	-
Urszula Okarma	Member of the Management Board	105,325	105,325
Michał Zasepa	Member of the Management Board	50,367	50,367

*Source: Company.*

As at September 7th 2022, members of the Management Board held a total of 1,936,626 Company shares, representing 10.12% of the Company's share capital.

On September 15th and 19th 2022, the Company received notifications from Urszula Okarma, given under Article 19 of the MAR. According to the notifications, Ms Okarma had sold, in ordinary session trades on the Warsaw Stock Exchange, 5,641 shares in KRUK S.A. for the average price of PLN 269.017 per share, 479 shares in KRUK S.A. for the average price of PLN 260.00 per share, 687 shares in KRUK S.A. for the average price of PLN 255.26, 2,700 shares in KRUK S.A. for the average price of PLN 255.00 per share, 3,913 shares in KRUK S.A. for the average price of PLN 246.33, and 5,157 shares in KRUK S.A. for the average price of PLN 245.03 (see Current Report No. 64/2022).

On September 21st 2022, the Company received a notification from Piotr Kowalewski, given under Article 19 of the MAR. According to the notification, Mr Kowalewski had sold, in ordinary session trades on the Warsaw Stock Exchange, 2,000 shares in KRUK S.A. for the average price of PLN 242.42 per share and 1,000 shares in KRUK S.A. for the average price of PLN 237.90 per share (see Current Report No. 65/2022).

On September 21st and September 22nd 2022, the Company received notifications from Urszula Okarma, given under Article 19 of the MAR. According to the notifications, Ms Okarma had sold, in ordinary session trades on the Warsaw Stock Exchange, 94 shares in KRUK S.A. for the average price of PLN 244.00 per share, 2,829 shares in KRUK S.A. for the average price of PLN 236.01 per share, and 2,000 shares in KRUK S.A. for the average price of PLN 241.82 per share (see Current Report No. 65/2022).

On September 29th 2022, the Company received a notification from Urszula Okarma, given under Article 19 of the MAR. According to the notification, Ms Okarma placed, outside a trading system, an order to convert subscription warrants into 62,893 KRUK S.A. shares at the average strike price of PLN 83.52 under the 2015–2019 Incentive Scheme (see Current Report No. 67/2022). The shares were acquired on October 5th 2022 (see Current Report No. 69/2022).

On September 29th 2022, the Company received a notification from Piotr Kowalewski, given under Article 19 of the MAR. According to the notification, Mr Kowalewski placed, outside a trading system, an order to convert subscription warrants into 10,542 KRUK S.A. shares at the average strike price of PLN 83.52 under the 2015–2019 Incentive Scheme (see Current Report No. 67/2022). The shares were acquired on October 5th 2022 (see Current Report No. 69/2022).

On September 29th 2022, the Company received a notification from Michał Zasepa, given under Article 19 of the MAR. According to the notification, Mr Zasepa placed, outside a trading system, an order to convert subscription warrants into 7,230 KRUK S.A. shares at the average strike price of PLN 83.52 under the 2015–2019 Incentive Scheme (see Current Report No. 67/2022). The shares were acquired on October 5th 2022 (see Current Report No. 69/2022).

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

**Table 5. KRUK S.A. shares held by management and supervisory personnel as at November 8th 2022**

Name and surname	Position	Number of shares held	Total par value (PLN)
Piotr Krupa	President of the Management Board	1,832,050	1,832,050
Piotr Kowalewski	Member of the Management Board	25,013	25,013
Adam Łodygowski	Member of the Management Board	-	-
Urszula Okarma	Member of the Management Board	145,718	145,718
Michał Zasepa	Member of the Management Board	57,597	57,597

Source: Company.

As at November 8th 2022, members of the Management Board of the Company held no rights to KRUK S.A. shares other than those under the subscription warrants presented in detail in Section 4.4 *Incentive Scheme*.

As at November 8th 2022, members of the Management Board held a total of 2,060,378 Company shares, representing 10.67% of the Company's share capital.

## 4.4 Incentive Scheme

### Incentive Scheme for 2015–2019

The incentive scheme for 2015-2019 was adopted by Resolution No. 26/2014 of the Annual General Meeting of KRUK S.A. of May 28th 2014 (the 2015-2019 Scheme), as amended by Resolution No. 23/2020 of the Annual General Meeting of KRUK S.A. of August 31st 2020 to amend Resolution No. 26/2014 of the Annual General Meeting of KRUK S.A. of Wrocław of 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 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.

For details of the 2015–2019 Incentive Scheme, see the Directors' Reports on the operations of the KRUK Group in 2021 and in prior years.

A total of 847,950 subscription warrants were offered and delivered to eligible persons throughout the entire duration of the 2015–2019 Scheme, i.e. in 2016-2021.

**Table 6. Tranches under the 2015–2019 Incentive Scheme**

Tranche	Number of subscription warrants acquired by members of KRUK's Management Board	Number of subscription warrants acquired by other eligible persons
Tranche 1 for 2015	20,000	86,435
Tranche 2 for 2016	50,480	91,467
Tranche 3 for 2017	54,344	85,853

Tranche 4 for 2018	89,768	115,528
Tranche 5 for 2019	124,588	129,487
<b>TOTAL</b>	<b>339,180</b>	<b>508,770</b>

Following amendments to the Commercial Companies Code and in connection with the obligation to convert subscription warrants into book-entry form, on February 25th 2021 all subscription warrants issued and outstanding were converted into book-entry form and entered in the securities register maintained by the CSDP.

As at the date of issue of the previous periodic report, i.e. September 7th 2022, 654,514 subscription warrants were converted into Series F shares in the Company. The eligible persons held 193,436 warrants convertible into Series F shares issued under the 2015–2019 Incentive Scheme.

On October 5th 2022, 191,060 subscription warrants were converted into Series F shares in the Company.

Throughout the entire duration of the 2015–2019 Incentive Scheme, i.e. in 2016–2022, a total of 845,574 subscription warrants were converted into Series F shares in the Company. This data remains valid as at the date of issue of this periodic report, i.e. November 8th 2022.

**Table 7. Number of warrants granted to current and former Management Board members under the 2015–2019 Incentive Scheme**

Name and surname	Number of Tranches 1–5 warrants granted and exercised
Piotr Krupa	83,942
Piotr Kowalewski*	22,138
Adam Łodygowski**	-
Urszula Okarma	63,893
Michał Zasepa	63,893
Agnieszka Kułton***	56,663
Iwona Słomska****	56,663

\* 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.

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

\*\*\* Agnieszka Kułton, listed among the 2015–2019 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 2015–2019 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.

Rights attached to warrants issued under the 2015–2019 Incentive Scheme may be exercised by their holders until December 31st 2022.

## **Incentive scheme for 2021–2024**

On June 16th 2021, the Annual General Meeting of KRUK S.A. passed a resolution on setting the rules of an incentive scheme for 2021–2024 (2021–2024 Incentive Scheme), conditional increase in the Company's share capital and issue of subscription warrants with the Company existing shareholders' pre-emptive rights disappplied in whole with respect to the shares to be issued as part of the conditional share capital increase and subscription warrants, and amendments to the Articles of Association.

For the purposes of the 2021–2024 Incentive Scheme, the General Meeting approved a conditional increase of the Company's share capital by up to PLN 950,550.00, through an issue of up to 950,550 Series H ordinary bearer shares.

Under the 2021–2024 Incentive Scheme, eligible persons will have the right to acquire Series H Company shares on preferential terms set forth in the resolution. Eligible persons are members of the Management Board, including the President of the Management Board, and the Company's employees, as well as members of the management boards and employees of the KRUK Group companies.

Holders of subscription warrants will be entitled to exercise their rights to subscribe for Series H shares at the issue price equal to the turnover-weighted average closing price of Company shares on the Warsaw Stock Exchange from May 15th 2021 to June 15th 2021. Holders of subscription warrants will be entitled to exercise their rights to subscribe for series H shares attached to the subscription warrants not earlier than 24 months after the date on which they acquired the subscription warrants (lock-up for subscription of series H shares by holders of subscription warrants) and not later than on December 31st 2028.

The warrants will be issued in two pools: the basic pool (760,440 subscription warrants) and additional pool (190,110 subscription warrants).

Subscription warrants of the basic pool will be issued in four tranches, one for each of the following years of the reference period, i.e. for the financial years 2021–2024.

Subscription warrants of the additional pool will be issued as a single tranche – Tranche 5, and will be offered in 2025 for 2021–2024.

Subscription warrants of the basic pool for a given financial year will be granted to eligible persons on condition that EPS (calculated on the basis of the Group's consolidated financial statements) increases by no less than 15.00%. For details on EPS calculations for the purposes of the 2021–2024 Incentive Scheme, see the resolution of the KRUK S.A. General Meeting of June 16th 2021.

Subscription warrants of the additional pool will be offered on condition that the rate of return on the shares (taking into account profit distributions to shareholders in the form of dividends) increases, at the end of the 2021–2024 Incentive Scheme, by a predetermined amount relative to the issue price.

The subscription warrants are issued free of charge, may be inherited, but may not be encumbered and are not transferable.

In accordance with the terms of the Scheme, the number of warrants to be allotted and offered to members of the Management Board throughout the term of the Stock Option Plan is 40% of all warrants.

Acting pursuant to the Incentive Scheme, by way of a resolution of July 5th 2021 the Supervisory Board determined the list of persons eligible to participate in the 2021–2024 Incentive Scheme, being members of the Company's Management Board. By way of a resolution of July 15th 2021, the Company's Management Board determined the list of persons who are not members of the Management Board and are eligible to participate in the 2021–2024 Incentive Scheme.

In 2021, EPS grew by 58.34%, and on May 13th 2022, the Supervisory Board of KRUK S.A. passed a resolution to acknowledge that the condition set out in the 2021–2024 Incentive Scheme had been met for the purpose of issuing and offering Tranche I subscription warrants in view of fulfilment in 2021 of the conditions of the 2021–2024 Incentive Scheme.

Therefore, on July 5th 2022, the Supervisory Board passed a resolution determining the list of Management Board members eligible to acquire Tranche I subscription warrants for the fulfilment in 2021 of the conditions of the 2021–2024 Incentive Scheme. In line with that resolution, a total of 76,044 subscription warrants were awarded to eligible Management Board members for 2021 in Tranche I. The warrants were subscribed for by Management Board members on July 29th 2022. The table below shows the number of warrants awarded to and subscribed for by each Management Board member.

**Table 8. Number of Tranche I warrants awarded to and subscribed for by Management Board members under the 2021–2024 Incentive Scheme as at the date of issue of this periodic report**

Name and surname	Number of Tranche I warrants awarded and subscribed for
Piotr Krupa	22,812
Piotr Kowalewski	13,308
Adam Łodygowski	13,308
Urszula Okarma	13,308
Michał Zasepa	13,308

By way of the resolution of July 5th 2022 determining the list of non-members of the Management Board eligible to acquire Tranche I subscription warrants for the fulfilment in 2021 of the conditions of the 2021–2024 Incentive Scheme, the Company’s Management Board granted a total of 96,094 subscription warrants to eligible persons.

As at November 8th 2022, members of the Management Board of the Company held no rights to KRUK S.A. shares other than the rights under the subscription warrants issued under the 2021–2024 Incentive Scheme, as shown in Table 9.

#### 4.5 Dividends paid (or declared)

According to the Dividend Policy in place (Current Report No. 55/2021), the overriding objective of KRUK S.A. is to ensure sustainable growth of the Company and increase its value through profit growth and dividend payment while maintaining appropriate liquidity and observing the principles of sustainable development (ESG). The Management Board’s intention is for KRUK to concurrently drive its value growth and make regular profit distributions to shareholders. The objective behind adopting the Dividend Policy is to carry into effect the Management Board’s intention and take account of KRUK’s status as a growth company paying out dividend based on clear and constant criteria for distribution of generated profits. The Company’s Management Board expects that it will submit to the Annual General Meeting a recommendation to pay out dividend amounting to 30% or more of the KRUK Group’s consolidated net profit for a previous financial year, attributable to shareholders of the parent. The Dividend Policy is available on the Company’s website at: [https://en.kruk.eu/media/file/file/dividendpolicyofkruksa\\_appres194\\_2021\\_02122021.pdf](https://en.kruk.eu/media/file/file/dividendpolicyofkruksa_appres194_2021_02122021.pdf).

On March 4th 2022, the Management Board of the Company passed a resolution recommending that the Annual General Meeting approves dividend of PLN 13 per share. The dividend was distributed from the Company’s net profit earned in 2021 (Current Report No. 16/2022). The dividend recommendation is consistent with the Dividend Policy. The recommendation was endorsed by the Company’s Supervisory Board on March 15th 2022 (Current Report No. 17/2022).



On April 14th 2022, the General Meeting of KRUK S.A. passed a resolution to distribute the Company's net profit for 2021 of PLN 695m, allocating:

1. PLN 249m to pay a dividend of PLN 13.00 per share; the profit distribution would cover 19,127,730 shares;
2. the balance of PLN 446m to be transferred to statutory reserve funds.

The dividend record date with respect to dividend for the year ended December 31st 2021 was set for April 21st 2022. The dividend was paid on April 28th 2022 on 19,127,730 KRUK S.A. shares.

## Performance of Company shares on the Warsaw Stock Exchange

### 4.5.1 Share price

Over the third quarter of 2022, the KRUK share price on the stock exchange fell 27.83%, to PLN 236.00 per share. In the same period, the rates of return for the WIG and mWIG40 indices were -33.66% and -32.87%, respectively.

On the last trading day in the third quarter of 2022, the Company's market capitalisation was PLN 4.5bn (compared with PLN 6.2bn a year earlier). On September 30th 2022, KRUK ranked 24th in terms of market capitalisation on the WSE.

**Table 9. Rates of return on KRUK S.A. stock, WIG and mWIG40 in the nine months to September 30th 2022 – at closing prices**

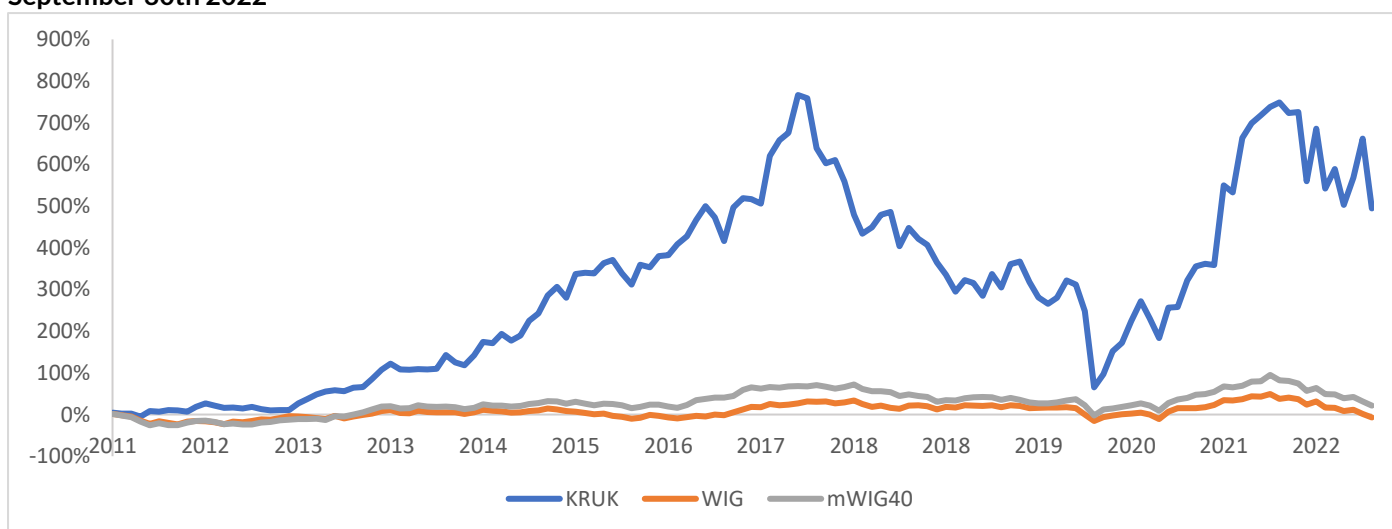
Date	KRUK	WIG	mWIG40
Rate of return	-27.83%	-33.66%	-32.87%

Source: GPW.pl

From the IPO on the Warsaw Stock Exchange in May 2011 to the end of the third quarter of 2022, the rate of return on KRUK shares was 475%. Over the same period, the all-cap WIG index fell by 6.8%, while the mid-cap mWIG40 index gained 21.5%.

As of November 5, 2022, KRUK S.A. shares are included in the WIG20 index on the Warsaw Stock Exchange.

### Performance of KRUK stock against WIG and mWIG40 from the Company's IPO on the WSE in May 2011 to September 30th 2022

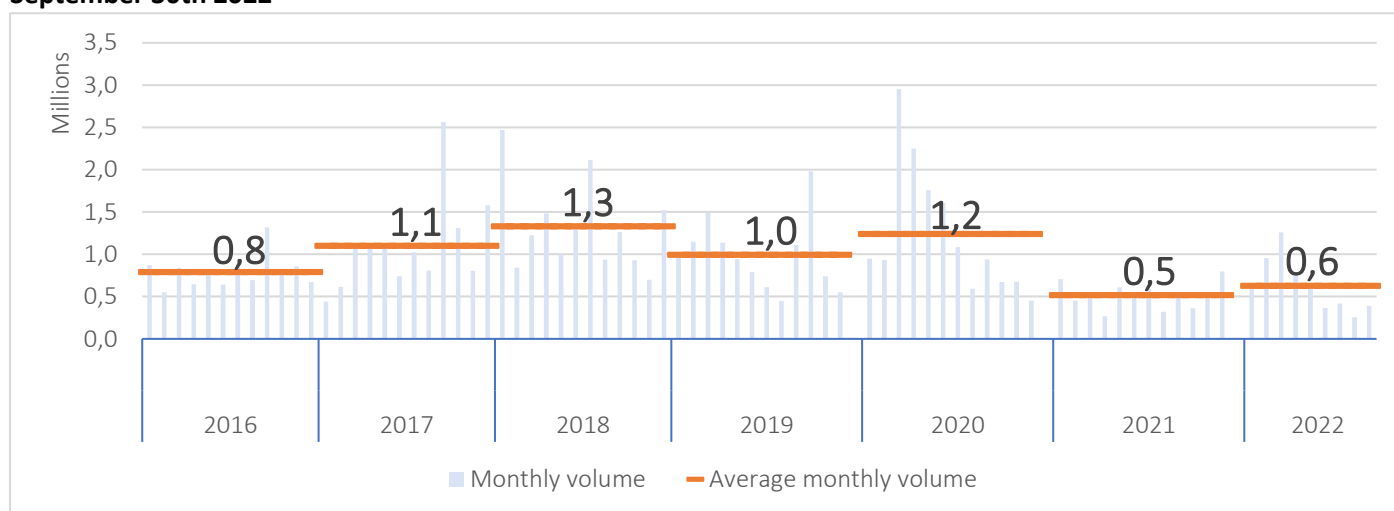


Source: in-house analysis, based on stooq.pl

## 4.5.2 Stock liquidity

In the first nine months of 2022, the total volume of KRUK S.A. shares traded was 5.6m, and the total value of trading reached PLN 1.6bn. To compare, in the corresponding period of 2021 the total volume of KRUK S.A. shares traded was 4.5m, and the total value of trading was PLN 1.1bn. The average daily trading volume of KRUK shares in the nine months ended September 30th 2022 was 29.8 thousand shares, and the average daily trading value stood at PLN 8.4m. KRUK was the 29th most liquid stock on the WSE in the three months to September 30th 2022 (in terms of the total quarterly trading volume).

### Monthly volume in each month and the year's average monthly volume of trading in KRUK shares in 2016 – September 30th 2022



Source: in-house analysis based on [www.gpw.pl](http://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. as at September 30th 2022 was 57.59%.

Table 10. Ownership interests of individual OFEs in the Company:

Shareholder	Ownership interest (%)	Number of votes
OFE Nationale-Nederlanden	14.30%	2,763,105
OFE Aviva Santander	9.01%	1,740,000
OFE PZU Złota Jesień	8.54%	1,650,000
OFE Aegon	5.83%	1,125,500
OFE Allianz Polska	4.87%	941,183
OFE MetLife	4.56%	880,375
OFE Generali	4.43%	856,289
OFE UNIQA	3.57%	689,865
OFE PKO BP Bankowy	1.45%	280,912
OFE Pocztylion Arka	1.03%	198,139

Source: in-house analysis, based on [stooq.pl](http://stooq.pl) as at October 3rd 2022.



## 5 Company bonds

### 5.1 Issue

In the nine months to September 30th 2022, the Company issued three series of bonds for retail investors, with a total nominal value of PLN 160m, under the prospectus-based 8th Bond Programme. The issue price of each bond was equal to its nominal value of PLN 100.

Moreover, as part of the 1st Prospectus-Exempt Bond Programme, the Company issued Series AL<sup>2</sup> bonds with a total nominal value of PLN 350m. The bonds are amortised and mature on the sixth anniversary of the issue date. The offering was addressed to qualified institutional investors and the issue price of each bond was equal to its nominal value of PLN 1,000.

**Table 11. Bond issues in Q1–Q3 2022**

Series	Nominal value	Issue date	Due date	Interest	Interest payment
AL2	PLN 350m	February 2022	February 2028	variable – 3M WIBOR + 3.20pp	every 3 months
AM2	PLN 50m	February 2022	February 2027	variable – 3M WIBOR + 3.30pp	every 3 months
AM3	PLN 50m	June 2022	June 2027	variable – 3M WIBOR + 3.30pp	every 3 months
AM4	PLN 60m	August 2022	August 2027	variable – 3M WIBOR + 3.30pp	every 3 months

Source: Company.

On August 23rd 2022, the Polish Financial Supervision Authority approved the Base Prospectus for the 9th Bond Issue Programme, whereby the Company may, for a year from the approval date, issue subsequent series of bonds with a nominal value of up to PLN 700m.

On September 12th 2022, the Company's Management Board resolved to increase the maximum amount of the First Prospectus-exempt Bond Issue Programme, which is tailored for institutional investors. Following the increase, the maximum total nominal value of bonds that can be outstanding under the Programme is PLN 1.4bn, allowing the Company to issue up to PLN 720m worth of bonds in addition to those already in issue.

### 5.2 Redemption of bonds

In the nine months ended September 30th 2022, the Company redeemed PLN-denominated debt securities with a total nominal value of PLN 207.9m and EUR-denominated debt securities with a total nominal value of EUR 40m, on the maturity dates set forth in the terms and conditions of the bonds.

**Table 12. Bonds redeemed by the Company in Q1–Q3 2022**

Series	Due date	Number of bonds redeemed	Nominal value
AA2	March 2022	150,000	PLN 150m
AC1	May 2022	57,900	PLN 57.9m
AE1	May 2022	20,000	EUR 20m
AE2	June 2022	20,000	EUR 20m

Source: Company.

## 5.3 Liabilities under bonds

As at September 30th 2022, the nominal value of outstanding bonds issued by the Company was PLN 1,425m. Subsequent to the reporting date, the Company redeemed, at maturity, the last series of bonds maturing in 2022, with a total nominal value of PLN 75m.

Table 13. Bonds redeemed by the Company after September 30th 2022

Series	Due date	Number of bonds redeemed	Nominal value
AA4	October 2022	75,000	PLN 75m

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

As at September 30th 2022:

- **Debt Ratio** stood at 1.0x
- **Net Debt to Cash EBITDA ratio** was 1.8x

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

### 6.1 The Management Board – members, changes in composition and rules of appointment

The Management Board is the Company's management body.

Rules governing appointment and removal of members of the Management Board and their powers are set forth in the Company's Articles of Association. Pursuant to Art. 7.1 and 7.2, the Management Board is composed of three to eight members, and the number of members is defined each time by the Supervisory Board upon request by the President of the Management Board. The President of the Management Board is appointed and removed by the Supervisory Board. The other members of the Management Board are also appointed and removed by the Supervisory Board, following a request by the President of the Management Board. Members of the Management Board are appointed for a joint three-year term of office. The mandate of a member of the Management Board expires on or before the date of the General Meeting approving the financial statements for the last full financial year in which the member held the office.

The composition of the Management Board of KRUK S.A. did not change in the reporting period.

As at September 30th 2022 and as at the date of issue of this report, i.e. November 8th 2022, the composition of the Management Board was as follows:

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

## 6.2 Supervisory Board – members, changes in composition and rules of appointment

The Supervisory Board shall consist of five or seven members. The number of Supervisory Board members is each time determined by the General Meeting. Members of the Supervisory Board are appointed for a joint term of office of three years. As at the date of authorisation of this report, the Company's Supervisory Board was composed of seven members.

The Supervisory Board is appointed and removed by the General Meeting, with the proviso that if Piotr Krupa holds shares in the Company representing 8% or more of the total vote at its General Meeting, he has the right to appoint and remove: one member of a five-member Supervisory Board, including the Deputy Chair of the Supervisory Board; two members of a seven-member Supervisory Board, including the Deputy Chairman of the Supervisory Board. Piotr Krupa's rights to appoint and remove members of the Supervisory Board are exercised by delivery to the Company of a written statement on the appointment or removal of a Supervisory Board member.

**Until April 14th 2022, the composition of the Supervisory Board was as follows:**

- |                         |                                   |
|-------------------------|-----------------------------------|
| • Piotr Stępnia         | Chairman of the Supervisory Board |
| • Katarzyna Beuch       | Member of the Supervisory Board   |
| • Tomasz Bieske         | Member of the Supervisory Board   |
| • 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   |

Following expiry of the term of office of the Company's Supervisory Board, on April 11th 2022 Piotr Krupa submitted a statement on the exercise of the rights conferred by Art. 11.5 and Art. 11.8 of the Company's Articles of Association and appointed Piotr Stępnia and Krzysztof Kawalec to the Supervisory Board of the new term, with effect from April 14th 2022. On April 14th 2022, the Annual General Meeting of KRUK S.A. appointed the following persons to the Company's Supervisory Board, with effect from the same date: Katarzyna Beuch, Ewa Radkowska-Świętoń, Izabela Felczak-Poturnicka, Piotr Szczepiórkowski and Beata Stelmach.

**From April 14th 2022 to the date of issue of this report, the composition of the Supervisory Board was as follows:**

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

Pursuant to the Rules of Procedure for the Supervisory Board, the following committees operate within the KRUK S.A. Supervisory Board:

- Audit Committee,
- Remuneration and Appointments Committee,
- Finance and Budget Committee.

Members of the committees are appointed by the Supervisory Board from among its members.

As at the date of issue of this report, the composition of Supervisory Board committees was as follows:

#### Audit Committee

Name and surname	Function
Katarzyna Beuch	Chair of the Audit Committee
Ewa Radkowska-Świętoń	Member of the Audit Committee
Piotr Stępiak	Member of the Audit Committee
Piotr Szczepiórkowski	Member of the Audit Committee

#### Remuneration and Appointments Committee

Name and surname	Function
Ewa Radkowska-Świętoń	Chair of the Remuneration and Appointments Committee
Krzysztof Kawalec	Member of the Remuneration and Appointments Committee
Piotr Szczepiórkowski	Member of the Remuneration and Appointments Committee

#### Finance and Budget Committee

Name and surname	Function
Beata Stelmach	Chair of the Finance and Budget Committee
Krzysztof Kawalec	Member of the Finance and Budget Committee
Ewa Radkowska-Świętoń	Member of the Finance and Budget Committee

### 6.3 General Meeting

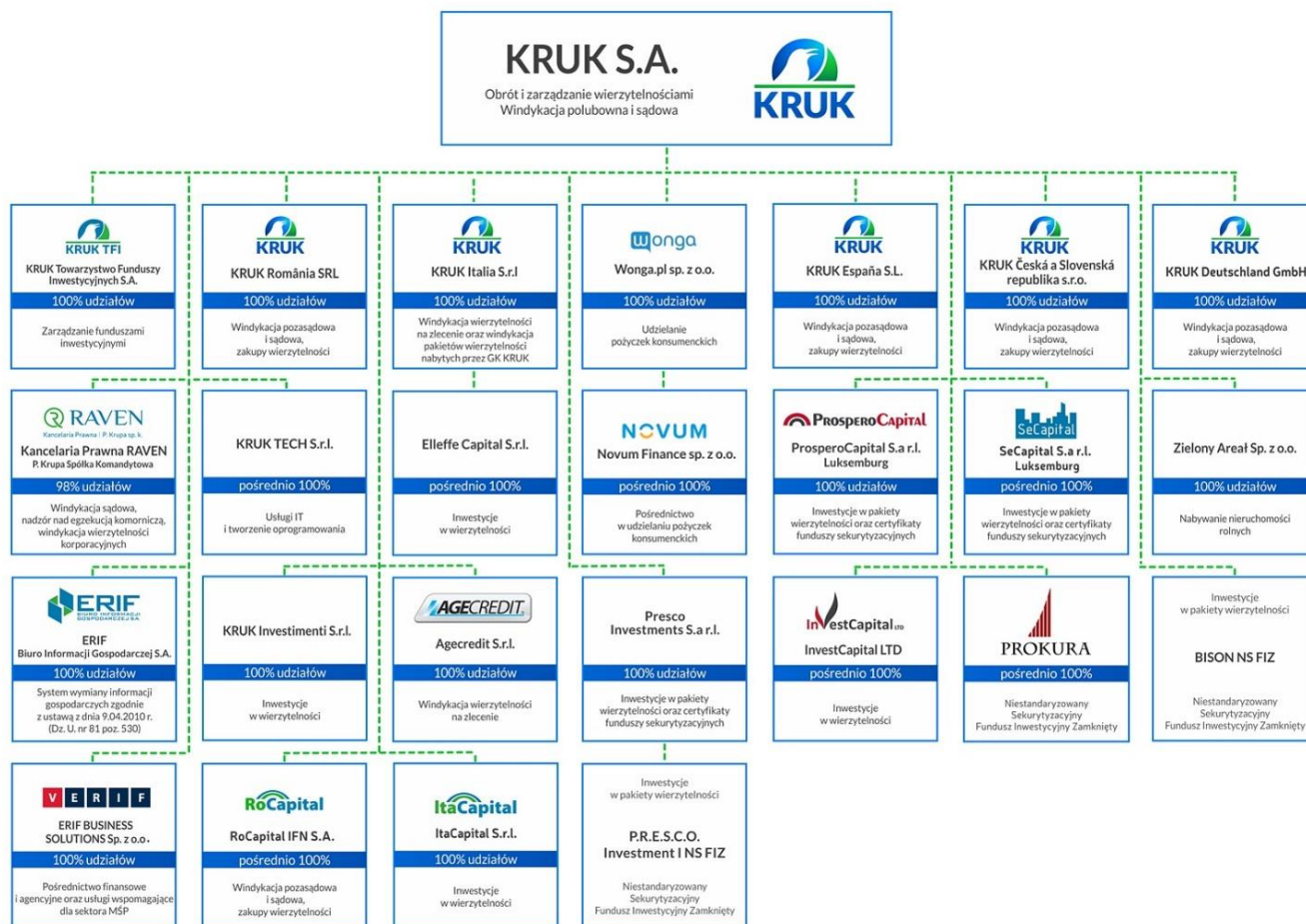
The agenda for the Annual General Meeting held on April 14th 2022, apart from the matters provided for in Art. 395 of the Commercial Companies Code, included resolutions to appoint members of the Supervisory Board of a new term of office, to amend Art. 11, Art.12 and Art.14 of the Company's Articles of Association, and to amend the Rules of Procedure for the Supervisory Board of the Company.

By way of a decision of April 29th 2022, the registry court registered amendments to the Company's Articles of Association and changes in the composition of the Supervisory Board.

### 6.4 Changes in the KRUK Group's structure

As at the date of this report, the KRUK Group comprised the parent KRUK S.A., 25 subsidiaries, and two entities controlled through personal links. The subsidiaries are presented below.

Structure of the KRUK Group as at September 30th 2022 and the issue date of this report:



## 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 Non-financial information

As an organisation with an international presence, in the third quarter of 2022 the KRUK Group engaged in projects to promote and implement the core principles of corporate social responsibility, namely economic responsibility, including as a responsible employer, social responsibility, and environmental responsibility.

The KRUK Group has for many years attached great importance to reviewing its organisational culture and analysing its impact on our organisation’s business performance on a regular basis. Accordingly, in the third quarter of 2022, the Group once again held an organisational culture survey to identify the personal and professional standards and beliefs driving our employees’ conduct in discharging their duties and responsibilities and informing their approach to performing their tasks and building relationships in the context of their potential to deliver the Group’s business strategy. A key objective of the survey was also to gauge employee satisfaction among KRUK’s personnel. In addition, its results will help us adopt new effective solutions to streamline our remote and hybrid work models. According to the survey, the KRUK Group already has a highly constructive corporate culture, which is both task- and relationship-oriented. The respondents

declared that their work at KRUK gives them a sense of satisfaction, belonging, and fulfilment. The results of the survey will be discussed in more detail in our next annual report.

The Group also completed surveys of the KRUK brand on its major operating markets, i.e. Poland, Romania, Italy, and Spain. The respondents included both indebted persons who are KRUK customers and those who are not. The project involved developing a standardised survey method to determine the perception of the KRUK brand with respect to such aspects of the Group's activities as its commitment to helping people free themselves of debt and informing and warning them about the consequences of defaulting on their liabilities. The application of the same survey methodology across all the geographies not only facilitates improving the quality of communication at each Group company but also creates an exceptional resource for better understanding and comparing consumer needs. These surveys are one of the tools used by the Group to develop its marketing strategy and as such will be continued in 2023.

The KRUK Group's other non-financial and sustainability activities in the third quarter of 2022, including those related to key environmental, social, and governance (ESG) aspects of its business, were primarily concentrated on continuing relief efforts for Ukraine, pursuing the UN Sustainable Development Goals of the 2030 Agenda, and building dialogue with various stakeholder groups, including through financial education and further development of employee programmes. In the third quarter of 2022, a particular focus was placed on enhancing the position of women across our organisation and developing a Group-wide DEI (diversity, equality, inclusion) strategy.

### **Our social responsibility**

In order to learn the scale of aid provided to the people of Ukraine by business organisations operating in Poland since the outbreak of war in February 2022, the UN Global Compact Network Poland conducted a dedicated survey prepared by academics and experts from the Polish Academy of Sciences, Kantar Public, and the Warsaw School of Economics. The respondents included the KRUK Group, which shared its particular experience in delivering relief in countries neighbouring Ukraine. The results of the survey provided a basis for writing the *United Business for Ukraine* report, which was presented in New York.

In the third quarter of 2022, the KRUK Group took the following measures to support Ukrainians in need:

- The Group donated PLN 20,000 to the Pocięcha Foundation, which used the money to organise a holiday camp for children from Ukraine.
- Throughout the third quarter of 2022, KRUK Česká a Slovenská Republika continued its partnership with Catholic Charity CARITAS Czech Republic of Hradec Kralove and Catholic Charity CARITAS Slovakia of Vyšné Nemecké, helping the two organisations buy a total of PLN 27 thousand worth of basic necessities for refugees.
- KRUK Romania donated a further PLN 3 thousand in cash vouchers to support Ukrainian children from an aid centre in Targoviste.

As part of its initiatives for the benefit local communities, the KRUK Group carried out the following projects to support delivery of the Third, Fourth, Fifth and Seventeenth Sustainable Development Goals:

- For several years now, the KRUK Group has been consistently offering counselling to customers undergoing a mental health crisis.
- To help promote the role of women in business, the KRUK Group participated in the 'Modern Women: Leaders, Partners, Mothers' conference, where it shared its experience in building an organisation committed to empowering women. More than 2,500 attendees watched a live broadcast of the conference.
- As part of its efforts to apply best local community support practices, KRUK Italia expanded the scope of its partnership with a local hospitality and catering business run by persons on the autism spectrum. This measure contributes to the KRUK Group's pursuit of *SDG 17 Strengthen the means of implementation and revitalize the global partnership for sustainable development*.
- As part of the *Bell Action* financial education programme for school-age children and teenagers, KRUK Romania donated learning aids to participants in the programme.



## Financial education of the general public

The KRUK Group runs a variety of financial education campaigns. In the third quarter of 2022, most were conducted online, and their goal was to raise customer and general public awareness in the area of personal finance management in the geographies where the Group operates. The Group's most notable achievements in the area of financial education in the third quarter of 2022 include:

- The KRUK Group's kapitalni.org website, dedicated to ongoing financial education informing actual consumer decisions and attitudes, recorded 179,588 unique visitors.
- KRUK Italia continued to post educational content on its website on a weekly basis, placing a particular focus on household budget management at a time of an energy crisis and financial preparations for children's return to school.

## Our responsibility for employees

- In the third quarter of 2022, the KRUK Group held DEI (diversity, equality and inclusion) surveys across its organisation, which helped to better appreciate the risk of exclusion of certain employee groups and triggered the implementation of programmes dedicated to supporting them in line with the Group's diversity strategy.
- KRUK S.A. joined yet another UN Global Compact initiative – Target Gender Equality, which is a programme dedicated to promoting women's participation in business and sharing best gender equality practices among participating organisations.
- All Group companies have in place professional development schemes to enhance the skills and expertise of their employees. The range of available training is wide – from psychology and healthy lifestyle courses to foreign language classes to leadership training, such as inclusive communication or teamwork workshops.
- KRUK S.A. has completed a revision of the KRUKBOOK, a KRUK onboarding guide addressed to new hires who might need a helping hand navigating the Company.
- Kruk Romania launched 'KRUK *donate*', a new initiative to donate a total of EUR 10,000 for projects run by non-governmental organisations nominated by employees.
- In the third quarter of 2022, KRUK España adopted and implemented a work-from-home policy to help employees better manage their work-life balance.
- In order to ensure more efficient teamwork management, KRUK Italia has implemented Smart Desk, an application supporting office space sharing and allocation between teams and employees based on the type and frequency of their activities. It has proven to be a helpful tool, in particular where staff has switched to a hybrid work model.
- Like the Group's Polish, Romanian, Czech and Slovak companies before, KRUK Italia has begun to offer a cafeteria system to its employees as part of its employee benefits scheme. Its objective is to improve employee engagement and retention.
- The KRUK Group participated in a project to analyse the expected costs and benefits of implementing the new European Sustainability Reporting Standards (ESRS) as developed by the European Financial Reporting Advisory Group (EFRAG). The experience helped our employees to better prepare themselves for the introduction of new disclosure obligations.

## Compliance and GDPR

Ethical business conduct, including openness to engage in dialogue on any issues or ambiguities, is an important pillar of the KRUK Group:

- The KRUK Group allows anonymous reporting of irregularities. No whistleblowing reports were received in the third quarter of 2022.
- The Mediation and Consultation Team, which handles complaints concerning conflict situations, received three reports, which as at the date of this report were being inquired into. The inquiry commenced in the second quarter of 2022 was closed as the alleged misconduct had not been confirmed. However, based on

the conclusions of the inquiry, recommendations were issued on how to address similar situations in the future.

- In response to stakeholder expectations with regard to personal data protection, the Group has developed and put in place an array of comprehensive solutions, including tools that enable taking swift and effective action in the event of a personal data security incident and monitoring of complaints on any personal data breaches as well as procedures that allow data subjects to exercise their rights under the GDPR. All personal data requests and complaints are thoroughly analysed to determine whether the submitting party's claim is valid and can be satisfied. In the third quarter of 2022, five complaints were filed with local regulatory authorities concerning potential breaches by Group companies of personal data protection legislation. In all cases, the KRUK Group submitted appropriate explanations. No case has been resolved yet. In addition, in the same period, the KRUK Group's Data Protection Officers (DPOs) issued more than 200 recommendations.

### **Environmental responsibility**

- The KRUK Group has disclosed data on its carbon footprint in accordance with the relevant guidance of CDP (formerly Carbon Disclosure Project), an organisation which evaluates the contribution to climate protection of thousands of businesses worldwide.
- The KRUK Group was invited to participate in an expert panel discussion at the gala held to announce the official release of the 'Green Finance in Poland 2022' report. During the discussion, the KRUK Group shared its experience in implementing solutions towards a zero-carbon economy.
- As part of its partnership with the UN Global Compact Network Poland, KRUK joined the Business Council of the 11th World Urban Forum. The Council issued 'Recommendations for Cities', a set of recommendations for urban transformation that is concerned with the well-being of residents and environmental protection and that cannot take place without involvement of the private sector. The KRUK Group supports implementation of the Recommendations.
- In the third quarter of 2022, the Group again maintained the percentage of paperless settlement agreements signed in Spain, Poland, Romania, and Italy at more than 81%.
- July 2022 saw another edition of the Earth Overshoot Day, an annual project aimed at raising environmental awareness and counteracting excessive consumption. In the run-up to the event, KRUK S.A. commissioned an online survey – 'Economic and Environmental Attitudes among Poles 2022' Its environmental message reached over 31,000 unique respondents.
- In the third quarter of 2022, KRUK S.A. launched a new initiative for employees using business cars to help them learn and apply best eco-driving practices.
- In September 2022, KRUK Romania implemented a carbon offset plan for its vehicle fleet.
- KRUK Italia has created an online platform for investors and creditors operating on the real estate market, which is dedicated to facilitating reusing vacant properties. The website lists buildings whose condition has not deteriorated over their vacancy period and which therefore can be adaptively reused or converted relatively fast without any complex refurbishment or repair work, which helps reduce waste generation, air pollution, and energy consumption usually related to construction projects.
- In line with the ideas of circular economy and equal opportunities, in the third quarter of 2022 KRUK Romania donated office equipment to members of a local community, namely seniors, children and teenagers in the care of the General Directorate of Social Assistance and Child Protection (DGASPC). The donation was another local community support initiative by the company.

All of the above activities were carried out to support delivery of the Twelfth and Thirteenth Sustainable Development Goals.

### **Awards, distinctions and achievements in the nine months ended September 30th 2022**

- At the 13th Credit Management Congress, KRUK S.A. was awarded the second place in the 'INVESTORS' CESSIO' category, in which original creditors are recognised for applying high debt auction standards.
- In July 2022, Kancelaria Prawna RAVEN was ranked 1st in the 'New Law' category in the *Rzeczpospolita* daily's 20th Top Law Firm Ranking.



## Awards, distinctions and achievements subsequent to the reporting period

- For its 2021 annual report, KRUK SA. received the 2nd main prize in the 'Banks and Financial Institutions' category in the Best Annual Report 2021 competition. The competition is organised by the Institute of Accountancy and Taxes to recognise and promote annual reports which are the most useful to shareholders and investors.
- As of November 5, 2022, KRUK S.A. shares are included in the WIG20 index on the Warsaw Stock Exchange.

## 9 Management Board representations

This Additional Information on the Operations of the KRUK Group and KRUK SA. presents a true view of the development, achievements and condition of the KRUK Group, including a description of key threats and risks.

## 10 Glossary of terms

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, comprising the issue of up to 847,950 registered subscription warrants conferring the right to subscribe for a total of 847,950 ordinary bearer shares issued as part of a conditional share capital increase
2021-2024 Scheme	An incentive scheme for 2021–2024 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, comprising the issue of up to 950,550 registered subscription warrants conferring the right to subscribe for a total of 950,550 ordinary bearer shares issued as part of a conditional share capital increase
Articles of Association	The Company's Articles of Association
Auditor	PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k. of Warsaw
CAGR	Compound Annual Growth Rate
Cash EBITDA	Profit (/loss) before tax plus finance costs, amortisation, depreciation and cash recoveries from purchased debt portfolios, less revenue from purchased debt portfolios 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
Catalyst	Bond market operated by the Warsaw Stock Exchange
Company KRUK Issuer	KRUK S.A. of Wrocław
Consolidated financial statements	The Group's consolidated financial statements for the reporting period ended September 30th 2022, prepared in accordance with the IFRS
CSDP	Central Securities Depository of Poland (Krajowy Depozyt Papierów Wartościowych S.A. of Warsaw)

CZK	Czech koruna
EBIT	Operating profit
EBITDA	Operating profit before depreciation and amortisation
EPS	Earnings per share
ERIF BIG, ERIF	ERIF Biuro Informacji Gospodarczej S.A.
EUR	Euro
Financial Liabilities	Total financial liabilities under: <ul style="list-style-type: none"> <li>• bonds or other similar debt securities; or</li> <li>• non-bank borrowings; or</li> <li>• bank borrowings; or</li> <li>• finance leases; or</li> <li>• promissory notes issued by way of security for liabilities of non-KRUK Group entities; or</li> <li>• 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</li> <li>• accession to debt owed by non-KRUK Group entities under bank non-bank borrowings, finance leases, bonds or other similar debt securities; or</li> <li>• assumption of liabilities of non-KRUK Group entities under bank or non-bank borrowings, finance leases, bonds or other similar debt securities; or</li> <li>• concluded derivative transactions.</li> </ul>
FMCG	Fast Moving Consumer Goods
GDP	Gross Domestic Product
General Meeting	General Meeting
Wonga	Wonga.pl Sp. z o.o. of Warsaw
IAS	International Accounting Standards as endorsed by the European Union
IFRS	International Financial Reporting Standards as endorsed by the European Union, including International Accounting Standards, International Financial Reporting Standards and related Interpretations endorsed by the European Union
ItaCapital	ItaCapital S.r.l of Milan, Italy
Kancelaria Prawna RAVEN	Kancelaria Prawna RAVEN P. Krupa Spółka komandytowa of Wrocław
KRS	Polish National Court Register (Krajowy Rejestr Sądowy)
KRUK Issuer Company	KRUK S.A. of Wrocław
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
Management Board	The Management Board of KRUK S.A.
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
PFSA	Polish Financial Supervision Authority (Komisja Nadzoru Finansowego)
PLN	Polish złoty
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 including other income
Regulation on current and periodic information	Polish Minister of Finance's Regulation of March 29th 2018 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 (Dz.U. of 2018, item 757, as amended)
ROE	Return on equity, computed as the ratio of consolidated net profit to equity as at the end of period
RON	Romanian leu
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
Subsidiaries	The Company's subsidiaries, as defined in the Polish Accounting Act, and Kancelaria Prawna RAVEN P. Krupa Spółka komandytowa
Supervisory Board	The Company's Supervisory Board
The Group, the KRUK Group	The Company as the Parent along with its subsidiaries and Non-Standard Securitisation Closed-End Investment Funds
UOKiK	The Polish Office of Competition and Consumer Protection (Urząd Ochrony Konkurencji i Konsumentów)
UOKiK President	President of the Office of Competition and Consumer Protection
USD	US dollar
WSE	Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.)

Piotr Krupa  
President of the Management Board .....

Michał Zasępa  
Member of the Management Board .....

Urszula Okarma  
Member of the Management Board .....

Piotr Kowalewski  
Member of the Management Board .....

Adam Łodygowski  
Member of the Management Board .....

Wrocław, November 8th 2022