INTERIM CONDENSED EXTENDED CONSOLIDATED FINANCIAL REPORT

for the period January 1st–March 31st 2018

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I. Interim condensed consolidated financial statements

1. Consolidated financial highlights

Financial highlights	PLN '000		EUR '000	
For the period	Jan 1 2018 - Mar 31 2018	Jan 1 2017 - Mar 31 2017	Jan 1 2018 - Mar 31 2018	Jan 1 2017 - Mar 31 2017
Revenue	285,331	264,128	68,287	61,582
Operating profit	119,954	131,124	28,708	30,572
Profit before tax	89,494	116,926	21,418	27,261
Net profit attributable to owners of the Parent	90,669	115,462	21,699	26,920
Net cash from operating activities	75,193	(45,232)	17,996	(10,546)
Purchase of debt portfolios at prices as per agreement	(125,447)	(213,524)	(30,023)	(49,783)
Cash recoveries	362,379	309,333	86,727	72,121
Net cash from investing activities	(1,496)	(2,247)	(358)	(524)
Net cash from financing activities	(41,705)	(71,631)	(9,981)	(16,701)
Change in net cash	31,993	(119,110)	7,657	(27,771)
Diluted earnings per share	4.71	6.03	1.13	1.41
Average number of shares ('000)	18,808	18,744	18,808	18,744
Earnings per share	4.82	6.16	1.15	1.44
As at	**Mar 31 2017**	**31.12.2017**	**Mar 31 2017**	**31.12.2017**
Total assets	3,665,098	3,560,128	870,880	853,563
Non-current liabilities	1,637,748	1,652,515	389,152	396,201
Current liabilities	438,070	447,091	104,092	107,193
Equity	1,589,278	1,460,522	377,635	350,170
Share capital	18,808	18,808	4,469	4,509
Book value per ordinary share	84.50	77.65	20.08	18.62

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

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

for the current period **4.1784**

for the comparative period **4.2891**

items of or related to the statement of financial position have been translated using the mid rate quoted by the National Bank of Poland for the end of the reporting period; the exchange rates thus calculated are:

for the current period **4.2085**

for the comparative period **4.1709**

2. Interim condensed consolidated statement of profit or loss

For the reporting period from January 1st to March 31st 2018
PLN '000

	Note	Jan 1 2018 - Mar 31 2018	Jan 1 2017 - Mar 31 2017
Revenue	5	285,331	264,128
Other income		571	1,322
Merchandise and materials sold		-	-
Employee benefits expense		(76,200)	(54,870)
Amortisation		(5,045)	(3,991)
Services		(35,936)	(26,152)
Other expenses	5	(48,766)	(49,313)
		(165,947)	(134,326)
Operating profit		119,954	131,124
Finance income		201	5,348
Finance costs	5	(30,662)	(19,546)
Net finance costs		(30,461)	(14,198)
Profit before tax		89,494	116,926
Income tax		1,196	(1,433)
Net profit for period		90,690	115,493
Net profit attributable to:			
Owners of the Parent		90,669	115,462
Non-controlling interests		21	31
Net profit for period		90,690	115,493
Earnings (loss) per share			
Basic (PLN)		4.82	6.16
Diluted (PLN)		4.71	6.03

3. Interim condensed consolidated statement of comprehensive income

For the reporting period from January 1st to March 31st 2018
PLN '000

	Jan 1 2018 - Mar 31 2018	Jan 1 2017 - Mar 31 2017
Net profit for period	90,690	115,493
Other comprehensive income		
Exchange differences on translating foreign operations	11,498	(43,863)
Cash flow hedges	2,425	5,882
Other comprehensive income for period, net	13,923	(37,981)
Total comprehensive income attributable to:		
Owners of the Parent	104,613	77,512
Non-controlling interests	21	31
Total comprehensive income for period	104,923	77,543

4. Interim condensed consolidated statement of financial position

As at March 31st 2018

PLN '000

	Note	Mar 31 2018	Data restated as at Jan 1 2018 IFRS 9	Dec 31 2017	Mar 31 2018
Assets					
Cash and cash equivalents		205,278	173,284	173,284	148,274
Trade receivables		24,541	16,041	16,623	13,097
Investments	4	3,238,945	3,198,690	3,169,303	2,763,785
Other receivables		63,945	63,391	64,244	36,232
Inventories		331	494	494	323
Property, plant and equipment		26,536	28,669	28,669	25,742
Other intangible assets		27,563	26,830	26,830	14,856
Goodwill		54,003	54,003	54,003	62,604
Hedge derivatives		6,347	8,637	8,637	-
Other assets		17,610	18,042	18,042	4,778
Total assets		3,665,098	3,588,080	3,560,128	3,069,691
Equity and liabilities					
Liabilities					
Hedge derivatives		2,542	1,375	1,375	(5,586)
Trade and other payables		137,717	143,449	143,449	136,705
Employee benefit obligations		32,945	28,715	28,715	37,386
Income tax payable		17,131	14,401	14,401	-
Liabilities under borrowings and other debt instruments	5	1,880,005	1,897,223	1,897,223	1,581,367
Deferred tax liability		5,478	14,444	14,444	3,095
Total liabilities		2,075,818	2,099,607	2,099,607	1,752,967
Equity					
Share capital		18,808	18,808	18,808	18,744
Share premium		293,581	293,581	293,581	288,326
Cash flow hedging reserve		2,425	5,882	5,882	5,586
Exchange differences on translating foreign operations		(45,121)	(56,619)	(56,619)	(44,455)
Other capital reserves		88,878	86,805	86,805	78,660
Retained earnings		1,230,582	1,139,913	1,111,961	969,816
Equity attributable to owners of the Parent		1,589,153	1,488,370	1,460,418	1,316,677
Non-controlling interests		125	102	104	45
Total equity		1,589,278	1,488,472	1,460,522	1,316,722
Total equity and liabilities		3,665,098	3,588,080	3,560,128	3,069,691

5. Interim condensed consolidated statement of changes in equity

For the reporting period from January 1st to March 31st 2018
PLN '000

	Share capital	Share premium	Hedging reserve	Exchange differences on translating foreign operations	Other capital reserves	Retained earnings	**Equity attributable to owners of the Parent**	Non-controlling interests	**Total equity**
Equity as at Jan 1 2017	18,744	288,326	-	(592)	76,658	854,354	1,237,490	14	1,237,504
Net profit for period	-	-		-	-	115,462	115,462	31	115,493
Other comprehensive income	-	-	-	-	-	-	-	-	-
- Exchange differences on translating foreign operations	-	-	-	(43,863)	-	-	(43,863)		(43,863)
- Valuation of hedging instruments	-	-	5,586	-	-	-	5,586	-	5,586
Total other comprehensive income	-	-	5,586	(43,863)	-	-	(38,277)	-	(38,277)
Total comprehensive income for period	-	-	-	(43,863)	-	115,462	77,185	31	77,216
Contributions from and distributions to owners									
- Share-based payments	-	-		-	2,002	-	2,002	-	2,002
- Issue of shares	-	-		-	-	-	-	-	-
- Share capital increase at subsidiary	-	-		-	-	-	-	-	-
- Payment of dividends	-	-		-	-	-	-		0
Total contributions from and distributions to owners	-	-	-	-	2,002	-	2,002	-	2,002
Total equity as at Mar 31 2017	18,744	288,326	5,586	(44,455)	78,660	969,816	1,316,677		1,316,722
Equity as at Jan 1 2017	18,744	288,326	-	(592)	76,658	854,354	1,237,490	14	1,237,504
Comprehensive income for period							-		
Net profit for period	-	-	-	-	-	295,095	295,095	103	295,198
Other comprehensive income	-	-	-	-	-	-	-	-	-
- Exchange differences on translating foreign operations	-	-	-	(56,027)	-	-	(56,027)	-	(56,027)
- Valuation of hedging instruments	-	-	5,882	-	-	-	5,882	-	5,882
Total other comprehensive income	-	-	5,882	(56,027)	-	-	(50,145)	-	(50,145)
Total comprehensive income for period	-	-	-	(56,027)	-	295,095	244,950	103	245,053
Contributions from and distributions to owners									
- Share-based payments	-	-	-	-	10,147	-	10,147	-	10,147
- Issue of shares	64	5,255	-	-	-	-	5,319	-	5,319
- Payment of dividends	-	-	-	-	-	(37,488)	(37,488)	(13)	(37,501)

Total contributions from and distributions to owners	64	5,255	-	-	10,147	(37,488)	(22,022)	(13)	(22,035)
Total equity as at Dec 31 2017	18,808	293,581	5,882	(56,619)	86,805	1,111,961	1,460,418	104	1,460,522
Adjustment on transition to IFRS 9	-	-	-	-	-	27,952	27,952	-	27,952
Equity as at Jan 1 2018	18,808	293,581	5,882	(56,619)	86,805	1,139,913	1,488,370	104	1,488,474
Comprehensive income for period									
Net profit for period	-	-		-	-	90,669	90,669	21	90,690
Other comprehensive income									
- Exchange differences on translating foreign operations	-	-	-	11,498	-	-	11,498	-	11,498
- Valuation of hedging instruments	-	-	(3,457)	-	-	-	(3,457)	-	(3,457)
Total other comprehensive income	-	-	(3,457)	-	-	-	8,041	-	8,041
Total comprehensive income for period	-	-	(3,457)	11,498	-	90,669	98,710	21	98,731
Contributions from and distributions to owners									
- Share-based payments	-	-	-	-	2,073	-	2,073	-	2,073
- Issue of shares	-	-		-	-	-	-	-	-
Total contributions from and distributions to owners	-	-	-	-	2,073	-	2,073	-	2,073
Total equity as at Mar 31 2018	18,808	293,581	2,425	(45,121)	88,878	1,230,582	1,589,153	125	1,589,278

6. Interim condensed consolidated statement of cash flows

For the reporting period from January 1st to March 31st 2018
PLN '000

	Jan 1 2018 - Mar 31 2018	Jan 1 2017 - Mar 31 2017
Cash flows from operating activities		
Net profit for period	90,690	115,493
Adjustments		
Depreciation of property, plant and equipment	3,803	2,957
Amortisation of intangible assets	1,243	1,034
Change in debt portfolios purchased	(27,092)	(129,780)
Change in other investments	(1,663)	(1,663)
Net finance costs	22,541	6,353
(Gain)/loss on sale of property, plant and equipment	(204)	(343)
Equity-settled share-based payment transactions	2,073	2,002
Income tax	(1,196)	1,433
Change in inventories	163	162
Change in receivables	(9,054)	(7,732)
Change in prepayments and accrued income	432	880
Change in current liabilities, excluding financial liabilities	(1,502)	(30,531)
Income tax paid	(5,040)	(5,496)
Net cash from operating activities	75,193	(45,232)
Cash flows from investing activities		
Interest received	201	234
Sale of intangible assets and property, plant and equipment	843	-
Purchase of intangible assets and property, plant and equipment	(2,540)	(2,481)
Net cash from investing activities	(1,496)	(2,247)
Cash flows from financing activities		
Proceeds from issue of shares	-	-
Proceeds from bond issue	-	-
Increase in borrowings	195,103	265,345
Repayment of borrowings	(216,809)	(257,988)
Payments under finance lease contracts	(2,305)	(1,559)
Redemption of debt securities	-	(60,000)
Interest paid	(17,694)	(17,429)
Net cash from financing activities	(41,705)	(71,631)
Total net cash flows	31,993	(119,110)
Cash and cash equivalents at beginning of period	173,284	267,384
Cash and cash equivalents at end of period	205,278	148,274

II. Interim condensed separate financial statements

1. Separate financial highlights

Financial highlights	PLN '000		EUR '000	
For the period	**Jan 1 2018 - Mar 31 2018**	**Jan 1 2017 - Mar 31 2017**	**Jan 1 2018 - Mar 31 2018**	**Jan 1 2017 - Mar 31 2017**
Revenue	34,029	27,906	8,144	6,506
Operating profit	(17,193)	(18,210)	(4,115)	(4,246)
Profit before tax	(12,805)	(14,318)	(3,065)	(3,338)
Net profit	(9,444)	(13,356)	(2,260)	(3,114)
Net cash from operating activities	(7,996)	(395)	(1,914)	(92)
Net cash from investing activities	18,054	(81,412)	4,321	(18,981)
Net cash from financing activities	(7,006)	(65,686)	(1,677)	(15,315)
Change in net cash	3,052	(147,492)	731	(34,388)
Diluted earnings per share	(0.49)	(0.70)	(0.12)	(0.16)
Average number of shares ('000)	18,808	18,744	18,808	18,744
Earnings per share	(0.50)	(0.71)	(0.12)	(0.17)
As at	**Mar 31 2017**	**Jan 31 2017**	**Mar 31 2018**	**Jan 31 2017**
Total assets	3,161,977	3,143,654	751,331	753,711
Non-current liabilities	1,566,569	1,561,827	372,239	374,458
Current liabilities	889,880	867,202	211,448	207,917
Equity	705,530	714,625	167,644	171,336
Share capital	18,808	18,808	4,469	4,509
Book value per ordinary share	37.51	38,00	8.91	9.11

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

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

for the current period	**4.1784**
for the comparative period	**4.2891**

items of or related to the statement of financial position have been translated using the mid rate quoted by the National Bank of Poland for the end of the reporting period; the exchange rates thus calculated are:

for the current period	**4.2085**
for the comparative period	**4.1709**

2. Interim condensed separate statement of profit or loss

For the reporting period ended March 31st 2018
PLN '000

	Jan 1 2018 - Mar 31 2018	Jan 1 2017 - Mar 31 2017
Revenue	34,029	27,906
Other income	589	639
Merchandise and materials sold	-	-
Employee benefits expense	(33,020)	(28,185)
Amortisation	(3,298)	(2,743)
Services	(8,825)	(8,524)
Other expenses	(6,667)	(7,303)
	(51,810)	(46,755)
Operating loss	(17,193)	(18,210)
Finance income	30,147	22,732
Finance costs	(25,759)	(18,840)
Net finance income	4,387	3,892
Profit before tax	(12,805)	(14,318)
Income tax	3,361	962
Net profit for period	(9,444)	(13,356)
Earnings per share		
Basic (PLN)	(0.50)	(0.71)
Diluted (PLN)	(0.49)	(0.70)

3. Interim condensed separate statement of comprehensive income

For the reporting period ended March 31st 2018
PLN ’000

	Jan 1 2018 - Mar 31 2018	Jan 1 2017 - Mar 31 2017
Net profit for period	**(9,444)**	**(13,356)**
Other comprehensive income		
Items that may be reclassified to profit or loss		
Cash flow hedges	2,425	5,882
Income tax on other comprehensive income		
Other comprehensive income for period, net	2,425	5,882
Total comprehensive income for period	(7,019)	(7,474)

4. Interim condensed separate statement of financial position

As at March 31st 2018

PLN '000

	Mar 31 2018	Data restated as at Jan 1 2018 IFRS 9	Dec 31 2017	Mar 31 2017
Assets				
Cash and cash equivalents	19,971	16,917	16,917	15,444
Trade receivables from related entities	39,598	44,819	45,207	21,935
Trade receivables from other entities	5,960	2,881	2,881	2,757
Investments	173,096	174,419	172,297	138,661
Other receivables	14,479	9,276	9,276	15,285
Inventories	195	171	171	97
Property, plant and equipment	18,937	19,062	19,062	19,639
Intangible assets	15,708	15,183	15,183	13,749
Hedge derivatives	6,347	8,636	8,637	0
Investments in subsidiaries	2,863,828	2,849,889	2,849,889	2,047,561
Other assets	3,859	4,133	4,133	3,458
Total assets	3,161,977	3,145,386	3,143,654	2,278,586
Equity and liabilities				
Liabilities				
Hedge derivatives	2,542	1,375	1,375	(5,586)
Trade and other payables	605,281	593,741	593,741	29,947
Employee benefit obligations	20,772	17,673	17,673	20,254
Income tax payable	17,131	14,401	14,401	0
Liabilities under borrowings and other debt instruments	1,802,764	1,786,487	1,786,487	1,536,434
Deferred tax liability	7,959	15,351	15,351	3,055
Total liabilities	2,456,449	2,429,028	2,429,028	1,584,104
Equity				
Share capital	18,808	18,808	18,808	18,744
Share premium	293,581	293,581	293,581	288,326
Hedging reserve	2,425	5,882	5,882	5,586
Other capital reserves	88,879	86,806	86,806	78,661
Retained earnings	301,835	311,281	309,548	304,165
Total equity	705,528	716,358	714,625	695,482
Total equity and liabilities	3,161,977	3,145,386	3,143,654	2,278,586

5. Interim condensed separate statement of changes in equity

For the reporting period ended March 31st 2018
PLN '000

	Share capital	Share premium	Cash flow hedging reserve	Other capital reserves	Retained earnings	**Total equity**
Equity as at Jan 1 2017	18,744	288,326	-	76,659	317,521	701,251
Comprehensive income for period						
Net profit for period					(13,356)	(13,356)
Other comprehensive income						
- Valuation of hedging instruments	-	-	5,586	-	-	5,586
Total other comprehensive income	-	-	5,586	-		5,586
Total comprehensive income for period	-	-	5,586	-	(13,356)	(7,770)
Contributions from and distributions to owners						
- Payment of dividends	-	-	-	-	-	-
- Share-based payment	-	-	-	2,002	-	2,002
- Issue of shares	-	-	-	-	-	-
Total contributions from and distributions to owners	-	-	-	2,002	-	2,002
Total equity as at Mar 31 2017	18,744	288,326	5,586	78,661	304,165	695,483
Equity as at Jan 1 2017	18,744	288,326	-	76,659	317,521	701,251
Comprehensive income for period						
Net profit for period					29,514	29,514
Other comprehensive income						-
- Valuation of hedging instruments	-	-	5,882	-	-	5,882
Total other comprehensive income	-	-	5,882	-	-	5,882
Total comprehensive income for period	-	-	5,882	-	29,514	35,396
Contributions from and distributions to owners						
- Payment of dividends	-	-		-	(37,488)	(37,488)
- Share-based payments	-	-	-	10,147	-	10,147
- Issue of shares	64	5,255	-	-	-	5,319

Total contributions from and distributions to owners	64	5,255	-	10,147	(37,488)	(22,022)
Total equity as at Dec 31 2017	18,808	293,581	5,882	86,806	309,547	714,626
Change MSSF 9	-	-	-	-	1,732	1,732
Equity as at Jan 1 2018	18,808	293,581	5,882	86,806	311,279	716,358
Comprehensive income for period						
Net profit for period	-	-	-	-	(9,444)	(9,444)
Other comprehensive income	-	-	-	-	-	-
- Valuation of hedging instruments	-	-	(3,457)	-	-	(3,457)
Total other comprehensive income	-	-	(3,457)	-	-	(3,457)
Total comprehensive income for period	-	-	(3,457)	-	(9,444)	(12,901)
Contributions from and distributions to owners						
- Share-based payments	-	-	-	2,073	-	2,073
- Issue of shares	-	-	-	-	-	-
Total contributions from and distributions to owners	-	-	-	2,073	-	2,073
Total equity as at Mar 31 2018	18,808	293,581	2,425	88,879	301,835	705,530

6. Interim condensed separate statement of cash flows

For the reporting period ended March 31st 2018
PLN '000

	Note	Jan 1 2018 - Mar 31 2018	Jan 1 2017 - Mar 31 2017
Cash flows from operating activities			
Net profit for period		(9,444)	(13,356)
Adjustments			
Depreciation of property, plant and equipment		2,056	1,688
Amortisation of intangible assets		1,243	1,034
Change in debt portfolios purchased		(4,197)	3,931
Net finance income		(9,086)	(3,947)
(Gain)/loss on sale of property, plant and equipment		(181)	(292)
Equity-settled share-based payment transactions		2,073	2,002
Income tax		(3,361)	(962)
Change in inventories		(25)	90
Change in receivables		11,464	18,482
Change in prepayments and accrued income		274	944
Change in current liabilities, excluding financial liabilities		(690)	(7,006)
Change in employee benefit obligations		3,099	512
Income tax paid		(1,219)	(3,514)
Net cash from operating activities		(7 966)	(395)
Cash flows from investing activities			
Interest received		14	113
Loans advanced		(12,433)	(14,383)
Sale of intangible assets and property, plant and equipment		559	314
Dividends received		26 898	14,505
Disposal of financial assets		7,500	40,076
Purchase of intangible assets and property, plant and equipment		(2,332)	(1,848)
Acquisition of financial assets		(16,839)	(130,245)
Repayment of loans advanced		14,687	10,056
Net cash from investing activities		18 054	(81,412)
Cash flows from financing activities			
Increase in borrowings		113,703	246,745
Repayment of borrowings		(102,438)	(234,755)
Redemption of debt instruments		-	(60,000)
Payments under finance lease contracts		(1,780)	(1,309)
Interest paid		(16,490)	(16,367)
Net cash from financing activities		(7,006)	(65,686)
Total net cash flows		3,052	(147,492)
Cash and cash equivalents at beginning of period		16,917	162,936
Cash and cash equivalents at end of period		19,971	15,444

III. Notes to the financial statements

1. Organisation of the KRUK Group

Parent

Name:
KRUK Spółka Akcyjna ("KRUK S.A." or "Parent")

Registered office:
ul. Wołowska 8
51-116 Wrocław, Poland

Registration in the National Court Register:
District Court for Wrocław-Fabryczna in Wrocław, 6th Commercial Division of the National Court Register, ul. Poznańska 16-17, 53-230 Wrocław, Poland
Date of entry: September 7th 2005
Entry number: KRS 0000240829

Principal business activities of the Parent and subsidiaries

The principal business activities of the Parent and most of its subsidiaries consist primarily in the restructuring and recovery of debts purchased by the Group companies and the provision of outsourced debt collection services to financial institutions and other clients.

These interim condensed consolidated financial statements for the reporting period from January 1st to March 31st 2018 include the financial statements of the Parent and its subsidiaries (jointly the "Group").
KRUK S.A. is the Parent of the Group.

As at March 31st 2018, the Management Board of the Parent consisted of:

Piotr Krupa	President of the Management Board
Agnieszka Kułton	Member of the Management Board
Urszula Okarma	Member of the Management Board
Iwona Słomska	Member of the Management Board
Michał Zasępa	Member of the Management Board

In Q1 2018 and by the issue date of this interim report, the composition of the Management Board of KRUK S.A. did not change.
On March 9th 2018, the Supervisory Board of KRUK S.A. passed resolutions, effective from March 19th 2018, reappointing the Company's Management Board for a new joint three-year term. All members of the Management Board were reappointed for the new term:

Piotr Krupa	President of the Management Board
Agnieszka Kułton	Member of the Management Board
Urszula Okarma	Member of the Management Board
Iwona Słomska	Member of the Management Board
Michał Zasępa	Member of the Management Board

In Q1 2018 and by the issue date of this interim report, the composition of the Supervisory Board of KRUK S.A. did not change and was as follows:

Piotr Stępniak	Chairman of the Supervisory Board
Katarzyna Beuch	Member of the Supervisory Board
Tomasz Bieske	Member of the Supervisory Board
Arkadiusz Orlin Jastrzębski	Member of the Supervisory Board
Krzysztof Kawalec	Member of the Supervisory Board
Robert Koński	Member of the Supervisory Board
Józef Wancer	Member of the Supervisory Board.

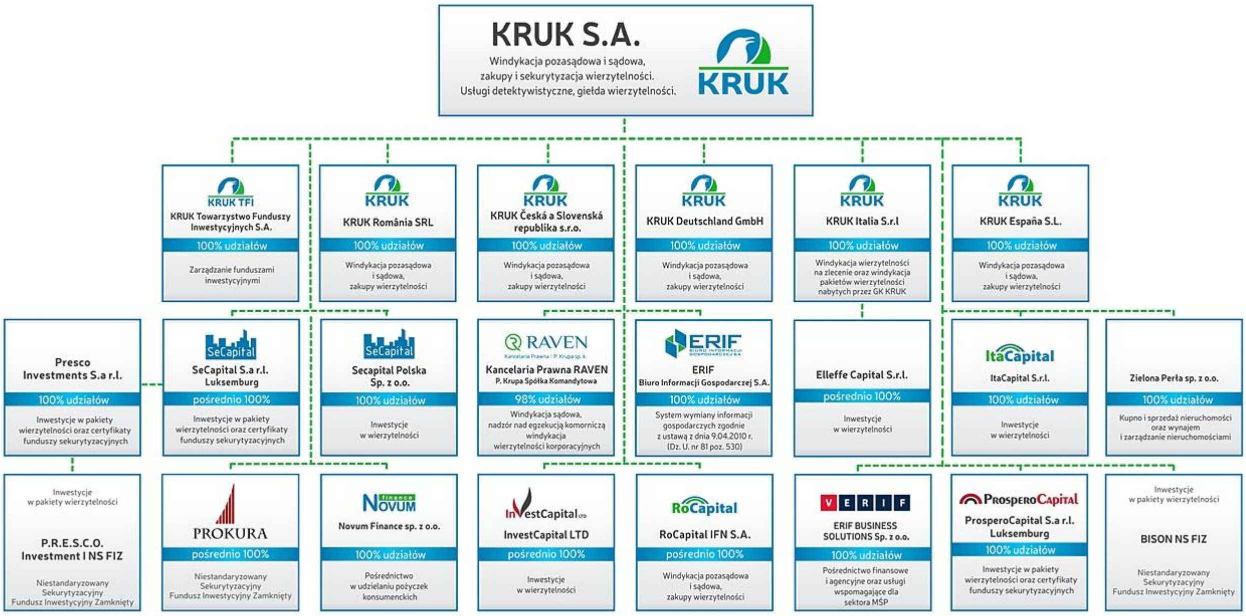
KRUK Group

As at the issue date of this report, the Group comprised KRUK S.A. of Wrocław and 24 subsidiaries:

- Kancelaria Prawna Raven P. Krupa sp. k. – provides comprehensive support in debt collection litigation and enforcement proceedings exclusively for the KRUK Group and its partners;
- ERIF Biuro Informacji Gospodarczej S.A. – a credit reference agency serving as a platform for collection, processing and provision of information on natural persons and businesses, both delinquent debtors and timely payers;
- KRUK România s.r.l. – its principal business activities consist in credit management services and collection of debt portfolios purchased by the Group;
- Secapital S.a.r.L. – a special-purpose securitisation vehicle whose principal business consists in investing in debt and debt-backed assets;
- Prokura NS FIZ securitisation fund – a securitisation and investment vehicle employing professional risk assessment and credit management methodologies.
- Secapital Polska Sp. z o.o. – a securitised debt servicer;
- ERIF Business Solutions Sp. z o.o. – its principal business activities consist in the provision of financial and agency services, and support for small and medium-sized enterprises;
- NOVUM FINANCE Sp. z o.o. – a lending institution within the meaning of the Consumer Credit Act;
- KRUK Česká a Slovenská republika s.r.o. – its principal business activities consist in credit management services and collection of debt portfolios purchased by the Group.
- KRUK Towarzystwo Funduszy Inwestycyjnych S.A. – a fund management company;
- InvestCapital Malta Ltd. – an investment company whose business purpose is to invest in equity assets, including shares in KRUK Group companies;
- RoCapital IFN S.A. – an operating company, whose principal business activities consist in purchasing and servicing mortgage-backed debt portfolios;
- KRUK Deutschland GmbH – its principal business activities consist in credit management services, collection of debt portfolios purchased by the KRUK Group in Germany and other European countries, as well as debt trading;
- KRUK Italia S.r.l – its business consists in credit management services and collection of debt portfolios purchased by the KRUK Group in Italy and other European countries;
- ItaCapital S.r.l – its business consists in investing in debt or debt-backed assets;
- KRUK Espana S.L. – its business consists in credit management services, collection of debt portfolios purchased by the KRUK Group in Spain and other European countries, as well as debt trading;
- ProsperoCapital S.a.r.l. – a special-purpose securitisation vehicle investing in debt or debt-backed assets;
- Presco Investments S.a.r.l – a special-purpose securitisation vehicle investing in debt or debt-backed assets;
- Presco Investments I NS FIZ fund – a securitisation and investment vehicle employing professional risk assessment and credit management methodologies.

- Elleffe Capital S.r.l. – its business consists in investing in debt or debt-backed assets;
- Corbul Capital S.r.l – a company providing detective services in Romania; related through a managing person;
- BIZON I NS FIZ fund – a securitisation and investment vehicle employing professional risk assessment and credit management methodologies;
- Zielona Perła Sp. z o.o. – its principal business activity consists in buying and selling of own real estate and renting and operating of own or leased real estate;
- AgeCredit S.r.l. – its business consists in credit management services in Italy.

All the subsidiaries listed above, except for AgeCredit, were consolidated in these condensed consolidated financial statements as at March 31st 2018 and for the period from January 1st to March 31st 2018.



The Company operates 11 offices across Poland, in Poznań, Warsaw, Kraków, Katowice, Bydgoszcz, Łódź, Elbląg, Szczecin, Stalowa Wola, Szczawno-Zdrój, and Piła.

The ownership interests held by the Parent in the subsidiaries as at the date of this report were as follows:

PLN '000	Country	Shareholding (%) Dec 31 2017	Shareholding (%) Dec 31 2016
SeCapital S.à r.l. *	Luxembourg	100%	100%
ERIF Business Solutions Sp. z o.o.	Poland	100%	100%
SeCapital Polska Sp. z o.o.	Poland	100%	100%
ERIF Biuro Informacji Gospodarczej S.A.	Poland	100%	100%
Novum Finance Sp. z o.o.	Poland	100%	100%
KRUK Romania S.r.l	Romania	100%	100%
Kancelaria Prawna RAVEN Krupa & Stańko Spółka komandytowa	Poland	98%	98%
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	Poland	100%	100%
KRUK Česká a Slovenská republika s.r.o.	Czech Republic	100%	100%
Prokura NS FIZ*	Poland	100%	100%
ProsperoCapital Sp. z.o.o. (in liquidation)	Poland	100%	100%
InvestCapital Ltd *	Malta	100%	100%
RoCapital IFN S.A.*	Romania	100%	100%
Kruk Deutschland GmbH	Germany	100%	100%
KRUK Italia S.r.l	Italy	100%	100%
ItaCapital S.r.l	Italy	100%	100%
KRUK Espana S.L.	Spain	100%	100%
ProsperoCapital S.a.r.l. **	Luxembourg	100%	100%
Presco Investments S.a.r.l.	Luxembourg	100%	100%
P.R.E.S.C.O INVESTMENT I NS FIZ*	Poland	100%	100%
Credit Base International S.r.l	Italy	-	100%
Elleffe Capital S.r.l.*	Italy	100%	100%
Espand Soluciones de Gestion S.L.	Spain	-	100%
BISON NS FIZ*	Poland	100%	-
Corbul S.r.l***	Romania	-	-
Agecredit S.r.l.	Italy	51%	-

* Subsidiaries in which the Company indirectly holds 100% of the share capital
** ProsperoCapital S.a.r.l is a party to a joint arrangement
*** The Parent controls the company through a personal link

2. Significant accounting policies

Statement of compliance

KRUK S.A. and the KRUK Group prepare their financial statements in accordance with the International Financial Reporting Standards as endorsed by the European Union (the "EU-IFRS").

These interim condensed consolidated financial statements of the Group have been prepared in the condensed form in accordance with IAS 34 and the accounting standards applicable to interim financial statements, as endorsed by the European Union, which had been published and were effective at the time of preparation of these financial statements.

Basis of preparation

These consolidated financial statements have been prepared based on the historical cost approach, except with respect to financial instruments at fair value through profit or loss, and include data for the period from January 1st to March 31st 2018 and comparative data for the period from January 1st to March 31st 2017. The reported data has not been audited.

The data contained in these consolidated financial statements is presented in the Polish złoty (PLN), rounded to the nearest thousand. The Polish złoty is the functional currency of the Parent.

In order to prepare financial statements in accordance with the EU-IFRS, the Management Board is required to make judgements, estimates and assumptions which affect the application of accounting policies and the reported amounts of assets, liabilities, income and costs, whose actual values may differ from those estimates. The material assumptions underlying the estimates made by the Group and the applied accounting policies are presented in the most recent consolidated full-year financial statements and in the relevant notes.

The estimates and the underlying assumptions are reviewed on an ongoing basis. Any changes in accounting estimates are introduced prospectively, starting from the reporting period in which the estimate is revised.

In the opinion of the Parent's Management Board, there are no facts or circumstances which could pose a significant threat to the consolidated companies of the Group continuing as going concerns. Therefore, these financial statements have been prepared on a going concern basis.

Changes in accounting policies

Except for the changes discussed below, the accounting policies applied to prepare these condensed interim financial statements are consistent with those applied to prepare the most recent full-year consolidated financial statements as at and for the year ended December 31st 2017.

The Group adopted IFRS 9 as of its effective date. The effect of application of the classification, measurement and impairment principles determined in accordance with the requirements of the new Standard is recognised by the Group as an adjustment to the opening balance as at January 1st 2018, without adjusting the comparative periods. In 2017, the Group completed an assessment of the impact which the adoption of the standard would have in all the three areas.

(a) Classification and measurement

IFRS 9 requires that, after initial recognition, a debt financial asset should be measured at amortised cost or at fair value based on the entity’s business model of financial asset management and on the asset’s contractual cash flow characteristics. The Group assessed that the debt portfolios purchased prior to January 1st 2014 and measured at fair value will be measured at amortised cost as of January 1st 2018, as the business model test confirmed the validity of this method. The estimated impact of this change on the value of investments and profit or loss brought forward is positive and amounts to PLN 29,387 thousand.

(b) Impairment

IFRS 9 requires recognising the effect of expected credit losses on all financial assets measured at amortised cost, that is on purchased debt portfolios, loans advanced and trade receivables. Debt portfolios which are measured at amortised cost are adjusted for the effect of future expected credit losses. As the Group purchases materially impaired debt portfolios, the effect of the impairment is already included in the purchase price. The impact of higher impairment losses on trade and other receivables, which reflect the additional expected future impairment of these assets in accordance with the new Standard, is estimated at PLN 1,435 thousand.

(c) Hedge accounting

The Group has assessed that the hedging contracts it entered into in the past still qualify for hedge accounting under IFRS 9 and have no effect on profits for past years.

The Group has not identified any other items whose classification or measurement would change as a result of the adoption of IFRS 9.

The impact of amended IFRS 9 on individual items of the statement of financial position is presented below:

As at January 1st 2018
PLN '000

	Jan 1 2018 – restated	Impact of IFRS 9	Dec 31 2017
Assets			
Cash and cash equivalents	173,284	-	173,284
Trade receivables	16,041	(582)	16,623
Investments	3,198,690	29,387	3,169,303
Other receivables	63,391	(853)	64,244
Inventories	494	-	494
Property, plant and equipment	28,669	-	28,669
Other intangible assets	26,830	-	26,830
Goodwill	54,003	-	54,003
Hedge derivatives	8,637	-	8,637
Other assets	18,042	-	18,042
Total assets	3,588,080	27,952	3,560,128
Equity and liabilities			
Liabilities			
Hedge derivatives	1,375	-	1,375
Trade and other payables	143,449	-	143,449
Employee benefit obligations	28,715	-	28,715
Income tax payable	14,401	-	14,401
Liabilities under borrowings and other debt instruments	1,897,223	-	1,897,223
Deferred tax liability	14,444	-	14,444
Provisions	-	-	-
Total liabilities	2,099,607	-	2,099,607
Equity			
Share capital	18,808	-	18,808
Share premium	293,581	-	293,581
Cash flow hedging reserve	5,882	-	5,882
Exchange differences on translating foreign operations	(56,619)	-	(56,619)
Other capital reserves	86,805	-	86,805
Retained earnings	1,139,913	27,952	1,111,961
Equity attributable to owners of the Parent	1,488,370	27,952	1,460,418
Non-controlling interests	102	-	102
Total equity	1,488,472	27,952	1,460,520
Total equity and liabilities	3,588,080	27,952	3,560,128

Amendments to current standards and interpretations

The following amendments to International Financial Reporting Standards and their interpretations, endorsed by the European Union (the "EU IFRS") apply to reporting periods beginning on or after January 1st 2018:

Standards and Interpretations endorsed by the EU	Type of expected change in accounting policies	Possible effect on the financial statements	Effective for periods beginning on or after
IFRS 15 *Revenue from Contracts with Customers*	This standard contains rules which will replace most of the detailed guidelines for recognising revenue currently prescribed by the IFRS. In particular, following the adoption of the new standard, the provisions of IAS 18 *Revenue,* IAS 11 *Construction Contracts* and the related Interpretations will no longer apply. According to the new Standard, a five-step model will be used to determine the moment of revenue recognition and its amount. Under the model, revenue should be recognised when (or to the extent that) the entity transfers control of goods or services to a customer, and in the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised either: - over time, reflecting the contract performance by the Group, or - on a one-off basis at a point in time when control of goods or services is transferred to the customer. The standard contains new requirements for disclosures, both quantitative and qualitative, designed to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.	The Group does not expect the Standard to have a significant effect on its consolidated financial statements.	January 1st 2018

IFRS 9 *Financial Instruments (2014)*	The new Standard replaces the guidance contained in IAS 39 *Financial Instruments: Recognition and Measurement* regarding classification and measurement of financial assets, including their impairment. IFRS 9 also eliminates the existing IAS 39 categories of financial assets held to maturity, available for sale, and loans and receivables. In accordance with the new standard, financial assets should be classified at initial recognition into one of three categories: • financial assets measured at amortised cost; • financial assets at fair value through profit or loss; or • financial assets at fair value through other comprehensive income. After initial recognition a financial asset is measured at amortised cost if the following two conditions are met: • the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and • its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. If the above requirements are not met (as, for instance, in the case of equity instruments of other entities), the financial asset is measured at fair value. Gains and losses on remeasurement of financial assets at fair value are recognised in profit or loss, except for assets held within a business model whose objective is to hold assets in order to collect contractual cash flows or sell them, in which case the gains and losses on remeasurement are disclosed in other comprehensive income. Furthermore, if an investment in an equity instrument is not held for trading, IFRS 9 allows the entity to make an irrevocable election at initial	It is expected that at the time of initial application, the new Standard will have a significant effect on the financial statements. A description of the changes and their impact is presented above.	January 1st 2018

	recognition to measure it at fair value through other comprehensive income. The election can be made on an instrument-by-instrument basis. No amount recognised in other comprehensive income in connection with such measurement may be reclassified to profit or loss of the current period at a later date. The standard retains almost all of the existing requirements of IAS 39 on classification and measurement of financial liabilities and derecognition of financial assets and financial liabilities. However, IFRS 9 requires that the amount of change in fair value attributable to changes in the credit risk of a financial liability designated at initial recognition as measured at fair value through profit or loss be presented in other comprehensive income, with only the remaining amount of the total gain or loss included in profit or loss. However, if this requirement creates or enlarges an accounting mismatch in profit or loss or if the financial liability relates to a loan commitment or a financial guarantee contract, then the whole fair value change is presented in profit or loss. As regards measurement of impairment of financial assets, IFRS 9 replaces the old "incurred loss" model introduced by IAS 39 with the concept of "expected loss", which means that the event resulting in a loss does not have to precede its identification and recognition of impairment. The new rules are designed to prevent situations in which impairment on credit losses is recognised too late or its amount is insufficient. In short, the expected loss model provides for two measurement approaches, whereby the amount of loss can be determined in reference to: • 12-month expected credit losses; or • life-time expected loss.		

	The choice of the approach depends on whether the credit risk associated with an asset has increased significantly since its initial recognition. If the credit risk related to financial assets has not increased significantly since initial recognition, the impairment loss on those financial assets is measured at an amount equal to the 12-month expected credit losses. However, if the credit risk has increased materially, the impairment loss is equal to the lifetime expected loss and thus increases the amount of recognised impairment loss. The standard further introduces a rebuttable presumption that a delay in contractual payments exceeding 30 days is sufficient grounds for the recognition of credit loss.		
Amendments to IFRS 15 *Revenue from Contracts with Customers*	Amendments to IFRS 15 clarify some of the requirements imposed by the Standard and include a number of simplifications regarding the transition period for entities adopting the new Standard. The amendments clarify how companies should: • identify a performance obligation (the promise to transfer a good or a service) in a contract; • determine whether a company is a principal (the provider of a good or service) or an agent responsible for arranging for the good or service to be provided; and • determine whether the revenue from granting a licence should be recognised at a point in time or over time. The amendments also include two additional simplifications designed to help companies apply the Standard for the first time and reduce related costs.	The Group does not expect the amendments to have a significant impact on its consolidated financial statements.	January 1st 2018
Amendments to IFRS 4 *Insurance Contracts*	The amendments provide for two optional solutions: the overlay approach and the deferral approach, in order to ease the impact of the different effective dates of IFRS 9 *Financial Instruments* and the forthcoming	The Group does not expect the amendments to have a significant impact on its	January 1st 2018

	insurance contracts standard. The different effective dates of these regulations may give rise to temporary volatility in profit or loss and accounting mismatches. The amendments will provide: • companies issuing insurance contracts – with an option to recognise the volatility of profit or loss resulting from the application of IFRS 9 in other comprehensive income until the new insurance contracts standard comes into force; and • companies whose activities are predominantly connected with insurance – with an optional temporary exemption from IFRS 9 until 2021. Companies which will defer the adoption of IFRS 9 will continue to apply IAS 39 *Financial Instruments*.	consolidated financial statements.	
IFRS 16 *Leases*	IFRS 16 supersedes IAS 17 *Leases* and related interpretations. For lessees, the new Standard eliminates the existing distinction between finance and operating leases. Recognising an operating lease in the statement of financial position will result in the recognition of a new asset, i.e. the right to use the leased asset, and a new liability, i.e. the obligation to make lease payments. Right-of-use assets will be depreciated, while interest will accrue on liabilities. This will increase initial lease costs, even where lease parties have agreed on fixed annual payments. Lessors will continue to classify leases as either operating or finance and thus recognise most leases without any changes.	The new Standard is being analysed, but the Group does not expect it to have a significant impact on its consolidated financial statements or the terms of credit facility agreements.	January 1st 2019

Standards and interpretations that have been published but have not yet been adopted

Standards and Interpretations not yet endorsed by the EU	Type of expected change in accounting policies	Possible effect on the financial statements	Effective for periods beginning on or after
IFRS 14 *Regulatory Deferral Accounts*	This interim standard: • permits an entity which is a first-time adopter of IFRS to continue to account for regulatory deferral account balances in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements; • requires that regulatory deferral account balances and movements in them be presented separately in the financial statements; and • requires specific disclosures to identify clearly the nature of, and risks associated with, the rate regulation giving rise to the recognition of regulatory assets and liabilities under the interim standard.	This interim standard is not expected to have a significant impact on the Group's consolidated financial statements as it applies exclusively to first-time adopters of IFRSs.	January 1st 2016 *(The European Commission has decided not to endorse this interim standard in anticipation of the final standard)*
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates*)	The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 regarding the loss of control over a subsidiary contributed to an associate or joint venture. While IAS 28 limits the gain or loss resulting from the contribution of non-monetary assets to an associate or joint venture to the level of unrelated investors' interests in the associate or joint venture, IFRS 10 requires full recognition of the gain or loss from the loss of control over a subsidiary.	It is expected that on initial application, the amendments may have an impact on the Group's consolidated financial statements, which, however, has not yet been estimated.	January 1st 2016 *(The European Commission has decided to indefinitely postpone endorsement of these amendments)*

Standards and Interpretations not yet endorsed by the EU	Type of expected change in accounting policies	Possible effect on the financial statements	Effective for periods beginning on or after
	The amendments require that the gain or loss be recognised in full where the contributed assets satisfy the definition of a business within the meaning of IFRS 3 *Business Combinations* (irrespective of whether such business has the form of a subsidiary or not). Partial recognition of the gain or loss (to the extent of unrelated investors' interests) applies where a transaction involves assets which do not constitute a business, even if the assets were held by a subsidiary.		
Amendments to IFRS 2 *Share-based Payment*	The amendments, which clarify the recognition of certain share-based payment transactions, lay down requirements for accounting for: • the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payment transactions; • share-based payment transactions with a net settlement feature for withholding tax obligations; and • a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.	The Group does not expect the amendments to have a significant impact on its consolidated financial statements.	January 1st 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle	The Annual Improvements to IFRS Standards 2014–2016 Cycle contain three amendments, which: • delete short-term exemptions for first-time adopters of IFRS (IFRS 1 First-time Adoption of International Financial Reporting Standards), including the interim requirements of IFRS 7 *Financial Instruments: Disclosures* on qualitative and quantitative disclosures and transfers of financial assets, and IAS 19 *Employee Benefits*;	These amendments are not expected to have a significant impact on the Group's consolidated financial statements.	January 1st 2018 (with the exception of amendments to IFRS 12, which apply to annual periods beginning on or after January 1st 2017)

Standards and Interpretations not yet endorsed by the EU	Type of expected change in accounting policies	Possible effect on the financial statements	Effective for periods beginning on or after
	• clarify that the requirements of IFRS 12 *Disclosure of Interests in Other Entities* (except for disclosures of summarized financial information in accordance with paragraphs B10–B16 of the standard) also apply to an entity's interests in subsidiaries, associates, joint ventures and unconsolidated structured entities that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*; and • clarify that the election not to apply the equity method in accordance with IAS 28 *Investments in Associates and Joint Ventures* should be made separately for each associate or joint venture and also specify when such election must be made.		
IFRIC 22 *Foreign Currency Transactions and Advance Consideration*	IFRIC 22 clarifies which exchange rate to use for reporting transactions that involve advance consideration paid or received in a foreign currency (such as income transactions), and explains that the date of the transaction is the date of initial recognition of prepayments or deferred income arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, a date of the transaction must be determined for each payment or receipt of advance consideration.	The Group does not expect IFRIC 22 to have a significant impact on its consolidated financial statements.	January 1st 2018
Amendments to IAS 40 *Investment Property*	The amendments provide the following guidance on transfers of property to, or from, investment property: • transfers of property to, or from, investment property should only be made when there is a change in use; and	The Group does not expect the amendments to have a significant impact on its consolidated financial statements.	January 1st 2018

Standards and Interpretations not yet endorsed by the EU	Type of expected change in accounting policies	Possible effect on the financial statements	Effective for periods beginning on or after
	• a change in use should be accompanied by an assessment of whether the property can be classified as an investment property.		
IFRS 17 *Insurance Contracts*	IFRS 17, which is to replace interim IFRS 4 *Insurance Contracts*, lays down recognition, measurement, presentation and disclosure principles for insurance contracts within the scope of the standard. In contrast to IFRS 4, which largely permits insurance contracts to continue to be accounted for in accordance with GAAP based on local regulations, IFRS 17 establishes a new comprehensive model (general measurement model) which combines the current recognition of technical provisions in the statement of financial position with the recognition of profit in the period in which the insurance coverage is provided and also: - is based on the concept of fulfilling contract obligations and applies current assumptions; - establishes a single revenue recognition principle to reflect the service provided; - can be modified for some contracts.	The Group does not expect the Standard to have a significant effect on its consolidated financial statements.	January 1st 2021
IFRIC 23 *Uncertainty over Income Tax Treatments*	IFRIC 23 provides guidance on income tax treatment where the applied treatment has not yet been accepted by the relevant tax authorities and is intended to enhance clarity. From the IFRIC 23 perspective, the key issue is assessing the probability of a tax treatment being accepted by the relevant tax authorities. If it is concluded that it is probable that a particular uncertain tax treatment will be accepted by the relevant tax authorities, the tax should be recognised in the financial statements consistently with the relevant income tax filings without	The Group is examining the impact of IFRIC 23 on its consolidated financial statements.	January 1st 2019

Standards and Interpretations not yet endorsed by the EU	Type of expected change in accounting policies	Possible effect on the financial statements	Effective for periods beginning on or after
	reflecting the uncertainty over current and deferred tax treatment. Otherwise, taxable profit (tax loss), tax bases and unused tax losses should be recognised using the most likely amount method or the expected value method (sum of probability-weighed possible solutions), depending on which provides better predictions of the resolution of the uncertainty. An entity must assume that tax authorities will examine the uncertain tax treatment and will have full knowledge of all relevant information when doing so.		
Amendments to IFRS 9 *Financial Instruments*	These amendments allow prepayable financial assets with negative compensation representing contractual cash flows that are solely payments of principal and interest on the principal amount outstanding to be measured at amortised cost or at fair value through other comprehensive income instead of at fair value through profit or loss as long as such financial assets meet the remaining requirements applicable under IFRS 9.	The Group does not expect the amendments to have a significant impact on its consolidated financial statements.	January 1st 2019
Amendments to IAS 28 *Investments in Associates and Joint Ventures*	The amendments clarify that entities apply IFRS 9 *Financial Instruments* to investments in subsidiaries and joint ventures, which are not accounted for using the equity method.	The Group does not expect the amendments to have a significant impact on its consolidated financial statements.	January 1st 2019

3. Reporting and geographical segments

Reporting segments

Below, the Group presents its principal reporting segments. The division into segments presented below is based on the criterion of materiality of revenue in the consolidated financial statements. The President of the Management Board of the Parent reviews internal management reports relating to each business segment at least quarterly. The Group's reporting segments conduct the following activities:

- Debt purchase: collection of purchased debt,
- Credit management: fee-based collection of debt on client's behalf;
- Other: financial intermediation, lending, provision of business information.

The performance of each reporting segment is discussed below. The key performance metric for each reporting segment is gross profit, which is disclosed in the management's internal reports reviewed by the President of the Management Board of the Parent. A segment's gross profit is used to measure the segment's performance, as the management believes the gross profit to be the most appropriate metric for the assessment of the segment's results against other entities operating in the industry.

The Group's operating activities concentrate in a few geographical areas: Poland, Romania, the Czech Republic, Slovakia, Germany, Spain and Italy.

The Group's operations are also divided into three main geographical segments:

- Poland,
- Romania,
- Italy,
- Other foreign markets.

In the presentation of data by geographical segments, segments' revenue is recognised based on the location of debt collection offices.

Revenue from credit management and revenue from other products represent external revenue.

For the reporting period ended March 31st 2018

	Poland	Romania	Italy	Other foreign markets	TOTAL
Revenue	**142,029**	**111,803**	**25,248**	**6,251**	**285,331**
Purchased debt portfolios	129,122	109,272	24,415	1,619	**264,428**
Collection services	6,522	2,476	833	4,632	**14,463**
Other products	6,384	55	-	-	**6,440**
Direct and indirect costs					**-121,010**
Purchased debt portfolios	-	-	-	-	**-107,169**
Collection services	-	-	-	-	**-11,379**
Other products	-	-	-	-	**-2,462**
Gross profit					**164,321**
Purchased debt portfolios	-	-	-	-	**157,259**
Collection services	-	-	-	-	**3,084**
Other products	-	-	-	-	**3,978**
Administrative expenses	-	-	-	-	**-38,226**
Amortisation	-	-	-	-	**-5,045**
Other income	-	-	-	-	**571**
Other expenses (unallocated)	-	-	-	-	**-1,666**
Finance income/costs	-	-	-	-	**-30,461**
Profit before tax	-	-	-	-	**89,494**
Income tax	-	-	-	-	**1,196**
Net profit	-	-	-	-	**90,690**
Carrying amount of debt portfolios	**1,492,373**	**869,857**	**545,642**	**278,719**	**3,186,591**

For the reporting period ended March 31st 2017

	Poland	Romania	Italy	Other foreign markets	TOTAL
Revenue	135,708	87,520	19,447	21,453	264,128
Purchased debt portfolios	123,515	85,633	18,316	15,162	242,626
Collection services	6,538	1,882	1,131	6,291	15,842
Other products	5,655	5	-	-	5,660
Direct and indirect costs					-97,509
Purchased debt portfolios	-	-	-	-	-85,211
Collection services	-	-	-	-	-10,245
Other products	-	-	-	-	-2,053
Gross profit					166,619
Purchased debt portfolios	-	-	-	-	157,415
Collection services	-	-	-	-	5,597
Other products	-	-	-	-	3,607
Overheads	-	-	-	-	-30,424
Amortisation	-	-	-	-	-3,991
Other income	-	-	-	-	1,322
Other expenses (unallocated)	-	-	-	-	-2,401
Finance income/costs	-	-	-	-	-14,198
Profit before tax	-	-	-	-	116,926
Income tax	-	-	-	-	-1,433
Net profit	-	-	-	-	115,493
Carrying amount of debt portfolios	1,305,683	706,234	444,027	269,643	2,725,587

4. Purchased debt portfolios

PLN '000	
Value of purchased debt portfolios as at Jan 1 2017	**2,640,946**
Purchase of debt portfolios	976,509
Purchase price adjustment for discount	(634)
Cash recoveries	(1,368,911)
Value of foreclosed property	(17,805)
Increase/decrease in liabilities to debtors due to overpayments	435
Valuation of loyalty scheme	5,795
Revenue from debt purchase (interest and revaluation)	971,743
Translation differences on debt portfolios (*)	(87,516)
Value of purchased debt portfolios as at Dec 31 2017	**3,120,562**
-	
Value of purchased debt portfolios as at Dec 31 2017	**3,120,562**
Adjustment on transition to IFRS 9	**29,387**
Value of purchased debt portfolios as at Jan 1 2018	**3,149,949**
Purchase of debt portfolios	125,447
Cash recoveries	(362,379)
Value of property	(4,929)
Increase/decrease in liabilities to debtors due to overpayments	320
Valuation of loyalty scheme	2,148
Revenue from debt purchase	261,305
Translation differences on debt portfolios (*)	14,731
Value of purchased debt portfolios as at Mar 31 2018	**3,186,592**

(*) Applicable to portfolios held by the subsidiaries whose functional currencies are other than the złoty.

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

Revenue

PLN '000	Jan 1 2018 - Mar 31 2018	Jan 1 2017 - Mar 31 2017
Revenue from debt purchase	264,428	242,626
Revenue from credit management	14,463	15,842
Revenue from other services	6,440	5,660
	285,331	264,128

Revenue from debt purchase

PLN '000	Jan 1 2018 - Mar 31 2018	Jan 1 2017 - Mar 31 2017
Interest income adjusted for actual recoveries	236,534	211,276
Revaluation of debt portfolios	22,890	28,717
Sale of debts	983	135
Foreclosure of property	4,195	2,281
Sale of property	1,673	882
Value of property sold	(1,846)	(665)
	264,428	242,626

Revaluation of debt portfolios

PLN '000	Jan 1 2018 - Mar 31 2018	Jan 1 2017 - Mar 31 2017
Revision of recovery forecast	21,944	33,328
Change due to change in discount rate	-	(347)
Foreign exchange gains/(losses)	945	(4,264)
	22,890	28,717

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

- risk premium;

- period for which cash flows are estimated,

- the value of expected future cash flows estimated using the current data and debt collection tools.

Other expenses

PLN '000	Jan 1 2018 - Mar 31 2018	Jan 1 2017 - Mar 31 2017
Court fees	(32,821)	(27,686)
Advertising	(1,145)	(1,568)
Raw materials and energy used	(3,053)	(2,786)
Taxes and charges	(7,345)	(8,432)
Staff training	(829)	(1,021)
Business trips	(1,363)	(1,493)
Entertainment expenses	(277)	(164)
Motor insurance	(480)	(460)
Losses from damage caused by motor vehicles	(224)	(224)
Property insurance	(195)	(117)
Other	(1,034)	(5,362)
	(48,766)	(49,313)

Finance income

PLN '000	Jan 1 2018 - Mar 31 2018	Jan 1 2017 - Mar 31 2017
Interest income on bank deposits	201	215
Net foreign exchange losses	-	5,133
	201	5,348

Finance costs

Interest expense on financial liabilities measured at amortised cost	(21,734)	(19,546)
Net foreign exchange losses	(8,927)	-
	(30,662)	(19,546)

Borrowings and finance lease liabilities

PLN '000	Mar 31 2017	Dec 31 2017
Non-current liabilities		
Secured borrowings	347,611	354,962
Liabilities under debt securities (unsecured)	1,279,158	1,276,772
Finance lease liabilities	2,959	4,962
	1,629,728	**1,636,696**
Current liabilities		
Short-term portion of secured borrowings	121,834	134,918
Liabilities under debt securities	122,825	121,491
Short-term portion of finance lease liabilities	5,619	4,117
	250,277	**260,527**

As at March 31st 2018, the KRUK Group's financial ratios were as follows:

1.05 – Debt Ratio

1.96 – Net Financial Debt / Cash EBITDA Ratio;

where:

Debt Ratio means the ratio of Net Financial Debt to Equity;

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

Equity means the KRUK Group's equity;

Financial Liabilities means total financial liabilities under:

- Bonds or other similar debt securities; or
- Non-bank borrowings; or
- Bank borrowings (credit facilities); 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 or 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
- Liabilities arising under derivatives contracts;

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

Earnings per share

'000	Jan 1 2018 - Mar 31 2018	Jan 1 2017 - Mar 31 2017
Number of ordinary shares as at Jan 1	18,808	18,744
Effect of cancellation and issue of shares	-	-
Weighted average number of ordinary shares as at Mar 31	18,808	18,744
PLN		
Earnings per share	4.82	6.16

'000	Jan 1 2018 - Mar 31 2018	Jan 1 2017 - Mar 31 2017
Number of ordinary shares as at Jan 1	18,808	18,744
Effect of issue of unregistered shares not subscribed for	440	403
Weighted average number of ordinary shares as at Mar 31 (diluted)	19,248	19,147
PLN		
Earnings per share (diluted)	4.71	6.03

Number of FTEs

number of FTEs	Mar 31 2017	Mar 31 2017
Number of FTEs	2,973	2,748
	2,973	2,748

Number of FTEs - number of concluded employment contracts and civil-law contracts, reflected in the cost of salaries.

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

- Revenue increased by 8%, from PLN 264.1m in Q1 2017 to PLN 285.3m in Q1 2018, primarily driven by investments in debt portfolios made in prior years,
- EBITDA (earnings before depreciation and amortisation) decreased by 7%, from PLN 135.1m in Q1 2017 to PLN 125.0m in Q1 2018, with Q1 2018 EBITDA margin at 44%,
- Operating profit dropped by 7%, from PLN 131.1m in Q1 2017 to PLN 120.0m in Q1 2018, with Q1 2018 operating profit margin at 42%,
- Net profit fell 21%, from PLN 115.5m in Q1 2017 to PLN 90.7m in Q1 2018, with Q1 2018 net profit margin at 32%,
- Diluted earnings per share attributable to owners of the parent decreased from PLN 6.03 in Q1 2017 to PLN 4.71 in Q1 2018,
- Total assets grew from PLN 3,101.7m at the end of Q1 2017 to PLN 3,665.1m at the end of Q1 2018,

- Net interest-bearing debt amounted to PLN 1,674.7m at the end of Q1 2018, compared with PLN 1,433.1m at the end of Q1 2017, with the net debt to equity ratio unchanged at 1.1.,
- Operating cash flow was positive at PLN 75.2m in Q1 2018, compared with a negative cash flow of PLN -45.2m in Q1 2017.

In the area of marketing activities, the KRUK Group recorded the following achievements:

- In the first quarter of 2018, the KRUK Group launched a new marketing campaign encouraging Poles to sort their finances. The campaign emphasises that each person has a different story to tell and a different approach to debt. It aims to convince debtors in Poland that avoiding paying off their debts – however small – has an adverse impact on their lives. At the end of the day, avoiding creditors is more energy consuming than actually dealing with the problem.
- ERIF BIG S.A. launched an online check-out-your-travel-agent campaign, encouraging people to verify tour operators' creditworthiness. We also prepared a 2017 database audit report for ERIF. What is important, we noted a massive increase in positive credit entries. Accordingly, we started promoting positive entries among ERIF's clients and business partners.
- In 2018, KRUK is celebrating its 20th anniversary. At the beginning of the year, we launched an anniversary campaign to communicate the event. We developed an anniversary logo and a range of information materials.
- Annual gala events for field consultants and contact centre staff were held in Poland, Romania and the Czech Republic. Such corporate events provide an important platform for sharing know-how and enhancing the competencies of our staff.

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

The key factor with a bearing on the current period's performance was investments in debt portfolios made in the current and previous periods.

Investments in debt portfolios purchased by the Company in Q1 2018 totalled PLN 125m. The total nominal value of the purchased portfolios was PLN 600m.

In the first quarter of 2018, recoveries from portfolios purchased by the KRUK Group totalled PLN 362m, up 17% year on year.

On March 23rd 2018, PROKURA NS FIZ won an auction to purchase a portfolio of secured and unsecured corporate debt from BGŻ BNP Paribas S.A. The nominal value of the portfolio is approximately PLN 394m.

As at March 31st 2018, the Group's investments in debt portfolios accounted for 88% of its assets. Equity accounted for 44% of the financing for the Group's operations.

8. Seasonality or cyclicality of business

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

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

On December 7th 2017, the Management Board of KRUK S.A. passed a resolution to establish the Fifth Public Bond Issue Programme with a total nominal value of up to PLN 500m, under which the Company may issue public bonds in PLN or EUR. The Bonds will be in book-entry form. In connection with the Programme, KRUK S.A. has prepared a base issue prospectus. The Company has filed the Prospectus and an application for its approval with the Polish Financial Supervision Authority. Individual series of Bonds under the Programme will be issued during the 12 months from the Prospectus approval by the Polish Financial Supervision Authority. Individual Bond issues may differ with respect to their final issue terms and conditions, in particular with respect to the rules of defining interest and the interest rate. Detailed issue terms and conditions of each Bond series will be defined in the Prospectus and in the final issue terms and conditions of individual Bond issues. On April 16th 2018, KRUK S.A. was notified that the Polish Financial Supervision Authority had approved the Prospectus prepared for the purposes of the Programme.

10. Dividends paid (or declared)

On April 18th 2018, the Annual General Meeting of KRUK S.A. passed Resolution No. 5/2018 on the allocation of KRUK S.A.'s 2017 net profit in line with the Management Board's recommendation.

The Annual General Meeting resolved to distribute the Company's entire net profit for 2017, of PLN 29,514,356.00, as dividends to the Company's shareholders. The General Meeting resolved to pay dividends of PLN 5 per share. The dividends will be distributed from the Company's net profit for 2017, of PLN 29,514 thousand, increased by PLN 64,525 thousand transferred from statutory reserve funds created out of retained earnings. Under the Resolution, the dividend record date was set for April 25th 2018, and the dividend payment date – for April 27th 2018. The dividend will be paid on 18,807 thousand KRUK S.A. shares.

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

In the period after closing of first quarter there were events that could significantly affect future results.

On April 16th and April 23rd 2018 there were concluded agreements between the subsidiary PROKURA NS FIZ and one of the largest banks in Poland. In connection with the signing of above contracts, the process of acquisition by PROKURA NS FIZ of unsecured retail debt portfolios with a nominal value approximately PLN 147 million and secured corporate debt portfolios with a nominal value approximately PLN 187 million from bank was completed.

On April 17th 2018 there was agreement concluded between the subsidiary PROKURA NS FIZ and Bank BGŻ BNP Paribas S.A. The subject of contract was the acquisition by PROKURA NS FIZ from bank unsecured retail debt portfolios and secured corporate debt portfolios with a total nominal value PLN 384 million. The transfer of ownership to the buyer took place on the date of conclusion of contract. The concluded contract does not contain any significant contractual penalties. Other terms of contract do not deviate from the conditions commonly used in this type of contracts.

With Resolution No. 20/2018 of April 18th 2018, the General Meeting of the Company authorized the Management Board to acquire Company's own shares. The authorization applies to the purchase of no more than 3 761 580 (three million seven hundred sixty-one thousand five hundred eighty) own shares at a price not higher than PLN 250 and not lower than PLN 1, from June 1st 2018 to May 31st 2021. Own shares acquired by the Company shall be allocated to redeem and reduce the Company's share capital. To finance the acquisition of shares by the Company its own, by Resolution No. 21/2018 of 18th April 2018, the General Meeting of KRUK S.A. separated from a spare capital amount of PLN 500,000,000 (five hundred million zlotys) and obliged the Company's Management Board to transfer it to reserve capital under the name "Funds for the acquisition of own shares" for settlement of joint purchase price of the Company's shares increased by the costs of purchasing the Company's shares.

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

Security for future liabilities

Following execution of a revolving facility agreement by PROKURA NS FIZ and KRUK S.A. with mBank S.A. on July 2nd 2015, as amended, in order to secure the repayment of Prokura NS FIZ's liabilities under the agreement:

- On January 18th 2018, PROKURA NS FIZ and mBank S.A. entered into three agreements to create registered pledges over a set of rights (debt portfolios held by PROKURA NS FIZ). On January 19th 2018, applications were filed with the court to enter the pledges in the pledge register. As at March 31st 2018, the Company has not yet received the court's decisions to enter the pledges in the pledge register. The registered pledges secure claims up to a maximum amount of PLN 150m. As at March 31st 2018, the total amount of the pledged assets in KRUK S.A.'s accounting books was PLN 62 081 thousand.

Following the conclusion on July 3rd 2017 of a revolving multi-currency credit facility agreement by KRUK S.A. and InvestCapital LTD with DNB Bank ASA, ING Bank Śląski S.A., Bank Zachodni WBK S.A. and mBank S.A., in order to secure the repayment of InvestCapital LTD's liabilities under the agreement:

- On January 15th 2018, InvestCapital LTD, DNB Bank ASA, ING Bank Śląski S.A., Bank Zachodni WBK S.A. and mBank S.A. concluded a pledge agreement under Spanish law over a portfolio purchased by InvestCapital LTD on the Spanish market.
- On February 19th 2018, InvestCapital LTD, DNB Bank ASA, ING Bank Śląski S.A., Bank Zachodni WBK S.A. and mBank S.A. concluded a pledge agreement under Spanish law over portfolios purchased by InvestCapital LTD on the Spanish market.

As at March 31st 2018, the value of portfolios pledged under these agreements is PLN 3 191 thousand.

13. Effects of changes in the structure of the Group, including through business combinations, acquisitions or divestments of Group entities, long-term investments, divisions, restructurings or discontinuation of operations

On April 16th 2018, KRUK S.A. concluded an agreement with a shareholder in Agecredit S.r.l. of Cesena, Italy, to acquire a 51% interest in the company.

The agreement provides for the acquisition of 51% of the shares in Agecredit. The agreement assumes a target holding of the company's entire share capital within the next few months. Agecredit is a credit management company operating in Italy. In 2017, the company generated EUR 3.1m in revenue.

14. Management Board's position on the feasibility of meeting previously published forecasts for the financial year

The Management Board of KRUK S.A. did not publish any forecasts concerning the performance of KRUK S.A. or its Group.

15. Shareholders holding, directly or indirectly, 5% or more of total voting rights at the General Meeting of the Company as at the report issue date, and changes in major holdings of Company shares since the issue of the previous interim report.

As at the date of issue of the previous periodic report (October 29th 2017)

Shareholder	Number of shares	Ownership interest (%)	Number of votes held	Share in total voting rights at GM (%)
Piotr Krupa	1,982,907	10.58	1,982,907	10.58
NN PTE*	2,100,000	11.20	2,100,000	11.20
Aviva OFE*	1,149,000	6.13	1,149,000	6.13

(*) Data based on the list of shareholders holding 5% or more of total voting rights at the Extraordinary General Meeting of KRUK S.A. held on May 15th 2017.

As at the date of issue of this interim report

Shareholder	Number of shares	Ownership interest (%)	Number of votes held	Share in total voting rights at GM (%)
NN PTE*	2,000,000	10.63	2,000,000	10.63
Piotr Krupa	1,963,407	10.44	1,963,407	10.44
Aviva PTE*	1,319,000	7.01	1,319,000	7.01

(*) Data based on the list of shareholders holding 5% or more of total voting rights at the Extraordinary General Meeting of KRUK S.A. held on April 18th 2018.

Information on changes in the structure of major holdings

From the issue of the previous quarterly report (the extended consolidated report for Q3 2018) to the date of issue of this interim report, the following changes took place in the holdings of Company shares by major shareholders of KRUK S.A.

- On December 18th 2017, the Company received a notification from Piotr Krupa, made under Article 19 of the MAR. According to the notification, Mr Krupa sold, in ordinary session transactions executed on the Warsaw Stock Exchange, 1,008 shares in KRUK S.A. at the average price of PLN 263.15 per share on December 13th 2017, 13,907 shares in KRUK S.A. at the average price of PLN

265.56 per share on December 14th 2017, and 4,585 shares in KRUK S.A. at the average price of PLN 265.98 per share on December 15th 2017.

16. Members of the management or supervisory personnel holding Company shares or rights to Company shares as at the date of issue of this interim report, and changes in their holdings after the issue of the previous interim report

Name and surname	Position	Number of shares held
Piotr Krupa	CEO and President of the Management Board	1,963,407
Agnieszka Kułton	Member of the Management Board	45,000
Urszula Okarma	Member of the Management Board	107,001
Iwona Słomska	Member of the Management Board	36,750
Michał Zasępa	Member of the Management Board	31,391
Tomasz Bieske	Member of the Supervisory Board	1,222

Apart from the change in the number of shares held by Piotr Krupa, President of the Management Board, in the period from the issue of the previous quarterly report (the consolidated report for Q3 2017, issued on October 29th 2018) to the date of issue of this interim report, there were no changes in the number of Company shares held by the other members of the Management Board.

To the best of the Company's knowledge, the other Supervisory Board members, except for Tomasz Bieske, did not hold any Company shares or rights to Company shares in the period from the issue of the previous quarterly report (the consolidated report for Q3 2017), i.e. from October 29th 2017 to the date of issue of this Q1 2018 report.

Incentive scheme at KRUK S.A.

Incentive scheme for 2015−2019

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

It is the second incentive scheme operated by the KRUK Group. Details of the previous 2011−2014 Incentive Scheme can be found in the Directors' Report on the operations of the KRUK Group in 2015.

The 2015−2019 Scheme is addressed to the key management personnel of KRUK S.A. and the other Group companies. Under the Scheme, eligible persons will have the right to acquire Series F Company shares on preferential terms set forth in the Resolution.

For the purposes of the 2015−2019 Incentive Scheme, the General Meeting approved a conditional share capital increase of up to PLN 847,950, through an issue of up to 847,950 Series F ordinary bearer shares. The right to subscribe for Series F shares may be exercised by holders of subscription warrants no later than on December 31st 2021.
Subscription warrants will be issued in five tranches, one for each year of the reference period, i.e. for the financial years 2015–2019.
Subscription warrants for a given financial year will be granted to eligible persons on condition that the annual EPS, calculated based on the Group's consolidated financial statements, increases, on an annualised average basis, by no less than 13% relative to the base year.
Details of the 2015−2019 Incentive Scheme can be found in the Directors' Report on the operations of the KRUK Group in 2016.

By way of its resolution of September 8th 2014, the Supervisory Board determined and approved Rules for the Management Stock Option Scheme for 2015−2019.

Tranche 1

On June 9th 2016, the Supervisory Board of KRUK S.A. passed a resolution confirming the fulfilment of the condition set forth in the Stock Option Scheme for offering Subscription Warrants under Tranche 1 for 2015. On June 17th 2016, the Company's Management Board passed a resolution to determine the list of persons other than Management Board members who were eligible to acquire Tranche 1 Subscription Warrants for 2015 under the 2015−2019 Scheme.
On this basis, on June 22nd 2016, the Management Board invited the eligible persons other than Management Board members to acquire Tranche 1 Subscription Warrants. As a result, 86,435 subscription warrants were delivered to the Eligible Persons on July 1st 2016.

On August 27th 2016, the Management Board passed a resolution determining the list of Management Board members eligible to acquire Tranche 1 Subscription Warrants for 2015 under the 2015−2019 Scheme. The list was changed by the Management Board's resolution of October 24th 2016, approved by the Supervisory Board's resolution of October 27th 2016. On this basis, the Supervisory Board invited the Management Board members to acquire Tranche 1 Subscription Warrants under the 2015−2019 Scheme. On October 27th 2016, 20,000 Subscription Warrants were delivered to the Eligible Persons who were Management Board members. By the issue date of this report, 63,684 warrants were converted into newly issued Series F shares in the Company.
Thus, 42,751 Tranche 1 Subscription Warrants, entitling their holders to subscribe for the same number of Series F shares, are held by the eligible persons. 20,000 of those warrants are held by the Management Board members.

Tranche 2

By way of the resolution which took effect on June 5th 2017, the Supervisory Board declared that the condition set forth in the Stock Option Scheme for offering subscription warrants under Tranche 2 for 2016 had been met.
On June 20th 2017, the Company's Management Board passed a resolution to determine the list of persons other than Management Board members who were eligible to acquire Tranche 2 subscription warrants for 2016 under the 2015−2019 Scheme.

On this basis, on July 4th 2017, the Management Board invited the eligible persons other than Management Board members to acquire Tranche 2 Subscription Warrants. As a result, 91,467 subscription warrants were delivered to the Eligible Persons on July 7th 2017.

On August 1st 2017, the Company’s Management Board passed a resolution to change the list of Management Board members eligible to participate in the 2015−2019 Scheme. The resolution was approved by the Supervisory Board on August 7th 2017. By its Resolution of August 10th 2017, the Company’s Management Board determined the list of Management Board members eligible to acquire Tranche 2 Subscription Warrants for 2016. On this basis, the Supervisory Board invited the eligible Management Board members to acquire Tranche 2 Subscription Warrants under the 2015−2019 Scheme. On August 24th 2017, 50,480 Subscription Warrants were delivered to the eligible Management Board members.

The Management Board members hold no rights to KRUK shares other than those attached to the subscription warrants presented below.

Name and surname	Position	Number of warrants held under Tranche 1 for 2015	Number of warrants held under Tranche 2 for 2016
Piotr Krupa	CEO and President of the Management Board	7,000	10,820
Urszula Okarma	Member of the Management Board	3,250	9,915
Agnieszka Kułton	Member of the Management Board	3,250	9,915
Iwona Słomska	Member of the Management Board	3,250	9,915
Michał Zasępa	Member of the Management Board	3,250	9,915

17. Litigation, arbitration or administrative proceedings

Proceedings with the largest value of claims, not exceeding 10% of KRUK S.A.'s equity

liabilities – 5 largest cases

Subject matter	*VALUE OF CLAIM [PLN]**	*Date instigated*	*Plaintiff*	*Defendant*	*Kruk S.A.'s position*
Abusive clauses and annulment of contract	PLN 52,160,916.00	06.09.2017	TUDOR RENY MADALINA	Banca Romaneasca and Investcapital LTD	The abusive clause claim upheld; no information available on a decision concerning the annulment of contract; ruling issued on March 28th, not yet final
Abusive clauses and annulment of contract	PLN 40,807,000.00	2017-07-18	Constantinescu Manolache and Constantinescu Eugenia	BCR, Secapital SaRL and Kruk Romania	Favourable ruling on the annulment of contract claim is expected; the claim is not sufficiently substantiated and justified.
Abusive clauses and annulment of contract	PLN 38,135,608.00	06.12.2016	MALAESCU CARMEN LUIZA as claimant, Kruk Romania and Investcapital as defendants	Kruk Romania, InvestCapital Ltd.	Favourable ruling on the annulment of contract claim is expected; the claim is not sufficiently substantiated and justified.
Abusive clauses and annulment of contract	PLN 27,744,992.00	18.01.2018	Cupin Agneta Rozalia and Cupin Gheorghe Zoltan as claimants, Investcapital LTD and Secapital SaRL as defendants	InvestCapital Ltd, Secapital S.a.r.l,	Favourable ruling on the annulment of contract claim is expected; the claim is not sufficiently substantiated and justified.
Abusive clauses and annulment of contract	PLN 26,519,992.00	01.02.2018	Carbunar George Vlad as claimant, BCR and Secapital as defendants	SeCapital S.à. r.l	Favourable ruling on the annulment of contract claim is expected; the claim is not sufficiently substantiated and justified.

claims – 5 largest cases

Subject matter	*VALUE OF CLAIM [PLN]**	*Date instigated*	*Plaintiff*	*Defendant*	*Kruk S.A.'s position*
bankruptcy proceedings	PLN 48,246,337.41	2008-04-23	INVESTCAPITAL LTD.	LABARO GRUPO INMOBILIARIO, S.A.	30% chance of payment in the long term (over 9 years)
bankruptcy proceedings	PLN 30,828,937.83	2011-03-17	PROKURA NSFIZ	LIBERTÓW Sp. z o.o. w upadłości (in bankruptcy)	Proceedings are pending. The receiver is continuing proceedings against the construction company; value of claim: PLN 20m; it is difficult to say whether there are any chances of receiving any funds from the bankruptcy estate; the case is still in the first instance court; the next hearing has been scheduled for April 2018.
bankruptcy proceedings	PLN 31,525,232.79	2015-02-26	PROKURA NSFIZ	ZAKŁADY PRZETWÓRSTWA TWORZYW EKO-PET Sp. z o.o. w upadłości likwidacyjnej (in liquidation bankruptcy)	Proceedings are pending. The company was sold in February 2017; in 2017, the Fund received PLN 1,505 thousand following performance of a plan of distribution of the proceeds from the sale of real property. In addition, we have taken steps to participate in the plan of distribution of the remaining proceeds from the sale of the company, i.e. proceeds from the sale of movables. After the plan of distribution is filed, we will consider lodging a claim.

bankruptcy proceedings	56,283,321.91	2002-07-29	BISON NSFIZ	STOCZNIA SZCZECIŃSKA PORTA HOLDING S.A. w upadłości likwidacyjnej (in liquidation bankruptcy)	The case has been pending since 2002; the claim for payment of several hundred thousand PLN (involving former members of the Management Board) remains to be resolved; the trial has lasted for 11 years; the next hearing is scheduled for April 2018. The final distribution plan prepared by the receiver provides for the distribution of funds to Group 4 creditors, including the Fund, which will satisfy approximately 1% of the acknowledged claims.
bankruptcy proceedings	PLN 51,236,631.55	2015-12-31	Arena N.p.l. One	Villani Giovanna	settlement agreement for the repayment of EUR 380,000; The client has paid EUR 300,000; we are waiting for the remaining part to be repaid.

The cases presented above are cases with the largest value of claims from among all court proceedings in which the Group is involved on a mass scale as part of its debt collection business.

Given the nature of the Group's business, placing assets under court proceedings is a typical step in the debt recovery process, provided for in the Group's operating procedures, and the related risk is taken into account in the fair value measurement of the debts.

(*) The value of the claim is based on the nominal value of debts, purchased by the Group for a considerably lower value.

Total number of court cases as at March 31st 2018

	Total number of cases	*Total amount (PLN)*
Total number of court proceedings (including bankruptcy proceedings) instigated by the Group companies and total value of the Group's claims	163,947	7,342,080,918.55
Total number of enforcement proceedings instigated by the Group and total value of claims	1,281,744	16,017,352,863.54
Total number of court proceedings instigated against Group companies and total value of claims (proceedings concerning the Company’s or its subsidiary’s liabilities)	9,166	801,167,733.90

18. Related-party transactions concluded by the Parent

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

PLN ’000	**Liabilities**	**Receivables**	**Loans advanced**	**Interest accrued on loans advanced**
SeCapital S.à. r.l	546,221	872	-	-
ERIF Business Solutions Sp. z o.o.	-	137	-	-
Novum Finance Sp. z o.o.	-	640	18,090	-
SeCapital Polska Sp. z o.o.	-	1	97	-
Kancelaria Prawna RAVEN Krupa & Stańko sp. k.	4,266	4,157	-	-
KRUK Romania S.r.l	539	5,138	78,737	786
Rejestr Dłużników ERIF BIG S.A.	49	370	-	-
NSFIZ PROKURA	6,507	7,411	-	-
KRUK Česká a Slovenská republika s.r.o.	28	6,213	30,161	51
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	-	3,840	-	-
InvestCapital Malta Ltd.	-	135	-	-
KRUK Deutschland GmbH	-	215	-	-
KRUK Deutschland (Branch)	-	27	-	-
Rocapital IFN S.A.	15	-	-	-
KRUK Italia S.r.l	-	190	-	-
ItaCapital S.r.l	-	163	-	-
KRUK Espana S.L.	-	153	-	-
Presco Investments S.a.r.l.*	-	203	-	-
P.R.E.S.C.O INVESTMENT I NS FIZ	-	-	-	-
NSFIZ BISON	-	7 817	-	-
	557,626	37,680	127,086	837

Revenue from mutual transactions

PLN '000	Revenue from sale of materials and services	Revenue from credit management services	Interest and dividends
SeCapital S.à. r.l	-	104	28,886
ERIF Business Solutions Sp. z o.o.	24	-	12
Novum Finance Sp. z o.o.	419	-	167
SeCapital Polska Sp. z o.o.	3	-	1
Kancelaria Prawna RAVEN Krupa & Stańko sp. k.	960	-	-
KRUK Romania S.r.l	498	-	862
Rejestr Dłużników ERIF BIG S.A.	218	-	-
NSFIZ PROKURA	-	-	-
KRUK Česká a Slovenská republika s.r.o.	291	-	204
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	-	11,895	-
InvestCapital Malta Ltd.	407	-	-
KRUK Deutschland GmbH	235	-	-
KRUK Deutschland (Branch)	52	-	-
Rocapital IFN S.A.	-	-	-
KRUK Italia S.r.l	235	-	-
ItaCapital S.r.l	98	-	-
KRUK Espana S.L.	210	-	-
Presco Investments S.a.r.l.	2,755	-	-
P.R.E.S.C.O INVESTMENT I NS FIZ	-	-	-
NSFIZ BISON	-	-	-
	6,406	12,000	30,133

Costs of mutual transactions

PLN '000	Purchase of services
Kancelaria Prawna RAVEN Krupa & Stańko sp. k.	237
KRUK Romania S.r.l	1,615
Rejestr Dłużników ERIF BIG S.A.	59
KRUK Česká a Slovenská republika s.r.o.	102
	2,014

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

In the reporting period, neither KRUK S.A. nor any of the Group companies issued any sureties or guarantees for repayment of loans to other business entities.

20. Other information relevant to the assessment of the staffing levels, assets, financial condition and financial performance, or changes in any of the foregoing, and information relevant to the assessment of the Company’s ability to meet its obligations

In the Company's opinion, there is no information − other than the information disclosed above − relevant for the assessment of the staffing levels, assets, financial condition and financial performance of KRUK S.A. or the KRUK Group, or for the assessment of the Company's or the Group's ability to meet their liabilities.

21. Factors with a potential bearing on the Group's results in the next quarter or in a longer term

KRUK S.A. has identified factors with a potential bearing on its performance in the next quarter or in a longer term. These are:

- changes in the macroeconomic environment,
- changes in interest rates,
- changes in the supply of debt portfolios,
- changes in the level of competition,
- changes in law and tax regulations,
- changes in access to financing sources,
- changes in foreign exchange rates.

Piotr Krupa
President of the Management Board

Agnieszka Kułton
Member of the Management Board

Urszula Okarma
Member of the Management Board

Iwona Słomska
Member of the Management Board

Michał Zasępa
Member of the Management Board

Monika Grudzień-Wiśniewska
Person responsible for maintaining the accounting records

Hanna Stempień
Person responsible for preparation of financial statements

Wrocław, April 26th 2018