



# **INTERIM CONDENSED EXTENDED CONSOLIDATED FINANCIAL REPORT**

for the period January 1st–March 31st 2019

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## I. Interim condensed consolidated financial statements

### 1. Consolidated financial highlights

Financial highlights	PLN '000		EUR '000	
	Jan 1-Mar 31 2019	Jan 1-Mar 31 2018	Jan 1-Mar 31 2019	Jan 1-Mar 31 2018
For the period				
Revenue	305,711	285,331	71,131	68,287
Operating profit	126,286	119,954	29,384	28,708
Profit before tax	94,099	89,494	21,895	21,418
Net profit attributable to owners of the Parent	97,832	90,669	22,763	21,699
Net cash from operating activities	50,813	75,193	11,823	17,996
Purchase of debt portfolios at prices as per agreement	(179,480)	(125,447)	(41,761)	(30,023)
Cash recoveries	426,682	362,379	99,278	86,727
Net cash from investing activities	(6,274)	(1,496)	(1,460)	(358)
Net cash from financing activities	611	(41,705)	142	(9,981)
Net change in cash	45,152	31,993	10,506	7,657
Diluted earnings per share	5.08	4.71	1.18	1.13
Average number of shares ('000)	18,887	18,808	18,887	18,808
Earnings per share	5.18	4.82	1.21	1.15
	<b>Mar 31</b>	<b>Dec 31</b>	<b>Mar 31</b>	<b>Dec 31</b>
<b>As at</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Total assets	4,626,616	4,482,177	1,075,632	1,042,367
Non-current liabilities	2,236,339	2,214,704	519,922	515,048
Current liabilities	562,387	534,723	130,748	124,354
Equity	1,827,890	1,732,750	424,962	402,965
Share capital	18,887	18,887	4,391	4,392
Book value per ordinary share	96.78	91.74	22.50	21.34

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

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

**for the reporting period**            **4.2978**  
**for the comparative period**    **4.1784**

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 are:

**for the reporting period**            **4.3013**  
**for the comparative period**    **4.3000**

## 2. Interim condensed consolidated statement of profit or loss

For the year ended March 31st 2019

PLN '000

	Note	Jan 1-Mar 31 2019	Jan 1-Mar 31 2018
<b>Continuing operations</b>			
Revenue	5	305,711	285,331
<i>including interest income on debt portfolios calculated using the effective interest rate method</i>		242,750	204,704
<i>including interest income on other financial instruments calculated using the effective interest rate method</i>		4,365	3,190
Other income		859	571
		306,570	285,902
Merchandise and materials sold		-	-
Employee benefits expense		(83,409)	(76,200)
Depreciation and amortisation		(10,110)	(5,045)
Services	5	(30,479)	(35,936)
Other expenses	5	(56,286)	(48,766)
		(180,284)	(165,947)
<b>Operating profit</b>		126,286	119,954
Finance income	5	28	201
Finance costs	5	(32,215)	(30,662)
<b>Net finance costs</b>		(32,187)	(30,461)
<b>Profit before tax</b>		94,099	89,494
Income tax		3,815	1,196
<b>Net profit for period</b>		97,914	90,690
<b>Net profit attributable to:</b>			
Owners of the Parent		97,832	90,669
Non-controlling interests		82	21
<b>Net profit for period</b>		97,914	90,690
<b>Earnings per share</b>			
Basic (PLN)		5.18	4.82
Diluted (PLN)		5.08	4.71

### 3. Interim condensed consolidated statement of comprehensive income

For the year ended March 31st 2019

PLN '000

	<i>Note</i>	Jan 1-Mar 31 2019	Jan 1-Mar 31 2018
<b>Net profit for period</b>		97,914	90,690
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Translation reserve		(5,264)	11,498
Cash flow hedges		195	2,425
Income tax on derivatives			-
<b>Items that will not be reclassified subsequently to profit or loss</b>			-
Income tax on other comprehensive income		-	-
<b>Other comprehensive income for period, net</b>		(5,069)	13,923
<b>Total comprehensive income for period</b>		92,845	104,613
<b>Total comprehensive income attributable to:</b>			
Owners of the Parent		92,763	104,592
Non-controlling interests		82	21
<b>Total comprehensive income for period</b>		92,845	104,613

## 4. Interim condensed consolidated statement of financial position

As at March 31st 2019

PLN '000

Note	Mar 31 2019	Data restated as at Jan 1 2018		
		IFRS 16	Dec 31 2018	Mar 31 2018
<b>Assets</b>				
Cash and cash equivalents	192,454	147,302	147,302	205,278
Trade receivables	30,661	28,143	28,143	24,541
Investments	5 4,187,965	4,156,970	4,156,970	3,239,140
Other receivables	25,498	23,088	23,088	63,945
Inventories	142	197	197	331
Property, plant and equipment	88,313	93,348	26,354	26,536
Goodwill	62,010	62,010	62,010	27,563
Other intangible assets	34,852	33,877	33,877	54,003
Other derivatives	2,034	1,450	1,450	6,347
Other assets	2,687	2,786	2,786	17,610
<b>Total assets</b>	<b>4,626,616</b>	<b>4,549,171</b>	<b>4,482,177</b>	<b>3,665,293</b>
<b>Equity and liabilities</b>				
<b>Liabilities</b>				
Other derivatives	4,304	3,870	3,870	2,542
Trade and other payables	148,065	176,054	176,054	137,717
Employee benefit obligations	52,740	44,678	44,678	32,945
Income tax payable	1,722	15,600	15,600	17,131
Liabilities under borrowings and other debt instruments	5 2,587,973	2,567,037	2,500,043	1,880,005
Deferred tax liability	3,922	9,182	9,182	5,478
<b>Total liabilities</b>	<b>2,798,726</b>	<b>2,816,421</b>	<b>2,749,427</b>	<b>2,075,818</b>
<b>Equity</b>				
Share capital	18,887	18,887	18,887	18,808
Share premium	300,097	300,097	300,097	293,581
Cash flow hedging reserve	(3,674)	(3,869)	(3,869)	2,425
Translation reserve	(59,033)	(53,769)	(53,769)	(45,121)
Other capital reserves	97,219	94,924	94,924	88,878
Retained earnings	1,473,916	1,376,084	1,376,084	1,230,777
<b>Equity attributable to owners of the Parent</b>	<b>1,827,412</b>	<b>1,732,354</b>	<b>1,732,354</b>	<b>1,589,348</b>
<b>Non-controlling interests</b>	<b>478</b>	<b>396</b>	<b>396</b>	<b>125</b>
<b>Total equity</b>	<b>1,827,890</b>	<b>1,732,750</b>	<b>1,732,750</b>	<b>1,589,473</b>
<b>Total equity and liabilities</b>	<b>4,626,616</b>	<b>4,549,171</b>	<b>4,482,177</b>	<b>3,665,293</b>

## 5. Interim condensed consolidated statement of changes in equity

For the year ended December 31st 2019 (PLN'000)

Note	Share capital	Share premium	Cash flow hedging reserve	Translation reserve	Other capital reserves	Retained earnings	Equity attributable to owners of the Parent	Non-controlling interests	Total equity
<b>Adjustment on transition to IFRS 9</b>	-	-	-	-	-	28,147	28,147	-	28,147
<b>Equity as at Jan 1 2018 following changes in accounting policies</b>	18,808	293,581	5,882	(56,619)	86,805	1,140,108	1,488,565	104	1,488,670
<b>Comprehensive income for period</b>									
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)	-	-	-	(3,457)	-	(3,457)
<b>Total comprehensive income for period</b>	-	-	(3,457)	11,498	-	90,669	98,710	21	98,731
<b>Contributions from and distributions to owners</b>									
- Share-based payments	-	-	-	-	2,073	-	2,073	-	2,073
- Issue of shares	-	-	-	-	-	-	-	-	-
<b>Total contributions from and distributions to owners</b>	-	-	-	-	2,073	-	2,073	-	2,073
<b>Total equity as at Mar 31 2018</b>	18,808	293,581	2,425	(45,121)	88,878	1,230,777	1,589,348	125	1,589,473
<b>Adjustment on transition to IFRS 9</b>	-	-	-	-	-	28,147	28,147	-	28,147
<b>Equity as at Jan 1 2018 following changes in accounting policies</b>	18,808	293,581	5,882	(56,619)	86,806	1,140,108	1,488,565	104	1,488,670
<b>Comprehensive income for period</b>									
Net profit for period	-	-	-	-	-	330,016	330,016	396	330,412
Other comprehensive income									
- Exchange differences on translating foreign operations	-	-	-	2,850	-	-	2,850	-	2,850
- Valuation of hedging instruments	-	-	(9,751)	-	-	-	(9,751)	-	(9,751)
Total other comprehensive income	-	-	(9,751)	2,850	-	-	(6,901)	-	(6,901)
<b>Total comprehensive income for period</b>	-	-	(9,751)	2,850	-	330,016	323,115	396	323,511
<b>Contributions from and distributions to owners</b>									
- Payment of dividends	-	-	-	-	-	(94,040)	(94,040)	(104)	(94,144)
- Issue of shares	79	6,516	-	-	-	-	6,595	-	6,595
- Share-based payments	-	-	-	-	8,118	-	8,118	-	8,118
<b>Total contributions from and distributions to owners</b>	79	6,516	-	-	8,118	(94,040)	(79,327)	(104)	(79,431)
<b>Total equity as at Dec 31 2018</b>	18,887	300,097	(3,869)	(53,769)	94,924	1,376,084	1,732,353	396	1,732,750
<b>Comprehensive income for period</b>									
Net profit for period	-	-	-	-	-	97,832	97,832	82	97,914
Other comprehensive income									
- Exchange differences on translating foreign operations	-	-	-	(5,264)	-	-	(5,264)	-	(5,264)
- Valuation of hedging instruments	-	-	195	-	-	-	195	-	195
Total other comprehensive income	-	-	195	(5,264)	-	-	(5,069)	-	(5,069)
<b>Total comprehensive income for period</b>	-	-	195	(5,264)	-	97,832	92,763	82	92,845
<b>Contributions from and distributions to owners</b>									
- Issue of shares	-	-	-	-	-	-	-	-	-
- Share-based payments	-	-	-	-	2,295	-	2,295	-	2,295
<b>Total contributions from and distributions to owners</b>	-	-	-	-	2,295	-	2,295	-	2,295
<b>Total equity as at Mar 31 2019</b>	18,887	300,097	(3,674)	(59,033)	97,219	1,473,916	1,827,412	478	1,827,890



## 6. Interim condensed consolidated statement of cash flows

For the year ended March 31st 2019

PLN '000

	<i>Note</i>	Jan 1- Mar 31
		2018
		Jan 1-Mar 31 2019
<b>Cash flows from operating activities</b>		
<b>Net profit for period</b>		97,914
<i>Adjustments</i>		
Depreciation of property, plant and equipment		7,076
Amortisation of intangible assets		3,034
Net finance costs		20,912
(Gain)/loss on sale of property, plant and equipment		(318)
Equity-settled share-based payments		2,295
Income tax		(3,815)
Change in loans advanced		(1,389)
Change in investments in debt portfolios and property	5	(36,259)
Change in inventories		55
Change in trade and other receivables		(3,539)
Change in other assets		99
Change in trade and other payables		(27,990)
Change in employee benefit obligations		8,062
Income tax paid		(15,323)
<b>Net cash from operating activities</b>		50,813
<b>Cash flows from investing activities</b>		
Interest received		28
Sale of intangible assets and property, plant and equipment		394
Purchase of intangible assets and property, plant and equipment		(6,696)
<b>Net cash from investing activities</b>		(6,274)
<b>Cash flows from financing activities</b>		
Proceeds from issue of debt securities		140,000
Increase in borrowings		270,783
Repayment of borrowings	5	(379,894)
Payments under lease contracts		(6,536)
Interest paid		(23,742)
<b>Net cash from financing activities</b>		611
Total net cash flows		45,152
Cash and cash equivalents at beginning of period		147,302
Cash and cash equivalents at end of period		192,454

## II. Interim condensed separate financial statements

### Separate financial highlights

Financial highlights	PLN '000		EUR '000	
	Jan 1-Mar 31 2019	Jan 1-Mar 31 2018	Jan 1-Mar 31 2019	Jan 1-Mar 31 2018
<b>For the period</b>				
Revenue	38,826	34,029	9,034	8,144
Operating profit	(17,366)	(17,193)	(4,041)	(4,115)
Profit before tax	(33,530)	(12,805)	(7,802)	(3,065)
Net profit	(37,934)	(9,444)	(8,826)	(2,260)
Net cash from operating activities	(26,536)	(7,996)	(6,174)	(1,914)
Net cash from investing activities	(48,292)	18,054	(11,236)	4,321
Net cash from financing activities	73,775	(7,006)	17,166	(1,677)
Net change in cash	(1,052)	3,052	(245)	731
Diluted earnings per share	(1.97)	(0.49)	(0.46)	(0.12)
Average number of shares ('000)	18,744	18,808	18,744	18,808
Earnings per share	(2.01)	(0.50)	(0.47)	(0.12)
<b>As at</b>	<b>Mar 31 2019</b>	<b>Dec 31 2018</b>	<b>Mar 31 2019</b>	<b>Dec 31 2018</b>
Total assets	2,468,764	2,400,199	573,958	558,186
Non-current liabilities	1,535,523	1,462,606	356,991	340,141
Current liabilities	398,795	367,704	92,715	85,513
Equity	534,445	569,889	124,252	132,532
Share capital	18,887	18,887	4,391	4,392
Book value per ordinary share	28.30	30.17	6.58	7.02

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

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

**for the reporting period**            **4.2978**  
**for the comparative period**    **4.1784**

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 are:

**for the reporting period**            **4.3013**  
**for the comparative period**    **4.3000**

## 1. Interim condensed separate statement of profit or loss

For the reporting period ended March 31st 2019

PLN '000

	Jan 1-Mar 31 2019	Jan 1-Mar 31 2018
Revenue	38,826	34,029
<i>including interest income on debt portfolios calculated using the effective interest rate method</i>	<i>5,158</i>	<i>4,924</i>
Other income	1,074	589
	<u>39,900</u>	<u>34,618</u>
Merchandise and materials sold	-	-
Employee benefits expense	(35,887)	(33,020)
Depreciation and amortisation	(4,698)	(3,298)
Services	(8,006)	(8,825)
Other expenses	(8,676)	(6,667)
	<u>(57,267)</u>	<u>(51,810)</u>
<b>Operating loss</b>	<b>(17,366)</b>	<b>(17,193)</b>
Finance income	2,901	30,147
Finance costs	(19,066)	(25,759)
<b>Net finance income</b>	<b>(16,164)</b>	<b>4,387</b>
<b>Profit before tax</b>	<b>(33,530)</b>	<b>(12,805)</b>
Income tax	(4,403)	3,361
<b>Net profit for period</b>	<b>(37,934)</b>	<b>(9,444)</b>
<b>Earnings per share</b>		
Basic (PLN)	(2.01)	(0.50)
Diluted (PLN)	(1.97)	(0.49)

## 2. Interim condensed separate statement of comprehensive income

For the reporting period ended March 31st 2019

PLN '000

Net profit attributable to non-controlling interests

	Jan 1-Mar 31 2019	Jan 1-Mar 31 2018
<b>Net profit/(loss) for period</b>	<b>(37,934)</b>	<b>(9,444)</b>
<b>Other comprehensive income</b>		
<b>Items that may be reclassified subsequently to profit or loss</b>		
Cash flow hedges	195	2,425
Income tax on derivatives		
<b>Items that will not be reclassified subsequently to profit or loss</b>	-	
Income tax on other comprehensive income		
<b>Other comprehensive income for period, net</b>	<b>195</b>	<b>2,425</b>
<b>Total comprehensive income for period</b>	<b>(37 739)</b>	<b>(7,019)</b>

### 3. Interim condensed separate statement of financial position

As at March 31st 2019

PLN '000

	Mar 31 2019	Data restated as at Jan 1 2018	Dec 31 2018	Mar 31 2018
<b>Assets</b>				
Cash and cash equivalents	8,099	9,151	9,151	19,971
Trade receivables from related entities	25,462	21,814	21,814	39,598
Trade receivables from other entities	3,645	2,811	2,811	5,960
Investments	197,708	176,905	176,905	173,525
Other receivables	14,774	7,223	7,223	14,479
Inventories	17	22	22	195
Property, plant and equipment	31,559	33,336	16,169	18,937
Intangible assets	16,186	16,547	16,547	15,708
Deferred tax asset	-	453	453	-
Other derivatives	2,034	1,450	1,450	6,347
Investments in subsidiaries	2,165,240	2,143,481	2,143,481	2,863,828
Other assets	4,041	4,173	4,173	3,859
<b>Total assets</b>	<b>2,468,764</b>	<b>2,417,366</b>	<b>2,400,199</b>	<b>3,162,406</b>
<b>Equity and liabilities</b>				
<b>Liabilities</b>				
Other derivatives	4,304	3,870	3,870	2,542
Trade and other payables	65,226	62,948	62,948	605,281
Employee benefit obligations	20,704	19,199	19,199	20,772
Income tax payable	1,062	12,295	12,295	17,131
Liabilities under borrowings and other debt instruments	1,839,083	1,749,165	1,731,998	1,802,764
Deferred tax liability	3,939	-	-	7,959
<b>Total liabilities</b>	<b>1,934,319</b>	<b>1,847,477</b>	<b>1,830,310</b>	<b>2,456,449</b>
<b>Equity</b>				
Share capital	18,887	18,887	18,887	18,808
Share premium	300,097	300,097	300,097	293,581
Cash flow Hedging reserve	(3,674)	(3,869)	(3,869)	2,425
Other capital reserves	97,219	94,924	94,924	88,879
Retained earnings	121,916	159,850	159,850	302,264
<b>Total equity</b>	<b>534,445</b>	<b>569,889</b>	<b>569,889</b>	<b>705,957</b>
<b>Total equity and liabilities</b>	<b>2,468,764</b>	<b>2,417,366</b>	<b>2,400,199</b>	<b>3,162,406</b>

#### 4. Interim condensed separate statement of changes in equity

For the reporting period ended March 31st 2019  
PLN '000

	Share capital	Share premium	Hedging reserve	Other capital reserves	Retained earnings	Total equity
<b>Total equity as at Dec 31 2017</b>	18,808	293,581	5,882	86,806	309,548	714,625
<b>Adjustment on transition to IFRS 9</b>	-	-	-	-	2,160	2,160
<b>Equity as at Jan 1 2018</b>	18,808	293,581	5,882	86,806	311,708	716,785
<b>Comprehensive income for period</b>						
Net profit for period	-	-	-	-	(9,444)	(9,444)
Other comprehensive income	-	-	-	-	-	-
- Valuation of hedging instruments	-	-	(3,457)	-	-	(3,457)
<b>Total comprehensive income for period</b>	-	-	(3,457)	-	(9,444)	(12,901)
<b>Contributions from and distributions to owners</b>						
- Share-based payment	-	-	-	2,073	-	2,073
<b>Total contributions from and distributions to owners</b>	-	-	-	2,073	-	2,073
<b>Total equity as at Mar 31 2018</b>	18,808	293,581	2,425	88,879	302,264	705,957
<b>Total equity as at Dec 31 2017</b>	18,808	293,581	5,882	86,806	309,548	714,625
<b>Adjustment on transition to IFRS 9</b>	-	-	-	-	2,160	2,160
<b>Equity as at Jan 1 2018 following changes in accounting policies</b>	18,808	293,581	5,882	86,806	311,708	716,785
<b>Comprehensive income for period</b>						
Net profit for period	-	-	-	-	(57,818)	(57,818)
Other comprehensive income	-	-	-	-	-	-
- Valuation of hedging instruments	-	-	(9,751)	-	-	(9,751)
<b>Total comprehensive income for period</b>	-	-	(9,751)	-	(57,818)	(67,569)
<b>Contributions from and distributions to owners</b>						
- Payment of dividends	-	-	-	-	(94,040)	(94,040)
- Share-based payments	-	-	-	8,118	-	8,118
- Issue of shares	79	6,516	-	-	-	6,595
<b>Total contributions from and distributions to owners</b>	79	6,516	-	8,118	(94,040)	(79,327)
<b>Total equity as at Dec 31 2018</b>	18,887	300,097	(3,869)	94,924	159,850	569,889
<b>Equity as at Jan 1 2019</b>	18,887	300,097	(3,869)	94,924	159,850	569,889
<b>Comprehensive income for period</b>						
Net profit for period	-	-	-	-	(37,934)	(37,934)
Other comprehensive income	-	-	-	-	-	-
- Valuation of hedging instruments	-	-	195	-	-	195
<b>Total comprehensive income for period</b>	-	-	195	-	(37,934)	(37,738)
<b>Contributions from and distributions to owners</b>						
- Share-based payments	-	-	-	2,295	-	2,295
<b>Total contributions from and distributions to owners</b>	-	-	-	2,295	-	2,295
<b>Total equity as at Mar 31 2019</b>	18,887	300,097	(3,674)	97,219	121,916	534,445

## 5. Interim condensed separate statement of cash flows

For the reporting period ended March 31st 2019

PLN '000

<i>Note</i>	<b>Jan 1-Mar 31 2019</b>	<b>Jan 1-Mar 31 2018</b>
<b>Cash flows from operating activities</b>		
<b>Net profit for period</b>	(37,934)	(9,444)
<i>Adjustments</i>		
Depreciation of property, plant and equipment	3,090	2,056
Amortisation of intangible assets	1,344	1,243
Change in debt portfolios purchased	3,403	(4,197)
Change in other investments	-	-
Net finance income	16,342	(9,086)
(Gain)/loss on sale of property, plant and equipment	(58)	(181)
Equity-settled share-based payment transactions	2,295	2,073
Income tax	4,403	(3,361)
Change in inventories	5	(25)
Change in receivables	(12,033)	11,464
Change in prepayments and accrued income	132	274
Change in current liabilities, excluding financial liabilities	2,204	(690)
Change in employee benefit obligations	1,505	3,099
Income tax paid	(11,233)	(1,219)
<b>Net cash from operating activities</b>	(26,536)	(7,996)
<b>Cash flows from investing activities</b>		
Interest received	113	14
Loans advanced	(29,209)	(12,433)
Sale of intangible assets and property, plant and equipment	367	559
Dividends received	-	26,898
Disposal of financial assets	3,078	7,500
Purchase of intangible assets and property, plant and equipment	(2,616)	(2,332)
Acquisition of financial assets	(24,208)	(16,839)
Repayment of loans advanced	4,183	14,687
<b>Net cash from investing activities</b>	(48,292)	18,054
<b>Cash flows from financing activities</b>		
Proceeds from bond issue	140,000	-
Increase in borrowings	134,973	113,703
Repayment of borrowings	(182,951)	(102,438)
Redemption of debt instruments	-	-
Payments under finance lease contracts	(2,513)	(1,780)
Interest paid	(15,734)	(16,490)
<b>Net cash from financing activities</b>	73,775	(7,006)
Total net cash flows	(1,052)	3,052
Cash and cash equivalents at beginning of period	9,151	16,917
Cash and cash equivalents at end of period	8,099	19,971

### III. Notes to the consolidated 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 registration: 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 2019 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 2019, the Management Board of the Parent consisted of:

**Piotr Krupa**

**Agnieszka Kulon**

**Urszula Okarna**

**Iwona Słomska**

**Michał Zasępa**

President of the Management Board

Member of the Management Board

Member of the Management Board

Member of the Management Board

Member of the Management Board

In Q1 2019 and by the issue date of this interim report, the composition of the Management Board of KRUK S.A. did not change.

In Q1 2019 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:



<b>Piotr Stępnia</b>	Chairman of the Supervisory Board
<b>Katarzyna Beuch</b>	Member of the Supervisory Board
<b>Tomasz Bieske</b>	Member of the Supervisory Board
<b>Arkadiusz Orlin Jastrzębski</b>	Member of the Supervisory Board
<b>Krzysztof Kawalec</b>	Member of the Supervisory Board
<b>Robert Koński</b>	Member of the Supervisory Board
<b>Józef Wancer</b>	Member of the Supervisory Board.

## KRUK Group

As at the issue date of this report, the Group comprised KRUK S.A. of Wrocław and 23 subsidiaries:

Subsidiary	Registered office	Principal business activity
Kancelaria Prawna Raven P. Krupa sp.k.	Wrocław	Comprehensive support for litigation and enforcement proceedings as part of debt collection processes carried out by the KRUK Group and its partners.
ERIF Biuro Informacji Gospodarczej S.A.	Warsaw	Collection, processing and provision of credit information on natural persons and businesses.
KRUK Romania S.r.l	Bucharest	Management of debt portfolios purchased by the KRUK Group, credit management services.
Secapital S.a r.l.	Luxembourg	Special-purpose securitisation vehicle which invests in debt or debt-backed assets.
Prokura NS FIZ securitisation fund	Wrocław	Fund employing professional risk assessment and credit management methodologies; All certificates issued by the fund are held directly and indirectly by KRUK S.A.
Secapital Polska sp. z o.o.	Wrocław	Management of securitised debt.
ERIF Business Solutions Sp. z o.o.	Wrocław	Financial and agency services and support for small and medium-sized enterprises.
NOVUM FINANCE sp. z o.o.	Wrocław	Granting consumer loans.
KRUK Česka a Slovenska republika s.r.o.	Hradec Kralove	Management of debt portfolios purchased by the KRUK Group, credit management services.
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	Wrocław	Management of Prokura NS FIZ, P.R.E.S.C.O. Investment I NS FIZ, and Bison NS FIZ funds.
InvestCapital Ltd.	Malta	Special purpose vehicle investing in debt portfolios or assets related to debt portfolios.
RoCapital IFN S.A.	Bucharest	Granting consumer loans.
KRUK Deutschland GmbH	Berlin	Management of debt portfolios purchased by the KRUK Group, credit management services.

KRUK Italia S.r.l	Milan	Credit management services, collection of debt portfolios purchased by the KRUK Group companies in Italy.
ItaCapital S.r.l	Milan	Investing in debt or debt-backed assets.
KRUK Espana S.L.	Madrid	Credit management services, collection of debt portfolios purchased by the KRUK Group companies in Spain as well as debt trading.
ProsperoCapital S.à r.l.	Luxembourg	Special-purpose securitisation vehicle which invests in debt or debt-backed assets.
P.R.E.S.C.O. Investment I NS FIZ securitisation fund	Wrocław	Fund employing professional risk assessment and credit management methodologies; All certificates issued by the fund are held by Presco Investments S.a r.l.
Presco Investments S.a r.l.	Luxembourg	Special-purpose securitisation vehicle which invests in debt or debt-backed assets.
Elleffe Capital S.r.l.	La Spezia	Investing in debt or debt-backed assets.
Zielona Perła Sp. z o.o.	Wrocław	The company's 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.	Cesena	A credit management company operating in Italy.
Bison NS FIZ (closed-end investment fund)	Wrocław	Fund employing professional risk assessment and credit management methodologies; All certificates issued by the fund are held by KRUK S.A.

All the subsidiaries listed above were consolidated in these condensed consolidated financial statements as at March 31st 2019 and for the period from January 1st to March 31st 2019.



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:

	Shareholding (%)		
	Country	Mar 31 2019	Dec 31 2018
SeCapital S.à r.l. <sup>1</sup>	Luxembourg	100%	100%
ERIF Business Solutions Sp. z o.o.	Poland	100%	100%
SeCapital Polska Sp. z o.o.	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 P. Krupa Spółka komandytowa	Poland	98%	98%
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	Poland	100%	100%
KRUK Česká a Slovenská republika s.r.o.	Czech	100%	100%
Prokura NS FIZ <sup>1</sup>	Poland	100%	100%
InvestCapital Ltd <sup>1</sup>	Malta	100%	100%
RoCapital IFN S.A.	Romania	100%	100%
Kruk Deustschland GmbH	Germany	100%	100%
KRUK Italia S.r.l	Italy	100%	100%
ItaCapital S.r.l	Italy	100%	100%
KRUK Espana S.r.l	Spain	100%	100%
ProsperoCapital S.a.r.l. <sup>2</sup>	Luxembourg	100%	100%
Presco Investments S.a.r.l. <sup>1</sup>	Luxembourg	100%	100%
Presco Investments I NS FIZ <sup>1</sup>	Poland	100%	100%
BIZON NS FIZ <sup>1</sup>	Poland	100%	100%
Elleffe Capital S.r.l. <sup>1</sup>	Italy	100%	100%
Corbul S.r.l <sup>3</sup>	Romania	-	-
AgeCredit S.r.l.	Italy	100%	100%
Zielona Perła Sp. z o.o.	Poland	100%	100%

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

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

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

## 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").

This interim consolidated financial report of the Group has 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

This consolidated financial report has been prepared for the reporting period from January 1st to March 31st 2019. The comparative data is presented as at December 31st 2018 and for the period from January 1st to March 31st 2018.

This interim consolidated financial report has been prepared based on the following measurement concepts:

- amortised cost calculated using the effective interest rate method including impairment losses
  - for credit-impaired assets,
  - financial assets held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and
  - other financial liabilities,
- fair value – for derivatives.

The reported data has not been audited.

The data contained in this consolidated financial report 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 this interim condensed financial report 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, this interim consolidated financial report has 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 2018.

The Group adopted IFRS 16 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 2019, the Group completed an assessment of the impact which the adoption of the standard would have in all areas.

In accordance with IFRS 16 the entity classifies long-term lease contracts as finance leases, disclosing in its financial statements the right-of-use assets and lease liabilities measured at the present value of the lease payments that are not paid as of January 1st 2019, including fixed net payments less any lease incentives due. The right-of-use assets were recognised at the same amounts as the lease liabilities due to the absence of contractual provisions that could create provisions for additional charges or provisions related to the disassembly of leased facilities or items.

As at the date of initial application of the Standard, the Group elected to adapt the grandfathering clause and not to conduct a reassessment of whether a contract contains a lease. As a consequence, the Group classified the following lease, rental and usufruct agreements and other innominate contracts transferring the right to use an asset for an agreed period of time to the Group as the lessee in exchange for a payment or a series of payments, as leases falling within the scope of IFRS 16:

- lease of buildings and premises where Group entities conduct business activities,
- lease of passenger cars, which do not meet the criteria of disclosure in a balance sheet,
- rental of photocopying equipment.

The Group has not identified any other items whose classification or measurement would change as a result of the adoption of IFRS 16.

The impact of amended IFRS 16 on individual items of the statement of financial position is presented below:

**As at December 31st 2018**

PLN '000

	Jan 1 2019 – restated	Impact of IFRS 16	Dec 31 2018
<b>Assets</b>			
Cash and cash equivalents	147,302	-	147,302
Trade receivables	28,143	-	28,143
Investments	4,156,970	-	4,156,970
Other receivables	23,088	-	23,088
Inventories	197	-	197
Property, plant and equipment	93,348	66,994	26,354
Goodwill	62,010	-	62,010
Other intangible assets	33,877	-	33,877
Other derivatives	1,450	-	1,450
Other assets	2,786	-	2,786
<b>Total assets</b>	<b>4,549,171</b>	<b>66,994</b>	<b>4,482,177</b>

**As at December 31st 2018**

PLN '000

	Jan 1 2018 – restated	Impact of IFRS 16	Dec 31 2018
<b>Liabilities</b>			
Hedge derivatives	3,870	-	3,870
Trade and other payables	176,054	-	176,054
Employee benefit obligations	44,678	-	44,678
Income tax payable	15,600	-	15,600
Liabilities under borrowings and other debt instruments	2,567,037	66,994	2,500,043
Deferred tax liability	9,182	-	9,182
<b>Total liabilities</b>	<b>2,816,421</b>	<b>66,994</b>	<b>2,749,427</b>
<b>Equity</b>			
Share capital	18,887	-	18,887
Share premium	300,097	-	300,097
Cash flow hedging reserve	(3,869)	-	(3,869)
Translation reserve	(53,769)	-	(53,769)
Other capital reserves	94,924	-	94,924
Retained earnings	1,376,084	-	1,376,084
<b>Equity attributable to owners of the Parent</b>	<b>1,732,354</b>	<b>-</b>	<b>1,732,354</b>
<b>Non-controlling interests</b>	<b>396</b>	<b>-</b>	<b>396</b>
<b>Total equity</b>	<b>1,732,750</b>	<b>-</b>	<b>1,732,750</b>
<b>Total equity and liabilities</b>	<b>4,549,171</b>	<b>66,994</b>	<b>4,482,177</b>

### 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 16 <i>Leases</i>	<p>IFRS 16 supersedes IAS 17 <i>Leases</i> and related Interpretations. For lessees, the new Standard eliminates the existing distinction between finance and operating leases and discloses most leases in the statement of financial position.</p> <p>Under IFRS 16, a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For such contracts, the new model requires lessees to recognise a right-of-use asset and a lease liability in the statement of financial position. Rights of use are amortised, and interest is charged on the lease liability. This will increase initial lease costs, even where lease parties have agreed on fixed annual payments.</p> <p>The new Standard provides for a number of exemptions with limited applicability, including:</p> <ul style="list-style-type: none"> <li>• leases with a lease term of 12 months or less and containing no purchase options, and</li> <li>• leases where the underlying asset has a low value.</li> </ul>	Effect on the consolidated statement of financial position is amounted to PLN 66,994 thousand.	January 1st 2019



	Lessors will continue to classify leases as either operating or finance leases and thus recognise most leases without any changes.		
<i>IFRIC 23 Uncertainty over Income Tax Treatments</i>	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 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-weighted 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.	The Interpretation has no material effect on consolidated financial statement.	January 1st 2019
<i>Amendments to IFRS 9 Financial Instruments</i>	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 Standard has no material effect on consolidated financial statement	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
<p>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates</i>)</p>	<p>The amendments clarify that in the case of a transaction with an associate or joint venture, the extent to which the gain or loss related to the transaction should be recognised depends on whether the assets sold or contributed to an associate or joint venture constituted a business:</p> <ul style="list-style-type: none"> <li>the gain or loss is recognised in full where the contributed assets meet the definition of a business (irrespective of whether such business has the form of a subsidiary or not). the partial gain or loss is recognised when the transaction involves assets that do not constitute a business, even if those assets were part of a subsidiary.</li> </ul>	<p>The Group is currently estimating the effect of the new Standard on its consolidated financial statements.</p>	<p>January 1st 2016</p> <p><i>(The European Commission has decided to indefinitely postpone endorsement of these amendments)</i></p>
<p>IFRS 17 <i>Insurance Contracts</i></p>	<p>IFRS 17 replaces the transitional IFRS 4 <i>Insurance Contracts</i> introduced in 2004. IFRS 4 allowed entities to continue the recognition of insurance contracts in accordance with the local accounting policies based on national standards, which resulted in the application of many different solutions.</p> <p>IFRS 17 solves the comparability problem created by IFRS 4 by requiring consistent recognition of all insurance contracts, to the benefit of both investors and insurers. Contractual obligations will be recognised at present value rather than historical cost.</p>	<p>The Group does not expect the amendments to have a significant impact on its consolidated financial statements.</p>	<p>January 1st 2021</p>

Standards and Interpretations not yet endorsed by the EU	Type of expected change in accounting policies	Possible effect on the financial statements	Effective for periods beginning on or after
Amendments to IAS 28 <i>Investments in Associates and Joint Ventures</i>	The amendments clarify that entities apply IFRS 9 <i>Financial Instruments</i> to investments in associates and joint ventures which are not accounted for using the equity method.	The amendments has no material effect on consolidated financial statement.	January 1st 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	<p>The Annual Improvements to IFRS Standards 2014–2016 Cycle contain four amendments. The key amendments:</p> <ul style="list-style-type: none"> <li>• clarify that the entity elects to remeasure an investment in a joint venture when it obtains control of the joint venture in accordance with IFRS 3 <i>Business Combinations</i>;</li> <li>• clarify that an entity does not remeasure an investment in a joint venture when it obtains joint control of a joint venture in accordance with IFRS 11 <i>Joint Arrangements</i>;</li> <li>• clarify that an entity should always recognise the tax consequences of dividends in profit or loss, other comprehensive income or equity, depending on where the transaction or event that gave rise to the recognition of the dividend was recognised; and</li> </ul> <p>clarify that an entity should derecognise from borrowed funds without a specific purpose those funds specifically borrowed to finance the acquisition of a qualifying asset until substantially all the activities necessary to prepare the qualifying asset for its intended use or sale have been completed; funds borrowed specifically to fund</p>	The amendments has no material effect on consolidated financial statement.	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
	the acquisition of a qualifying asset are not funds borrowed to fund the acquisition of a qualifying asset after the qualifying asset is ready for its intended use or sale.		
Amendments to IAS 19 <i>Employee Benefits</i> (Plan Amendment, Curtailment or Settlement)	<p>The amendments to IAS 19 explain how entities recognise expenses when there is a change in a defined benefit plan.</p> <p>The changes require the entity to use current assumptions in the event of a plan amendment, curtailment or settlement in order to determine the current service cost and net interest for the remaining reporting period from the plan amendment date.</p>	The amendments has no material effect on consolidated financial statement.	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
Amendments to IFRS 3 <i>Business Combinations</i>	The amendments narrow and clarify the definition of a business, and also provide for a simplified evaluation of whether a set of assets and activities is an asset group rather than a business.	The Group does not expect the amendments to have a significant impact on its consolidated financial statements.	1 January 2020
Amendments to IAS 1 <i>Presentation of Financial Statements</i> and IAS 8	The amendments align and clarify the definition of 'material' and set out guidelines intended to increase the consistency of application of this concept in international financial reporting standards.	The Group does not expect the amendments to have a significant impact on its consolidated financial statements.	1 January 2020

### 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 metrics for each reporting segment are gross margin and EBITDA, whose are disclosed in the management's internal reports reviewed by the President of the Management Board of the Parent. A segment's gross margin and EBITDA are used to measure the segment's performance, as the management believes the gross margin and EBITDA to be the most appropriate metrics 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. A review of overhead expenses in Poland was carried out at the beginning of 2019, leading to a change in how overhead expenses of the Head Office are allocated among the individual countries, with the change effective from January 2019.

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 2019

	Poland	Romania	Italy	Other foreign markets	TOTAL
<b>Revenue</b>	<b>146,312</b>	<b>75,434</b>	<b>45,431</b>	<b>38,534</b>	<b>305,711</b>
Purchased debt portfolios	132,941	72,090	41,713	33,921	280,665
Credit management services	6,359	3,158	3,718	4,613	17,848
Other products	7,012	186	-	-	7,198
<b>Direct and indirect costs</b>					<b>(127,436)</b>
Purchased debt portfolios	-	-	-	-	(110,559)
Credit management services	-	-	-	-	(14,097)
Other products	-	-	-	-	(2,780)
<b>Gross margin <sup>1</sup></b>					<b>178,275</b>
Purchased debt portfolios	-	-	-	-	170,106
Credit management services	-	-	-	-	3,751
Other products	-	-	-	-	4,418
Administrative expenses	-	-	-	-	(39,918)
<b>EBITDA <sup>2</sup></b>	<b>74,944</b>	<b>49,043</b>	<b>7,111</b>	<b>7,259</b>	<b>138,357</b>
Depreciation and amortisation	-	-	-	-	(10,110)
Other income	-	-	-	-	859
Other expenses (unallocated)	-	-	-	-	(2,821)
Finance income/(costs)	-	-	-	-	(32,187)
Profit before tax	-	-	-	-	94,098
Income tax	-	-	-	-	3,815
<b>Net profit</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>97,914</b>
<b>Carrying amount of debt portfolios</b>	<b>1,903,012</b>	<b>947,148</b>	<b>744,267</b>	<b>513,302</b>	<b>4,107,729</b>
<b>Cash recoveries</b>	<b>200,977</b>	<b>131,052</b>	<b>40,587</b>	<b>54,066</b>	<b>426,682</b>

<sup>1</sup> Gross margin = operating income – operating expenses

<sup>2</sup> EBITDA = operating profit – depreciation and amortisation – other income – other expenses (unallocated)

A review of overhead expenses in Poland was carried out at the beginning of 2019, leading to a change in how overhead expenses of the Head Office are allocated among the individual countries, with the change effective from January 2019.

## For the reporting period ended March 31st 2018

	Poland	Romania	Italy	Other foreign markets	TOTAL
<b>Revenue</b>	<b>142,029</b>	<b>111,803</b>	<b>25,248</b>	<b>6,251</b>	<b>285,331</b>
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
<b>Direct and indirect costs</b>					<b>(121,010)</b>
Purchased debt portfolios	-	-	-	-	(107,169)
Credit management services	-	-	-	-	(11,379)
Other products	-	-	-	-	(2,462)
<b>Gross margin</b>					<b>164,321</b>
Purchased debt portfolios	-	-	-	-	157,259
Collection services	-	-	-	-	3,084
Other products	-	-	-	-	3,978
Administrative expenses	-	-	-	-	(38,226)
<b>EBITDA (**)</b>	<b>59,242</b>	<b>88,017</b>	<b>(1,576)</b>	<b>(19,610)</b>	<b>126,073</b>
Depreciation and 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
<b>Net profit</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>90,690</b>
<b>Carrying amount of debt portfolios</b>	<b>1,492,373</b>	<b>869,857</b>	<b>545,642</b>	<b>278,719</b>	<b>3,186,592</b>
<b>Cash recoveries</b>	<b>169,202</b>	<b>129,553</b>	<b>29,571</b>	<b>34,053</b>	<b>362,379</b>

<sup>1</sup> Gross margin = operating income – operating expenses

<sup>2</sup> EBITDA = operating profit – depreciation and amortisation – other income – other expenses (unallocated)

A review of overhead expenses in Poland was carried out at the beginning of 2019, leading to a change in how overhead expenses of the Head Office are allocated among the individual countries, with the change effective from January 2019.



## Investments

## KRUK Group

## Debt portfolios

PLN '000

<b>Value of purchased debt portfolios as at Dec 31 2017</b>	<b>3,120,562</b>
<b>Impact of changes in accounting policies following application of IFRS 9</b>	<b>29,582</b>
<b>Value of purchased debt portfolios as at Jan 1 2018</b>	<b>3,150,144</b>
Purchase of debt portfolios	1,394,581
Purchase price adjustment for discount	(245)
Cash recoveries	(1,576,775)
Increase/(decrease) in liabilities to debtors due to overpayments	589
Valuation of loyalty scheme	6,283
Payments from original creditor	(5,452)
Revenue from debt purchase (interest and revaluation)	1,069,997
Translation differences on debt portfolios	38,596
<b>Value of purchased debt portfolios as at Dec 31 2018</b>	<b>4,077,718</b>
<b>Value of purchased debt portfolios as at Dec 31 2018</b>	<b>4,077,718</b>
Purchase of debt portfolios	179,480
Purchase price adjustment for discount	-
Cash recoveries	(426,682)
Increase/(decrease) in liabilities to debtors due to overpayments	1,005
Valuation of loyalty scheme	1,144
Payments from original creditor	-
Revenue from debt purchase (interest and revaluation)	280,665
Translation differences on debt portfolios	(5,601)
<b>Value of purchased debt portfolios as at Mar 31 2019</b>	<b>4,107,729</b>

The following assumptions were made in the valuation of debt portfolios:

	<b>31.03.2019</b>	<b>31.12.2018</b>
Discount rate		
- risk premium <sup>1</sup>	8,10% - 420,22%	8,10% - 420,22%
Period for which recoveries have been estimated	April 2019 - June 2035	January 2019 - December 2034
Nominal value of expected future recoveries	7 197 430	7 239 219

<sup>1</sup> Applicable to 99% of debt portfolios.

Projected schedule of recoveries from debt portfolios (nominal value):

<i>PLN '000</i>	<b>Mar 31 2019</b>	<b>Dec 31 2018</b>
<b>Period</b>		
Up to 12 months	1,652,251	1,610,716
From 1 to 2 years	1,507,218	1,502,130
From 2 to 3 years	1,260,760	1,255,767
From 3 to 4 years	953,387	966,812
From 4 to 5 years	630,377	647,285
Over 5 years	1,193,437	1,256,508
	<b>7,197,430</b>	<b>7,239,218</b>

### *Investment property*

As part of its operating activities, the Group forecloses properties securing acquired debt. A portion of recoveries is derived from the sale of such properties on the open market.

<i>PLN '000</i>	
<b>Value of property held as at Dec 31 2018</b>	<b>35,106</b>
Value of foreclosed property	3,388
Value of property sold	(3,585)
Income from sale of property	(126)
<b>Value of property held as at Mar 31 2019</b>	<b>34,783</b>

### **KRUK S.A.**

#### *Debt portfolios*

<i>PLN '000</i>	
<b>Value of purchased debt portfolios as at Dec 31 2017</b>	34,474
<b>Impact of changes in accounting policies following application of IFRS 9</b>	2,226
<b>Value of purchased debt portfolios as at Jan 1 2018</b>	36,700
Cash recoveries	(44,653)
Revenue from debt purchase (interest and revaluation)	46,609
Foreclosure of property	144
<b>Value of purchased debt portfolios as at Dec 31 2018</b>	<b>35,902</b>
<b>Value of purchased debt portfolios as at Jan 1 2019</b>	<b>38,800</b>
Purchase of debt portfolios	-
Cash recoveries	(10,836)
Value of property	(272)
Revenue from debt purchase (interest and revaluation)	8,547
<b>Value of purchased debt portfolios as at Mar 31 2019</b>	<b>36,238</b>

## 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-Mar 31 2019	Jan 1-Mar 31 2018
Revenue from debt purchase	280,665	264,428
Revenue from credit management	17,848	14,463
Revenue from other services	7,198	6,440
	<u>305,711</u>	<u>285,331</u>

### Revenue from debt purchase

PLN '000	Jan 1-Mar 31 2019	Jan 1-Mar 31 2018
Interest income	242,750	204,704
Other income from debt purchase <sup>1</sup>	9,370	31,830
Revaluation of debt portfolios	24,563	22,890
Gain/(loss) on sale of debts	1,253	983
Foreclosure of property	2,855	4,195
Gain/(loss) on sale of property	(126)	(173)
	<u>280,665</u>	<u>264,428</u>

<sup>1</sup> Other income from debt purchase – deviations of actual recoveries, decreases on early recoveries in collateralised cases, costs of loyalty scheme valuation, costs of provision for overpayments, payments from original creditor.

### Revaluation of debt portfolios

PLN '000	Jan 1-Mar 31 2019	Jan 1-Mar 31 2018
Revision of recovery projections	37,776	21,944
Change due to change in discount rate	-	-
Foreign currency gains/losses	(13,213)	945
	<u>24,563</u>	<u>22,890</u>

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.

## Services

<i>PLN '000</i>	<b>Jan 1-Mar 31 2019</b>	<b>Jan 1-Mar 31 2018</b>
Debt collection services <sup>1</sup>	(6 845)	(5 900)
Legal support services	(5 532)	(7 897)
Postal and courier services	(4 141)	(3 332)
Consultancy services <sup>2</sup>	(3 156)	(3 492)
Banking services	(2 351)	(2 583)
IT services	(2 310)	(1 258)
Communications services	(1 596)	(1 565)
Space rental and service charges	(1 562)	(5 976)
Printing services	(861)	(420)
Other auxiliary services	(760)	(1 173)
Security	(437)	(392)
Other rental	(350)	(1 321)
Repair of vehicles	(261)	(202)
Recruitment services	(149)	(136)
Packing services	(98)	(95)
Repair and maintenance services	(65)	(176)
Transport services	(5)	(18)
	<b>(30 479)</b>	<b>(35 936)</b>

<sup>1</sup> Debt collection service provided by external servicers

<sup>2</sup> Administrative and accounting support

## Other expenses

<i>PLN '000</i>	<b>Jan 1-Mar 31 2019</b>	<b>Jan 1-Mar 31 2018</b>
Court fees	(36,081)	(32,821)
Taxes and charges	(11,139)	(7,345)
Raw materials and consumables used	(2,939)	(3,053)
Business trips	(1,257)	(1,363)
Staff training	(853)	(829)
Advertising	(799)	(1,145)
Losses from damage caused by motor vehicles	(528)	(224)
Motor insurance	(296)	(480)
Property insurance	(267)	(195)
Entertainment expenses	(234)	(277)
Non-deductible VAT	(133)	-
Impairment losses on receivables	(7)	-
Other	(1,753)	(1,034)
	<b>(56,286)</b>	<b>(48,766)</b>

**Finance income**

PLN '000

	Jan 1-Mar 31 2019	Jan 1-Mar 31 2018
Interest income on bank deposits	28	201
	28	201

**Finance costs**

PLN '000

	Jan 1-Mar 31 2019	Jan 1-Mar 31 2018
Interest and commission expense on financial liabilities measured at amortised cost	(23,866)	(21,734)
Net foreign exchange losses	(8,828)	(8,927)
Interest income/expense on hedging instruments	(380)	-
Ineffective portion of remeasurement of hedging instruments	859	-
	(32,215)	(30,662)

**Borrowings and finance lease liabilities**

PLN '000

	Mar 31 2019	Dec 31 2018
<b>Non-current liabilities</b>		
Secured borrowings	918,328	1,057,384
Liabilities under debt securities (unsecured)	1,281,631	1,142,906
Finance lease liabilities	36,380	1,362
	2,236,339	2,201,652
<b>Current liabilities</b>		
Short-term portion of secured borrowings	98,853	73,632
Liabilities under debt securities (unsecured)	219,461	216,966
Short-term portion of finance lease liabilities	33,320	7,793
	351,634	298,391

As at March 31st 2019, the KRUK Group's financial ratios were as follows:

**1.31** – Debt Ratio

**2.25** – 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; 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 5,000 thousand. Cash EBITDA is computed for the KRUK Group for the last 12 months.

### Earnings per share

<i>'000</i>	<b>Jan 1-Mar 31 2019</b>	<b>Jan 1-Mar 31 2018</b>
Number of ordinary shares as at Jan 1	18,887	18,808
Effect of cancellation and issue	-	-
Weighted average number of ordinary shares in period ended Mar 31	18,887	18,808
<i>PLN</i>		
Earnings per share	5.18	4.82
<i>'000</i>		
Number of ordinary shares as at Jan 1	18,887	18,808
Effect of issue of unregistered shares not subscribed for	367	440
Weighted average number of ordinary shares in period ended Mar 31 (diluted)	19,254	19,248
<i>PLN</i>		
Earnings per share (diluted)	5.08	4.71

**Number of FTE**

<i>number of FTE</i>	<b>Mar 31 2019</b>	<b>Mar 31 2018</b>
Number of FTE	3,217	3,049
	3,217	3,049

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

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

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

- Revenue increased by 7%, from PLN 285,331 thousand in Q1 2018 to PLN 305,711 thousand in Q1 2019.
- EBITDA (earnings before depreciation and amortization) increased by 9%, from PLN 124,999 thousand in 1Q 2018 to PLN 136,396 thousand in 1Q 2019, with EBITDA margin at 44% in 1Q 2018 and 45% in 1Q 2019.
- Operating profit increased by 5%, from PLN 119,954 thousand in 1Q 2018 to PLN 126,286 thousand, with operating profit margin at 41% in 1Q 2018 and 42% in Q1 2019.
- Net profit increased by 8% from PLN 90 690 thousand in 1Q 2018 and PLN 97,914 thousand in 1Q 2019.
- Net profit margin in 1Q 2019 was unchanged at 32%.
- Diluted earnings per share attributable to owners of the parent increased from PLN 7.71 in 1Q 2018 to PLN 5.08 in 1 Q 2019.
- Net interest-bearing debt amounted to PLN 2,395,519 thousand at the end of 1 Q 2019, compared with PLN 97,914 thousand at the end of 1Q 2018. Growth results from investment in debt portfolios which will generate profit in the next years.

The Group's activities in Q1 2019:

- For the purposes of communicating with the media and to raise Poles' financial awareness, KRUK S.A. conducted two surveys on Christmas and Valentine's Day spending. Press releases based on the survey results were then sent to the media. Local subsidiaries in other countries also sent press releases containing financial advice and updates on KRUK's operations to the media.
- As part of its educational initiatives and the Live Debt-Free online course, KRUK conducted a webinar 'How to change your financial habits?' in partnership with Tomasz Jaroszek. The webinar was made available on the KRUK S.A. Polska YouTube channel. The presenter gave live online advice on how to manage the household budget and change bad financial habits. Around 500 people participated in the webinar, with an additional 235 viewers.
- In Q1 2019, ERIF BIG S.A. continued its online campaign designed to encourage consumers to check their own records with the ERIF credit reference agency before applying for a bank loan. In March, the company also launched a campaign encouraging small and medium-sized enterprises to report trading partners with outstanding invoice payments.

- ERIF BIG S.A. was a partner of the 4th Loan Magazine Awards 2018 Gala, during which it was presented with the Business Partner of the Year 2018 title for building credibility and responsibility in business relations. ERIF also participated in the fifth edition of the Anti-Fraud Seminar, presenting how credit information can be used in fraud prevention.
- ERIF BIG S.A. took part in international consultations of the ACCIS Data Protection Forum held in March in Brussels. The purpose of the meeting was to plan the work related to the European Data Protection Board's workshop.
- The KRUK Group resolved to incorporate social media tools into its communication channels. Novum Finance sp. z o.o. has a new Facebook fanpage and ERIF BIG S.A. has LinkedIn and Twitter accounts, which will help the companies to reach target clients and business partners.

### **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 financial performance in the reporting period was investments in debt portfolios made in the reporting and previous periods.

Investments in debt portfolios purchased by the Company in Q1 2019 totalled PLN 179,000 thousand. The total nominal value of the purchased portfolios was PLN 1,390,000 thousand.

In Q1 2019 recoveries from portfolios purchased by the KRUK Group totalled PLN 427,000 thousand, up 18% year on year.

As at March 31st 2019, the Group's investments in debt portfolios accounted for 89% of its assets. Equity accounted for 39% of the financing for the Group's operations.

Following a negotiation process, on March 15th 2019 KRUK S.A. and WONGA WORLDWIDE LIMITED of Manchester signed a letter of intent defining the key terms of a transaction to sell all shares in Wonga.pl sp. z o.o. of Warsaw (the "Company"), operating in the consumer lending market. In accordance with the Letter of Intent, the sale transaction is conditional on acquisition clearance from the President of the Office of Competition and Consumer Protection (UOKiK).

### **Seasonality or cyclicity of business**

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

### **Issue, redemption and repayment of non-equity and equity securities**

On January 14th 2019, the Management Board of KRUK S.A. passed a resolution to issue AG2 Series bonds and define the final terms and conditions of the bonds. The bonds are covered by the base prospectus of the Programme, approved by the Polish Financial Supervision Authority on April 16th 2018,

and will be offered in a public offering. Up to 250,000 unsecured bearer bonds in book-entry form will be offered.

On March 11th 2019, the Management Board of KRUK S.A. passed a resolution to establish the Sixth Public Bond Issue Programme with a total nominal value of up to PLN 700,000 thousand, under which the Company may issue public bonds. The Bonds will be in book-entry form. KRUK S.A. has prepared a base prospectus for the purposes of the Programme. The Company will file 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 March 25th 2019, the Management Board of KRUK S.A. passed a resolution on the issue of unsecured Series AE4 bonds. The Company resolved to issue up to 115,000 bonds with a nominal value of PLN 1,000 per bond, maturing 72 months from the allotment date. The bonds will be offered at an issue price equal to their nominal value and will bear interest payable every three months. The bonds will be issued in accordance with, and any legal relationships arising therefrom will be governed by, Polish law. The bonds will be offered in a private placement, to be conducted by June 30th 2019. The bonds will be issued as securities in book-entry form.

On February 7th 2019, the Company and mBank S.A. entered into a framework agreement on financial market transactions enabling the Company to enter into derivative transactions. The transaction limit granted by mBank S.A. is PLN 5,000 thousand.

On March 8th 2019, the Company and InvestCapital LTD entered into framework agreements with DNB Bank Polska S.A. on financial market transactions under which the two companies may enter into derivative transactions. A trilateral agreement was signed on the same day, whereby DNB Bank Polska SA granted the companies a joint limit of EUR 5,200 thousand on derivative transactions, to be used in a proportion agreed between the companies.

In Q1 2019, the Company implemented a strategy hedging a portion of PLN-denominated net assets in InvestCapital Ltd. against currency risk. As a result, KRUK S.A. entered into the following transactions with Santander Bank Polska:

- FX forward contract executed on February 28th 2019 in which the Company agreed to sell EUR 65,000 thousand for PLN 280,325 thousand on March 29th 2019. The transaction was settled on a net basis, with no physical delivery;
- FX forward contract executed on March 29th 2019 in which the Company agreed to sell EUR 60,000 thousand for PLN 258,462 thousand on April 30th 2019. The Company intends to extend the contract maturity date for subsequent periods or to settle the contract on a net basis, with no physical delivery.

### **Dividends paid (or declared)**

On April 23th 2019 the Management Board of the Company passed a resolution on a recommendation to the Annual General Meeting that a dividend of PLN 5 per share be distributed to shareholders in full from the Company's reserve capital. The proposal concerning the dividend payment and dividend amount was prepared taking into account the KRUK Group's current financial standing, as well as its further growth strategy, plans and prospects. The Management Board may propose distribution of dividends in the future, but in each case the final decision in this respect will be made with due regard paid to the Group's strategic plans, growth prospects, investment financing requirements, as well as its current debt level and overall financial standing.

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

After the end of the first quarter, there were no events with a potentially material bearing on the Group's future performance.

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

In connection with the framework agreement on financial market transactions concluded by the Company and mBank S.A. on February 7th 2019, on the same day the Company issued a blank promissory note with a promissory note declaration as security for mBank S.A.'s claims under the agreement. The sum of money on the promissory note may not exceed PLN 7,500 thousand.

### 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

In Q1 2019, there were no changes in the KRUK Group's structure.

### 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 of KRUK S.A.'s or the KRUK Group's results.

### 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 (March 7th 2019)

Shareholder	Number of shares	Ownership interest (%)	Number of votes held	Share in total voting rights at GM (%)
Piotr Krupa	1,931,666	10.23	1,931,666	10.23
NN PTE*	2,000,000	10.59	2,000,000	10.59
Aviva OFE*	1,319,000	6.98	1,319,000	6.98

(\*) 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.

**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 (%)
Piotr Krupa	1,931,666	10.23	1,931,666	10.23
NN PTE*	2,000,000	10.59	2,000,000	10.59
Aviva OFE*	1,319,000	6.98	1,319,000	6.98
PZU OFE	966 930	5,12	966 930	5,12

(\*) 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 report (consolidated financial statement for 2018) to the date of issue of this interim report the following change took a place in a holdings of Company shares by shareholders of KRUK S.A.

On April 16th 2019, the Company received a notification from Powszechne Towzystwo Emerytalne PZU S.A., Al. Jana Pawła II 24, 00-133 Warszawa, with the following content:

Under article 69 paragraph 1 p.4 from July 29th 2005 Public Offer of Financial Instruments Act (Dz. U. item 623 from 2019) Powszechne Towzystwo Emerytalne PZU S.A. on behalf of Otwarty Fundusz Emerytalny PZU „Złota Jesień” (OFE PZU), hereby announces that as a result of the purchase made on the Warsaw Stock Exchange on April 11th 2019 of 23 109 (twenty three thousand one hundred nine) shares of KRUK S.A. (ISIN PLKRK0000010), after settlement of this transaction OFE PZU on April 15th 2019 reached more than 5% of total voting rights in mentioned company. A list of the number of shares and voting rights before the conclusion of the above mentioned transaction and its conclusion is as follows:

- I. Before the conclusion of transaction: Total number of shares owned 943 821, percentage of share in capital 4,997, number of voting rights 943 821, percentage of share in voting rights 4,997.
- II. After the conclusion of transaction: Total number of shares owned 966 930, percentage of share in capital 5,120, number of voting rights 966 930, percentage of share in voting rights 5,120.

OPE PZU informed, that: has no subsidiaries that owns KRUK S.A. shares, the situation indicated in an article 69 paragraph 4 p. 6 above mentioned act does not apply, do not owns financial instruments as well, which mentioned in article 69b paragraph 1 p. 1) and 2) above mentioned act.”

**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	1,931,666
Agnieszka Kulton	Member of the Management Board	45,000
Urszula Okarma	Member of the Management Board	107,001
Iwona Słomska	Member of the Management Board	40,000
Michał Zasepa	Member of the Management Board	30,441
Tomasz Bieske	Member of the Supervisory Board	1,222

From the date of issue of the previous periodic report (the 2018 report published on March 7th 2019) until the issue date of this report, there were no changes in the holdings of shares by Management Board and Supervisory Board members.

To the best of the Company's knowledge, the Supervisory Board members other than Tomasz Bieske did not hold any Company shares or rights to Company shares in the period from the issue of the previous periodic report to the date of issue of this 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 Plan 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 Plan, 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 Scheme, the General Meeting approved a conditional increase of the Company's share capital by 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.

By way of its resolution of September 8th 2014, the Supervisory Board defined and approved the Rules for the Management Stock Option Plan for 2015–2019.

Details of the 2015–2019 Incentive Scheme can be found in the Directors' Report on the operations of the KRUK Group in 2017.

### **Tranche 1**

On June 9th 2016, the Supervisory Board declared, by way of resolution, that the condition set forth in the Stock Option Scheme for offering subscription warrants under Tranche 1 for 2015 had been met.

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, which was later amended by the Management Board resolution of October 24th 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, 77,964 warrants issued in Tranche 1 were converted into newly issued Series F shares in the Company. Thus, 28,471 Tranche 1 subscription warrants, entitling their holders to subscribe for the same number of Series F shares, continue to be held by eligible persons. 13,500 of those warrants are held by 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 10th 2017, the Management Board passed a resolution determining the list of Management Board members eligible to acquire Tranche 2 Subscription Warrants for 2016 under the 2015–2019 Scheme. On this

basis, the Supervisory Board invited the 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.

By the issue date of this report, 64,681 Tranche 2 Warrants were converted into newly issued Series F shares in the Company. 77,266 Tranche 2 Subscription Warrants, entitling their holders to subscribe for the same number of Series F shares, continue to be held by eligible persons. 50,480 of those Warrants are held by Management Board members.

### Tranche 3

By way of a resolution dated May 11th 2018, the Supervisory Board declared that the condition set forth in the Stock Option Plan for offering subscription warrants under Tranche 3 for 2017 had been met.

On May 15th 2018, 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 3 subscription warrants for 2017 under the 2015–2019 Plan. On this basis, on June 20th 2018, the Management Board invited eligible persons other than Management Board members to acquire Tranche 3 subscription warrants. As a result, 85,853 Subscription Warrants were delivered to Eligible Persons on July 3rd 2018.

On September 11th 2018, the Management Board passed a resolution determining the list of Management Board members eligible to acquire Tranche 3 Subscription Warrants for 2017 under the 2015–2019 Scheme. On this basis, the Supervisory Board invited the Management Board members to acquire Tranche 3 Subscription Warrants under the 2015–2019 Scheme. On September 17th 2018, 54,344 Subscription Warrants were delivered to eligible Management Board members.

Name and surname	Position	Number of warrants held under Tranches 1, 2 and 3 for 2015, 2016 and 2017
Piotr Krupa	CEO and President of the Management Board	32,376
Agnieszka Kulton	Member of the Management Board	23,112
Urszula Okarma	Member of the Management Board	23,112
Iwona Słomska	Member of the Management Board	19,862
Michał Zasepa	Member of the Management Board	19,862

### Litigation, arbitration or administrative proceedings

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

### 5 proceedings in the group of liabilities with the largest value of claims, not exceeding 10% of KRUK S.A.'s equity

<i>Subject matter</i>	<i>VALUE OF CLAIM<sup>1</sup> [PLN]</i>	<i>Date instigated</i>	<i>Parties to the proceedings</i>	<i>Kruk S.A.'s position</i>
Action for cancellation of an enforcement order	PLN 4,263,518.00	Jul 18 2017	Metron-Service sp. z o.o., Metron Fabryka Zintegrowanych Systemów Opomiarowania i Rozliczeń sp. z o.o., and PROKURA NSFIZ	The case was decided in favour of the KRUK Group entity in the first and second instance
Action for payment for safekeeping of items transferred under an agreement on transfer of ownership by way of security	PLN 1,800,000.00	Sep 20 2017	Krzysztof Legucki, BISON NSFIZ	The case was decided in favour of the KRUK Group entity in the first instance; a request was filed for a statement of reasons for the ruling on updating entries in the Land and Mortgage Register
	PLN 1,208,504.00	Jul 20 2017	Krzysztof Stadnicki (PW Juvenia C sp. z o.o. case), PROKURA NSFIZ	The case was decided in favour of the KRUK Group entity in the first and second instance
Petition against enforcement	PLN 4,651,782.00	Apr 11 2017	SUCMANARU STEFAN as claimant, BANCPOST S.A., BEJ RĂDUCANU CECILIA CAMELIA, KRUK ROMANIA SRL, OCPI CASA LOCALA DE PENSII as defendants	A favourable ruling is expected
Petition against enforcement	PLN 1,475,874.00	Feb 15 2019	SERBAN GHEORGHE as claimant, INVESTCAPITAL LTD as defendant	A favourable ruling is expected

## 5 proceedings in the group of receivables with the largest value of claims, not exceeding 10% of KRUK S.A.'s equity

<i>Subject matter</i>	<i>VALUE OF CLAIM<sup>1</sup> [PLN]</i>	<i>Date instigated</i>	<i>Parties to the proceedings</i>	<i>Kruk S.A.'s position</i>
Bankruptcy proceedings	PLN 40,020,686.00	Feb 9 2011	KRUK ROMANIA S.R.L., PRO AUTO INDUSTRIES SRL	We expect the claim to be largely satisfied in the course of bankruptcy proceedings
Bankruptcy proceedings	PLN 39,474,945.00	Apr 11 2012	KRUK ROMANIA S.R.L., ALCO PLUS S.R.L.	We expect the claim to be largely satisfied
Bankruptcy proceedings	PLN 49,411,809.46	Dec 11 2008	INVESTCAPITAL Ltd, RECUPERACION MATERIALES DIVERSOS S.A.	We expect the claim to be partially satisfied within a few years.
Bankruptcy proceedings	PLN 40,429,368.93	Jul 14 2010	INVESTCAPITAL Ltd , SACRESA TERRENOS PROMOCION S.L.	We expect the claim to remain unsatisfied.
Bankruptcy proceedings	PLN 36,022,297.81	Feb 3 2015	INVESTCAPITAL Ltd , VS GRUPO URVASCO S.A.	We expect the claim to remain unsatisfied.

<sup>1</sup> The value of the claim is based on the nominal value of debts, purchased by the Group for a considerably lower value.

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.



**Total number of court cases as at March 31st 2019**

	<b><i>Total number of cases</i></b>	<b><i>Total amount (PLN)</i></b>
Total number of court proceedings (including bankruptcy proceedings) instigated by the Group companies and total value of the Group's claims	250,713	9,180,883,032
Total number of enforcement proceedings instigated by the Group and total value of claims	1,091,014	20,930,668,421
Total number of court proceedings instigated against Group companies and total value of claims (proceedings concerning the Company's or its subsidiary's liabilities)	14,057	1,172,362,577

## Related-party transactions concluded by the Parent

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

<i>PLN '000</i>	Liabilities	Receivables	Loans advanced	Interest accrued on loans advanced
SeCapital S.à. r.l	6,923	1,506	-	-
ERIF Business Solutions Sp. z o.o.	-	167	-	12
Novum Finance Sp. z o.o.	-	200	22,342	-
SeCapital Polska Sp. z o.o.	-	2	107	1
Kancelaria Prawna RAVEN Krupa & Stańko sp. k.	7,000	2,095	-	-
KRUK Romania S.r.l	576	7,424	62,479	830
ERIF BIG S.A.	73	229	-	-
NSFIZ PROKURA	3,850	4,123	-	-
KRUK Česká a Slovenská republika s.r.o.	63	2,040	43,947	136
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	-	9,015	-	-
InvestCapital Ltd.	30,417	141	-	-
KRUK Deutschland GmbH	-	366	-	-
KRUK Deutschland (Branch)	-	128	-	-
Rocapital IFN S.A.	-	6	4,514	56
KRUK Italia S.r.l	1	187	-	-
ItaCapital S.r.l	-	98	-	-
KRUK Espana S.L.	-	77	-	-
Presco Investments S.a.r.l.	18,987	-	-	-
P.R.E.S.C.O INVESTMENT I NS FIZ	-	186	-	-
NSFIZ BISON	-	3,800	-	-
ProsperoCapital Sp. z.o.o. (in liquidation)	-	-	-	-
Corbul Capital S.r.l	-	-	-	-
ProsperoCapital S.à r.l.	-	2	-	-
Elleffe Capital S.r.l.	-	5	-	-
Zielona Perła Sp. z o.o.	-	1	-	-
AgeCredit S.r.l.	-	52	645	3
	<b>67,892</b>	<b>31,851</b>	<b>134,035</b>	<b>1,038</b>

**Revenue from mutual transactions**

<i>PLN '000</i>	Revenue from sale of materials and services	Revenue from credit management services	Interest and dividends
SeCapital S.à. r.l	-	137	-
ERIF Business Solutions Sp. z o.o.	29	-	12
Novum Finance Sp. z o.o.	202	276	192
SeCapital Polska Sp. z o.o.	3	-	1
Kancelaria Prawna RAVEN Krupa & Stańko sp. k.	1,427	19	-
KRUK Romania S.r.l	568	5	797
ERIF BIG S.A.	246	16	-
NSFIZ PROKURA	-	-	-
KRUK Česká a Slovenská republika s.r.o.	291	-	220
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	239	22,333	-
InvestCapital Ltd.	398	45	-
KRUK Deutschland GmbH	-	-	-
KRUK Deutschland (Branch)	8	-	-
Rocapital IFN S.A.	-	-	56
KRUK Italia S.r.l	235	-	-
ItaCapital S.r.l	98	-	-
KRUK Espana S.L.	174	-	-
Presco Investments S.a.r.l.	-	742	-
P.R.E.S.C.O INVESTMENT I NS FIZ	-	-	-
NSFIZ BISON	-	-	-
ProsperoCapital Sp. z.o.o. (in liquidation)	-	-	-
Corbul S.r.l	-	-	-
ProsperoCapital S.à r.l.	-	-	-
Elleffe S.r.l.	-	-	-
Zielona Perła Sp. z o.o.	3	-	-
AgeCredit S.r.l.	-	-	3
	<b>3,919</b>	<b>23,573</b>	<b>1,281</b>

**Costs of mutual transactions**

PLN '000

	<u>Purchase of services</u>
Kancelaria Prawna RAVEN Krupa & Stańko sp. k.	197
KRUK Romania S.r.l	1,679
ERIF BIG S.A.	59
KRUK Česká a Slovenská republika s.r.o.	92
	<u>2,027</u>

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

On December 20th 2018, Prokura NS FIZ, the Company and ING Bank Śląski S.A. signed a revolving credit facility agreement. By way of security for Prokura NS FIZ's liabilities under the agreement:

- On January 4th 2019, PROKURA NS FIZ entered into an agreement with ING Bank Śląski S.A. on a registered and financial pledge over receivables under a bank account agreement. On January 17th 2019, an application was filed with the court to enter the pledge in the pledge register. According to a notification received by the Company, the pledge was established for up to PLN 240,000 thousand;
- On January 15th 2019, PROKURA NS FIZ entered into an agreement with ING Bank Śląski S.A. on a registered pledge over a set of rights (a debt portfolio owned by PROKURA NS FIZ). On January 17th 2019, an application was filed with the court to enter the pledge in the pledge register. According to a notification received by the Company, the pledge was established for up to PLN 240,000 thousand. As at March 31st 2019, the carrying amount of the pledged assets in KRUK S.A.'s books was PLN 92,700 thousand.
- In accordance with the agreement, on January 17th 2019, the Company (in connection with the surety provided) and Prokura NS FIZ made declarations on submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure, for up to PLN 240,000 thousand, which will expire on or before December 20th 2026.
- In connection with the framework agreement on financial market transactions concluded between InvestCapital LTD and DNB Bank Polska S.A. on March 8th 2019, the Company provided a surety for up to EUR 7,800 thousand securing timely payment of InvestCapital LTD's obligations. On March 22nd 2019, the Company made a declaration on submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure in connection with the surety.

Following the execution on July 3rd 2017 of a revolving multi-currency credit facility agreement (later amended) between InvestCapital LTD and Kruk Romania S.R.L. as the borrowers, KRUK S.A. and DNB Bank ASA, ING Bank Śląski S.A., Santander Bank Polska S.A. and mBank S.A., in order to establish security for the liabilities arising under the agreement:

- On January 4th 2019, InvestCapital LTD, DNB Bank ASA, ING Bank Śląski S.A., Santander Bank Polska S.A. and mBank S.A. signed agreements under Spanish law to create a pledge over portfolios purchased by InvestCapital LTD on the Spanish market;

- On March 13th 2019, Kruk Romania S.R.L., DNB Bank ASA, ING Bank Śląski S.A., Santander Bank Polska S.A. and mBank S.A. signed an agreement under Romanian law to create a pledge over portfolios purchased by Kruk Romania S.R.L. on the Romanian market.

As at March 31st 2019, the value of the portfolios pledged under these agreements was PLN 180,400 thousand.

Following execution of a revolving facility agreement by PROKURA NS FIZ and the Company with mBank S.A. on July 2nd 2015 (later amended), in order to establish security for the liabilities arising under the agreement:

- On January 23rd 2019, Prokura NS FIZ and mBank S.A. signed agreements to create a registered pledge over portfolios purchased by Prokura NS FIZ; on January 24th 2019, applications were filed with the court to enter the pledges in the pledge register. According to notifications received by the Company, the pledges were entered in the register of pledges with the maximum secured amount of PLN 210,000 thousand.
- As at December 31st 2019, the total value of the portfolios pledged under these agreements was PLN 64,500 thousand.

Following execution of a credit facility agreement between KRUK S.A. and Bank Pocztowy S.A. on December 19th 2018, in order to establish security for the liabilities arising under the agreement:

- On January 11th 2019, the Company filed a declaration on submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure in favour of Bank Pocztowy S.A., for up to PLN 75,000 thousand.

**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.

### 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**

*CEO and 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 Zasepa**

*Member of  
the Management Board*

**Monika Grudzień-Wiśniewska**

*Person responsible for keeping  
the books*

**Hanna Stempień**

*Person preparing the  
financial statements*

Wrocław, April 25th 2019