



## Half-Year Report

for the period January 1st –  
June 30th 2019

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## I. Financial highlights

### 1. Consolidated financial highlights

Financial highlights	PLN '000		EUR '000	
	Jan 1-Jun 30 2019 unaudited	Jan 1-Jun 30 2018 unaudited	Jan 1-Jun 30 2019 unaudited	Jan 1-Jun 30 2018 unaudited
<b>For the period</b>				
Revenue	621,635	604,914	144,970	142,687
Operating profit	232,002	266,853	54,105	62,945
Profit before tax	176,055	200,327	41,057	47,253
Net profit attributable to owners of the Parent	166,819	189,238	38,903	44,637
Net cash from operating activities	251,350	55,838	58,617	13,171
Purchase of debt portfolios at prices as per agreement	(308,983)	(407,242)	(72,043)	(96,060)
Cash recoveries	874,333	756,900	203,901	178,537
Net cash from investing activities	(108,139)	(18,696)	(25,219)	(4,410)
Net cash from financing activities	98,225	(47,948)	21,741	(11,310)
Net change in cash	236,436	(10,807)	55,139	(2,549)
Diluted earnings per share (PLN/EUR)	8.65	9.81	2.02	2.31
Average number of shares ('000)	18,902	18,826	18,902	18,826
Earnings per share (PLN/EUR)	8.83	10.05	2.06	2.37
<b>As at</b>	<b>Jun 30 2019 unaudited</b>	<b>Dec 31 2018</b>	<b>Jun 30 2019 unaudited</b>	<b>Dec 31 2018</b>
Total assets	4,892,937	4,482,177	1,150,738	1,042,367
Non-current liabilities	2,309,216	2,214,704	543,089	515,048
Current liabilities	753,291	534,723	177,162	124,354
Equity	1,830,430	1,732,750	430,487	402,965
Share capital	18,931	18,887	4,452	4,392
Book value per ordinary share	96.69	91.74	22.74	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                      4.2880  
for the comparative period                    4.2395

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

at the end of the reporting period        4.2520  
at end of the comparative period        4.3000

## 2. Financial highlights – separate financial statements of KRUK S.A.

Financial highlights	PLN '000		EUR '000	
	Jan 1–Jun 30 2019 unaudited	Jan 1–Jun 30 2018 unaudited	Jan 1–Jun 30 2019 unaudited	Jan 1–Jun 30 2018 unaudited
<b>For the period</b>				
Revenue	79,614	63,900	18,567	15,073
Operating profit	(37,089)	(40,135)	(8,649)	(9,467)
Profit before tax	(66,643)	(67,085)	(15,542)	(15,824)
Net profit	(70,219)	(76,121)	(16,376)	(17,955)
Net cash from operating activities	(97,265)	(31,659)	(22,683)	(7,468)
Net cash from investing activities	(34,561)	138,332	(8,060)	32,630
Net cash from financing activities	187,111	(112,111)	43,636	(26,445)
Net change in cash	55,286	(5,439)	12,893	(1,283)
Diluted earnings per share (PLN/EUR)	(3.65)	(3.95)	(0.85)	(0.93)
Average number of shares ('000)	18,931	18,872	18,931	18,872
Earnings per share (PLN/EUR)	(3.72)	(4.04)	(0.87)	(0.95)
<b>As at</b>	<b>Jun 30 2019 unaudited</b>	<b>Dec 31 2018</b>	<b>Jun 30 2019 unaudited</b>	<b>Dec 31 2018</b>
Total assets	2,591,954	3,019,097	609,585	692,199
Non-current liabilities	1,691,283	1,589,464	397,762	364,422
Current liabilities	480,971	881,571	113,117	202,121
Equity	419,699	548,063	98,706	125,657
Share capital	18,931	18,872	4,452	4,327
Book value per ordinary share	22.17	29.04	5.21	6.66

### 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                      **4.2880**  
for the comparative period                    **4.2395**

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

at the end of the reporting period        **4.2520**  
at end of the comparative period         **4.3000**

## II. Interim condensed consolidated financial statements for the reporting period January 1st – June 30th 2019

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## 1. Consolidated statement of financial position

As at Jun 30 2019

PLN '000

	Note	Jun 30 2019 unaudited	Dec 31 2018	Jun 30 2017 unaudited
<b>Assets</b>				
Cash and cash equivalents		383,738	147,302	162,478
Trade receivables		26,240	28,143	17,933
Investments	9	4,243,001	4,156,970	3,486,198
Other receivables		35,568	23,088	37,352
Inventories		267	197	160
Property, plant and equipment	10.14	87,705	26,354	28,169
Goodwill	10.15	61,493	62,010	62,010
Other intangible assets		50,512	33,877	36,515
Deferred tax asset	10.8	-	-	-
Hedge derivatives		3,404	1,450	-
Other assets		1,009	2,786	17,974
<b>Total assets</b>		<b>4,892,937</b>	<b>4,482,177</b>	<b>3,848,790</b>
<b>Equity and liabilities</b>				
<b>Liabilities</b>				
Derivatives	10.11	6,302	3,870	3,616
Trade and other payables		297,368	176,054	143,718
Employee benefit obligations		50,492	44,678	30,515
Income tax payable		5,258	15,600	8,821
Liabilities under borrowings and other debt instruments	10.10	2,703,068	2,500,043	2,006,858
Deferred tax liability		19	9 182	9,194
<b>Total liabilities</b>		<b>3,062,507</b>	<b>2,749,427</b>	<b>2,202,723</b>
<b>Equity</b>				
Share capital		18,931	18,887	18,872
Share premium		303,711	300,097	298,900
Cash flow hedging reserve		825	(3,869)	(2,231)
Exchange differences on translating foreign operations	10.9	(42,705)	(53,769)	4,061
Other capital reserves		101,254	94,924	90,973
Retained earnings		1,448,250	1,376,084	1,235,307
<b>Equity attributable to owners of the Parent</b>		<b>1,830,266</b>	<b>1,732,354</b>	<b>1,645,882</b>
<b>Non-controlling interests</b>		<b>164</b>	<b>396</b>	<b>185</b>
<b>Total equity</b>		<b>1,830,430</b>	<b>1,732,750</b>	<b>1,646,067</b>
<b>Total equity and liabilities</b>		<b>4,892,937</b>	<b>4,482,177</b>	<b>3,848,790</b>

## 2. Consolidated statement of profit or loss

For the reporting period January 1st – June 30th 2019

PLN '000

	Note	Jan 1-Jun 30 2019 unaudited	Apr 1-Jun 30 2019 unaudited	Jan 1-Jun 30 2018 unaudited	Apr 1-Jun 30 2018 unaudited
<b>Continuing operations</b>					
Revenue	10.1	621,635	315,924	604,914	319,584
including interest income on debt portfolios calculated using the effective interest rate method		485,287	242,537	416,216	211,512
including interest income on other financial instruments calculated using the effective interest rate method		21,896	4,628	7,676	4,060
Other income	10.2	1,525	666	1,546	975
		623,160	316,590	606,460	320,559
Merchandise and materials sold		-	-	-	-
Employee benefits expense	10.4	(175,464)	(92,055)	(150,420)	(74,220)
Depreciation and amortisation		(21,251)	(11,141)	(10,126)	(5,081)
Services	10.3	(63,477)	(32,998)	(73,176)	(37,240)
Other expenses	10.5	(130,966)	(74,680)	(105,885)	(57,120)
		(391,158)	(210,874)	(339,607)	(173,661)
<b>Operating profit</b>		232,002	105,716	266,853	146,898
Finance income	10.6	73	45	92	(109)
Finance costs	10.7	(56,020)	(24,389)	(66,618)	(35,956)
<b>Net finance costs</b>		(55,947)	(24,344)	(66,525)	(36,065)
<b>Profit before tax</b>		176,055	81,956	200,327	110,834
Income tax	10.8	(9,072)	(12,887)	(11,008)	(12,204)
<b>Net profit for period</b>		166,983	69,069	189,319	98,629
<b>Net profit attributable to:</b>					
Owners of the Parent	10.12	166,819	68,987	189,238	98,570
Non-controlling interests		164	82	81	60
<b>Net profit for period</b>		166,983	69,069	189,319	98,629
<b>Earnings per share</b>					
Basic (PLN)		8.83	3.65	10.05	5.24
Diluted (PLN)		8.65	3.57	9.81	5.11

### 3. Consolidated statement of comprehensive income

For the reporting period January 1st – June 30th 2019

PLN '000

	<i>Note</i>	Jan 1-Jun 30 2019 unaudited	Apr 1-Jun 30 2019 unaudited	Jan 1-Jun 30 2018 unaudited	Apr 1-Jun 30 2018 unaudited
<b>Net profit for period</b>		166,983	69,069	189,319	98,629
<b>Other comprehensive income</b>					
<b>Items that may be reclassified subsequently to profit or loss</b>					
Translation differences	10.9	11,064	16,328	60,680	49,182
Cash flow hedges		4,694	4,499	(2,231)	(4,656)
<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>		15,758	20,827	58,449	44,526
<b>Total comprehensive income for period</b>		182,741	89,896	247,768	143,155
<b>Total comprehensive income attributable to:</b>					
Owners of the Parent		182,577	89,814	247,687	143,096
Non-controlling interests		164	82	81	60
<b>Total comprehensive income for period</b>		182,741	89,896	247,768	143,156
<b>Comprehensive income/ (loss) per share</b>					
Basic (PLN)		9.67	4.75	13.46	7.60
Diluted (PLN)		9.48	4.65	12.98	7.42

#### 4. Consolidated statement of changes in equity

For the reporting period ended June 30th 2018 [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
Equity as at Jan 1 2018	18,808	293,581	5,882	(56,619)	86,806	1,111,961	1,460,419	104	1,460,523
Adjustment on transition to IFRS 9	-	-	-	-	-	28,147	28,147	-	28,147
Equity as at Jan 1 2018 following changes in accounting policies	18,808	293,581	5,882	(56,619)	86,806	1,140,108	1,488,566	104	1,488,670
Comprehensive income for period							-		-
Net profit for period	-	-		-	-	189,238	189,238	81	189,319
Other comprehensive income							-		-
- Exchange differences on translating foreign operations	-	-	-	60,680	-	-	60,680	-	60,680
- Valuation of hedging instruments	-	-	(8,113)	-	-	-	(8,113)	-	(8,113)
Total other comprehensive income	-	-	(8,113)	60,680	-	-	52,567	-	52,567
Total comprehensive income for period	-	-	(8,113)	60,680	-	189,238	241,805	81	241,886
Contributions from and distributions to owners							-		-
- Payment of dividends						(94,039)	(94,039)		(94,039)
- Share-based payments	-	-	-	-	4,169	-	4,169	-	4,169
- Issue of shares	64	5,319		-	-	-	5,383	-	5,383
Total contributions from and distributions to owners	64	5,319	-	-	4,169	(94,039)	(84,487)	-	(84,487)
Total equity as at Jun 30 2018	18,872	298,900	(2,231)	4,061	90,974	1,235,307	1,645,883	185	1,646,068

For the reporting period ended December 31st 2018 [PLN '000]

	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>Equity as at Jan 1 2018</b>	<b>18,808</b>	<b>293,581</b>	<b>5,882</b>	<b>(56,619)</b>	<b>86,806</b>	<b>1,111,961</b>	<b>1,460,419</b>	<b>104</b>	<b>1,460,523</b>
<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>	<b>18,808</b>	<b>293,581</b>	<b>5,882</b>	<b>(56,619)</b>	<b>86,806</b>	<b>1,140,108</b>	<b>1,488,565</b>	<b>104</b>	<b>1,488,670</b>
<b>Comprehensive income for period</b>									
Net profit for period	-	-	-	-	-	330,016	330,016	396	330,412
<b>Other comprehensive income</b>									
- Exchange differences on translating foreign operations	-	-	-	2,850	-	-	2,850	-	2,850
- Valuation of hedging instruments	-	-	(9,751)	-	-	-	(9,751)	-	(9,751)
<b>Total other comprehensive income</b>	-	-	(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>	<b>79</b>	<b>6,516</b>	<b>-</b>	<b>-</b>	<b>8,118</b>	<b>(94,040)</b>	<b>(79,327)</b>	<b>(104)</b>	<b>(79,431)</b>
<b>Total equity as at Dec 31 2018</b>	<b>18,887</b>	<b>300,097</b>	<b>(3,869)</b>	<b>(53,769)</b>	<b>94,924</b>	<b>1,376,084</b>	<b>1,732,353</b>	<b>396</b>	<b>1,732,750</b>

For the reporting period ended June 30th 2019 [PLN '000]

	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>Note</b>									
<b>Equity as at Jan 1 2019</b>	<b>18,887</b>	<b>300,097</b>	<b>(3,869)</b>	<b>(53,769)</b>	<b>94,924</b>	<b>1,376,084</b>	<b>1,732,353</b>	<b>396</b>	<b>1,732,750</b>
<b>Comprehensive income for period</b>									
Net profit for period	-	-	-	-	-	166,819	166,819	164	166,983
<b>Other comprehensive income</b>									
- Exchange differences on translating foreign operations	-	-	-	11,064	-	-	11,064	-	11,064
- Valuation of hedging instruments	-	-	4,694	-	-	-	4,694	-	4,694
<b>Total other comprehensive income</b>	-	-	4,694	11,064	-	-	15,758	-	15,758
<b>Total comprehensive income for period</b>	-	-	4,694	11,064	-	166,819	182,577	164	182,741
<b>Contributions from and distributions to owners</b>									
- Payment of dividends	23	-	-	-	-	(94,653)	(94,653)	(396)	(95,049)
- Issue of shares	44	3,614	-	-	-	-	3,658	-	3,658
- Share-based payments	-	-	-	-	6,330	-	6,330	-	6,330
<b>Total contributions from and distributions to owners</b>	44	3,614	-	-	6,330	(94,653)	(84,665)	(396)	(85,061)
<b>Total equity as at Jun 30 2019</b>	<b>18,931</b>	<b>303,711</b>	<b>825</b>	<b>(42,705)</b>	<b>101,254</b>	<b>1,448,250</b>	<b>1,830,266</b>	<b>164</b>	<b>1,830,430</b>

## 5. Consolidated statement of cash flows

For the reporting period January 1st – June 30th 2019

PLN '000

	Jan 1-Jun 30 2019 unaudited	Apr 1-Jun 30 2019 unaudited	Jan 1-Jun 30 2018 unaudited	Apr 1-Jun 30 2018 unaudited
<b>Cash flows from operating activities</b>				
<b>Net profit for period</b>	166,983	69,069	189,319	98,629
<i>Adjustments</i>		-		
Depreciation of property, plant and equipment	17,446	10,370	4,003	201
Amortisation of intangible assets	3,805	771	6,123	4,880
Net finance costs	51,628	30,716	67,829	45,287
(Gain)/loss on sale of property, plant and equipment	(328)	(10)	(1,102)	(898)
Equity-settled share-based payments	6,330	4,035	4,169	2,096
Income tax	9,072	12,887	11,008	12,204
Change in loans advanced	(31,966)	(30,577)	(9,572)	(7,909)
Change in investments in debt portfolios and property	38,072	74,331	(217,637)	(190,544)
Change in inventories	(70)	(125)	334	171
Change in trade and other receivables	(9,872)	(6,333)	23,980	33,034
Change in other assets	2,327	2,228	68	(364)
Change in trade and other payables	16,200	44,190	1,160	4,462
Change in employee benefit obligations	5,291	(2,771)	-	-
Income tax paid	(23,567)	(8,244)	(23,845)	(18,805)
<b>Net cash from operating activities</b>	251,350	200,537	55,838	(19,356)
<b>Cash flows from investing activities</b>				
Interest received	73	45	92	(109)
Sale of intangible assets and property, plant and equipment	829	433	1,480	637
Acquisition of a subsidiary, less cash acquired	(92,365)	(92,365)	(2,957)	(2,957)
Purchase of intangible assets and property, plant and equipment	(16,676)	(9,980)	(17,311)	(14,772)
<b>Net cash from investing activities</b>	(108,139)	(101,867)	(18,696)	(17,201)
<b>Cash flows from financing activities</b>				
Net proceeds from issue of shares	3,659	3,659	5,319	5,319
Proceeds from issue of debt securities	190,000	50,000	-	-
Increase in borrowings	872,710	601,927	607,948	412,845
Repayment of borrowings	(860,006)	(480,112)	(500,546)	(283,737)
Payments under lease contracts	(7,151)	(615)	(2,607)	(302)
Dividends paid	-	-	(94,039)	(94,039)
Redemption of debt securities	(50,000)	(50,000)	(15,000)	(15,000)
Interest paid	(55,987)	(32,245)	(49,024)	(31,329)
<b>Net cash from financing activities</b>	93,225	92,614	(47,948)	(6,244)
<b>Total net cash flows</b>	236,436	191,284	(10,807)	(42,800)
Cash and cash equivalents at beginning of period	147,302	192,454	173,284	205,278
Cash and cash equivalents at end of period	383,738	383,738	162,478	162,478

## Notes to the interim condensed 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 its 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 January 1st – June 30th 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 June 30th 2019, the Management Board of the Parent consisted of:

<b>Piotr Krupa</b>	President of the Management Board
<b>Agnieszka Kułton</b>	Member of the Management Board
<b>Urszula Okarma</b>	Member of the Management Board
<b>Iwona Słomska</b>	Member of the Management Board
<b>Michał Zasepa</b>	Member of the Management Board

Until June 25th 2019, the composition of the Supervisory Board 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.



Following the expiry of the terms of office of Supervisory Board members, based on the Company General Meeting's resolutions and Piotr Krupa's powers provided for in the Articles of Association, on June 25th 2019 a new Supervisory Board was appointed, which since then has consisted of:

<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>Ewa Radkowska-Świętoń</b>	Member of the Supervisory Board
<b>Krzysztof Kawalec</b>	Member of the Supervisory Board
<b>Mateusz Melich</b>	Member of the Supervisory Board
<b>Piotr Szczepiórkowski</b>	Member of the Supervisory Board

**KRUK Group**

As at the date of this report, the Group comprised KRUK S.A. of Wrocław and its 24 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 indirectly or directly 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 securitisation vehicle which invests in debt or debt-backed assets
RoCapital IFN S.A.	Bucharest	Purchase and management of mortgage-backed portfolios and lending activities
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 and other European countries
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 and other European countries, 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.
Wonga.pl sp. z o.o.	Warsaw	Operating in the consumer lending market

All the subsidiaries listed above are included in these condensed consolidated financial statements as at June 30th 2019 and for the period January 1st – June 30th 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:

	Country	Shareholding (%)	
		Jun 30 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 Republic	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 Deutschland 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.à r.l. <sup>2</sup>	Luxembourg	100%	100%
Presco Investments S.a.r.l.	Luxembourg	100%	100%
Presco Investments I NS FIZ <sup>1</sup>	Poland	100%	100%
BISON NS FIZ (CLOSED-END INVESTMENT FUND)	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%
Wonga.pl sp. z o.o.	Poland	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. Reporting period

The reporting period is the period from January 1st to June 30th 2019 and the comparative period is the period from January 1st to June 30th 2018. The consolidated statement of financial position was drawn up as at June 30th 2019 and the comparative data is presented as at June 30th 2018 and December 31st 2018. The consolidated statement of changes in equity was drawn up for the period from January 1st to June 30th 2019 and the comparative periods are the periods from January 1st to June 30th 2018 and from January 1st to December 31st 2018.

The financial data presented on a quarterly basis for the periods from April 1st to June 30th 2019 and from April 1st to June 30th 2018 was not subject to a separate review or audit by an auditor.

### 3. Statement of compliance

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

In the opinion of the Management Board, there are no circumstances which could pose a significant threat to the Group companies continuing as going concerns. Therefore, these interim condensed consolidated financial statements have been prepared under the assumption that the companies will continue as going concerns in the foreseeable future, that is for 12 months from the reporting date.

These financial statements do not contain all the information required to prepare full-year financial statements and should therefore be read in conjunction with the Group's consolidated financial statements prepared as at and for the year ended December 31st 2018.

These interim condensed financial statements were approved by the Management Board (the "Management Board") of the Parent on September 5th 2019.

The data contained in these interim condensed 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.

### 4. Significant accounting policies

These interim condensed consolidated financial statements have been prepared based on the following measurement concepts:

- amortised cost calculated using the effective interest rate method,
  - taking into account 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,
- historical cost – for non-financial assets and liabilities.

Except for the change resulting from the application of IFRS 16 and the implementation of hedge accounting for a net investment in a foreign operation, 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.

These financial statements comply with the requirements of all the International Accounting Standards, International Financial Reporting Standards and related interpretations endorsed by the European Union, which have been issued and are effective for annual periods beginning on or after January 1st 2019.

## Implementation of IFRS 16

The Group adopted the new IFRS 16 *Leases* as of its effective date, i.e. January 1st 2019. IFRS 16 replaces IAS 17 *Leases* and refers to the recognition, measurement, presentation and disclosure of leases. The Group applied the modified retrospective approach to its lease contracts, i.e. without restating comparative data. At the beginning of 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 leases, disclosing in its financial statements the right-of-use assets (presented in property, plant and equipment in statement of financial position) and lease liabilities (presented in liabilities under borrowings and other debt instruments in statement of financial position) measured at the present value of the lease payments that remain to be paid as of January 1st 2019. As at the date of initial application, the value of future lease payments was discounted using the weighted average lessee marginal rate of 3.88%. The right-of-use assets were recognised at the same amounts as the lease liabilities due to the absence of contractual clauses that could result in creating provisions for additional charges or provisions related to the disassembly of leased facilities or items.

The Group applied the simplification allowed by the standard for short-term lease contracts (up to 12 months) and leasing of low-value assets (up to PLN 20 thousand), for which it does not recognize financial liabilities and related right-of-use assets; leasing fees in this respect are recognized as costs using the straight-line method during the lease period under other operating costs in the separate statement of profit or loss.

The Group recognizes the lease agreement as right-of-use assets and the corresponding lease liability on the date when the leased asset is available for use.

The lease liability includes the current value of the following lease payments:

- fixed payments less any incentive receivable,
  - variable lease payments which depend on an index or a rate,
  - amounts expected to be payable by the lessee under residual value guarantees ,
  - the exercise price of a purchase option if the lessee is reasonably certain to exercise that option,
- and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The right-of-use assets are measured at cost including:

- the amount of the initial measurement of the lease liability,
  - any lease payments made at or before the commencement date, less any lease incentives received,
  - any initial direct costs incurred by the lessee,
- and
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located if the lessee recognises liability related to these costs.

As at the date of initial application of the Standard, the Group elected to adopt the grandfathering clause and not to conduct a reassessment of whether a contract contains a lease. As a consequence, the Group classified as leases falling within the scope of IFRS 16 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:

- lease of buildings and premises where Group entities conduct business activities,
- lease of vehicles (passenger cars) which under the previous regime did not meet the criteria to be recognised in the statement of financial position,
- rental of photocopying equipment.

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

The leasing period was determined taking into account the options of shortening and extension which are available in the concluded contracts, if the option is likely to be exercised. The right-of-use assets are subjected to linear depreciation over the shorter of the two periods: the useful life of the asset or the lease period; lease liabilities, are measured using amortized cost method.

The effect of the amended IFRS 16 on individual items of the consolidated statement of financial position, consolidated statement of profit or loss and consolidated statement of cash flows is presented below.

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	93,794	67,440	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>4,549,617</b>	<b>67,440</b>	<b>4,482,177</b>

PLN '000

	Jan 1 2019 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	2,567,483	67,440	2,500,043
Deferred tax liability	9,182	-	9,182
<b>Total liabilities</b>	<b>2,816,867</b>	<b>67,440</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>4,549,617</b>	<b>67,440</b>	<b>4,482,177</b>



**Effect on consolidated statement of financial position**

Finance lease liabilities	IAS 17	9,155
Off-balance-sheet liabilities under operating leases (undiscounted)	IAS 17	72,717
<b>Total – December 31st 2018</b>		<b>81,872</b>
Effect of discounting using the incremental borrowing rate as at January 1st 2019	IFRS 16	(5,277)
Short-term lease contracts recognised as expense in the period	IFRS 16	-
Leases of low-value assets recognised as expense in the period	IFRS 16	-
<b>Lease liabilities – January 1st 2019</b>		<b>76,595</b>

Jan 1-  
**Jun 30 2019**

**Effect on consolidated statement of profit or loss**

increase in interest expense	1,243
increase in depreciation and amortisation	10,294

**Effect on consolidated statement of cash flows**

increase in net operating cash flows	864
decrease in net financing cash flows	-894

**Hedging of a net investment in a foreign operation**

In 2019, the Group has started applying hedge accounting of net investment in a foreign entity. Net investment hedge accounting in foreign entities consists in hedging shares in the net assets of a foreign entity consolidated in these financial statements.

The hedged item is the defined amount of net investment in the foreign operation, understood as the difference between the **carrying** amount of the assets (investment) and the carrying amount of liabilities and provisions of the foreign subsidiary (expressed in EUR).

Calculation of the permitted hedged item **does not include** those monetary items (intra-group receivables and/or liabilities between the Company and the foreign subsidiary) that have a specified maturity date (i.e. they will be converted into receivables/payables at a specified future date (including trade receivables/payables, receivables/payables under collected debts, resale of shares etc.)).

In order to increase the economic effectiveness of the hedge, the Group designates hedging relationships with a monthly frequency, i.e. each FX Forward/FX Swap transaction with a one-month maturity is linked to a designated hedged item for one month, assuming that the nominal portion of the net investment **designated as the hedged item** is fixed during the month.

The Group measures the ex-ante effectiveness as at the date of establishing the hedging relationship and as at each subsequent effectiveness measurement date (the end date of the reporting period).

As part of a prospective assessment of hedge effectiveness, the Group checks whether the following three conditions for establishing and maintaining a hedging relationship are met:

- **Condition 1 – Economic relationship**
- **Condition 2 – no dominance of credit risk over hedged risk**
- **Condition 3 – consistency of hedge ratio**

The company recognizes the hedge of net investment in foreign entity, including the hedge of cash position recognized as part of the net investment, similar to the hedge of cash flows:

- a) the portion of gain or loss made on the hedging transaction determined as effective is recognized under other comprehensive income,
- b) the portion which is determined as ineffective is recognized in the statement of profit and loss

The company stops using hedge accounting in one of the following cases:

- the hedging instrument expires, will be sold or settled prematurely,
- the net asset value of the foreign entity drops below the nominal value of the hedging instrument (in this case there is only partial cessation of hedge accounting for the surplus part of the hedging instrument),
- criteria for applying hedge accounting, in particular criteria for assessing hedge effectiveness, are not met,
- the Group changes its risk management strategy which is not consistent with existing hedging relationship.

After discontinuing the use of hedge accounting for a given hedging transaction, the accumulated gains or losses on the hedging instrument related to the effective portion of hedge, that were accumulated under the currency conversion reserve, are reclassified from equity to profit or loss as an adjustment resulting from reclassification in accordance with the requirements of the IAS 21 regarding the disposal or partial disposal of foreign entity at the time of such an event.

### Loans advanced

Loans advanced by Wonga.pl are measured at amortised cost, using the effective interest rate method, and recognised less of impairment. The Wonga business line involves providing consumer loans of up to PLN 20,000 for periods of 60 months or less. Wonga services are addressed to adult citizens of Poland, with good creditworthiness and access to online banking.

The Kruk Group's business model with respect to the loans is the 'hold to collect' model (whose objective is to hold financial assets in order to collect contractual cash flows). When no repayments are made, the loan is terminated in accordance with the contractual provisions and may be sold.

Loans advanced were classified as credit-impaired financial assets.

How expected losses are recognised by the KRUK Group depends on the change of the risk level from the date of the loan origination.

To assess whether the credit risk increase is significant, the Group compares the risk of default on a given financial asset as at the reporting date with the risk of default on that financial asset as at the date of its initial recognition, taking into consideration rational information that can be documented.

Objective evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the customer,
- a breach of contract, such as default or past due event,
- probability that the borrower will enter bankruptcy or other financial reorganisation.

With reference to the requirements of IFRS 9, the KRUK Group has introduced three main buckets for the recognition of expected losses:

• Bucket 1 – loans advanced in the case of which there has been no significant change of risk from the time of their recognition, understood as an increase in the probability of reclassification into the impaired receivables bucket (Bucket 3). For such loans, lifetime expected credit losses are recognised.

Bucket 2 – loans advanced in the case of which there has been a significant increase in credit risk since their recognition, i.e. the payment is at least 61 days past due but no probability of default has been identified. For such loans, lifetime expected credit losses are recognised.

• Bucket 3 – loans advanced for which the following impairment indicators: the loan being more than 61 days past due and termination of the loan agreement have been identified. For such loans, lifetime expected credit losses are recognised.

• POCI bucket – purchased or originated credit-impaired loans acquired by the KRUK Group. For such loans, lifetime expected credit losses are recognised.

### Derecognition of financial assets

A financial asset is derecognised when, and only when, the following conditions are met:

- the contractual rights to the cash flows from the financial asset expire;
- the financial asset is transferred and the transfer meets the derecognition criteria described below.

While transferring a financial asset, the Company assesses the extent to which it retains the risks and rewards of ownership of the financial asset. In such a case:

a) if the Company transfers substantially all the risks and rewards of ownership of the financial asset, it derecognises the financial asset and recognises separately, as assets or liabilities, any rights and obligations created or retained upon the transfer;

b) if the Company retains substantially all the risks and rewards of ownership of the financial asset, it continues to recognise the asset;

c) if the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it determines whether it has retained control of the financial asset. In such a case:

(i) if the Company has not retained the control, it derecognises the financial asset and recognises separately, as assets or liabilities, any rights and obligations created or retained upon the transfer;

(ii) if the Company has retained the control, it continues to recognise the asset to the extent to which it maintains its continuing involvement in that asset.

### Amendments to current standards and interpretations

New standards, interpretations and amendments to published standards which were endorsed and published by the European Union and took effect as of/after January 1st 2019:

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> <p>Lessors will continue to classify leases as either operating or finance leases and thus recognise most leases without any changes.</p>	The effect on the consolidated statement of financial position was PLN 67,440 thousand.	January 1st 2019

IFRIC 23 <i>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 significant effect on the consolidated financial statements.	January 1st 2019
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 Standard has no significant effect on the consolidated financial statements.	January 1st 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	The Annual Improvements to IFRS Standards 2014–2016 Cycle contain four amendments. The key amendments: <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> </ul>	The amendments have no significant effect on the consolidated financial statements.	January 1st 2019

	<ul style="list-style-type: none"> <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 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.</p>		
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 have no significant effect on the consolidated financial statements.	January 1st 2019
Amendments to IFRS 9 <i>Financial Instruments</i>	The 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	The Standard has no significant effect on the consolidated financial statements.	January 1st 2019

	as such financial assets meet the remaining requirements applicable under IFRS 9.		
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## 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
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates</i> )	<p>The amendments clarify that in the case of a transaction with an associate or joint venture, the extent to which the gain or loss related to the transaction should be recognised depends on whether the assets sold or contributed to an associate or joint venture constituted a business:</p> <ul style="list-style-type: none"> <li>the gain or loss is recognised in full where the contributed assets meet the definition of a business (irrespective of whether such business has the form of a subsidiary or not),</li> <li>the partial gain or loss is recognised when the transaction involves assets that do not constitute a business, even if those assets were part of a subsidiary.</li> </ul>	The Group is currently estimating the effect of the new Standard on its consolidated financial statements.	January 1st 2016 <i>(The European Commission has decided to indefinitely postpone endorsement of these amendments)</i>
IFRS 17 <i>Insurance Contracts</i>	<p>IFRS 17 replaces the transitional IFRS 4 <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>	The Group does not expect the amendments to have a significant impact on its consolidated financial statements.	January 1st 2021

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

## 5. Accounting estimates and judgements

In order to prepare interim consolidated financial statements, the Management Board is required to make judgements, estimates and assumptions which affect the application of adopted accounting policies and the reported amounts of assets, liabilities, revenue and expenses, whose actual values may differ from estimates. The material assumptions underlying the estimates made by the Group and the applied accounting policies are presented in the most recent consolidated full-year financial statements prepared as at and for the financial year ended December 31st 2018.

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.

## 6. Financial risk management

The principles of financial risk management are presented in the most recent consolidated full-year financial statements prepared as at and for the financial year ended December 31st 2018. In the period from January 1st to June 30th 2019, there were no significant changes in the approach to financial risk management.

## 7. 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 statement of profit or loss. 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 profit and EBITDA, which are disclosed in the management's internal reports reviewed by the President of the Management Board of the Parent. A segment's gross profit and EBITDA are used to measure the segment's performance since the management believes them 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 divided into four 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.

## Reporting segments

For the reporting period ended  
June 30th 2019

	Poland		Romania	Italy	Other foreign markets	Head Office	TOTAL
	Poland without Wonga.pl <sup>3</sup>	Wonga.pl <sup>3</sup>					
<b>Revenue</b>	<b>310,146</b>	<b>9,654</b>	<b>185,951</b>	<b>66,190</b>	<b>49,694</b>	-	<b>621,635</b>
Purchased debt portfolios	283,681	-	179,093	59,370	41,739	-	563,883
<i>including revaluation of debt portfolios</i>	43,391	-	51,793	(27,175)	(36,648)	-	<b>31,361</b>
Credit management services	12,897	-	6,438	6,820	7,955	-	<b>34,109</b>
Other products	13,569	9,654	420	-	-	-	<b>23,643</b>
<b>Direct and indirect costs</b>							<b>(279,421)</b>
Purchased debt portfolios	-	-	-	-	-	-	<b>(236,292)</b>
Credit management services	-	-	-	-	-	-	<b>(27,914)</b>
Other products	-	-	-	-	-	-	<b>(15,215)</b>
<b>Gross profit<sup>1</sup></b>							<b>342,214</b>
Purchased debt portfolios	-	-	-	-	-	-	<b>327,591</b>
Credit management services	-	-	-	-	-	-	<b>6,195</b>
Other products	-	-	-	-	-	-	<b>8,428</b>
Administrative expenses	-	-	-	-	-	-	<b>(85,284)</b>
<b>EBITDA <sup>2</sup></b>	<b>190,202</b>	<b>(419)</b>	<b>135,473</b>	<b>(17,959)</b>	<b>(14,734)</b>	<b>(35,635)</b>	<b>256,928</b>
Depreciation and amortisation	-	-	-	-	-	-	<b>(21,251)</b>
Other income	-	-	-	-	-	-	<b>1,525</b>
Other expenses (unallocated)	-	-	-	-	-	-	<b>(4,850)</b>

## Half-Year Report - Interim condensed consolidated financial statements

Finance income/(costs)	-	-	-	-	-	-	(55,947)
Profit before tax	-	-	-	-	-	-	176,406
Income tax	-	-	-	-	-	-	(9,072)
<b>Net profit</b>	-	-	-	-	-	-	<b>167,334</b>
<b>Carrying amount of debt portfolios</b>	<b>1,885,610</b>	-	<b>972,764</b>	<b>709,082</b>	<b>480,429</b>	-	<b>4,047,885</b>
<b>Carrying amount of loans granted</b>	<b>40,619</b>	<b>112,026</b>	<b>4,458</b>	-	-	-	<b>157,103</b>
<b>Cash recoveries</b>	<b>400,312</b>	-	<b>270,415</b>	<b>85,126</b>	<b>118,351</b>	-	<b>874,204</b>

<sup>1</sup> Gross profit = operating income - operating expenses.

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

<sup>3</sup> Wonga.pl data from the share purchase agreement date, i.e. April 30th 2019.

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  
June 30th 2018

	Poland		Romania	Italy	Other foreign markets	Head Office	TOTAL
	Poland without Wonga.pl <sup>3</sup>	Wonga.pl <sup>3</sup>					
<b>Revenue</b>	<b>304,253</b>	-	<b>233,547</b>	<b>39,210</b>	<b>27,904</b>	-	<b>604,914</b>
Purchased debt portfolios	278,747	-	228,523	35,194	17,799	-	560,263
<i>including revaluation of debt portfolios</i>	51,739	-	86,650	(35,127)	(32,888)	-	70,374
Credit management services	12,667	-	4,894	4,016	10,105	-	31,682
Other products	12,839	-	130	-	-	-	12,969
		-					
<b>Direct and indirect costs</b>							<b>(249,710)</b>
Purchased debt portfolios	-	-	-	-	-	-	(219,695)
Collection services	-	-	-	-	-	-	(24,775)
Other products	-	-	-	-	-	-	(5,240)
		-					
<b>Gross profit<sup>1</sup></b>							<b>358,205</b>
Purchased debt portfolios	-	-	-	-	-	-	343,568
Collection services	-	-	-	-	-	-	6,907
Other products	-	-	-	-	-	-	7,730
		-					
Administrative expenses	-	-	-	-	-	-	(78,609)
		-					
<b>EBITDA <sup>2</sup></b>	<b>165,844</b>	-	<b>186,541</b>	<b>(17,986)</b>	<b>(25,061)</b>	<b>(29,745)</b>	<b>279,593</b>

## Half-Year Report - Interim condensed consolidated financial statements

Depreciation and amortisation	-	-	-	-	-	-	(10,126)
Other income	-	-	-	-	-	-	1,986
Other expenses (unallocated)	-	-	-	-	-	-	(4,600)
Finance income/(costs)	-	-	-	-	-	-	(66,525)
Profit before tax	-	-	-	-	-	-	200,327
Income tax	-	-	-	-	-	-	(11,008)
<b>Net profit</b>	-	-	-	-	-	-	<b>189,319</b>
<b>Carrying amount of debt portfolios</b>	<b>1,652,396</b>	-	<b>905,845</b>	<b>594,860</b>	<b>270,947</b>	-	<b>3,424,049</b>
<b>Carrying amount of loans granted</b>	<b>40,806</b>	-	<b>3,257</b>	-	-	-	<b>44,064</b>
<b>Cash recoveries</b>	<b>367,374</b>	-	<b>263,484</b>	<b>60,393</b>	<b>71,819</b>	-	<b>763,070</b>

<sup>1</sup> Gross profit = operating income - operating expenses.

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

<sup>3</sup> Wonga.pl data from the share purchase agreement date, i.e. April 30th 2019.

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.



## 8. Seasonality or cyclical nature of business

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

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

### Investments

In the reporting period, the Group incurred expenditure on the purchase of debt portfolios in the amount of PLN 308,337 thousand (H1 2018: PLN 407,242 thousand), while the amount of recoveries from debtors was PLN 874,333 thousand (H1 2018: PLN 756,900 thousand). Changes in the estimated value of debt portfolios are presented below.

PLN '000

	Jun 30 2019 unaudited	Dec 31 2018	Jun 30 2018 unaudited
Financial assets measured at amortised cost	4,047,885	4,077,718	3,424,048
Investment property	38,013	35,188	27,706
Loans advanced	157,103	44,064	34,444
	4,243,001	4,156,970	3,486,198

### Purchased debt portfolios

PLN '000

	Jun 30 2019 unaudited	Dec 31 2018	Jun 30 2018 unaudited
<b>Value of purchased debt portfolios</b>			
Unsecured portfolios	3,239,918	3,279,395	2,679,412
Secured portfolios	807,967	798,323	744,636
	4,047,885	4,077,718	3,424,048

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	407,242
Cash recoveries	(756,900)
Value of foreclosed property	(9,166)
Increase/(decrease) in liabilities to debtors due to overpayments	693
Valuation of loyalty scheme	3,389
Compensation	(5,452)
Revenue from debt purchase (interest and revaluation)	560,263
Translation differences on debt portfolios	73,835
<b>Value of purchased debt portfolios as at Jun 30 2018</b>	<b>3,424,048</b>

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	308,923
Cash recoveries	(874,333)
Increase/(decrease) in liabilities to debtors due to overpayments	1,652
Valuation of loyalty scheme	2,166
Revenue from debt purchase (interest and revaluation)*	563,882
Translation differences on debt portfolios	(32,123)
<b>Value of purchased debt portfolios as at Jun 30 2019*</b>	<b>4,047,885</b>

\* ProsperoCapital is a party to the joint arrangement.. As at June 30th 2019, the value of the KRUK Group's investment in the joint operation referred to above, disclosed in the consolidated statement of financial position, was PLN 104,017 thousand, while revenue shown in the consolidated statement of profit or loss was PLN 28,652 thousand.

## Loans

Presented below is the analysis of loans advanced as at the end of the reporting periods.

IFRS 9 classification	As at Jun 30 2019	As at Dec 31 2018
<b>Investments (loans advanced)</b>		
Bucket 1	67,631	-
Bucket 2	89,415	38,577
Bucket 3	32,002	19,845
POCI	5,843	-
	<b>194,891</b>	<b>58,422</b>
<b>Impairment losses</b>		
Bucket 1	11,373	-
Bucket 2	11,731	3,480
Bucket 3	14,684	10,878
POCI	-	-
	<b>37,788</b>	<b>14,358</b>

Below are presented changes in impairment losses on loans advanced.

PLN '000	Jan 1-Jun 30 2019				TOTAL
	Bucket 1	Bucket 2	Bucket 3	POCI	
Impairment loss as at Jan 1	-	3,480	10,878	-	14,358
Transfer of impairment loss between buckets	-	(3,480)	3,480	-	-
Impairment loss recognised in period	11,373	11,731	326	-	23,430
Reversal of impairment loss	-	-	-	-	-
Use of impairment loss	-	-	-	-	-
Impairment loss as at Jun 30	<b>11,373</b>	<b>11,731</b>	<b>14,684</b>	<b>-</b>	<b>37,788</b>

The amount of the impairment loss is determined for individual expected loss recognition buckets, based on estimates that reflect the risk of incurring the expected loss, made taking into account the stage of delinquency (0–30 DPD; 31–60 DPD; 61≤DPD; terminated loans). The impairment loss amount as at the end of the reporting period covers 19.4% of gross loans advanced.

In connection with the acquisition of WONGA, the Group acquired, among others, loans with an expiry period of over 90 days, which it classified as financial assets impaired due to credit risk ("Purchased or Originated Credit Impaired" - POCI). Initial recognition of these assets takes place at net value (i.e. without revaluation write-offs) corresponding to their fair value as at the date of purchase. The Group measures assets classified as POCI at amortized cost.

## 10. 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

### 10.1. Revenue

PLN '000

	Jan 1-Jun 30 2019 unaudited	Apr 1-Jun 30 2019 unaudited	Jan 1-Jun 30 2018 unaudited	Apr 1-Jun 30 2018 unaudited
Revenue from debt purchase	563,882	283,217	560,263	295,835
Revenue from credit management	34,110	16,262	31,682	17,219
Revenue from other services	23,643	16,445	12,969	6,529
	621,635	315,924	604,914	319,584

### Revenue from debt purchase

PLN '000

	Jan 1-Jun 30 2019 unaudited	Apr 1-Jun 30 2019 unaudited	Jan 1-Jun 30 2018 unaudited	Apr 1-Jun 30 2018 unaudited
Interest income	485,287	242,537	416,216	211,512
Other income from debt purchase	34,702	25,332	66,045	34,215
Revaluation of debt portfolios	31,361	6,798	70,374	47,484
Gain/(loss) on sale of debts	1,884	631	983	1
Foreclosure of property	11,232	8,377	7,098	2,903
Gain/(loss) on sale of property	(584)	(458)	(453)	(280)
	563,882	283,217	560,263	295,835

### Revaluation of debt portfolios

PLN '000

	Jan 1-Jun 30 2019 unaudited	Apr 1-Jun 30 2019 unaudited	Jan 1-Jun 30 2018 unaudited	Apr 1-Jun 30 2018 unaudited
Revision of recovery projections	41,656	3,880	68,042	46,098
Change due to change in discount rate	-	-	-	-
Foreign currency gains/losses	(10,295)	2,918	2,332	1,387
	31,361	6,798	70,374	47,484

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.

## Additional important information on revaluation

PLN '000

Reportable segment	Revaluation for the entire reportable segment	Additional information	
Poland	43,391		
Romania	51,793	(11,653)	Revaluation of secured portfolios in Romania
Italy	(27,175)		
Other foreign markets	(36,648)	(19,111)	Revaluation of retail portfolios in Slovakia
		(28,012)	Revaluation of retail portfolios in Spain
Head Office	-		

## 10.2. Other income

PLN '000

	Jan 1-Jun 30 2019 unaudited	Apr 1-Jun 30 2019 unaudited	Jan 1-Jun 30 2018 unaudited	Apr 1-Jun 30 2018 unaudited
Return of compensation for damage caused by motor vehicles	311	162	381	179
Gain on sale of property, plant and equipment	328	10	1,102	898
Re-billed costs of services and court fees	409	256	-	-
Reversal of impairment loss	-	-	-	-
Other	475	236	63	(102)
	1,523	664	1,546	975

## 10.3. Services

PLN '000

	Jan 1-Jun 30 2019 unaudited	Apr 1-Jun 30 2019 unaudited	Jan 1-Jun 30 2018 unaudited	Apr 1-Jun 30 2018 unaudited
Credit management services <sup>1</sup>	(13,972)	(7,127)	(12,340)	(6,440)
Legal assistance services	(10,874)	(5,342)	(14,693)	(6,796)
Postal and courier services	(7,487)	(3,346)	(6,478)	(3,146)
Administrative and accounting support services	(7,699)	(4,543)	(7,007)	(3,515)
Banking services	(5,003)	(2,652)	(5,026)	(2,443)
IT services	(5,993)	(3,683)	(3,052)	(1,794)
Communications services	(3,453)	(1,857)	(3,115)	(1,550)
Space rental and service charges <sup>2</sup>	(3,775)	(2,213)	(11,524)	(5,548)
Printing services	(1,579)	(718)	(990)	(570)
Other auxiliary services	(907)	(147)	(2,084)	(911)
Security	(843)	(406)	(774)	(382)
Other rental	(519)	(169)	(2,686)	(1,365)
Repair of vehicles	(593)	(332)	(513)	(311)
Recruitment services	(405)	(256)	(239)	(103)
Packing services	(196)	(98)	(193)	(98)
Repair and maintenance services	(161)	(96)	(262)	(86)
Transport services	(18)	(13)	(34)	(16)

(63,477)	(32,998)	(71,010)	(35,074)
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<sup>1</sup> Costs of debt management services provided by external service providers.

<sup>2</sup> Costs of lease and maintenance of premises in 2019 are lower following the adoption of IFRS 16 resulting in the ended of recognition fees for lease as Services - Costs of lease and maintenance, and recognition of the cost of depreciation of assets due to rights to use in the amount of PLN 8,000 thousand and financial costs due to leasing liabilities in the amount of PLN 1,316 thousand; in the reporting period ended June 30th 2019, they only included costs of maintenance of leased space.

#### 10.4. Employee benefits expense

PLN '000

	Jan 1-Jun 30 2019 unaudited	Apr 1-Jun 30 2019 unaudited	Jan 1-Jun 30 2018 unaudited	Apr 1-Jun 30 2018 unaudited
Salaries and wages	(136,031)	(69,727)	(115,983)	(57,439)
Old-age and disability pension contributions	(10,407)	(5,261)	(8,563)	(3,819)
Other social security contributions	(21,891)	(12,628)	(20,964)	(10,405)
Contribution to the State Fund for the Disabled	(805)	(404)	(740)	(460)
Equity-settled cost of stock option plan	(6,330)	(4,035)	(4,169)	(2,096)
	(175,464)	(92,055)	(150,420)	(74,220)

#### 10.5. Other expenses

PLN '000

	Jan 1-Jun 30 2019 unaudited	Apr 1-Jun 30 2019 unaudited	Jan 1-Jun 30 2018 unaudited	Apr 1-Jun 30 2018 unaudited
Court fees	(81,491)	(45,410)	(71,016)	(38,195)
Taxes and charges	(25,478)	(14,339)	(14,999)	(7,654)
Raw materials and consumables used	(5,934)	(2,995)	(5,775)	(2,722)
Business trips	(2,902)	(1,645)	(2,837)	(1,475)
Staff training	(1,875)	(1,022)	(1,940)	(1,111)
Advertising	(7,073)	(6,274)	(4,320)	(3,174)
Entertainment expenses	(848)	(614)	(2,013)	(1,735)
Losses from damage caused by motor vehicles	(725)	(197)	(421)	(197)
Costs of services and fees to be re-billed	(631)	847	-	-
Motor insurance	(568)	(272)	(939)	(458)
Property insurance	(425)	(158)	(414)	(219)
Other consultancy services	(390)	-	-	-
Refund of litigation costs	(354)	-	-	-
Non-deductible VAT	(255)	(122)	(300)	(143)
Impairment losses on receivables	(7)	-	(70)	(70)
Other	(2,010)	(1,104)	(842)	35
	(130,966)	(73,305)	(105,885)	(57,120)

#### 10.6. Finance income

PLN '000

	Jan 1-Jun 30 2019 unaudited	Apr 1-Jun 30 2019 unaudited	Jan 1-Jun 30 2018 unaudited	Apr 1-Jun 30 2018 unaudited
Interest income on bank deposits	73	45	92	(109)
	73	45	92	(109)

## 10.7. Finance costs

PLN '000

	Jan 1-Jun 30 2019 unaudited	Apr 1-Jun 30 2019 unaudited	Jan 1-Jun 30 2018 unaudited	Apr 1-Jun 30 2018 unaudited
Interest and commission expense on financial liabilities measured at amortised cost	(55,278)	(31,412)	(48,578)	(26,844)
Net foreign exchange losses	(1,490)	7,338	(18,039)	(9,112)
Interest income/expense on derivative instruments	938	459	-	-
Ineffective portion of remeasurement of hedging instruments	(190)	(774)	-	-
	<u>(56,020)</u>	<u>(24,389)</u>	<u>(66,618)</u>	<u>(35,956)</u>

## 10.8. Income tax

PLN '000

	Jan 1-Jun 30 2019 unaudited	Apr 1-Jun 30 2019 unaudited	Jan 1-Jun 30 2018 unaudited	Apr 1-Jun 30 2018 unaudited
<b>Current income tax</b>	<b>13,224</b>	<b>11,631</b>	<b>12,696</b>	<b>6,412</b>
Current income tax payable	13,224	11,631	12,696	6,412
<b>Deferred income tax</b>	<b>(4,154)</b>	<b>1,254</b>	<b>(1,688)</b>	<b>5,791</b>
Related to temporary differences and their reversal	(4,154)	1,254	(1,688)	5,791
<b>Income tax recognised in profit or loss</b>	<b>9,071</b>	<b>12,886</b>	<b>11,008</b>	<b>12,204</b>

PLN '000

	Jan 1-Jun 30 2019 unaudited	Jan 1-Jun 30 2018 unaudited
<b>Profit before tax</b>	<b>177,486</b>	<b>200,327</b>
Tax calculated at the Parent's rate (19%)	(33,722)	(38,062)
Effect of application of other tax rates abroad	3,143	(5,913)
Effect of non-deductible expenses	21,508	32,967
<b>Income tax recognised in profit or loss</b>	<b>(9,071)</b>	<b>(11,008)</b>
Effective tax rate (%)	5.11%	5.50%



The effective tax rate differs from the applicable tax rate as the consolidated data includes data of companies whose profits are subject to deferred income tax upon realisation of income or payment of dividend.

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

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

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

The Group believes that it has paid all due taxes, fines and default interest in a timely manner.

In respect of all uncertain tax items, where the current legislation and communication with tax authorities do not provide sufficient guidance, the Group analysed the existing tax laws and regulations and their interpretations, and applied them correctly.

The period for which tax settlements may be subject to tax audit is four years in Spain, five years in Poland, the Czech Republic and Germany, six years in Italy, and seven years in Romania and Slovakia. As a result, the amounts disclosed in the financial statements may be changed at a later date after they are finally determined by tax authorities.

On July 15th 2016, amendments were made to the Tax Law reflecting the provisions of the General Anti-Abuse Rule (GAAR). The new regulations require considerably more judgement in assessing the tax effects of transactions.

GAAR applies to transactions made after its effective date as well as to transactions executed before the effective date of GAAR but in respect of which benefits were or continue to be derived after that date.

**Deferred tax assets and liabilities**

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

PLN '000

	Assets		Liabilities		Net value	
	Jun 30 2019	Dec 31 2018	Jun 30 2019	Dec 31 2018	Jun 30 2019	Dec 31 2018
Property, plant and equipment	3,714	1,321	(4,097)	(1,742)	(383)	(421)
Intangible assets	428	-	(4,933)	(2,627)	(4,505)	(2,627)
Tax losses deductible in future periods	4,963	1,482	-	-	4,963	1,482
Trade and other receivables	96	-	(521)	(173)	(425)	(173)
Liabilities under borrowings and other debt instruments	15,975	10,675	-	-	15,975	10,675
Employee benefit obligations	1,349	2,001	-	-	1,349	2,001
Provisions and liabilities	3,037	2,265	-	-	3,037	2,265
Investments	13,105	3,267	(33,135)	(25,651)	(20,030)	(22,384)
Hedge derivatives	-	-	-	-	-	-
<b>Deferred tax assets/liabilities</b>	<b>42,667</b>	<b>21,011</b>	<b>(42,686)</b>	<b>(30,193)</b>	<b>(19)</b>	<b>(9,182)</b>
Deferred tax assets offset against liabilities	(42,667)	(21,011)	42,667	21,011	-	-
<b>Deferred tax assets/liabilities in the statement of financial position</b>	<b>-</b>	<b>-</b>	<b>(19)</b>	<b>(9,182)</b>	<b>-</b>	<b>-</b>

**Change in temporary differences in the period**

PLN '000

	As at Jan 1 2019	Change in temporary differences recognised in profit or loss for current period	Change in temporary differences related to acquisition of Wonga.pl.	As at Jun 30 2019	As at Jan 1 2018	Change in temporary differences recognised in profit or loss for current period	As at Jan 1 2018
Property, plant and equipment	(421)	38	-	(383)	(116)	(305)	(421)
Intangible assets	(2,627)	(1,878)	-	(4,505)	(2,395)	(232)	(2,627)
Tax losses deductible in future periods	1,482	3,481	-	4,963	-	1,482	1,482
Trade and other receivables	(173)	(252)	-	(425)	(10,338)	10,165	(173)
Liabilities under borrowings and other debt instruments	10,675	5,300	-	15,975	2,005	8,670	10,675
Employee benefit obligations	2,001	(652)	-	1,349	890	1,112	2,001
Provisions and liabilities	2,265	772	-	3,037	1,211	1,053	2,265
Investments	(22,384)	(2,655)	5,009	(20,030)	(4,322)	(18,062)	(22,384)
	(9,182)	4,154	5,009	(19)	(13,064)	3,095	(9,182)

PLN '000

	As at Jan 1 2019	Change in temporary differences recognised in other comprehensive income	Change in temporary differences related to acquisition of Wonga.pl.	As at Jun 30 2019	As at Jan 1 2018	Change in temporary differences recognised in other comprehensive income	As at Jan 1 2018
Hedge derivatives	-	-	-	-	(1,380)	1,380	-
	-	-	-	-	(1,380)	1,380	-

The change in temporary differences recognised in profit or loss for the current period amounted to PLN 4,152 thousand and differed from the amount referred to above by PLN 5,009 thousand, which is equivalent to the amount of deferred tax assets acquired as part of the acquisition of Wonga.pl.

The Group benefits from the regulation provided in IAS 12 and does not recognise a deferred tax liability in respect of retained earnings at its related entities where it is able to control the timing of the reversal of temporary differences in the foreseeable future and it is probable that the temporary differences will not reverse in the foreseeable future. The total amount of temporary differences determining the basis for the unrecognized deferred tax liability in respect of retained earnings is PLN 1,157,289 thousand.

### 10.9. Exchange differences on translating foreign operations in the statement of comprehensive income

PLN '000

	Jan 1-Jun 30 2019 unaudited	Apr 1-Jun 30 2019 unaudited	Jan 1-Jun 30 2018 unaudited	Apr 1-Jun 30 2018 unaudited
Translation differences	11,064	16,328	60,680	49,182
Attributable to:				
Owners of the Parent	11,064	16,328	60,680	49,182
Finance income / (finance cost) recognised in other comprehensive income	11,064	16,328	60,680	49,182

### 10.10. Borrowings, finance lease liabilities and other financial liabilities

PLN '000

	Jun 30 2019 unaudited	Dec 31 2018	Jun 30 2018 unaudited
<b>Non-current liabilities</b>			
Secured borrowings	950,588	1,057,384	485,217
Liabilities under debt securities (unsecured)	1,316,211	1,142,906	1,240,170
Lease liabilities	42,417	1,362	1,959
	2,309,216	2,201,652	1,727,346
<b>Current liabilities</b>			
Short-term portion of secured borrowings	187,304	73,632	117,801
Liabilities under debt securities (unsecured)	178,405	216,966	154,690
Short-term portion of lease liabilities	28,143	7,793	7,021
	393,852	298,391	279,512

PLN '000	Currency	Nominal interest rate	Maturity year	Jun 30 2019 unaudited	Dec 31 2018	Jun 30 2018 unaudited
Borrowings secured with the Group's assets	PLN EUR	1M/3M WIBOR/ EURIBOR + margin of 1.0–3.25pp	2024	1,137,892	1,131,016	603,018
Liabilities under debt securities (unsecured)	PLN EUR	3M WIBOR + margin of 2.5–4.0pp / 3.0–3.59pp	2025	1,494,616	1,359,872	1,394,860
Finance lease liabilities	PLN EUR	3M WIBOR or 1M EURIBOR + margin of 0.68–4.0 pp	2022	70,560	9,155	8,980
				<u>2,703,068</u>	<u>2,500,043</u>	<u>2,006,857</u>

### 10.11. Hedge derivatives and other

The interest rate risk management policy covers the following:

- the Group's objectives in terms of interest rate risk;
- interest rate risk monitoring methods;
- the Group's permitted exposure to interest rate risk;
- procedures in case of exceeding permitted exposure to interest rate risk;
- interest rate risk management rules of the KRUK Group;

#### Other derivatives

In 2017, the Group concluded two foreign currency interest rate swaps (CIRS), under which the Group pays a coupon based on a fixed EUR interest rate and receives a coupon based on a variable PLN interest rate. The contracts hedge both currency risk and interest rate risk as they effectively change the debt contracted in the złoty with euro-denominated liabilities:

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

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

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

The Group expects cash flows to be generated and to have an effect on its performance in the period until 2021.

In 2018, due to the ineffectiveness of the hedging relationship, the valuation was written off through profit or loss.

InvestCapital Ltd. – a derivative instrument hedging the risk of impairment of assets in RON, which is not used as part of hedge accounting:

- FX forward contract concluded on May 27th 2019. Under the contract, the Company is required to purchase EUR 32,108 thousand for RON 157,000 thousand on December 31st 2019.
- FX forward contract concluded on June 27th 2019. Under the contract, the Company is required to purchase EUR 1,037 thousand for RON 5,000 thousand on December 31st 2019.

### *Derivatives designated for hedge accounting*

In 2017 the Group concluded two interest rate swaps (IRS) under which it pays a coupon based on a fixed PLN interest rate and receives a coupon based on a variable PLN interest rate. The contracts provide a hedge against interest rate risk.

First contract: The Group pays at a fixed rate of 2.5%, while the counterparty pays at a variable rate equal to 3M WIBOR. Interest payments are made every three months (interest period).

Second contract: The Group pays at a fixed rate of 2.5%, while the counterparty pays at a variable rate equal to 3M WIBOR. Interest payments are made every three months (interest period).

The contracts provide hedging against variability of cash flows generated by liabilities denominated in PLN due to changes in reference interest rates (hedging the coupon on PLN 150m worth of Series AA2 bonds and on PLN 50m worth of Series AC1 bonds).

The Group expects cash flows to be generated and to have an effect on its performance in the period until 2022.

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

In addition, in Q1 2019, Group companies entered into the hedging transactions to hedge currency risk resulting from the conversion of net assets in a foreign entity. The Group's objective is to reduce the impact of exchange rate differences in the consolidated statement on foreign subsidiaries.

Transactions concluded by KRUK S.A. and settled on a net basis, with no physical delivery, in the first half of 2019.

Transaction date	Settlement date	Total amount in notional currency (EUR '000)	Total value (PLN '000)
2019-02-28	2019-03-29	- 65,000	280,326
2019-03-29	2019-04-30	- 60,000	258,462
2019-04-30	2019-05-31	- 82,000	351,854
2019-05-31	2019-06-28	- 83,000	356,069

As at June 30th 2019, the Group companies had open forward transactions:

KRUK S.A. – transactions hedging the PLN value of a part of net investment in InvestCapital Ltd.:

- FX forward contract concluded on June 28th 2019 with Santander Bank Polska S.A. Under the contract, the Company is required to sell EUR 60,000 thousand for PLN 255,372 thousand on July 31st 2019.

The Company intends to extend the contract maturity date for subsequent periods, taking into account the criteria set out in the Group's internal policies, for amounts adjusted to the currency risk exposure existing at the given time, or to settle the contracts on a net basis, with no physical delivery.

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

PLN'000

Instrument type	Jun 30 2019				Dec 31 2018				Position in financial statement
	Assets	Liabilities	Nominal value of transaction	Change in fair value which is the basis for setting of amount of ineffectiveness	Assets	Liabilities	Nominal value of transaction	Change in fair value which is the basis for setting of amount of ineffectiveness	
IRS	-	4 420	200 000 (PLN)	(4 420)	-	3 870	200 000 (PLN)	3 870	Other hedge derivatives
FORWARD (PLN/EUR)	-	199	60 000 (EUR)	(199)	-	-	-	-	Other hedge derivatives
	-	4 619		(4 619)	-	3 870		3 870	

## Nominal value as at Jun 30 2019

	Below 6 months	6-12 months	1-2 years	2-5 years
<b>IRS</b>				
fixed payment PLN sale	-	-	-	(200 000)
floating payment PLN	-	-	-	200 000
<b>FORWARD</b>				
fixed payment PLN sale	(255 372)	-	-	-
floating payment PLN	255 120	-	-	-

## Nominal value as at 31th Dec 2018

	Below 6 months	6-12 months	1-2 years	2-5 years
<b>IRS</b>				
fixed payment PLN sale	-	-	-	(200 000)
floating payment PLN	-	-	-	200 000

## Disclosure regarding hedged position

	Nominal value of hedged position	Change in fair value of hedged position	The amount accumulated in cash flow hedging reserve for continued relations	The amount accumulated in cash flow hedging reserve (unsettled) for finished relations
Hedge of future cash flows	200 000	4 420	(4 420)	-
Hedge of investments in net asset	255 372	199	(199)	5 290

Jan 31 - Jun 30 2019

Cash flow hedging reserve	Hedge of future cash flows	Hedge of investments in net asset	Cash flow hedging reserve TOTAL
Cash flow hedging reserve at the beginning of period	(3 869)	-	(3 869)
Valuation of hedging instruments accumulated in capital reserves	(1 130)	5 091	3 961
The amount reclassified during the period to profit and loss	733	-	733
-Interests income	733	-	
Cash flow hedging reserve at the ending period	(3 136)	5 091	825



## 10.12. Earnings per share

### Basic earnings per share

'000

	Jan 1-Jun 30 2019 unaudited	Jan 1-Dec 31 2018	Jan 1-Jun 30 2018 unaudited
Number of ordinary shares as at Jan 1	18,887	18,808	18,808
Effect of cancellation and issue	15	35	18
Weighted average number of ordinary shares at end of reporting period	18,902	18,843	18,826
<i>PLN</i>			
Earnings per share	8.83	17.51	10.05

### Diluted earnings per share

'000

	Jan 1-Jun 30 2019 unaudited	Jan 1-Dec 31 2018	Jan 1-Jun 30 2018 unaudited
Number of ordinary shares as at Jan 1	18,887	18,843	18,826
Effect of issue of unregistered shares not subscribed for	399	465	465
Weighted average number of ordinary shares at end of reporting period (diluted)	19,286	19,308	19,291
<i>PLN</i>			
Earnings per share (diluted)	8.65	17.09	9.81

**10.13. Current and non-current items of the statement of financial position****As at Jun 30 2019**

PLN '000

	<b>Jun 30 2019 unaudited</b>	<b>Dec 31 2018</b>	<b>Jun 30 2018 unaudited</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	87,705	26,354	28,169
Other intangible assets	50,512	33,877	36,515
Goodwill	61,493	62,010	62,010
Other derivatives	3,404	1,450	-
Deferred tax asset	-	-	-
<b>Total non-current assets</b>	<b>203,114</b>	<b>123,691</b>	<b>126,694</b>
<b>Current assets</b>			
Inventories	267	197	160
Investments	4,243,001	4,156,970	3,486,198
Trade receivables	26,240	28,143	17,933
Other receivables	35,568	23,088	37,352
Other assets	1,009	2,786	17,974
Cash and cash equivalents	383,738	147,302	162,478
<b>Total current assets</b>	<b>4,689,823</b>	<b>4,358,486</b>	<b>3,722,095</b>
<b>Total assets</b>	<b>4,892,937</b>	<b>4,482,177</b>	<b>3,848,790</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	18,931	18,887	18,872
Share premium	303,711	300,097	298,900
Cash flow hedging reserve	825	(3,869)	(2,231)
Translation reserve	(42,705)	(53,769)	4,061
Other capital reserves	101,254	94,924	90,973
Retained earnings	1,448,250	1,376,084	1,235,307
<b>Equity attributable to owners of the Parent</b>	<b>1,830,266</b>	<b>1,732,354</b>	<b>1,645,882</b>
<b>Non-controlling interests</b>	<b>164</b>	<b>396</b>	<b>185</b>
<b>Total equity</b>	<b>1,830,430</b>	<b>1,732,750</b>	<b>1,646,067</b>
<b>Non-current liabilities</b>			
Non-current liabilities under borrowings and other debt instruments	2,309,216	2,201,652	1,727,346
Deferred tax liability	19	9,182	9,194
Other derivatives	6,302	3,870	3,616
<b>Total non-current liabilities</b>	<b>2,315,537</b>	<b>2,214,704</b>	<b>1,740,156</b>
<b>Current liabilities</b>			
Current liabilities under borrowings and other debt instruments	393,852	298,391	279,512
Trade and other payables	297,368	176,054	143,718
Income tax payable	5,258	15,600	8,821
Employee benefit obligations	50,492	44,678	30,515
<b>Total current liabilities</b>	<b>746,970</b>	<b>534,723</b>	<b>462,567</b>
<b>Total liabilities</b>	<b>3,062,507</b>	<b>2,749,427</b>	<b>2,202,723</b>
<b>Total equity and liabilities</b>	<b>4,892,937</b>	<b>4,482,177</b>	<b>3,848,790</b>

**10.14. Right of use**

PLN '000

**Jun 30 2019****Carrying amount of  
right-of-use assets at end of reporting period,  
by class of underlying asset at the January 1st**

Buildings and structures	56,502
Plant and equipment	727
Vehicles	19,604
	<u>76,833</u>

**Cost of amortisation of right-of-use assets,  
by class of underlying asset**

Buildings and structures	(8,000)
Plant and equipment	(91)
Vehicles	(4,463)
	<u>(12,554)</u>

Increase of right-of-use assets	1,761
Right-of-use assets at the acquisition date of Wonga.pl	3,734
Decrease of right-of-use assets	(1,589)
Exchange differences	25

**Carrying amount of  
right-of-use assets at end of reporting period,  
by class of underlying asset at the June 30th**

Buildings and structures	48,502
Plant and equipment	636
Vehicles	15,141
	<u>68,210</u>

Interest expense relating to lease liabilities	1,316
Cost relating to variable lease payments not included in the measurement of lease liabilities	33
Total cash outflow in connection with leases	7 151

## 10.15. Goodwill

PLN '000

	Kancelaria Prawna RAVEN	KRUK Italia S.r.l	KRUK Espana S.L.	ERIF BIG S.A.	AgeCredit S.r.l	Wonga.pl sp. z o.o.	Total
<b>Gross value as at Jan 1 2018</b>	299	5,002	47,977	725	-	-	54,003
Increase	-	-	-	-	8,007	-	8,007
Decrease	-	-	-	-	-	-	-
<b>Gross value as at Dec 31 2018</b>	299	5,002	47,977	725	8,007	-	62,010
<b>Gross value as at Jan 1 2019</b>	299	5,002	47,977	725	8,007	-	62,010
Increase	-	-	-	-	-	1,264	1,264
Decrease	-	-	-	-	-	-	-
Translation differences	-	(88)	(1,865)	-	172	-	(1,781)
<b>Gross value as at Jun 30 2019</b>	299	4,914	46,112	725	8,179	1,264	61,493
<b>Net value</b>							
As at Jan 1 2018	299	5,002	47,977	725	-	-	54,003
As at Dec 31 2018	299	5,002	47,977	725	8,007	-	62,010
As at Jan 1 2019	299	5,002	47,977	725	8,007	-	62,010
As at Jun 30 2019	299	4,914	46,112	725	8,179	1,264	61,493

On April 30th 2019, the KRUK Group, acting through its company KRUK S.A., purchased 100% of the shares in Wonga.pl Sp. z o.o. from Wonga Worldwide Limited (in administration). Wonga.pl is a financial services company. It specialises in short-term and hire purchase online lending on the Polish market.

The economic substance of the transaction is an acquisition of a company. The transfer of control to the KRUK Group took place on signing the agreement.

The KRUK Group acquired Wonga with a view to increasing its market share in Polish consumer lending market. The acquisition was accounted for in accordance with IFRS 3. Following the accounting for the transaction, there are no non-controlling interests in the acquiree.

The purchase agreement provides for funding of the acquiree's day-to-day liabilities. Under the agreement, Kruk granted a loan to Wonga.pl to finance the payment of its day-to-day liabilities towards Wonga Worldwide Limited (in administration).

The acquisition was accounted for provisionally as at June 30th 2019. The Group has 12 months from the acquisition date to finally account for the acquisition cost.

Provisional accounting for the acquisition of Wonga.pl is as follows:

PLN '000

ASSETS	Wonga PL sp. z o.o. data as at Apr 30 2019 (based on the value disclosed in the financial statements)	Fair value adjustment	Provisional data as at acquisition date – Apr 30 2019
Cash and cash equivalents	4,144	-	4,144
Trade receivables	746	(41)	705
Investments	95,872	(8,499)	87,373
Property, plant and equipment	3,882	-	3,882
Intangible assets	14,688	-	14,688
Investments in subsidiaries	10	(10)	-
Deferred tax asset	6,631	(1 621)	5,010
Other assets	550	-	550
<b>TOTAL ASSETS</b>	<b>124,902</b>	<b>(10 171)</b>	<b>116,352</b>

LIABILITIES	Wonga PL sp. z o.o. data as at Apr 30 2019  (based on the value disclosed in the financial statements)	Fair value adjustment	Provisional data as at acquisition date – Apr 30 2019
Trade and other payables	10,065	-	10,065
Employee benefit obligations	443	80	523
Liabilities under borrowings and other debt instruments	106,127	64	106,191
Provisions	-	-	-
<b>TOTAL LIABILITIES</b>	<b>116,635</b>	<b>144</b>	<b>116,779</b>

The acquired assets and liabilities were measured at fair value.

Goodwill of PLN 1,264 thousand was recognised on settlement of the acquisition of Wonga Polska Sp. z o.o. KRUK paid PLN 835 thousand in cash (purchase price) to Wonga Worldwide Limited (in administration) in exchange for 100% of Wonga Polska Sp. z o.o.'s assets, whose fair value as at the acquisition date was PLN 427 thousand. In addition, Wonga.pl also received a PLN 96,191 thousand loan to repay its day-to-day liabilities to Wonga Worldwide Limited.

As part of the acquisition:

- gross value of loans resulting from concluded contracts in the amount of PLN 113,117 thousand were acquired; best estimate as at the acquisition date of the contractual cash flows not expected to be received, including the discounting effect using market discount rates established on the basis of newly granted loans, is PLN 25,743 thousand; the fair value of the loans is PLN 87,373 thousand,
- gross receivables of PLN 746 thousand were acquired; best estimate as at the acquisition date of the contractual cash flows not expected to be received is PLN 41 thousand. The fair value of the receivables is PLN 705 thousand.

The value of Wonga.pl's revenues and losses for the period from the date of acquisition to the end of the reporting period amounted to PLN 9,910 thousand and PLN-1,817 thousand.

The value of Wonga.pl's revenues and losses for the period from the beginning of the year to the end of the reporting period amounted to PLN 39,237 thousand and PLN -4,253 thousand.

The acquiree data was recognised as at the acquisition date.

## 11. Financial instruments

### Fair value

The fair value and book value of financial assets and financial liabilities are presented below.

PLN '000	Jun 30 2019 unaudited		Dec 31 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets and liabilities measured at fair value</b>				
Hedge derivatives	3,404	3,404	1,450	1,450
Hedge derivatives	(6,302)	(6,302)	(3,870)	(3,870)
	(2,898)	(2,898)	(2,420)	(2,420)
<b>Financial assets and liabilities not measured at fair value</b>				
Financial assets measured at amortised cost	4,085,898	3,631,184	4,077,718	3,692,947
Loans and receivables	218,911	221,034	95,295	95,295
Secured bank borrowings	(1,137,892)	(1,137,892)	(1,131,016)	(1,131,016)
Unsecured bonds in issue	(1,494,616)	(1,495,913)	(1,359,872)	(1,369,712)
Finance lease liabilities	(70,560)	(70,560)	(9,155)	(9,155)
Trade and other payables	(297,368)	(297,368)	(176,054)	(176,054)
	1,304,373	850,485	1,496,916	1,102,305

### Hierarchy of financial instruments

#### *Hierarchy of financial instruments measured at fair value*

The table below presents financial instruments recognised in the statement of financial position at fair value according to the valuation method applied. Depending on the level of valuation, the following inputs were used in the valuation models.

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

In 2019, no transfers were made between the fair value hierarchy levels.

*Hierarchy of financial instruments – Level 2*

PLN '000

	Level 2	
	Carrying amount	Fair value
<b>As at Dec 31 2018</b>		
Hedge derivatives	(2,420)	(2,420)
<b>As at Jun 30 2019</b>		
Hedge derivatives	3,404	3,404

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

*Hierarchy of financial instruments – Level 3*

PLN '000

	Level 3	
	Carrying amount	Fair value
<b>As at Dec 31 2018</b>		
Financial assets measured at amortised cost	4,077,718	3,698,884
Loans and receivables	218,911	221,034
<b>As at Jun 30 2019</b>		
Financial assets measured at amortised cost	4,085,898	3,631,184
Loans and receivables	95,295	95,295

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

The Group did not make any transfers between the fair value hierarchy levels in 2019.



*Assumptions adopted in the valuation of debt portfolios*

	<b>Jun 30 2019 unaudited</b>	<b>Dec 31 2018</b>
Discount rate		
- risk premium <sup>1</sup>	8.10% - 420.22%	8.10% - 420.22%
Period for which recoveries have been estimated	Jul 2019–Jun 2035	Jan 2019–Dec 2034
Nominal value of expected future recoveries	7,161,983	7,239,219

<sup>1</sup> Applicable to 99% of debt portfolios.*Future expected cash flows from debt portfolios (nominal value - ERC):*

<i>PLN '000</i>	<b>Jun 30 2019 unaudited</b>	<b>Dec 31 2018</b>
<b>Period</b>		
Up to 12 months	1,601,883	1,610,716
From 1 to 2 years	1,560,334	1,502,131
From 2 to 3 years	1,262,719	1,255,767
From 3 to 4 years	939,581	966,812
From 4 to 5 years	618,108	647,285
Over 5 years	1,179,358	1,256,508
	<b>7,161,983</b>	<b>7,239,219</b>

**Total exposure to credit risk**

<i>PLN '000</i>	<b>Jun 30 2019 unaudited</b>	<b>Dec 31 2018</b>
Poland	2,067,322	1,906,078
Romania	991,129	945,558
Italy	713,498	751,667
Czech Republic	82,190	119,729
Other foreign markets	445,518	449,981
	<b>4,299,657</b>	<b>4,173,013</b>

## Half-Year Report

## Group's exposure to currency risk and sensitivity analysis

Below is presented the Group's exposure to currency risk attributable to financial instruments denominated in foreign currencies, calculated based on the exchange rates effective at the end of the reporting period.

	Exposure to currency risk					Exposure to currency risk if exchange rate goes up +10%														
	PLN	EUR	RON	CZK	TOTAL	PLN	EUR	RON	CZK	TOTAL	PLN	EUR	RON	CZK	TOTAL	PLN	EUR	RON	CZK	TOTAL
<b>Effect on profit/loss for period</b>																				
Receivables	0	2,892	1	-	<b>2,893</b>	18	-	5,132	142	<b>5,292</b>	0	289	0	-	<b>289</b>	2	-	513	14	<b>529</b>
Financial assets	-	(128)	710,614	48,750	<b>759,236</b>	-	283	662,717	18,513	<b>681,513</b>	-	(13)	71,061	4,875	<b>75,924</b>	-	28	66,272	1,851	<b>68,151</b>
Cash	529	4,820	56,994	758	<b>63,101</b>	362	5,519	17,390	10,827	<b>34,098</b>	53	482	5,699	76	<b>6,310</b>	36	552	1,739	1,083	<b>3,410</b>
Liabilities under borrowings and other debt instruments	(18)	(485,430)	-	-	<b>(485,448)</b>	-	(424,303)	-	-	<b>(424,303)</b>	(2)	(48,543)	-	-	<b>(48,545)</b>	-	(42,430)	-	-	<b>(42,430)</b>
Trade and other payables	25	(4,781)	(57,485)	(92)	<b>(62,333)</b>	(23)	(7,513)	(9,277)	(92)	<b>(16,905)</b>	3	(478)	(5,749)	(9)	<b>(6,233)</b>	(2)	(751)	(928)	(9)	<b>(1,690)</b>
<b>Effect on profit/loss for period</b>	<b>537</b>	<b>(482,627)</b>	<b>710,123</b>	<b>49,415</b>	<b>277,449</b>	<b>357</b>	<b>(426,014)</b>	<b>675,962</b>	<b>29,390</b>	<b>279,695</b>	<b>54</b>	<b>(48,263)</b>	<b>71,012</b>	<b>4,942</b>	<b>27,745</b>	<b>36</b>	<b>(42,601)</b>	<b>67,596</b>	<b>2,939</b>	<b>27,970</b>
<b>Effect on other comprehensive income</b>																				
Receivables	-	18,278	11,700	3	29,982	-	18,242	12,242	3	30,487	-	1,828	1,170	0	<b>2,998</b>	-	1,824	1,224	-	<b>3,048</b>

## Half-Year Report

Financial assets	-	1,109,081	336,757	74,983	1,520,821	-	1,201,952	278,386	80,895	1,561,233	-	110,908	33,676	7,498	152,082	-	120,195	27,839	8,090	156,124
Cash	-	45,035	27,430	6,942	79,407	-	54,039	33,778	4,136	91,953	-	4,504	2,743	694	7,941	-	5,404	3,378	414	9,196
Liabilities under borrowings and other debt instruments	-	(403,309)	(20,575)	(2,974)	(426,858)	-	(530,645)	-	-	(530,645)	-	(40,331)	(2,057)	(297)	(42,686)	-	(53,065)	-	-	(53,065)
Trade and other payables	-	(46,405)	(10,105)	(1,095)	(57,605)	-	(47,935)	(7,982)	(1,079)	(56,996)	-	(4,641)	(1,010)	(110)	(5,761)	-	(4,794)	(798)	(108)	(5,700)
Effect on other comprehensive income	-	722,681	345,208	77,858	1,145,747	-	695,653	316,424	83,955	1,096,032	-	72,268	34,521	7,786	114,575	-	69,564	31,643	8,396	109,603
Exposure to currency risk	537	240,054	1,055,331	127,274	1,423,196	357	269,639	992,386	113,345	1,375,727	54	24,005	105,533	12,727	142,320	36	26,963	99,239	11,335	137,573
Risk mitigation effect	-	(190,000)	(280,360)	-	(470,360)	-	(190,000)	-	-	(190,000)	-	(119,000)	(28,036)	-	(47,036)	-	(19,000)	-	-	(19,000)
Exposure to currency risk after hedging	537	50,054	774,971	127,274	952,836	357	79,639	992,386	113,345	1,185,727	54	5,005	77,497	12,727	95,284	36	7,963	99,239	11,335	118,573

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

### Recoveries

Recoveries from purchased debt portfolios amounted to PLN 874,333 thousand. Two geographical segments, namely Poland and Romania, having generated PLN 400,312 thousand and PLN 270,415 thousand, respectively. In Italy, recoveries amounted to PLN 85,126 thousand, and recoveries on other markets stood at PLN 118,351 thousand.

### Portfolio investments

In H1 2019, the KRUK Group invested a total of PLN 308,923 thousand in debt portfolios with a total nominal value of PLN 3,287,752 thousand. Total for the first half of the year includes a debt assignment agreement with Getback Recovery S.R.L. on the Romanian secondary market. On June 8th 2019, an agreement was signed for the purchase of unsecured debts with a value of PLN 37,290 thousand. The value of investments made in particular markets was: Romania (PLN 147,391 thousand), Poland (PLN 117 782 thousand), other countries (total: PLN 43 750 thousand).

As at June 30th 2019, the Group's investments in debt portfolios accounted for 83% of its assets.

### Other

In addition to investments in debt portfolios, the KRUK Group acquired a company operating on the Polish online consumer loan market. In April 2019, KRUK S.A. signed an agreement to acquire all shares in Wonga.pl sp. z o.o. The transaction was earlier approved by the President of the Office of Competition and Consumer Protection. The transaction value is PLN 97,026 thousand, comprising PLN 835 thousand paid for 100% of wonga.pl's assets. As part of the acquisition, wonga.pl also received a PLN 96,191 thousand loan to repay its day-to-day liabilities to Wonga Worldwide Limited. From May to June, Wonga.pl sp. z o.o. earned revenue of PLN 9,654 thousand.

Under Act No. 747/2004 on Financial Market Supervision, the National Bank of Slovakia (NBS) is carrying out an inspection at a branch of KRUK Česká a Slovenská republika s.r.o. (KRUK CaS). The inspection relates to consumer debts purchased in Slovakia in 2015–2017 from a financial institution (Financial Institution) by KRUK CaS. In the course of the inspection, NBS issued an interim injunction requiring KRUK CaS to refrain from informing customers of the incorrect, in NBS's opinion, amount of debt under agreements concluded by the Financial Institution, referred to in the decision.

In compliance with the NBS's decision, KRUK CaS suspended collection of debts under the loan agreements and made a PLN 19,111 thousand negative revaluation of debt portfolios in Slovakia in the reporting period. Moreover, the Management Board of KRUK CaS recognised an additional provision of PLN 4,225 thousand for costs related to the implementation and effects of NBS's recommendations. The revaluation and the provision are the best possible estimate of the costs associated with the effects of the NBS's decision as at the date of this report. KRUK CaS appealed against the NBS's decision and is of the opinion that the agreements specified by the NBS in the provisional injunction, being the basis for debt claims purchased and subsequently enforced by the Company, were validly concluded in the legal situation existing as at their respective dates.

## KRUK Group's financing and debt ratios

KRUK S.A. issued bonds with a total nominal value of PLN 190,000 thousand, which were offered by way of public and private placements.

As at June 30th 2009, defined financial ratios were as follows:

1.27 – Debt Ratio

2.12 – 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 5m. Cash EBITDA is computed for the KRUK Group for the last 12 months.

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

In the first half of 2019, KRUK S.A. issued the following bonds:

- Series AG2 bonds – offered on the basis of a base prospectus of January 14th 2019 in a public offering. The offering comprised 250 thousand unsecured bearer bonds with a nominal value of PLN 100. The bonds bear interest at a variable rate set at 3M WIBOR plus a margin of 3.5pp. Series AG2 bonds will be redeemed by the Company on February 6th 2024;
- Series AE4 bonds – offered on the basis of an Information Memorandum as at March 25th 2019 approved by the Management Board. The offering comprised 115 thousand unsecured bearer bonds

with a nominal value of PLN 1 thousand. The bonds bear interest at a variable rate set at 3M WIBOR plus a margin of 4pp. Series AG2 bonds will be redeemed by the Company on March 27th 2025;

- Series AH1 bonds – offered on the basis of an Information Memorandum as at June 3rd 2019 approved by the Management Board. The offering comprised 50 thousand unsecured bearer bonds with a nominal value of PLN 1 thousand. The bonds bear interest at a variable rate set at 3M WIBOR plus a margin of 4pp. Series AG2 bonds will be redeemed by the Company on June 28th 2025;

#### 14. Dividends paid (or declared)

On June 25th 2019, in accordance with the Management Board's recommendation, the Annual General Meeting of KRUK S.A. passed Resolution No. 4/2019 on payment of dividend to the Company's shareholders (the "Resolution").

The Annual General Meeting resolved to pay dividend of PLN 5.00 per share. The dividend, totalling PLN 94,653 thousand, will be wholly financed from the Company's statutory reserve funds. Under the Resolution, the dividend record date for payment of dividends for the financial year ended December 31st 2018 was set for July 2nd 2019 and the dividend payment date – for July 10th 2019. The dividend was paid on 18,930,655 KRUK S.A. shares on July 10th 2019.

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

On July 15th 2019, the subsidiary Zielona Perła Sp. z o.o. was sold to Phoenix-Construction Engineering&Management Sp. z o.o. for PLN 5,500 thousand.

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. (the borrowers) and 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:

- After the reporting date, on July 5th 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.

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:

- After the reporting date, on July 22nd 2019, PROKURA NS FIZ and ING Bank Śląski S.A. executed agreements on registered pledges over a set of rights (debt portfolios owned by PROKURA NS FIZ). On July 29th 2019, applications were filed with the court to enter the pledges in the pledge register. As at June 30th 2019, the carrying amount of the pledged assets in KRUK S.A.'s accounting books was PLN 112,535 thousand.

Following execution of a revolving facility agreement No. 17/068/15/Z/LI by PROKURA NS FIZ and the Company with mBank S.A. on July 2nd 2015 (later amended), the following steps were taken to establish security for PROKURA NS FIZ's liabilities arising under the agreement:

- After the reporting date, on July 26th 2019, PROKURA NS FIZ and mBank S.A. executed agreements on registered pledges over a set of rights (debt portfolios owned by PROKURA NS FIZ). On August 22nd 2019, applications were filed with the court to enter the pledges in the pledge register.

As at June 30th 2019, the carrying amount of the pledged assets in KRUK S.A.'s accounting books was PLN 33,210 thousand.

In connection with a PLN 110,000 thousand share capital cancellation at InvestCapital Ltd. completed after the reporting date, i.e. on July 29th 2019, which will become final by November 8th 2019, on July 29th 2019 KRUK S.A. issued a corporate guarantee for up to PLN 110,000 thousand to InvestCapital Ltd. The guarantee will expire on November 8th 2019. The purpose of the guarantee is to secure the interests of InvestCapital Ltd.'s creditors, who have the right to challenge the share capital cancellation by November 8th 2019.

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

### **Security for future liabilities**

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. (the borrowers) and 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 April 26th 2019, InvestCapital LTD, DNB Bank ASA, ING Bank Śląski S.A., Santander Bank Polska S.A. and mBank S.A. signed an agreement under Spanish law to create a pledge over a portfolio purchased by InvestCapital LTD on the Spanish market.

As at June 30, 2019, the value of all portfolios pledged to DNB Bank ASA, ING Bank Śląski S.A., Santander Bank Polska S.A. and mBank S.A. is PLN 1,176 thousand.

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

**Agnieszka Kulon**  
*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 keeping  
the accounting records*

**Hanna Stempień**  
*Prepared by*

*Wrocław, September 5th 2019*



### III. Interim condensed separate financial statements

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## 1. Separate statement of financial position

As at Jun 30 2019

PLN '000

	Note	Jun 30 2019 unaudited	Dec 31 2018	Jun 30 2018 unaudited
<b>Assets</b>				
Cash and cash equivalents		64,437	9,151	11,478
Trade receivables from related entities		22,163	21,814	28,959
Trade receivables from other entities		3,105	2,811	3,688
Investments	5	311,094	176,905	166,650
Other receivables		159,150	7,223	17,471
Inventories		12	22	36
Property, plant and equipment		30,872	16,169	18,213
Intangible assets		15,966	16,547	15,924
Deferred tax asset		2,648	453	-
Other derivatives		3,400	1,450	-
Investments in subsidiaries	6.11	1,976,559	2,143,481	2,752,807
Other assets		2,547	4,173	3,871
<b>Total assets</b>		<b>2,591,954</b>	<b>2,400,199</b>	<b>3,019,097</b>
<b>Equity and liabilities</b>				
<b>Liabilities</b>				
Other derivatives		4,465	3,870	3,616
Trade and other payables		171,449	62,948	603,967
Employee benefit obligations		22,389	19,199	18,886
Income tax payable		2,303	12,295	6,530
Liabilities under borrowings and other debt instruments	6.9	1,971,647	1,731,998	1,823,715
Deferred tax liability		-	-	14,321
<b>Total liabilities</b>		<b>2,172,254</b>	<b>1,830,310</b>	<b>2,471,035</b>
<b>Equity</b>				
Share capital		18,931	18,887	18,872
Share premium		303,711	300,097	298,900
Cash flow hedging reserve		826	(3,869)	(2,231)
Other capital reserves		101,254	94,924	90,975
Retained earnings		(5,023)	159,850	141,547
<b>Total equity</b>		<b>419,699</b>	<b>569,889</b>	<b>548,063</b>
<b>Total equity and liabilities</b>		<b>2,591,954</b>	<b>2,400,199</b>	<b>3,019,097</b>

## 2. Separate statement of profit or loss

For the reporting period January 1st – June 30th 2019

PLN '000

	Note	Jan 1–Jun 30 2019 unaudited	Apr 1–Jun 30 2019 unaudited	Jan 1–Jun 30 2018 unaudited	Apr 1–Jun 30 2018 unaudited
Revenue	6.1	79,614	40,788	63,900	29,871
<i>including interest income calculated using the effective interest rate method</i>		10,016	4,859	9,829	4,924
Other income		1,231	156	978	389
Merchandise and materials sold		(5)	(5)	-	-
Employee benefits expense	6.4	(75,672)	(39,785)	(64,340)	(31,320)
Depreciation and amortisation		(9,480)	(4,782)	(6,548)	(3,250)
Services		(16,764)	(8,757)	(17,914)	(9,089)
Other expenses		(16,014)	(7,338)	(16,211)	(9,544)
		(117,933)	(60,667)	(105,013)	(53,202)
<b>Operating loss</b>		(37,089)	(19,722)	(40,135)	(22,942)
Finance income	6.5	87,965	85,063	41,306	11,159
Finance costs	6.6	(117,519)	(98,453)	(68,256)	(42,497)
<b>Net finance costs</b>		(29,554)	(13,390)	(26,950)	(31,337)
<b>Profit/(Loss) before tax</b>		(66,643)	(33,113)	(67,085)	(54,279)
Income tax	6.7	(3,576)	827	(9,036)	(12,397)
<b>Net profit/(loss) for period</b>		(70,219)	(32,286)	(76,121)	(66,676)
<b>Earnings/(loss) per share</b>					
Basic (PLN)		(3.72)	(1.71)	(4.04)	(3.54)
Diluted (PLN)		(3.65)	(1.68)	(3.95)	(3.46)

### 3. Separate statement of comprehensive income

For the reporting period January 1st – June 30th 2019

PLN '000

	Jan 1–Jun 30 2019 unaudited	Apr 1–Jun 30 2019 unaudited	Jan 1–Jun 30 2018 unaudited	Apr 1–Jun 30 2018 unaudited
<b>Net profit/(loss) for period</b>	<b>(70,219)</b>	<b>(32,286)</b>	<b>(76,121)</b>	<b>(66,676)</b>
<b>Other comprehensive income</b>				
<b>Items that may be reclassified subsequently to profit or loss</b>				
Cash flow hedges	4,695	4,499	(2,231)	(7,817)
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>4,695</b>	<b>4,499</b>	<b>(2,231)</b>	<b>(7,817)</b>
<b>Total comprehensive income for period</b>	<b>(65,525)</b>	<b>(27,786)</b>	<b>(78,352)</b>	<b>(74,493)</b>
<b>Total earnings per share</b>				
Basic (PLN)	(3.47)	(1.47)	(4.16)	(3.96)
Diluted (PLN)	(3.40)	(1.44)	(4.06)	(3.86)

#### 4. Separate statement of changes in equity

**For the reporting period ended June 30th 2018**

PLN '000

	Share capital	Share premium	Hedging reserve	Other capital reserves	Retained earnings	Total equity
<b>Note</b>						
<b>Total equity as at Jan 1 2018</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/(loss) for period	-	-	-	-	(76,121)	(76,121)
<b>Other comprehensive income</b>						
- Valuation of hedging instruments	-	-	(8,113)	-	-	(8,113)
<b>Total other comprehensive income</b>	-	-	(8,113)	-	-	(8,113)
<b>Total comprehensive income for period</b>	-	-	(8,113)	-	(76,121)	(84,234)
<b>Contributions from and distributions to owners</b>						
- Payment of dividends	-	-	-	-	(94,040)	(94,040)
- Share-based payments	64	5,319	-	4,169	-	9,552
<b>Total contributions from and distributions to owners</b>	64	5,319	-	4,169	(94,040)	(84,488)
<b>Total equity as at Jun 30 2018</b>	18,872	298,900	(2,231)	90,975	141,547	548,063

**For the reporting period ended December 31st 2018**

PLN '000

	Share capital	Share premium	Hedging reserve	Other capital reserves	Retained earnings	Total equity
<b>Note</b>						
<b>Total equity as at Jan 1 2018</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>	<b>18,808</b>	<b>293,581</b>	<b>5,882</b>	<b>86,806</b>	<b>311,708</b>	<b>716,785</b>
<b>Comprehensive income for period</b>						
Net profit/(loss) for period	-	-	-	-	(57,818)	(57,818)
<b>Other comprehensive income</b>						
- Valuation of hedging instruments	-	-	(9,751)	-	-	(9,751)
<b>Total other comprehensive income</b>	-	-	(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>	<b>79</b>	<b>6,516</b>	<b>-</b>	<b>8,118</b>	<b>(94,040)</b>	<b>(79,327)</b>
<b>Total equity as at Dec 31 2018</b>	<b>18,887</b>	<b>300,097</b>	<b>(3,869)</b>	<b>94,924</b>	<b>159,850</b>	<b>569,889</b>

**For the reporting period ended June 30th 2019**

PLN '000

	Share capital	Share premium	Hedging reserve	Other capital reserves	Retained earnings	Total equity
<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/(loss) for period	-	-	-	-	(70,219)	(70,219)
- Valuation of hedging instruments			4,695		-	4,695
<b>Total comprehensive income for period</b>	-	-	4,695	-	(70,219)	(65,525)
<b>Contributions from and distributions to owners</b>						
- Payment of dividends	-	-	-		(94,653)	(94,653)
- Share-based payments	-	-	-	6,330	-	6,330
- Issue of shares	44	3,614	-	-	-	3,658
<b>Total contributions from and distributions to owners</b>	44	3,614	-	6,330	(94,653)	(84,666)
<b>Total equity as at Jun 30 2019</b>	18,931	303,711	826	101,254	(5,023)	419,699

## 5. Separate statement of cash flows

For the reporting period January 1st – June 30th 2019

PLN '000

	Jan 1–Jun 30 2019 unaudited	Apr 1–Jun 30 2019 unaudited	Jan 1–Jun 30 2018 unaudited	Apr 1–Jun 30 2018 unaudited
<b>Cash flows from operating activities</b>				
<b>Net profit/(loss) for period</b>	(70,219)	(32,286)	(76,121)	(66,676)
<i>Adjustments</i>				
Depreciation of property, plant and equipment	6,163	3,073	4,025	1,969
Amortisation of intangible assets	2,713	1,368	2,526	1,284
Change in investments in debt portfolios and property	(2,337)	(5,740)	(3,632)	565
Net finance income/costs	106,215	89,873	25,613	34,699
(Gain)/loss on sale of property, plant and equipment	(45)	12	(408)	(226)
Equity-settled share-based payment transactions	6,330	4,035	4,170	2,097
Income tax	3,576	(827)	9,036	12,397
Change in inventories	10	5	135	160
Change in receivables	(153,789)	(141,756)	14,503	3,039
Change in prepayments and accrued income	1,626	1,494	-	-
Change in current liabilities excluding financial liabilities	15,066	12,863	4,955	5,645
Change in employee benefit obligations	3,190	1,685	1,213	(1,886)
Change in provisions	-	-	-	(1,688)
Income tax paid	(15,763)	(4,529)	(17,936)	(16,717)
<b>Net cash from operating activities</b>	(97,265)	(70,729)	(31,659)	(23,663)
<b>Cash flows from investing activities</b>				
Interest received	44	(68)	39	25
Loans advanced	(164,092)	(134,882)	(21,454)	(9,022)
Sale of intangible assets and property, plant and equipment	1,634	1,267	1,237	678
Dividends received	9,500	9,500	36,398	9,500
Disposal of financial assets	152,966	149,887	213,959	206,459
Purchase of intangible assets and property, plant and equipment	(6,995)	(4,379)	(5,189)	(2,857)
Acquisition of financial assets	(47,511)	(23,303)	(115,022)	(98,182)
Repayment of loans advanced	19,893	15,710	28,364	13,677
<b>Net cash from investing activities</b>	(34,561)	13,731	138,332	120,278
<b>Cash flows from financing activities</b>				
Net proceeds from issue of shares	3,594	3,594	5,319	5,319
Proceeds from bond issue	190,000	50,000	-	-
Increase in borrowings	494,107	359,134	373,746	260,043
Repayment of borrowings	(399,294)	(216,343)	(340,516)	(238,079)
Payments under finance lease contracts	(5,632)	(3,120)	(2,606)	(826)
Dividends paid	-	-	(94,040)	(94,040)
Redemption of debt securities	(50,000)	(50,000)	(15,000)	(15,000)
Interest paid	(45,664)	(29,930)	(39,015)	(22,524)
<b>Net cash from financing activities</b>	187,111	113,336	(112,111)	(105,106)
<b>Total net cash flows</b>	55,286	56,338	(5,439)	(8,491)
Cash and cash equivalents at beginning of period	9,151	8,099	16,917	19,969
Cash and cash equivalents at end of period	64,437	64,437	11,478	11,478



## Notes to the interim condensed separate financial statements

### 1. Company details

*Name*

KRUK Spółka Akcyjna ("KRUK S.A." or "the Company")

*Registered office*

ul. Wołowska 8

51-116 Wrocław, Poland

*Registration in the National Court Register:*

District Court for Wrocław-Fabryczna in Wrocław, 6th Commercial Division of the National Court Register, ul. Grabiszyńska 269, 53-235 Wrocław, Poland

Date of registration: September 7th 2005

Entry number: KRS 0000240829

*Principal business activity*

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

### 2. Reporting period

The reporting period is the period from January 1st to June 30th 2019 and the comparative period is the period from January 1st to June 30th 2018. The separate statement of financial position was drawn up as at June 30th 2019 and the comparative data is presented as at June 30th 2018 and December 31st 2018. The separate statement of changes in equity was drawn up for the period from January 1st to June 30th 2019 and the comparative periods are the periods from January 1st to June 30th 2018 and from January 1st to December 31st 2018.

The financial data presented on a quarterly basis for the periods from April 1st to June 30th 2019 and from April 1st to June 30th 2018 was not subject to a separate review or audit by an auditor.

### 3. Statement of compliance

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

These financial statements do not contain all the information required to prepare full-year financial statements and therefore they should be read in conjunction with the interim condensed consolidated financial statements of the Group for the period from 1 January to June 30th 2019, the separate financial statements of Kruk S.A. and the consolidated financial statements of the Group prepared as at and for the financial year ended December 31st 2018.

These interim condensed separate financial statements were authorised for issue by the Company's Management Board (the "Management Board") on September 5th 2019.

The data contained in these interim condensed separate financial statements is presented in the Polish złoty (PLN), rounded to the nearest thousand.

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

#### 4. Significant accounting policies

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

- historical cost including impairment losses for investments in subsidiaries,
- historical cost for other financial assets and liabilities,
- amortised cost calculated using the effective interest rate method,
  - taking into account 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 accounting policies applied to prepare these condensed interim separate financial statements are consistent with those applied to prepare the most recent full-year separate financial statements as at and for the year ended December 31st 2018, except for the change related to the application of IFRS 16 as well as implementation of hedge accounting for investments in net assets in foreign entity.

These financial statements comply with the requirements of all the International Accounting Standards, International Financial Reporting Standards and related interpretations endorsed by the European Union, which have been issued and are effective for annual periods beginning on or after January 1st 2019. The Group adopted the new 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 Company as an adjustment to the opening balance as at January 1st 2019, without adjusting the comparative periods. At the beginning of 2019, the Company 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 (presented in property, plant and equipment in statement of financial position) and lease liabilities (presented in liabilities under borrowings and other debt instruments in statement of financial position) measured at the present value of the lease payments that remain to be paid as of January 1st 2019. As at the date of initial application, the value of future lease payments was discounted using the weighted average lessee marginal rate of 3.88%. The right-of-use assets were recognised at the same amounts as the lease liabilities due to the absence of contractual clauses that could result in creating provisions for additional charges or provisions related to the disassembly of leased facilities or items.

The company applied the simplification allowed by the standard for short-term lease contracts (up to 12 months) and leasing of low-value assets (up to PLN 20 thousand), for which it does not recognize financial liabilities and related right-of-use assets; leasing fees in this respect are recognized as costs using the straight-line method during the lease period under other operating costs in the separate statement of profit or loss.

The company recognizes the lease agreement as right-of-use assets and the corresponding lease liability on the date when the leased asset is available for use.

The lease liability includes the current value of the following lease payments:

- fixed payments less any incentive receivable,
- variable lease payments which depend on an index or a rate,
- amounts expected to be payable by the lessee under residual value guarantees ,
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The right-of-use assets are measured at cost including:

- the amount of the initial measurement of the lease liability,
- any lease payments made at or before the commencement date, less any lease incentives received,
- any initial direct costs incurred by the lessee, and
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located if the lessee recognises liability related to these costs.

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

- lease of buildings and premises where Company entities conduct business activities,
- lease of vehicles (passenger cars) which under the previous regime did not meet the criteria to be recognised in the statement of financial position,
- rental of photocopying equipment.

The Company did not identify any other items whose classification or measurement would change as a result of the adoption of IFRS 16.

The leasing period was determined taking into account the options of shortening and extension which are available in the concluded contracts, if the option is likely to be exercised. The right-of-use assets are subjected to linear depreciation over the shorter of the two periods: the useful life of the asset or the lease period; lease liabilities, are measured using amortized cost method.

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

PLN '000

	Note	Jan 1 2019 – restated	Impact of IFRS 16	Dec 31 2018
<b>Assets</b>				
Cash and cash equivalents		9,151	-	9,151
Trade receivables from related entities		21,814	-	21,814
Trade receivables from other entities		2,811	-	2,811
Investments	5	176,905	-	176,905
Other receivables		7,223	-	7,223
Inventories		22	-	22
Property, plant and equipment		33,336	17,167	16,169
Intangible assets		16,547	-	16,547
Deferred tax asset		453	-	453
Other derivatives		1,450	-	1,450
Investments in subsidiaries	6.11	2,143,481	-	2,143,481
Other assets		4,173	-	4,173
<b>Total assets</b>		<b>2,417,366</b>	<b>17,167</b>	<b>2,400,199</b>
<b>Equity and liabilities</b>				
<b>Liabilities</b>				
Other derivatives		3,870	-	3,870
Trade and other payables		62,948	-	62,948
Employee benefit obligations		19,199	-	19,199
Income tax payable		12,295	-	12,295
Liabilities under borrowings and other debt instruments	6.9	1,749,165	17,167	1,731,998
<b>Total liabilities</b>		<b>1,847,477</b>	<b>17,167</b>	<b>1,830,310</b>
<b>Equity</b>				
<b>Total equity</b>				
Share capital		18,887	-	18,887
Share premium		300,097	-	300,097
Cash flow hedging reserve		(3,869)	-	(3,869)
Other capital reserves		94,924	-	94,924
Retained earnings		159,850	-	159,850
<b>Total equity</b>		<b>569,889</b>	<b>-</b>	<b>569,889</b>
<b>Total equity and liabilities</b>		<b>2,417,366</b>	<b>17,167</b>	<b>2,400,199</b>

**Effect on separate statement of financial position**

Finance lease liabilities	IAS 17	6,954
Off-balance-sheet liabilities under operating leases (undiscounted)	IAS 17	18,199
<b>Total – December 31st 2018</b>		<b>25,153</b>
Effect of discounting using the incremental borrowing rate as at January 1st 2019	IFRS 16	(1,032)
Short-term lease contracts recognised as expense in the period	IFRS 16	-
Leases of low-value assets recognised as expense in the period	IFRS 16	-
<b>Lease liabilities – January 1st 2019</b>		<b>24,121</b>
<i>Including lease liabilities resulting from IFRS 16</i>		<i>17,167</i>

**Effect on separate statement of comprehensive income**

	<b>Jan 1 2019</b>
	<b><u>Jun 30 2019</u></b>
- increase in interest expense	310
- increase in depreciation and amortisation	2,907

**Effect on separate statement of cash flows**

- increase in net operating cash flows	167
- decrease in net financing cash flows	(167)

## Hedging of a net investment in a foreign operation

In 2019, the Company began using the net investment hedge accounting in foreign entity. The net investment hedge accounting for foreign entities is to hedge shares in the net assets of foreign entity which subject to consolidation in this financial statement.

The hedged item is a specific part of shares in the net assets of foreign entities understood as the difference between the carrying amount of assets and the carrying amount of liabilities and reserves of foreign subsidiary (expressed in EUR).

Calculation of the permitted hedged item **does not include** those monetary items (intra-group receivables and/or liabilities between the Company and the foreign subsidiary) that have a specified maturity date (i.e. they will be converted into receivables/payables at a specified future date (including trade receivables/payables, receivables/payables under collected debts, resale of shares etc.).

In order to increase the economic effectiveness of the hedge, the Company designates hedging relationships with a monthly frequency, i.e. each FX Forward/FX Swap transaction with a one-month maturity is linked to a designated hedged item for one month, assuming that the nominal portion of the net investment **designated as the hedged item** is fixed during the month.

The Company measures the ex-ante effectiveness as at the date of establishing the hedging relationship and as at each subsequent effectiveness measurement date (the end date of the reporting period).

As part of a prospective assessment of hedge effectiveness, the Company checks whether the following three conditions for establishing and maintaining a hedging relationship are met:

- **Condition 1 – Economic relationship**
- **Condition 2 – no dominance of credit risk over hedged risk**
- **Condition 3 – consistency of hedge ratio**

The company recognizes the hedge of net investment in foreign entity, including the hedge of cash position recognized as part of the net investment, similar to the hedge of cash flows:

- a) the portion of gain or loss made on the hedging transaction determined as effective is recognized under other comprehensive income,
- b) the portion which is determined as ineffective is recognized in the statement of profit and loss

The company stops using hedge accounting in one of the following cases:

- the hedging instrument expires, will be sold or settled prematurely,
- the net asset value of the foreign entity drops below the nominal value of the hedging instrument (in this case there is only partial cessation of hedge accounting for the surplus part of the hedging instrument),
- criteria for applying hedge accounting, in particular criteria for assessing hedge effectiveness, are not met,

- the Group changes its risk management strategy which is not consistent with existing hedging relationship.

After discontinuing the use of hedge accounting for a given hedging transaction, the accumulated gains or losses on the hedging instrument related to the effective portion of hedge, that were accumulated under the currency conversion reserve, are reclassified from equity to profit or loss as an adjustment resulting from reclassification in accordance with the requirements of the IAS 21 regarding the disposal or partial disposal of foreign entity at the time of such an event.

For description of changes in the existing standards and interpretations, see Note 4 to the interim condensed consolidated financial statements.

### Accounting estimates and judgements

In order to prepare interim separate financial statements, the Management Board is required to make judgements, estimates and assumptions which affect the application of adopted accounting policies and the reported amounts of assets, liabilities, revenue and expenses, whose actual values may differ from estimates. The material assumptions adopted by the Company when making the estimates and the accounting policies are presented in the most recent full-year separate financial statements prepared as at and for the year ended December 31st 2018.

The estimates and the underlying assumptions are reviewed on an ongoing basis. Any changes in accounting estimates are introduced prospectively, starting from the reporting period in which the estimate is revised. The effect of changes in the estimates of forecast recoveries from debt portfolios is presented in Note 6.

### Other information

These interim condensed separate financial statements should be read in conjunction with the interim condensed consolidated financial statements of the KRUK Group prepared as at June 30th 2019 and for the period January 1st – June 30th 2019.

## 5. Type and amounts of changes in the estimates published in previous financial years, having a significant impact on the reporting period

### Investments

In the reporting period, the Company did not incur any expenses for the purchase of debt portfolios, while the amount of recoveries from debtors was PLN 21,321 thousand (H1 2018: PLN 22,908 thousand). Changes in the estimated value of debt portfolios are described in Note 10 to the interim condensed consolidated financial statements. Full data on purchased debt portfolios is presented in the consolidated financial statements.

PLN '000

**Investments**

Financial assets measured at amortised cost

Investment property

Loans advanced to related entities

Jun 30 2019 unaudited	Dec 31 2018	Jun 30 2018 unaudited
38,855	38,800	39,980
29,520	27,238	21,751
242,719	112,805	104,919
311,094	178,843	166,650

PLN '000

**Value of purchased debt portfolios**

Unsecured portfolios

Secured portfolios

Jun 30 2019 unaudited	Dec 31 2018	Jun 30 2018 unaudited
37,621	36,930	38,942
943	1,070	747
38,564	38,000	39,688

**Value of purchased debt portfolios as at Dec 31 2017****34,474**

Impact of changes in accounting policies following application of IFRS 9

2,226

**Value of purchased debt portfolios as at Jan 1 2018**

36,793

Cash recoveries

(44,746)

Revenue from debt purchase (interest and revaluation)

46,609

Foreclosure of property

144

**Value of purchased debt portfolios as at Dec 31 2018****38,800****Value of purchased debt portfolios as at Dec 31 2018****38,800**

Cash recoveries

(21,321)

Revenue from debt purchase (interest and revaluation)

21,377

**Value of purchased debt portfolios as at Jun 30 2019****38,855****Value of purchased debt portfolios as at Dec 31 2017****34,474**

Impact of changes in accounting policies following application of IFRS 9

2,226

**Value of purchased debt portfolios as at Jan 1 2018**

36,793

Cash recoveries

(22,908)

Revenue from debt purchase (interest and revaluation)

25,803

**Value of purchased debt portfolios as at Jun 30 2018****39,618**



## 6. 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

### 6.1. Revenue

PLN '000

	Jan 1–Jun 30 2019 unaudited	Apr 1–Jun 30 2019 unaudited	Jan 1–Jun 30 2018 unaudited	Apr 1–Jun 30 2018 unaudited
Revenue from debt purchase	19,448	12,179	25,803	11,448
Income from property	(3,698)	(2,720)	(2,771)	(1,614)
Revenue from credit management	55,082	27,968	33,258	12,488
Revenue from other services	8,439	3,163	7,610	7,549
Revenue from sale of merchandise and materials	343	197	-	-
	79,614	40,788	63,900	29,871

### Revenue from debt purchase

PLN '000

	Jan 1–Jun 30 2019 unaudited	Apr 1–Jun 30 2019 unaudited	Jan 1–Jun 30 2018 unaudited	Apr 1–Jun 30 2018 unaudited
Interest income	10,016	4,859	9,830	3,017
Other income from debt purchase *	3,639	1,805	3,755	1,830
Revaluation of debt portfolios	7,529	6,246	12,219	6,600
Foreclosure of property	272	-	-	-
Sale of property	195	150	-	-
Value of property sold	(275)	(230)	-	-
	21,377	12,830	25,803	11,448

\* 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.

PLN '000

	Jan 1–Jun 30 2019 unaudited	Apr 1–Jun 30 2019 unaudited	Jan 1–Jun 30 2018 unaudited	Apr 1–Jun 30 2018 unaudited
Revision of forecast	8,254	6,381	11,065	8,127
Change due to change in discount rate	-	-	-	(1)
Foreign exchange gains	(725)	(135)	1,154	(1,526)
	7,529	6,246	12,219	6,600

## 6.2. Other income

PLN '000

	Jan 1–Jun 30 2019 unaudited	Apr 1–Jun 30 2019 unaudited	Jan 1–Jun 30 2018 unaudited	Apr 1–Jun 30 2018 unaudited
Return of compensation for damage caused by motor vehicles	234	100	381	179
Gain on sale of property, plant and equipment	45	(12)	408	226
Reversal of impairment losses on receivables	12	12	-	-
Receivables written off	798	-	63	-
Other	142	57	126	(16)
	1,231	156	978	389

## 6.3. Employee benefits expense

PLN '000

	Jan 1–Jun 30 2019 unaudited	Apr 1–Jun 30 2019 unaudited	Jan 1–Jun 30 2018 unaudited	Apr 1–Jun 30 2018 unaudited
Salaries and wages	(55,884)	(28,528)	(49,521)	(24,350)
Old-age and disability pension contributions (defined contribution plans)	(8,662)	(4,400)	(6,150)	(3,077)
Equity-settled cost of stock option plan	(6,330)	(4,035)	(4,169)	(2,096)
Other social security contributions	(4,206)	(2,527)	(3,932)	(1,510)
Contribution to the State Fund for the Disabled	(589)	(295)	(568)	(287)
	(75,672)	(39,785)	(64,340)	(31,320)

## 6.4. Other expenses

PLN '000

	Jan 1–Jun 30 2019 unaudited	Apr 1–Jun 30 2019 unaudited	Jan 1–Jun 30 2018 unaudited	Apr 1–Jun 30 2018 unaudited
Taxes and charges	(6,087)	(3,294)	(5,119)	(2,811)
Raw materials and consumables used	(2,974)	(1,462)	(2,469)	(1,230)
Staff training	(1,397)	(703)	(1,248)	(745)
Business trips	(901)	(575)	(886)	(500)
Advertising	(725)	(566)	(3,162)	(2,572)
Re-billed costs of services	(631)	849	(97)	(68)
Entertainment expenses	(463)	(416)	(1,620)	(1,566)
Motor insurance	(452)	(225)	(594)	(292)
Other consultancy services	(390)	(48)	-	-
Refund of litigation costs	(354)	(213)	-	-
Losses from damage caused by motor vehicles	(342)	(197)	(421)	(200)
Court fees	(219)	(148)	(447)	(249)
Non-competition	(152)	(76)	(121)	(69)
Property insurance	(76)	(39)	(131)	(75)
Impairment losses on receivables	-	-	(4)	-
Accumulated amortisation of receivables	(7)	-	(70)	(70)
Other	(845)	(225)	178	904
	(16,014)	(7,338)	(16,211)	(9,544)

## 6.5. Finance income

PLN '000

	Jan 1–Jun 30 2019 unaudited	Apr 1–Jun 30 2019 unaudited	Jan 1–Jun 30 2018 unaudited	Apr 1–Jun 30 2018 unaudited
Dividend income	9,500	9,500	38,386	9,500
Interest income on loans advanced	3,366	2,085	2,881	1,635
Interest income on bank deposits	44	32	39	25
Revaluation of investments in subsidiaries	-	-	-	-
Gain/(loss) on disposal of shares in subsidiaries	71,026	69,418	-	-
Net foreign exchange losses	4,029	4,029	-	-
	87,965	85,063	41,306	11,159

On May 31st and June 28th 2019, PROKURA NSFIZ Series AC and AG investment certificates were redeemed, which had a significant impact on the gain/(loss) on disposal of shares in subsidiaries.

KRUK S.A.'s revenue from the redemption of PROKURA NSFIZ investment certificates was PLN 69,418 thousand.

## 6.6. Finance costs

	Jan 1–Jun 30 2019 unaudited	Apr 1–Jun 30 2019 unaudited	Jan 1–Jun 30 2018 unaudited	Apr 1–Jun 30 2018 unaudited
Interest expense on financial liabilities measured at amortised cost	(39,995)	(21,273)	(45,838)	(24,433)
Net foreign exchange losses	-	1,406	(13,619)	(9,265)
Interest income/expense on hedging instruments	938	459		
Revaluation of investments in subsidiaries	(80,403)	(80,403)	(8,799)	(8,799)
Ineffective portion of remeasurement of hedging instruments	1,941	1,357	-	-
	(117,519)	(98,453)	(68,256)	(42,497)

In the first half of 2019, the Company performed tests for impairment of the investment in subsidiaries. As a result, impairment on investment in subsidiaries was reversed:

- RoCapital IFN S.A. in the amount of PLN 2,448 thousand,
- Zielona Perła Sp. z o.o. in the amount of PLN 848 thousand.

Additionally, impairment on the following investment in subsidiaries was created:

- KRUK Italia S.r.l. at the amount of PLN 70,043 thousand – impairment results from changes in assumptions regarding cash flows generated by the company.
- KRUK Česká a Slovenská republika s.r.o. at the amount of PLN 13,655 thousand – impairment results from changes in assumptions regarding cash flows generated by the company.

## 6.7. Income tax

PLN '000	Jan 1–Jun 30 2019 unaudited	Apr 1–Jun 30 2019 unaudited	Jan 1–Jun 30 2018 unaudited	Apr 1–Jun 30 2018 unaudited
Current income tax	5,771	5,760	8,685	4,736
Current income tax payable	5,771	5,760	8,685	4,736
Deferred income tax	(2,195)	(2,195)	351	7,661
Related to temporary differences and their reversal	(2,195)	(2,195)	351	7,661
Tax expense disclosed in the statement of profit or loss / in profit/(loss)	3,576	3,565	9,036	12,397

	Jan 1–Jun 30 2019 unaudited	Jan 1–Jun 30 2018 unaudited
<i>PLN '000</i>		
Profit/(loss) before tax	(66,643)	(67,085)
Tax at statutory Polish tax rate of 19% (comparative period: 19%)	(12,662)	(12,746)
Fixed non-deductible expenses	16,239	21,782
Fixed non-taxable income	-	-
Tax at effective tax rate of 19% (2014: 19%)	3,576	9,036

## 6.8. Right of use

PLN '000

Jun 30 2019

**Carrying amount of  
right-of-use assets at end of reporting period,  
by class of underlying asset at 1<sup>st</sup> January 2019**

Buildings and structures	17,183
Plant and equipment	418
Vehicles	7,419
	<u>25,020</u>

**Cost of amortisation of right-of-use assets,  
by class of underlying asset**

Buildings and structures	(2,823)
Plant and equipment	(84)
Vehicles	(1,944)
	<u>(4,851)</u>

Increase in right-of-use assets	665
Decrease in right-of-use-assets	(664)
Exchange differences resulting from translation	-

**Carrying amount of  
right-of-use assets at end of reporting period,  
by class of underlying asset at 30<sup>th</sup> June 2019**

Buildings and structures	14,360
Plant and equipment	335
Vehicles	5,475
	<u>20,170</u>

Cost of interests from lease liabilities	361
Cost relating to variable lease payments not included in the measurement of lease liabilities	33
Total cash outflow in connection with leases	<u>5,632</u>

## 6.9. Borrowings and finance lease liabilities

PLN '000

	Jun 30 2019 unaudited	Dec 31 2018	Jun 30 2018 unaudited
<b>Non-current liabilities</b>			
Secured borrowings	348,205	315,341	329,563
Liabilities under debt securities (unsecured)	1,329,571	1,142,905	1,240,170
Finance lease liabilities	9,041	490	1,794
	<u>1,686,817</u>	<u>1,458,736</u>	<u>1,571,527</u>
<b>Current liabilities</b>			
Short-term portion of secured borrowings	109,395	49,832	90,861
Liabilities under debt securities	165,045	216,966	154,690
Short-term portion of finance lease liabilities	10,389	6,464	6,637
	<u>284,830</u>	<u>273,262</u>	<u>252,188</u>

PLN '000	Currency	Nominal interest rate	Maturity year	Jun 30 2019 unaudited	Dec 31 2018	Jun 30 2018 unaudited
Borrowings secured over the Group's assets	EUR/PLN	1M WIBOR + margin of 1.0–4.25 pp	2024	457,600	365,173	443,013
Liabilities under debt securities (unsecured)	PLN	3M WIBOR + margin of 3.5–5.0 pp	2022	1,494,616	1,359,871	1,436,857
Finance lease liabilities	EUR/PLN	3M WIBOR or 1M EURIBOR + margin of 0.68-4 pp	2020	19,430	6,954	18,592
				<u>1,971,647</u>	<u>1,731,999</u>	<u>1,898,462</u>

## 6.10. Hedge derivatives and other

It has been concluded that effective implementation of KRUK S.A.'s growth strategy requires, among other elements, an appropriate interest rate risk and currency risk management policy.

The interest rate risk management policy covers the following:

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

### Other derivatives

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

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

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

The contracts provide hedging against variability of cash flows generated by liabilities denominated in PLN due to changes in reference interest rates (hedging a part of the coupon on PLN 90m worth of Series AA1 bonds and on PLN 100,000 thousand worth of Series Z1 bonds) and by assets denominated in a convertible currency due to interest rate fluctuations (hedging of EUR-denominated cash flows from investments in subsidiaries).

The Group expects cash flows to be generated and to have an effect on its performance in the period until 2021.

In 2018, due to the ineffectiveness of the hedging relationship, the valuation was written off through profit or loss.

#### Hedge derivatives designated for hedge accounting

In 2017 the Group concluded two interest rate swaps (IRS) under which it pays a coupon based on a fixed PLN interest rate and receives a coupon based on a variable PLN interest rate. The contracts provide a hedge against interest rate risk.

First contract: The Group pays at a fixed rate of 2.5%, while the counterparty pays at a variable rate equal to 3M WIBOR. Interest payments are made every three months (interest period).

Second contract: The Group pays at a fixed rate of 2.5%, while the counterparty pays at a variable rate equal to 3M WIBOR. Interest payments are made every three months (interest period).

The contracts provide hedging against variability of cash flows generated by liabilities denominated in PLN due to changes in reference interest rates (hedging the coupon on PLN 150,000 thousand worth of Series AA2 bonds and on PLN 50,000 thousand worth of Series AC1 bonds).

The Group expects cash flows to be generated and to have an effect on its performance in the period until 2022.

The source of hedge ineffectiveness may result from the impact of the credit risk of counterparty on the fair value of foreign exchange forwards which is not reflected in the fair value of the hedged position.

In addition, in the first quarter of 2019, the Group took steps to hedge currency risk arising from the conversion of net assets in foreign entity by entering into hedging transactions by the companies from Kruk Group. The Group's goal is to limit the impact of exchange rate differences in the consolidated statement due to consolidation of foreign subsidiaries.

Transactions concluded by KRUK S.A. and settled on a net basis, with no physical delivery, in the first half of 2019.



Transaction date	Settlement date	Total amount in notional currency (EUR '000)	Total amount (PLN '000)
2019-02-28	2019-03-29	-65,000	280,326
2019-03-29	2019-04-30	-60,000	258,462
2019-04-30	2019-05-31	-82,000	351,854
2019-05-31	2019-06-28	-83,000	356,069

As at June 30th 2019, the Group companies had open forward transactions:

KRUK S.A. – transactions hedging the PLN value of a part of net investment in InvestCapital Ltd.:

- FX forward contract concluded on June 28th 2019 with Santander Bank Polska S.A. Under the contract, the Company is required to sell EUR 60,000 thousand for PLN 255,372 thousand on July 31st 2019;

The Company intends to hedge subsequent one month periods, taking into account the criteria set out in the Group's internal policies, for amounts adjusted to the currency risk exposure existing at the given time, or to settle the contracts on a net basis, with no physical delivery.

The source of hedge ineffectiveness may result from the impact of the credit risk of counterparty on the fair value of foreign exchange forwards which is not reflected in the fair value of the hedged position.

PLN'000

Instrument type	Jun 30 2019				Dec 31 2018				Position in financial statement	Hedge
	Assets	Liabilities	Nominal value of transaction	Change in fair value which is the basis for setting of amount of ineffectiveness	Assets	Liabilities	Nominal value of transaction	Change in fair value which is the basis for setting of amount of ineffectiveness		
IRS	-	4 420	200 000 (PLN)	(4 420)	-	3 870	200 000 (PLN)	3 870	Other hedge derivatives	Hedge of future cash flows
FORWARD (PLN/EUR)	-	199	60 000 (EUR)	(199)	-	-	-	-	Other hedge derivatives	Hedge of investments in net asset
	-	4 619		(4 619)	-	3 870		3 870		

#### Nominal value as at Jun 30 2019

	Below 6 months	6-12 months	1-2 years	2-5 years
<b>IRS</b>				
fixed payment PLN sale	-	-	-	(200 000)
floating payment PLN	-	-	-	200 000
<b>FORWARD</b>				
fixed payment PLN sale	(255 372)	-	-	-
floating payment PLN	255 120	-	-	-

## Nominal value as at 31th Dec 2018

	Below 6 months	6-12 months	1-2 years	2-5 years
<b>IRS</b>				
fixed payment PLN sale	-	-	-	(200 000)
floating payment PLN	-	-	-	200 000

## Disclosure regarding hedged position

	Nominal value of hedged position	Change in fair value of hedged position	The amount accumulated in cash flow hedging reserve for continued relations	The amount accumulated in cash flow hedging reserve (unsettled) for finished relations
Hedge of future cash flows	200 000	4 420	(4 420)	-
Hedge of investments in net asset	255 372	199	(199)	5 290

## Jan 31 - Jun 30 2019

Cash flow hedging reserve	Hedge of future cash flows	Hedge of investments in net asset	Cash flow hedging reserve TOTAL
Cash flow hedging reserve at the beginning of period	(3 869)	-	(3 869)
Valuation of hedging instruments accumulated in capital reserves	(1 130)	5 091	3 961
The amount reclassified during the period to profit and loss	733	-	733
-Interests income	733	-	
Cash flow hedging reserve at the ending period	(3 136)	5 091	825

### The Company's exposure to currency risk and sensitivity analysis

Below is presented the Company's exposure to currency risk attributable to financial instruments denominated in foreign currencies, calculated based on the exchange rates effective at the end of the reporting period.

'000	Jun 30 2019			Dec 31 2018		
	EUR	RON	CZK	EUR	RON	CZK
Trade receivables	109	-	-	-	-	-
Cash	26	-	-	37	4,744	2,271
Financial assets at fair value through profit or loss	-	-	-	-	-	-
Financial assets measured at amortised cost	251	28,408	1,602	283	28,627	1,833
Liabilities under borrowings and other debt instruments	(389,151)	690	118	(346,396)	-	-
Trade payables	-	-	-	-	-	-
Exposure to currency risk	(388,766)	29,098	1,721	(346,075)	33,371	4,104
Risk mitigation effect						
Exposure to currency risk after hedging	(388,766)	29,098	1,721	(346,075)	33,371	4,104

## 6.11. Investments in subsidiaries

		Gross value of investment	Impairment loss	Net value of investment	Gross value of investment	Impairment loss	Net value of investment	Gross value of investment	Impairment loss	Net value of investment
PLN'000	Country	Jun 30 2019			Dec 31 2018			Jun 30 2018		
Secapital S.a.r.l.	Luksemburg	171 942	-	171 942	171 942	-	171 942	174 101	-	174 101
ERIF Business Solutions Sp. z o.o.	Polska	1 402	(1 302)	100	1 402	(1 302)	100	1 402	(1 302)	100
Secapital Polska Sp. z o.o.	Polska	50	(50)	-	50	(50)	-	50	(50)	-
ERIF BIG S.A.	Polska	3 104	-	3 104	3 104	-	3 104	3 104	-	3 104
Novum Finance Sp. z o.o.	Polska	2 100	-	2 100	2 100	-	2 100	2 100	-	2 100
KRUK Romania S.r.l.	Rumunia	79 732	-	79 732	79 732	-	79 732	79 732	-	79 732
Kancelaria Prawna RAVEN Krupa & Stańko Spółka komandytowa	Polska	300	-	300	300	-	300	300	-	300
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	Polska	18 500	-	18 500	18 500	-	18 500	18 500	-	18 500
KRUK Česká a Slovenská republika s.r.o.	Czechy	102 578	(86 697)	15 882	102 578	(86 697)	15 882	86 697	(86 697)	-
ProsperoCapital Sp.z.o.o. (in liquidation)	Polska	5	(22)	(17)	5	(22)	(17)	-	-	-
InvestCapital Ltd *	Malta	744 727	-	744 727	730 661	-	730 661	1 418 865	-	1 418 865
RoCapital IFN S.A.*	Rumunia	13 888	(955)	12 932	13 888	(3 403)	10 485	13 888	(4 979)	8 909
Kruk Deustschland Gmbh	Niemcy	65 327	(65 327)	0	65 327	(65 327)	-	65 327	(55 892)	9 435
KRUK Deutschland (Branch)		-	-	-	-	-	-	-	-	-
KRUK Italia S.r.l.	Włochy	120 746	(120 746)	-	97 599	(50 703)	46 896	72 123	(48 843)	23 280
ItaCapital S.r.l.	Włochy	1 766	-	1 766	1 766	-	1 766	1 326	-	1 326
KRUK Espana S.L.	Hiszpania	98 560	-	98 560	98 560	-	98 560	84 627	(38 990)	45 637
ProsperoCapital S.a.r.l.	Luksemburg	649	-	649	649	-	649	538	-	538
PRESCO Investments S.a.r.l	Luksemburg	198 294	-	198 294	198 294	-	198 294	198 294	-	198 294
NSFIZ BISON	Polska	11 542	-	11 542	13 991	-	13 991	13 991	-	13 991
NSFIZ PROKURA	Polska	591 401	-	591 401	731 983	-	731 983	735 796	-	735 796
Zielona Perła Sp. z o.o.**	Polska	6 769	(1 269)	5 500	6 454	(2 117)	4 337	6 302	-	6 302
AgeCredit S.r.l	Włochy	18 711	-	18 711	14 216	-	14 216	12 496	-	12 496
P.R.E.S.C.O INVESTMENT I NS FIZ	Polska	-	-	-	-	-	-	-	-	-
Corbul Capital S.r.l	Rumunia	-	-	-	-	-	-	-	-	-
Elleffe Capital S.r.l.	Włochy	-	-	-	-	-	-	-	-	-
Wonga.pl Sp. z o.o.	Polska	835	-	835	-	-	-	-	-	-
		2 252 928	(276 369)	1 976 559	2 353 102	(209 621)	2 143 481	2 989 559	(236 753)	2 752 807

\* Subsidiaries in which the Company indirectly holds 100% of the share capital

\*\* On July 12th 2019, Zielona Perła Sp. z o.o. was sold.

On April 30th 2019, KRUK S.A. purchased all shares in Wonga.pl Sp. z o.o. from Wonga Worldwide Limited (in administration).

Wonga.pl is a financial services company. It specialises in short-term and hire purchase online lending on the Polish market.

The purchase agreement provides for funding of the acquiree's day-to-day liabilities. Under the agreement, Kruk granted a loan to Wonga.pl to finance the payment of its day-to-day liabilities towards Wonga Worldwide Limited (in administration).

For detailed information on the acquisition, see Note 10.15 to the interim condensed consolidated financial statements.

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

As at Jun 30 2019

PLN '000

	Jun 30 2019 unaudited	Dec 31 2018	Jun 30 2018 unaudited
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	30,872	16,169	18,213
Intangible assets	15,966	16,547	15,924
Investments in subsidiaries	1,976,559	2,143,481	2,752,807
Other derivatives	3,400	1,450	-
Deferred tax asset	2,648	453	-
<b>Total non-current assets</b>	<b>2,029,445</b>	<b>2,178,100</b>	<b>2,786,944</b>
<b>Current assets</b>			
Inventories	12	22	36
Investments	311,094	176,905	166,650
Trade receivables from related entities	22,163	21,814	28,959
Trade receivables from other entities	3,105	2,811	3,688
Other receivables	159,150	7,223	17,471
Other assets	2,547	4,173	3,871
Assets available for sale	-	-	-
Cash and cash equivalents	64,437	9,151	11,478
<b>Total current assets</b>	<b>562,509</b>	<b>222,099</b>	<b>232,153</b>
<b>Total assets</b>	<b>2,591,954</b>	<b>2,400,199</b>	<b>3,019,097</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	18,931	18,887	18,872
Treasury shares	-	-	-
Share premium	303,711	300,097	298,900
Cash flow hedging reserve	826	(3,869)	(2,231)
Translation differences	-	-	-
Other capital reserves	101,254	94,924	90,975
Retained earnings	(5,023)	159,850	141,547
<b>Total equity</b>	<b>419,699</b>	<b>569,889</b>	<b>548,063</b>
<b>Non-current liabilities</b>			
Non-current liabilities under borrowings and other debt instruments	1,686,817	1,458,736	1,571,527
Deferred tax liability	-	-	14,321
Derivatives	4,465	3,870	3,616
<b>Total non-current liabilities</b>	<b>1,691,283</b>	<b>1,462,606</b>	<b>1,589,464</b>
<b>Current liabilities</b>			
Current liabilities under borrowings and other debt instruments	284,830	273,262	252,188
Trade and other payables	171,449	62,948	603,967
Income tax payable	2,303	12,295	6,530
Employee benefit obligations	22,389	19,199	18,886
<b>Total current liabilities</b>	<b>480,971</b>	<b>367,704</b>	<b>881,571</b>
<b>Total liabilities</b>	<b>2,172,254</b>	<b>1,830,310</b>	<b>2,471,035</b>
<b>Total equity and liabilities</b>	<b>2,591,954</b>	<b>2,400,199</b>	<b>3,019,097</b>

### 6.13. Related-party transactions concluded by the Parent

Transactions with subsidiaries as at and for the period ended June 30th 2019

*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	7,374	1,506	-	-
ERIF Business Solutions Sp. z o.o.	-	180	-	12
Novum Finance Sp. z o.o.	-	206	25,542	-
SeCapital Polska Sp. z o.o.	-	1	130	-
Kancelaria Prawna RAVEN P.Krupa Sp. k.	6,084	784	-	-
KRUK Romania S.r.l	440	5,429	62,665	753
ERIF BIG S.A.	24	179	-	-
NSFIZ PROKURA	8,337	155,339	-	-
KRUK Česká a Slovenská republika s.r.o.	81	515	28,232	1,323
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	-	8,736	-	-
InvestCapital Ltd.	-	141	-	-
KRUK Deutschland GmbH	-	365	-	-
KRUK Deutschland (Branch)	-	-	-	-
Rocapital IFN S.A.	-	-	4,488	70
KRUK Italia S.r.l	1	318	-	-
ItaCapital S.r.l	-	7	-	-
KRUK Espana S.L.	-	117	-	-
Presco Investments S.a.r.l.	23,161	-	-	-
P.R.E.S.C.O INVESTMENT I NS FIZ	208	106	-	-
ProsperoCapital S.à r.l.	-	4	-	-
ProsperoCapital Sp. z.o.o. (in liquidation)	-	-	-	-
Corbul Capital S.r.l	-	-	-	-
Elleffe Capital S.r.l.	-	-	-	-
Zielona Perła Sp. z o.o.	-	-	-	-
NSFIZ BISON	779	-	-	-
AgeCredit S.r.l.	-	-	638	-
Wonga.pl Sp. z o.o.	-	41	118,227	639
	46,491	173,974	239,922	2,797

**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	-	302	-
ERIF Business Solutions Sp. z o.o.	56	-	25
Novum Finance Sp. z o.o.	401	572	412
SeCapital Polska Sp. z o.o.	5	-	2
Kancelaria Prawna RAVEN P.Krupa Sp. k.	2,859	24	-
KRUK Romania S.r.l	1,172	10	1,552
ERIF BIG S.A.	462	(22)	-
NSFIZ PROKURA	-	-	-
KRUK Česká a Slovenská republika s.r.o.	696	-	616
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	847	45,838	-
InvestCapital Ltd.	823	83	-
KRUK Deutschland GmbH	-	-	-
KRUK Deutschland (Branch)	10	(89)	-
Rocapital IFN S.A.	-	-	114
KRUK Italia S.r.l	469	-	-
ItaCapital S.r.l	144	-	-
KRUK Espana S.L.	347	-	-
Presco Investments S.a.r.l.	-	1,375	9,500
P.R.E.S.C.O INVESTMENT I NS FIZ	-	-	-
ProsperoCapital S.à r.l.	-	-	-
ProsperoCapital Sp. z o.o.	-	-	-
(in liquidation)	-	-	-
Corbul Capital S.r.l	-	-	-
Elleffe Capital S.r.l.	-	-	-
Zielona Perła Sp. z o.o.	6	-	-
NSFIZ BISON	-	-	-
AgeCredit S.r.l.	-	-	6
Wonga.pl Sp. z o.o.	-	33	639
	8,297	48,125	12,866

**Costs of mutual transactions**

PLN '000

**Purchase of services**

Kancelaria Prawna RAVEN P.Krupa Sp. k.	405
KRUK Romania S.r.l	3,211
ERIF BIG S.A.	119
KRUK Česká a Slovenská republika s.r.o.	177
	3,912



**Transactions with subsidiaries as at and for the period ended June 30th 2018****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	541,377	1,511	-	-
ERIF Business Solutions Sp. z o.o.	-	146	1,333	24
Novum Finance Sp. z o.o.	-	197	19,142	-
SeCapital Polska Sp. z o.o.	-	1	97	-
Kancelaria Prawna RAVEN Krupa & Stańko sp. k.	898	8,366	-	-
KRUK Romania S.r.l	507	5,286	77,413	-
ERIF BIG S.A.	49	277	-	-
NSFIZ PROKURA	7,019	6,907	-	-
KRUK Česká a Slovenská republika s.r.o.	30	6,635	28,204	-
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	-	5,517	-	-
InvestCapital Ltd.	-	-	-	-
KRUK Deutschland GmbH	-	214	-	-
KRUK Deutschland (Branch)	-	30	-	-
Rocapital IFN S.A.	-	-	4,646	-
KRUK Italia S.r.l	-	154	-	-
ItaCapital S.r.l	-	65	-	-
KRUK Espana S.L.	-	114	-	-
Presco Investments S.a.r.l.	13,280	-	-	-
P.R.E.S.C.O INVESTMENT I NS FIZ	1,821	131	-	-
NSFIZ BISON	-	6,160	-	-
	-	0	-	-
	564,981	41,711	130,835	24

**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	-	205	26,898
ERIF Business Solutions Sp. z o.o.	49	-	23
Novum Finance Sp. z o.o.	856	-	691
SeCapital Polska Sp. z o.o.	5	-	2
Kancelaria Prawna RAVEN Krupa & Stańko sp. k.	1,932	-	1,988
KRUK Romania S.r.l	1,043	-	1,758
ERIF BIG S.A.	466	-	-
KRUK Česká a Slovenská republika s.r.o.	583	-	388
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	-	24,368	-
InvestCapital Ltd.	804	-	-
KRUK Deutschland GmbH	470	-	-
KRUK Deutschland (Branch)	100	-	-
Rocapital IFN S.A.	-	-	18
KRUK Italia S.r.l	469	-	-
ItaCapital S.r.l	196	-	-
KRUK Espana S.L.	420	-	-
Presco Investments S.a.r.l.	-	3,448	9,500
Corbul Capital S.r.l	5	-	-
	7,399	28,021	41,266

**Costs of mutual transactions**

PLN '000

	<u>Purchase of services</u>
Kancelaria Prawna RAVEN Krupa & Stańko sp. k.	478
KRUK Romania S.r.l	3,114
ERIF BIG S.A.	119
KRUK Česká a Slovenská republika s.r.o.	198
	<u>3,909</u>

## Transactions with subsidiaries as at and for the period ended December 31st 2018

## 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	6,483	1,507	-	-
ERIF Business Solutions Sp. z o.o.	-	171	-	-
Novum Finance Sp. z o.o.	-	383	20,842	1
SeCapital Polska Sp. z o.o.	-	1	107	-
Kancelaria Prawna RAVEN P.Krupa Sp. k.	2,328	2,470	-	-
KRUK Romania S.r.l	(146)	5,860	66,582	1,006
ERIF BIG S.A.	-	84	-	-
NSFIZ PROKURA	3,430	7,110	-	-
KRUK Česká a Slovenská republika s.r.o.	(29)	1,529	18,901	55
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	-	5,475	-	-
InvestCapital Ltd.	-	(2,472)	-	-
KRUK Deutschland GmbH	-	376	-	-
KRUK Deutschland (Branch)	-	125	-	-
Rocapital IFN S.A.	-	6	4,603	57
KRUK Italia S.r.l	4	324	-	-
ItaCapital S.r.l	-	103	-	-
KRUK Espana S.L.	-	253	-	-
Presco Investments S.a.r.l.	14,889	514	-	-
P.R.E.S.C.O INVESTMENT I NS FIZ	-	58	-	-
ProsperoCapital S.à r.l.	-	2	-	-
Elleffe Capital S.r.l.	-	5	-	-
Zielona Perła Sp. z o.o.	-	1	-	-
NSFIZ BISON	-	(590)	-	-
AgeCredit S.r.l.	2	71	647	4
	26,961	23,366	111,682	1,123

**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	-	381	31,068
ERIF Business Solutions Sp. z o.o.	98	-	48
Novum Finance Sp. z o.o.	706	1,064	1,054
SeCapital Polska Sp. z o.o.	11	-	4
Kancelaria Prawna RAVEN P.Krupa Sp. k.	3,885	-	1,988
KRUK Romania S.r.l	3,387	-	3,684
ERIF BIG S.A.	935	-	-
NSFIZ PROKURA	-	-	-
KRUK Česká a Slovenská republika s.r.o.	(330)	-	904
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	116	49,708	-
InvestCapital Ltd.	9,706	-	-
KRUK Deutschland GmbH	941	-	-
KRUK Deutschland (Branch)	198	-	-
Rocapital IFN S.A.	-	-	134
KRUK Italia S.r.l	938	-	-
ItaCapital S.r.l	391	-	-
KRUK Espana S.L.	694	-	-
Presco Investments S.a.r.l.	-	(6,868)	56,498
Zielona Perła Sp. z o.o.	12	-	-
AgeCredit S.r.l.	-	-	5
	21,688	44,285	95,387

**Costs of mutual transactions**

PLN '000

	Purchase of services
ERIF Business Solutions Sp. z o.o.	1
Kancelaria Prawna RAVEN Krupa & Stańko sp. k.	951
KRUK Romania S.r.l	6,171
ERIF BIG S.A.	271
KRUK Česká a Slovenská republika s.r.o.	394
	7,788

## 7. Fair value

PLN '000		Jun 30 2019 unaudited		Dec 31 2018	
	Note No.	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets and liabilities measured at fair value</b>					
Other derivatives		3,400	3,400	(3,616)	(3,616)
		3,400	3,400	40,595	40,595
<b>Financial assets and liabilities not measured at fair value</b>					
Financial assets measured at amortised cost	5	38,855	35,923	38,800	36,077
Loans and receivables	5	427,138	427,138	110,867	110,867
Secured bank borrowings	6.9	(457,600)	(457,600)	(365,173)	(365,173)
Unsecured bonds in issue	6.9	(1,494,616)	(1,495,913)	(1,359,871)	(1,369,712)
Finance lease liabilities	6.9	(19,430)	(19,430)	(6,954)	(6,954)
Trade and other payables		(158,596)	(158,596)	(62,948)	(62,948)
		(1,664,250)	(1,668,479)	(1,645,279)	(1,657,843)

### Hierarchy of financial instruments

#### *Hierarchy of financial instruments measured at fair value*

The table below presents financial instruments recognised in the statement of financial position at fair value according to the valuation method applied. Depending on the level of valuation, the following inputs were used in the valuation models.

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

In 2019, no transfers were made between the levels.

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

The Company did not make any transfers between the fair value levels in 2019.

*Hierarchy of financial instruments – Level 3*

PLN '000			
	<b>Jun 30 2019</b>	-	<b>Level 3</b>
Financial assets measured at amortised cost			38,855
<b>TOTAL</b>			<b>38,855</b>
PLN '000			
	<b>Dec 31 2018</b>	-	<b>Level 3</b>
Financial assets measured at amortised cost			39,980
<b>TOTAL</b>			<b>39,980</b>

The assumptions adopted for the measurement of debt portfolios are presented in Note 11 to the interim consolidated financial statements.

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

The performance of KRUK S.A. was driven to a significant extent by revenue from debt portfolios, cost of salaries, employee benefits and finance cost. An analysis of material factors and events with a significant bearing on the financial performance should be made based on descriptions presented in the consolidated financial statements.

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

For information on issue, redemption and repayment of non-equity and equity securities, see Note 13 to the condensed interim consolidated financial statements.

#### 10. Dividends paid (or declared)

For information on dividends paid (or declared), see Note 14 to the interim condensed consolidated financial statements.

#### 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

On July 15th 2019, the subsidiary Zielona Perła Sp. z o.o. was sold to Phoenix-Construction Engineering&Management Sp. z o.o. for PLN 5,500 thousand.

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

For information on changes in contingent liabilities or contingent assets subsequent to the end of the previous financial year, see Note 16 to the interim condensed consolidated financial statements.

**Piotr Krupa**

*President of the Management Board*

**Agnieszka Kulon**

*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*

**Katarzyna Racziewicz**

*Person responsible for maintaining  
the accounting records*

**Hanna Stempień**

*Prepared by*

*Wrocław, September 5th 2019*

## VI. Directors' Report

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## 1. 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

Following a negotiation process, on March 15th 2019 KRUK S.A. and Wonga Worldwide Limited (in administration) 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, operating in the consumer lending market. In accordance with the Letter of Intent, the sale transaction was conditional on obtaining acquisition clearance from the President of the Office of Competition and Consumer Protection (UOKiK).

On April 30th 2019, KRUK and Wonga Worldwide Limited (in administration) of Manchester concluded an agreement on sale of all shares in Wonga.pl Sp. z o.o. of Warsaw operating in the consumer lending market. The transaction value was PLN 97.1m; this amount includes the value of the shares in the acquired company and brand ownership rights, as well as payment of the company's liabilities to the seller. Accounting for the acquisition is presented in detail in Note 10.15 to the interim condensed consolidated financial statements.

## 2. 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 report

As at the date of issue of the previous report, i.e. April 25th 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 <sup>1</sup>	2,000,000	10.59	2,000,000	10.59
Aviva OFE <sup>1</sup>	1,319,000	6.98	1,319,000	6.98

(1) 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	1,886,666	9.97	1,886,666	9.97
NN PTE <sup>1</sup>	2,055,000	10.86	2,055,000	10.86
Aviva OFE <sup>1</sup>	1,740,000	9.19	1,740,000	9.19
PZU OFE <sup>1</sup>	1,056,178	5.58	1,056,178	5.58

**Information on changes in the structure of major holdings**

On April 30th 2019, the Company received a notification from Piotr Krupa, given under Article 19 of the MAR. According to the notification, Mr Krupa had sold, in ordinary session trades on the Warsaw Stock Exchange, 30,000 shares in KRUK S.A. for the average price of PLN 161.70 per share on April 26th 2019, and 15,000 shares in KRUK S.A. for the average price of PLN 167.80 per share on May 10th 2019.

**3. Members of the management or supervisory personnel holding Company shares or rights to Company shares as at the date of issue of this half-year report, and changes in their holdings after the issue of the previous report**

Name and surname	Position	Number of shares held
Piotr Krupa	CEO and President of the Management Board	1,886,666
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	29,433
Michał Zasępa	Member of the Management Board	25,441
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 date of issue of the previous quarterly report (the extended consolidated report for Q1 2019, issued on April 25th 2019) to the date of issue of this interim report, there were changes in the number of Company shares held by Mr Michał Zasępa.

On May 10th 2019, the Company received a notification from Michał Zasępa, given under Article 19 of the MAR, to the effect that on May 10th 2019 Michał Zasępa had sold, in ordinary session trades on the Warsaw Stock Exchange, 5,000 shares in KRUK S.A. for the average price of PLN 168.09 per share. 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 Q1 2019), i.e. from April 25th 2019 to the date of issue of this report.

## Incentive scheme at KRUK S.A.

### Incentive scheme for 2015–2019

On May 28th 2014, the Annual General Meeting of KRUK S.A. passed Resolution No. 26/2014 on setting the rules of an incentive scheme for 2015–2019, conditional increase in the Company's share capital and issue of subscription warrants with the Company existing shareholders' pre-emptive rights disapplied in whole with respect to the shares to be issued as part of the conditional share capital increase and subscription warrants, and amendments to the Articles of Association (the "2015–2019 Scheme"). The 2015–2019 Scheme is addressed to the key management personnel of KRUK S.A. and the other Group companies.

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

Under the 2015–2019 Scheme, eligible persons have the right to acquire Series F Company shares on preferential terms set forth in the resolution. The eligible persons comprise members of the Management Board, including the President, as well as Company employees and employees of the Group companies, on condition they were in an employment relationship with the Parent or its subsidiary, or in other legal relationship under which they provided services to the Parent or its subsidiary, for a period of at least twelve months in the calendar year preceding the year in which the offer to subscribe for subscription warrants is made.

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 objective of the conditional share capital increase is to grant the right to subscribe for Series F shares to holders of subscription warrants that will be issued under the 2015–2019 Scheme. Holders of the subscription warrants will be entitled to exercise the rights to subscribe for Series F shares attached to subscription warrants at an issue price equivalent to the average closing price of Company shares on all trading days in the period February 27th 2014 to May 27th 2014. Holders of subscription warrants who are not Management Board members will be entitled to exercise the rights to subscribe for Series F shares attached to the subscription warrants not earlier than six months after the date of subscription for the subscription warrants, whereas Management Board members will be able to exercise these rights twelve months after the date of subscription (lock-up for subscription of Series F shares by holders of subscription warrants). Tranche 1 subscription warrants may not be exercised by their holders until the lapse of at least 12 months from the subscription date. 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.

Under the Scheme, the Company may finance purchase of Series F shares by eligible persons on the terms defined in the resolution.

Subscription warrants may be inherited, but may not be encumbered and are not transferable.

By way of its resolution of September 8th 2014, the Supervisory Board defined and approved the 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 eligible persons who were Management Board members.

By the issue date of this report, 79,692 warrants issued in Tranche 1 were converted into newly issued Series F shares in the Company. Thus, 26,743 Tranche 1 subscription warrants, entitling their holders to subscribe for the same number of Series F shares, continue to be held by eligible persons. 6,500 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 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. On 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.

By the issue date of this report, 69,291 Tranche 2 warrants were converted into newly issued Series F shares in the Company. 72,656 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 the eligible persons on July 3th 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 persons who were Management Board members.

By the issue date of this report, 37,456 Tranche 3 warrants were converted into newly issued Series F shares in the Company. 102,741 Tranche 3 subscription warrants, entitling their holders to subscribe for the same number of Series F shares, continue to be held by eligible persons. 54,344 of those warrants are held by Management Board members.

#### Tranche 4

By way of a resolution dated July 15th 2019, the Supervisory Board declared that the condition set forth in the Stock Option Plan for offering subscription warrants under Tranche 4 for 2018 had been met.

On July 16th 2019, the Management Board passed a resolution containing the list of Management Board members eligible to acquire Tranche 4 subscription warrants for 2018 under the 2015–2019 Scheme. On July 22nd 2019, the Supervisory Board passed a resolution to approve the Management Board's Resolution No. 235/2019 containing the list of Management Board members eligible to acquire Tranche 4 subscription warrants for 2018 under the 2015–2019 Scheme.

On July 24th 2019, the Management Board passed a resolution containing the list of persons who are not Management Board members and are eligible to acquire Tranche 4 subscription warrants for 2018 under the 2015–2019 Scheme. On this basis, on July 25th 2019, the Management Board invited eligible persons other than Management Board members to acquire Tranche 4 subscription warrants. As a result, 115,528 subscription warrants were delivered to the eligible persons on August 27th 2019.

As at June 30th 2019 and as at the date of issue of this report, the Management Board members hold no rights to KRUK S.A. shares other than those attached to the subscription warrants presented below.

**Number of subscription warrants held by Management Board members as at June 30th 2019**

Name and surname	Position	Number of warrants held under Tranche 1 for 2015	Number of warrants held under Tranche 2 for 2016	Number of warrants held under Tranche 3 for 2017
Piotr Krupa	CEO and President of the Management Board	7,000	10,820	14,556
Agnieszka Kulon	Member of the Management Board	3,250	9,915	9,947
Urszula Okarma	Member of the Management Board	3,250	9,915	9,947
Iwona Słomska	Member of the Management Board	0	9,915	9,947
Michał Zasępa	Member of the Management Board	0	9,915	9,947

## General Meeting

On June 25th 2019, the Annual General Meeting of KRUK S.A. was held, with the agenda including, apart from approving the annual reports of the Company and the Group and granting discharge to their Management and Supervisory Boards, the appointment of members of the Supervisory Board of the new term of office and the adoption of resolutions on the coverage of loss and payment of dividend. For detailed information on the Supervisory Board of the new term of office, see the point 1. of Notes to the interim condensed consolidated financial statements.

### 4. Litigation, arbitration or administrative proceedings

No material court, arbitration or administrative proceedings are pending against the Company in relation to the KRUK Group's liabilities or claims.

### 5. Sureties for repayment of bank and non-bank loans and guarantees extended 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.

### 6. 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 first half of 2019:

- The KRUK Group received PLN 874,333 thousand in recoveries from purchased debt portfolios, and invested PLN 308,923 thousand in debt portfolios with a total nominal value of PLN 3,287,752 thousand. Investments made in H1 2019 were equal to 22% of total investments in 2018.

- The investments included execution of an agreement on debt assignment on the Romanian secondary market with Getback Recovery S.R.L., providing for the purchase of debt for the price of PLN 37,400 thousand.
- The KRUK Group signed an agreement to acquire all shares in Wonga.pl sp. z o.o., a company operating on the online lending market in Poland.
- The KRUK Group issued bonds with a total nominal value of PLN 190,000 thousand.

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

- As part of the public relations communication activities, a plan of pro-environmental activities, both inside and outside the company, was developed. For many years human beings have been living at the expense of our planet. Unfortunately, we have been consuming its resources at an alarming rate. The Earth Overshoot Day, that is the day by which the world's population has consumed the natural resources the Earth takes the whole year to restore, falls earlier with each passing year. This year it was July 29th: on that day we have consumed our resources for the entire 2019.
- In pursuit of the KRUK Group's CSR strategy, we joined the United Nations Global Compact. KRUK was formally admitted to this organisation affiliated with the United Nations. The United Nations Global Compact (UN GC) is the world's largest initiative that brings together companies promoting sustainable development. The UN Global Compact seeks to link strategic activities of the broadly meant business community to the 10 core principles of human and employee rights, environmental protection and anti-corruption, with support from, *inter alia*, the presidents and CEOs of the participating companies. By its cooperation with governments, public administration, the private sector, non-governmental organisations and scientific institutions, the UN Global Compact supports the dissemination of the Ten Principles of the UN Global Compact among businesses all over the world and the fulfilment of UN general objectives, including the Sustainable Development Goals.
- We have launched the internet 'Spring Cleaning' campaign, whereby we encouraged debtors to contact KRUK and solve their debt problems. Spring is a perfect time for full-scale cleaning. According to surveys commissioned by the KRUK Group, 73% of Poles plan to do it this year. Full-scale cleaning is not just vacuuming every nook and cranny of one's house or apartment, but also an opportunity to restore order in various matters, including finance.
- We again took part in the charity relay in Wrocław and became the main sponsor of the 'Business Run', which attracted 10,000 contestants, including more than 150 KRUK Group employees (also from the Czech Republic).
- The Group organised in-house conferences for business and trading partners: ERIF Forum for ERIF BIG S.A.'s partners, Sopot Credit Management Forum for KRUK S.A.'s partners, and a conference for bailiffs with whom the Group cooperates on an ongoing basis.
- In Italy, we established cooperation with a company that specialises in simplifying communications in Italian. In Poland, we have for years been cooperating with the Plain Polish Laboratory. Similarly, we would like Italians to receive letters, text messages and other forms of communication in a clear and plain language.
- KRUK Romania was again involved in the CSR JAR project. As part of the initiative, more than 1,600 high school students took part in educational workshops. Ten Company employees conducted workshops in financial education. It is among the largest projects of the type on the Romanian market.



## 7. 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.

### KRUK Group's FTEs as at June 30th 2019

3,367

### KRUK Group's FTEs as at June 30th 2018

2,877

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

## 8. 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

## 9. Representation of the Management Board

These interim condensed financial statements and comparative data have been prepared in accordance with the applicable accounting standards and give a true and fair view of the financial position and assets of the KRUK Group and of the Company, as well as of the Group's development, achievements and situation position, including a description of key risks and threats.

The entity qualified to audit financial statements which reviewed these interim condensed financial statements was selected in compliance with applicable laws and regulations and met the conditions for issuing an objective and independent review report in accordance with applicable laws and professional standards.



**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*

Wrocław, September 5th 2019