



INTERIM CONDENSED EXTENDED CONSOLIDATED FINANCIAL REPORT

for the period January 1st –
September 30th 2018

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I. Interim condensed consolidated financial statements

1. Consolidated financial highlights

Financial highlights	PLN '000		EUR '000	
	Jan 1-Sep 30 2018	Jan 1-Sep 30 2017	Jan 1-Sep 30 2018	Jan 1-Sep 30 2017
For the period				
Revenue	893,510	806,919	210,066	189,567
Operating profit	393,522	368,015	92,518	86,457
Profit before tax	298,738	300,225	70,234	70,531
Net profit attributable to owners of the Parent	279,113	291,207	65,620	68,412
Net cash from operating activities	(251,913)	(98,014)	(59,225)	(23,026)
Purchase of debt portfolios at prices as per agreement	(1,054,675)	(766,533)	(247,956)	(180,079)
Payments made by debtors	1,144,127	994,016	268,986	233,521
Net cash from investing activities	(23,708)	(12,074)	(5,574)	(2,836)
Net cash from financing activities	253,906	(27,706)	59,694	(6,509)
Net change in cash	(21,716)	(137,793)	(5,105)	(32,371)
Average number of shares ('000)	18,842	18,744	18,842	18,744
Earnings per share (PLN/EUR)	14.81	15.54	3.48	3.65
Diluted earnings per share (PLN/EUR)	14.46	15.16	3.40	3.56
As at	Sep 30 2018	Dec 31 2017	Sep 30 2018	Dec 31 2017
Total assets	4,323,970	3,560,128	1,012,307	853,563
Non-current liabilities	2,127,597	1,652,515	498,103	396,201
Current liabilities	494,395	447,091	115,746	107,193
Equity	1,701,977	1,460,522	398,459	350,170
Share capital	18,872	18,744	4,418	4,494
Book value per ordinary share (PLN/EUR)	90.19	77.92	21.11	18.68

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	4.2535
for the comparative period	4.2566

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

for the reporting period	4.2714
for the comparative period	4.1709

2. Interim condensed consolidated statement of financial position

As at September 30th 2018

PLN '000

	Sep 30 2018	Jun 30 2018	Dec 31 2017	Sep 30 2017
Assets				
Cash and cash equivalents	151,568	162,478	173,284	129,591
Trade receivables	20,828	17,933	16,623	19,851
Investments	3,985,851	3,486,198	3,169,303	3,169,777
Other receivables	37,320	37,352	64,244	44,077
Inventories	174	160	494	196
Property, plant and equipment	26,319	28,169	28,669	28,278
Goodwill	62,010	62,010	54,003	64,139
Other intangible assets	35,803	36,515	26,830	15,678
Derivatives	1,631	-	8,637	1,538
Other assets	2,467	17,974	18,042	5,182
Total assets	4,323,970	3,848,790	3,560,128	3,478,307
Equity and liabilities				
Liabilities				
Derivatives	-	3,616	1,375	-
Trade and other payables	240,477	143,718	143,449	238,533
Employee benefit obligations	32,456	30,515	28,715	31,292
Income tax payable	7,912	8,821	14,401	2,693
Liabilities under borrowings and other debt instruments	2,329,037	2,006,858	1,897,223	1,714,046
Deferred tax liability	12,110	9,194	14,444	1,775
Total liabilities	2,621,993	2,202,723	2,099,607	1,988,339
Equity				
Share capital	18,872	18,872	18,808	18,744
Share premium	298,900	298,900	293,581	288,326
Cash flow hedging reserve	(2,111)	(2,231)	5,882	1,830
Exchange differences on translating foreign operations	(32,168)	4,061	(56,619)	(12,085)
Other capital reserves	93,092	90,973	86,805	84,961
Retained earnings	1,325,182	1,235,307	1,111,961	1,108,073
Equity attributable to owners of the Parent	1,701,767	1,645,882	1,460,418	1,489,849
Non-controlling interests	210	185	104	120
Total equity	1,701,977	1,646,067	1,460,522	1,489,969
Total equity and liabilities	4,323,970	3,848,790	3,560,128	3,478,307

3. Interim condensed consolidated statement of profit or loss

For the reporting period January 1st – September 30th 2018

PLN '000

	Jan 1-Sep 30 2018	Jul 1-Sep 30 2018	Jan 1-Sep 30 2017	Jul 1-Sep 30 2017
Revenue	893,510	288,596	806,919	259,449
<i>including interest income on debt portfolios calculated using the effective interest rate method</i>	636,274	220,058	n/a	n/a
<i>including interest income on other financial instruments calculated using the effective interest rate method</i>	12,133	4,457	n/a	n/a
Other income	3,482	1 936	3,739	1,152
	896,991	290,531	810,658	260,602
Merchandise and materials sold	-	-	(25)	(25)
Employee benefits expense	(227,264)	(76,844)	(182,941)	(64,940)
Depreciation and amortisation	(15,249)	(5,122)	(12,585)	(4,419)
Services	(106,324)	(33,148)	(94,049)	(33,426)
Other expenses	(154,633)	(48,748)	(153,043)	(49,957)
	(503,470)	(163,862)	(442,642)	(152,766)
Operating profit	393,522	126,669	368,015	107,835
Finance income	114	21	208	(758)
Finance costs	(94,898)	(28,280)	(67,998)	(29,294)
Net finance costs	(94,784)	(28,259)	(67,790)	(30,052)
Profit before tax	298,738	98,410	300,225	77,783
Income tax	(19,487)	(8,479)	(8,913)	(3,451)
Net profit for period	279,251	89,931	291,313	74,332
Net profit attributable to:				
Owners of the Parent	279,113	89,875	291,207	74,301
Non-controlling interests	138	78	106	31
Net profit for period	279,251	89,953	291,313	74,332
Earnings (loss) per share				
Basic (PLN)	14.81	4.76	15.54	3.96
Diluted (PLN)	14.46	4.65	15.16	3.86

4. Interim condensed consolidated statement of comprehensive income

For the reporting period January 1st – September 30th 2018

PLN '000

	Jan 1-Sep 30 2018	Jul 1-Sep 30 2018	Jan 1-Sep 30 2017	Jul 1-Sep 30 2017
Net profit attributable to:				
Owners of the Parent	279,113	89,875	291,207	74,301
Non-controlling interests	138	78	106	31
Net profit for period	279,251	89,953	291,313	74,332
Other comprehensive income				
Items that may be reclassified to profit or loss				
Exchange differences on translating foreign operations	24,450	(36,230)	(12,085)	32,397
Cash flow hedges	(2,111)	120	1,538	(2,624)
Other comprehensive income for period, net	22,339	(36,110)	(10,547)	29,773
Total comprehensive income for period	301,590	53,822	280,765	104,105
Total comprehensive income attributable to:				
Owners of the Parent	301,452	53,765	280,659	104,074
Non-controlling interests	138	57	106	31
Total comprehensive income for period	301,590	53,822	280,765	104,105

5. Interim condensed consolidated statement of changes in equity

For the reporting period January 1st – September 30th 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
Equity as at Jan 1 2017	18,744	288,326	-	(592)	76,658	854,354	1,237,490	14	1,237,504
Net profit for period	-	-	-	-	-	291,207	291,207	106	291,313
Payment of dividends	-	-	-	-	-	(37,488)	(37,488)	-	(37,488)
Other comprehensive income									
- Exchange differences on translating foreign operations	-	-	-	(11,493)	-	-	(11,493)	-	(11,493)
Total comprehensive income for period	-	-	-	(11,493)	-	253,719	242,226	106	242,332
Contributions from and distributions to owners									
- Payment of dividends	-	-	-	-	-	-	-	-	-
- Valuation of hedging instruments	-	-	1,830	-	-	-	1,830	-	1,830
- Share-based payments	-	-	-	-	8,303	-	8,303	-	8,303
- Issue of shares	-	-	-	-	-	-	-	-	-
Total contributions from and distributions to owners	-	-	1,830	-	8,303	-	10,133	-	10,133
Total equity as at Sep 30 2017	18,744	288,326	1,830	(12,085)	84,961	1,108,073	1,489,848	120	1,489,968
Equity as at Jan 1 2017	18,744	288,326	-	(592)	76,658	854,354	1,237,490	14	1,237,504
Net profit for period	-	-	-	-	-	295,095	295,095	103	295,198
Other comprehensive income									
- Exchange differences on translating foreign operations	-	-	-	(56,027)	-	-	(56,027)	-	(56,027)
- Valuation of hedging instruments	-	-	5,882	-	-	-	5,882	-	5,882
Total comprehensive income for period	-	-	5,882	(56,027)	-	295,095	244,950	103	245,053
Contributions from and distributions to owners									
- Payment of dividends	-	-	-	-	-	(37,488)	(37,488)	(13)	(37,501)
- Share-based payments	-	-	-	-	10,147	-	10,147	-	10,147
- Issue of shares	64	5,255	-	-	-	-	5,319	-	5,319
Total contributions from and distributions to owners	64	5,255	-	-	10,147	(37,488)	(22,022)	(13)	(22,035)
Total equity as at Dec 31 2017	18,808	293,581	5,882	(56,618)	86,805	1,111,961	1,460,418	104	1,460,522
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	(56,618)	86,804	1,140,108	1,488,565	104	1,488,669
Comprehensive income for period									
Net profit for period	-	-	-	-	-	279,113	279,113	106	279,219
Other comprehensive income									

- Exchange differences on translating foreign operations	-	-	-	24,450	-	-	24,450	-	24,450
- Valuation of hedging instruments	-	-	(7,993)	-	-	-	(7,993)	-	(7,993)
Total comprehensive income for period	-	-	(7,993)	58,428	-	279,113	295,570	106	295,676
Contributions from and distributions to owners									
- Payment of dividends	-	-	-	-	-	(94,039)	(94,039)	-	(94,039)
- Issue of shares	64	5,319	-	-	-	-	5,383	-	5,383
- Share-based payments	-	-	-	-	6,288	-	6,288	-	6,288
Total contributions from and distributions to owners	64	5,319	-	-	6,288	(94,039)	(82,368)	-	(82,368)
Total equity as at Sep 30 2018	18,872	298,900	(2,111)	(32,168)	93,092	1,325,182	1,701,767	210	1,701,977

6. Interim condensed consolidated statement of cash flows

For the reporting period January 1st – September 30th 2018

PLN '000

	Jan 1-Sep 30 2018	Jul 1-Sep 30 2018	Jan 1-Sep 30 2017	Jul 1-Sep 30 2017
Cash flows from operating activities				
Net profit for period	279,251	89,931	291,313	74,332
<i>Adjustments</i>				
Depreciation of property, plant and equipment	6,006	2,003	7,038	2,280
Amortisation of intangible assets	9,243	3,120	5,547	2,137
Net finance costs	80,610	12,781	54,378	27,788
(Gain)/loss on sale of property, plant and equipment	(1,332)	(230)	(1,002)	(245)
Equity-settled share-based payment transactions	6,288	2,119	8,303	4,278
Income tax	19,487	8,479	8,913	3,451
Change in other investments	(3,254)	6,318	(3,254)	(2,273)
Change in debt portfolios purchased	(753,658)	(536,021)	(501,362)	(148,484)
Change in inventories	320	(13)	289	93
Change in receivables	18,956	(5,025)	(25,804)	(3,612)
Change in other assets	15,575	15,507	476	(1,100)
Change in current liabilities, excluding financial liabilities	95,386	94,226	66,541	117,753
Income tax paid	(24,791)	(946)	(9,389)	220
Net cash from operating activities	(251,913)	(307,751)	(98,014)	76,617
Cash flows from investing activities				
Interest received	115	23	208	47
Sale of intangible assets and property, plant and equipment	3,073	1,593	2,743	1,503
Acquisition of a subsidiary, less cash acquired	(2,975)	(18)	(1,535)	(1,535)
Purchase of intangible assets and property, plant and equipment	(23,922)	(6,610)	(13,490)	(7,282)
Net cash from investing activities	(23,708)	(5,012)	(12,074)	(7,267)
Cash flows from financing activities				
Net proceeds from issue of shares	5,319	-	-	-
Proceeds from issue of debt securities	-	-	168,391	-
Increase in borrowings	1,467,177	859,229	876,726	200,640
Repayment of borrowings	(987,549)	(487,003)	(848,209)	(199,456)
Payments under finance lease contracts	(5,809)	(3,202)	(5,559)	(155)
Dividends paid	(94,039)	-	(37,728)	(37,728)
Redemption of debt securities	(65,000)	(50,000)	(120,000)	0
Interest paid	(66,193)	(17,170)	(61,326)	(23,192)
Net cash from financing activities	253,906	301,854	(27,706)	(59,892)
Total net cash flows	(21,716)	(10,909)	(137,793)	9,459
Cash and cash equivalents at beginning of period	173,284	162,478	267,384	120,132
Cash and cash equivalents at end of period	151,568	151,568	129,591	129,591

II. Interim condensed separate financial statements

1. Separate financial highlights

Financial highlights	PLN '000		EUR '000	
	Jan 1-Sep 30 2018	Jan 1-Sep 30 2017	Jan 1-Sep 30 2018	Jan 1-Sep 30 2017
For the period				
Revenue	105,111	105,667	24,712	24,824
Operating loss	(51,436)	(42,670)	(12,093)	(10,024)
Profit/(loss) before tax	(73,828)	(42,363)	(17,357)	(9,952)
Net profit/(loss)	(89,856)	(44,135)	(21,125)	(10,368)
Net cash from operating activities	(192,962)	(21,000)	(45,366)	(4,933)
Net cash from investing activities	410,242	(135,439)	96,449	(31,818)
Net cash from financing activities	(223,781)	4,110	(52,611)	966
Net change in cash	(6,501)	(152,329)	(1,528)	(35,786)
Average number of shares ('000)	18,872	18,744	18,872	18,744
Earnings per share (PLN/EUR)	(4.77)	(2.35)	(1.12)	(0.55)
Diluted earnings per share (PLN/EUR)	(4.65)	(2.30)	(1.09)	(0.54)
As at	Sep 30 2018	Dec 31 2017	Sep 30 2018	Dec 31 2017
Total assets	2,384,124	3,143,654	558,160	753,711
Non-current liabilities	1,219,441	1,561,827	285,490	374,458
Current liabilities	628,117	867,202	147,052	207,917
Equity	536,566	714,625	125,618	171,336
Share capital	18,872	18,872	4,418	4,525
Book value per ordinary share (PLN/EUR)	28.43	37.87	6.68	9.08

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 4.2535
for the comparative period 4.2566

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

for the reporting period 4.2714
for the comparative period 4.1709

2. Interim condensed separate statement of financial position

As at September 30th 2018

PLN '000

	Sep 30 2018	Jun 30 2018	Dec 31 2017	Sep 30 2017
Assets				
Cash and cash equivalents	10,416	11,478	16,917	10,607
Trade receivables from related entities	37,359	28,959	45,207	21,550
Trade receivables from other entities	3,489	3,688	2,881	3,783
Investments	165,825	166,650	172,297	163,764
Derivatives	1,631	-	8,637	1,538
Other receivables	10,124	17,471	9,276	21,736
Inventories	36	36	171	22
Property, plant and equipment	17,072	18,213	19,062	18,775
Intangible assets	15,762	15,924	15,183	13,812
Deferred tax asset	-	-	-	-
Investments in subsidiaries	2,117,491	2,752,807	2,849,889	2,124,104
Other assets	4,918	3,871	4,133	3,791
Total assets	2,384,124	3,019,097	3,143,654	2,383,482
Equity and liabilities				
Liabilities				
Derivatives		3,616	1,375	-
Trade and other payables	83,407	603,967	593,741	42,644
Employee benefit obligations	16,370	18,886	17,673	15,970
Income tax payable	5,563	6,530	14,401	2,693
Liabilities under borrowings and other debt instruments	1,725,771	1,823,715	1,786,487	1,689,611
Deferred tax liability	16,447	14,321	15,351	2,805
Total liabilities	1,847,558	2,471,035	2,429,028	1,753,723
Equity				
Share capital	18,872	18,872	18,808	18,744
Share premium	298,900	298,900	293,581	288,326
Cash flow hedging reserve	(2,111)	(2,231)	5,882	1,830
Other capital reserves	93,094	90,975	86,806	84,962
Retained earnings	127,811	141,547	309,548	235,898
Total equity	536,566	548,063	714,625	629,760
Total equity and liabilities	2,384,124	3,019,097	3,143,654	2,383,482

3. Interim condensed separate statement of profit or loss

For the reporting period January 1st – September 30th 2018

PLN '000

	Jan 1-Sep 30 2018	Jul 1-Sep 30 2018	Jan 1-Sep 30 2017	Jul 1-Sep 30 2017
Revenue	105,111	41,211	105,667	41,062
<i>including interest income calculated using the effective interest rate method</i>	15,088	5,259	n/a	n/a
Other income	1,277	299	1,720	405
Merchandise and materials sold	-	-	(25)	(25)
Employee benefits expense	(95,597)	(31,257)	(89,709)	(30,782)
Depreciation and amortisation	(9,766)	(3,218)	(8,594)	(2,976)
Services	(27,814)	(9,900)	(28,548)	(9,919)
Other expenses	(24,647)	(8,436)	(23,182)	(5,268)
	(157,824)	(52,812)	(150,057)	(48,969)
Operating loss	(51,436)	(11,301)	(42,670)	(7,502)
Finance income	57,792	16,486	57,272	4,156
Finance costs	(80,185)	(11,929)	(56,965)	(20,426)
Net finance income/costs	(22,393)	4,557	307	(16,270)
Profit/(loss) before tax	(73,828)	(6,744)	(42,363)	(23,772)
Income tax	(16,028)	(6,992)	(1,772)	(798)
Net profit/(loss) for period	(89,856)	(13,736)	(44,135)	(24,570)
Earnings/(loss) per share				
Basic (PLN)	(4.77)	(0.73)	(2.35)	(1.31)
Diluted (PLN)	(4.65)	(0.71)	(2.30)	(1.28)

4. Interim condensed separate statement of changes in equity

For the reporting period January 1st – September 30th 2018

PLN '000

	Share capital	Share premium	Revaluation reserve	Cash flow hedging reserve	Other capital reserves	Retained earnings	Equity attributable to owners of the Parent	Total equity
Equity as at Jan 1 2017	18,744	288,326		-	76,659	317,521		701,251
Comprehensive income for period								
Net profit for period	-	-		-	-	(44,135)		(44,135)
Payment of dividends	-	-		-	-	(37,488)		(37,488)
- Valuation of hedging instruments	-	-		1,830	-	-		1,830
Total comprehensive income for period	-	-		1,830	-	(81,623)		(79,793)
Contributions from and distributions to owners								
- Payment of dividends	-	-		0	-	-		0
- Share-based payments	-	-		-	8,303	-		8,303
- Issue of shares	-	-		-	-	-		-
Total contributions from and distributions to owners	-	-		-	8,303	-		8,303
Total equity as at Sep 30 2017	18,744	288,326		1,830	84,962	235,898		629,761
Equity as at Jan 1 2017	18,744	288,326		-	76,659	317,521		701,251
Comprehensive income for period								
Net profit for period						29,514		29,514
Other comprehensive income								
Net profit for period	-	-		-	-	35,843		35,843
Other comprehensive income	-	-		-	-			
- Valuation of hedging instruments	-	-		5,882	-	-		5,882
Total other comprehensive income	-	-		5,882	-	-		5,882
Total comprehensive income for period	-	-		5,882	-	29,514		29,514
Contributions from and distributions to owners								
- Payment of dividends						(37,488)		(37,488)
- Share-based payments	-	-		-	10,147	-		10,147

- Issue of shares	64	5,255	-	-	-	5,319
Total contributions from and distributions to owners	64	5,255	-	10,147	(37,488)	(22,022)
Total equity as at Dec 31 2017	18,808	293,581	5,882	86,806	309,547	714,624
Adjustment on transition to IFRS 9	-	-	-	-	2,160	2,160
Equity as at Jan 1 2018 following changes in accounting policies	18,808	293,581	5,882	86,806	311,707	716,784
Comprehensive income for period						
Net profit for period	-	-	-	-	(89,856)	(89,856)
Payment of dividends	-	-	-	-	(94,040)	(94,040)
- Valuation of hedging instruments	-	-	(7,993)	-	-	(7,993)
Total comprehensive income for period	-	-	(7,993)	-	(183,896)	(191,889)
Contributions from and distributions to owners						
- Share-based payments	-	-	-	6,288	-	6,288
- Issue of shares	64	5,319	-	-	-	5,383
Total contributions from and distributions to owners	64	5,319	-	6,288	-	11,671
Total equity as at Sep 30 2018	18,872	298,900	(2,111)	93,094	127,811	536,566

5. Interim condensed separate statement of cash flows

For the reporting period January 1st – September 30th 2018

PLN '000

	Jan 1-Sep 30 2018	Jul 1-Sep 30 2018	Jan 1-Sep 30 2017	Jul 1-Sep 30 2017
Cash flows from operating activities				
Net profit for period	(89,856)	(13,736)	(44,135)	(24,570)
<i>Adjustments</i>				
Depreciation of property, plant and equipment	5,945	1,920	5,346	1,863
Amortisation of intangible assets	3,842	1,316	3,249	1,114
Net finance (income)/costs	17,322	(8,290)	(2,651)	10,222
(Gain)/loss on sale of property, plant and equipment	(530)	(122)	(919)	(218)
Equity-settled share-based payment transactions				
	6,288	2,118	8,305	4,280
Income tax	16,028	6,992	1,772	799
Change in debt portfolios purchased	(6,395)	(2,762)	(135)	(2,441)
Change in inventories	135	-	166	47
Change in receivables	13,422	(1,081)	14,152	(629)
Change in prepayments and accrued income	(785)	(1,048)	611	(1,038)
Change in current liabilities, excluding financial liabilities				
	(133,306)	(138,261)	3,426	11,538
Change in employee benefit obligations	(1,303)	(2,516)	(3,772)	(1,967)
Income tax paid	(23,770)	(5,834)	(6,414)	(2,900)
Net cash from operating activities	(192,962)	(161,303)	(21,000)	(3,900)
Cash flows from investing activities				
Interest received	76	37	148	16
Loans advanced	(31,743)	(10,289)	(72,220)	(73,406)
Sale of intangible assets and property, plant and equipment	1,448	212	2,661	(32,467)
Dividends received	43,355	6,957	43,355	43,355
Proceeds from disposal of financial assets	545,188	331,229	181,471	181,471
Purchase of intangible assets and property, plant and equipment	(5,663)	(474)	(5,615)	(5,615)
Acquisition of financial assets	(179,173)	(64,152)	(392,913)	(419,071)
Repayment of loans advanced	36,754	8,390	107,673	107,673
Net cash from investing activities	410,242	271,910	(135,439)	23,570
Cash flows from financing activities				
Net proceeds from issue of exchange-traded shares	5,319	5,319	-	-
Proceeds from issue of debt securities	-	-	168,391	-
Increase in borrowings	572,250	198,504	798,464	184,865
Repayment of borrowings	(578,768)	(238,252)	(746,179)	(163,249)
Redemption of debt securities	(65,000)	(50,000)	(120,000)	(120,000)
Payments under finance lease contracts	(4,111)	(1,505)	(4,058)	(793)
Dividends paid	(94,040)	-	(37,728)	(37,728)
Interest paid	(59,432)	(20,417)	(54,780)	(17,818)
Net cash from financing activities	(223,781)	(111,670)	4,110	(34,723)
Total net cash flows	(6,501)	(1,063)	(152,329)	(15,053)
Cash and cash equivalents at beginning of period	16,917	11,478	162,936	25,660
Cash and cash equivalents at end of period	10,416	10,416	10,607	10,607

III. Additional information

1. Organisation of the KRUK Group

Parent

Name:

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

Registered office:

ul. Wołowska 8

51-116 Wrocław, Poland

Registration in the National Court Register:

District Court for Wrocław-Fabryczna in Wrocław, 6th Commercial Division of the National Court Register, ul. Poznańska 16-17, 53-230 Wrocław, Poland

Date of registration: September 7th 2005

Entry number: KRS 0000240829

Principal business activities of the Parent and subsidiaries:

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

These interim condensed consolidated financial statements for the reporting period January 1st – September 30th 2018 include the financial statements of the Parent and its subsidiaries (jointly the "Group").

KRUK S.A. is the Parent of the Group.

As at September 30th 2018, the Management Board of the Parent consisted of:

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

In Q3 2018 and by the issue date of this interim report, the composition of the Management Board of KRUK S.A. did not change.

In Q3 2018 and by the issue date of this interim report, the composition of the Supervisory Board of KRUK S.A. did not change and was as follows:

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

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

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

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

All the subsidiaries listed above are included in these condensed consolidated financial statements as at September 30th 2018 and for the period January 1st – September 30th 2018.



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

Ownership interests held by the Parent in the subsidiaries as at September 30th 2018:

PLN '000	Country	Shareholding (%)	
		Sep 30 2018	Dec 31 2017
SeCapital S.à r.l. *	Luxembourg	100%	100%
ERIF Business Solutions Sp. z o.o.	Poland	100%	100%
SeCapital Polska Sp. z o.o.	Poland	100%	100%
ERIF Biuro Informacji Gospodarczej S.A.	Poland	100%	100%
Novum Finance Sp. z o.o.	Poland	100%	100%
KRUK Romania S.r.l	Romania	100%	100%
Kancelaria Prawna RAVEN 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*	Poland	100%	100%
ProsperoCapital Sp. z.o.o. (in liquidation)	Poland	-	100%
InvestCapital Ltd *	Malta	100%	100%
RoCapital IFN S.A. *	Romania	100%	100%
Kruk Deutschland GmbH	Germany	100%	100%
KRUK Italia S.r.l	Italy	100%	100%
ItaCapital S.r.l	Italy	100%	100%
KRUK Espana S.L.	Spain	100%	100%
ProsperoCapital S.a.r.l. **	Luxembourg	100%	100%
Presco Investments S.a.r.l.	Luxembourg	100%	100%
P.R.E.S.C.O INVESTMENT I NS FIZ*	Poland	100%	100%
Credit Base International S.r.l	Italy	-	100%
Elleffe Capital S.r.l.*	Italy	100%	100%
Espand Soluciones de Gestion S.L.	Spain	-	100%
BISON NS FIZ*	Poland	100%	-
Corbul S.r.l.***	Romania	-	-
Zielona Perla Sp. z.o.o	Poland	100%	-
Agecredit S.r.l.	Italy	100%	-

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

** ProsperoCapital S.a.r.l is a party to a joint arrangement.

*** The Parent controls the company through a personal link.

2. Significant accounting policies

Statement of compliance

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

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

Basis of preparation

These consolidated financial statements have been prepared based on the historical cost approach, except with respect to financial instruments at fair value through profit or loss, and include data for the period from January 1st to September 30th 2018 and comparative data for the period from January 1st to September 30th 2017. The presented data has not been audited.

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

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

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

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

Changes in accounting policies

The accounting policies applied to prepare these condensed interim financial statements are consistent with those applied to prepare the most recent full-year consolidated financial statements as at and for the year ended December 31st 2017, except for the change related to the application of IFRS 9 *Financial Instruments*, which superseded IAS 39 *Financial Instruments: Recognition and Measurement*.

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 2018.

At the beginning of 2018, the Group implemented IFRS 9, as a result of which purchased debt portfolios measured at fair value under IAS 39 were classified as instruments measured at amortised cost.

Debt portfolios are measured at amortised cost, using the effective interest rate method. Debt portfolios are initially recognised on purchase date at acquisition price plus transaction costs.

The effective interest rate, equal to the internal rate of return, used for discounting estimated cash recoveries is calculated based on initial projections of cash recoveries that take into account the initial value (acquisition price plus transaction costs), and remains unchanged throughout the life of a portfolio.

Interest income is calculated based on the portfolio value measured at amortised cost, using the effective interest rate discussed above, and is recognised in profit. The Group presents its statement of financial position in order of liquidity. For all items of assets and liabilities, the Group discloses in the notes the amount to be received or paid within twelve months after the reporting date (short-term) and in more than twelve months from the reporting date (long-term).

The Group adopted the new IFRS 9 standard as of its effective date, i.e. January 1st 2018. The effect of application of the classification, measurement and impairment principles determined in accordance with the requirements of the new Standard is recognised by the Group as an adjustment to the opening balance as at January 1st 2018, without adjusting the comparative periods.

(a) Classification and measurement

IFRS 9 requires that, after initial recognition, a debt financial asset should be measured at amortised cost or at fair value based on the entity's business model of financial asset management and on the asset's contractual cash flow characteristics. The Group assessed that the debt portfolios purchased prior to January 1st 2014 and measured at fair value will be measured at amortised cost as of January 1st 2018, as the business model test confirmed the validity of this method. The impact of this change on the value of investments and profit or loss brought forward is positive and amounts to PLN 29,582 thousand.

(b) Impairment

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

(c) Hedge accounting

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

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

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

As at December 31st 2017

PLN '000

	IAS 39 methodology	IFRS 9 methodology	Jan 1 2018 – restated	Impact of IFRS 9	Dec 31 2017
Assets					
Cash and cash equivalents			173,284	-	173,284
Trade receivables	Loans and receivables	Amortised cost	16,041	(582)	16,623
Investments	Investments at fair value/Loans and receivables	Amortised cost	3,198,885	29,582	3,169,303
Other receivables	Loans and receivables	Amortised cost	63,391	(853)	64,244
Inventories			494	-	494
Property, plant and equipment			28,669	-	28,669
Other intangible assets			26,830	-	26,830
Goodwill			54,003	-	54,003

Hedge derivatives	8,637	-	8,637
Other assets	18,042	-	18,042
Total assets	3,588,275	28,147	3,560,128
Equity and liabilities			
Liabilities			
Hedge derivatives	1,375	-	1,375
Trade and other payables	143,449	-	143,449
Employee benefit obligations	28,715	-	28,715
Income tax payable	14,401	-	14,401
Liabilities under borrowings and other debt instruments	1,897,223	-	1,897,223
Deferred tax liability	14,444	-	14,444
Provisions	-	-	-
Total liabilities	2,099,607	-	2,099,607
Equity			
Share capital	18,808	-	18,808
Share premium	293,581	-	293,581
Cash flow hedging reserve	5,882	-	5,882
Translation reserve	(56,619)	-	(56,619)
Other capital reserves	86,805	-	86,805
Retained earnings	1,140,108	28,147	1,111,961
Equity attributable to owners of the Parent	1,488,565	28,147	1,460,418
Non-controlling interests	102	-	102
Total equity	1,488,667	28,147	1,460,520
Total equity and liabilities	3,588,275	28,147	3,560,128

Amendments to current standards and interpretations

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

Standards and Interpretations	Type of expected change in accounting policies	Possible effect on the financial statements
IFRS 16 <i>Leases</i> (effective for annual periods beginning on or after January 1st 2019; early application permitted if the entity also applies IFRS 15)	<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"> • leases with a lease term of 12 months or less and containing no purchase options, and • leases where the underlying asset has a low value. <p>Lessors will continue to classify leases as either operating or finance leases and thus recognise most leases without any changes.</p>	<p>The entity expects that upon initial application the Standard will have a material effect on the financial statements as it will require recognition in the statement of financial position of assets and liabilities arising from operating leases in which the entity is a lessee.</p>

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
<p>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates</i>)</p> <p>(The European Commission has decided to indefinitely postpone endorsement of these amendments)</p>	<p>The amendments clarify that in the case of a transaction with an associate or joint venture, the extent to which the gain or loss related to the transaction should be recognised depends on whether the assets sold or contributed to an associate or joint venture constituted a business:</p> <ul style="list-style-type: none"> the gain or loss is recognised in full where the contributed assets meet the definition of a business (irrespective of whether such business has the form of a subsidiary or not), the partial gain or loss is recognised when the transaction involves assets that do not constitute a business, even if those assets were part of a subsidiary. 	<p>The entity does not expect the amendments to have a material effect on its financial statements as it has no associates or joint ventures.</p>
<p>IFRS 17 <i>Insurance Contracts</i> (effective for annual periods beginning on or after January 1st 2021; prospectively applicable; early application permitted)</p> <p>The Standard has not yet been endorsed by the EU.</p>	<p>IFRS 17 replaces the transitional IFRS 4 <i>Insurance Contracts</i> introduced in 2004. IFRS 4 allowed entities to continue the recognition of insurance contracts in accordance with the local accounting policies based on national standards, which resulted in the application of many different solutions.</p> <p>IFRS 17 solves the comparability problem created by IFRS 4 by requiring consistent recognition of all insurance contracts, to the benefit of both investors and insurers. Contractual obligations will be recognised at present value rather than historical cost.</p>	<p>The Group does not expect the Standard to have a material effect on its financial statements as the entity is not involved in any insurance business.</p>

Standards and Interpretations not yet endorsed by the EU	Type of expected change in accounting policies	Possible effect on the financial statements
<p>IFRIC 23 <i>Uncertainty over Income Tax Treatments</i> (effective for annual periods beginning on or after January 1st 2019; early application permitted)</p> <p>The interpretation has not yet been endorsed by the EU.</p>	<p>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.</p>	<p>The entity is examining the impact of IFRIC 23 on its consolidated financial statements.</p>
<p>Amendments to IFRS 9 <i>Financial Instruments</i> (effective for annual periods beginning on or after January 1st 2019; early application permitted)</p>	<p>These amendments allow prepayable financial assets with negative compensation representing contractual cash flows that are solely payments of principal and interest on the principal amount outstanding to be measured at amortised cost or at fair value through other comprehensive income instead of at fair value through profit or loss as long as such financial assets meet the remaining requirements applicable under IFRS 9.</p>	<p>The entity does not expect the amendments to have a material effect on its financial statements on initial application as it has no prepayable financial assets.</p>

Standards and Interpretations not yet endorsed by the EU	Type of expected change in accounting policies	Possible effect on the financial statements
The amendments have not yet been endorsed by the EU.		
<p>Amendments to IAS 28 <i>Investments in Associates and Joint Ventures</i></p> <p>(effective for annual periods beginning on or after January 1st 2019)</p> <p>The amendments have not yet been endorsed by the EU.</p>	<p>The amendments clarify that entities apply IFRS 9 <i>Financial Instruments</i> to investments in subsidiaries and joint ventures, which are not accounted for using the equity method.</p>	<p>The entity does not expect the amendments to have a material effect on its financial statements on initial application.</p>
<p>Annual Improvements to IFRS Standards 2015–2017 Cycle</p> <p>(effective for annual periods beginning on or after January 1st 2019)</p> <p>The amendments have not yet been endorsed by the EU.</p>	<p>The Annual Improvements to IFRS Standards 2014–2016 Cycle contain four amendments. The key amendments:</p> <ul style="list-style-type: none"> • 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>; • 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>; • 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 	<p>These amendments are not expected to have a material on the entity's financial statements.</p>

Standards and Interpretations not yet endorsed by the EU	Type of expected change in accounting policies	Possible effect on the financial statements
	<ul style="list-style-type: none"> 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 (Plan Amendment, Curtailment or Settlement)</i></p> <p>(effective for annual periods beginning on or after January 1st 2019)</p> <p>The amendments have not yet been endorsed by the EU.</p>	<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>	<p>These amendments are not expected to have a material on the entity's financial statements.</p>

3. Reporting and geographical segments

Reporting segments

Below, the Group presents its principal reporting segments. The division into segments presented below is based on the criterion of materiality of revenue in the consolidated 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 metric for each reporting segment is gross profit*, which is disclosed in the management's internal reports reviewed by the President of the Management Board of the Parent. A segment's gross profit is used to measure the segment's performance, as the management believes the gross profit to be the most appropriate metric for the assessment of the segment's results against other entities operating in the industry.

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

The Group's operations are 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.

(*) Gross profit = operating income - operating expenses

For the reporting period January 1st – September 30th 2018

	Poland	Romania	Italy	Other foreign markets	TOTAL
Revenue	449,048	323,536	69,939	50,987	893,510
Purchased debt portfolios	409,909	315,755	63,022	36,565	825,252
Credit management services	19,289	7,555	6,917	14,422	48,183
Other products	19,849	226	-	-	20,075
Direct and indirect costs					(365,249)
Purchased debt portfolios	-	-	-	-	(319,399)
Credit management services	-	-	-	-	(38,038)
Other products	-	-	-	-	(7,812)
Gross profit					528,260
Purchased debt portfolios	-	-	-	-	505,853
Credit management services	-	-	-	-	10,145
Other products	-	-	-	-	12,263
Administrative expenses	-	-	-	-	(115,543)
Depreciation and amortisation	-	-	-	-	(15,249)
Other income	-	-	-	-	3,482
Other expenses (unallocated)	-	-	-	-	(7,429)
Finance income/costs	-	-	-	-	(94,784)
Profit before tax	-	-	-	-	298,737
Income tax	-	-	-	-	(19,487)
Net profit	-	-	-	-	279,250
Value of purchased debt portfolios as at Sep 30 2018	1,832,388	860,801	779,343	447,764	3,920,295

For the reporting period January 1st – September 30th 2017

	Poland	Romania	Italy	Other foreign markets	TOTAL
Revenue	389,917	308,687	54,718	53,597	806,920
Purchased debt portfolios	351,884	302,185	51,657	37,788	743,515
Credit management services	19,623	6,449	3,061	15,809	44,941
Other products	18,410	52,757	-	-	18,463
Direct and indirect costs					(319,415)
Purchased debt portfolios	-	-	-	-	(281,338)
Credit management services	-	-	-	-	(31,615)
Other products	-	-	-	-	(6,463)
Gross profit					487,503
Purchased debt portfolios	-	-	-	-	462,177
Credit management services	-	-	-	-	13,326
Other products	-	-	-	-	12,000
Administrative expenses	-	-	-	-	(103,887)
Depreciation and amortisation	-	-	-	-	(12,585)
Other income	-	-	-	-	3,739
Other expenses (unallocated)	-	-	-	-	(6,755)
Finance income/costs	-	-	-	-	(67,790)
Profit before tax	-	-	-	-	300,226
Income tax	-	-	-	-	(8,913)
Net profit	-	-	-	-	291,313
Value of purchased debt portfolios as at Sep 30 2017	1,390,218	838,054	598,275	297,184	3,123,731

4. Purchased debt portfolios

PLN '000

Value of purchased debt portfolios as at Jan 1 2017	2,640,946
Purchase of debt portfolios	976,509
Purchase price adjustment for discount	(634)
Cash recoveries	(1,368,911)
Value of foreclosed property	(17,805)
Increase/(decrease) in liabilities to debtors due to overpayments	435
Valuation of loyalty scheme	5,795
Revenue from debt purchase (interest and revaluation)	971,743
Currency translation differences on debt portfolios	(87,516)
Value of purchased debt portfolios as at Dec 31 2017	3,120,562
Value of purchased debt portfolios as at Jan 1 2017	3,120,562
Impact of changes in accounting policies following application of IFRS 9	29,582
Value of purchased debt portfolios as at Jan 1 2018	3,150,144
Purchase of debt portfolios	1,054,675
Cash recoveries	(1,144,127)
Increase/(decrease) in liabilities to debtors due to overpayments	741
Valuation of loyalty scheme	4,780
Payments from the original creditor	(5,452)
Revenue from debt purchase (interest and revaluation)	825,252
Currency translation differences on debt portfolios	34,282
Value of purchased debt portfolios as at Sep 30 2017	3,920,295

As part of its operations, the Group acquires real estate that secures purchased portfolios of debt. A part of cash recoveries comes from the market sale of previously acquired real estate.

Value of property held as at Jan 1 2018	23,869
Expenditure incurred to increase the value of property	513
Value of foreclosed property (auctioned price + model-based correction)	12,746
Proceeds from sale of property	(9,475)
Income from sale of property	1,786
Value of property held as at Sep 30 2018	25,867

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

Revenue

PLN '000

	Jan 1-Sep 30 2018	Jan 1-Sep 30 2017
Revenue from debt purchase	825,252	743,515
Revenue from fee-based credit management services	48,183	44,941
Revenue from other products	20,075	18,463
	893,510	806,919

Revenue from debt purchase

PLN '000

	Jan 1-Sep 30 2018	Jan 1-Sep 30 2017
Interest income (*)	636,274	638,119
Income from difference between expected and actual recoveries	58,285	n/a
Revaluation of debt portfolios	121,280	94,025
Profit/(loss) on sale of debts	1,081	4,598
Foreclosure of property	10,117	6,329
Profit/(loss) on sale of property	(1,786)	444
	825,251	743,515

PLN '000

	Jan 1-Sep 30 2018	Jan 1-Sep 30 2017
Revision of recovery forecast	120,522	101,814
Change due to change in discount rate	-	(879)
Foreign exchange gains/losses	758	(6,909)
	121,280	94,026

(*) In 2017, both interest income and income from the difference between expected and actual recoveries were presented under interest income.

(**) Other operating income - deviations of real payments, decreases due to earlier execution of payments on secured portfolios, the cost of valuation of a loyalty program, the cost of reserves for overpayments, payments from the original creditor.

Other expenses

PLN '000

	Jan 1-Sep 30 2018	Jan 1-Sep 30 2017
Stamp duties, court and bailiff fees	(104,022)	(95,568)
Advertising	(5,419)	(5,628)
Raw materials and energy used	(8,559)	(9,550)
Taxes and charges	(22,225)	(27,359)
Staff training	(2,598)	(3,140)
Business trips	(4,113)	(5,591)
Entertainment expenses	(2,240)	(629)
Motor insurance	(1,278)	(1,418)
Losses from damage caused by motor vehicles	(619)	(619)
Property insurance	(576)	(401)
Other	(2,984)	(3,141)
	<u>(154,633)</u>	<u>(153,043)</u>

Finance income

PLN '000

	Jan 1-Sep 30 2018	Jan 1-Sep 30 2017
Interest income on bank deposits	114	208
Net foreign exchange differences	-	-
	<u>114</u>	<u>208</u>

Finance costs

Interest expense on financial liabilities measured at amortised cost	(70,132)	(60,437)
Net foreign exchange differences	(24,766)	(7,561)
	<u>(94,898)</u>	<u>(67,998)</u>

PLN '000

	Jan 1-Sep 30 2018	Jan 1-Sep 30 2017
Exchange differences on translating foreign operations	24,450	(12,085)
Attributable to:		
Owners of the Parent	24,450	(12,085)
Finance income/(finance costs) recognised directly in other comprehensive income	<u>24,450</u>	<u>(12,085)</u>

Borrowings and finance lease liabilities

PLN '000

	Sep 30 2018	Dec 31 2017	Sep 30 2017
Non-current liabilities			
Secured borrowings	878,440	354,962	207,235
Liabilities under debt securities (unsecured)	1,235,888	1,276,772	1,293,834
Finance lease liabilities	1,159	4,962	5,616
	2,115,487	1,636,696	1,506,686
Current liabilities			
Short-term portion of secured borrowings	102,340	134,918	77,130
Liabilities under debt securities	104,259	121,491	124,162
Short-term portion of finance lease liabilities	6,952	4,117	6,069
	213,550	260,526	207,360

As at September 30th 2018, the KRUK Group's financial ratios were as follows:

1.28 – Debt Ratio

2.33 – Net Financial Debt / Cash EBITDA Ratio;

where:

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

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

Equity means the KRUK Group's equity;

Financial Liabilities means total financial liabilities under:

- Bonds or other similar debt securities; or
- Non-bank borrowings; or
- Bank borrowings (credit facilities); or
- Finance leases; or
- Promissory notes issued as security for liabilities of non-KRUK Group entities; or
- Guarantees or sureties provided in respect of liabilities of non-KRUK Group entities under bank or non-bank borrowings, finance leases, bonds or other similar debt securities; or
- Accession to debt owed by non-KRUK Group entities under bank or non-bank borrowings, finance leases, bonds or other similar debt securities; or
- Assumption of liabilities of non-KRUK Group entities under bank or non-bank borrowings, finance leases, bonds or other similar debt securities; or
- Liabilities arising under derivatives contracts;

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

Earnings per share

'000

	Jan 1-Sep 30 2018	Jan 1-Dec 31 2017	Jan 1-Sep 30 2017
Number of ordinary shares as at Jan 1	18,808	18,744	18,744
Effect of cancellation and issue of shares	34	4	-
Weighted average number of ordinary shares	18,842	18,748	18,744
PLN			
Earnings per share (basic)	14.81	15.74	15.54

'000

	Jan 1-Sep 30 2018	Jan 1-Dec 31 2017	Jan 1-Sep 30 2017
Weighted average number of ordinary shares	18,842	17,657	17,578
Effect of share option issue	465	698	689
Weighted average number of ordinary shares (diluted)	19,307	18,355	18,267
PLN			
Earnings per share (diluted)	14.46	13.55	10.17

Number of FTEs*number of FTEs*

	Sep 30 2018	Sep 30 2017
FTEs	3,169	3,044
	3,169	3,044

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

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

As regards its operating activities, the KRUK Group reported the following achievements:

- Revenue increased 11% year on year, from PLN 806.9m in the first three quarters of 2017 to PLN 893.5m.
- EBITDA (APM) rose 7%, from PLN 380.6m in Q1–Q3 2017 to PLN 408.8m in Q1–Q3 2018. EBITDA margin in the first three quarters of 2018 declined year on year to 46%, from 47%.
- Operating profit rose 7%, from PLN 368.0m in Q1–Q3 2017 to PLN 393.5m in Q1–Q3 2018, with operating profit margin at 44%.
- Net profit fell 4%, from PLN 291.3m in the first three quarters of 2017 to PLN 279.3m in Q1–Q3 2018.
- Net profit margin (APM) fell year on year, from 36% to 31% in Q1–Q3 2018.
- Diluted earnings per share attributable to owners of the Parent went down from PLN 15.16 in the first three quarters of 2017 to PLN 14.46 in Q1–Q3 2018.
- Net interest-bearing debt (APM) amounted to PLN 2,177.4m as at the end of Q3 2018, compared with PLN 1,605.2m as at the end of Q3 2017. The increase is attributable to investments in debt portfolios which will generate future years' earnings.

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

- In partnership with the Beeline Research & Consulting agency, the Group prepared a public survey called 'The Poles' Super Powers'. The survey results were used to communicate with journalists and draw their attention to Polish people's strengths and weaknesses in terms of, for instance, management, investing and planning of finances.
- In Poland, the Group also commenced cooperation with WSB to carry out a public survey which will show examples and drivers of risky financial behaviour the Poles engage in. To compare the survey results with those obtained from foreign markets, KRUK also commissioned a similar survey to be carried out in other countries where the KRUK Group operates, i.e. the Czech Republic, Slovakia, Romania, Spain, and Italy. The results of those surveys will be used for the purposes of communication and educational initiatives both in Q4 2018 and in early 2019.
- The Group carried out a promotional Internet campaign to promote registration on and use of the e-kruk.pl platform. Clients are offered the opportunity to use the 'e-Porozumienie' solution, a new form of entering into a settlement agreement online, which allows KRUK clients to repay their debt in instalments matching their financial capacity. By using the platform and the solution, KRUK clients can also sign relevant documents without having to print or send them by post, and thus can service their debt via the Internet on their own.
- KRUK was a partner of and speaker at the 10th Lean Management Conference, devoted to global trends in the implementation of the lean management philosophy at various organisations. Representatives of the business circles and the conference participants had the opportunity to share the best management practices and exchange valuable experience.

- ERIF BIG S.A. was actively involved as the General Partner of the Congress of Treasurers during the 8th Self-Government Capital and Finance Forum held in Katowice. The event served as an opportunity to promote building the positive credit history of the Poles among representatives of local government authorities, private sector and businesses. The company was also a partner of the Factoring Congress.
- As part of its cooperation with the Polish Factoring Association, ERIF BIG S.A. became a partner of the 'Financial Security of Small Enterprises' survey and report, prepared by SMEO, a factoring company, in partnership with ERIF BIG.

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

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

Investments in debt portfolios purchased in Q1–Q3 2018 totalled PLN 1,054m.

In Q1–Q3 2018, recoveries from portfolios purchased by the KRUK Group totalled PLN 1,144m, up 15% year on year.

On September 14th 2018, a firm agreement was signed between the Company's subsidiary ItaCapital S.r.l. of Milan and Findomestic Banca S.p.A. of Florence. The agreement provided for the purchase of unsecured consumer loan debt with a total nominal value of approximately EUR 300m.

On September 25th 2018, agreements were concluded between the subsidiary PROKURA NS FIZ and one of Poland's largest banks. By executing the agreements, PROKURA NS FIZ completed the process of purchasing from the bank portfolios of unsecured retail debt with a nominal value of approximately PLN 274m and a portfolio of unsecured debt of small and medium-sized enterprises with a value of approximately PLN 214m.

As at September 30th 2018, the Group's investments in debt portfolios accounted for 91% of its assets. Equity accounted for 40% of the financing for the Group's operations.

8. Seasonality or cyclicity of business

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

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

On October 9th 2018, the KRUK Management Board passed resolutions to issue up to 35,000 Series AE3 bonds. The Company resolved to issue up to 35,000 Series AE3 unsecured bearer bonds with a nominal value of PLN 1,000 per bond, maturing 60 months from the allotment date.

10. Dividends paid (or declared)

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

The Annual General Meeting resolved to distribute the Company's entire net profit for 2017, of PLN 29,514,356.00, as dividends to the Company's shareholders. The General Meeting resolved to pay dividends of PLN 5 per share. The dividends will be distributed from the Company's net profit for 2017, of PLN 29,514 thousand, increased by PLN 64,525 thousand transferred from statutory reserve funds created out of retained earnings. Under the Resolution, the dividend record date was set for April 25th 2018, and the dividend payment date for April 27th 2018. The dividend will be paid on 18,808 thousand KRUK S.A. shares.

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

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

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

Security for future liabilities

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

- On January 18th 2018, PROKURA NS FIZ and mBank S.A. entered into three agreements to create registered pledges over a set of rights (debt portfolios held by PROKURA NS FIZ). The registered pledges secure claims up to a maximum amount of PLN 150m. As at September 30th 2018, the total value of the portfolios pledged under these agreements was PLN 66,501 thousand.

Following execution on September 12th 2018 of Annex 5 to the revolving facility agreement of July 2nd 2015 between PROKURA NS FIZ, KRUK S.A. and mBank S.A., in order to secure the repayment of PROKURA NS FIZ's liabilities under the agreement:

- On September 12th 2018, KRUK S.A. and mBank S.A. signed Annex 3 to the agreement for a financial pledge over a bank account of July 2nd 2015. Under the Annex, the validity of the financial pledge was extended until July 1st 2026.
- On September 12th 2018, KRUK S.A. and mBank S.A. signed Annex 3 to the surety agreement of July 2nd 2015. Under the Annex, the validity of the surety provided by KRUK S.A. for up to PLN 150m in respect of PROKURA NS FIZ's liabilities towards mBank S.A. under a credit facility agreement was extended until July 1st 2026, and on September 12th 2018 KRUK S.A. signed a statement on submission to enforcement for an amount of up to PLN 150,000 thousand in favour of mBank S.A.

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

- On January 15th 2018, InvestCapital LTD, DNB Bank ASA, ING Bank Śląski S.A., Santander Bank S.A. (formerly: Bank Zachodni WBK S.A.) and mBank S.A. signed an agreement under Spanish law establishing a pledge over a portfolio purchased by InvestCapital LTD on the Spanish market.
- On February 19th 2018, InvestCapital LTD, DNB Bank ASA, ING Bank Śląski S.A., Santander Bank S.A. (formerly: Bank Zachodni WBK S.A.) and mBank S.A. signed an agreement under Spanish law establishing a pledge over portfolios purchased by InvestCapital LTD on the Spanish market.
- On April 16th 2018, InvestCapital LTD, DNB Bank ASA, ING Bank Śląski S.A., Santander Bank S.A. (formerly: Bank Zachodni WBK S.A.) and mBank S.A. signed an agreement under Spanish law establishing a pledge over a portfolio purchased by InvestCapital LTD on the Spanish market.
- On July 24th 2018, InvestCapital LTD, DNB Bank ASA, ING Bank Śląski S.A., Santander Bank S.A. (formerly: Bank Zachodni WBK S.A.) and mBank S.A. signed an agreement under Spanish law establishing a pledge over a portfolio purchased by InvestCapital LTD on the Spanish market.

- On August 2nd 2018, InvestCapital LTD, DNB Bank ASA, ING Bank Śląski S.A., Santander Bank S.A. (formerly: Bank Zachodni WBK S.A.) and mBank S.A. signed an agreement under Spanish law establishing a pledge over a portfolio purchased by InvestCapital LTD on the Spanish market.

As at September 30th 2018, the total value of portfolios pledged under these agreements was PLN 157,394 thousand.

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

On April 16th 2018, KRUK S.A. concluded an agreement with a shareholder in Agecredit S.r.l. of Cesena, Italy, to acquire a 51% interest in the company. The Agreement provided for the acquisition of 51% of shares in Agecredit and envisaged that KRUK S.A. would ultimately acquire all of the company's share capital within the next few months. On September 3rd 2018, the KRUK Group acquired 100% of shares in Agecredit S.r.l., which is a credit management company operating in Italy. In 2017, the company generated EUR 3.1m in consolidated revenue.

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

The Management Board of KRUK S.A. did not publish any forecasts of KRUK S.A.'s or the KRUK Group's results.

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

As at the date of issue of the previous periodic report (September 7th 2018)

Shareholder	Number of shares	Ownership interest (%)	Number of votes held	Share in total voting rights at GM (%)
NN PTE*	2,000,000	10.63	2,000,000	10.63
Piotr Krupa	1,963,407	10.44	1,963,407	10.47
Aviva OFE*	1,319,000	7.01	1,149,000	7.01

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

As at the date of issue of this interim report

Shareholder	Number of shares	Ownership interest (%)	Number of votes held	Share in total voting rights at GM (%)
NN PTE*	2,000,000	10.60	2,000,000	10.60
Piotr Krupa	1,946,896	10.32	1,946,896	10.32
Aviva OFE*	1,319,000	6.99	1,319,000	6.99

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

Information on changes in the structure of major holdings

Changes in holdings of KRUK S.A. shares by major shareholders in the period

from the issue date of the previous half-year report to the issue date of this interim report:

On September 13th 2018, the Company was notified by Piotr Krupa, President of Management Board and a major shareholder in the Company, of the sale of KRUK S.A. shares in ordinary trades on the Warsaw Stock Exchange: 1,000 shares at the average price of PLN 190.33 per share on September 10th 2018, 10,000 shares at the average price of PLN 184.00 per share on September 11th 2018, and 5,511 shares at the average price of PLN 183.33 per share on September 12th 2018.

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

Name and surname	Position	Number of shares held
Piotr Krupa	CEO and President of the Management Board	1,946,896
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	40,000
Michał Zasępa	Member of the Management Board	35,441
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 report (for Q1 2018, issued on September 7th 2018) to the date of issue of this interim report, there were no changes in the number of shares owned by the Management and Supervisory Board.

Incentive scheme at KRUK S.A.

Incentive scheme for 2015–2019

The management stock option plan for 2015–2019 was approved by way of Resolution No. 26/2014 of the Annual General Meeting of KRUK S.A. of May 28th 2014 (the 2015–2019 Plan).

The 2015–2019 Plan is the second management stock option plan operated by the KRUK Group.

Details of the previous 2011–2014 management stock option plan can be found in the Directors' Report on the operations of the KRUK Group in 2015.

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

For the purposes of the 2015–2019 Plan, the General Meeting approved a conditional increase in the Parent's share capital by up to PLN 847,950, through an issue of up to 847,950 Series F ordinary bearer shares. The right to subscribe for Series F shares may be exercised by eligible persons no later than on December 31st 2021.

Management stock options will be issued in five tranches, one for each year of the reference period, i.e. for the financial years 2015–2019.

Management stock options for a given financial year will be offered to eligible persons on condition that the annual EPS, calculated based on the Group's consolidated financial statements, increases, on an average annual basis, by 13% or more relative to the base year.

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

Details of incentive scheme for 2015–2019 were described, inter alia, as a part of Directors' Report on the Operations of the Kruk SA for 2017.

Tranche 1

On June 9th 2016, the Supervisory Board passed a resolution confirming that the condition set forth in the Management Stock Option Plan for offering management stock options under Tranche 1 for 2015 had been met.

On June 17th 2016, the Management Board of the Company adopted a resolution to establish a list of eligible persons who are not members of the Management Board to subscribe for management stock options under Tranche 1 for 2015 as part of the Option Plan for 2015–2019.

On this basis, on 22nd June 2016, the Management Board made an offer to the entitled persons who are not members of the Management Board to subscribe for management stock options under Tranche 1.

As a result, 86,435 management stock options were delivered on July 1st 2016 to eligible persons.

On 27th August 2016, the Management Board of the Company adopted a resolution to establish a list of entitled persons who are members of the Management Board to subscribe for management stock options under Tranche 1 for 2015 as part of the Option Plan for 2015-2019 amended by the resolution of the Management Board from October 24th, 2016. On this basis, the Supervisory Board made an offer to the Management Board members to subscribe for management stock options under Tranche 1 for 2015 as part of the Option Plan for 2015-2019. On October 27th 2016, 20,000 management stock options were delivered to eligible persons who were Management Board members.

By the date of publication of this report, 73,642 shares were replaced by newly issued shares of F series under Tranche 1.

Thus, 32,793 management stock options under Tranche 1 will be entitled to subscribe for the same number of series F shares of which 13,500 items remain in the possession of 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 Management Stock Option Plan for offering management stock options under Tranche 2 for 2016 had been met.

On June 20th, 2017, the Management Board of the Company adopted a resolution to establish a list of eligible persons who are not members of the Management Board to subscribe for management stock options under Tranche 2 for 2016 as part of the Option Plan for 2015-2019. On this basis, on 4th July 2017, the Management Board made an offer to the entitled persons who are not members of the Management Board to subscribe for management stock options under Tranche 2.

As a result, 91,467 management stock options were delivered on July 7th 2017 to eligible persons who were not Management Board members.

On 10 August 2017, the Management Board of the Company adopted a resolution to establish a list of entitled persons who are members of the Management Board to subscribe for management stock options under Tranche 2 for 2016 as part of the Option Plan for 2015-2019. On this basis, the Supervisory Board made an offer to the Management Board members to subscribe for management stock options under Tranche 2 for 2016 as part of the Option Plan for 2015-2019.

On August 24th 2017, 50,480 management stock options were delivered to eligible persons who were Management Board members.

By the date of publication of this report, 53,733 shares were replaced by newly issued shares of F series under Tranche 2.

Thus, 88,214 management stock options under Tranche 2 will be entitled to subscribe for the same number of series F shares of which 13,500 items remain in the possession of Management Board members.

Tranche 3

On May 11st 2018, the Supervisory Board confirmed that the condition set forth in the Management Stock Option Plan for offering management stock options under Tranche 3 for 2017 had been met.

On May 15th, 2018, the Management Board of the Company adopted a resolution to establish a list of eligible persons who are not members of the Management Board to subscribe for management stock options under Tranche 3 for 2017 as part of the Option Plan for 2015-2019. On this basis, on 20 June 2018, the Management Board made an offer to the eligible persons who are not members of the Management Board to subscribe for warrants under Tranche 3. The issuance of subscription warrants to Eligible Persons took place on July 3, 2018 in the amount of 85,853 items.

As a result, 85,853 management stock options were delivered on July 3rd 2018 to eligible persons.

On September 11st, 2018, the Management Board of the Company adopted a resolution to establish a list of entitled persons who are members of the Management Board to subscribe for management stock options under Tranche 3 for 2017 as part of the Option Plan for 2015-2019. On this basis, the Supervisory Board made an offer to the Management Board members to subscribe for management stock options under Tranche 3 of the Management Program for the years 2015-2019.

On September 17th 2018, 54,344 management stock options were delivered to eligible persons who were Management Board members.

Number of subscription warrants held by Management Board members as at September 30th 2018

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

17. Litigation, arbitration or administrative proceedings

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

liabilities – 5 largest cases

<i>Subject matter</i>	<i>VALUE OF CLAIM [PLN]*</i>	<i>Date instigated</i>	<i>Parties to the proceedings</i>	<i>Kruk S.A.'s position</i>
Petition against enforcement	PLN 18,500,162.02	Jan 31 2005	Marchese Rosario, ItaCapital LTD	We expect the action to be dismissed.
Petition against enforcement	PLN 5,124,900.00	Apr 11 2017	SUCMANARU STEFAN, KRUK ROMANIA SRL	We expect to win, the action is groundless.
Action for cancellation of an enforcement order	PLN 4,263,518.00	Jan 31 2005	Metron-Service sp. z o.o., Metron Fabryka Zintegrowanych Systemów Opomiarowania i Rozliczeń sp. z o.o., PROKURA NSFIZ	In the first instance, judgment in our favour; the other party has appealed; we expect to win the action in the second instance.
Action for payment for safekeeping of items transferred under an agreement on transfer of ownership by way of security for debt repayment	PLN 1,800,000.00	Apr 11 2017	Krzysztof Legucki, BISON NSFIZ	The jurisprudence and doctrine vary; however, there are also certain arguments in the case in favour of KRUK, so we expect the claim to be dismissed.
Petition against enforcement	PLN 1,591,963.86	Jul 18 2017	Lupescu Ioan Angelo; Lupescu Florentina, CONSILIUL LOCAL SNAGOV, Urda Ioana Loredana; Invest Capital LTD,	We expect the action to be dismissed, the action is groundless.

claims – 5 largest cases

<i>Subject matter</i>	<i>VALUE OF CLAIM [PLN]*</i>	<i>Date instigated</i>	<i>Parties to the proceedings</i>	<i>Kruk S.A.'s position</i>
Bankruptcy proceedings	PLN 56,283,321.91	Jul 29 2002	BISON NSFIZ, STOCZNIA SZCZECIŃSKA PORTA HOLDING S.A. w upadłości likwidacyjnej (in liquidation bankruptcy)	We expect the claim to be partially satisfied.
Bankruptcy proceedings	PLN 206,248,452.85	Apr 23 2008	InvestCapital LTD, LABARO GRUPO INMOBILIARIO, S.A.	We expect the claim to be partially satisfied within a few years.
Bankruptcy proceedings	PLN 70,505,340.37	Sep 7 2010	InvestCapital LTD, GLOBAL CONSULTING PARTNERS, S.L.	We expect the claim to remain unsatisfied.
Bankruptcy proceedings	PLN 57,021,874.01	Jun 22 2011	InvestCapital LTD, BRUESA INMOBILIARIA S.A.	We expect the claim to remain unsatisfied.
Bankruptcy proceedings	PLN 55,136,102.09	Dec 11 2008	InvestCapital LTD, RECUPERACION MATERIALES DIVERSOS S.A.	We expect the claim to be partially satisfied.

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

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

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

Total number of court cases as at September 30th 2018

	<i>Total number of cases</i>	<i>Total amount (PLN)</i>
Total number of court proceedings (including bankruptcy proceedings) instigated by the Group companies and total value of the Group's claims	162,931	PLN 3,289,372,335
Total number of enforcement proceedings instigated by the Group and total value of claims	1,267,667	PLN 18,734,291,075
Total number of court proceedings instigated against Group companies and total value of claims (proceedings concerning the Company's or its subsidiary's liabilities)	11,490	PLN 933,592,224

18. Related-party transactions concluded by the Parent

Parent's transactions with subsidiaries as at September 30th 2018

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

PLN '000	Liabilities	Receivables	Loans advanced	Interest accrued on loans advanced
ERIF Business Solutions Sp. z o.o.	-	119	-	-
SeCapital S.à. r.l.	6,779	620	-	-
Novum Finance Sp. z o.o.	-	67	18,392	-
SeCapital Polska Sp. z o.o.	-	4	-	-
Kancelaria Prawna RAVEN Krupa & Stańko sp. k.	2,880	5,612	-	-
KRUK România S.r.l.	508	5,309	69,785	981
Rejestr Dłużników ERIF BIG S.A.	49.0	294	-	-
PROKURA NSFIZ	1,721	843	-	-
KRUK Česká a Slovenská republika s.r.o.	39	7,110	36,723	-
KRUK TFI	-	9,381	-	-
InvestCapital Malta Ltd	-	133	-	-
RoCapital IFN S.A.	-	-	-	-
Kruk Deustschland Gmbh	-	251	-	-
Kruk Deustschland Gmbh (Branch)	-	66	-	-
KRUK Italia S.r.l.	-	257	-	-
ItaCapital S.r.l.	-	98	-	-
KRUK Espana S.r.l.	-	315	-	-
ProsperoCapital S.à r.l.	-	-	-	-
Presco S.a.r.l.	18,060	-	-	-
PRESCO NSFIZ	-	57	-	-
	30,036	30,479	124,900	981

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	-	297	31,068
ERIF Business Solutions Sp. z o.o.	73	-	36
Novum Finance Sp. z o.o.	1,223	-	-
SeCapital Polska Sp. z o.o.	8	-	2
Kancelaria Prawna RAVEN Krupa & Stańko sp. k.	2,897	-	1,948
KRUK România S.r.l.	1,635	-	2,739
Rejestr Dłużników ERIF BIG S.A.	701	-	-
PROKURA NSFIZ	-	-	-
KRUK TFI	-	35,138	-
KRUK Česká a Slovenská republika s.r.o.	874	-	605
InvestCapital Malta Ltd	12,037	-	-
RoCapital IFN S.A.	-	-	52
Kruk Deustschland Gmbh	706	-	-
Kruk Deustschland Gmbh (Branch)	149	-	-
KRUK Italia S.r.l	704	-	94
ItaCapital S.r.l	293	-	-
KRUK Espana S.r.l	630	-	-
ProsperoCapital S.à r.l.	-	-	-
Presco S.a.r.l.	-	7,322	9,500
PRESCO NSFIZ	-	-	-
	21,929	42,757	46,044

Costs of mutual transactions

PLN '000	Purchase of debt collection services
Kancelaria Prawna RAVEN Krupa & Stańko sp. k.	762
KRUK România S.r.l.	4,725
Rejestr Dłużników ERIF BIG S.A.	178
KRUK Česká a Slovenská republika s.r.o.	295
	5,961

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

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

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

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

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

KRUK S.A. did not identify any factors with a potential bearing on its performance in the next quarter or in a longer term.

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

Monika Grudzień-Wiśniewska

Person responsible for maintaining the accounting records

Hanna Stempień

Person preparing the financial statements

Wrocław, October 28th 2018