Quarterly Report

for the period January 1st –
September 30th 2019

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I. Financial highlights

1. Consolidated financial highlights

Financial highlights	PLN '000		EUR '000	
For the period	Jan 1-Sep 30 2019	Jan 1-Sep 30 2018	Jan 1-Sep 30 2019	Jan 1-Sep 30 2018
Revenue	948,124	893,510	220,054	210,065
Operating profit	361,288	393,522	83,853	92,517
Profit before tax	258,921	298,738	60,094	70,233
Net profit attributable to owners of the Parent	244,597	279,113	56,769	65,620
Net cash from operating activities	353,451	(251,913)	82,034	(59,225)
Purchase of debt portfolios at prices as per agreement	(391,920)	(1,054,675)	(90,962)	(247,955)
Cash recoveries	1,307,204	1,144,127	303,394	268,985
Net cash from investing activities	(133,302)	(23,708)	(30,939)	(5,574)
Net cash from financing activities	(202,320)	253,906	(46,957)	59,693
Net change in cash	17,830	(21,716)	4,138	(5,105)
Average number of shares ('000)	18,911	18,842	18,911	18,842
Earnings per share (PLN/EUR)	12.93	14.81	3.00	3.48
Diluted earnings per share (PLN/EUR)	12.66	14.46	2.94	3.40
As at	**Sep 30 2019**	**Dec 31 2018**	**Sep 30 2019**	**Dec 31 2018**
Total assets	4,721,783	4,482,177	1,079,610	1,042,367
Non-current liabilities	2,342,682	2,214,704	535,642	515,048
Current liabilities	414,001	534,723	94,659	124,354
Equity	1,965,101	1,732,750	449,310	402,965
Share capital	18,931	18,887	4,328	4,392
Book value per ordinary share (PLN/EUR)	103.80	91.74	23.73	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 **4.3086**
for the comparative period **4.2535**

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 **4.3736**
for the comparative period **4.3000**

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

Financial highlights	**PLN '000**		**EUR '000**	
For the period	**Jan 1-Sep 30 2019**	**Jan 1-Sep 30 2018**	**Jan 1-Sep 30 2019**	**Jan 1-Sep 30 2018**
Revenue	128,314	105,111	29,781	24,712
Operating profit/(loss)	(45,247)	(51,436)	(10,502)	(12,093)
Profit/(loss) before tax	(50,504)	(73,828)	(11,722)	(17,357)
Net profit/(loss)	(56,117)	(89,856)	(13,025)	(21,125)
Net cash from operating activities	(23,788)	(192,962)	(5,521)	(45,366)
Net cash from investing activities	103,080	410,242	23,924	96,449
Net cash from financing activities	(80,631)	(223,781)	(18,714)	(52,611)
Net change in cash	(1,340)	(6,501)	(311)	(1,528)
Diluted earnings per share (PLN/EUR)	(2.91)	(4.65)	(0.67)	(1.09)
Average number of shares ('000)	18,911	18,842	18,911	18,872
Earnings per share (PLN/EUR)	(2.97)	(4.77)	(0.69)	(1.12)
As at	**Sep 30 2019**	**Dec 31 2018**	**Sep 30 2019**	**Dec 31 2018**
Total assets	2,362,235	2,400,199	540,112	558,186
Non-current liabilities	1,667,334	1,462,606	381,227	340,141
Current liabilities	268,388	367,704	61,365	85,513
Equity	426,514	569,889	97,520	132,532
Share capital	18,931	18,887	4,328	4,392
Book value per ordinary share	22.53	30.17	5.15	7.02

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

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

for the reporting period **4.3086**
for the comparative period **4.2535**

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 **4.3736**
for the comparative period **4.3000**

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

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1. Consolidated statement of financial position

As at September 30th 2019
PLN '000

		Sep 30 2019	Jun 30 2019	Dec 31 2018	Sep 30 2018
Assets					
	Cash and cash equivalents	165,131	383,738	147,302	151,568
	Trade receivables	25,814	26,240	28,143	20,828
	Investments	4,282,108	4,243,001	4,156,970	3,985,851
	Other receivables	38,678	35,568	23,088	37,320
	Inventories	259	267	197	174
	Property, plant and equipment	86,470	87,705	26,354	26,319
	Goodwill	63,184	61,493	62,010	62,010
	Other intangible assets	51,016	50,512	33,877	35,803
	Other derivatives	32	3,404	1,450	1,631
	Deferred tax asset	3,052	-	-	-
	Other assets	6,039	1,009	2,786	2,467
Total assets		4,721,783	4,892,937	4,482,177	4,323,970
Equity and liabilities					
Liabilities					
	Other derivatives	9,782	6,302	3,870	-
	Trade and other payables	131,816	297,368	176,054	240,477
	Employee benefit obligations	60,807	50,492	44,678	32,456
	Income tax payable	4,022	5,258	15,600	7,912
	Liabilities under borrowings and other debt instruments	2,550,255	2,703,068	2,500,043	2,329,037
	Deferred tax liability	-	19	9,182	12,110
Total liabilities		2,756,682	3,062,507	2,749,427	2,621,993
Equity					
	Share capital	18,931	18,931	18,887	18,872
	Share premium	303,711	303,711	300,097	298,900
	Cash flow hedging reserve	(8,840)	825	(3,869)	(2,111)
	Translation differences	21,189	(42,705)	(53,769)	(32,168)
	Other capital reserves	103,633	101,254	94,924	93,092
	Retained earnings	1,526,252	1,448,250	1,376,084	1,325,182
Equity attributable to owners of the Parent		1,964,876	1,830,266	1,732,354	1,701,767
Non-controlling interests		225	164	396	210
Total equity		1,965,101	1,830,430	1,732,750	1,701,977
Total equity and liabilities		4,721,783	4,892,937	4,482,177	4,323,970

2. Consolidated statement of profit or loss

For the reporting period January 1st – September 30th 2019
PLN '000

	Jan 1-Sep 30 2019	Jul 1-Sep 30 2019	Jan 1-Sep 30 2018	Jul 1-Sep 30 2018
Revenue	948,124	326,489	893,510	288,596
including interest income on debt portfolios calculated using the effective interest rate method	*732,068*	*246,781*	636,274	220,058
including interest income on other financial instruments calculated using the effective interest rate method	*50,376*	*28,480*	12,133	4,457
Other income	4,325	2,800	3,482	1,936
	952,449	329,289	896,991	290,531
Merchandise and materials sold	-	-	-	-
Employee benefits expense	(263,248)	(87,784)	(227,264)	(76,844)
Depreciation and amortisation	(32,784)	(11,533)	(15,249)	(5,122)
Services	(99,700)	(36,223)	(106,324)	(33,148)
Other expenses	(195,429)	(64,463)	(154,633)	(48,748)
	(591,161)	(200,003)	(503,470)	(163,862)
Operating profit	361,288	129,286	393,522	126,669
Finance income	147	74	114	21
Finance costs	(102,514)	(46,494)	(94,898)	(28,280)
Net finance costs	(102,367)	(46,420)	(94,784)	(28,259)
Profit before tax	258,921	82,866	298,738	98,410
Income tax	(14,100)	(5,028)	(19,487)	(8,479)
Net profit for period	244,822	77,921	279,251	89,931
Net profit attributable to:				
Owners of the Parent	244,596	77,777	279,113	89,853
Non-controlling interests	225	61	138	78
Net profit for period	244,822	77,839	279,251	89,931
Earnings (loss) per share				
Basic (PLN)	12.93	4.10	14.81	4.76
Diluted (PLN)	12.66	4.01	14.46	4.65

3. Consolidated statement of comprehensive income

For the reporting period January 1st – September 30th 2019
PLN '000

	Jan 1-Sep 30 2019	Jul 1-Sep 30 2019	Jan 1-Sep 30 2018	Jul 1-Sep 30 2018
Net profit attributable to:				
Owners of the Parent	244,596	77,777	279,113	89,853
Non-controlling interests	225	61	138	78
Net profit for period	244,822	77,839	279,251	89,931
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss				
Translation differences	74,958	63,894	24,450	(36,230)
Cash flow hedges	(8,840)	(13,534)	(2,111)	120
Other comprehensive income for period, net	66,118	50,360	22,339	(36,110)
Total comprehensive income for period	310,939	128,199	301,590	53,822
Total comprehensive income attributable to:				
Owners of the Parent	310,714	128,138	301,452	53,765
Non-controlling interests	225	61	138	57
Total comprehensive income for period	310,939	128,199	301,590	53,822

4. Consolidated statement of changes in equity

For the reporting period ended September 30th 2019
(PLN '000)

	Note	Share capital	Share premium	Cash flow hedging reserve	Translation reserve	Other capital reserves	Retained earnings	**Equity attributable to owners of the Parent**	Non-controlling interests	**Total equity**
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)	86,805	1,140,108	1,488,565	104	1,488,670
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)	24,450	-	279,113	295,570	106	295,676
Contributions from and distributions to owners								-		-
- Payment of dividends		-	-	-	-	-	(94,039)	(94,039)		
- Share-based payments		64	5,319	-	-	-	-	5,383	-	5,383
- Issue of shares		-	-		-	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
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	1,488,565	104	1,488,670
Comprehensive income for period										
Net profit for period		-	-	-	-	-	330,016	330,016	396	330,412
Other comprehensive income										
- Exchange differences on translating foreign operations		-	-	-	2,850	-	-	2,850	-	2,850
- Valuation of hedging instruments		-	-	(9,751)	-	-	-	(9,751)	-	(9,751)
Total other comprehensive income		-	-	(9,751)	2,850	-	-	(6,901)	-	(6,901)
Total comprehensive income for period		-	-	(9,751)	2,850	-	330,016	323,115	396	323,511

Contributions from and distributions to owners										
- 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
Total contributions from and distributions to owners		79	6,516	-	-	8,118	(94,040)	(79,327)	(104)	(79,431)
Total equity as at Dec 31 2018		18,887	300,097	(3,869)	(53,769)	94,924	1,376,084	1,732,353	396	1,732,750
Comprehensive income for period										
Net profit for period		-	-	-	-	-	244,822	244,822	225	245,047
Other comprehensive income										
- Exchange differences on translating foreign operations		-	-	-	74,958	-	-	74,958	-	74,958
- Valuation of hedging instruments		-	-	(4,971)	-	-	-	(4,971)	-	(4,971)
Total other comprehensive income		-	-	(4,971)	74,958	-	-	69,987	-	69,987
Total comprehensive income for period		-	-	(4,971)	74,958	-	244,822	314,809	225	315,034
Contributions from and distributions to owners										
- Payment of dividends	*23*	-	-	-	-	-	(94,653)	(94,653)	(396)	(95,049)
- Share-based payments		-	-	-	-	8,709	-	8,709	-	8,709
- Issue of shares		44	3,614		-	-	-	3,658	-	3,658
Total contributions from and distributions to owners		44	3,614	-	-	8,709	(94,653)	(85,945)	(396)	(82,683)
Total equity as at Sep 30 2019		18,931	303,711	(8,840)	21,189	103,633	1,526,252	1,961,218	225	1,965,101

5. Consolidated statement of cash flows

For the reporting period January 1st – September 30th 2019
PLN '000

	Jan 1-Sep 30 2019	Jul 1-Sep 30 2019	Jan 1-Sep 30 2018	Jul 1-Sep 30 2018
Cash flows from operating activities				
Net profit for period	244,822	77,839	279,251	89,931
Adjustments				
Depreciation of property, plant and equipment	26,780	9,334	6,006	2,003
Amortisation of intangible assets	6,004	2,199	9,243	3,120
Net finance costs	95,420	43,792	80,610	12,781
(Gain)/loss on sale of property, plant and equipment	(308)	20	(1,332)	(230)
Equity-settled share-based payment transactions	8,709	2,379	6,288	2,119
Income tax	14,100	5,028	19,487	8,479
Change in loans advanced	(69,969)	(38,003)	(3,254)	6,318
Change in debt portfolios purchased	99,488	61,416	(753,658)	(536,021)
Change in inventories	(62)	8	320	(13)
Change in receivables	(13,505)	(3,633)	18,956	(5,025)
Change in other assets	(3,253)	(5,580)	15,575	15,507
Change in current liabilities, excluding financial liabilities	(16,862)	(38,353)	95,386	94,226
Change in employee benefit obligations				-
Income tax paid	(37,912)	(14,345)	(24,791)	(946)
Net cash from operating activities	353,451	102,100	(251,913)	(307,751)
Cash flows from investing activities				
Interest received	147	74	115	23
Sale of intangible assets and property, plant and equipment	1,226	397	3,073	1,593
Acquisition of a subsidiary, less cash acquired	(92,365)	-	(2,975)	(18)
Purchase of intangible assets and property, plant and equipment	(42,310)	(25,634)	(23,922)	(6,610)
Net cash from investing activities	(133,302)	(25,163)	(23,708)	(5,012)
Cash flows from financing activities				
Net proceeds from issue of shares	3,659	-	5,319	-
Proceeds from issue of debt securities	215,000	25,000	-	-
Increase in borrowings	1,003,538	130,828	1,467,177	859,229
Repayment of borrowings	(1,089,431)	(229,425)	(987,549)	(487,003)
Payments under finance lease contracts	(10,727)	(3,576)	(5,809)	(3,202)
Dividends paid	(94,858)	(94,858)	(94,039)	-
Redemption of debt securities	(136,388)	(86,388)	(65,000)	(50,000)
Interest paid	(93,113)	(37,124)	(66,193)	(17,170)
Net cash from financing activities	(202,320)	(295,542)	253,906	301,854
Total net cash flows	17,830	(218,605)	(21,716)	(10,910)
Cash and cash equivalents at beginning of period	147,302	383,738	173,284	162,478
Cash and cash equivalents at end of period	165,131	165,131	151,568	151,568

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 credit management services to financial institutions and other clients.

These interim condensed consolidated financial statements for the reporting period January 1st – September 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 September 30th 2019, the Management Board of the Parent consisted of:

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

In Q3 2019 and by the issue date of this interim report, the composition of the Management Board of KRUK S.A. did not change.

In Q3 2019 and by the issue date of this interim report, the composition of the Supervisory Board of KRUK S.A. did not change and was as follows:

Piotr Stępniak	Chairman of the Supervisory Board
Katarzyna Beuch	Member of the Supervisory Board
Tomasz Bieske	Member of the Supervisory Board
Ewa Radkowska-Świętoń	Member of the Supervisory Board
Krzysztof Kawalec	Member of the Supervisory Board
Mateusz Melich	Member of the Supervisory Board
Piotr Szczepiórkowski	Member of the Supervisory Board

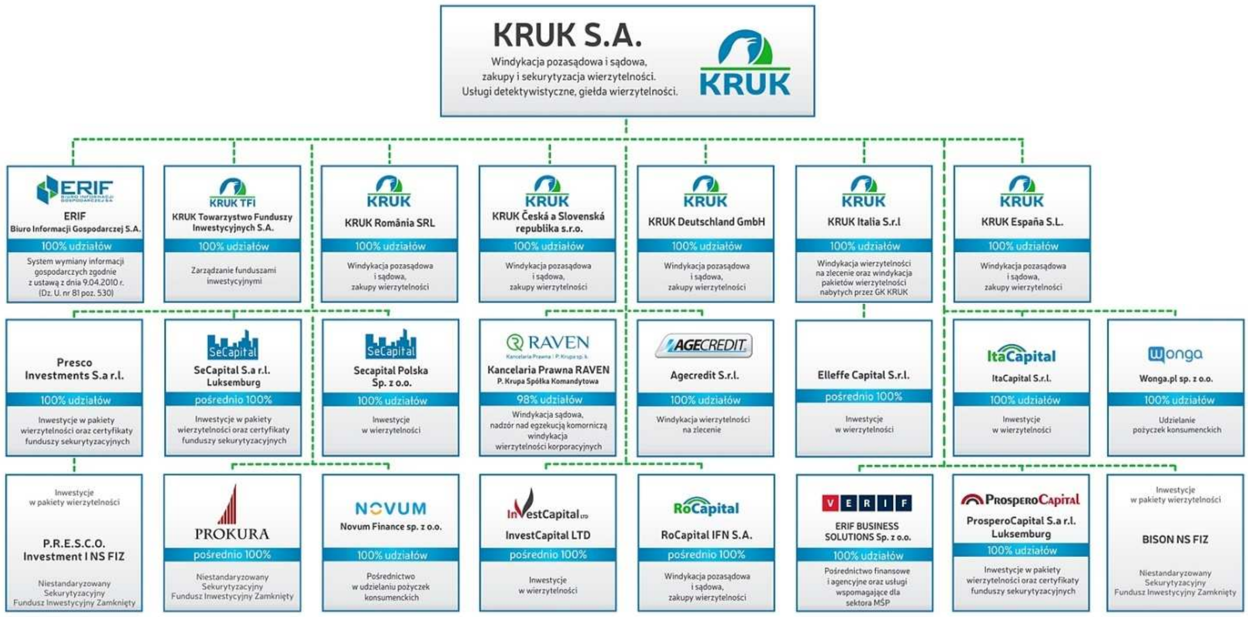
KRUK Group

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

Subsidiary	Registered office	Principal business activity
Kancelaria Prawna RAVEN P. Krupa sp. k.	Wrocław	Comprehensive support for litigation and enforcement proceedings as part of debt collection processes carried out by the KRUK Group and its partners.
ERIF Biuro Informacji Gospodarczej S.A.	Warsaw	Collection, processing and provision of credit information on natural persons and businesses.
KRUK ROMANIA S.r.l.	Bucharest	Management of debt portfolios purchased by the KRUK Group, credit management services.
Secapital S.a r.l.	Luxembourg	Special-purpose securitisation vehicle which invests in debt or debt-backed assets.
Prokura NS FIZ securitisation fund	Wrocław	Fund employing professional risk assessment and credit management methodologies.
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	Granting consumer loans.
KRUK Deutschland GmbH	Berlin	Management of debt portfolios purchased by the KRUK Group, credit management services.
KRUK Italia S.r.l	Milan	Credit management services, collection of debt portfolios purchased by the KRUK Group companies in Italy 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.

Subsidiary	Registered office	Principal business activity
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 September 30th 2019 and for the period January 1st – September 30th 2019.



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

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

		Shareholding (%)	
	Country	Sep 30 2019	Dec 31 2018
SeCapital S.à r.l. [1]	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 [1]	Poland	100%	100%
InvestCapital Ltd[1]	Malta	100%	100%
RoCapital IFN S.A.	Romania	100%	100%
Kruk Deustschland Gmbh	Germany	100%	100%
KRUK Italia S.r.l	Italy	100%	100%
ItaCapital S.r.l	Italy	100%	100%
KRUK Espana S.r.l	Spain	100%	100%
ProsperoCapital S.à r.l. [2]	Luxembourg	100%	100%
Presco Investments S.a.r.l.	Luxembourg	100%	100%
Presco Investments I NS FIZ[1]	Poland	100%	100%
BISON NS FIZ (CLOSED-END INVESTMENT FUND)	Poland	100%	100%
Elleffe Capital S.r.l.[1]	Italy	100%	100%
Corbul S.r.l[3]	Romania	-	-
AgeCredit S.r.l.	Italy	100%	100%
Zielona Perła Sp. z o.o.[4]	Poland	-	100%
Wonga.pl Sp. z o.o.	Poland	100%	-

[1] Subsidiaries in which the Company indirectly holds 100% of the share capital.

[2] ProsperoCapital S.a.r.l is a party to a joint arrangement.

[3] The Parent controls the company through a personal link.

[4] On July 15th 2019, a transaction to sell the subsidiary Zielona Perła Sp. z o.o. was executed.

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

Basis of preparation

These interim condensed consolidated financial statements contain data for the period from January 1st to September 30th 2019 and comparative data for the period from January 1st to September 30th 2018 and have been prepared based on the following valuation concepts:

- at amortised cost calculated using the effective interest rate method
  - taking into account impairment losses on credit-impaired assets,
  - for financial assets held within a business model whose objective is to hold financial assets in order to collect contractual cash flows,

  and
  - for other financial liabilities,
- at fair value – for derivatives.
- at historical cost – for non-financial assets and liabilities.

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

Changes in accounting policies

Except for the 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 (under property, plant and equipment in the statement of financial position) and lease liabilities (under liabilities under borrowings and other debt instruments in the statement of financial position) measured at the present value of the lease payments that remain to be paid as of January 1st 2019. At the date of initial application, the amount of future lease payments was discounted using the lessee's weighted average incremental borrowing 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 practical expedient permitted by the standard for short-term leases (up to 12 months) and low-value leases (up to PLN 20 thousand), for which it does not recognise financial liabilities and related right-of-use assets, and lease payments are recognised as costs using the straight-line method during the lease term under other expenses in the consolidated statement of profit or loss.

The Group recognises a lease contract as a right-of-use asset and a corresponding lease liability as of the date when the leased asset is available for use.

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

- fixed lease payments (including in principle fixed lease payments) less any lease incentives due,
- variable lease payments that depend on the index or rate,
- amounts expected to be paid by a lessee under a residual value guarantee,
- the exercise price of the call option if it is reasonably certain that the lessee will exercise that option,

and
- cash penalties for terminating the lease if the lease provides that the lessee may exercise the option to terminate the lease.

Right of use assets are measured at cost, including:

- the initial amount of the lease liability;
- any lease payments paid on or before the commencement date, less any
- lease incentives received,
- any initial direct costs incurred by the lessee (i.e. incremental costs of obtaining the lease),

and
- an estimate of the costs to be incurred by the lessee in dismantling and removing the underlying asset, or restoring the site on which it is located, if the lessee assumes a liability in relation to those 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 lease term was determined taking into account the extension and shortening options available under executed contracts if the option is likely to be exercised. Right-of-use assets are depreciated on a straight-line basis over the shorter of the useful life of the asset or the lease term, while lease liabilities are measured at amortised cost.

As at September 30th 2019
PLN '000

		Jan 1 2019 Restated	Impact of IFRS 16	Dec 31 2018
Assets				
	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	62,794	-	62,010
	Other intangible assets	33,877	-	33,877
	Other derivatives	1,450	-	1,450
	Other assets	2,786	-	2,786
Total assets		4,549,617	67,440	4,482,177

PLN '000

		Jan 1 2019 Restated	Impact of IFRS 16	Dec 31 2018
Liabilities				
	Other 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		2,500,043
	Deferred tax liability	9,182		9,182
Total liabilities		2,816,867		2,749,427
Equity				
	Share capital	18,887	-	18,887
	Share premium	300,097	-	300,097
	Cash flow hedging reserve	(3,869)	-	(3,869)
	Translation differences	(53,769)	-	(53,769)
	Other capital reserves	94,324	-	94,924
	Retained earnings	1,376,084	-	1,376,084
Equity attributable to owners of the Parent		1,732,354	-	1,732,354
Non-controlling interests		396	-	396
Total equity		1,732,750	-	1,732,750
Total equity and liabilities		4,549,617	67,440	4,482,177

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.

Effect on consolidated statement of financial position		
Finance lease liability	IAS 17	9,155
Off-balance-sheet liabilities under operating leases (undiscounted)	IAS 17	72,717
Total – December 31st 2018		**81,872**
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	-
Lease liabilities – January 1st 2019		**76,595**
Including liabilities under IFRS 16		67,440

	Jan 1-Sep 30 2019
Effect on consolidated statement of profit or loss	
- increase in interest expense	1,865
- increase in depreciation and amortisation	15,441
Effect on consolidated statement of cash flows	
- increase in net operating cash flows	1,296
- decrease in net financing cash flows	-1,296

Hedging of a net investment in a foreign operation

In 2019, the Group started to apply hedge accounting for a net investment in a foreign operation. Hedge accounting for a net investment in a foreign operation consists in hedging interests in net assets of a foreign operation included in these consolidated financial statements.

The hedged item is a specified portion of interests in net assets of foreign operations, understood as the difference between the carrying amount of the assets 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 exists*,
- *Condition 2 – credit risk does not dominate the hedged risk*,
- *Condition 3 – designated hedge ratio is consistent*.

The Group recognises hedges of a net investment in a foreign operation, including the hedge of a monetary item forming part of the net investment, similarly to cash flow hedges:

a) the portion of the gain or loss on the hedging instrument that has been designated as effective hedge is recognised in other comprehensive income; and
b) the portion that is not an effective hedge is recognised in profit or loss.

The Group discontinues hedge accounting in one of the following cases:

- the hedging instrument expires, is sold or settled early,
- the value of net assets in a foreign operation falls below the nominal value of the hedging instrument (in this case there is only partial discontinuation of hedge accounting for the excess portion of the hedging instrument),
- the criteria for applying hedge accounting are not met, in particular the criteria for assessing hedge effectiveness,
- The Group changes its risk management strategy to one with which the existing hedging relationship is not consistent.

After discontinuing hedge accounting for a given hedging relationship, cumulative gains or losses on the hedging instrument, related to an effective portion of the hedge, which have been accumulated in the foreign currency translation reserve are reclassified from equity to profit or loss as a reclassification adjustment in accordance with IAS 21 on disposal or partial disposal of a foreign operation at the time of such 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

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 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 *Leases*	IFRS 16 supersedes IAS 17 *Leases* 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. 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. The new Standard provides for a number of exemptions with limited applicability, including: • 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. Lessors will continue to classify leases as either operating or finance leases and thus recognise most leases without any changes.	The effect on the consolidated statement of financial position was PLN 67,440 thousand.	January 1st 2019
IFRIC 23 *Uncertainty over Income Tax Treatments*	IFRIC 23 provides guidance on income tax treatment where the applied treatment has not yet been accepted by the relevant tax authorities, and is intended to enhance clarity. From the IFRIC 23 perspective, the key issue is assessing the probability of a tax treatment being accepted by the relevant tax authorities. If it is concluded that it is probable that a particular uncertain tax treatment will be accepted by the relevant tax authorities, the tax should be recognised in the	The interpretation has no significant effect on the consolidated financial statements.	January 1st 2019

	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-weighed possible solutions), depending on which provides better predictions of the resolution of the uncertainty. An entity must assume that tax authorities will examine the uncertain tax treatment and will have full knowledge of all relevant information when doing so.		
Amendments to IAS 28 *Investments in Associates and Joint Ventures*	The amendments clarify that entities apply IFRS 9 *Financial Instruments* 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: • 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 *Business Combinations*; • 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 *Joint Arrangements*; • 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 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	The amendments have no significant effect on the consolidated financial statements.	January 1st 2019

	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.		
Amendments to IAS 19 *Employee Benefits* (Plan Amendment, Curtailment or Settlement)	The amendments to IAS 19 explain how entities recognise expenses when there is a change in a defined benefit plan. 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.	The amendments have no significant effect on the consolidated financial statements.	January 1st 2019
Amendments to IFRS 9 *Financial Instruments*	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 as such financial assets meet the remaining requirements applicable under IFRS 9.	The Standard has no significant effect on the consolidated financial statements.	January 1st 2019

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

Standards and interpretations not yet endorsed by the EU	Type of expected change in accounting policies	Possible effect on the financial statements	Effective for periods beginning on or after
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates*)	The amendments 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: • 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.	The Group is currently estimating the effect of the new Standard on its consolidated financial statements.	January 1st 2016 *(The European Commission has decided to indefinitely postpone endorsement of these amendments)*
IFRS 17 *Insurance Contracts*	IFRS 17 replaces the transitional IFRS 4 *Insurance Contracts* 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. 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.	The Group does not expect the amendments to have a significant impact on its consolidated financial statements.	January 1st 2021 .

Amendments to IFRS 3 *Business Combinations*	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 *Presentation of Financial Statements* 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

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.

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 September 30th 2019, there were no significant changes in the approach to financial risk management.

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 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.

For the reporting period ended September 30th 2019

	Poland		Romania	Italy	Other foreign markets	Head Office	TOTAL
	Poland excluding Wonga.pl [3]	Wonga.pl [3]					
Revenue	**433,681**	**27,126**	**293,004**	**112,463**	**81,849**	**-**	**948,124**
Purchased debt portfolios	394,528	-	282,436	102,965	71,715	-	**851,644**
including revaluation of debt portfolios	*40,219*	-	*79,639*	*(27,149)*	*(39,976)*	-	***52,732***
Credit management services	19,231	-	9,943	9,498	10,135	-	**48,806**
Other products	19,922	27,126	625	-	-	-	**47,673**
			-	-	-		
Direct and indirect costs							**(422,660)**
Purchased debt portfolios	-	-	-	-	-	-	**(349,749)**
Credit management services	-	-	-	-	-	-	**(40,892)**
Other products	-	-	-	-	-	-	**(32,019)**
							-
Gross profit[1]							**525,464**
Purchased debt portfolios	-	-	-	-	-	-	**501,895**
Credit management services	-	-	-	-	-	-	**7,914**
Other products	-	-	-	-	-	-	**15,655**
Administrative expenses	-	-	-	-	-	-	**(127,210)**
EBITDA [2]	**256,622**	**2,023**	**217,779**	**(15,006)**	**(11,680)**	**(51,485)**	**398,254**
Depreciation and amortisation	-	-	-	-	-	-	**(32,783)**
Other income	-	-	-	-	-	-	**4,325**
Other expenses (unallocated)	-	-	-	-	-	-	**(8,507)**
							-
Finance income/(costs)	-	-	-	-	-	-	**(102,367)**
							-
Profit before tax	-	-	-	-	-	-	**258,922**

							-
Income tax	-	-	-	-	-	-	**(14,100)**
							-
Net profit	-	-	-	-	-	-	**244,822**
Carrying amount of debt portfolios	**1,804,202**	**-**	**986,459**	**730,254**	**529,879**	**-**	**4,050,793**
Carrying amount of advanced loans	**42,960**	**146,646**	**5,500**	**-**	**-**	**-**	**195,106**
Cash recoveries	**597,646**	**-**	**414,078**	**127,965**	**167,514**	**-**	**1,307,204**

For the reporting period ended September 30th 2018

	Poland		**Romania**	**Italy**	**Other foreign markets**	**Head Office**	**TOTAL**
	Poland excluding Wonga.pl [3]	**Wonga.pl [3]**					
Revenue	**449,048**	**-**	**323,536**	**69,939**	**50,987**	**-**	**893,510**
Purchased debt portfolios	409,909	-	315,755	63,022	36,565	-	**825,252**
including revaluation of debt portfolios	*77,349*	-	*120,122*	*(38,023)*	*(38,168)*	-	***121,280***
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[1]	-		-	-	-	-	**528,260**
	-		-	-	-	-	
Purchased debt portfolios	-	-	-	-	-	-	**505,853**
Credit management services	-	-	-	-	-	-	**10,145**
Other products	-	-	-	-	-	-	**12,263**

	-		-	-	-	-	-
Administrative expenses	-	-	-	-	-	-	**(115,543)**
	-		-	-	-	-	
EBITDA [2]	**253,242**	**-**	**253,392**	**(21,917)**	**(28,484)**	**(43,515)**	**412,717**
	-		**-**	**-**	**-**	**-**	
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**
	-		-	-	-	-	
Carrying amount of debt portfolios	**1,832,388**	**-**	**860,801**	**779,343**	**447,764**	**-**	**3,920,296**
Carrying amount of advanced loans	**37,303**	**-**	**2,386**	**-**	**-**	**-**	**39,690**
Cash recoveries	**550,211**	**-**	**393,185**	**87,941**	**112,790**	**-**	**1,144,127**

[1] Gross profit = operating income - operating expenses.

[2] EBITDA = operating profit - amortisation/depreciation - other income - other expenses (unallocated).

[3] 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.

4. Investments

Investments

PLN '000	**Sep 30 2019**	**Dec 31 2018**
Financial assets at fair value through profit or loss	-	-
Financial assets measured at amortised cost	4,050,793	4,077,718
Investment property	36,209	35,188
Loans advanced	195,106	44,064
	4,282,108	4,156,970

Purchased debt portfolios

PLN '000	**Sep 30 2019**	**Dec 31 2018**
Unsecured portfolios	3,257,427	3,279,395
Secured portfolios	798,366	798,323
	4,050,793	4,077,718

Debt portfolios

PLN '000	
Value of purchased debt portfolios as at Dec 31 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
Purchase price adjustment for discount	-
Cash recoveries	(1 144 127)
Increase/(decrease) in liabilities to debtors due to overpayments	741
Valuation of loyalty scheme	4,780
Payments from 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 2018	**3,920,295**
Value of purchased debt portfolios as at Dec 31 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	1,394,581
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
Currency translation differences on debt portfolios	38,596
Value of purchased debt portfolios as at Dec 31 2018	**4,077,718**

Value of purchased debt portfolios as at Jan 1 2019	**4,077,718**
Purchase of debt portfolios	391,920
Cash recoveries	(1,307,204)
Increase/(decrease) in liabilities to debtors due to overpayments	2,533
Valuation of loyalty scheme	3,651
Revenue from debt purchase (interest and revaluation)	851,644
Currency translation differences on debt portfolios	30,530
Value of purchased debt portfolios as at Sep 30 2019	**4,050,793**

Investment property

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

PLN '000	
Value of property held as at Jan 1 2018	**23,869**
Value of foreclosed property	11,473
Value of property sold	(11,261)
Income from sale of property	1,786
Value of property held as at Sep 30 2018	**25,867**
Value of property held as at Jan 1 2019	**23,869**
Value of foreclosed property	25,190
Value of property sold	(12,118)
Income from sale of property	(1,753)
Value of property held as at Dec 31 2018	**35,188**
Value of property held as at Jan 1 2019	**35,188**
Value of foreclosed property	18,736
Value of property sold	(17,424)
Income from sale of property	(292)
Value of property held as at Sep 30 2019	**36,208**

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 2019	**Jul 1-Sep 30 2019**	**Jan 1-Sep 30 2018**	**Jul 1-Sep 30 2018**
Revenue from debt purchase	851,644	287,762	825,252	264,989
Revenue from credit management services	48,806	14,696	48,183	16,501
Revenue from other products	47,673	24,030	20,075	7,106
	948,124	326,489	893,510	288,596

Revenue from debt purchase

PLN '000

	Jan 1-Sep 30 2019	Jul 1-Sep 30 2019	Jan 1-Sep 30 2018	Jul 1-Sep 30 2018
Interest income	732,068	246,781	636,274	154,013
Other income from debt purchase (*)	45,272	10,570	58,285	58,285
Revaluation of debt portfolios	52,732	21,371	121,280	50,906
Gain/(loss) on sale of debts	3,198	1,314	1,081	98
Foreclosure of property	18,666	7,434	10,117	3,019
Gain/(loss) on sale of property	(292)	292	(1,786)	(1,333)
	851,644	287,762	825,252	264,989

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

Revaluation of debt portfolios

PLN '000

	Jan 1-Sep 30 2019	Jul 1-Sep 30 2019	Jan 1-Sep 30 2018	Jul 1-Sep 30 2018
Revision of recovery projections	64,515	22,859	120,522	52,480
Change due to change in discount rate	-	-	-	-
Foreign currency gains/losses	(11,782)	(1,487)	758	(1,574)
	52,732	21,371	121,280	50,906

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.

Assumptions adopted in the valuation of debt portfolios

	Sep 30 2019	Dec 31 2018
Discount rate		
- risk premium[1]	8.10% - 420.22%	8.10% - 420.22%
Period for which recoveries have been estimated	Oct 2019–Sep 2035	Jan 2019–Dec 2034
Nominal value of expected future recoveries	7,136,785	7,239,219

[1] Applicable to 99% of debt portfolios.

Projected schedule of recoveries from debt portfolios (nominal value)

PLN '000	Sep 30 2019	Dec 31 2018
Period		
Up to 12 months	1,650,795	1,610,716
From 1 to 2 years	1,566,290	1,502,131
From 2 to 3 years	1,256,571	1,255,767
From 3 to 4 years	887,226	966,812
From 4 to 5 years	609,279	647,285
Over 5 years	1,166,624	1,256,508
	7,136,785	7,239,219

Additional important information on revaluation

PLN '000

Reportable segment	Revaluation for the entire reportable segment	Additional information	
Poland	40,219		
Romania	79,639	(21,635)	Revaluation of secured portfolios in Romania
Italy	(27,149)		
Other foreign markets	(39,976)	(20,881)	Revaluation of retail portfolios in Slovakia
		(27,986)	Revaluation of retail portfolios in Spain
Head Office	-		

Services

PLN '000

	Jan 1-Sep 30 2019	Jan 1-Sep 30 2018
Credit management services[1]	(22,922)	(19,010)
Legal assistance services	(18,215)	(20,693)
Postal and courier services	(11,855)	(10,410)
Consultancy services	(10,969)	(10,445)
Banking services	(7,528)	(7,329)
IT services	(9,441)	(4,854)
Communications services	(5,055)	(4,801)
Space rental and service charges [2]	(6,032)	(17,379)
Printing services	(2,234)	(1,679)
Other auxiliary services	(1,268)	(2,911)
Security	(1,310)	(1,196)
Other rental	(720)	(3,614)
Repair of vehicles	(944)	(741)
Recruitment services	(649)	(616)
Packing services	(270)	(296)
Repair and maintenance services	(260)	(302)
Transport services	(28)	(47)
	(99,700)	(106,324)

[1] *Costs of debt management services provided by external service providers.*
[2] *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 12,000 thousand and financial costs due to leasing liabilities in the amount of PLN 1,974 thousand; in the reporting period ended September 30th 2019, they only included costs of maintenance of leased space.*

Other expenses

PLN '000	**Jan 1-Sep 30 2019**	**Jan 1-Sep 30 2018**
Stamp duties, court and bailiff fees	(120,487)	(104,022)
Advertising	(15,389)	(5,419)
Raw materials and consumables used	(8,849)	(8,559)
Taxes and charges	(34,408)	(22,225)
Staff training	(2,692)	(2,598)
Business trips	(4,219)	(4,113)
Entertainment expenses	(1,012)	(2,240)
Motor insurance	(837)	(1,278)
Losses from damage caused by motor vehicles	(726)	(619)
Property insurance	(660)	(576)
Re-invoicing of costs	(2,081)	-
Refund of litigation costs	(501)	-
Other consultancy services	(390)	-
Non-deductible VAT	(356)	-
Other	(2,822)	(2,984)
	(195,429)	(154,633)

Finance income

PLN '000	**Jan 1-Sep 30 2019**	**Jan 1-Sep 30 2018**
Interest income on bank deposits	147	114
	147	114

Finance costs

PLN '000	**Jan 1-Sep 30 2019**	**Jan 1-Sep 30 2018**
Interest expense on financial liabilities measured at amortised cost	(87,030)	(70,132)
Net foreign exchange losses	(11,044)	(24,766)
Interest income/expense on derivative instruments	(1,558)	-
Ineffective portion of remeasurement of hedging instruments	(2,882)	-
	(102,514)	(94,898)

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

PLN '000	**Jan 1-Sep 30 2019**	**Jan 1-Sep 30 2018**
Translation differences	74,958	24,450
Attributable to:		
Owners of the Parent	74,958	24,450
Finance income/(finance costs) recognised directly in other comprehensive income		
	74,958	24,450

Borrowings, finance lease liabilities and other financial liabilities

Non-current liabilities			
Secured borrowings	947,671	1,057,384	878,440
Liabilities under debt securities (unsecured)	1,346,252	1,142,906	1,235,888
Finance lease liabilities	38,977	1,362	1,159
	2,332,900	**2,201,652**	**2,115,487**
Current liabilities			
Short-term portion of secured borrowings	95,165	73,632	102,340
Liabilities under debt securities	92,647	216,966	104,259
Short-term portion of finance lease liabilities	29,544	7,793	6,952
	217,355	**298,391**	**213,550**

Hedge derivatives and other

In the 3rd quarter 2019 the Group concluded another 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: KRUK S.A. pays at a fixed rate of 1.5775%, while the counterparty pays at a variable rate equal to 3M WIBOR. Interest payments are made every three months (interest period). It is hedging the coupon on PLN 115,000 thousand worth of Series AE4 bonds. The Group expects cash flows to be generated and to have an effect on its performance in the period until 2024.

Second contract: KRUK S.A. pays at a fixed rate of 1.5775%, while the counterparty pays at a variable rate equal to 3M WIBOR. Interest payments are made every three months (interest period). It is hedging the coupon on PLN 50,000 thousand worth of Series AH1 bonds. The Group expects cash flows to be generated and to have an effect on its performance in the period until 2024.

Third contract: KRUK S.A. pays at a fixed rate of 1.6050%, while the counterparty pays at a variable rate equal to 3M WIBOR. Interest payments are made every three months (interest period). It is hedging the coupon on PLN 35,000 thousand worth of Series AE3 bonds. The Group expects cash flows to be generated and to have an effect on its performance in the period until 2023.

Fourth contract: KRUK S.A. pays at a fixed rate of 1.670%, while the counterparty pays at a variable rate equal to 3M WIBOR. Interest payments are made every three months (interest period). It is hedging the coupon on PLN 75,000 thousand worth of Series AA4 bonds. The Group expects cash flows to be generated and to have an effect on its performance in the period until 2022.

Fifth contract: KRUK S.A. pays at a fixed rate of 1.650%, while the counterparty pays at a variable rate equal to 3M WIBOR. Interest payments are made every three months (interest period). It is hedging the coupon on PLN 30,000 thousand worth of Series AG1 bonds. The Group expects cash flows to be generated and to have an effect on its performance in the period until 2023.

Sixth contract: KRUK S.A. pays at a fixed rate of 1.650%, while the counterparty pays at a variable rate equal to 3M WIBOR. Interest payments are made every three months (interest period). It is hedging the coupon on PLN 25,000 thousand worth of Series AG2 bonds. The Group expects cash flows to be generated and to have an effect on its performance in the period until 2024.

The contracts provide hedging against variability of cash flows generated by liabilities denominated in PLN due to changes in reference interest rates and hedging the coupons of each bonds series.

As at September 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 September 30th 2019 with Santander Bank Polska S.A. Under the contract, the Company is required to sell EUR 29,000 thousand for PLN 127,104 thousand on October 31st 2019;
- FX forward contract concluded on September 30th 2019 with DNB Bank Polska S.A. Under the contract, the Company is required to sell EUR 30,000 thousand for PLN 131,384 thousand on October 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.

Earnings per share

‘000

	Jan 1-Sep 30 2019	Jan 1-Dec 31 2018	Jan 1-Sep 30 2018
Number of ordinary shares as at Jan 1	18,887	18,808	18,808
Effect of cancellation and issue of shares	24	35	34
Weighted average number of ordinary shares	18,911	18,843	18,842

PLN			
Earnings per share (basic)	12.93	17.51	14.81

Diluted earnings per share

‘000

	Jan 1-Sep 30 2019	Jan 1-Dec 31 2018	Jan 1-Sep 30 2018
Weighted average number of ordinary shares	18,911	18,843	18,842
Effect of share option issue	406	465	465
Weighted average number of ordinary shares (diluted)	19,317	19,308	19,307

PLN			
Earnings per share (diluted)	12.66	17.09	14.46

Number of FTEs

number of FTEs	Sep 30 2019	Sep 30 2018
FTEs	3,330	3,169
	3,330	3,169

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

Current and non-current items of the statement of financial position

As at September 30th 2019

PLN '000	**Sep 30 2019**	**Jun 30 2019**	**Dec 31 2018**	**Sep 30 2018**
Assets				
Non-current assets				
Property, plant and equipment	86,470	87,705	26,354	26,319
Other intangible assets	51,016	50,512	33,877	35,803
Goodwill	63,184	61,493	62,010	62,010
Other derivatives	32	3,404	1,450	1,631
Deferred tax asset	3,052	-	-	-
Total non-current assets	203,754	203,114	123,691	125,762
Current assets				
Inventories	259	267	197	174
Investments	4,282,108	4,243,001	4,156,970	3,985,851
Trade receivables	25,814	26,240	28,143	20,828
Other receivables	38,678	35,568	23,088	37,320
Prepayments and accrued income	6,039	1,009	2,786	2,467
Cash and cash equivalents	165,131	383,738	147,302	151,568
Total current assets	4,518,029	4,689,823	4,358,486	4,198,208
Total assets	4,721,783	4,892,937	4,482,177	4,323,970
Equity and liabilities				
Equity				
Share capital	18,931	18,931	18,887	18,872
Share premium	303,711	303,711	300,097	298,900
Cash flow hedging reserve	(8,840)	825	(3,869)	(2,111)
Translation differences	21,189	(42,705)	(53,769)	(32,168)
Other capital reserves	103,633	101,254	94,924	93,092
Retained earnings	1,526,252	1,448,250	1,376,084	1,325,182
Equity attributable to owners of the Parent	1,964,876	1,830,266	1,732,354	1,701,767
Non-controlling interests	225	164	396	210
Total equity	1,965,101	1,830,430	1,732,750	1,701,977
Non-current liabilities				
Other derivatives	9,782	6,302	3,870	-
Non-current liabilities under borrowings and other debt instruments	2,332,900	2,309,216	2,201,652	2,115,487
Deferred tax liability	-	19	9,182	12,110
Total non-current liabilities	2,342,682	2,315,537	2,214,704	2,127,597
Current liabilities				
Current liabilities under borrowings and other debt instruments	217,355	393,852	298,391	213,550
Trade and other payables	131,816	297,368	176,054	240,477
Income tax payable	4,022	5,258	15,600	7,912
Employee benefit obligations	60,807	50,492	44,678	32,456
Total current liabilities	414,001	746,970	534,723	494,395
Total liabilities	2,756,682	3,062,507	2,749,427	2,621,993
Total equity and liabilities	4,721,783	4,892,937	4,482,177	4,323,970

6. 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 third quarter of 2019, there were no events with a potentially material bearing on the Group's future performance.

Piotr Krupa
CEO and President of the Management Board

Agnieszka Kułton
Member of the Management Board

Urszula Okarma
Member of the Management Board

Iwona Słomska
Member of the Management Board

Michał Zasępa
Member of the Management Board

Monika Grudzień-Wiśniewska
Person responsible for keeping the books

Hanna Stempień
Person preparing the financial statements

Wrocław, October 24th 2019

III. Interim condensed separate financial statements

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1. Separate statement of financial position

As at September 30th 2019
PLN '000

	Sep 30 2019	Jun 30 2019	Dec 31 2018	Sep 30 2018
Assets				
Cash and cash equivalents	7,812	64,437	9,151	10,416
Trade receivables from related entities	20,999	22,163	21,814	37,359
Trade receivables from other entities	3,548	3,105	2,811	3,489
Investments	358,437	311,094	176,905	165,825
Other receivables	15,863	159,150	7,223	10,124
Inventories	(14)	12	22	36
Property, plant and equipment	32,463	30,872	16,169	17,072
Intangible assets	15,642	15,966	16,547	15,762
Deferred tax asset	4,160	2,648	453	-
Other derivatives	32	3,400	1,450	1,631
Investments in subsidiaries	1,899,001	1,976,559	2,143,481	2,117,491
Other assets	4,293	2,547	4,173	4,918
Total assets	2,362,235	2,591,954	2,400,199	2,384,124
Equity and liabilities				
Liabilities				
Other derivatives	6,901	4,465	3,870	-
Trade and other payables	79,434	171,449	62,948	83,407
Employee benefit obligations	20,076	22,389	19,199	16,370
Income tax payable	1,291	2,303	12,295	5,563
Liabilities under borrowings and other debt instruments	1,828,020	1,971,647	1,731,998	1,725,771
Deferred tax liability	-	-	-	16,447
Total liabilities	1,935,722	2,172,254	1,830,310	1,847,558
Equity				
Share capital	18,931	18,931	18,887	18,872
Share premium	303,711	303,711	300,097	298,900
Cash flow hedging reserve	(8,840)	826	(3,869)	(2,111)
Other capital reserves	103,633	101,254	94,924	93,094
Retained earnings	9,079	(5,023)	159,850	127,811
Total equity	426,514	419,699	569,889	536,566
Total equity and liabilities	2,362,235	2,591,954	2,400,199	2,384,124

2. Separate statement of profit or loss

For the reporting period January 1st – September 30th 2019
PLN '000

	Jan 1-Sep 30 2019	Jul 1-Sep 30 2019	Jan 1-Sep 30 2018	Jul 1-Sep 30 2018
Revenue	128,314	48,700	105,111	41,211
including interest income calculated using the effective interest rate method	*15,289*	*5,273*	*15,088*	*5,259*
Other income	1,431	200	1,277	299
Merchandise and materials sold	(5)	-	-	-
Employee benefits expense	(111,005)	(35,333)	(95,597)	(31,257)
Depreciation and amortisation	(14,208)	(4,728)	(9,766)	(3,218)
Services	(24,786)	(8,023)	(27,814)	(9,900)
Other expenses	(24,989)	(8,976)	(24,647)	(8,436)
	(174,993)	(57,060)	(157,824)	(52,812)
Operating loss	(45,247)	(8,159)	(51,436)	(11,301)
Finance income	140,431	52,466	57,792	16,486
Finance costs	(145,687)	(28,168)	(80,185)	(11,929)
Net finance costs	(5,256)	24,298	(22,393)	4,557
Profit/(Loss) before tax	(50,504)	16,139	(73,828)	(6,744)
Income tax	(5,614)	(2,037)	(16,028)	(6,992)
Net profit/(loss) for period	(56,117)	14,102	(89,856)	(13,736)
Earnings/(loss) per share				
Basic (PLN)	(2.97)	0.75	(4.77)	(0.73)
Diluted (PLN)	(2.91)	0.74	(4.65)	(0.71)

3. Separate statement of comprehensive income

For the reporting period January 1st – September 30th 2019
PLN '000

	Jan 1-Sep 30 2019	Jul 1-Sep 30 2019	Jan 1-Sep 30 2018	Jul 1-Sep 30 2018
Net profit/(loss) for period	**(56,117)**	**14,102**	**(89,856)**	**(13,736)**
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss				
Cash flow hedges	(8,840)	(13,535)	(7,993)	(5,762)
Income tax on derivatives	-	-	-	-
Items that will not be reclassified subsequently to profit or loss				
Income tax on other comprehensive income	-	-	-	-
Other comprehensive income for period, net	(8,840)	(13,535)	(7,993)	(5,762)
Total comprehensive income for period	**(64,957)**	**567**	**(97,849)**	**(19,498)**
Total earnings per share				
Basic (PLN)	(3.43)	0.03	(5.19)	(1.03)
Diluted (PLN)	(3.36)	0.04	(5.07)	(1.01)

4. Separate statement of changes in equity

For the reporting period ended September 30th 2018
PLN '000

	Share capital	Share premium	Hedging reserve	Other capital reserves	Retained earnings	**Total equity**
Total equity as at Jan 1 2018	18,808	293,581	5,882	86,806	309,548	714,625
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	311,708	716,785
Comprehensive income for period						
Net profit/(loss) for period	-	-	-	-	(89,856)	(89,856)
Other comprehensive income						
- Valuation of hedging instruments	-	-	(7,993)	-	-	(7,993)
Total other comprehensive income	-	-	(7,993)	-	-	(7,993)
Total comprehensive income for period	-	-	(7,993)	-	(89,856)	(97,849)
Contributions from and distributions to owners						
- Payment of dividends	-	-	-	-	(94,040)	(94,040)
- 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	(94,040)	(82,369)
Total equity as at Sep 30 2018	18,872	298,900	(2,111)	93,094	127,812	536,567

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

	Share capital	Share premium	Hedging reserve	Other capital reserves	Retained earnings	**Total equity**
Total equity as at Jan 1 2018	18,808	293,581	5,882	86,806	309,548	714,625
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**	**311,708**	**716,785**
Comprehensive income for period						
Net profit/(loss) for period	-	-	-	-	(57,818)	(57,818)
Other comprehensive income						
- Valuation of hedging instruments	-	-	(9,751)	-	-	(9,751)
Total other comprehensive income	-	-	(9,751)	-	-	(9,751)
Total comprehensive income for period	-	-	(9,751)	-	(57,818)	(67,569)
Contributions from and distributions to owners	-	-	-	-	-	-
- Payment of dividends					(94,040)	(94,040)
- Share-based payments	-	-	-	8,118	-	8,118
- Issue of shares	79	6,516	-	-	-	6,595
Total contributions from and distributions to owners	79	6,516	-	8,118	(94,040)	(79,327)
Total equity as at Dec 31 2018	18,887	300,097	(3,869)	94,924	159,850	569,889

For the reporting period ended September 30th 2019
PLN '000

	Share capital	Share premium	Hedging reserve	Other capital reserves	Retained earnings	**Total equity**
Equity as at Jan 1 2019	18,887	300,097	(3,869)	94,924	159,850	569,889
Comprehensive income for period						
Net profit/(loss) for period	-	-	-	-	(56,117)	(56,117)
- Valuation of hedging instruments			(4,971)	-	-	(4,971)
Total comprehensive income for period	-	-	(4,971)	-	(56,117)	(61,088)
Contributions from and distributions to owners						
- Payment of dividends	-	-	-		(94,653)	(94,653)
- Share-based payments	-	-	-	8,709	-	8,709
- Issue of shares	44	3,614	-	-	-	3,658
Total contributions from and distributions to owners	44	3,614	-	8,709	(94,653)	(82,287)
Total equity as at Jun 30 2019	18,931	303,711	(8,840)	103,633	9,079	426,514

5. Separate statement of cash flows

For the reporting period January 1st – September 30th 2019
PLN '000

	Jan 1-Sep 30 2019	Jul 1-Sep 30 2019	Jan 1-Sep 30 2018	Jul 1-Sep 30 2018
Cash flows from operating activities				
Net profit/(loss) for period	(56,117)	14,102	(89,856)	(13,736)
Adjustments				
Depreciation of property, plant and equipment	9,174	3,011	5,945	1,920
Amortisation of intangible assets	4,017	1,304	3,842	1,316
Change in investments in debt portfolios and property	(2,923)	(585)	(6,395)	(2,762)
Net finance income/costs	19,342	(86,873)	17,322	(8,290)
(Gain)/loss on sale of property, plant and equipment	6	51	(530)	(122)
Equity-settled share-based payment transactions	8,709	2,379	6,288	2,118
Income tax	5,614	2,037	16,028	6,992
Change in inventories	36	26	135	-
Change in receivables	(8,562)	145,227	13,422	(1,081)
Change in prepayments and accrued income	(120)	(1,746)	(785)	(1,048)
Change in current liabilities excluding financial liabilities	16,486	1,420	(133,306)	(138,261)
Change in employee benefit obligations	877	(2,313)	(1,303)	(2,516)
Income tax paid	(20,325)	(4,562)	(23,770)	(5,834)
Net cash from operating activities	(23,788)	73,477	(192,962)	(161,303)
Cash flows from investing activities				
Interest received	71	26	76	37
Loans advanced	(213,393)	(49,301)	(31,743)	(10,289)
Sale of intangible assets and property, plant and equipment	2,745	1,112	1,448	212
Dividends received	13,189	3,689	43,355	6,957
Disposal of financial assets	436,835	283,870	545,188	331,229
Purchase of intangible assets and property, plant and equipment	(9,546)	(2,552)	(5,663)	(474)
Acquisition of financial assets	(155,241)	(107,730)	(179,173)	(64,152)
Repayment of loans advanced	28,420	8,527	36,754	8,390
Net cash from investing activities	103,080	137,640	410,242	271,910
Cash flows from financing activities				
Net proceeds from issue of shares	3,658	63	5,319	-
Proceeds from bond issue	215,000	25,000	-	-
Increase in borrowings	664,730	170,622	572,250	198,504
Repayment of borrowings	(662,352)	(263,058)	(578,768)	(238,252)
Payments under finance lease contracts	(7,306)	(1,673)	(4,111)	(1,505)
Dividends paid	(94,653)	(94,653)	(94,040)	-
Redemption of debt securities	(136,388)	(86,388)	(65,000)	(50,000)
Interest paid	(63,320)	(17,656)	(59,432)	(20,417)
Net cash from financing activities	(80,631)	(267,743)	(223,781)	(111,670)
Total net cash flows	(1,340)	(56,626)	(6,501)	(1,063)

Cash and cash equivalents at beginning of period	9,151	64,437	16,917	11,478
Cash and cash equivalents at end of period	7,811	7,811	10,416	10,416

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. Significant accounting policies

Statement of compliance

KRUK S.A. prepares its financial statement in accordance with the International Financial Reporting Standards as endorsed by the European Union (the "EU-IFRS").

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

Basis of preparation

This interim separate financial statement contains data for the period from January 1st to September 30th 2019 and comparative data for the period from January 1st to September 30th 2018 and 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 presented data has not been audited.

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

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.

Changes in accounting policies

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

	Jan 1 2019 – restated	Impact of IFRS 16	Dec 31 2018
Assets			
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	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	2,143,481	-	2,143,481
Other assets	4,173	-	4,173
Total assets	2,417,366	17,167	2,400,199
Equity and liabilities			
Liabilities			
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	1,749,165	17,167	1,731,998
Total liabilities	1,847,477	17,167	1,830,310
Equity			
Total equity			
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
Total equity	569,889	-	569,889
Total equity and liabilities	2,417,366	17,167	2,400,199

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
Total – December 31st 2018		**25,153**
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	-
Lease liabilities – January 1st 2019		**24,121**
Including lease liabilities resulting from IFRS 16		*17,167*

Effect on separate statement of comprehensive income

	Jan 1 2019 Sep 30 2019
- increase in interest expense	465
- increase in depreciation and amortisation	4,361

Effect on separate statement of cash flows

- increase in net operating cash flows	251
- decrease in net financing cash flows	(251)

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 2 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.

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 September 30th 2019 and for the period January 1st – September 30th 2019.

3. Investments

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	(34,208)
Revenue from debt purchase (interest and revaluation)	36,425
Value of purchased debt portfolios as at Sep 30 2018	**39,010**
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 Dec 31 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 Jun 30 2019	**38,800**
Value of purchased debt portfolios as at Dec 31 2018	**38,800**
Cash recoveries	(31,450)
Revenue from debt purchase (interest and revaluation)	30,766
Value of purchased debt portfolios as at Jun 30 2019	**38,116**

Investment property

Value of property held as at Jan 1 2019	**32,156**
Value of foreclosed property	15,659
Proceeds from sale of property	(16,731)
Income from sale of property	(330)
Value of property held as at Sep 30 2019	**30,754**

4. 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 2019	Jul 1– Sep 30 2019	Jan 1– Sep 30 2018	Jul 1– Sep 30 2018

Revenue from debt purchase	30,767	9,391	36,425	12,904
Income from property	(5,652)	(1,954)	(4,813)	(2,043)
Revenue from credit management	80,134	26,981	51,155	13,794
Revenue from other services	22,590	14,151	21,942	16,373
Revenue from sale of merchandise and materials	474	132	403	183
	128,314	48,700	105,111	41,211

Revenue from debt purchase

PLN '000

	Jan 1–Sep 30 2019	Jul 1– Sep 30 2019	Jan 1– Sep 30 2018	Jul 1– Sep 30 2018
Interest income	15,289	5,273	15,088	1,504
Other income from debt purchase *	4,832	1,193	5,474	5,474
Revaluation of debt portfolios	10,455	2,925	15,776	3,558
Foreclosure of property	272	-	86	86
Sale of property	195	-	-	-
Value of property sold	(275)	-	-	-
	30,767	9,391	36,425	10,621

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

Revaluation of debt portfolios

PLN '000

	Jan 1–Sep 30 2019	Jul 1– Sep 30 2019	Jan 1– Sep 30 2018	Jul 1– Sep 30 2018
Revision of forecast	10,475	2,221	15,229	4,165
Change due to change in discount rate	-	-	-	-
Foreign exchange gains	(20)	704	547	(607)
	10,455	2,925	15,776	3,558

If necessary, as at the end of each quarter the Company 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.

Assumptions adopted in the valuation of debt portfolios

	Sep 30 2019	Sep 30 2018
Discount rate		
- risk premium*	19,67% - 170,19%	19,67% - 170,19%

Period for which recoveries have been estimated	Oct 2019−Dec 2032	Oct 2018−Dec 2032
Nominal value of expected future recoveries	81,999	85,071

** Applicable to 99% of debt portfolios.*

Projected schedule of recoveries from debt portfolios (nominal value)

PLN '000	**Sep 30 2019**	**Sep 30 2018**
Period		
Up to 12 months	30,844	32,315
From 1 to 2 years	20,406	21,288
From 2 to 5 years	24,939	26,539
Over 5 years	5 810	4 928
	81,998	85,071

Other expenses

PLN '000

	Jan 1–Sep 30 2019	**Jan 1– Sep 30 2018**
Taxes and charges	(9,559)	(8,098)
Raw materials and consumables used	(4,401)	(3,860)
Staff training	(1,667)	(1,663)
Business trips	(1,310)	(1,206)
Advertising	(1,265)	(3,873)
Re-billed costs of services	(2,081)	(267)
Entertainment expenses	(556)	(1,699)
Motor insurance	(674)	(821)
Other consultancy services	(390)	-
Refund of litigation costs	(556)	-
Losses from damage caused by motor vehicles	(587)	(579)
Court fees	(340)	(752)
Non-competition	(223)	(196)
Property insurance	(190)	(202)
Impairment losses on receivables	-	(10)
Accumulated amortisation of receivables	(7)	(70)
Other	(1,184)	(1,351)
	(24,989)	(24,647)

Finance income

PLN '000

	Jan 1–Sep 30 2019	**Jan 1– Sep 30 2018**

Dividend income	30,275	42,556
Interest income on loans advanced	6,224	4,329
Interest income on bank deposits	71	76
Gain/(loss) on disposal of shares in subsidiaries	103,861	-
	140,431	46,961

Finance costs

	Jan 1–Sep 30 2019	**Jan 1– Sep 30 2018**
Interest expense on financial liabilities measured at amortised cost	(60,741)	(54,491)
Net foreign exchange losses	(2,337)	(7,133)
Interest income/expense on hedging instruments	(2,207)	-
Revaluation of investments in subsidiaries	(80,402)	(8,799)
	(145,687)	(70,423)

Borrowings and finance lease liabilities

PLN '000	**Sep 30 2019**	**Dec 31 2018**	**Sep 30 2018**
Non-current liabilities			
Secured borrowings	301,991	315,341	301,549
Liabilities under debt securities (unsecured)	1,346,252	1,142,905	1,235,888
Finance lease liabilities	12,190	490	1,025
	1,660,433	1,458,736	1,538,462
Current liabilities			
Short-term portion of secured borrowings	65,560	49,832	69,090
Liabilities under debt securities	92,647	216,966	104,259
Short-term portion of finance lease liabilities	9,380	6,464	13,961
	167,587	273,262	187,310

Earnings per share

'000

	Jan 1-Sep 30 2019	**Jan 1-Dec 31 2018**	**Jan 1-Sep 30 2018**

Number of ordinary shares as at Jan 1	18,887	18,808	18,808
Effect of cancellation and issue of shares	24	35	34
Weighted average number of ordinary shares	18,911	18,843	18,842
PLN			
Earnings per share (basic)	(2.97)	(3.07)	(4.77)

Diluted earnings per share

'000	Jan 1-Sep 30 2019	Jan 1-Dec 31 2018	Jan 1-Sep 30 2018
Weighted average number of ordinary shares	18,911	18,843	18,842
Effect of share option issue	406	465	465
Weighted average number of ordinary shares (diluted)	19,317	19,308	19,307
PLN			
Earnings per share (diluted)	(2.91)	17.09	(4.65)

Current and non-current items of the statement of financial position

As at September 30th 2019
PLN '000

	Sep 30 2019	Dec 31 2018	Sep 30 2018
Assets			
Non-current assets			
Property, plant and equipment	32,463	16,169	17,072
Intangible assets	15,642	16,547	15,762
Investments in subsidiaries	1,899,001	2,143,481	2,117,491
Investments	1,000	-	-
Other derivatives	32	1,450	1,631
Deferred tax asset	4,160	453	-
Total non-current assets	1,952,298	2,178,100	2,151,957
Current assets			
Inventories	(14)	22	36
Investments	357,437	176,905	165,825
Trade receivables from related entities	20,999	21,814	37,359
Trade receivables from other entities	3,548	2,811	3,489
Other receivables	15,863	7,223	10,124
Other assets	4,293	9,151	4,918
Cash and cash equivalents	7,812	4,173	10,416
Total current assets	409,937	222,099	232,167
Total assets	2,362,235	2,400,199	2,384,124
Equity and liabilities			
Equity			
Share capital	18,931	18,887	18,872
Share premium	303,711	300,097	298,900
Cash flow hedging reserve	(8,840)	(3,869)	(2,111)
Other capital reserves	103,633	94,924	93,094
Retained earnings	9,079	159,850	127,811
Total equity	426,514	569,889	536,566
Non-current liabilities			
Deferred tax liability	-	-	16,447
Non-current liabilities under borrowings and other debt instruments	1,660,433	1,458,736	1,538,462
Other derivatives	6,901	3,870	-
Total non-current liabilities	1,667,334	1,462,606	1,554,908
Current liabilities			
Current liabilities under borrowings and other debt instruments	167,587	273,262	187,310
Trade and other payables	79,434	62,948	83,407
Income tax payable	1,291	12,295	5,563

Employee benefit obligations	20,076	19,199	16,370
Total current liabilities	268,388	367,704	292,650
Total liabilities	1,935,722	1,830,310	1,847,558
Total equity and liabilities	2,362,235	2,400,199	2,384,124

Related-party transactions concluded by the Parent

Transactions with subsidiaries as at and for the period ended September 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	-	1,506	-	-
ERIF Business Solutions Sp. z o.o.	-	216	-	-
Novum Finance Sp. z o.o.	-	230	27,242	-
SeCapital Polska Sp. z o.o.	-	1	130	-
Kancelaria Prawna RAVEN P.Krupa Sp. k.	45	7,649	-	-
KRUK Romania S.r.l	583	5,161	62,000	770
ERIF BIG S.A.	49	117	-	-
NSFIZ PROKURA	30	153,914	1,057	-
KRUK Česká a Slovenská republika s.r.o.	-	242	36,092	-
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	-	8,682	-	-
InvestCapital Ltd.	-	1,540	-	-
KRUK Deutschland GmbH	-	366	-	-
KRUK Deutschland (Branch)	-	-	-	-
Rocapital IFN S.A.	-	11	4,604	61
KRUK Italia S.r.l	-	147	-	-
ItaCapital S.r.l	-	27	-	-
KRUK Espana S.L.	-	68	-	-
Presco Investments S.a.r.l.	-	106	-	-
P.R.E.S.C.O INVESTMENT I NS FIZ	117	-	-	-
ProsperoCapital S.à r.l.	-	3	-	-
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	771	-	-	-
AgeCredit S.r.l.	-	-	-	-
Wonga.pl Sp. z o.o.	-	21	156,227	1,293
	1,595	180,006	287,353	2,124

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	-	427	-
ERIF Business Solutions Sp. z o.o.	83	-	37
Novum Finance Sp. z o.o.	604	902	664
SeCapital Polska Sp. z o.o.	8	-	4
Kancelaria Prawna RAVEN P.Krupa Sp. k.	4,286	38	17,085
KRUK Romania S.r.l	3,470	85	2,324
ERIF BIG S.A.	634	5	-
NSFIZ PROKURA	-	-	-
KRUK Česká a Slovenská republika s.r.o.	987	96	1,079
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	1,386	69,341	-
InvestCapital Ltd.	8,849	539	-
KRUK Deutschland GmbH	-	-	-
KRUK Deutschland (Branch)	10	(89)	-
Rocapital IFN S.A.	-	11	175
KRUK Italia S.r.l	704	-	-
ItaCapital S.r.l	165	-	-
KRUK Espana S.L.	521	-	-
Presco Investments S.a.r.l.	-	1,928	13,189
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.	7	-	-
NSFIZ BISON	-	-	-
AgeCredit S.r.l.	-	-	8
Wonga.pl Sp. z o.o.	-	60	1,933
	21,714	73,343	36,499

Costs of mutual transactions PLN '000	Purchase of services
Kancelaria Prawna RAVEN P.Krupa Sp. k.	603
KRUK Romania S.r.l	4,733
ERIF BIG S.A.	178
KRUK Česká a Slovenská republika s.r.o.	275
	5,788

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

After the end of the third quarter of 2019, there were no events with a potentially material bearing on the Company's future performance.

Piotr Krupa
CEO and President of the Management Board

Agnieszka Kułton
Member of the Management Board

Urszula Okarma
Member of the Management Board

Iwona Słomska
Member of the Management Board

Michał Zasępa
Member of the Management Board

Katarzyna Raczkiewicz
Person responsible for keeping the books

Hanna Stempień
Person preparing the financial statements

Wrocław, October 24th 2019

VI. Directors' Report

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

Net profit

Net profit for the last three quarters 2019 is PLN 244,822 thousand and was by PLN 34,429 thousand (-12%) lower than for the three quarters 2018. The cause of lower net profit year to year were:

- lower by PLN 68,548 thousand PLN (-57%) revenues from revaluation of debt portfolios compared to the same period of the previous year. The value of revaluation in the period from January to September 2019 was influenced by, among others negative revaluation on portfolios:

  - secured in Romania in the amount of PLN-21,635 thousand,
  - retail in Slovakia in the amount of PLN-20,881 thousand,
  - retail in Spain in the amount of PLN-27 986 thousand.

- higher by PLN 87,691 thousand (17%) operating expenses, which include result from the consolidation of Wonga.pl's costs.

Amounts recovered from debt portfolios

- In the first three quarters of 2019, repayments from own portfolios amounted to PLN 1,307,204 thousand and were 14.2% higher than in the comparable period of the previous year.

- Repayments from Poland and Romania in the first three quarters of 2019 accounted for 77 % of total payments. A good repayment trend gave grounds to recognize a total positive revaluation in these markets for PLN 119,858 thousand.

- In Italy, repayments after three quarters of 2019 amounted to PLN 127,965 thousand and exceeded the value of repayments from all 2018.

Investments in new debt portfolios

- The KRUK Group invested PLN 391,920 thousand until September 30, 2019 in debt portfolios with a total nominal value of over PLN 4,022,724 thousand. In the third quarter, investments amounted to PLN 82,997 thousand with a nominal value of PLN 733,972 thousand.

- Transactional returns are higher than for purchases made in the last two years.

A healthy balance and good access to finance:

- KRUK issued bonds (as part of public and private offers) with a total nominal value of PLN 215,000 thousand by the end of the third quarter of 2019.

- KRUK concluded an annex with the banks being part of the KRUK Group consortium, increasing by EUR 10,000 thousand limit granted under the contract concluded in 2017. The current amount of this limit, to which KRUK may incur an obligation to invest in debt portfolios, is EUR 260,000 thousand.

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

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.

3. Seasonality or cyclicality of business

The Group's operations are not subject to seasonal or cyclical fluctuations, except Italian and Spanish market. For Spain and Italy, there is a lower level of payments from indebted persons during the holiday season (July - September).

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

On January 14th 2019, the KRUK Management Board passed resolutions to issue and determine the final terms and conditions of Series AG2 bonds. The Company resolved to issue 250,000 Series AJ1 unsecured bearer bonds with a nominal value of PLN 100 per bond, maturing 60 months from the allotment date.

On March 25th 2019, the KRUK Management Board passed resolutions to issue and determine the final terms and conditions of Series AE4 bonds. The Company resolved to issue 115,000 Series AJ1 unsecured bearer bonds with a nominal value of PLN 1.000 per bond, maturing 72 months from the allotment date.

On June 3rd 2019, the KRUK Management Board passed resolutions to issue and determine the final terms and conditions of Series AH1 bonds. The Company resolved to issue 50,000 Series AH1 unsecured bearer bonds with a nominal value of PLN 1.000 per bond, maturing 72 months from the allotment date.

On August 1st 2019, the KRUK Management Board passed resolutions to issue and determine the final terms and conditions of Series AJ1 bonds. The Company resolved to issue 250,000 Series AJ1 unsecured bearer bonds with a nominal value of PLN 100 per bond, maturing 60 months from the allotment date.

On August 1st 2019, the KRUK Management Board passed resolutions to issue and determine the final terms and conditions of Series AJ1 bonds. The Company resolved to issue 250,000 Series AJ1 unsecured bearer bonds with a nominal value of PLN 100 per bond, maturing 60 months from the allotment date.

As at September 30th 2019, defined financial ratios were as follows:

1.21 − 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. 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.

On September 5th 2019, KRUK S.A. and its subsidiaries InvestCapital LTD, Kruk Romania SRL and Prokura NS FIZ (the "Borrowers") signed an annex to the revolving multi-currency credit facility (the "Facility") agreement with the bank syndicate comprising DNB Bank ASA of Oslo, Norway, ING Bank Śląski S.A. of Katowice, Poland, Santander Bank Polska of Warsaw, Poland, and mBank S.A. of Warsaw, Poland (the "Lenders") (the "Annex"). The purpose of the Annex was to increase the Facility amount to the maximum amount of EUR 260,000 thousand and extend its availability for another 12 months. The other terms of the Facility agreement were not materially amended.

5. 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.

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

Security for future liabilities

On September 5th 2019, KRUK S.A. and its subsidiaries InvestCapital LTD, Kruk Romania SRL and Prokura NS FIZ signed an annex to the revolving multi-currency credit facility agreement of July 3rd 2017, as amended, with the bank syndicate comprising DNB Bank ASA of Oslo, Norway, ING Bank Śląski S.A. of Katowice, Poland, Santander Bank Polska S.A. of Warsaw, Poland, and mBank S.A. of Warsaw, Poland (the "Annex"). The Annex provided for Prokura NS FIZ joining the agreement as a borrower, increasing the facility amount to the maximum amount of EUR 260,000 thousand and extending the availability of the facility by another 12 months.

To secure liabilities under the multi-currency revolving credit facility agreement of July 3rd 2017, as amended:

- On July 5th 2019, Kruk Romania S.R.L. on the one hand and DNB Bank ASA, ING Bank Śląski S.A., Santander Bank Polska S.A. and mBank S.A. on the other signed an agreement under Romanian law to create a pledge over portfolios purchased by Kruk Romania S.R.L. on the Romanian market.

As at September 30th 2019, the value of all portfolios pledged in favour of DNB Bank ASA, ING Bank Śląski S.A., Santander Bank Polska S.A. and mBank S.A. totalled PLN 1,160,763 thousand.

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

- On 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. According to notifications received by the Company, the pledges were created for the maximum secured amount of PLN 240,000 thousand.

As at September 30th 2019, the carrying amount of the pledged assets in KRUK S.A.'s accounting books was PLN 111,976 thousand.

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

- 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. According to the notifications received, on September 20th 2019 and October 4th 2019 pledges were created up to the maximum secured amount of PLN 210,000 thousand.

As at September 30th 2019, the carrying amount of the pledged assets in KRUK S.A.'s accounting books was PLN 35,128 thousand.

In connection with the revolving credit facility agreement no. K0007111 executed between KRUK S.A. and Santander Bank Polska S.A. on April 8th 2011, as amended, on September 30th 2019 KRUK S.A. and Santander Bank Polska S.A. executed Annex 16 on the basis of which:

- the availability end date and the final repayment date for the credit facility of up to PLN 65,000 thousand or its euro equivalent were set for October 31st 2024;
- the availability end date and the final repayment date for the credit facility of up to PLN 55,000 thousand or its euro equivalent were set for October 31st 2022.

In connection with the revolving credit facility agreement no. K0007448 of February 18th 2013, as amended, executed between Prokura NS FIZ, KRUK S.A. and Santander Bank Polska S.A., on September 30th 2019 Annex 10 was signed, setting the availability end date and the final repayment date for the credit facility for October 31st 2024.

In connection with a PLN 110,000 thousand share capital cancellation at InvestCapital Ltd. carried out on July 29th 2019, due to become final by December 10th 2019, on July 29th 2019 KRUK S.A. issued a corporate guarantee of up to PLN 110,000 thousand for the benefit of InvestCapital Ltd. The guarantee will expire on December 10th 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 December 10th 2019.

In connection with a PLN 30,000 thousand share capital cancellation at InvestCapital Ltd. carried out on August 29th 2019, due to become final by December 10th 2019, on August 29th 2019 KRUK S.A. issued a corporate guarantee of up to PLN 30,000 thousand for the benefit of InvestCapital Ltd. The guarantee will expire on December 10th 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 December 10th 2019.

7. 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 July 15th 2019, an agreement was signed for the sale of 100% of shares in Zielona Perła sp. z o.o., with its registered office at ul. Wołowska 8, 51-116 Wrocław, Poland. KRUK S.A. was the sole shareholder in the company.

8. 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.

9. 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 5th 2019)

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*	2,055,000	10.86	2,055,000	10.86
Aviva OFE*	1,740,000	9.19	1,740,000	9.19
PZU OFE*	1,056,178	5.58	1,056,178	5.58

(*) 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 June 25th 2019.

In the third quarter of 2019 and by the date of issue of this report, there were no changes in major holdings of Company shares.

10. 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	1,886,666
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

From the issue date of the previous periodic report (the Q3 2019 report published on September 5th 2019) until the issue date of this report, there were no changes in the holdings of shares.

To the best of the Parent's knowledge, in the period from the issue of the previous quarterly report (the consolidated report for H1 2019), i.e. from September 5th 2019 to the date of issue of this report, with the exception of Tomasz Bieske, the Supervisory Board members did not hold any Parent shares or rights to Parent shares.

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 September 10th 2019, 89,768 subscription warrants were delivered to the Management Board members.
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 September 30th 2019 and as at the issue date of this report, members of the Parent's Management Board held no rights to KRUK S.A. shares other than those under the subscription warrants presented below.

Number of subscription warrants held by Management Board members as at September 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	Number of warrants held under Tranche 4 for 2018
Piotr Krupa	CEO and President of the Management Board	7,000	10,820	14,556	20,564
Agnieszka Kułton	Member of the Management Board	3,250	9,915	9,947	17,301
Urszula Okarma	Member of the Management Board	3,250	9,915	9,947	17,301
Iwona Słomska	Member of the Management Board	-	9,915	9,947	17,301
Michał Zasępa	Member of the Management Board	-	9,915	9,947	17,301

11. Litigation, arbitration or administrative proceedings

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

12. 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.

13. 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.

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

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

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

Piotr Krupa
CEO and President of the Management Board

Agnieszka Kułton
Member of the Management Board

Urszula Okarma
Member of the Management Board

Iwona Słomska
Member of the Management Board

Michał Zasępa
Member of the Management Board

Wrocław, October 24th 2019