



# **INTERIM CONDENSED EXTENDED CONSOLIDATED FINANCIAL REPORT**

for the period from January 1st  
to June 30th 2017

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## 2. Interim condensed consolidated statement of financial position

	Sep 30 2017	Jun 30 2017	Dec 31 2016	Sep 30 2016
<b>Assets</b>				
Cash and cash equivalents	129,591	120,132	267,384	125,142
Trade receivables	19,851	18,414	13,452	10,464
Investments	3,169,777	2,985,715	2,676,202	2,371,950
Hedge derivatives	1,538	5,138		
Other receivables	44,077	45,203	28,145	35,531
Inventories	196	289	485	550
Property, plant and equipment	28,278	27,088	27,473	23,232
Other intangible assets	15,678	15,366	14,293	16,292
Goodwill	64,139	62,604	62,604	1,024
Deferred tax asset	-	-	-	4,808
Other assets	5,182	4,082	5,658	5,727
<b>Total assets</b>	<b>3,478,307</b>	<b>3,284,031</b>	<b>3,095,697</b>	<b>2,594,720</b>
<b>Equity and liabilities</b>				
<b>Liabilities</b>				
Trade and other payables	238,533	121,562	169,248	99,272
Employee benefit obligations	31,292	30,872	34,396	24,536
Income tax payable	2,693	-	4,079	-
Liabilities under borrowings and other debt instruments	1,714,046	1,745,966	1,646,411	1,510,363
Deferred tax liability	1,775	4,943	4,057	-
Provisions	-	-	-	264
<b>Total liabilities</b>	<b>1,988,631</b>	<b>1,903,343</b>	<b>1,858,191</b>	<b>1,634,435</b>
<b>Equity</b>				
Share capital	18,744	18,744	18,744	17,744
Share premium	288,326	288,326	288,326	77,766
Cash flow hedging reserve	1,830	4,162	-	0
Translation reserve	(12,085)	(45,074)	(592)	(1,426)
Other capital reserves	84,961	80,683	76,658	74,766
Retained earnings	1,108,073	1,033,771	854,354	791,449
<b>Equity attributable to owners of the Parent</b>	<b>1,489,848</b>	<b>1,380,612</b>	<b>1,237,490</b>	<b>960,299</b>
<b>Non-controlling interests</b>	<b>120</b>	<b>76</b>	<b>14</b>	<b>(14)</b>
<b>Total equity</b>	<b>1,489,968</b>	<b>1,380,688</b>	<b>1,237,504</b>	<b>960,285</b>
<b>Total equity and liabilities</b>	<b>3,478,307</b>	<b>3,284,031</b>	<b>3,095,697</b>	<b>2,594,720</b>

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

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

PLN '000

	Jan 1 2017 - Sep 30 2017	Jul 1 2017 - Sep 30 2017	Jan 1 2016 - Sep 30 2016	Jul 1 2016 - Sep 30 2016
Revenue	806,919	259,449	542,262	201,185
Other income	3,739	1,152	1,782	122
	810,658	260,602	544,044	201,307
Merchandise and materials sold	(25)	(25)	-	-
Employee benefits expense	(182,941)	(64,940)	(132,639)	(45,812)
Depreciation and amortisation	(12,585)	(4,419)	(9,821)	(3,722)
Services	(94,049)	(33,426)	(53,041)	(20,206)
Other expenses	(153,043)	(49,957)	(126,050)	(40,735)
	(442,642)	(152,766)	(321,551)	(110,475)
<b>Operating profit</b>	368,015	107,835	222,493	90,832
Finance income	208	(758)	6,196	36
Finance costs	(67,998)	(29,294)	(44,171)	(17,964)
<b>Net finance costs</b>	(67,790)	(30,052)	(37,975)	(17,928)
<b>Profit before tax</b>	300,225	77,783	184,518	72,904
Income tax	(8,913)	(3,451)	1,224	1,495
<b>Net profit for period</b>	291,313	74,332	185,742	74,399
<b>Net profit attributable to:</b>				
Owners of the Parent	291,207	74,301	185,758	74,409
Non-controlling interests	106	31	(16)	(10)
<b>Net profit for period</b>	291,313	74,332	185,742	74,399
<b>Earnings (loss) per share</b>				
Basic (PLN)	15.54	3.96	10.57	4.20
Diluted (PLN)	15.16	3.86	10.17	4.03

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

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

PLN '000

	Jan 1 2017 - Sep 30 2017	Jul 1 2017 - Sep 30 2017	Jan 1 2016 - Sep 30 2016	Jul 1 2016 - Sep 30 2016
<b>Net profit attributable to:</b>				
Owners of the Parent	291,207	74,301	185,758	74,409
Non-controlling interests	106	31	(16)	(10)
<b>Net profit for period</b>	<u>291,313</u>	<u>74,332</u>	<u>185,742</u>	<u>74,399</u>
<b>Other comprehensive income</b>				
<b>Items that may be reclassified to profit or loss</b>				
Exchange differences on translating foreign operations	(12,085)	32,397	6,249	(4,979)
Cash flow hedges	1,538	(2,624)	-	-
<b>Other comprehensive income, net, for period</b>	<u>(10,547)</u>	<u>29,773</u>	<u>6,249</u>	<u>(4,979)</u>
<b>Total comprehensive income for period</b>	<u>280,765</u>	<u>104,105</u>	<u>191,991</u>	<u>69,420</u>
<b>Total comprehensive income attributable to:</b>				
Owners of the Parent	280,659	104,074	192,007	69,430
Non-controlling interests	106	31	(16)	(10)
<b>Total comprehensive income for period</b>	<u>280,765</u>	<u>104,105</u>	<u>191,991</u>	<u>69,420</u>

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5. Interim condensed consolidated statement of changes in equity



the reporting period January 1st–September 30th 2017

PLN '000

	Share capital	Share premium	Cash flow hedging reserve	Translation reserve	Other capital reserves	Retained earnings	Equity attributable to owners of the Parent	Non-controlling interests	Total equity
<b>Equity as at Jan 1 2016</b>	17,398	64,382	-	(7,675)	68,957	641,182	784,244	34	784,278
Net profit for period	-	-	-	-	-	185,758	185,758	(15)	185,743
Payment of dividends	-	-	-	-	-	(35,491)	(35,491)	-	(35,491)
<b>Other comprehensive income</b>									
- Exchange differences on translating foreign operations	-	-	-	6,249	-	-	-	-	6,249
<b>Total comprehensive income for period</b>	-	-	-	6,249	-	150,267	150,267	(15)	156,501
<b>Contributions from and distributions to owners</b>									
- Payment of dividends	-	-	-	-	-	-	-	(33)	(33)
- Valuation of hedging instruments	-	-	-	-	-	-	-	-	-
- Share-based payments	-	-	-	-	5,809	-	5,809	-	5,809
- Issue of shares	346	13,384	-	-	-	-	13,730	-	13,730
<b>Total contributions from and distributions to owners</b>	346	13,384	-	-	5,809	-	19,539	(33)	19,506
<b>Total equity as at Sep 30 2016</b>	17,744	77,766	-	(1,426)	74,766	791,449	954,050	(14)	960,285
<b>Equity as at Jan 1 2016</b>	17,398	64,382	-	(7,675)	68,957	641,182	784,244	34	784,278
Net profit for period	-	-	-	-	-	248,663	248,663	14	248,677
<b>Other comprehensive income</b>									
- Valuation of hedging instruments	-	-	-	-	-	-	-	-	-
- Exchange differences on translating foreign operations	-	-	-	7,082	-	-	7,082	-	7,082
<b>Total comprehensive income for period</b>	-	-	-	7,082	-	248,663	255,745	14	255,759
<b>Contributions from and distributions to owners</b>									
- Payment of dividends	-	-	-	-	-	(35,491)	(35,491)	(34)	(35,525)
- Share-based payments	-	-	-	-	7,702	-	7,702	-	7,702
- Issue of shares	1,346	223,944	-	-	-	-	225,290	-	225,290
<b>Total contributions from and distributions to owners</b>	1,346	223,944	-	-	7,702	(35,491)	197,501	(34)	197,467
<b>Total equity as at Dec 31 2016</b>	18,744	288,326	-	(592)	76,659	854,354	1,237,490	14	1,237,504
<b>Equity as at Jan 1 2017</b>	18,744	288,326	-	(592)	76,658	854,354	1,237,490	14	1,237,504
<b>Comprehensive income for period</b>									
Net profit for period	-	-	-	-	-	291,207	291,207	106	291,313
<b>Other comprehensive income</b>									
- Exchange differences on translating foreign operations	-	-	-	(11,493)	-	-	(11,493)	-	(11,493)
- Valuation of hedging instruments	-	-	1,830	-	-	-	1,830	-	1,830
<b>Total comprehensive income for period</b>	-	-	1,830	(11,493)	-	291,207	281,543	106	281,649
<b>Contributions from and distributions to owners</b>									
- Payment of dividends	-	-	-	-	-	(37,488)	(37,488)	-	(37,488)
- Share-based payments	-	-	-	-	8,303	-	8,303	-	8,303
<b>Total contributions from and distributions to owners</b>	-	-	-	-	8,303	(37,488)	(29,185)	-	(29,185)
<b>Total equity as at Sep 30 2017</b>	18,744	288,326	1,830	(12,085)	84,961	1,108,073	1,489,848	120	1,489,968

## 6. Interim condensed consolidated statement of cash flows

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

PLN '000

	Jan 1 2017 - Sep 30 2017	Jul 1 2017 - Sep 30 2017	Jan 1 2016 - Sep 30 2016	Jul 1 2016 - Sep 30 2016
<b>Cash flows from operating activities</b>				
<b>Net profit for period</b>	291,313	74,332	185,742	74,399
<i>Adjustments</i>				
Depreciation of property, plant and equipment	7,038	2,280	5,138	2,397
Amortisation of intangible assets	5,547	2,137	4,683	1,324
Net finance costs	54,378	27,788	42,960	15,149
(Gain)/loss on sale of property, plant and equipment	(1,002)	(245)	(143)	(55)
Equity-settled share-based payment transactions	8,303	4,278	5,809	1,948
Income tax	8,913	3,451	(1,224)	(1,495)
Change in other investments	(3,254)	(2,273)	(1,347)	(910)
Change in debt portfolios purchased	(501,362)	(148,484)	(743,493)	(135,197)
Change in inventories	289	93	37	51
Change in receivables	(25,804)	(3,612)	(11,790)	(13,631)
Change in prepayments and accrued income	476	(1,100)	(2,258)	(2,463)
Change in current liabilities, excluding financial liabilities	66,541	117,753	11,014	(116,791)
Income tax paid	(9,389)	220	(3,921)	(246)
<b>Net cash from operating activities</b>	<b>(98,014)</b>	<b>76,617</b>	<b>(508,794)</b>	<b>(175,521)</b>
<b>Cash flows from investing activities</b>				
Interest received	208	47	336	(304)
Sale of intangible assets and property, plant and equipment	2,743	1,503	280	56
Acquisition of a subsidiary, net of cash acquired	(1,535)	(1,535)	-	(280)
Purchase of intangible assets and property, plant and equipment	(13,490)	(7,282)	(8,505)	(2,633)
<b>Net cash from investing activities</b>	<b>(12,074)</b>	<b>(7,267)</b>	<b>(7,889)</b>	<b>(2,881)</b>
<b>Cash flows from financing activities</b>				
Net proceeds from issue of shares	-	-	13,730	-
Proceeds from issue of debt securities	168,391	-	608,286	150,386
Increase in borrowings	876,726	200,640	1,077,481	321,254
Repayment of borrowings	(848,209)	(199,456)	(1,028,373)	(251,684)
Payments under finance lease contracts	(5,559)	(155)	(2,850)	(445)
Dividends paid	(37,728)	(37,728)	(35,491)	(35,491)
Redemption of debt securities	(120,000)	-	(92,034)	(1,034)
Interest paid	(61,326)	(23,192)	(39,666)	(17,258)
<b>Net cash from financing activities</b>	<b>(27,706)</b>	<b>(59,892)</b>	<b>501,083</b>	<b>165,728</b>
Total net cash flows	(137,793)	9,459	(15,600)	(12,674)
Cash and cash equivalents at beginning of period	267,384	120,132	140,742	137,816

Cash and cash equivalents at end of period	129,591	129,591	125,142	125,142
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## II. Interim condensed separate financial statements

### 1. Separate financial highlights

Financial highlights	PLN '000		EUR '000	
	Jan 1 2017 - Sep 30 2017	Jan 1 2016 - Sep 30 2016	Jan 1 2017 - Sep 30 2017	Jan 1 2016 - Sep 30 2016
Revenue	105,667	88,714	24,824	20,306
Operating loss	(42,670)	(40,358)	(10,024)	(9,238)
Profit/(loss) before tax	(42,363)	(97,156)	(9,952)	(22,239)
Net profit/(loss) for period	(44,135)	(95,580)	(10,368)	(21,878)
Net cash from operating activities	(21,000)	(46,469)	(4,933)	(10,637)
Net cash from investing activities	(135,439)	(467,597)	(31,818)	(107,031)
Net cash from financing activities	4,110	520,393	965	119,116
Change in net cash	(152,329)	6,327	(35,786)	1,448
Average number of shares ('000)	18,744	17,578	18,744	17,578
Earnings per share (PLN/EUR)	(2.35)	(5.44)	(0.55)	(1.24)
Diluted earnings per share (PLN/EUR)	(2.30)	(5.23)	(0.54)	(1.20)
<b>As at</b>	<b>Sep 30 2017</b>	<b>Dec 31 2016</b>	<b>Sep 30 2017</b>	<b>Dec 31 2016</b>
Total assets	2,383,482	2,362,301	553,128	533,974
Non-current liabilities	1,219,441	1,472,768	282,992	332,904
Current liabilities	534,282	188,282	123,989	42,559
Equity	629,769	701,251	146,146	158,511
Share capital	18,744	18,744	4,350	4,237
Book value per ordinary share (PLN/EUR)	33.69	37.41	7.89	8.46

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

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

for the current period                      **4.2566**  
for the comparative period                 **4.3688**

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

for the current period                      **4.3091**  
for the comparative period                 **4.4240**

## 2. Interim condensed separate statement of financial position

As at Sep 30 2017

PLN '000

	Sep 30 2017	Jun 30 2017	Dec 31 2016	Sep 30 2016
<b>Assets</b>				
Cash and cash equivalents	10,607	25,660	162,936	11,533
Trade receivables from related entities	21,550	24,247	38,883	23,222
Trade receivables from other entities	3,783	3,083	3,301	3,882
Investments	163,764	189,064	162,976	143,428
Hedge derivatives	1,538	5,138	-	-
Other receivables	21,736	15,825	15,292	7,189
Inventories	22	69	188	228
Property, plant and equipment	18,775	20,457	21,019	18,049
Intangible assets	13,812	13,616	13,261	12,841
Deferred tax asset	-	-	-	4,440
Investments in subsidiaries	2,124,104	2,108,921	1,940,043	1,684,328
Other assets	3,791	2,753	4,402	2,492
<b>Total assets</b>	<b>2,383,482</b>	<b>2,408,833</b>	<b>2,362,301</b>	<b>1,911,632</b>
<b>Equity and liabilities</b>				
<b>Liabilities</b>				
Treasury shares				
Trade and other payables	42,644	31,043	39,152	27,177
Employee benefit obligations	15,970	17,937	19,742	16,479
Income tax payable	2,693	-	3,514	-
Liabilities under borrowings and other debt instruments	1,689,611	1,701,502	1,594,626	1,479,971
Deferred tax liability	2,805	5,967	4,018	-
<b>Total liabilities</b>	<b>1,753,723</b>	<b>1,756,449</b>	<b>1,661,052</b>	<b>1,523,627</b>
<b>Equity</b>				
Share capital	18,744	18,744	18,744	17,744
Share premium	288,326	288,326	288,326	77,766
Cash flow hedging reserve	1,830	4,162	-	-
Other capital reserves	84,962	80,684	76,659	74,766
Retained earnings	235,898	260,468	317,522	217,729
<b>Total equity</b>	<b>629,760</b>	<b>652,384</b>	<b>701,251</b>	<b>388,005</b>
<b>Total equity and liabilities</b>	<b>2,383,482</b>	<b>2,408,833</b>	<b>2,362,301</b>	<b>1,911,632</b>

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

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

PLN '000

	Jan 1 2017 - Sep 30 2017	Jul 1 2017 - Sep 30 2017	Jan 1 2016 - Sep 30 2016	Jul 1 2016 - Sep 30 2016
Revenue	105,667	41,062	88,714	30,187
Other income	1,720	405	666	142
Merchandise and materials sold	(25)	(25)	-	-
Employee benefits expense	(89,709)	(30,782)	(73,678)	(25,140)
Depreciation and amortisation	(8,594)	(2,976)	(6,579)	(2,547)
Services	(28,548)	(9,919)	(25,928)	(9,806)
Other expenses	(23,182)	(5,268)	(23,553)	(9,196)
	(150,057)	(48,969)	(129,738)	(46,689)
<b>Operating loss</b>	(42,670)	(7,502)	(40,358)	(16,360)
Finance income	57,272	4,156	4,187	3,207
Finance costs	(56,965)	(20,426)	(60,985)	(15,395)
<b>Net finance income/costs</b>	307	(16,270)	(56,798)	(12,188)
<b>Profit/loss before tax</b>	(42,363)	(23,772)	(97,156)	(28,548)
Income tax	(1,772)	(798)	1,576	1,384
<b>Net profit/loss for period</b>	(44,135)	(24,570)	(95,580)	(27,164)
<b>Earnings/loss per share</b>				
Basic (PLN)	(2.35)	(1.31)	(5.44)	(1.53)
Diluted (PLN)	(2.30)	(1.28)	(5.23)	(1.46)



<b>Total comprehensive income for period</b>	-	-	1,830	-	(79,793)	(79,793)
<b>Contributions from and distributions to owners</b>						
- Share-based payments	-	-	-	8,303	-	8,303
- Issue of shares	-	-	-	-	-	-
<b>Total contributions from and distributions to owners</b>	-	-	-	8,303	-	8,303
<b>C Total equity as at Sep 30 2017</b>	18,744	288,326	1,830	92,664	237,728	629,760
- Payment of dividends				(35,491)		(35,491)
- Share-based payments	-	-	-	7,702	-	7,702
- Issue of shares	1,346	223,944	-	-	-	225,290
<b>Total contributions from and distributions to owners</b>	1,346	223,944	-	7,702	(35,491)	197,501
<b>Total equity as at Dec 31 2016</b>	18,744	288,326	-	84,361	317,521	701,251
<b>Equity as at Jan 1 2017</b>	18,744	288,326	-	84,361	317,521	701,251
<b>Comprehensive income for period</b>						
Net profit for period	-	-	-	-	(44,135)	(44,135)
Payment of dividends	-	-	-	-	(37,488)	(37,488)
- Valuation of hedging instruments			1,830		1,830	



## 5. Interim condensed separate statement of cash flows

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

PLN '000

	Jan 1 2017 - Sep 30 2017	Jul 1 2017 - Sep 30 2017	Jan 1 2016 - Sep 30 2016	Jul 1 2016 - Sep 30 2016
<b>Cash flows from operating activities</b>				
<b>Net profit for period</b>	(44,135)	(24,570)	(95,580)	(27,164)
<i>Adjustments</i>				
Depreciation of property, plant and equipment	5,346	1,863	3,679	1,352
Amortisation of intangible assets	3,249	1,114	2,899	1,027
Net finance (income)/costs	(2,651)	10,222	55,669	11,432
(Gain)/loss on sale of property, plant and equipment	(919)	(218)	(93)	21
Equity-settled share-based payment transactions	8,305	4,280	5,809	1,949
Income tax	1,772	799	(1,575)	(1,383)
Change in other short-term investments	-	-	(1,347)	(945)
Change in debt portfolios purchased	(135)	(2,441)	(1,488)	905
Change in inventories	166	47	4	12
Change in receivables	14,152	(629)	(4,754)	660
Change in prepayments and accrued income	611	(1,038)	(374)	(461)
Change in current liabilities, excluding financial liabilities	3,426	11,538	871	3,483
Change in employee benefit obligations	(3,772)	(1,967)	(5,884)	(206)
Income tax paid	(6,414)	(2,900)	(4,307)	(1,513)
<b>Net cash from operating activities</b>	<b>(21,000)</b>	<b>(3,900)</b>	<b>(46,469)</b>	<b>(10,831)</b>
<b>Cash flows from investing activities</b>				
Interest received	148	16	106	14
Loans advanced	(72,220)	(73,406)	(126,457)	(69,447)
Sale of intangible assets and property, plant and equipment	2,661	(32,467)	280	30
Dividends received	43,355	43,355	3,385	2,585
Disposal of financial assets	181,471	181,471	216,897	25,909
Purchase of intangible assets and property, plant and equipment	(5,615)	(5,615)	(7,381)	(2,428)
Acquisition of financial assets	(392,913)	(419,071)	(618,099)	(180,095)
Repayment of loans advanced	107,673	107,673	63,673	778
<b>Net cash from investing activities</b>	<b>(135,439)</b>	<b>23,570</b>	<b>(467,597)</b>	<b>(222,655)</b>
<b>Cash flows from financing activities</b>				
Net proceeds from issue of shares floated on stock exchange	-	-	13,730	-
Proceeds from issue of debt securities	168,391	-	608,286	150,386
Increase in borrowings	798,464	184,865	861,337	310,416
Repayment of borrowings	(746,179)	(163,249)	(794,141)	(173,352)
Redemption of debt securities	(120,000)	(120,000)	(92,034)	(1,035)
Payments under finance lease contracts	(4,058)	(793)	(2,850)	(1,219)
Dividends paid	(37,728)	(37,728)	(35,843)	(35,843)
Interest paid	(54,780)	(17,818)	(38,091)	(16,385)
<b>Net cash from financing activities</b>	<b>4,110</b>	<b>(34,723)</b>	<b>520,393</b>	<b>232,969</b>
Total net cash flows	(152,329)	(15,053)	6,327	(517)
Cash and cash equivalents at beginning of period	162,936	25,660	5,206	12,050
Cash and cash equivalents at end of period	10,607	10,607	11,533	11,533

### III. Interim condensed separate financial statements

#### 1. Organisation of the KRUK Group

##### Parent

Name:

KRUK Spółka Akcyjna (“KRUK S.A.” or “Parent”)

Registered office:

ul. Wołowska 8  
51-116 Wrocław, Poland

Registration in the National Court Register:

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

Date of entry: September 7th 2005

Entry number: KRS 0000240829

Principal business activities of the Parent and its subsidiaries

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

These interim condensed consolidated financial statements for the reporting period from January 1st to September 30th 2017 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 2017, the Management Board of the Parent consisted of:

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

In Q3 2017 and as at the issue date of this interim report, there were no changes in the composition of the Management Board of KRUK S.A..

In Q3 2017 and as at the issue date of this interim report, the composition of the Supervisory Board of KRUK S.A. did not change and was as follows:

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

## KRUK Group

As at the date of issue of this report, the Group comprised KRUK S.A. of Wrocław and 21 subsidiaries:

<b>Subsidiary</b>	<b>Registered office</b>	<b>Principal business activity</b>
Kancelaria Prawna RAVEN Krupa & Stańko sp. k.	Wrocław	Comprehensive support for litigation and enforcement proceedings as part of debt collection processes carried out by the KRUK Group and its partners
ERIF Biuro Informacji Gospodarczej S.A.	Warsaw	Collection, processing and provision of credit information on natural persons and businesses
KRUK Romania S.r.l.	Bucharest	Management of debt portfolios purchased by the KRUK Group, credit management services
Secapital S.a r.l.	Luxembourg	Special-purpose securitisation vehicle which invests in debt or debt-backed assets
Prokura NS FIZ securitisation fund	Wrocław	Fund employing professional risk assessment and credit management methodologies; all certificates issued by the fund are held by Secapital S.a.r.l.
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 Česká a Slovenská republika s.r.o.	Hradec Králové	Management of debt portfolios purchased by the KRUK Group, credit management services
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	Wrocław	Management of the Prokura NS FIZ and P.R.E.S.C.O. Investment I NS FIZ funds
InvestCapital Malta Ltd.	Malta	Investment in equity assets, including shares in KRUK Group companies
RoCapital IFN S.A.	Bucharest	Purchase and management of mortgage-backed portfolios and lending activities
ProsperoCapital sp. z o.o. w likwidacji (in liquidation)	Wrocław	In liquidation

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
Bison NS FIZ	Wrocław	Fund based on professional methods of risk assessment and debt management. The certificates issued by the fund are 100% owned by KRUK S.A.

All the subsidiaries listed above were consolidated in these condensed consolidated financial statements as at September 30th 2017 and for the period from January 1st to September 30th 2017.

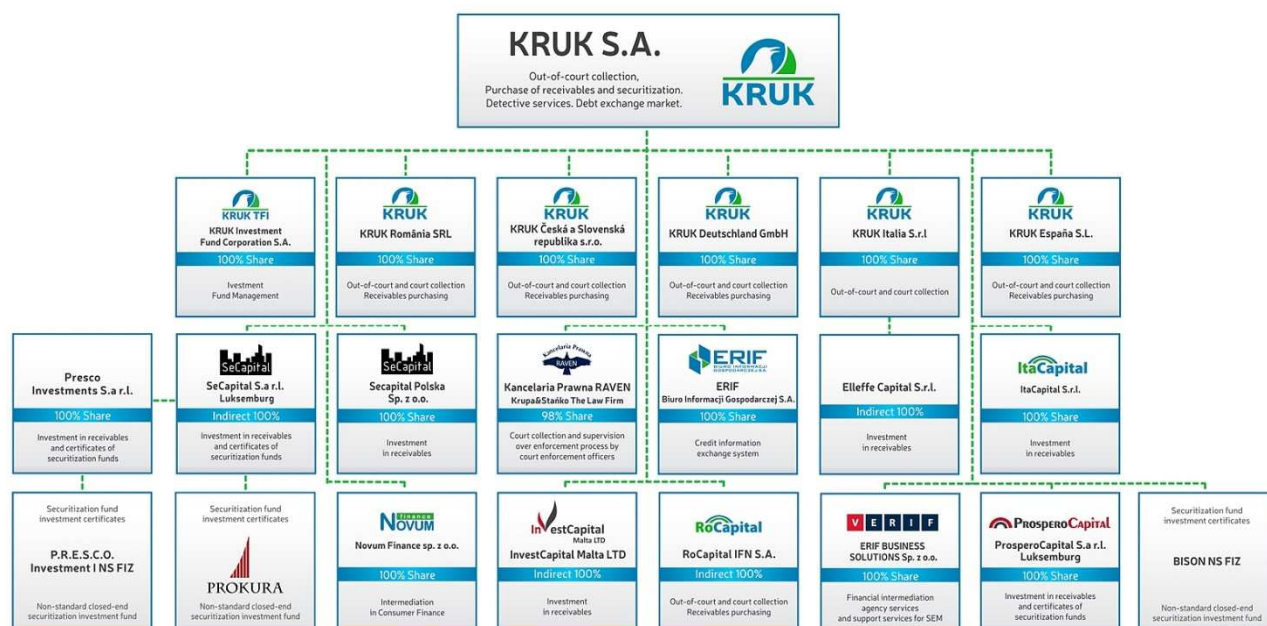
On June 22nd 2017, a notarial deed was signed whereby two subsidiaries of KRUK S.A., namely Credit Base International S.r.l. and KRUK Italia S.r.l., were merged. In accordance with the deed, the merger was effected on July 3rd 2017 by KRUK Italia S.r.l. taking over all the assets, rights and obligations of Credit Base International S.r.l.

On October 1st 2017, a notarial deed was signed whereby two subsidiaries of KRUK S.A., namely Espana Soluciones de Gestion S.L. and KRUK Espana S.L., were merged.

On October 12, 2017, an agreement was signed to purchase KRUK S.A. 100% of BISON Investment Certificates Non-Standardized Securitization Closed-end Investment Fund. The Company has acquired certificates from Lehman Brothers Holdings Inc.. for the amount of 25 mln. The nominal value of corporate receivables held by the fund is PLN 4.0 billion.

Simultaneously on the same day between Copernicus Capital TFI S.A. and KRUK TFI S.A. Bison NSFIZ management agreement was signed.

On October 27, 2017, the Company was notified of the deletion of ProsperoCapital sp. Z o.o. from the Register of Entrepreneurs of the National Court Register. in liquidation due to winding-up proceedings.



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

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

	Country	Shareholding (%)	
		Sep 30 2017	Dec 31 2016
SeCapital S.à r.l. *	Luxembourg	100%	100%
ERIF Business Solutions Sp. z o.o.	Poland	100%	100%
SeCapital Polska Sp. z o.o.	Poland	100%	100%
Rejestr Dłużników ERIF Biuro Informacji Gospodarczej S.A.	Poland	100%	100%
Novum Finance Sp. z o.o.	Poland	100%	100%
KRUK Romania S.r.l	Romania	100%	100%
Kancelaria Prawna RAVEN Krupa & Stańko Spółka komandytowa	Poland	98%	98%
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	Poland	100%	100%
KRUK Česká a Slovenská republika s.r.o.	Czech Republic	100%	100%
Prokura NS FIZ*	Poland	100%	100%
ProsperoCapital Sp. z o.o. (in liquidation)	Poland	-	100%
InvestCapital Malta Ltd *	Malta	100%	100%
RoCapital IFN S.A.*	Romania	100%	100%
Kruk Deustschland GmbH	Germany	100%	100%
KRUK Italia S.r.l	Italy	-	100%
ItaCapital S.r.l	Italy	100%	100%
KRUK Espana S.L.	Spain	100%	100%
ProsperoCapital S.à r.l.	Luxembourg	100%	100%
Presco Investments S.a.r.l.*	Luxembourg	100%	100%
P.R.E.S.C.O INVESTMENT I NS FIZ*	Poland	100%	100%
Elleffe Capital S.r.l.*	Italy	100%	100%
Espand Soluciones de Gestion S.L.	Spain	100%	100%

\* Subsidiaries in which the Company indirectly holds 100% of shares.

## 2. Significant accounting policies

### Statement of compliance

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

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

### Basis of preparation

These consolidated financial statements have been prepared based on the historical cost approach, except with respect to financial instruments at fair value through profit or loss, and include data for the period from January 1st to September 30th 2017 and comparative data for the period from January 1st to September 30th 2016. The data presented in these financial statements has not been audited.

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

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

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

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

### Changes in accounting policies

The accounting policies applied to prepare these condensed interim financial statements are consistent with those applied to prepare the most recent full-year consolidated financial statements as at and for the year ended December 31st 2016.

### 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 after January 1st 2017:

- IFRS 9: *Financial Instruments* (issued on July 24th 2014) – effective for annual periods beginning on or after January 1st 2018

On November 22nd 2016, the European Commission published the final text of IFRS 9: *Financial Instruments*, which will replace IAS 39: *Financial Instruments: Recognition and Measurement*. IFRS 9 covers the classification and measurement of financial instruments, impairment of financial instruments and trade receivables, as well as hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1st 2018, with an early adoption option. Requirements concerning classification, measurement and impairment apply retrospectively; however, presentation of comparative data is not mandatory. Requirements concerning hedge accounting apply prospectively, with few exceptions.

The Group intends to adopt the new standard as of its effective date. In 2016 and 2017, the Group performed an initial assessment of the impact of the new standard in all the three areas. The initial assessment was based on the then available information and is subject to change depending on further detailed analyses or availability of new information to the Group in the future. The Group expects that the new standard will have a significant effect on its assets and equity.

#### **(a) Classification and measurement**

IFRS 9 requires that, after initial recognition, a debt financial asset should be measured at amortised cost or at fair value based on the entity’s business model of financial asset management and on the asset’s contractual cash flow characteristics.

The Group initially assessed that the debt portfolios purchased prior to January 1st 2014 and measured at fair value would be measured at amortised cost, after the standard takes effect. The Group’s business model provides for maintaining financial assets in order to generate cash flows from purchased debt portfolios, and the cash flows relate exclusively to repayments of principal and payments of interest on the outstanding principal amount.

The Group does not expect the new standard to materially affect its other financial assets, including loans advanced.

#### **(b) Impairment**

IFRS 9 requires recognition of the effect of expected credit losses on all financial assets measured at amortised cost, that is on purchased debt portfolios, loans advanced and trade receivables.

Debt portfolios which are currently measured at amortised cost are adjusted for the effect of future expected credit losses. As the Group purchases materially impaired debt portfolios, the effect of the impairment is already included in the purchase price.

Accordingly, the Group does not expect the new regulations concerning recognition of expected credit losses to have a material effect on the measurement of its financial assets.

#### **(c) Hedge accounting**

The Group is currently analysing the effect of IFRS 9 on its hedge accounting.

- IFRS 15: *Revenue from Contracts with Customers* (issued on May 28th 2014), including amendments to IFRS 15 Effective date of IFRS 15 (issued on September 11th 2015) – effective for annual periods beginning on or after January 1st 2018

The Group did not elect to apply early any other standard, interpretation or amendment that had been published but had not become effective under the EU regulations.

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

- IFRS 14 *Regulatory Deferral Accounts* (issued on January 30th 2014) – effective for annual periods beginning on or after January 1st 2016; pursuant to the European Commission’s decision, the process leading to the approval of a preliminary version of the standard will not be initiated until the publication of its final version – not adopted by the EU as at the date of authorisation of these financial statements;
- Amendments to IFRS 10 and IAS 28 *Sale or contribution of assets between an investor and its associate or joint venture* (issued on September 11th 2014) – work leading to the approval of the amendments was postponed by the EU for an indefinite period, the effective date was postponed by the IASB for an indefinite period;
- IFRS 16: *Leases* (issued on January 13th 2016) – effective for annual periods beginning on or after January 1st 2019; as at the date of authorisation of these financial statements, the standard was not adopted by the EU;
- Amendments to IFRS 4 *Applying IFRS 9: Financial Instruments with IFRS 4: Insurance Contracts* (issued on September 12th 2016) – effective for annual periods beginning on or after January 1st 2018; as at the date of authorisation of these financial statements, the standard was not adopted by the EU;
- Amendments to IAS 12 *Recognition of deferred tax assets for unrealised losses* (issued on January 19th 2016) – effective for annual periods beginning on or after January 1st 2017; as at the date of authorisation of these financial statements, the amendments were not adopted by the EU;
- Amendments to IAS 7 *Disclosure Initiative* (issued on January 29th 2016) – effective for annual periods beginning on or after January 1st 2017; as at the date of authorisation of these financial statements, the amendments were not adopted by the EU;
- Clarifications to IFRS 15 *Revenue from Contracts with Customers* (issued on April 12th 2016) – effective for annual periods beginning on or after January 1st 2018; as at the date of authorisation of these financial statements, the amendments were not adopted by the EU;
- Amendments to IFRS 2 *Classification and measurement of share-based payment transactions* (issued on June 20th 2016) – effective for annual periods beginning on or after January 1st 2018; as at the date of authorisation of these financial statements, the amendments were not adopted by the EU;
- Amendments to IFRSs introduced as part of the Annual Improvements cycle 2014–2016 (issued on December 8th 2016); as at the date of authorisation of these financial statements, the amendments were not adopted by the EU; amendments to IFRS 12 and IFRS 1 are effective for annual periods beginning on or after January 1st 2017; amendments to IAS 28 are effective for annual periods beginning on or after January 1st 2018;
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration* (issued on December 8th 2016) – effective for annual periods beginning on or after January 1st 2018; as at the date of authorisation of these financial statements, the amendments were not adopted by the EU;
- Amendments to IAS 40 *Transfers of investment property* (issued on December 8th 2016) – effective for annual periods beginning on or after January 1st 2018; as at the date of authorisation of these financial statements, the amendments were not adopted by the EU;
- IFRS 17: *Insurance Contracts* – effective for annual periods beginning on or after January 1st 2021; as at the date of authorisation of these financial statements, the standard was not adopted by the EU;
- IFRIC Interpretation 23 *Uncertainty over Income Tax Treatments* – effective for annual periods beginning on or after January 1st 2019; as at the date of authorisation of these financial statements, the interpretation was not adopted by the EU.

The Management Board is currently analysing the effect of the above changes on the financial statements and financial condition of the Group.



### 3. Reporting and geographical segments

#### Reporting segments

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

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

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

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

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

- Poland
- Romania
- Italy
- Other foreign markets

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

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

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

	<b>Poland</b>	<b>Romania</b>	<b>Italy</b>	<b>Other foreign markets</b>	<b>TOTAL</b>
<b>Revenue</b>	<b>389,917</b>	<b>308,687</b>	<b>54,718</b>	<b>53,597</b>	<b>806,919</b>
Purchased debt portfolios	351,884	302,185	51,657	37,788	<b>743,515</b>
Collection services	19,623	6,449	3,061	15,809	<b>44,941</b>
Other products	18,410	53	-	-	<b>18,463</b>
<b>Direct and indirect costs</b>					<b>(319,415)</b>
Purchased debt portfolios	-	-	-	-	<b>(281,338)</b>
Collection services	-	-	-	-	<b>(31,615)</b>
Other products	-	-	-	-	<b>(6,463)</b>
<b>Gross profit</b>					<b>487,503</b>
Purchased debt portfolios	-	-	-	-	<b>462,177</b>
Collection services	-	-	-	-	<b>13,326</b>
Other products	-	-	-	-	<b>12,000</b>
Administrative expenses	-	-	-	-	<b>(103,887)</b>
Depreciation and amortisation	-	-	-	-	<b>(12,585)</b>
Other income	-	-	-	-	<b>3,739</b>
Other expenses (unallocated)	-	-	-	-	<b>(6,755)</b>
Finance income/costs	-	-	-	-	<b>(67,790)</b>
Profit before tax	-	-	-	-	<b>300,226</b>
Income tax	-	-	-	-	<b>(8,913)</b>

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			<b>27</b>		<b>27</b>
<b>Net profit</b>	-	-	-	-	<b>291,313</b>
<b>Value of debt portfolios as at Sep 30 2017</b>	<b>1,390,432</b>	<b>838,054</b>	<b>598,275</b>	<b>297,184</b>	<b>3,123,945</b>

**For the reporting period January 1st–September 30th 2016**

	<b>Poland</b>	<b>Romania</b>	<b>Italy</b>	<b>Other foreign markets</b>	<b>TOTAL</b>
<b>Revenue</b>	<b>284,014</b>	<b>221,739</b>	<b>8,577</b>	<b>27,930</b>	<b>542,262</b>
Purchased debt portfolios	248,521	218,812	8,577	27,539	503,449
Collection services	19,881	2,928	-	391	23,200
Other products	15,612	-	-	-	15,612
<b>Direct and indirect costs</b>					<b>(230,158)</b>
Purchased debt portfolios	-	-	-	-	<b>(203,087)</b>
Collection services	-	-	-	-	<b>(16,960)</b>
Other products	-	-	-	-	<b>(10,111)</b>
<b>Gross profit</b>					<b>312,104</b>
Purchased debt portfolios	-	-	-	-	<b>300,362</b>
Collection services	-	-	-	-	<b>6,241</b>
Other products	-	-	-	-	<b>5,501</b>
Administrative expenses	-	-	-	-	<b>(77,284)</b>
Depreciation and amortisation	-	-	-	-	<b>(9,821)</b>
Other income	-	-	-	-	<b>1,782</b>
Other expenses (unallocated)	-	-	-	-	<b>(4,290)</b>
Finance income/costs	-	-	-	-	<b>(37,974)</b>
Profit before tax	-	-	-	-	<b>184,517</b>
Income tax	-	-	-	-	<b>1,224</b>
<b>Net profit</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>185,741</b>
<b>Value of debt portfolios as at Sep 30 2016</b>	<b>1,241,938</b>	<b>749,993</b>	<b>248,816</b>	<b>102,004</b>	<b>2,342,751</b>

#### 4. Purchased debt portfolios

PLN '000

<b>Value of purchased debt portfolios as at Jan 1 2016</b>	<b>1,598,132</b>
Purchase of debt portfolios	1,285,899
Purchase price adjustment for discount	(1,209)
Cash recoveries	(992,406)
Value of foreclosed property	(6,551)
Increase/(decrease) in liabilities to debtors due to overpayments	1,024
Valuation of loyalty scheme	5,173
Revenue from debt purchase (interest and revaluation)	724,931
Currency translation differences on debt portfolios	25,953
<b>Value of purchased debt portfolios as at Dec 31 2016</b>	<b><u>2,640,946</u></b>
<b>Value of purchased debt portfolios as at Jan 1 2017</b>	<b>2,640,946</b>
Purchase of debt portfolios	766,533
Purchase price adjustment for discount	-
Cash recoveries	(994,016)
Value of property	(6,897)
Increase/(decrease) in liabilities to debtors due to overpayments	435
Valuation of loyalty scheme	4,485
Revenue from debt purchase (interest and revaluation)	743,515
Currency translation differences on debt portfolios	(31,269)
<b>Value of purchased debt portfolios as at Sep 30 2017</b>	<b><u>3,123,731</u></b>

(\*) Relates to portfolios held by the subsidiaries whose functional currencies are other than the zloty.

## 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

	<b>Jan 1 2017 - Sep 30 2017</b>	<b>Jan 1 2016 - Sep 30 2016</b>
Revenue from debt purchase	743,515	503,449
Revenue from fee-based credit management services	44,941	23,200
Revenue from other products	18,463	15,612
	<u>806,919</u>	<u>542,262</u>

### Revenue from debt purchase

PLN '000

	<b>Jan 1 2017 - Sep 30 2017</b>	<b>Jan 1 2016 - Sep 30 2016</b>
Interest income adjusted for actual recoveries	638,119	448,631
Revaluation of debt portfolios	94,025	51,975
Sale of debts	6,390	-
Foreclosure of property	6,329	2,707
Sale of property	444	727
Value of debt sold	(1,792)	(591)
	<u>743,515</u>	<u>503,449</u>

PLN '000

	<b>Jan 1 2017 - Sep 30 2017</b>	<b>Jan 1 2016 - Sep 30 2016</b>
Revision of recovery forecast	101,814	51,235
Change due to change in discount rate	(879)	115
Foreign exchange gains/losses	(6,909)	625
	<u>94,026</u>	<u>51,975</u>

Revenue from debt purchase includes:

### Revenue from debt portfolios measured at fair value

PLN '000

	<b>Jan 1 2017 - Sep 30 2017</b>	<b>Jan 1 2016 - Sep 30 2016</b>
Interest income adjusted for actual recoveries	237,669	237,817
Revaluation of debt portfolios	109,022	100,911
Sale of debts	40	-
Foreclosure of property	576	1,625
Sale of property	(13)	14
Value of property sold	(158)	-
	<u>347,135</u>	<u>340,367</u>

### Revaluation of debt portfolios measured at fair value

<i>PLN '000</i>	<b>Jan 1 2017 - Sep 30 2017</b>	<b>Jan 1 2016 - Sep 30 2016</b>
Forecast revision	111,030	99,448
Change due to change in discount rate	(879)	115
Foreign exchange gains/losses	(1,128)	1,348
	<u>109,022</u>	<u>100,911</u>
	-	-

Revaluation of debt portfolios represents changes in the fair value of financial assets measured at fair value through profit or loss which have been designated as such at the time of their initial recognition.

The recovery forecast update is primarily based on an analysis of:

- Debtors' behaviour patterns and effectiveness of the collection tools applied;
- Changes in currency exchange rates against PLN (for debt portfolios purchased abroad).

Pursuant to the accounting policies applied by the Company, income and gains on financial instruments at fair value through profit or loss are presented as revenue from purchased debt portfolios under operating income.

### Revenue from debt portfolios measured at amortised cost

<i>PLN '000</i>	<b>Jan 1 2017 - Sep 30 2017</b>	<b>Jan 1 2016 - Sep 30 2016</b>
Interest income adjusted for actual recoveries	400,449	210,814
Revaluation of debt portfolios	(14,997)	(48,936)
Sale of debts	6,350	-
Foreclosure of property	5,753	1,082
Sale of property	457	713
Value of debt sold	(1,634)	(591)
	<u>396,379</u>	<u>163,082</u>

### Revaluation of debt portfolios measured at amortised cost

<i>PLN '000</i>	<b>Jan 1 2017 - Sep 30 2017</b>	<b>Jan 1 2016 - Sep 30 2016</b>
Revision of recovery forecast	(9,215)	(48,213)
Foreign exchange gains/losses	(5,782)	(724)
	<u>(14,996)</u>	<u>(48,936)</u>

Pursuant to the accounting policies applied by the Company, income and gains on financial instruments at amortised cost are presented as revenue from purchased debt portfolios under operating income.

## Other expenses

PLN '000

	Jan 1 2017 - Sep 30 2017	Jan 1 2016 - Sep 30 2016
Stamp duties, court and bailiff fees	(95,568)	(45,660)
Advertising	(5,628)	(2,827)
Raw materials and energy used	(9,550)	(7,845)
Taxes and charges	(27,359)	(60,157)
Staff training	(3,140)	(1,634)
Business trips	(5,591)	(1,975)
Entertainment expenses	(629)	(513)
Motor insurance	(1,418)	(420)
Losses from damage caused by motor vehicles	(619)	(567)
Property insurance	(401)	(71)
Other	(3,141)	(4,381)
	<u>(153,043)</u>	<u>(126,050)</u>

## Finance income

PLN '000

	Jan 1 2017 - Sep 30 2017	Jan 1 2016 - Sep 30 2016
Interest income on bank deposits	208	335
Net foreign exchange gains	-	5,861
	<u>208</u>	<u>6,196</u>

## Finance costs

Interest expense on financial liabilities measured at amortised cost	(60,437)	(44,171)
Net foreign exchange gains	(7,561)	-
	<u>(67,998)</u>	<u>(44,171)</u>

PLN '000

	Jan 1 2017 - Sep 30 2017	Jan 1 2016 - Sep 30 2016
Exchange differences on translating foreign operations	(12,085)	(1,426)
Attributable to:		
Owners of the Parent	<u>(12,085)</u>	<u>(1,426)</u>
Finance income/(cost) recognised directly in other comprehensive income	<u>(12,085)</u>	<u>(1,426)</u>



## Borrowings and finance lease liabilities

<i>PLN '000</i>	<b>Sep 30 2017</b>	<b>Dec 31 2016</b>	<b>Sep 30 2016</b>
<b>Non-current liabilities</b>			
Secured borrowings	207,235	143,246	224,210
Liabilities under debt securities (unsecured)	1,293,834	1,227,027	1,017,268
Finance lease liabilities	5,616	6,812	5,802
	<b>1,506,686</b>	<b>1,377,085</b>	<b>1,247,280</b>
<b>Current liabilities</b>			
Short-term portion of secured borrowings	77,130	124,105	59,756
Liabilities under debt securities	124,162	138,074	191,887
Short-term portion of finance lease liabilities	6,069	7,147	11,440
	<b>207,360</b>	<b>269,326</b>	<b>263,083</b>

As at March 31st 2017, the KRUK Group's financial ratios were as follows:

**1.06** – Debt Ratio

**1.89** – Net Financial Debt / Cash EBITDA Ratio;

where:

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

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

**Equity** means the KRUK Group's equity;

**Financial Liabilities** means total financial liabilities under:

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

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

## Earnings per share

‘000

	<u>Jan 1 2017 - Sep 30 2017</u>	<u>Jan 1 2016 - Dec 31 2016</u>	<u>Jan 1 2016 - Sep 30 2016</u>
Number of ordinary shares as at Jan 1	18,744	17,398	17,398
Effect of cancellation and issue of shares	-	259	180
Weighted average number of ordinary shares	<u>18,744</u>	<u>17,657</u>	<u>17,578</u>
PLN			
Earnings per share (basic)	<u>15.54</u>	<u>14.08</u>	<u>10.57</u>
‘000	<i>Note</i>		
	<u>Jan 1 2017 - Sep 30 2017</u>	<u>Jan 1 2016 - Dec 31 2016</u>	<u>Jan 1 2016 - Sep 30 2016</u>
Weighted average number of ordinary shares	<u>18,744</u>	<u>17,657</u>	<u>17,578</u>
Effect of share option issue	<u>459</u>	<u>698</u>	<u>689</u>
Weighted average number of ordinary shares (diluted)	<u>19,203</u>	<u>18,355</u>	<u>18,267</u>
PLN			
Earnings per share (diluted)	<u>15.16</u>	<u>13.55</u>	<u>10.17</u>

## Number of FTEs

<i>number of FTEs</i>	<u>Sep 30 2017</u>
Number of FTEs	<u>3,044</u>
	<u>3,044</u>

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

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

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

- Our marketing and PR activities at the beginning of a year focus on developing the final version of the strategic plans and objectives we wish to achieve in the coming quarters. By initiating media campaigns and creating a positive image of the Group, we aim to increase the value of the Company and the KRUK brand. We are committed to promoting the amicable settlement strategy among our current and future clients by highlighting its benefits in our communication with trading partners, journalists, and industry representatives. One of our top priorities, inspired by the findings of social research, is financial education of debtors and their environment. A survey commissioned by the KRUK Group shows that over the past three years as many as 48% Poles have taken out a loan. They

are second only to Romanians, 56% of whom have incurred such debts. By contrast, in the Mediterranean countries people have been less likely to take out a loan, with only 24% of Spaniards and Italians deciding to do so. In Germany, the rate is even lower (20%), confirming that our mission to educate the public on financial matters and sustainable household budget management is important.

- As regards our public relations activities, in January we officially launched a press conference in Madrid, where we met key journalists from the Spanish media. Our communication centers around the uniqueness of our amicable settlement strategy and inclusion of the Espand Group into the KRUK Group structure. The journalists responded with genuine interest in our business model and extra communication efforts to educate clients financially. The press conference was aimed at raising journalists' awareness of KRUK's presence in Spain and of the new quality standard the Company is setting on that market.
- March 15th is the World Consumer Rights Day, celebrated each year. It provided us with an opportunity to support the communication efforts of ERIF Biuro Informacji Gospodarczej, a credit reference agency. We conducted a dedicated survey which revealed that close to half of Poles assess their awareness of consumer rights as average. Only one out of seven checks the solvency of a company before entering into cooperation, with more than 70% never using the services of credit reference agencies to establish the reliability of a potential business partner. To remedy a violation of their rights, the vast majority of Poles would primarily seek help from their local consumer ombudsman, who would be the preferred institution for 53% of the respondents when being refused a refund on a complaint. 25% of them would turn for advice to the Office of Competition and Consumer Protection, while every 10th person to the Consumer Information Centre. Only 3% would seek help from a lawyer.
- In January, ERIF Biuro Informacji Gospodarczej was the official sponsor of the Loan Magazine Awards Gala 2016. The event was attended by representatives of the largest lending and financial institutions in Poland. The highlight of the evening was the presentation of awards and distinctions to entities which last year stood out for their activity on the FinTech market in Poland, thus significantly contributing to its development. The Loan Magazine Awards 2016 gathered nearly 150 guests and proved to be a very successful event for the entire FinTech sector in Poland.
- The second quarter saw the Group organising spring conferences, including the latest editions of our conferences for the insurance industry and bailiffs. During the two-day ERIF Forum, our business partners had plenty of opportunity to learn about and be inspired by the economic information exchange market. At the Wrocław Women's Forum, Magdalena Janocka, a representative of the KRUK Group, and Dominika Nawrocka, author of the [kobietapieniadze.pl](http://kobietapieniadze.pl) blog, debated whether the world of finance is women's domain and what role finance plays in our personal lives. In Brno, the Czech Republic, we had the pleasure of hosting our business partners at another sales conference held by KRUK Česká a Slovenská republika.
- In the third quarter, we carried out a survey entitled 'Household budget of Polish couples'. Its results show Polish couples' views on financial matters and the way both married and cohabiting couples plan spending and saving money. The purpose of the survey was to find out whether any changes have occurred in this respect in society, what requires our particular attention when taking out loans together or signing agreements for various types of services. The main point was to draw media attention to how discussing financial matters can affect relationships, whether the partners discuss their household budget together or plan spending and taking out loans.

- In September, we conducted the second cycle of the workshops ‘Small step, giant chance’, which were carried out for both the employees of the Municipal Social Welfare Centres and Municipal Family Welfare Centres and the debtors struggling with difficult financial situation. As in the previous year, the workshops were conducted by psychologists from the Debtor Support Association. The workshops were supported by the cooperation with the Municipal Social Welfare Centres in Wałbrzych, Piła, Poznań, Gdańsk, Wrocław, Częstochowa and Kraków. The purpose of the workshops was, first, to familiarise the Centres’ employees with psychological profiles of debtors and help to understand debtors’ behaviour and, second, to show the debtors the way out of debt, to provide guidance to help them plan their household budgets. A total of 225 people attended the workshops.
- September is also the time of conferences. KRUK’s representative was a speaker at the ‘Educating Clients In Debt’ conference. The conference was prepared by the Practical Events agency. It was addressed to industry representatives and people working in the recovery departments daily. The purpose of the conference included the presentation of ethical attitudes in contacts with clients.
- For the fourth time, we have organized the Debt Management Forum (the fourth edition). KRUK S.A. addresses this unique two-day event to the financial sector. The Forum is a unique platform for exchanging experience and for valuable discussions among debt managers and experts. It is a great opportunity for industry professionals to share their knowledge with others, but also to discuss the current market situation, especially in the context of the future of the banking sector and the associated legislative changes, possible scenarios and directions for its development. The Forum discussions have covered the subject of how the financial market should keep pace with the changing world? In addition to that event, we also organized the conferences of ‘Local Government Forum’ and conferences for our business partners in the Czech Republic. At the beginning of the fourth quarter, a conference for our business partners in Romania was held on the occasion of the tenth anniversary of KRUK Romania.

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

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

Investments in debt portfolios purchased by the Company in Q1–Q3 2017 totalled PLN 767m.

In 2017, the Company and Bank Zachodni WBK S.A. entered into two cross currency interest rate swap contracts (“CIRS”). The contracts hedge both the currency and the interest rate risk as they effectively replace the Company’s debt contracted in the złoty with EUR-denominated liabilities:

- A contract executed on January 9th 2017 hedges the 3M WIBOR-linked coupon on bonds with a nominal value of PLN 100m. The Company pays at a fixed rate of 3.06%, while Bank Zachodni WBK pays at a floating rate equal to 3M WIBOR plus a margin of 3.10%. Interest payments are made every three months (interest period). Settlement of the contract will involve exchange of the hedged nominal amount and will be made on June 4th 2021. On that day, the Company will receive PLN 100m from BZ WBK and will pay EUR 22.8m to BZ WBK.
- A contract executed on January 13th 2017 hedges the 3M WIBOR-linked coupon on bonds with a nominal value of PLN 90m. The Company pays at a fixed rate of 2.97%, while Bank Zachodni WBK pays at a floating rate equal to 3M WIBOR plus a margin of 3.00%. Interest payments are made every three months (interest period). Settlement of the contract will involve exchange of the hedged

nominal amount and will be made on November 10th 2021. On that day, the Company will receive PLN 90m from BZ WBK and will pay EUR 20.6m to BZ WBK.

On July 3rd 2017, KRUK S.A. and subsidiary InvestCapital Malta Ltd. entered into a revolving multi-currency credit facility agreement with a bank syndicate comprising DNB Bank ASA of Oslo, ING Bank Śląski S.A. of Katowice, Bank Zachodni WBK S.A. of Wrocław, and mBank S.A. of Warsaw (Lenders). The subject matter of the agreement was a revolving multi-currency credit facility of up to EUR 250m. Under the terms and conditions of the credit facility, credit tranches can be used to finance or refinance debt portfolio purchases made by the borrower in European markets, with the exception of Poland. The credit facility is granted for a period of five years from the agreement date. The interest rate on the facility was set on an arms' length basis at a currency-specific IBOR plus margin. The agreement provides for the following security:

a) pledge or other encumbrance on designated foreign portfolios held by the Borrower, b) pledge on bank accounts into which portfolio recoveries are directly or indirectly paid, c) pledge on the deposit account in which the Borrower holds particular bonds, and on the account into which proceeds from such bonds are paid, d) surety provided by KRUK S.A. and KRUK S.A.'s declaration of submission to enforcement, each up to EUR 375m.

Estimated as at May 31st 2017, the value of security listed in a), b) and c) above totalled approximately PLN 414m.

On September 27th 2017 KRUK S.A. was informed that its subsidiary, PROKURA NS FIZ, won the tender for the purchase of an unsecured retail debt portfolio from Getin Noble Bank S.A. The nominal value of the portfolio was approximately PLN 419.7m.

On September 28th 2017, PROKURA NS FIZ (the Company's subsidiary) and Getin Noble Bank S.A. concluded an agreement whereby PROKURA NS FIZ purchased from the Bank a portfolio of unsecured retail debts with an aggregate nominal value of PLN 419.7m.

As at September 30th 2017, the Group's investments in debt portfolios accounted for 91% of its assets. Equity accounted for 45% of the financing for the Group's operations.

## **8. Seasonality or cyclicity of business**

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

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

On April 13th 2017, the KRUK Management Board passed resolutions to issue up to 20,000 Series AE1 bonds. The Company resolved to issue up to 20,000 Series AE1 unsecured bearer bonds with a nominal value of EUR 1,000 per bond, maturing 60 months after the allotment date.

On May 26th 2017, the KRUK Management Board passed resolutions to issue up to 20,000 Series AE2 bonds. The Company resolved to issue up to 20,000 Series AE2 unsecured bearer bonds with a nominal value of EUR 1,000 per bond, maturing 60 months after the allotment date.

On July 3rd 2017, KRUK S.A. and subsidiary InvestCapital Malta Ltd. entered into a revolving multi-currency credit facility agreement with a bank syndicate comprising DNB Bank ASA of Oslo, ING Bank Śląski S.A. of Katowice, Bank Zachodni WBK S.A. of Wrocław, and mBank S.A. of Warsaw. The agreement provides for a

revolving multi-currency credit facility of up to EUR 250m. Under the terms and conditions of the credit facility, credit tranches can be used to finance or refinance debt portfolio purchases made by the borrower in European markets, with the exception of Poland. The credit facility is granted for a period of five years from the agreement date. The interest rate on the facility was set on an arms' length basis at a currency-specific IBOR plus margin. The agreement provides for the following security:

- a) pledge or other encumbrance on designated foreign portfolios held by the Borrower,
- b) pledge on bank accounts into which portfolio recoveries are directly or indirectly paid,
- c) pledge on the deposit account in which the Borrower holds particular bonds, and on the account into which proceeds from such bonds are paid,
- d) surety provided by KRUK S.A. and KRUK S.A.'s declaration of submission to enforcement, each up to EUR 375m.

Estimated as at May 31st 2017, the value of security listed in a), b) and c) above totalled approximately PLN 414m.

The agreement sets forth the terms and conditions which must be met for the first credit tranche to be advanced. The agreement stipulates no additional conditions precedent or subsequent, or contractual penalties. Other terms and conditions of the agreement do not differ from those commonly used in agreements of such type.

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

On March 28th 2017, the Management Board of KRUK S.A. passed a resolution to recommend to the Parent's Annual General Meeting distribution of dividend of PLN 2 per share to KRUK S.A. shareholders from the net profit earned by the Company in 2016 and increased by an amount of retained earnings.

The recommendation on dividend payment and dividend amount was prepared taking into account the KRUK Group's current financial condition as well as its further growth strategy, plans and prospects. The Management Board may recommend distribution of dividends in the future, but in each case the final decision in this respect will be made with due regard to the Group's strategic plans, growth prospects, investment financing requirements, as well as its current debt level and overall financial condition.

In its resolution, effective as of March 31st 2017, on the assessment of the Management Board's proposal on distribution of KRUK S.A.'s net profit for 2016 and evaluation of the dividend recommendation, the Supervisory Board approved the proposals.

On May 15th 2017, the Annual General Meeting decided to allocate all of the Company's net profit for 2016 for dividend payments to the shareholders and to pay them a dividend of PLN 2.00 per share. The dividend was paid from the Company's net profit of PLN 4,212,086.30 for 2016 and retained earnings of PLN 33,276,345.70

on July 5th 2017.

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

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

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

### Security for future liabilities

Following the execution on December 19th 2016 of Annex 2 to the framework agreement on the procedure for execution and settlement of transactions of June 13th 2013 between KRUK S.A. and Bank Zachodni WBK S.A., on September 20th 2017 KRUK S.A. issued a blank promissory note with a promissory note declaration in favour of Bank Zachodni WBK S.A., securing KRUK S.A.'s liabilities under treasury transactions made on the basis of the framework agreement of June 13th 2013, as amended. In accordance with the promissory note declaration, the promissory note may be cashed by Bank Zachodni WBK S.A. for up to PLN 162,397 thousand until the derivative transactions are settled and any related claims of the Bank are satisfied. The framework agreement on the procedure for execution and settlement of treasury transactions, as amended, does not create any obligation to enter into treasury transactions. Thus the blank promissory note together with the promissory note declaration issued on January 9th 2017. for the amount of PLN 99,000 thousand, in favour of Bank Zachodni WBK S.A. was officially and collectively destroyed.

Following the conclusion, on July 3rd 2017, of a revolving multi-currency credit facility agreement between KRUK S.A. and InvestCapital Malta LTD (the Borrower), and ING Bank Śląski SA, Bank Zachodni WBK SA and mBank SA, as announced in Current Report No. 35/2017, in order to secure InvestCapital Malta LTD's liabilities under the agreement:

- KRUK S.A., a party to the revolving multi-currency credit facility, issued a surety for the term of the credit facility agreement (five years from the execution date, i.e. until July 3rd 2023) and on July 3rd 2017 signed a declaration of voluntary submission to enforcement for an amount of up to EUR 375,000 thousand for DNB Bank ASA.
- On July 3rd 2017, InvestCapital Malta LTD, DNB Bank ASA, ING Bank Śląski S.A., Bank Zachodni WBK S.A. and mBank S.A. concluded a pledge agreement over the portfolios purchased by InvestCapital Malta LTD on the Spanish market and a pledge agreement over the Borrower's bank account maintained in Spain, to which the portfolio recoveries are paid. Both agreements are governed by the Spanish law. As at September 30th 2017, the value of the pledged portfolios was PLN 73,601 thousand.
- On July 3rd 2017, InvestCapital Malta LTD and DNB Bank ASA signed a pledge agreement over the portfolios purchased by InvestCapital Malta LTD on the Romanian market. The pledge agreement over the Borrower's bank account maintained in Romania, to which recoveries from the pledged portfolios are credited, was signed by InvestCapital Malta LTD, KRUK Romania SRL and DNB Bank ASA on July 3rd 2017. Both agreements are governed by the Romanian law. As at September 30th 2017, the value of the pledged portfolios was PLN 211,126 thousand.
- On July 3rd 2017, InvestCapital Malta LTD and DNB Bank ASA concluded a pledge agreement under Luxembourg law over the Borrower's bank account maintained in Luxembourg, to which recoveries

from the pledged portfolios purchased by InvestCapital Malta LTD on the Romanian market are indirectly credited.

- On July 3rd 2017, InvestCapital Malta LTD and DNB Bank ASA signed an agreement on assignment by way of security of the portfolios purchased by InvestCapital Malta LTD on the German market. The pledge agreement over the Borrower's bank account maintained in Germany, to which recoveries from the pledged portfolios are paid, was signed by InvestCapital Malta LTD, DNB Bank ASA, ING Bank Śląski S.A., Bank Zachodni WBK S.A. and mBank S.A. on July 3rd 2017. Both agreements are governed by the German law. As at September 30th 2017, the value of the pledged portfolios was PLN 16,554 thousand.
- On July 3rd 2017, InvestCapital Malta LTD and DNB Bank ASA signed a pledge agreement over the deposit account maintained in Italy, in which the Borrower holds particular bonds, and over the Borrower's bank account into which proceeds from such bonds are paid. As at September 30th 2017, the nominal value of the bonds deposited in the indicated account was EUR 27,300 thousand.
- On October 5th 2017, InvestCapital Malta LTD, DNB Bank ASA, ING Bank Śląski S.A., Bank Zachodni WBK S.A. and mBank S.A. concluded two pledge agreements under Spanish law over the portfolios purchased by InvestCapital Malta LTD on the Spanish market. As at September 30th 2017, the value of the pledged portfolios was PLN 50,004 thousand.

In connection with a PLN 17,500 thousand share capital cancellation completed on September 25th 2017 in InvestCapital Malta Ltd., which will become final by December 25th 2017, on September 25th 2017 KRUK S.A. issued a corporate guarantee to InvestCapital Malta Ltd for up to PLN 17,500 thousand. The guarantee will expire on December 25th 2017. The purpose of the guarantee is to secure the interests of InvestCapital Malta Ltd's creditors, who can challenge the share cancellation by December 25th 2017.

Following the execution on September 1st 2017 of Annex 3 to the revolving facility agreement between PROKURA NS FIZ, KRUK S.A. and mBank S.A. of July 2nd 2015 to establish security for the liabilities of Prokura NS FIZ under the agreement:

- On September 1st 2017, KRUK S.A. and mBank S.A. signed Annex 2 to the financial pledge agreement over the account of July 2nd 2015, announced by the Company in Current Report No. 39/2015. Under the annex, the validity of the financial pledge was extended to July 1st 2025.
- On September 1st 2017, KRUK S.A. and mBank S.A. signed Annex 2 to a surety agreement of July 2nd 2015, announced by the Company in Current Report No. 39/2015. Under the annex, the validity of the surety provided by KRUK S.A. for up to PLN 150m in respect of obligations incurred by PROKURA NS FIZ towards mBank S.A. under a credit facility agreement was extended to July 1st 2025.

Following the execution, on December 15th 2016, of Annex 3 to the revolving credit facility agreement of October 3rd 2014 between KRUK S.A. and Bank BGŻ BNP Paribas S.A.,

- on March 17th 2017 an agreement was signed to create a registered pledge under Luxembourg law over 17,073 Class D shares in a compartment of SeCapital S.à.r.l. The pledge agreement was concluded between KRUK S.A., SeCapital S.à.r.l. and Bank BGŻ BNP Paribas S.A. As at September 30th 2017, the pledge secured Bank BGŻ BNP Paribas S.A.'s claims under the revolving credit facility agreement, including the principal of up to PLN 105,000 thousand plus interest, fees and commissions, and expenses (if any). The pledge was created over 94,456 Class D shares in



compartment D of Secapital S.à.r.l., with a carrying amount, as disclosed in KRUK S.A.'s accounting books, of PLN 103 thousand.

In connection with the revolving credit facility agreement of April 8th 2011, as amended, between KRUK S.A. and Bank Zachodni WBK S.A., on March 2nd 2017 KRUK S.A. and Bank Zachodni WBK concluded:

Agreement on termination of the registered pledge agreement of April 14th 2011, as amended, under which a pledge was created in favour of Bank Zachodni WBK S.A. over 5,389 Class E shares in sub-fund E of Secapital S.à.r.l., with a carrying amount, as disclosed in KRUK S.A.'s accounting books, of PLN 5,389 thousand;

Agreement on termination of the registered pledge agreement of May 14th 2012, as amended, under which a pledge was created in favour of Bank Zachodni WBK S.A. over 1,735 Class E shares in sub-fund E of Secapital S.à.r.l., with a carrying amount, as disclosed in KRUK S.A.'s accounting books, of PLN 1,735 thousand;

Agreement on termination of the registered pledge agreement of June 9th 2014, as amended, under which a pledge was created in favour of Bank Zachodni WBK S.A. over 30,000 Class E shares in sub-fund E of Secapital S.à.r.l., with a carrying amount, as disclosed in KRUK S.A.'s accounting books, of PLN 30,000 thousand;

Annex 3 to the registered pledge agreement of May 7th 2014, as amended, between KRUK S.A., SeCapital S.à.r.l. and Bank Zachodni WBK S.A. In accordance with the annex, 49,180 shares with a carrying amount, as disclosed in KRUK S.A.'s accounting books, of PLN 49,180 thousand are pledged in favour of Bank Zachodni WBK S.A.

Following the execution of a non-revolving working capital facility agreement of December 5th 2016 between POKURA NS FIZ, KRUK S.A. and PKO BP S.A., in order to secure PROKURA NS FIZ's liabilities,

on January 12th 2017, PROKURA NS FIZ signed Annex 1 to an agreement on a registered pledge over a set of rights, dated July 8th 2016, creating a pledge over debts purchased by PROKURA NS FIZ in favour of Bank PKO BP S.A. On February 7th 2017, the pledge was entered in the pledge register. As at September 9th 2017, the total carrying amount of the pledged assets in KRUK S.A.'s accounting books was PLN 80,140,798.00.

In connection with the revolving credit facility agreement of March 31st 2014, as amended, between KRUK S.A. and Getin Noble Bank S.A., on April 3rd 2017 KRUK S.A. and Getin Noble Bank S.A. concluded:

- Annex 1 to the registered pledge agreement of August 18th 2014 between KRUK S.A., SeCapital S.à.r.l. and Getin Noble Bank S.A. In accordance with the annex, 165,346 shares with a carrying amount, as disclosed in KRUK S.A.'s accounting books, of PLN 181,880 thousand are pledged in favour of Getin Noble Bank S.A.

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

On June 22nd 2017, a notarial deed was signed whereby two subsidiaries of KRUK S.A., namely Credit Base International S.r.l. and KRUK Italia S.r.l., were merged. In accordance with the deed, the merger was effected on July 1st 2017 by KRUK Italia S.r.l. taking over all the assets, rights and obligations of Credit Base International S.r.l.

On October 1st 2017, a notarial deed was signed whereby two subsidiaries of KRUK S.A., namely ESPAND SOLUCIONES DE GESTION S.L. and KRUK ESPAÑA S.L. were merged. In accordance with the deed, the merger

was effected on October 1st 2017 by ESPAND SOLUCIONES DE GESTION, S.L. taking over all the assets, rights and obligations of KRUK ESPAÑA S.L.

On 1 October 2017, a notarial deed was signed regarding the merger of two subsidiaries of KRUK S.A., ie the company ESPAND SOLUCIONES DE GESTION S.L. and KRUK ESPAÑA S.L. According to the aforementioned notarial act, the merger took place on October 1, 2017, with the same date as ESPAND SOLUCIONES DE GESTION, S.L. It took over all the assets, rights and duties, as well as the name KRUK ESPAÑA S.L.

On October 12, 2017, an agreement was signed to purchase KRUK S.A. 100% of BISON Investment Certificates Non-Standardized Securitization Closed-end Investment Fund. The Company has acquired certificates from Lehman Brothers Holdings Inc.. for the amount of 25 mln. The nominal value of corporate receivables held by the fund is PLN 4.0 billion.

Simultaneously on the same day between Copernicus Capital TFI S.A. and KRUK TFI S.A. Bison NSFIZ management agreement was signed.

On 27 October 2017, the Company was notified of the deletion of ProsperoCapital sp. Z o.o. from the Register of Entrepreneurs of the National Court Register. in liquidation due to winding-up proceedings.

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

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

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

##### As at the date of issue of the previous periodic report, i.e. September 5th 2017

Shareholder	Number of shares	Ownership interest (%)	Number of votes held	Share in total voting rights at GM (%)
Piotr Krupa	1,927,247	10.28	1,927,247	10.28
NN PTE*	2,100,000	11.20	2,100,000	11.20
Aviva OFE*	1,149,000	6.13	1,149,000	6.13

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

##### As at the date of issue of this interim report

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

Aviva OFE*	1,149,000	6.13	1,149,000	6.13
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(\*)Data based on the list of shareholders holding 5% or more of total voting rights at the Extraordinary General Meeting of KRUK S.A. held on May 15th 2017.

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

Below you will find information on the change in ownership of significant shareholders of KRUK S.A. during the period from the date of publication of the previous half-year report, until the date of publication of this interim report:

On September 7th 2017, September 21st 2017, and September 25th 2017, the Company received notifications from Piotr Krupa, a major shareholder in the Company, concerning the following ordinary session trades executed on the Warsaw Stock Exchange: acquisition of 48,000 KRUK S.A. shares on September 6th 2017 at the average price of PLN 316.79 per share, sale of 10,000 KRUK S.A. shares on September 19th 2017 at the average price of PLN 303.80 per share, and acquisition of 17,660 KRUK S.A. shares on September 22nd 2017 at the average price of PLN 282.52 per share.

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

Name and surname	Position	Number of shares held
Piotr Krupa	CEO and President of the Management Board	1,982,907
Urszula Okarma	Member of the Management Board	107,001
Agnieszka Kulton	Member of the Management Board	45,000
Iwona Słomska	Member of the Management Board	36,750
Michał Zasepa	Member of the Management Board	32,191
Tomasz Bieske	Member of the Supervisory Board	1,222

Apart from the change in the number of shares held by Piotr Krupa, President of the Management Board, in the period from the issue of the previous periodic report (the report for H1 2017, issued on September 5th 2017) to the date of issue of this interim report, there were also changes in the number of Company shares held by Michał Zasepa and Tomasz Bieske.

On September 11th 2017, the Company received a notification from Tomasz Bieske, member of the Company's Supervisory Board, under Art. 19 of MAR, to the effect that on September 7th 2017 Mr Bieske had acquired 350 shares in KRUK S.A., at the average price of PLN 306.28 per share, in ordinary session trades on the Warsaw Stock Exchange.

On September 12th 2017, the Company received a notification from Tomasz Bieske, member of the Company's Supervisory Board, under Art. 19 of MAR, to the effect that on September 12th 2017 Mr Bieske had acquired 230 shares in KRUK S.A., at the average price of PLN 301.95 per share, in ordinary session trades on the Warsaw Stock Exchange.

On September 25th 2017, the Company received a notification from Michał Zasepa under Art. 19 of MAR, to the effect that on September 22nd 2017 Mr Zasepa had acquired 800 shares in KRUK S.A., at the average price of PLN 282.48 per share, in ordinary session trades on the Warsaw Stock Exchange.

### Incentive scheme at KRUK S.A.

#### Incentive scheme for 2015–2019

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

The 2015–2019 Incentive Scheme is the second incentive plan operated by the KRUK Group. Details of the previous 2011–2014 Incentive Scheme can be found in the Directors' Report on the operations of the KRUK Group in 2015.

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

For the purposes of the 2015–2019 Incentive Scheme, the General Meeting approved a conditional share capital increase of up to PLN 847,950, through an issue of up to 847,950 Series F ordinary bearer shares. The right to subscribe for Series F shares may be exercised by holders of subscription warrants no later than on December 31st 2021.

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

Subscription warrants for a given financial year will be granted to eligible persons on condition that the annual EPS, calculated based on the Group's consolidated financial statements, grows, on an annualised average basis, by no less than 13% relative to the base year.

Details of the 2015–2019 Incentive Scheme can be found in the Directors' Report on the operations of the KRUK Group in 2016.

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

#### Tranche I

On June 9th 2016, the Supervisory Board declared, by way of resolution, that the condition set forth in the Stock Option Scheme for offering subscription warrants under Tranche I for 2015 had been met. On June 17th 2016, the Company's Management Board passed a resolution to determine the list of persons other than Management Board members who were eligible to acquire Tranche I subscription warrants for 2015 under the 2015–2019 Stock Option Scheme.

On this basis, on June 22nd 2016, the Management Board invited the eligible persons other than Management Board members to acquire Tranche I subscription warrants. As a result, 86,435 subscription warrants were delivered to the eligible persons on July 1st 2016.

On August 27th 2016, the Company's Management Board passed a resolution to determine the list of Management Board members eligible to acquire Tranche I subscription warrants for 2015 under the 2015–2019 Stock Option Scheme, which was later amended by the Management Board resolution of October 24th 2016. On this basis, the Supervisory Board invited the Management Board members to acquire Tranche I subscription warrants under the 2015–2019 Stock Option Scheme. On October 27th 2016, 20,000 subscription warrants were delivered to the eligible Management Board members.

#### **Tranche II**

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 II 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 II subscription warrants for 2016 under the 2015–2019 Stock Option Scheme.

On this basis, on July 4th 2017, the Management Board invited the eligible persons other than Management Board members to acquire Tranche II subscription warrants. 91,467 subscription warrants were delivered to the eligible persons on July 7th 2017.

On August 10th 2017, the Company's Management Board passed a resolution to determine the list of Management Board members eligible to acquire Tranche II subscription warrants for 2016 under the 2015–2019 Stock Option Scheme. On this basis, the Supervisory Board invited the eligible Management Board members to acquire Tranche II subscription warrants under the 2015–2019 Stock Option Scheme. On August 24th 2017, 50,480 subscription warrants were delivered to the eligible Management Board members.

The number of Tranche I and Tranche II subscription warrants allotted to the Management Board members is presented below:

<b>Name and surname</b>	<b>Position</b>	<b>Number of warrants held under Tranche 1 and 2 for 2015 and 2016</b>
Piotr Krupa	CEO and President of the Management Board	17,820
Agnieszka Kułton	Member of the Management Board	13,165
Urszula Okarma	Member of the Management Board	13,165

Iwona Słomska	Member of the Management Board	13,165
Michał Zasepa	Member of the Management Board	13,165

## 17. Litigation, arbitration or administrative proceedings

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

Liabilities – 5 largest cases

<i>Subject matter</i>	<i>VALUE OF CLAIM [PLN]*</i>	<i>Date instigated</i>	<i>Parties to the proceedings</i>	<i>Kruk S.A.'s position</i>
abusive clauses, contract nullity	PLN 39,545,537.01	Jan 12 2017	Negru Danut, Kruk Romania, Piraeus Bank	expected dismissal of the claim for declaration of contract nullity; with respect to abusive clauses, the outcome of the proceedings cannot be predicted
abusive clauses, contract nullity	PLN 27,500,474.02	Nov 24 2010	Gurau Anca, KRUK ROMANIA S.R.L., BCR	expected dismissal of the claim for declaration of contract nullity; with respect to abusive clauses, the outcome of the proceedings cannot be predicted
abusive clauses, contract nullity	PLN 27,000,063.68	Jan 12 2017	Petrea Marius, Secapital SaRL	expected dismissal of the claim for declaration of contract nullity; with respect to abusive clauses, the outcome of the proceedings cannot be predicted
compensation for harm suffered	PLN 21,546,400.00	Nov 24 2010	Atomei Sorin Valentin, KRUK ROMANIA S.R.L.	expected dismissal of the claim - no arguments for a decision to award compensation
abusive clauses, contract nullity	PLN 17,762,150.58	Apr 20 2016	Decă Elena, Secapital SaRL and KRUK Romania	expected dismissal of the claim for declaration of contract nullity; with respect to abusive clauses, the outcome of the proceedings cannot be predicted

## Liabilities – 5 largest cases

<i>Subject matter</i>	<i>VALUE OF CLAIM [PLN]*</i>	<i>Date instigated</i>	<i>Parties to the proceedings</i>	<i>Kruk S.A.'s position</i>
bankruptcy proceedings	PLN 31,525,232.79	Feb 26 2015	PROKURA NSFIZ, ZAKŁADY PRZETWÓRSTWA TWORZYW EKO-PET Sp. z o.o. w upadłości likwidacyjnej (in liquidation bankruptcy)	Proceedings are pending. The company was sold in February 2017; in September 2017, the Fund received PLN 1,494 thousand following performance of a plan of distribution of the proceeds from the sale of real property, in the uncontested part. In addition, we have taken steps to participate in the plan of distribution of the remaining proceeds from the sale of the company, i.e. proceeds from the sale of movables. For this purpose, we have filed a correction of our lodgement of claims, and if necessary, we will file objections against the distribution plan.
bankruptcy proceedings	PLN 30,828,937.83	Mar 17 2011	PROKURA NSFIZ, LIBERTÓW Sp. z o.o. w upadłości (in bankruptcy)	Proceedings are pending. The receiver is continuing proceedings against a construction company, value of claim: PLN 20m; it is difficult to say whether there are any chances of receiving any funds from the bankruptcy estate, the case is still in the first instance court; the next hearing has been scheduled for October 2017.
bankruptcy proceedings	PLN 26,563,173.37	Feb 11 2016	KRUK ROMANIA S.R.L, HELCO S.R.L.	good chances that the debt may be recovered
bankruptcy proceedings	PLN 27,098,175.75	Mar 13 2013	Investcapital Malta, TIERRAS DE VALENCIA SA	good chances that the debt may be recovered
bankruptcy proceedings	PLN 25,722,506.82	Mar 16 2007	Investcapital Malta, VITELCOM MOBILE TECHNOLOGY S.A.	good chances that the debt may be recovered

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



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

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

#### Total number of court cases as at September 30th 2017

	<i>Total number of cases</i>	<i>Total amount (PLN)</i>
Total number of court proceedings (including bankruptcy proceedings) instigated by the Group companies and total value of the Group's claims	631,999	PLN 12,693,646,202
Total number of enforcement proceedings instigated by the Group and total value of claims	1,307,598	PLN 15,993,845,638
Total number of court proceedings instigated against Group companies and total value of claims (proceedings concerning the Company's or its subsidiary's liabilities)	7,119	PLN 437,228,539

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

Parent's transactions with subsidiaries as at September 30th 2017

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

<i>PLN '000</i>	<b>Liabilities</b>	<b>Receivables</b>	<b>Loans advanced</b>	<b>Interest accrued on loans advanced</b>
ERIF Business Solutions Sp. z o.o.	-	31	1,100	29
SeCapital S.à. r.l	3,894	870	-	-
Novum Finance Sp. z o.o.	-	680	18,392	-
SeCapital Polska Sp. z o.o.	-	4	77	-
Kancelaria Prawna RAVEN Krupa & Stańko sp. k.	2,287	1,913	-	-
KRUK Romania S.r.l.	691	1,686	80,058	750
Rejestr Dłużników ERIF BIG S.A.	-	368	-	-
PROKURA NSFIZ	4,297	9,974	-	-
KRUK Česká a Slovenská republika s.r.o.	332	3,628	60,533	38
KRUK TFI	-	3,745	-	-
InvestCapital Malta Ltd.	-	125	-	1,002
RoCapital IFN S.A.	-	-	-	-
Kruk Deustschland Gmbh	-	225	-	-
Kruk Deustschland Gmbh (Branch)	-	51	-	-
KRUK Italia S.r.l	-	278	1,761	19
ItaCapital S.r.l	-	261	-	-
KRUK Espana S.r.l	-	(39)	-	-
ProsperoCapital S.à. r.l.	-	-	-	-

Presco S.a.r.l.	2,020	-	-	-
PRESCO NSFIZ	194	317	-	-
	13,715	23,800	161,921	1,838

*Revenue from mutual transactions*

<i>PLN '000</i>	<b>Revenue from sale of materials and services</b>	<b>Revenue from credit management services</b>	<b>Interest and dividends</b>
SeCapital S.à. r.l	-	382	6,262
ERIF Business Solutions Sp. z o.o.	54	-	46
Novum Finance Sp. z o.o.	440	-	-
SeCapital Polska Sp. z o.o.	8	-	2
Kancelaria Prawna RAVEN Krupa & Stańko sp. k.	1,597	-	-
KRUK Romania S.r.l.	1,319	-	2,498
Rejestr Dłużników ERIF BIG S.A.	639	-	-
PROKURA NSFIZ	50	-	-
KRUK TFI	-	33,231	-
KRUK Česká a Slovenská republika s.r.o.	422	-	975
InvestCapital Malta Ltd.	11,893	-	32,428
RoCapital IFN S.A.	-	-	52
Kruk Deustschland Gmbh	680	-	-
Kruk Deustschland Gmbh (Branch)	163	-	-
KRUK Italia S.r.l	341	-	94
ItaCapital S.r.l	293	-	-
KRUK Espana S.r.l	433	-	-
ProsperoCapital S.à r.l.	-	-	-
Presco S.a.r.l.	-	10,193	-
PRESCO NSFIZ	28	-	-
	18,332	43,806	42,357

*Costs of mutual transactions*

<i>PLN '000</i>	<b>Purchase of credit management services</b>
Kancelaria Prawna RAVEN Krupa & Stańko sp. k.	1,282
KRUK Romania S.r.l.	6,146
Rejestr Dłużników ERIF BIG S.A.	195
KRUK Česká a Slovenská republika s.r.o.	339
	<hr/> 7,962 <hr/>

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

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

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

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

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

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

**Piotr Krupa***President of the Management Board***Agnieszka Kułton***Member of the Management Board***Urszula Okarma***Member of the Management Board***Iwona Słomska***Member of the Management Board***Michał Zasepa***Member of the Management Board***Monika Grudzień-Wiśniewska***Person responsible for maintaining  
the accounting records**Wrocław, October 29th 2017*